

Small Business Institute Director's Association
(SBIDA) 1990

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SBIDA ON THE MOVE TO SERVE SMALL BUSINESS

Dewey E. Johnson, California State University, Fresno

Out-Going Presidential Address

INTRODUCTION

Last February at the SBIDA Annual Meeting in Washington D.C. recalled the words of Lincoln written in 1861:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty. And we must rise to the occasion. As our case is new, so we must think anew, and act anew. We must disenthrall ourselves [from the past]."

These words were more than a little prophetic.

The Small Business Institute Program was in deep trouble. . . more than any of us realized. We were relying on our friends in Congress to fight our battles without giving them the resources they needed. . . success stories, economic impact data, educational accomplishments. For those of you at our Washington conference it was clear that the SBIDA was in disarray. As the comic strip character Pogo noted, "We have met the enemy and they is us!"

What I would like to do in my remarks is to evaluate the situation last February, report on the progress made during the past year and suggest some initiatives for the future.

First, where we stood last February.

Image

SBI's support in Congress was rapidly eroding. Congressmen and their staffers were lukewarm at best and several were openly antagonistic. We had worn out our welcome through lack of attention. In the SBA, we were their "best kept secret."

User Fees

\$100 user fees were about to be imposed with very damaging effects on the SBI Program.

Budget

The SBI budget had eroded from \$3,000,000 and 7,500 cases in FY 86 to \$2,523,000 and 6,308 cases in FY89. The FY 90 SBI budget request was \$2,200,00 and 5,500 cases, a further decrease.

Membership

Membership had stagnated between 450 and 500.

What has happened during the past twelve months? Clearly SBI is on the move!

Image

Congressional support is solidly on the increase. Key Congressmen and their staffers are familiar with the SBI Program and its critical mission. We want to thank particularly Senator Dale Bumpers, Chair, Senate Small Business Committee; Representative John J. LaFalce, Chair, House Small Business Committee; John Ball, Staff Director, Senate Small Business Committee; Tom Powers, General Counsel, House Small Business Committee for their insights, support and guidance.

At the SBA we are slowly gaining recognition as one of their most are pleased that Harry Matzen, the President, SCORE and John made presentations to the SBIDA Board of Directors this afternoon and I had the privilege of making an address to the SCORE 25th Anniversary Workshop in Baltimore last October. We should increase our coordination and partnership with these companion organ-izations.

Journal of Small Business Strategy

You have urged that SBIDA explore additional vehicles for scholarly writing. our new publication is the Journal of Small Business Strategy whose first issue will include the best papers from this Conference. We also attempted to launch the Journal of Consulting in association with St. Louis University, but that effort, although well intended by both parties, did not succeed.

AACS

As I mentioned in my address last year, the Small Business Institute Program is in the mainstream of business education as perceived by the AACSB and their recent Porter and McKibbin "Futures" Report. We have a wonderful opportunity to assume a dominate leadership role in our schools of business. The timing is right and the events leading into the 21st Century support us.

User Fees

Every study we have done shows an overwhelming recommendation by the membership against user fees. We must be continuously alert to the very real possibility that attempts to impose user fees on the SBI Program will occur again. User fees would be devastating to the SBI Program.

Budget

Our short term goal is a \$10,000,000 SBI budget with a case price of at least \$600 together with the policy flexibility to use these funds in a variety of innovative ways. There are many areas in which we can make major, cost- effective contributions if we have the flexibility. I am pleased to note that the 1990 SBA/SBI Contract was revised to start giving us more of this flexibility.

Reporting

SBI management assistance can not be assessed unless there is prompt and accurate reporting. The current SBA MIS reports regarding SBI are in error and the system needs major refinement. We are eager to help in this effort.

Evaluation

We also need to be evaluated. A new evaluation instrument is under development and we are participating in its structure, content and use.

Membership

SBIDA membership of 1,000 is easily within reach given our present constituency. I remain appalled at the number of SBI Directors, perhaps 200, who are not SBIDA members although they receive the benefits you have secured for them. I am pleased that the Strategic Planning Committee under the direction of Don Bradley, is examining the issue of future membership, both from the aspect of numbers, but also of composition.

Member Emeritus

At the request of several recently retired members, a proposal to add the category of Member Emeritus to the Constitution will be placed before you at the Business Meeting.

In closing, I would like to thank you not only for allowing me to effective Programs. We have gained access to SBA's highest levels of leadership and have participated in policy planning for SBA initiatives such as the Young Entrepreneurs Seminars. SBI has been an integral partner with the SBA in disaster assistance to the victims of Hurricane Hugo, the Bay Area Earthquake and other natural disasters. I would like to make special mention of the assistance of Susan Engeleiter, Administrator; William Becker, Deputy Associate Director for Special Programs; John Cox, Associate Administrator for Business Development, and George Solomon and Chris Kobler, also of Business Development.

A major emphasis was placed on advocacy. Since last February, more than 1,000 hours has been spent on advocacy related projects by your officers and the SBIDA Advocacy Committee of Paul Dunn, Dick Lorentz and Gene O'Connor. These efforts have been supported by the thousands of letters that you, your students and your small business clients have written to Congress, to the SBA and to the White House.

Image also means keeping you better informed. The four issues of the SBIDA Newsletter have been supplemented by my three update letters plus appearances by SBIDA officers at many of the Regional meetings held this fall. In addition, Norton Marks has prepared a new SBIDA membership brochure and is completing a very professional SBI national brochure. Murray Leavitt and his committee have completed a terrific New Director's Handbook, Pam Schindler has authored a very comprehensive SBI publicity guide and the Strategic Planning Committee has issued a innovative SBIDA Strategic Plan.

But most of all we have served small business and our students. Since SBI's founding in 1972, more than 500,000 students supervised by 6,000 faculty have provided assistance to 125,000 businesses and the number is growing each year. Not only has the Small Business Institute Program excited students regarding the opportunities in small business and entrepreneurship, it has resulted in significant economic impact. To illustrate:

20,000 students annually are spending an average of 40 hours each for a total of 800,000 hours. Assuming a pay rate of \$6.00, the average pay rate for senior student assistants, this totals \$4,800,000.

There is one faculty advisor for each business and we are serving at least 8,000 businesses annually, both paid and unpaid cases. Each faculty advisor spends a minimum of 20 hours per case for a total of 160,000 faculty hours.

Using a consulting fee of \$75.00 per hour, this totals \$12,000,000.

There are 520 SBI Schools. Assuming 1/4 release time total for SBI faculty at each school at an average salary plus benefits of \$40,000, this is a university contribution of \$5,200,000 plus another \$5,000 per school in facilities, services, etc. for an additional \$2,600,000. This means we are turning a \$2,300,000 federal budget allocation into \$27,000,000. How is that for an annual return on investment!

User Fees

User fees are on hold and under current law SBA cannot implement any new or increased user fees without first providing 30 days prior notification to congressional small business and appropriations committees.

Budget

Our 1990 budget was increased to \$2.5 million before Gramm-Rudman cuts and we are looking at a \$3 million minimum budget for 1991. As the economic impact data indicate, SBI is worthy of Congress's trust and confidence.

Membership

Our membership is more than 700, an all-time high, and more than 40 percent greater than last year. I want to thank the Regional Presidents who aggressively contacted SBI Directors in their Regions and were responsible for much of this increase.

These achievements would not have been possible without the dedication of your elected officers. on your behalf, I would like to thank:

Don Bradley, President-Elect Gwen Fontenot, VP Programs Norton Marks, VP Publications Steve Brown, Secretary-Treasurer Joe Singer, Past President

We must accelerate our pace into the future. Here are some directions:

Image

We must continue to make our case, clearly and confidently, before Congress, the White House, the SBA, allied small business organizations, and the membership in a compelling, tangible manner. We are worthy of our supporters' trust and must not allow ourselves to be a "best kept secret." What does this mean?

Advocacy

Continuation of a very aggressive advocacy campaign by not only the officers and the SBIDA Advocacy Committee, but all of the membership. Critical to this effort is specific success stories. Every Senator and Representative must be provided one or more success stories specific to that Congressman's state or district.

Visibility

We have asked Susan Engeleiter, Administrator, SBA, to appoint the SBIDA President to the SBA Advisory Board. We want to be a vital partner with the SBA and this is an essential step.

Policy Input

We need to be consulted on matters relating to SBI/small business. Our membership constitutes an extensive technical resource regarding rural development, international trade and export, women and minority owned businesses, and particularly small business assistance. We are making progress in having our voices heard. President-Elect Don Bradley was the leading contributor in a SBA Business Development meeting last fall.

A Proposal for a SBA Business development/SBI Policy Fellow position for summer, 1990, was submitted to Business Development. We hope that this forward-thinking Proposal will be funded. But there is much more that we are eager to do in the areas of grants, policy development, and new program initiatives if we are only given the opportunity.

Liaison with SCORE/SBDCS. Thanks to John Bancroft, SBI Director at University of Nevada-Reno, we were invited to send a representative to the January SBDC Advisory Council meeting in Washington. We have served in this distinguished office, but also for your encouragement. SBIDA and the Small Business Institute is on the move. We have shown great progress during this past year, but I feel that we are just on the threshold of much greater achievements.

But we need to be on the move for ours is a critical role in the free enterprise system, a system confirmed by recent world events as one sought by people worldwide to express their deepest aspirations for a better life. We have a mission of trust as we deliver quality management assistance to small business, as we educate students in the benefits of entrepreneurship and as we serve as a focus for small business achievements on our campuses and in our communities.

But we are worthy of this trust if we, as Lincoln suggested, "think and act anew" as we assume our responsibilities for management assistance in the 1990s.

I am looking forward to working with each one of you in this exciting venture.

A SOCIAL ACCOUNTING ACTION PLAN FOR SBI PROGRAMS

Warren D. Schlesinger, Ithaca College

ABSTRACT

The Small Business Institute Program provides a valuable service to the small business community and to the education of business students. This paper advocates incorporating into the consulting services SBI programs offer to clients a non-traditional accounting service, the development of social accounting systems and reports.

INTRODUCTION

The social responsibilities of business became a major concern during the 1960s and '70s as reported by numerous researchers including Chrisman and Archer [3], Dierkes and Antal [5], and Roth [10]. The focus of the debate, however was rarely on the societal responsibilities of small business. Chrisman and Archer [3] reported from previous research by Chrisman in 1983 that less than one out of every 100 articles involving business and social responsibility concerned small business.

The 1980s saw a decline in the public's focus on the non-financial performance of business. Profitability, cash-flow and breakup value became ascendant concerns. Articles published in the 1980s concerning the social responsibilities of the firm continued to be focused on large businesses. In a computer assisted literature search conducted by this author covering the years 1984-89 only 9 out of 1456 articles on social responsibility had a small business focus.

With the 1980s now over, a President in power who was elected calling for "a kinder, gentler nation" and a nation horrified by the Exxon Valdez disaster, the trumpeting of the free market as the only arbiter of value may be over. Business Week [8], reflecting a renewed interest in social issues, reported in an article, "Fighting Back: The Resurgence of Social Activism," that "Environmental and consumer groups, virtually ignored during the Reagan years, are winning victories again." The 1990s may see a resurgence of interest in a firm's non-financial performance reflecting social values and the perceived social responsibilities of the business community. Business needs to be prepared to respond, especially small business which accounts for 99% of all businesses, employs over 60% of the workforce including the self-employed, accounts for almost 47% of the private output of the country, and has been the major contributor to the economy's addition of nearly 18 million new jobs from 1982-1988 [1] [11].

Past Research

Research to determine the social responsiveness of small business has been very limited. More research is needed. Those studies that have been done have suffered from a variety of shortcomings. Some have had a fairly small sample size (e.g. , Chrisman and Archer [3]). Some studies have used a sample drawn from a very local geographic area (e.g., Wilson [12] or Chrisman and Fry [4]). Other studies have focused only on a narrow issue relating to the social responsibilities of small businesses. Brown and King [2] and Longenecker, McKinney and Moore [9], for example, focused their research on small business ethics.

Despite the limitations of the previous studies, all provided evidence in the direction that " ... small businesses are aware of their social duties and operate in a reasonably responsive

manner" [3]. None of the studies, however, give any indication that any of the small businesses surveyed engage in social accounting (i.e. a process to collect relevant non-financial data) social reporting or are subject to social audits by independent third parties.

A review of the research to date thus indicates that there is a gap between the performance of small business in the area of social responsibility and its communication to others whether it be consumers, creditors, employees or even the owners themselves. The development of a social accounting system to collect relevant non-financial data and the issuance of a social report would be beneficial to small business in an era of increased public concern about business' social responsibilities.

The Role of SBI Programs

Small Business Institutes can play a very important role across the nation in experimenting with the development of social accounting systems for small business. For every Small Business Institute client, a student team as part of its consulting contract could work with management to design a social accounting system and a social accounting report appropriate for the client. As reported by Roth [10] in an article advocating social accounting for small business, "Since generally accepted accounting principles have not been developed for social data as they have for financial data, managers are free to select the measurement and reporting techniques they believe are appropriate."

The purpose of this paper is to advocate SBI involvement in the development of social accounting systems for small business and not to advocate any one particular social accounting model. Dierkes and Antal [6] discuss three broad categories of possible models: the inventory reporting model, the goal accounting and reporting model and the social indicator model. Estes [7] offers a more detailed model. Other suggestions are available in the social accounting literature.

A good beginning to the development of a social accounting action plan would be a review of the survey used by the Council on Economic Priorities (CEP). The CEP distributes a questionnaire that asks detailed questions relating to economic development programs for minorities and women; special benefits and services such as flextime, jobsharing and childcare; community involvement; charitable contributions; fair employment practices for women, minorities and people with disabilities; energy conservation; occupational safety and health; animal rights; military contracting; and South Africa [5].

The involvement of SBI programs in the development of social accounting systems for small business clients will benefit SBI clients, students, academic researchers and society. These benefits will be discussed below.

Benefits to SBI Clients

The development of a social accounting report will benefit small businesses in several ways. Increased awareness by stakeholders (consumers, employees, suppliers, lenders and owners) of a firm's social responsiveness may reward the firm for actions already taken. Employees may feel greater pride. The firm may generate greater goodwill from consumers and suppliers. Alternatively, the social accounting report may protect a firm by alerting management to a firm's shortcomings that the traditional financial report would fail to identify. For example, a firm may have an unidentified contingent liability depending upon

how it is disposing of toxic wastes. Or a firm may be failing to maximize its investment in human resources because of its employment and related benefit practices.

The voluntary production of a social accounting report beyond legally mandated requirements may not be justifiable to the small business on a short run cost/benefit basis. However, to the extent society becomes more interested in the social responsiveness of business, it would be in the collective interest of the small business community to adopt voluntary social accounting reports rather than to wait for mandatory requirements. Voluntary reporting tends to be more flexible and less costly.

Benefits to SBI Students

Students very often do not see the forest from the trees. They do not have the experience. Their academic business training often has a narrow technical focus. A review of six popular introductory accounting texts by this author failed to uncover any content devoted to the area of social accounting. Students on an SBI team involved in the development of a firm's social action report will be challenged to understand the broader context in which a firm operates and the complex relationship between a firm and its stakeholders.

Benefits to Academic Researchers and Society

According to Dierkes and Antal [6] in a report calling for mandatory social reporting, "The usefulness of disclosure to achieve the goal of corporate social responsiveness with a minimum of cost to business and to society in the long run therefore can be postulated today as a goal, but not measured directly." Before we have extensive mandatory social accounting reports, society would be well served to have more research done as to its costs and benefits. The development of social accounting reports for SBI clients would serve as a useful experiment for academic researchers examining the value of social accounting. Researchers could examine the impact social accounting reports have internally on the firm as well as on its relations with consumers, suppliers and lenders. In addition, academics could develop case studies for use in the classroom.

CONCLUSION

There is a renewed interest by the public in the social responsibilities of business. This paper suggests that small business, SBI students, academic researchers and the society at large would benefit if SBI programs included the development of social accounting reports as, one of the services offered to SBI clients.

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CAPITAL BUDGETING TECHNIQUES FOR SMALL FIRMS

Jeryl L. Nelson, Wayne State College Roy A. Cook, Fort Lewis College

ABSTRACT

Several alternatives exist for small businesses to make capital budgeting decisions. Unfortunately, most small businesses rely on the payback method to rank their investment decisions, while more sophisticated alternatives are available. The purpose of this paper is to give a general overview of the capital budgeting techniques available and to apply these techniques to small businesses, while pointing out the inherent problems in each of these alternatives.

CAPITAL BUDGETING TECHNIQUES

A number of capital budgeting techniques are available to financial managers of either small businesses or large businesses. The generally accepted techniques are payback period, net present value, internal rate of return, accounting rate of return, and a newer concept, discounted payback. The most popular primary and secondary capital budgeting techniques used by large businesses are payback period and internal rate of return.(4; 12). Schall et al. also showed that most firms using a discounted cash flow model utilize the weighted average cost of capital of their firm for the discount rate. They also found the use of discounted cash flow models were rising, with only 57% of the firms using discounted cash flow models in 1970, and 78% of the firms using them in 1978 (12).

Payback Period

The payback period is the most frequently used capital budgeting technique for large businesses, although in large businesses it is very rarely used alone, but generally with some other technique as well (12). Unfortunately, this is not true for small businesses, where frequently the payback period is the only technique used (1; 5). The reliance on payback period may not be as great now as in the Brigham and Smith 1967 study, but it can be noted that it is heavily relied upon by small business owners.

Small business owners rely on payback period for their capital budgeting decisions because the principles underlying it are easily understood. The payback period shows the small business owner how long it will take him to payback his/her investment in the project. This concept is more meaningful to a small business owner than the other methods, particularly because of the interest in the liquidity of the firm, rather than the return on investment. Because cash flows in the distant future are inherently risky, a shorter payback period implies that a project is less risky (1).

The problems with payback period are abundant. The payback method ignores those cashflows beyond the payback period, and ignores the time value of money. By ignoring these principles, the payback method does not maximize the return on investment of the firm . Why then, do businesses continue to use the payback period for decision-making? Statman noted that this may be a tradeoff between the interests of the owners and the managers (14). The payback method is short-run in nature, and may be tied to the compensation of the managers. Statman also noted that the payback method is used more in firms where management compensation is tied closely to short-term accounting earnings rather than those firms where compensation is tied to long-term earnings (14).

If the payback method is more short-term in nature, it provides us insights as to the reasons why small businesses utilize it most often. Small businesses typically do not engage in long-term planning, and as such are not as concerned with long-range capital budgeting techniques. Sexton and Van Auken conducted a survey that showed only 14% of the small businesses sampled could be classified strategic planners (11). They defined strategic planners as those business that had knowledge of next year's anticipated company and industry sales, anticipated company profits, and profit implementation plans.

Net Present Value

The net present value method provides a framework to consider alternative capital investments, utilizing a discount rate for the time value of money. The present value of the cash inflows are compared against the present value of the cash harder to calculate than net present outflows. As long as the present value of the cash inflows are greater than the present value of the cash outflows, the project is acceptable. With limited capital, those investments with the highest net present value are accepted, until the available capital is exhausted. The discount rate that is generally used is the weighted average cost of capital for the firm (12).

The net present value method is very useful, and considers the time value of money. Although it is more difficult to calculate than payback period, the recent advances in hand-held calculators has made the determination of net present value much easier. The main obstacle to its greater acceptance by the small business community is a lack of understanding of the process by small business owners. Many of the owners are unaware the process exists, how it can be used, and the principles underlying it.

Another problem with the net present value method is that it assumes that positive net present value projects do exist and can be identified. Shapiro outlined a general set of situations in which positive net present value projects generally occur (13). He pointed out the service is the key to extraordinary profit ability for many firms, and for small businesses this alternative is probably the best (13).

Internal Rate of Return

The internal rate of return is similar to the net present value, in that it considers the time value of money. An internal rate of return is the true or effective interest yield generated by an investment over its life, and can be defined as the discount rate that equates the present values of the cash outflows to equal the present values of the cash inflows (3). The internal rate of return is used by businesses more often than net present value (12; 4). The internal rate of return is also more easily understood by users who do not have formal training in accounting or finance (9).

Internal rate of return has some drawbacks, one of which is that it is harder to calculate than net present value, particularly if it has uneven cash flows. This problem has been partially alleviated by the increase in the capabilities of handheld calculators, but still can be tough for the small business owners to grasp. Another problem with internal rate of return is that, when projects are ranked by this criterion, it assumes the firm has the opportunity to reinvest the cash generated at the internal rate of return. The net present value method assumes the cash flows generated by a project can be reinvested at the firm's cost of capital (2). Brigham also noted that the net present value method is preferable over the internal rate of return in the ranking of investment alternatives (2).

Accounting Rate of Return

The accounting rate of return is used by a large number of firms, and available evidence suggests that it is the primary investment tool of smaller businesses (9). Because of this, small businesses should be particularly interested in

the errors inherent in the use of accounting rate of return. The accounting rate of return is generally computed as follows (2):

Average Annual Accounting Income Total Investment

McIntyre and Icerman found that decision makers who rely on the accounting rate of return can expect to encounter "frequent and often crucial errors such that a decision may be made to accept an undesirable investment or reject a desirable investment" (9). Because of this finding, it is suggested that small business owners not use the accounting rate of return, and utilize the internal rate of return computation in its place.

Discounted Payback Period

The discounted payback period can be defined as the period required for the initial cash investment in a project to equal the discounted value of the expected cash inflows (1). The discounted payback method is similar to the payback period in that it looks at the length of time it takes a project to "payback." The difference lies in the discounting of the cash flows with the discounted payback period, while the cash flows are not discounted in the traditional payback period. The discounted payback period is a better gauge of break-even than the payback period because it is a period beyond which a project generates economic profit rather than accounting profit (1). The discounted payback period is also a more conservative approach to capital budgeting than the traditional payback period.

The limitation of the discounted payback period is that it does not measure the return on investment over the entire life of the project, but rather looks only at the time horizon needed to "pay" for the project with the discounted cash flows (1). The weighted average cost of capital of the firm should be used as the discount rate in calculating the cash flows of the project. Another limitation of the discounted payback period is that it is much harder to calculate than the traditional payback period. It does, however, make a suitable substitute for the traditional payback period for a small business owner because it is almost as easy to understand as the traditional payback period.

CONCLUSIONS

Many small businesses continue to use payback period for their capital budgeting decisions. Unfortunately, this is not a good criterion to rank these decisions, and the discounted payback method is vastly superior. In addition, small businesses should also be using the net present value method for ranking projects. The net present value method is more easily understood and computed by small business owners than the internal rate of return, and is generally felt to be superior. If small businesses utilize these two methods in their capital budgeting decisions, they should become more profitable, more long-term oriented, and have a higher level of profitability.

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es should be particularly interested in

the errors inherent in the use of accounting rate of return. The accounting rate of return is generally computed as follows (2):

Average Annual Accounting Income Total Investment

McIntyre and Icerman found that decision makers who rely on the accounting rate of return can expect to encounter "frequent and often crucial errors such that a decision may be made to accept an undesirable investment or reject a desirable investment" (9). Because of this finding, it is suggested that small business owners not use the accounting rate of return, and utilize the internal rate of return computation in its place.

Discounted Payback Period

The discounted payback period can be defined as the period required for the initial cash investment in a project to equal the discounted value of the expected cash inflows (1). The discounted payback method is sim

OBTAINING CAPITAL FOR A SMALL BUSINESS: A METHOD THAT LEADS TO SUCCESS

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The biggest obstacle facing potential minority entrepreneurs in the Greater Pierce County - Tacoma area is access to capital. This is especially true for the large number of Asian immigrants/refugees that have settled in the area since 1972. Discrimination by bank loan officers have restricted the number of start-ups as well as growth of existing businesses.

INTRODUCTION

In the early 70's through early 1980 funds were available through several sources. The early immigrants/refugees were encouraged to apply and accept this financial support. Advice and assistance were available to enhance success in business.

Many of the early groups accepted this assistance and financial support to start and operate their business. These early businesses were monitored closely on request from the entrepreneur and spontaneously by personnel involved in the various programs.

Starting in late 1978 large and small business owners became concerned and possibly envious of the success of the refugee population in business. As the Asian refugee population increased more businesses opened. In the early to late 70's most of the businesses owned or operated by the Asian refugees and immigrants were located on the Eastside of Tacoma (Lincoln District). Starting in mid-1980 this business population had expanded to South and Southwest Tacoma, from Ponder to city center - central Business District. In 1986 and 1987 three new malls opened and numerous other businesses were totally occupied by the Asian immigrant and refugees. A Little Seoul and Little Saigon became very visible to everyone in the Tacoma - Pierce County area. The population continued to grow at a rate of 150-200 people per month.

Conflict and racism increased from the schoolyard to the Asian community and businesses. At this same time these prosperous development programs continued to lose their finances. The city of Tacoma - Pierce county were not aware or overlooked the fact that financial support from the federal, state and local governments as well as social groups had all but totally dried up. They, the citizens, continued to believe that these people, the Asians, were being catered to with their tax dollars and causing American owned small businesses to fail.

The fact of the matter is, those individuals who arrived in the Tacoma Pierce County area from 1980 to present have received very limited support or assistance from, SBA, SCORE, or the Tacoma Economic Development Agencies. Those who applied for assistance from 1978 to mid-1980's found so many bottlenecks and delays in financing they decided to organize more Lending Clubs. (These clubs are ethnically organized). These Lending clubs were so successful until by late 1987 request for financial support and assistance were almost non-existent. The Chamber of Commerce of Greater Tacoma - Pierce county has no record of request for support or assistance since 1987. SCORE continues to offer seminars but are largely attended by the American population.

It is also to be noted that approximately 90% of all of the Asian owned businesses that have opened since 1975 are still in existence. Another 5% of the owners moved to a different area and in the case of many Korean the individual or family returned to Korea. It is estimated that about 5% fail (far below the national average).

It should be further noted that most of the Korean businesses are not financed through the Lending Clubs, financial support is obtained from relatives, friends or business associates still residing in South Korea or elsewhere in the United States.

Population Change

Over the past 30-35 years numerous changes have taken place in the ethnic make-up of the population of Greater Pierce County - Tacoma. Once a small community whose ethnic make-up was 98+% Anglo-Saxon is now a multinational community with a population in excess of 300,000. Approximately 16%* of this population is classified as minority. According to the 1980 census the minority population consist of 9% Black, 3% Asian, and 2% each for those of Spanish and American heritage. The fastest growing groups are the Asian and Spanish. (11, P.1)

The largest increase in population of a single ethnic group is the Asians. This group includes not only immigrants but large groups of refugees from Cambodia, Laos and Vietnam.

The Vietnamese

The withdrawal of American servicemen from South Vietnam in 1972 led to the defeat of the South Vietnamese Army, downfall of the provisional government and takeover by the North Vietnamese. Large groups of individuals fled the country to neighboring Thailand seeking asylum. The individuals further requested and received asylum in the United States. Increments as large as 100 thousand or more arrived on American shores. They were housed on federal installations where they received full support to include medical/dental care and language

*Latest available census for the area training. With time these individuals were integrated into the American population.

Cambodians and Laotians

Much like the Vietnamese the Cambodians and Laotians were fleeing from oppression and a government that annihilated large groups of citizens and incarcerated others who dared to challenge a socialistic form of government. Although not in as large numbers they were indirectly affected by the Vietnam War. They also sought asylum in Thailand awaiting the opportunity to enter the refugee pipeline to the United States. They received the same support as the Vietnamese from the county, state and federal government.

The Koreans

Koreans constitute approximately 50% of the immigrants to the Tacoma area during the past 30-35 years. Many are second generation whose parents were students in American colleges, universities and trade schools when the Korean conflict erupted in 1950.

Following both World War II and the Korean conflict the Korean community started to gradually increase. The population has increased although there is a break-up of the extended family, and massive confrontation of racism. (10, P. 101)

Integration into the Community

The integration of the Vietnamese, Laotian and Cambodian refugees into the Tacoma community was handled somewhat different than in other communities. Great Pierce County Tacoma has several large military installations, (Fort Lewis Madigan Army Medical Center and McChord Air Force Base), with a large Asian population. Neighboring King County - Seattle has an even larger Asian population and community. These facts made for a more conducive settlement in Tacoma - Pierce County area of the Puget Sound region. (5, P. 3)

Refugees settling in this area were sponsored by social and religious organizations, families, friends and other Asians who are U.S. citizens or military dependents.

The Labor Force

The Tacoma - Pierce county labor force has become more white collar and less blue collar oriented. Greater Pierce County - Tacoma provides its citizens with a quality of life and standard of living that is rare, even among other areas of the Pacific Northwest. This can be attributed to the fact the city of Tacoma is the largest of the communities in Pierce county with a population between 164-200,000. It is a city of clean neighborhoods, excellent school district, and a downtown which was rebuilt under the impetus of a \$94 million downtown redevelopment program.

Location has also contributed to the white collar labor force. From Tacoma - Pierce county's 235 miles shoreline along Puget Sound with its beaches, boating and water activities to the 14,410 foot glacial peak of Mount Rainier which sports skiing, mountain climbing and backpacking the distance is only a mere 52 miles.

Employment

Generally, Tacoma - Pierce county's employment picture has been one of growth. Like all major metropolitan areas, national and world-wide economic trends impact the local employment market. Since 1970 employment has been greater than the national average.

REVIEW OF THE LITERATURE

A considerable number of researchers have reported on the problems immigrants incur when seeking capital to finance a venture, (Allen 1978, Birch 1983, Dunbar 1984, Johnston et al 1975, King 1987, Shannon and Shannon 1973, Sowell 1981 and Valasquez 1982.) Zimmerer and Scarborough (1988) stated the biggest obstacle facing all minorities is access to capital. Baumbach (1988) stated the smaller businesses have serious financial problems in at least three respects: 1. Securing funds in small amounts at rates comparable with those paid by large firm 2. Building and maintaining adequate financial reserve and 3. Securing equity capital (2, P. 20)

Hawkes (1987) agrees with Zimmerer and Scarborough and Baumbach. He further classified this situation as The Peru Syndrome. He stated "A bank is the most conservative of all possible sources of capital for a small business. You could argue that it is in the business of

losing only large amounts of capital, never small. So your bank loan will be secured two ways at least, by collateral and by your personal assets."

To overcome this problem the Asian immigrants have returned to old established customs, Neighborhood Financing (ie, Lending Clubs). The various ethnic groups identify these clubs as follows: 1. hui - Chinese 2. tanomoshi - Japanese*** 3. kye - Korean 4. hoi - Vietnamese.

The formation of these groups supports Shannon and Shannon (1973) when they stated, "when a highly visible immigrant group has not been absorbed into the economy to the same extent as members of the larger host society, an explanation postulating ethnic or racial discrimination may be appropriate and sufficient to explain actions of the larger community."

Other research efforts have also focused on racial and ethnic overtone because of the superficial knowledge of human behavior and cultural differences.

DESIGN AND METHODOLOGY

This study took two approaches. First contact was effected with the Chamber of Commerce Staff in Lakewood and the Greater Pierce County - Tacoma area. This was necessary to identify those areas within the city and county that had a large immigrant population and concentration of businesses. The areas identified were Lincoln Heights (Eastside of Tacoma), Pacific Highway South and South Tacoma Way. The second approach involved preparation of a structured interview questionnaire and contact with the randomly selected business persons. The structured interview questionnaire was used for two reasons; (1) To assure no significant deviation from one interviewee to another, and (2) considering the possibility of limited mastery of the American language orally and in writing.

The Structured Interview Questionnaire consisted of four parts; (a) Demographics, (b) Educational Background and (c) Business Experience, followed by fourteen (14) questions specifically designed to ascertain source of financing for each business (see Appendix II). Approximately 150 immigrant business owners were contacted between June 5 to June 28, 1989. One hundred-thirty five (90%) initially agreed to participate in the study. Interviews were started on 6 July and completed on 26 July. Final count was 105 (70%) for overall participation.

Subject

The invited population consisted of owners of retail, wholesale, manufacturing and service businesses. The interviews were conducted with the assistance of an individual fluent in both the American language and the native language of the immigrant business owner, where needed.

Results of the Study

The data were extracted from information obtained and recorded on 105 structured interview questionnaires.

DEMOGRAPHIC DATA (N = 105)

SEX NR % 1. Male 87 82.9 2. Female 18 17.1

AGE GROUP

1. 20-30 6 5.7 2. 31-40 40 38.1 3. 41-50 42 40 4. 51-over 17 16.2

ETHNICITY (be specific)

1. Burmese 2 2 2. Korean 57 54 3. Vietnamese 38 36 4. Thai 3 3 5. Laotian 3 3 6. Malaysian 2 2

EDUCATIONAL BACKGROUND

1. Elementary School (grades 1-6) 22 20
2. Middle School (grades 7-9) 42 40
3. High School 28 27
4. BA Degree/ Equivalent 6 6
5. Masters Degree 3 3
6. Doctorate/ Professional 2 2
7. Other Certification/ License 2 2

BUSINESS EXPERIENCE

1. Type of Business	NR	%
a. Retail	87	83
b. Service	12	11
c. Manufacturing	3	3
d. Wholesale	3	3

2. Years in Business		
a. 1-5 years	17	16
b. 6-10 years	15	14
c. 11-15 years	46	44
d. 16-20 years	17	16
e. 21 years or more	10	10

3. Years in business in Tacoma-Pierce County		
a. 1-5 years	12	11.4
b. 6-10 years	80	76.2
c. 11-15 years	12	11.4
d. 16-20 years	1	0.5
e. 21 years or more	0	

4. Type of Ownership		
a. Sole Proprietorship	81	77
b. Partnership	21	20
c. Corporation	3	3

5. Number of fulltime employees	
a. Male	175
b. Female	212

- 6. Number of part-time employees
 - a. Male 312
 - b. Female 763

- 7. Average annual income (gross)
 - a. \$ 5 - 25K 6 6
 - b. \$26 - 50K 89 84
 - c. \$51 - 100K 8 8
 - d. \$101 - 250K 2 2
 - e. \$251K or more

From an analysis of the findings based on questions specially designed to ascertain source of funding for these immigrant owned small business these main results are indicated. 1. Neighborhood financing through lending clubs offer social support and quick capital to Asian immigrants. Although a risky investment venture the majority of investors have obtained favorable results. Only one group had experienced losses as a result of an unscrupulous individual.

2. The long wait (approximately 15 months) between time of application for loans through SBA and other lending institutions have not made a favourable impression or perception by immigrants perspective business owners. The extensive delays have resulted in lost opportunities in obtaining facilities, equipment and choice locations.

3. The failure rate of business owned by Asian immigrants in the Greater Pierce County - Tacoma area is far less than those owned by other ethnic group and the national average.

4. Asian Immigrants perceive the present system of financing ventures a fail-tire. The laws, rules and regulations have been enacted but not enforced.

5. Banks are reluctant to loan to these small business owners or perspective small business owners although banks have fewer losses from small business than large.

6. Survivability Is one of the most important criterion for an Asian business person in the Greater Pierce County - Tacoma as viewed by his/her peers. Success is measured on this criterion.

CONCLUSION'S

In the Pacific Northwest, as in the nation, minorities have faced challenges from the dominant culture. Most of the newly arrived groups have had to face challenges far beyond their recognition. A major concern of many of the established businesses in the Greater Pierce County - Tacoma area is the number of successful businesses owned and operated by the new entrepreneurs, Asian immigrants, who have settled in the area. There is also an unfounded belief that the immigrants have received preferential treatment in tile form of financial support from county, state and federal agencies.

Based on the analysis and findings of this study, the following conclusions can be made:

1. The lending or money raising clubs are a tried and proven method of financing business ventures in the Asian community. In many of their home lands bank loans were not available

to the individual entrepreneur, therefore the lending clubs were their only source of needed capital.

2. Many of these business persons have survived with very limited assets in their home land, therefore they continue this trend in their current lives.

3. The extended family is a tremendous asset. Everyone works and contributes to the business as well as share in the profits or losses.

4. The success of these Asian immigrant owned businesses can be attributed to their diligence and desire to succeed. They go into business with a positive attitude and without assistance from governmental agencies. They are fully patronized by members of their ethnic groups to enhance resources.

5. Discrimination/racism, although a contributing factor to the problems of the Asian business persons, is not the only problem. Lack of knowledge of English by the Asians, desire to hold on to "Old Country" values, and reluctance to integrate into "Mainstream America" all contribute to the existing problem.

Discrimination and racism abounds in their environment, yet they have been able to reach heights unexpected of individuals native to the area who have more and better financial support, and a larger support group.

Since this is largely a first generation immigrant experience with the Vietnamese, etc., the situation could change over a period of years and generations.

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DETERMINANTS OF END-USER COMPUTING IN SMALL BUSINESS: THE CASE OF SAUDI ARABIA

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ABSTRACT

The nature of information systems has changed dramatically with the introduction of personal computers. One significant consequence of personal computing technology is the proliferation of end-user computing (EUC). Because of steady improvement in performance/price ratio of personal computers, many small organizations have been very receptive to the EUC phenomenon. This paper attempts to measure and validate some individual and organizational factors hypothesized to affect the success of EUC in small businesses. The study findings indicate that EUC success is closely associated with organization size, EUC training, source of computer application, computer literacy, top management involvement, number of system analysts, and availability of native language software.

INTRODUCTION

End-user computing is defined as the ability of the ultimate users (professional staff and managers) to directly fulfill their computational needs (9). Despite the relative novelty of end-user computing (EUC), signs of its increasing proliferation are abundant. Fifty to ninety percent annual growth of EUC has been reported in several companies (9). Benjamin (7) has estimated that seventy five percent of the computer resource would be allocated to EUC by 1990. In a more recent study, Ein-Dor and Segev (14) found that almost forty percent of the work force of the surveyed organizations were end users. The trend is more evident in small organizations which cannot afford the high cost of supportive technical staff such as system analysts and programmers. The owner-manager is forced to rely on himself to satisfy his computational needs.

It seems that the shift in emphasis from the traditional computing practices toward EUC, especially in small and medium size organizations, is not limited to highly advanced nations. Several studies in the Middle and Far East have described the advent of EUC in these developing regions (1; 2; 16; 28).

The studies of computing practices in developing nations are primarily descriptive in nature. Relatively little attention has been paid to the assessment of the variables that affect EUC. This study investigates a number of individual and organizational variables that have been identified in the Literature as determinants of EUC success or failure. The study is a pioneering attempt to measure the success level of EUC and the factors that influence EUC in the context of a developing country, namely Saudi Arabia.

RESEARCH VARIABLES AND HYPOTHESES

EUC Success (Dependent Variable)

End-user computing is defined as the ability of the ultimate users (professional staff and managers) to directly fulfill their computational needs (9). It is difficult to develop an objective and meaningful measure of EUC success. A review of Management Information Systems Literature suggests several surrogate measures of this construct. Among the proposed

measures are users, information satisfaction, the impact of information systems on the organizational performance, and system utilization (8; 10; 11; 13; 15; 19; 22; 25).

The most frequently used measure of EUC success is users' information satisfaction (10; 22; 25; 26). Users' information satisfaction is conceptualized as the end user's attitude toward the computer applications he uses. The measurement of user information satisfaction has produced relatively rich measurement construction and validation studies (4; 6; 17). Specific scales have also been developed for small organizations (12; 22; 26).

To measure EUC success, the user information satisfaction scale developed by Doll and Torkzadeh (12) has been chosen for this study. The scale is a modified version of the widely used instrument for measuring user information satisfaction by Ives, et al. (5; 17; 20; 24). Based on a survey of 618 end users, Doll and Torkzadeh developed a 12-item scale to measure end-user information satisfaction. The items correspond to five underlying dimensions of satisfaction including content, accuracy, format, ease of use, and timeliness.

Predictors of EUC Success

An understanding of the factors associated with EUC success is essential to managing this significant information resource. Ein-Dor and Segev (13) propose a conceptual scheme to identify organizational variables that directly or indirectly affect the success of EUC. Based on this scheme, Cheney, et al. (10) postulate 12 propositions relating organizational factors to EUC success. The factors are grouped into three categories: uncontrollable, partially controllable, and fully controllable. Factors that are beyond the control of management include task technology variables and organizational time frame. Partially controllable factors include psychological climate and systems development backlog. The controllable factors are EUC training, rank of EUC executive, and EUC policies.

This conceptual scheme forms the skeleton of most empirical studies of EUC success factors. Based on a survey of 21 organizations, Ein-Dor and Segev (14) assert that the extent of EUC is closely related to top management use, end users, perceived needs, organization size, and EUC budget.

In the context of small business organizations, Raymond (24) reports that the success of EUC is associated with six variables: in-house applications development, inhouse application use, number of administrative applications, type of applications, rank of computer-based information system function, and geographical location of EUC. DeLone (11) relates nine variables to EUC success including use of external programming support, level of computer-based information systems planning, top management computer knowledge, top management involvement in computerization of applications, employees' acceptance of computers, sophistication of computer control, the age of computer operations in the organization, level of computer training, and the type of computer use (on- site computer use vs. use of computer service). However, only three variables have been found significant to determine the degree of success of EUC: top management computer knowledge, top management involvement in computerization, and the use of on-site computers.

In a study of small Canadian organizations, end users report that EUC success is closely associated with the number of system analysts in the organization, the intensity of information requirement analysis, the degree of end-user involvement, the level of end-user computer literacy, and the degree of centralization in the firm (22).

Based on these studies, nine success factors have been chosen for this research and a hypothesis has been formulated for each chosen success factor. Among Saudi organizations, the success of EUC is:

H1: positively associated with the size of the organization H2: negatively associated with the degree of centralization in the organization H3: positively associated with the degree of end-user training programs H4: positively associated with the degree of EUC planning and policies H5: positively associated with the proportion of externally developed applications H6: positively associated with the degree of end-user computer Literacy H7: positively associated with the degree of top management computer literacy H8: positively associated with the degree of top management involvement in computerization H9: positively associated with the number of systems analysts in the organization

Since the native language in Saudi Arabia is Arabic, availability of Arabic software and Arabic applications is also hypothesized to affect the success of EUC. Thus a tenth success predictor is added to the above list of independent variables and the following hypothesis is postulated:

H10: The likelihood of a successful EUC is greater with higher proportion of Arabic software and applications acquired by the organization.

METHODOLOGY

The study was conducted in the Eastern Province of Saudi Arabia in the Fall of 1988. A convenient sample of small organizations were contacted by telephone. Out of seventy-four organizations contacted, forty-five had EUC activities and agreed to participate in the study. Data were collected in two phases. First semi-structured personal interview was conducted with one of the top managers in each organization. The interview gathered information about the organizational factors identified to influence EUC success and other organizational characteristics. After the interview, the respondent was asked to complete a questionnaire and to help distribute it to end users in his organization. End users responses constituted the second stage of data collection.

Doll and Torkzadeh's (12) end-user information satisfaction scale was also included. Questions were written in both English and Arabic on the same form. The inclusion of the English language along with the Arabic was necessary because of the large number of non-Arab manpowers working in the Saudi organizations.

A total of 158 end users responded. The mean number of respondents per organization was 3.5. Generally the sample consisted of small organizations where two-third of the organizations employ less than 100 employees and the largest organizations employ just 250 employees. The three major economic sectors of manufacturing, service, and trading are represented in the sample. Classified by their computing environment type, most of these organizations do not have format data processing departments. Actually, only ten establishments report having a separate department responsible for data processing. On average, an organization has eight personal computers and/or two computer terminals.

TEST OF HYPOTHESES AND DISCUSSION

Organization Size and EUC Success

The first factor which was hypothesized as determinant of EUC success was the size of the organization. Many researchers postulate that smaller organizations are Less likely to have successful EUC experience (14; 25). This is attributed to the smaller organizations, inability to create a favorable atmosphere for EUC because of their tendency toward centralization and their lack of adequate resources.

The number of the employees was used as an indicator of size. As can be seen from Table 1, the Pearson correlation coefficients between end-user information

TABLE 1 CORRELATION COEFFICIENTS BETWEEN THE INDEPENDENT VARIABLES (SUCCESS FACTORS) AND END USERS INFORMATION SATISFACTION

Success Factors EUC Success*

Organization Size H1 (0.21,158) Accept (0.041)** Association

Centralization H2 (0.13,45) Reject (0.613) Association

End-User Training H3 (0.52,45) Accept (0.003)*** Association

EUC Planning H4 (0.06,45) Reject (0.338) Association

AppLications H5 (0.45,45) Accept Development (0.032)** Association

End-Users H6 (0.37,158) Accept Literacy (0.007)*** Association

Top Management H7 (0.56,63) Accept Literacy (0.003)*** Association

Top Management H8 (0.23,63) Accept Involvement (0.041)** Association

Number of System H9 (0.230,45) Accept Analysts (0.027)** Association

Arabic H10 (0.321,45) Accept Applications (0.003)*** Association * (correlation coefficient, number of observation, and significant test) ** Significant at 0.05 *** Significant at 0.01

satisfaction and the number of employees was significant. Therefore, EUC success seems to relate to organization size, but the association is not strong. Raymond (25) and Ein-Dor and Segev (14) also report similar results.

Degree of Centralization and EUC Success

Following Montazemi (22) and others (21), the number of managers in the organization was used as a measure of the degree of centralization of the decision making. End users were found to be more satisfied in less centralized organizations (22). Justification for this finding was based on the need of Less centralized organizations for integration. An effective use of computer-based information systems is perceived as a strategic tool to accomplish this integration, Leading the way for more supporting organizational climate.

Contrary to Montazemi's finding, this factor failed to be of any significance in relating to EUC success in the study sample. It is clear from Table 1 that the correlation coefficient between centralization and end-user information satisfaction is Low and statistically insignificant.

End-user Training and EUC Success

Training refers to a wide range of computer oriented educational techniques that could be adopted by the organization to educate its employees. Professional development programs, tutorials, computer-assisted instruction, resident experts are examples of these techniques. Because of the wide recognition of the importance of education in MIS literature, Cheney, et al. (10) propose that "[T]he availability of end-user training is positively related to the success of EUC [facilities]".

Based on the intensity of education programs, the study sample was segmented into three groups. Organizations with a high Level of educational policy are projected to have more successful EUC. On the other end, if no formal training programs are implemented, EUC success likelihood will be lower. Table 1 depicts a significant positive association between end-user training and EUC success. In contrast, Delone (11) has found no association between level of training and EUC success.

Format Planning and EUC Success

The fourth variable that was hypothesized to relate to the level of EUC success is formal planning. The availability of high quality format plans to guide EUC facilities creation and operations will help in integrating these facilities with the organization basic goals. Similarly appropriate EUC policies are needed to provide a control mechanism for the development, maintenance, and use of EUC (3; 10; 23).

According to the data collected by Delone (11), EUC success has no significant association with the level of planning. This study has also failed to show a significant relation. Out of the forty-five organizations surveyed, only two reported a usage of format EUC plans and policies. The others organizations were simply ignorant in this regard following a Laissez-faire strategy. These organizations lacked any policies for EUC technology assimilation. Functional departments use their budgets to finance EUC investments without an organizational applications selection guidelines. It is not surprising to see a pattern like this in small businesses, especially in a developing country.

Application Development Source and EUC Success

It was hypothesized that EUC success is positively related to the proportion of external support for applications development. Computer literacy among small business personnel is typically limited (11). Moreover, developing nations lack specialized knowledge and technical know-how. In Saudi Arabia, for example, a study reported that almost 85% of the Saudi companies using microcomputers are purchasing ready made software or subcontracting software houses (2). The heavy reliance on dedicated package was expected in this study sample to compensate for the lack of computer expertise. To this end, an interesting research question emerges: does acquiring dedicated packages have a positive impact on the level of end-user satisfaction and hence EUC success or not?

Table 1 shows reassuring results. The correlation coefficient between EUC success and the proportion of external support for applications development is significantly different from zero. Previous studies have been inconclusive. Delone (11) and Montazemi (22) report no association between these two variables, whereas Raymond (24) reports a negative association.

Computer Literacy and EUC Success

Two hypotheses were formulated to investigate the relation between EUC success and computer literacy. Both end-user computer Literacy (Hypothesis 6) and top management's computer Literacy (Hypothesis 7) were projected to influence EUC success. Both hypotheses have been confirmed. Higher levels of computer knowledge increase the success of EUC. This finding is congruent with previous studies (11; 22).

Management Involvement and EUC Success

Top management involvement with computerization is often identified as one of the critical success factors of data processing departments (27). In EUC context, EUC success was also expected to be higher in organizations with higher top management involvement. The involvement has been operationalized as the amount of interaction between top management and the data processing manager. In organizations with no format data processing (DP) departments (77.7%), the level of top management participation in application development and utilization have been used as measures of involvement.

Delone (11) and Ein-Dor and Segev (14) report significant positive association between EUC success and top management involvement. Similarly, as can be seen in Table 1, this study has also found a positive relation between these two variables.

Number of System Analysts and EUC Success

In traditional information system development, system analysts play a significant role in defining information needs and proper technologies to realize them. In a survey of personal computer usage, Lee (18) points that personal computers' users viewed their information system staff as the best source of information. The presence of system analysts in the firm offers an internal consulting mechanism to help end users in acquiring or developing applications.

As shown, in Table 1, there is a positive association between the number of system analysts and end-user information satisfaction. This finding reflects the findings in another study (22).

Native Language Applications and EUC Success

In general, non-English speaking developing nations lack native computer applications developers. English-based development tools are available which, in many occasions, force local organizations to use English to build computer applications rather than their own language. It was hypothesized that high proportions of Arabic softwares and applications increase end-user satisfaction.

As expected, the number of English computer applications surpassed the number of Arabic applications. Only twelve organizations (26.7% of the sample) reported using Arabic applications as compared with 73.3% using English applications only. The difference

between the mean satisfaction scores of the end users in these two groups is significantly different at 0.01 significance level (t- statistics value =2.65). The users of Arabic applications had a higher mean than the users of English applications. Furthermore, the correlation between EUC success and the percentage of Arabic computer application is significantly different from zero (Table 1). Thus hypotheses 10 is confirmed.

CONCLUSIONS

As organizations become increasingly dependent on end-user computing to fulfill their information requirements, the management of end-user computing resources is demanding a better understanding of the factors that affect end-user computing success. Individual and organizational variables that may hinder full EUC technology assimilation should be analyzed in an effort to enhance the chances of EUC success.

In this study, the level of EUC success has been measured by end-user information satisfaction. Ten success factors were hypothesized to affect end- user information satisfaction in the context of the small organizations in a developing country. Based on the data collected from 158 end users working in 45 Saudi organizations, several interesting findings have emerged. EUC success is more likely to occur in larger organizations which have an active top management in the development of computer applications. Other factors that favorably affect EUC success are higher degree of end-user training programs, use of externally developed applications, employment of larger number of system analysts, and adoption of a larger proportion of native language computer applications. Computer literacy among end users and top managers also exhibits a significant positive effect on EUC success. Degree of centralization and level of EUC planning fail to demonstrate significant associations with EUC success.

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SMALL BUSINESS SOFTWARE USAGE

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ABSTRACT

The purpose of this study was to examine the word processing and spreadsheet software usage of Natrona County, Wyoming, businesses.

The descriptive method of research utilizing a questionnaire was used to gather data during the Fall, 1987. The survey revealed differences and similarities of large and small businesses who used word processing and spreadsheet software.

OVERVIEW

Running small businesses may take even more skill than running large businesses because small businesses cannot afford to make many mistakes since they usually do not have large cash reserves available for emergencies. Also, small businesses do not usually have the finances to hire experts to manage each segment of the business.(1)

Microcomputer systems have the potential to aid small business entrepreneurs by lowering costs and improving managerial techniques.(2) Perceived benefits of microcomputer systems include increased productivity, better and faster information access, improved customer service, less paperwork, improved competitive position, and decreased personnel and operating costs.(3)

Microcomputers are expected to continue to proliferate in small businesses because of low initial purchase cost, ease of use, ease of purchase, the potential to lower business costs, and persuasive advertisements. The level of technology will continue to improve. The most significant area of advancement is anticipated in the area of software.(4)

Will's study found 26.5 percent of selected small businesses owned and utilized microcomputers.(5) Honan projected that from 14 to 23 percent of small businesses expected to buy personal computers in the next year.(6) Nickell and Seado predicted the majority of small businesses not using computers would begin using computers in the next five years.(7)

Nickell and Seado's survey of small businesses concluded that the size of the business is positively related to the-use of computers by the business.(8) The frequency of microcomputer ownership increases as the amount of gross revenue and the number of employees increases.(9)

Will's study found that microcomputers are used more frequently by owners than by employees.(10) Owners/managers of small businesses do multiple tasks and therefore need microcomputers and software for a variety of applications.(11) Nickell and Seado reported 80 percent of owners/ managers personally use computers in small businesses.(12) Respondents to Farhoomand and Hrycyk's study indicated that their initial reasons for installing microcomputer systems were to ease information overloads and to improve their competitive edges. In practice, Farhoomand and Hrycyk found computers are mainly used for accounting, word processing, and spreadsheet analysis.(13)

Among Farhoomand and Hrycyk's respondents, 58 percent cited software as the first or consideration when purchasing computer systems. Respondents to Farhoomand and survey indicated 66 percent of small businesses use packaged programs, 50 percent use customized programs, and 30 percent use self-programed software.(14)

Cheney identified some of the reasons why computer systems fail in small businesses. One of the three areas identified was the design of the software programs. Cheney cited the major problem with packaged software was that it does not fit the needs of a particular organization; subsequent modification costs are expensive. The three main problems with software according to Cheney are inflexibility of software, inadequate documentation, and program errors.(15)

Companies were usually most satisfied with their software when they based their selection decisions on what their companies were going to be doing with the packages, not on the packages' features.(16)

PROBLEM

Small businesses, more than large firms, tend to employ less skilled people with no prior work experience. Two out of three workers gain their first jobs in small business. At the same time, new technology continues to benefit small firms. Workers in small firms receive less formal on-the-job training, but are more likely to obtain training from vocational or university-sponsored programs.(17) Useful information on word processing and spreadsheet microcomputer software has not been available to business educators who are in positions to train prospective employees of small businesses. Business educators who wish to teach technology related to the business world should look directly to local business people for guidance in curriculum and course content. When the results of the study are applied in the schools, entry-level workers can be prepared more adequately for office jobs.

SAMPLE

The population was identified as Natrona County, Wyoming. Following procedures for stratified sampling, ten subgroups were identified for stratified sampling, ten subgroups were identified for equal representation. To as closely as possible represent the local economy, the following categories of firms were selected: accounting, banking, insurance, oil producing, geology, law, city government, county government, federal government, and state government. With the exceptions of geology and oil production, the businesses are typically represented in all areas of the United States. Natrona County, Wyoming, has traditionally been dependent on energy production, including oil, uranium, and coal; however, since the drop of oil prices in 1981, the area has relied on a retail/service base. Casper's economy is based on the boom/normal theory.(18) The city-wide population in 1987 was 47,500. In the late 70's while Casper's economy was booming, the city-wide population neared 70,000.(19) In 1987, when the survey was conducted, the economy was normal.

METHOD

Ten questionnaires were mailed per subgroup during the Fall, 1987. For the 100 questionnaires mailed, 83 percent were returned. Of those, five returns, or 6.02 percent, were unusable.

Of the 78 companies that returned usable surveys., 21 companies did not use microcomputers. From the 57 companies that did use microcomputers, two groups were defined. Companies employing ten or fewer employees were designated as small companies. Companies employing more than ten employees were designated as large companies. Of the 57 companies, 32 companies were classified as large; 25 companies were classified as small. The number of total employees of respondents ranged from 1 to 1500.

The data were analyzed using SPSS: Statistical Package for the Social Sciences. After grouping by size of company, the frequency distributions for variables were tabulated to find the mean. The mean was chosen to measure the central tendency of the sample response to individual items. Percentages were computed to measure the relative position of each item within a category. Information from this analysis was treated descriptively for three survey questions. Two-tailed t-tests were used to analyze: (1) the factors considered when purchasing word processing software, (2) the factors considered when purchasing spreadsheet software, (3) word processing software used, (4) spreadsheet software used, (5) the documents produced or the functions used by word processing software, and (6) the documents produced or the functions used by spreadsheet software in relationship to the non-directional null hypotheses. The t-tests were used to see if there was a significant difference between the mean of the two groups at a probability level of $p < .05$.

RESULTS

On the basis of this study, the following conclusions are presented:

Large and small companies do employ personnel to work strictly with word processing software; however, the majority of large and small companies employ personnel to complete a variety of tasks.

Large and small companies do employ personnel to work strictly with spreadsheet software; however, the majority of large and small companies employ personnel to complete a variety of tasks.

A wide variety of software is used by both large and small businesses.

On the average, large and small companies employ slightly more employees to work strictly with word processing than strictly with spreadsheets. This is supported by the literature review. Of an estimated 18 million microcomputer users, 85 percent perform word processing.

The literature review supported the view that other word processing software packages are used extensively, as no one word processing package dominated the word processing field. Competition has produced word processing packages which are rich in features and which are comparable to each other. In this research, large companies used other word processing software more than small companies did.

The literature review showed Lotus 1-2-3 dominating the spreadsheet industry. In this research, large companies indicated use of a variety of spreadsheet software. From the listing of other software by respondents, confusion as to the definition of spreadsheet software may exist.

The literature review supported the view that ease of data entry and handling of user error were important considerations when purchasing spreadsheet software and were areas addressed by software companies that wanted to remain competitive. In this research, small companies considered ease of data entry and handling of user error to be more important factors when purchasing spreadsheet software than large companies did.

The literature review supported the view that monitoring production and maintaining inventory were important functions of spreadsheet software. In this research, large companies used spreadsheet software to monitor production and to maintain inventory more often than small companies did. These findings were consistent with the literature review which revealed the fact that many small businesses do not have the internal expertise to analyze ways spreadsheets can benefit their companies.

The differences found between large and small companies that use spreadsheet software and the lack of differences between large and small companies that use word processing software may be due in part to the length of time word processing has been used. This is supported by the literature review which revealed that spreadsheet usage was growing and continued to proliferate.

RECOMMENDATIONS

As a result of this study, the following recommendations are offered:

1. Local business educators should review course offerings and course content to see if their classes are keeping up-to-date with technology in the area.
2. Local business educators may consider re-evaluating curriculum requirements for completion of certificates or degrees. Business educators should examine the curriculum to determine if the skills learned in required courses are still being used in industry.
3. Local administrators may consider encouraging instructors to work with local businesses to lessen the effect of school-room isolation. Members of the local advisory board should include local business people who are leaders in technology.
4. Local administrators may consider encouraging instructors to learn software used by local businesses.
5. When software purchasing decisions are made, school coordinators may consider buying software used in businesses to increase the desirability of courses for local businesspeople.
6. When teaching spreadsheet software, instructors should emphasize error tracking skills. The student should be encouraged to identify the source of errors. Instructors should check disks instead of printouts to detect errors in formulas and incorrectly formatted ranges.
7. When teaching spreadsheet software, instructors should demonstrate the easiest method to input data.
8. To test the findings of the study and to improve their generalizability, the study should be replicated.

9. The study should be replicated in the same area in approximately five years. From additional studies in the same area, industry trends and consistencies may be observed.

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TABLE 1

WORD PROCESSING SOFTWARE USED

Large Small Company Company t- Software x SD x SD df Score p

WordStar	2.50	1.29	1.70	1.34	22	1.48	.154
WordStar	4000	1.00	.00	1.00	.00	12	1.000
Displaywrite3	3.09	2.02	1.80	1.69	19	1.58	.131
Displaywriter Tx 2, 4, or 6	3.60	1.84	2.33	2.00	171	.44	.168
PC: Write	2.00	1.60	1.00	.00	14	1.76	.100
Microsoft Word	2.43	1.40	1.38	1.06	13	1.66	.121
WordPerfect	2.44	1.59	2.75	1.91	19	-.39	.702
MultiMate	1.67	1.63	1.44	1.01	13	.33	.749
Leading Edge	2.38	1.69	1.70	1.49	16	.90	.381
CPT	3.00	2.14	1.44	1.33	15	1.82	.088
MacWrite	1.00	.00	1.00	.00	11	.00	1.000
Other	4.70	.48	3.08	1.66	21	2.99	.007*

*p < .05 Note. Other software listed by respondents in large companies--Aura, dBase III, Framework, Enable, Unisys Write One, Volkswriter, Symphony, HP Word, Datalaw, First Choice, PD Text, Appleworks, Digital VT 220. Other software listed by respondents in small companies--Scripsit, Victorwriter, State Farm, DecType, Peachtext, our own programs, SuperScripsit, Textra, Applrighter 11, Lexitron.

TABLE 2 SPREADSHEET SOFTWARE USED

Large Small Company Company t- Software X SD X SD df Score P

Lotus 1-2-3	3.84	1.21	3.54	1.39	30	.66	.517
PerfectCalc	1.00	.00	1.00	.00	9	.00	1.000
SuperCalc 3	1.89	1.17	2.00	1.73	14	-.15	.880
Excel	1.00	.00	1.00	.00	9	.00	1.000
VisiCalc	1.38	.74	1.67	1.41	15	-.52	.482
MultiPlan	2.00	1.31	1.50	1.23	12	.73	.482
Appleworks	1.71	1.50	1.89	1.45	14	-.24	.817
Other	3.77	1.69	1.86	1.57	18	2.47	.024*

*p < .05 Note. Other software listed by respondents in large companies--Aura, dBase III+, Enable listed twice, Symphony listed four times, Laser Pro, Math 3000, Datalaw, PD Base, Prelude, GRLOCK. Other software listed by respondents in small companies--State Farm, Agenda, our own.

TABLE 3 DOCUMENTS PRODUCED OR FUNCTIONS USED BY WORD PROCESSING SOFTWARE

	Large Documents Produced	Small Documents Produced	Company t-Score	Company p	Functions Used	t	SD	SD	df
Repetitive letters	3.74	1.06	3.56	1.23	54	.59	.555		
Text-editing revision	3.81	1.25	3.88	1.13	54	-.23	.820		
Repetitive forms	3.52	1.31	3.44	1.36	54	.21	.833		
Reports	3.81	1.17	4.04	1.23	53	-.72	.473		
Original correspondence	3.97	1.14	3.92	1.19	54	.15	.879		
Tables	2.65	1.28	2.76	1.20	54	-.34	.733		
Spell checker	3.19	1.37	3.20	1.53	54	-.02	.987		
Mailmerge	2.31	1.29	2.16	1.31	52	.42	.673		
Math function	2.46	1.32	2.28	1.14	51	.54	.590		
Other	2.50	2.12	4.50	.71	2	-1.26	.333		

____ *p < .05 Note. Other documents produced or functions used listed by respondents in small companies--address labels and certificate mailing.

TABLE 4 DOCUMENTS PRODUCED OR FUNCTIONS USED BY SPREADSHEET SOFTWARE

	Large Documents Produced	Small Documents Produced	Company t-Score	Company p	Functions Used	t	SD	SD	df
Financial statements	3.26	1.53	2.50	1.45	49	1.81	.076		
Sales reports	2.11	1.40	1.79	1.22	49	.87	.390		
Monthly payments	2.11	1.34	2.21	1.53	49	-.24	.810		
Expense reports	2.33	1.41	2.25	1.42	49	.21	.835		
Payroll	1.89	1.50	1.79	1.53	49	.23	.820		
Income taxes	1.65	1.13	2.09	1.59	47	-1.11	.274		
Preparing budgets	2.89	1.16	2.63	1.44	49	.73	.471		
Evaluating proposals	2.48	1.25	2.63	1.50	49	-.37	.711		
Monitoring production	2.92	1.44	2.08	1.38	48	2.10	.041*		
Making forecasts	2.89	1.34	2.58	1.56	50	.77	.445		
Analyzing cash flow	2.67	1.57	2.71	1.46	49	-.10	.922		
Maintaining inventory	2.50	1.42	1.35	.83	473	.40	.001*		
Other	3.00	1.77	2.83	2.04	12	.16	.873		

____ *p < .05 Note. Other documents produced or functions used listed by respondents in

large companies--variance reports, wildlife management, alert rosters, address rosters. Other documents produced or functions used listed by respondents in small companies--percentage depletion oil and gas, rating and projection of policy values, accounts receivable, database information, and statistics.

THE SBI STUDENT CONSULTANT'S TOOL KIT FOR INITIAL INTERVENTIONS IN COMPUTERIZED ACCOUNTING SYSTEMS CASES

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ABSTRACT

Students frequently become involved with accounting systems when conducting small business consulting engagements. To be successful they must not only have a basic understanding of accounting, but also must know how to organize and structure the engagement. This paper sets forth a systematic approach to client interventions involving the development of accounting systems and culminating in the production of balance sheet and/or income statement formats and data. Supplemental text files and spreadsheet templates are provided to help the consulting team accumulate and organize material efficiently. A systematic approach should enhance student confidence, facilitate client communication, and improve the decision making process.

INTRODUCTION

Developing a computerized accounting system for a small business client poses serious problems to the SBI student consultant team. These problems are particularly acute where the small business has: no accounting system, an incomplete system, outgrown a cash system, expanded from a basement or a hobby into a fledgling business, or has already purchased some computer hardware or software.

When the client has inadequate or incomplete previous records, the student consultants are overwhelmed by the complexity of establishing a new system. The students do not know where to start and computerizing a poor manual system certainly will not correct the problems.

Students involved in small business consulting interventions often feel insecure about contacting the owner/manager of a business and frequently have no plan of attack in mind. They need to realize the owner/manager can probably provide little or no guidance; if they could, the team's services might not be needed. It is, therefore, important that those providing the service approach the intervention in an orderly and systematic manner.

The initial interviews must provide information about the future of the project. Student consultants are unsure about what information they need from the client or how to structure the data gathering process. The interview might very well indicate a need that cannot be met by a student consultant team and referral to professionals may be required.

While a few small business owners or managers have some accounting experience, many are accounting illiterate and/or lack the time to do data entry and record keeping. A related problem is that most accounting small business clients cannot help the consultant arrive at the "root problems". The student consultants must make a subjective determination in the first interviews as to the client's accounting experience, the amount of time the client will have for record keeping, and the clients major accounting problems. While accounting professionals with experience can make these judgements, many student, consultants cannot.

An additional problem occurs when the client has already purchased computer hardware or software and requests that a system be designed to utilize these purchases. Most accounting application programs require many hours of training or self instruction just to learn to operate them. Add to this the expertise required to establish a system and then train the user and you quickly discover there is not enough time to complete the project in one term. The next term a new student group has to go through the same process. As disclosed later, the assumed situation in this paper does not specifically address this situation.

A few clients will request accounting systems that are too complex, unwieldy, cumbersome, and time consuming. It is important that the clients information needs for external and internal reporting are met as much as possible. It is also important in an SBI project that the students propose a workable system that can be implemented with the resources available.

THE STATE OF THE ART

There is a trend in business administration programs to include more information systems content in the curriculum. For example a portion of the curriculum requirements for AACSB undergraduate accreditation is to provide students with the common body of knowledge in business administration. This includes "A basic understanding of the concept and applications of accounting . . . and management information systems including computer applications." For accounting accreditation, study is required in computerized management information systems that builds on the common body of knowledge requirements. In addition "Students shall receive instruction in the design, use, control, and audit of computerized information systems.

AACSB accredited or not, many business schools now have a required information systems course at the undergraduate level. Specific content varies considerably but the usual objective of this course is to study the systems approach to the development and use of business information.

Many schools also have an accounting information systems course offered alone or in addition to the general information systems course. While the title sounds more specific, this course content also varies. (9) The accounting information systems course is generally limited to Junior or Senior level accounting majors.

Regardless of the specific content, students who have completed, or are concurrently enrolled in an accounting information systems course, should be better equipped to participate in a project requiring the design of an accounting system as I an end 'result. From the authors experience students who have not had this course are not as successful in solving the businesses accounting problems without considerable faculty support. Due to heavy course loads and time constraints, it is difficult to get accounting majors involved in SBI projects.

STATEMENT OF THE PROBLEM

Student consultants need tools for a computerized accounting project particularly early in the, intervention. The tools need to provide a structure to organize the interview, the consultant's approach, the material that is collected, and help format the initial financial data. This paper along with the computer material provided attempts to make available Some of these tools.

The authors have chosen to limit the discussion in this paper and supplementary spreadsheet and text file information to an assumed situation where the identified problems include a

small business that has no accounting system or at best an inadequate system, and is" in need of generating financial statements in conformance with generally accepted accounting principles. The business is assumed to have few employees and the owner manager or one employee is assigned to maintain the accounting records on a micro computer using off-the-shelf accounting software. The discussion does not, consider software selection and implementation.

SETTING THE SCOPE

An initial interview with the owner/manager should center around defining the problem. This can often best be accomplished by identifying the users of the company's financial data. Is a bank requesting financial statements for a loan request? Is the owner merely concerned about accumulating data to file a tax return? Is management unable to determine the cost of producing a product and, as a result, experiencing pricing problems? It is quite likely the team will identify several users and numerous needs encompassing both external and internal reporting. If the primary need is to generate financial statements for a third party user it is probable that audited or reviewed financial statements will eventually be needed. In this case, the team would need to develop a system that would be in accordance with generally accepted accounting principles.

There will be a tendency for the small business owner/manager to want all of the company's financial problems solved immediately. This will likely pose problems far too broad for a team to address effectively in a semester or quarter. It is, therefore, critical that the team delimit the scope of the intervention to an achievable goal given the teams and management's limited time. This dilemma suggests that a given business may offer an opportunity for a series of teams to be utilized over time to provide consultation on the various identified accounting problem areas. In fact, the first consultation could very well be limited to identifying the accounting needs of the business.

Greer, 1989, proposed a decision tree analysis that provides the consultant with a series of questions to consider in the initial interviews. (4) These questions require the consultant to consider the owner's expertise, owner's time, legal form, and whether the firm has employees. The yes or no answers lead the consultant to suggest a modified system administered by the client, a modified system partially administered by the client, a complete double entry system administered by the client, a complete double entry system partially administered by the client, or referral to a CPA. This decision tree approach provides an excellent start and identifies variables that need to be assessed early, because they will affect how the team approaches the remainder of the project.

CONDUCTING THE CLIENT SURVEY

Inexperienced consulting teams often fail to accumulate sufficient information about a company before trying to design an accounting system. They frequently have preconceived ideas of what the final system should be or what software package should ultimately be used. To overcome these pitfalls, the team needs to follow a systematic approach to gather the appropriate data. An ASCII text file that can be accessed by any text editor is available from the authors to help students gather survey information. It includes guidelines and suggested questions that students might use in the interview process to make decisions relative to the nature, design, and scope of the accounting system. Rather than using a few yes or no response questions, the decision tree responses are incorporated in the overall questionnaire; reliance is then placed on the client and project team evaluation to make the design decisions.

Review Existing Accounting System

A review of the accounting system, to the extent one exists, should begin with an examination of the company's financial statements (balance sheet, income statement, and statement of cash flows) and the general ledger accounts upon which the statements are based. Particular attention should be given to the specific account titles, classifications on the statements, and completeness as to disclosure. Are there any obvious omissions, or is any insignificant data reported? Are the statements readable and do they clearly present the financial position and operations of the company to someone without personal first hand knowledge of the company?

After completing the examination of the financial statements and general ledger, the consulting group should determine how the data are transmitted to the general ledger. What journals or computer input (if any) are used? Are the journals efficient to use? What business forms are currently used as written documentation of business transactions? Finally, are any transactions recorded in the journals that have not been documented in writing?

A minimum requirement to establish a new computerized accounting system is a current balance sheet as of the end of the most recent fiscal period. An adequate manual system can easily provide this. If the manual system is inadequate or does not exist then the information must be generated by examination and accumulation of other existing data. Spreadsheet templates in various formats are available from the authors that can be used to assist the students in gathering the data for this purpose. The templates provide guidance regarding sources of the data and help the student consultants minimize the possibility that information will be overlooked.

Review Existing Internal Controls

Internal control has been defined as, "the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies." (7) Many small businesses have few employees and, as a result, have done little if anything to install internal control procedures. Controls that do exist are often piecemeal and are established in reaction to a problem that has occurred. The team needs to become familiar with the controls that do exist, evaluate them, and retain them if they are effective. Additional controls that are needed and can be implemented effectively, given the company ' s personnel and resources, should be added. The more effective a company's internal controls, the more confidence a reader of financial statements can have in the numbers presented.

Review of Other Documents

The team should examine the company's organization chart, policy manuals, operating manuals, employee handbooks, and other written documentation that might provide insight into the company's policies, procedures, and financial data. Again, in a small business these may not exist in written form. Internally, financial information will be distributed to personnel in the form of performance reports. Knowing where individuals fit into the organization chart will facilitate determining the type and quantity of financial information each should receive. Information obtained from the policy manuals, employee handbooks, and operating manuals will enhance the team's understanding of what is important to the company and alert the team members to items that might have accounting implications.

Valuable sources of information are recent business tax reports. This would include the information return for a partnership, the corporate tax return for a corporation, or a schedule C for a single proprietorship. Although the tax return may have been prepared using a different basis than financial statements prepared in conformance with generally accepted accounting principles, they will contain the major revenue and expense items of the company and depreciation schedules in support of tax depreciation deductions.

Interview and Evaluate Personnel

A complete survey of a company' should include interviews with not only the owner, but also key personnel. The interview should reveal the responsibilities, duties, and authority of the employees. During the interview the interviewer should determine whether the employee is involved in generating or receiving any financial information, and if so, the nature of the information. Inquiry should be made as to whether or not financial information received is adequate and in a format that is readily understandable. If it is not, the employees recommendations should be solicited. It is equally important to determine if currently distributed information is not really needed or used. Such information will need to be improved, eliminated, or have its importance more strongly impressed upon the user.

During the interview process the team should be able to determine and evaluate the accounting and financial capabilities of the key personnel involved in the accounting process. In addition, their willingness to implement a system that might be designed can be assessed.

An ASCII file that can be accessed with any text editor is available from the authors to assist in conducting these interviews. Suggested questions are provided to save student time in organizing this material.

DESCRIBE THE SYSTEM

Throughout the survey phase of the project team members should take extensive notes, especially regarding items of a financial nature. Upon completion of the survey an attempt should be made to graphically represent the existing system. This graphical representation can take many different forms but it should help reveal existing weaknesses and gaps in the flow of the financial information. Again, it is quite possible the client doesn't really have much of a system in place. In any case, the consulting team can, based upon information obtained in the survey, graphically describe the proposed system.

One method of graphically representing the system is to use data flow diagrams. Heagy and McMickle, 1988, found that this systems analysis and design tool is regarded by accounting practitioners as being very important. (5) The technique is described in many systems information text books. Kozar, 1989, defines data flow diagramming as "Via means of representing a system at any level of detail with a graphic network of symbols showing data flows, data stores, data processes, and data sources and destinations". (6) In more sophisticated systems analysis, data flow diagrams lead to structure charts, the basis of structured systems design. They should not be considered as an end result in themselves. Data flow diagrams should provide a communication tool for the SBI project that is understood by the consulting team and the client. They become very important in specifying system requirements and the software selection process.

Many software products are available to assist the students in preparing a graphical representation of the system. One product designed especially for student systems

development projects is Briefcase, the Collegiate Systems Development Tool. (2) A shareware product is available called Flodraw. (3) An example of the output from this product as well as a symbol library used in developing the context diagram and the dataflow diagram is included on the template and text file disk. A copy of the Flodraw shareware product is available from the software author or from Public Brand Software, P.O. Box 51315, Indianapolis, IN 46251, Phone 1800-426-DISK.

DEVELOP THE CHART OF ACCOUNTS

Based upon the information accumulated in the survey and description of the system, a "shopping list" of any and all potentially significant or material, financial information items should be prepared. The list, upon completion, should be reviewed and discussed with the owner/manager to determine whether or not each of the various items are important enough to be designated as an account in the general ledger. Important items will be given an appropriate account title, classified by its appropriate financial statement category (asset, liability, etc.), and assigned an account number. Items of an immaterial dollar amount will be combined with other similar, immaterial items and assigned a common account title and number. When the Chart of Accounts is completed it should be reviewed and approved by the owner/manager.

FORMAT THE STATEMENTS

Upon completion of the Chart of Accounts, the team should design the financial statement formats utilizing all of the accounts. The purpose of this step is to design readable, understandable, properly classified financial reports. At this point team members may want to refer to resources such as accounting texts, Accounting-Trends and Techniques, or the American Institute of Certified Public Accountants (AICPA) Industry Audit Guides for illustrations. It should be noted the team is only concerned with formatting; therefore, it is not necessary to include numbers on the statements at this time. Upon completion, it is wise to discuss the formats with the client and make alterations where, appropriate.

COMPUTER TEMPLATES FOR INITIAL STATEMENT PREPARATION

Previous sections have discussed several spreadsheet templates available from the authors that may be used to help organize and accumulate the data for the preparation of the chart of accounts and the amounts for major account titles. These templates are organized to pull the information into the major sections of the Balance Sheet and the Income Statement.

PERFORMANCE REQUIREMENTS AND SYSTEM SPECIFICATIONS

The activities described to this point have had the objective of setting performance requirements and detailed system specifications. Performance requirements are important to evaluate the operation of the system after it is established. Summers, 1989, describes two types of performance requirements. (8) They are requirements that apply to the objectives and scope of the completed system, and tasks within this scope that the completed system will be expected to perform. They are usually expressed as an output or product that must emerge from the system such as the ability to maintain historical data for the current year to date and the previous year.

System specifications list all the parts and capabilities of the system. This should include not only hardware and software but also applications, documentation, and training detailed

requirements. The choice of accounting software used for implementation depends heavily on these requirements. For the assumed situation the business is going to purchase off-the-shelf accounting software. Care must be taken to consider the technical ability of the person responsible for maintaining the system.

SUMMARY

Student accounting consultants need additional tools in the initial intervention concerning a computerized accounting system. Without a systematic approach students tend to be unsure of how or where to start, and may design systems that do not meet clients needs. The chances of successful software selection, implementation, and training phases of the project will be enhanced by careful consideration of the items included in this paper. The supplemental text files and spreadsheet templates should help the consulting team organize the material in an efficient manner and improve the decision process.

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WILL TOMORROW'S COMPUTER RE-DRAW THE PROFILE OF SMALL BUSINESS

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ABSTRACT

This paper identifies some of the possible changes to the profile of small business that seem likely to result from emerging computer technology. The changes are projected from the lessons learned from the computer's brief history.

Small business may be characterized by functions of the boss instead of mere size. As the boss functions are delegated or defaulted to the computer (really its programmer), the profile of smallness changes. The emerging technology of artificial intelligence capability threatens to take away the decision making function of small business bosses. Non-traditional bosses can avoid this consequence. The traditional bosses will see their business profile not only changed, but possibly erased.

TITLE

One of the most familiar examples of a profile changing is found in the story of Pinocchio. His nose grew longer each time he told untruths. A profile generally suggests an outline of the side view of a head. Sidewalk portrait artists often do profiles in order to emphasize some feature that helps to individualize the person -- such as distorting a nose, jaw, lips, hairline, etc.

To illustrate how the profile of small business is changing it is useful to select and emphasize a unique feature of smallness. Past relationships between smallness and computers will explain why changes in computer technology are more apt to be a challenge than an opportunity to small business. However, those companies with non-traditional bosses will have opportunities and benefits.

Small business is generally delineated in terms of the criteria used to measure smallness -- i.e. number of employees, volume of sales or amount of capital. When asked why they started or purchased a small business, owners are likely to include in their answer, "I wanted to be my own boss." Instead of a measurement criterion this feature of bossism is the one I've chosen to emphasize in the profile and to explore how it may change as computers change. If "bossism" is weakened or strengthened by changes in computer technology, then obviously the profile of small business will also be changed.

The functions of bosses include the assigning and evaluating of employees' work as well as the right and opportunity to make decisions. It seems reasonable to conclude that as these functions of bosses are delegated to others the real uniqueness of smallness may disappear.

History and Predictions

President Harry S. Truman said, "There is nothing new in the world except the history you do not know." (1) History is a controversial subject to research and interpret. The future is the safest of all subjects on which to expand. This is so because in the present no one can say for sure that the futurist is wrong. More importantly no one can have done any research on the future. The road of history may be littered with false prophets and erroneous predictions or

forecasts. However, when the predictions were made critics could only predict they would be wrong; they could not know it to be so.

Predicting the future may consist of projecting a line that is meant to represent the numerical quantity of some feature on the basis of its past pattern. Some futurists try to predict on the basis of cause and effect. These predications may be stated either positively or negatively. That is "if X is done now, then Y will result", or "if X is not done now, then Y will result." Still other seers presume to describe the state of the future without trying to explain the journey by which it arrived.

Donuts to Chips

Today's computers are yesteryear's science fiction. The brief sketch of their development given below is based upon the author's observations and experiences.

Several stages of the history of computers and their availability to small business are relevant for sketching the futuristic profile. In skeletal format these were:

1. The original technology of both hardware and software was initially so expensive that small business were precluded from acquiring it.
2. Technology was made available to small businesses by their sharing its costs through service centers.
3. The technology became available to small businesses in-house.

In fleshing-out the skeletal history, some characteristics become noticeable and merit additional explanation. The interplay of hardware and software development had a "chicken/egg" relationship. Both components became less costly as their markets expanded and they expanded as they became less costly.

The early computers required customized programming. The customized programs were unique and tailored. When the service center segment of the industry developed, it seemed to do so in large measure by modifying the customized programs to a more generalized (less unique) format. This permitted a wider range of smaller users to share the costs of the programs and equipment. However, by using generalized (i.e. non-customized) programs, the service center subscribers seemed to have to compromise some of the uniqueness of their data requirements. In some cases, this sacrifice may have involved nothing more than modifying the format of reports. In other cases, it meant giving up real information because the generalized programs could not accommodate the unique requirements.

Currently all three stages of the development exist - overlapping and in various states of development. Small businesses are in the arena with small, or personal computers that have a multitude of packaged programs available. The packaged programs tend to be rather industry specific, and to be competitive their vendors have homogenized the product to the extent that real variety has almost been eliminated.

A common feature of the programs is their ease of use and ability to be run by operators with little or no knowledge of what the program is doing. Another feature that is now even more pronounced than when found in service centers is that individual users must conform their

data to fit the packaged program or system. Thus, to a great degree many facets of uniqueness have been lost.

The availability of inexpensive hardware and mass marketed software has enabled small businesses to utilize the power of computers for their data manipulation and storage needs. At the same time, small businesses have paid a price that is not measured by dollars - a weakening of the bosses' functions.

It is common now for the computer to give instructions to the operator on a step-by-step basis. Additionally, the computer evaluates the operator's work. Thus two of the characteristics of small business bossism have been delegated to electronics.

Non-traditional, or nonconforming bosses have avoided this delegation of their functions by several means. There are bosses who have realized that while the equipment and software are inexpensive in dollar terms, a highly qualified operator is not. Such bosses have been able and willing to pay for operators who are also qualified to modify the programs. In other words, the operator/ programmer can customize the programs to permit unique needs to be met. These jointly qualified operators can also fully utilize the capability of the machines.

We see, then, that to date bosses, sometimes unknowingly, have delegated to a computer two of their functions - the assigning and evaluating of work. It seems probable that in the future some decision making functions will also be delegated to the computer -- thus eliminating the third, and most important, feature of smallness. If and when that line is crossed small businesses will be out of business since the boss functions, as the delineating criterion of smallness, will be eliminated.

The Future

Alvin Toffler, the author of Future Shock, points out some difficulties of discussing the future by the following:

1. "To prophesy is extremely difficult - especially with respect to the future."
2. This means that every statement about the future ought, by rights, be accompanied by a string of qualifiers - ifs, ands, buts, and on the other hands. Yet to enter every appropriate qualification . . . would be to bury the reader under an avalanche of maybes . . . The word "will" should always be read as though it were preceded by "probably" or "in my opinion." (2)

While many small business users enjoy the incredible capability of word processing machines, the numerical data uses are generally limited to manipulation, storage and reporting. Major efforts are now being made to create computers with artificial intelligence (AI) -- or real learning, thinking and decision making capability. As the future will consist of history, is it not reasonable to assume that the economics of these computers will correspond to the changes that have taken place with current computers? If so, such computers will be feasible for small businesses in the future.

The first benefits of artificial intelligence capability will no doubt be available only to large companies that can afford the expense of both hardware and software. Next, it is likely that service centers will provide the AI capability to subscribers that will include some small businesses. Next a technological breakthrough will occur (like the donuts to the chip) so that the technology will become economical for even the smallest company to afford. As the

software market becomes "mass", the artificial intelligence programs will tend to evolve to a common logic denominator. When common denominator information is coupled with common denominator decision logic the result will tend to be common denominator decisions.

Note the following analogies, presented to help clarify the possible consequences of decisions being made by several businesses with similar data, when each uses the same logical decision process and acts in its own best interest.

Two people walking in a non-attentive mood suddenly glance up and realize that they are going to bump into each other. They have similar data, an approaching obstacle, and their decision program tells each of them to move towards the

curb. They each do so and suddenly realize they will still bump. Now their decision program tells them to move away from the curb. Each does so and they bump. Both of them followed a logical program if each were the only one to have that program. However, when both had the same program, the bump was not avoided.

Suppose that the defensive team in a football game was able to hear and understand the signals designating the offensive team's plans. On any given play the defense could easily thwart the play. However, if they reacted perfectly to several plays, the offense would realize that more than luck was involved and change their signaling method. Consequently the defense can use their information only now and then, or, they can use it partially on each play. Either way, the information the defense has is not fully utilized.

Both of the analogies are useful in understanding the pitfalls of several companies relying on similar information and having similar decision making processes (programs) that seem to maximize the benefits to each. To the extent that each company is not aware that others have the same program, neither will gain an advantage over the other, since they will tend to make similar decisions. In fact, by each following the programmed decision they will bump into each other.

On the other hand if each is aware that the other has the same, or similar, program, neither must act on the basis of the programmed course of action. Consequently the advantage of having the program is lost.

One more element needs to be introduced in order to fully understand the possible futuristic results. Generally, when people pay for a thing they want to use it. So if they purchase an artificial intelligence program they are not apt to ignore it. More befuddling is the fact that if they don't purchase it, those who do will gain an advantage. Heads you win, tails I lose.

The futuristic scenario is based upon the observations and reasoning that have been presented. Small businesses acquire mass marketed data processing systems that are industry specific. The systems require users to conform their input to accommodate the systems. Part of the economics appeal to small users is the simplicity of operation that allows operating the systems by untrained (low computer skills) and moderately priced employees.

Technology and economics combine to allow small businesses to afford artificial intelligence computer systems. These systems become industry specific as well as uniform in their decision logic. The AI systems coupled with the data processing system (both of which are now industry specific) make decisions that are good, or right, only if every firm in the

industry does not have such a system. The decisions are logical for the industry in relation to competing with other industries. The decisions are not logical in relation to one firm in an industry competing with another firm in the industry. The individual firms within an industry operate as an industry and so lose their identity of smallness. Conclusion: The profile of small business is changed.

Is there a way out of the dilemma? The most obvious, and unrealistic, approach is for everyone to ignore the coming technology. This is unrealistic because someone will be "the first on the block to have one". What are the realistic solutions?

History again provides the answer. Those companies that have not succumbed to the temptation to hire low cost, low qualified help to run their present systems have been able to maintain their individualized data systems and at the same time utilize the incredible capability that present technology provides.

It seems reasonable to presume that the same non-traditional (or at least nonconforming) solution will work in the future. Namely, for bosses to hire the most qualified help they can afford to operate their future systems. This will allow them to avoid defaulting to the box their most important feature of bossism--decision making.

Such non-traditional bosses will maintain the individualized nature of their data input and have the capability of adapting the decision logic to reflect their individualized decision processes. The non-traditional, or unconventional, aspect of this feature is the awareness of the problem and the willingness to pay for its solution.

Those bosses who maintain traditional patterns (i.e. run with the herd) will find that their profile has not changed, but has been erased. If in fact the future arrives as history, such a fate will befall many of the unwary, or unwilling.

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AN EVALUATION OF CONSULTANT SERVICES FOR SMALL BUSINESSES

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ABSTRACT

Small business owners who have used the services of the Small Business Development Center (SBDC) and a non-client group were surveyed as to their use and opinions of various types of consulting services. Five types of consultants were evaluated by the small businesses surveyed in terms of familiarity and perceived quality of consultant services and costs. The strengths of each type of consultant were noted by both SBDC clients and non-SBDC participants.

INTRODUCTION

Small businesses make a lasting impression in the American market in terms of jobs, exports, and innovations. Forty percent of the U.S. GNP is contributed by small businesses, and nearly two-thirds of the jobs created since 1978 have come from this sector (1). With the growing importance of small business, the use of consultants for aiding owners is not surprising. As of 1985, the number of full-time business consultants in the market ranged from 35,000 to 50,000, with an annual increase approaching 2,000 per year (9). Although figures are not available for the number of part-time consultants, it is likely to be larger than the number of full-time people.

The purpose of this study is threefold:

- (1) To measure the familiarity of small business with business consultants and the services offered.
- (2) To measure the perception of these businesses regarding the quality and expense of services provided by the consultants.
- (3) To examine the relationships between the opinions expressed concerning familiarity, quality, and expense of services.

A literature review of current research concerning these services precedes a discussion of the results of a survey administered by the authors.

WHEN SHOULD A CONSULTANT BE USED?

The reason why small business owners use a consultant vary widely. In summary, they can be condensed to the following situations (5, p. 39):

1. The cause or difficulty (problem) cannot be identified or determined.
2. An identified problem is so intricate or large that the internal resources of the firm cannot be applied to it effectively.

3. The objectivity of an outsider is needed to deal with the problem.
4. The firm has attempted, but failed to solve the problem.
5. Specialized knowledge is needed to solve the problem.
6. Total organizational agreement on the problem is needed but has not been achieved.

Successfully dealing with the above situations depends upon the type of business consultant employed. For example, small firms tend to be best at specific business problems since they have experienced consultants in specialized areas. General management firms tend to tackle broader problems like information dissemination, finance, and personnel procedures. Full-service firms have greater resources and can do the work of any of the smaller firms, but can also aid in the implementation of the systems recommended (5).

The Association of Management Consultants conducted a survey to determine the characteristics needed in a consultant by the client firm. These included: people orientation, courage, ambition, professional etiquette and courtesy, psychological maturity, objectivity, and problem solving capabilities (9). Additional points included the ability of the consultant to (1) work with the client firm and its staff, (2) ask appropriate and insightful questions of the client, (3) generate enthusiasm in the client firm for the project, (4) communicate well with the client, and (5) provide adequate references from past clients. In summary, the effectiveness in the use and choice of consultants seems to depend greatly upon the advanced planning of the client firm for the relationship and on the abilities of the consulting firm to meet the challenge provided.

SMALL BUSINESS ADMINISTRATION CONSULTING SERVICES

The Small Business Administration (SBA) supports several programs that are consultative in nature. Four of them are the Service Corps of Retired Executives (SCORE), Small Business Development Centers (SBDC), the Small Business Institute (SBI), and the Active Corps of Executives (ACE).

SCORE has been mentioned in the media for several years for its effectiveness. Started in 1964, the program has helped over 200,000 people in 1986 in small business ventures. Since 80 percent of SCORE's clients are beginning businesses, monthly workshops have been used as an effective way to meet their needs. SCORE programs are more sought out, than do SCORE consultants seek out clients. The possible exception is when a SBA loan client is in arrears (6).

In studying the effectiveness of the SCORE program, Fregetto found that the service was seen as a "last stop" for business ventures before potential owners took the final step into the business world (8). Clients also experienced between two and three contacts with SCORE volunteers, on average, before beginning a venture. Of particular importance was the decision made by more than one-third of the respondents in the study to visit SCORE again within three months of the survey. Respondents (over 80 percent) noted that they would recommend the service to a friend starting a new business, and nearly two-thirds of them would recommend SCORE to friends with existing businesses to correct present problems. The results of the Fregetto study presented a very positive picture of the ability of SCORE to identify, correctly, the problems and concerns faced by business owners and to provide the advice needed by the owners to solve problems effectively.

Small Business Development Centers are also SBA funded, but are run by universities across the country. These centers have received attention in recent years due to attempts by organizations, such as the National Federation of Independent Businesses (NFIB), to have the SBA stop funding SBDCs (3). Other attempts involve cutting SBA loan funds and programs for "target" groups--the minorities and the handicapped. Funds saved would go to enlisting professional consultants to work at reduced cost, while client firms began to pay small fees to offset other costs of the program. James D. McKeivitt of the NFIB is quoted as saying: "It is the private sector and banks that should be aiding the small businessman in management assistance. I'd certainly rather talk to an accountant than a professor about my business problems and needs." (2)

A NFIB survey in 1984 advocating the need for reallocating SBDC funds to other programs was criticized by Pelham (11). Five problems were cited with the survey results. First, business professors (frowned upon by NFIB members) are not synonymous with SBDC counselor programs. Second, stereotypes against university settings and esoteric research do not conform to the types of aid available at SBDC offices. (In fact, NFIB respondents believed that universities could solve business problems even if the setting was not compatible with the business owner's idea of a practical culture.) The third problem, noted by Pelham with the NFIB survey, was the differences between private consultants and SBDC consulting services. Unlike SBDCs, private consultants are not willing to spend only one or two hours with a client, and they often charge \$80 or more per hour for the time spent. Fourth, the retired business owners who were regarded by NFIB survey respondents as trusted sources of management advice are generally not synonymous with SCORE volunteers, the group to whom NFIB executives wished SBDC funds would be diverted. Finally, the respondent base was markedly different from the average clientele received by SBDC offices. Most SBDC counselors will see 40 percent of their clients in a preventive setting, while NFIB responses came generally from companies whose sales topped \$500,000 and whose businesses had been in operation over three years. In addition, 21 percent of the NFIB respondents were in manufacturing. Given these problems, Pelham discounts the survey as invalid for the conclusions it tried to establish.

The Small Business Institute (SBI) is a university based program that involves student based counselors assisting small business firms in solving their individual problems. In a survey (10) of past SBI clients over the years 1982-1986, Kiesner noted that, in general, an 8 rating out of 10 (highest) was shown over time for the program, although this figure had dropped from a high of 8.4 in 1982-83. Clients utilizing small universities were also more likely to be satisfied with the services provided by the SBI office than large-school clients. Among business types service and retail firms were more likely to express satisfaction than manufacturing firms.

OTHER BUSINESS CONSULTANTS

Three other consultant services were considered important for this paper. First, the Active Corps of Executives (ACE) is similar to SCORE in services provided, but it is composed of current business executives rather than retired executives. Second, the B & I program, referred to in the paper, is a university extension service providing assistance to business (B) and industry (I). It is distinguished from the SBDC program in that it is administered by the university with federal, state, and university funds, rather than under the auspices of the SBA. Finally, private consultants are a general group of professionals, in the business sector, who provide various types of consultant expertise such as legal, accounting, insurance, engineering, and computers.

METHODOLOGY

In order to determine the perceptions of small business owners concerning consultant quality and expense, the opinions of past SBDC clients were compared against a random sample of businesses in the same geographic area (city) that may or may not have used consulting services. SBDC clients were obtained from the SBDC office of Southwest Missouri State University, as well as a list of all businesses licensed by the city of Springfield, Missouri.

After eliminating preventure clients from the SBDC list, a random sampling of the remaining names generated 150 target businesses. From the non-SBDC list of licensed businesses, 150 were also selected at random by the computer. Certain businesses (such as medical offices, real estate offices, etc.) were eliminated from the list due to their absence from the SBDC list. For an excluded business firm, the next qualifying business on the list was chosen.

Respondents on both lists were mailed a pretested questionnaire. They answered several questions pertaining to professional business consultants, even if they had not used them in the past. They were assured the project was part of an independent research effort and not a product of the local SBDC. Twenty-seven questionnaires were returned by the SBDC group and 20 by non-SBDC respondents.

Nearly one half of the non-SBDC businesses selected were retailers, while only one-fourth of the SBDC group were in this category. Conversely, almost 12 percent of the non-SBDC group were service related firms, while about 40 percent of the SBDC businesses were service oriented. However, combining all of the sales-oriented companies into one group, and all of the manufacturers/ construction into another group, shows some striking similarities. Approximately 68 percent of the SBDC firms were sales-oriented (retail, wholesale, etc.), with 19 percent in the manufacturing and construction categories. For the non-SBDC list, the figures are very similar, showing 76 and 18 percent, respectively.

Three-fourths of all respondents represented companies that began in 1980 or later. For SBDC respondents, this figure was 90 percent, while 50 percent of the non-SBDC respondents started their businesses in 1980 or later. The average SBDC client employed 2.2 full-time employees and 3.0 part-time employees. For the non-SBDC respondent group this increased to 6.1 full-time employees but decreased to 1.5 part-time employees. As expected, the older non-SBDC firms had higher annual sales figures, \$470,000 as compared to \$190,000 for SBDC clients.

The typical SBDC respondent was 45 years of age, had 7.3 years of business experience, attended college, and was probably the owner of the firm. The non-SBDC respondent, however, was younger, had more experience, and was less likely to have attended college. There was also a disproportionate number of males to females, with SBDC respondents having more female owners.

RESULTS

The respondents were asked how familiar they were with five area consultants: SBDC, University of Missouri Extension (B & I), SCORES ACE, and private sector consultants. A 5-point Likert scale was used, with 5 representing strongly agree and 1 indicating strongly disagree. The SBDC group was most familiar with the SBDC (3.7), and private consultants were rated second (3.0). The non-SBDC group was most aware of private consultants (3.2), with SCORE rating a close second (3.1).

Regarding how respondents had heard about consultant services, the majority of non-SBDC and SBDC firms noted word-of-mouth (62.5 percent). Ranked second were mailed brochures (35.4 percent) and third, with 33.3 percent of the responses, were print media such as newspapers and magazines.

The overall quality perception ratings for all five consultants were high and consistent. In general, both SBDC and non-SBDC groups thought that the service being provided by area consultant's was quite good. As expected, the SBDC group rated the SBDC the highest (3.8) with the private consultant second (3.6). The non-SBDC group rated SCORE first (3.8).

In regard to costs, the respondents were asked about their perception to: "I believe this service would be expensive." Although the highest rating was given to private consultants, the average non-SBDC firm seemed to think that the other four services were relatively expensive as well.

The last issue of evaluation was the consultants' strengths. The respondents were asked in which problem areas they thought the various consultants would provide the best service. In choosing only one of nine different problem areas--starting a business, sources of credit/capital, increasing sales, advertising, selling to government international sales, financial records, management problem, and other--the SBDC was noted as being best suited when the business was young or first starting out. Another strength was its ability to provide quality help with financial records. Assisting with management problems was also seen as a SBDC strength. In fact, the SBDC scored high in all categories except international sales.

The private consultant, on the other hand, was seen as particularly helpful in finding sources of credit and capital. This group also scored high on advertising, international selling, and help with financial records. Starting a business however, was not regarded as a particular strength of the private consultant.

An important issue was to determine if the small business owner thought a large sum of money must be paid for a high quality consultant. Using a Spearman correlation test, the relationship between quality and expense for the SBDC was a $-.46$, which was statistically significant at the $.05$ level (See Table 1). Thus, many small business owners saw the SBDC as a high quality, low cost consultant. The same could be said for the SCORE program. Although the relationship was not statistically significant, many of the small business owners saw the private consultant as providing a high quality but expensive service.

The Spearman correlation test was also used to determine the relationship between familiarity of services and quality/expense. Small business owners who are very familiar with the services of the SBDC see it as a high quality, low cost service. Those who are not familiar with the SBDC see it as a low quality, high cost service. Both coefficients were statistically significant. The same statistical relationship held true for the SCORE program but not ACE. The private consultant was evaluated somewhat the same. Small business owners who were very familiar with the private consultant rated its service as high quality. Conversely, low familiarity with the private consultant resulted in a low quality rating. All in all, familiarity with the services of a consultant, private or government, seemed to be a reliable indicator of perceived quality and expense.

TABLE 1 CORRELATIONS AMONG PERCEIVED FAMILIARITY, QUALITY, AND EXPENSE

Quality Familiarity _____

	Expense	Quality	Expense
SBDC -	.46*	.41*	-.65*
B & I -	.31	.21	-.17
SCORE -	.38*	.54*	-.59*
ACE	.00	.29	.03
Private Consultant	.18	.42*	.27 ----- *p < .05

SUMMARY AND CONCLUSIONS

The results of this study support the suppositions that the use of consultants in the workplace are important for the success of many business firms. Careful consideration of the problem to be solved, however, are important in the choice of consultants. There is always the need to assess properly potential client problems in determining if consultants can provide necessary aid.

The findings of this study show a difference by business types similar to that criticized by Pelham. In addition, the study notes that the SBDC, B & I, SCORE, and ACE are acceptable alternatives to the private consultant; however, they are not doing a particularly good job of advertising the no-cost aspect of their services. Although, it does appear that the SBDC is doing a good job (at least in the sample area) with word-of-mouth and brochure advertising.

Another important finding of this study is the relationship between the familiarity with consultants and perceived quality and expense of the services provided. When business owners are familiar with a governmental-assisted program, they tend to see it as being high quality and inexpensive. Conversely, if they are not familiar with such a program, small business owners feel that it is low in quality and expensive. The implication for government assisted programs is that they should clearly emphasize the high quality of the service and that it is free of charge.

The study has several limitations. First, the research represents the attitudes of a given set of business firms, within a given time frame. Second, there was no attempt to determine if nonrespondents held different attitudes toward consulting than respondents. Thus, there is no way to evaluate, for this study, whether nonrespondents would represent more or less patterned responses than those who responded.

In summary, the findings indicate that consultation for small business is a fruitful area of investigation and that the results contribute to the knowledge of consulting in the public sector. There are, however, several areas that need further investigation. For example, future studies need to be controlled for the large number of key demographic variables that exist. Also, measures of satisfaction with consultants need to be better established, as well as the need to measure general satisfaction levels prior to respondents receiving consulting services.

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A complete copy of the paper, with tables, is available upon request.

SMALL BUSINESS CONSULTATION: ISSUES FOR THE SBI CASE EXPERIENCE

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ABSTRACT

This paper examines some of the issues and problems associated with small firm consulting. Considering both the client's and consultant's perspectives, differences between small firm and large firm consultation are explored. A discussion and application of process consultation with regard to small enterprise consultation is included. Issues pertinent to the training of student counselors for SBI case work are examined.

INTRODUCTION

While much has been written about the consulting process with respect to large organizations or business firms [1] [4] [8], relatively little has been written concerning the consulting process as it occurs with small business firms [5] [7]. While some of the facets of large firm consulting carryover to the small firm consultation process, there are some aspects which do not readily lend themselves to both environments. For example, there are several factors which typically distinguish a small business from a larger firm which could influence the role of the consultant: 1) the owner/manager generally wears several managerial hats simultaneously (e.g. accounting, marketing, personnel, etc.); 2) most small businesses are financed from the personal or family savings of the owner/managers; and 3) most small businesses lack the specialized resources that are available to larger firms.

In addition to factors related to size, Kubr [6] points out that many small business managers are reluctant to use outside consultants for the following reasons: 1) the expense associated with hiring a consultant; 2) identification of a competent consultant; 3) a general reluctance on the part of small business owners to provide outsiders with the facts and figures relating to their business; and 4) the general notion that using a consultant may be seen as an admission of a lack of competence on the part of the owner/manager.

Currently, clients who participate in the SBI Program are not affected by the issue of the "expense associated with hiring a consultant." Until a trust relationship develops between the client and the student team, however, issues associated with the competence of the student teams, reservations about sharing firm data, and a general inclination toward not wanting to give the impression that the firm is in any kind of trouble are important considerations for the SBI consultation process.

The purpose of this paper, then, is to explore the issues and problems associated with small business consultation. Both the consultant's and the client's perspectives will be considered. Also, differences between large organization and small firm consultation will be explored. Overall, this paper will be divided into four sections: first, a working definition of a small business will be drawn in order to distinguish some of the differences between a small business a large firm; second, the need for small business consultation will be assessed; third, an overview or general definition of consulting and discussion of process consultation will be provided; and fourth, issue specific to SBI case consultation with the independent owner/manager as client will be examined.

DEFINING THE SMALL BUSINESS ENTERPRISE: DIFFERENTIATING ENTREPRENEURS FROM SMALL BUSINESS OWNERS

Since the use of consultants by small business firms has been identified as an emerging trend in the field of consulting [6], and large firm consultation issues have been treated more extensively in the literature than small firm consultation issues, it is important to: first, define what a small business is as opposed to a large firm; and second, distinguish the small business owner from the entrepreneur and the small business firm from the entrepreneurial venture. A clearer understanding of these concepts should facilitate a better understanding of the issues which might affect the client-consultant, relationship for the SBI student counseling team.

Defining what constitutes a small business is not an easy matter. How the U.S. Small Business Administration (SBA) defines a small business determines which firms will be eligible for billions of dollars of federal, state, and local procurement and set-aside funds. As a result, the SBA definition of what constitutes "small" tends to be very quantitative and is stated in terms of a firm's annual sales and/or number of employees. In general, however, the SBA defines a small business as one which is independently owned and which is not dominant in its field. [17]

It is the Committee on Economic Development (CED) which provides the best working, definition of what constitutes a small business and which provides some insight into some of the issues that will affect the client-consultant relationship. Briefly, the CED defines a small business as:

- 1) independently managed - usually by the owner(s);
- 2) having capital supplied and ownership held by an individual or small group;
- 3) limited to an area of operation that is mainly local - although the markets served need not be local; and
- 4) comparatively small within the firm's respective industry. [9]

Clearly, from this definition, several issues emerge which are specific to the small business firm and which are not typically found in a large enterprise. For example, the fact that the owner or the owner's family and/or friends have usually financed the operation, will often constrain decision making in ways that a large firm would not be constrained. Also, since the business is comparatively small within its respective industry, the owner as manager has access to limited resources to address problems as they arise. Finally, SBI student teams need to be sensitive to the issue that while a firm's operations may be local, its markets need not be. This is particularly important in light of current international market opportunities. While large firms often have more resources to bring to bear on international markets, small firms can often respond more quickly and fill market niches before a larger firm can.

In setting the framework for analyzing the issues of small business consultation, it is important to keep in mind that there are differences not only between large and small firms, but that differences exist between small businesses and entrepreneurial ventures and between small business owners and entrepreneurs. In fact, Carland, Hoy, Boulton, and Carland [2] indicate that the critical factor distinguishing small business activity from entrepreneurial activity is innovation. They provide the following guidelines for differentiating small business ventures from entrepreneurial ventures and small business owners from entrepreneurs:

Small business venture: A small business venture is any business that is independently owned and operated, not dominant in its field, and does not, engage in any new marketing or innovative practices.

Entrepreneurial venture: An entrepreneurial venture is one that engages in at least one of Shumpeter's four categories of behavior: 1) introduction of new goods; 2) introduction of new methods of production; 3) opening of new markets; and 4) industrial reorganization. That is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices.

Small business owner: A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires.

Entrepreneur: An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business [2, p. 358].

Once again these definitions provide a basis for examining some of the differences that exist between large firm consultation and small enterprise consultation. While, the entrepreneurial activity described above can be found in both large organizations and small firms, the business as an extension of the owner's personality is usually specific to small firm consultation. When dealing with a small business firm, the consultant must realize that any criticism of the firm can and probably will be interpreted by the client as personal criticism. Add to this the fact that the average work week for most small business owners is 56 hours, [10] and anything the consultant says that is negative about the business, will be interpreted as a negative comment about the owner.

SBI student teams need to be aware of the fact the business is often an extension of the owner's personality. Clearly, the typical SBI case is not the cold, impersonal, objective business case that is often presented in a text casebook.

THE ECONOMIC IMPACT OF SMALL BUSINESS AND THE NEED FOR CONSULTING IN SMALL ENTERPRISE MANAGEMENT

While distinguishing between entrepreneurial ventures and small business ventures provides some insight into the differences between large, and small business consulting, an examination of the economic impact of small business and small business failure rates also presents certain implications for the small business consultant. The following statistics illustrate the impact that small businesses have on the nation's economy: firms with less than 500 employees comprise 99 percent of the total enterprises in the U.S.; businesses with less than 500 employees employed 49 percent of the total nongovernmental work force; and employment in small business dominated industries increased 4.9 percent between June, 1987 and June, 1988, while large business dominated industries grew by only 3.3 percent. [15, pp. 13; 80-81; 84-85] In addition, with respect to the creation of new jobs, in the period 1980-82, small firms with less than 20 employees accounted for nearly all the net new jobs in the economy [16, p. 251. Clearly, small businesses are a pervasive and critical component of the U.S. economy.

Despite the positive aspects of small business productivity and contribution to economic stability, small business failure rates remain relatively high. It is estimated that approximately 55% of all new business starts will fail within the first five years of operation [14, p.15]. Further, an examination of the underlying causes for this failure rate reveals that two major factors emerge: economic causes which account for nearly 70% of business failures; and managerial experience causes which account for just over 20% of the reported failures [14, p. 19].

In addition, more recent research indicates that small business failure rates may be lower than previously reported and related to new job generation [15, p. 25]. It is estimated that firms which add at least one new position per year have failure rates from one-half to one-third those of non-growing firms. It is further estimated that approximately 30 percent of non-growing firms fail within two years of start-up [15, p.25].

The implication of this information to small business consulting is threefold. First, the data indicate that small business are an important economic force. Second, consulting with small business firms will more than likely involve specific operational problems aimed at economic problems and managerial deficiencies that jeopardize the very existence of the business. While the consultant will not always be dealing with "life and death" issues surrounding the small business, the client may perceive them differently. Finally, there are no simple solutions aimed at the problems of survival for new and growing firms. A firm which seeks growth, be it modest or aggressive, however, may increase its chances for survival. The job generation growth indicator suggests that the firm's market or demand for its goods and/or services is expanding and the firm's needs additional personnel resources to address those needs. Student consulting teams need to be aware that merely adding jobs is not indicative of increasing a firm's chances of survival.

To summarize, the profile of small business consulting, presented thus far, emerges from the definition of what a small business is, the definitional differentiation of small business ventures and entrepreneurial ventures, and the economic impact and failure rate of small enterprises. The next two sections will elaborate on this profile through a general discussion of consulting and a specific discussion of consulting with the independent owner/manager.

THE CONSULTING PROCESS

Czander [3] defines consultation as follows: "the activity of one or more people from outside the organization, who are called in to change or add to the efficiency or effectiveness of the client's systems." He goes on to point out that the consultant may use one of number of different consultation models (change consultation, consulcube, organizational development consultation, process consultation, etc.) in order to effect these changes. Whichever model is utilized, however, he points out that the consultation process "may include changing the organization's structure, goals, personnel, and/or the behavior of its employees, or possibly adding to the effectiveness an deficiency of the system's functioning by bringing into it a greater degree of expertise in the form of specific technology or technique."

Given the profile of small business consultation discussed thus far, Czander's definition of consultation is particularly appealing. Small businesses by their nature do not have staff specialists to deal with specific problems that may arise. To further complicate matters, most small business owners make decisions with a minimum of quantitative data about the firm itself and incomplete information about issues external to the firm such as changing technology, competition, and government regulations. Consultation as Czander, defines it,

presents a process that is potentially very valuable to the small business client in terms of acquiring much needed expertise without adding substantially to the firm's permanent payroll.

The consultation process, however, is more than a small business client seeking assistance from external expertise. As Lippitt & Lippitt [8] point out, "Consultation is a two-way interaction a process of seeking, giving, and receiving help. Consulting is aimed at aiding a person, group, organization, or larger system in mobilizing internal and external resources to deal with problem confrontations and change efforts." Indeed, given the fact that the nature of a small business and the personality of the owner are so intricately interwoven, an interactive consultation process is preferable.

In terms of consultation models which afford the client and the consultant an opportunity to develop a two-way interaction, process consultation [1 3] appears to be well-suited to the small business consultation process. Schein defines process consultation as "a set of activities on the part of the consultant which help the client to perceive, understand, and act upon process events which occur in the client's environment. "The role of the consultant is primarily as a "facilitator," while the client's role as decision maker is maintained. The underlying assumption of the consulting effort with respect to process consultation rests on the managers need for help in problem diagnosis, clarification, and definition. The consultant and the client both share in the problem solving effort, and the consultant is not expected to "tell" the client what is wrong with the organization, what needs to be done to correct the problem, and what the client needs to do to effect the change.

Process consultation addresses the issue raised earlier that small businesses typically are extensions of the owners personality. That is, the typical small business owner does not want some stranger to come into their firm and start telling them how to run their business. Even when the small business owner initiates the contact with the consultant to seek help, there is still a feeling on the client's part that no one knows more about the business than the owner. Process consultation allows the client and consultant to mutually solve the problem and thus enables the consultant to earn the client's respect in an atmosphere relatively free of hostility. On the other hand, some small business owner's seek the consultant's assistance in an effort to discover the "ten steps to successful small business management." Of course, no such steps exist. The consultant's role in process consultation is to lessen the client's defensiveness and promote trust [3]. The client's active and involved role makes this task much easier.

Small Business Consulting

One of the major issues of small business consulting centers on the inability of the owner/manager to clearly see what problems are affecting his or her business. Petty [12] relates the case of a small manufacturing, plant that hired a consultant to negotiate the employment contract for its 40 employees. The day after, the negotiations ended with the company refusing to grant pay increases, the co-owner arrived at work driving a brand new Cadillac. The owner could not understand the employees low morale. When the consultant pointed out the inconsistency between the firm's actions and the owner's actions, the owner replied that the new car was purchased with money from his wife's inheritance, and not company funds. The client quickly realized that while his family, and now the consultant, knew the facts, none of the firm's 40 workers were fully aware of the either his wife's good fortune or the firm's indebtedness. Indeed, his personal actions sent a different message that he had intended.

One of the major assumptions in process consultation is that management is having difficulty assessing what is wrong with the system or organization and therefore, there is a need for external intervention. There is a joint effort between the manager and the consultant in the diagnosis of the problem and the consultant acts a facilitator in the implementation of the solution. That is, the key to process consultation lies not in the finding of the remedy to the organizational ills but in sharpening the client's ability to assess problems within the system [3].

The process consultation model is appealing to small business consultation and SBI team consultation for several reasons: 1) most small business owners have difficulty diagnosing, clarifying, and defining the problems within their firms; 2) because of the close identity many small business owners have with their firms, the building of a trust relationship between the client and the consultant is essential; and 3) given the modest resources that most small business have, the owner/manager stands to substantially benefit from the increased ability to assess problems confronting the company.

In a small business venture, the decision to use the SBI consulting program is not currently hindered by the cost associated with hiring an outside consultant. The decision to continue the use of a management consultant may be a more difficult one. The owner or manager may find such professional service expensive, and may not see how an outsider could help his or her "unique" business situation [6].

Many small business owners started their firms because they were independent, wanted a personal involvement in the firm, and were willing to work longer and harder than someone who had no personal involvement in the success or failure of the company. It is a somewhat humbling experience for the owner to suddenly realize that he or she needs help from someone else in order to run his or her own business.

In addition, there are other small business issues that can affect the client- consultant relationship: the owner may not have realistic goals or expectations for the business venture; because of limited financial resources, small businesses have a difficult time attracting, recruiting, and retaining quality employees; many small business ventures are limited to one product or service and in times of trouble cannot easily diversify; and small business owners frequently do not keep accurate and timely records to facilitate an understanding of how problems developed and how they potentially could be resolved.

CONCLUSIONS

In closing, small business consultants require a wide range of consulting expertise. It is important that SBI consulting teams be given some exposure to the various intricacies of counseling a small business or entrepreneurial venture. From the working definition of a small business, it can be seen that a small business venture is more than just a "small" large business. As Greenfield [5] states, "smaller companies are not miniature large companies." While there is some overlap in the consulting process of both large and small firms (particularly in the area of consulting with entrepreneurial divisions of large companies), there are also substantial differences which may affect the client-consultant relationship.

Process consultation has been identified as a potential model for establishing a trust relationship with the small business owner/manager and for facilitating a problem identification strategy involving both the client and the consultant. O'Connor and Rogers [11] suggest that from their study of the attitudes of clients and students in the SBI case situation

that: 1) the client needs to be better educated about the purpose and procedures of the SBI experience; and 2) the student team needs to be better educated with regard to communication skills. Process consultation offers a model which potentially addresses both of these needs.

While it is impossible to cover all the contingencies that would confront a consultant when working with a small business venture, hopefully the consultant and the client will benefit from an awareness of some of the issues distinguishing large firm consulting and small enterprise consulting discussed in this paper.

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A RURAL ECONOMIC DEVELOPMENT PILOT PROGRAM: A CRITICAL ANALYSIS

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ABSTRACT

In 1987, James Madison University undertook a pilot program to spur rural economic development by creating a business development center (BDC) affiliated with a community college in a depressed region of Virginia. This paper presents an evaluation of the pilot program drawing upon the evaluability assessment methodology. In general the program was well-executed. Program strengths include: the BDC concept as an economic development tool appropriate to the region; the site selection process; client satisfaction with the program; the involvement of faculty and students; and the focus on building the local institution. Program weaknesses include the absence of a viable strategy for self-sufficiency and an inadequate level of client demand for services. Recommendations to strengthen the BDC model for rural economic development are presented.

INTRODUCTION

In Virginia, as in many states, economic development has been uneven with some rural areas continuing to lose jobs and people while other regions flourish. In 1987, James Madison University (JMU), a public university of the Commonwealth of Virginia, undertook a pilot program to spur economic development by creating a business development center (BDC) in the depressed Southwest region of the state. Support was obtained from Virginia's Center for Innovative Technology, the Appalachian Regional Commission and the Small Business Administration (SBA). JMU's Center for Entrepreneurship (CFE) obtained the funding for the business development center; developed a generic BDC model; selected the site from among candidate institutions; and provided continuing support. The new center, the Virginia Highlands Community College Business Development Center (VHCC BDC), began operations in October 1987 with seminars, counseling, and other services for prospective and on-going businesses. It was intended that the program serve as a model for business development centers in rural areas.(1) This paper presents an evaluation of the pilot program. The methodology is eclectic, using the evaluability assessment methodology propounded by Wholey.(2)

BACKGROUND

The rationale for the university-based center is straight-forward. Small businesses perform a number of socially useful functions: they create a disproportionate share of jobs, inventions and innovations; they provide opportunities for minorities and women; and they represent the best of the American traditions of free enterprise and rugged individualism.(3) Nevertheless, the failure rate of new businesses is very high. There is some evidence that most of these failures result from factors internal to the firms, e.g., a lack of management expertise, (4) and that businesses can benefit from outside advice, particularly with respect to planning.(5) Nonetheless, many new businesses have limited resources and are reluctant to pay for assistance. The university based center offers the resources of the university at a cost affordable by the new ventures. While the assistance provided by the center provides direct assistance to business, the entrepreneurial education provided the students may have an indirect impact as students graduate and join or start businesses.

Attempts to target university-based assistance to depressed rural areas present a problem, however. The business development centers are typically located at four year universities with strong business programs, and they best serve the immediate environs of these universities. Depressed rural areas beyond commuting range of an appropriate university are not well served by the centers. These areas are often served by community colleges, but the funding agencies are reluctant to provide support directly to community colleges for business development centers. In the VHCC BDC pilot project JMU served as an intermediary between the funding sources and the selected community college -- obtaining grant support and providing expertise in small business assistance.

STRENGTHS

In general the pilot program was well-conceived and executed. This section will examine five of the most important strengths: the BDC concept as an economic development tool, the site selection process, client satisfaction, the involvement of faculty and students, and the focus on building the local institution.

The BDC Concept

The evaluation looked at the concept on three levels: First, is the concept appropriate as a rural economic development strategy? Second, is it appropriate to the particular conditions in Southwest Virginia? and Third, is it needed given the current mix of programs in Southwest Virginia?

1. A rural economic development strategy. The economic development literature supports the contention that new venture and small business assistance is the appropriate regional strategy. Robert Reich(6) argues:

Our long term challenge is to ease the transition of our rural economy out of an almost exclusive reliance on primary commodities and into more competitive, more flexible, more specialized production.

Much of the growth in so-called "services" within the American economy is actually due to smaller information businesses specializing in sales, marketing, design, advertising, engineering, finance, and consulting of all types. Almost all of the growth in American manufacturing during the past few years has been in small-batch businesses aimed at specialized markets.

The striking thing about these new forms of business is that they can be undertaken almost anywhere in the country.

What's more rural America has many assets ... that could make it an attractive setting for information-based services and small-batch production.

2. An economic development strategy for Southwest Virginia. Fifteen persons who were engaged in economic development activities in Southwest Virginia were interviewed during two trips to the region in August 1988. Every respondent who commented felt that the strategy was particularly appropriate for Southwest Virginia since the area had handicaps in attracting large scale industries. The primary handicap is the mountainous topography--the lack of suitable land for industrial locations. One respondent also commented that the strength of the union movement discourages industrial relocation.

3. Fit with the current mix of programs. All of the respondents expressed support for the concept, and all felt business assistance had been a gap in the area's offerings. In addition, a regional business assistance program was one of the recommendations of the Southwest Virginia Economic Development Commission.(7)

Site Selection

The site selection process has been detailed in published articles and will not be fully described here.(1) Five community colleges and one public four-year college were selected as possible sites with JMU staff making three visits to each site. Criteria were developed to evaluate both the institution and its community. The community criteria were based on the literature of commercial site selection while the institutional criteria reflected (a) the fit between the current activities of the institution and business assistance activities of the proposed BDC and (b) the resource support the institutions were offering.

Evaluation interviews were held with one or more persons at all five unsuccessful candidate institutions. Eight persons, all engaged in economic development activity, were interviewed. In all cases the respondents reported that the process had been fair and expressed satisfaction with JMU's role in the selection process. Almost without exception the respondents expressed the view that their institution should have been selected for the BDC center, but otherwise expressed no reservation with the process. Documentation of the selection process was very thorough. A review of this documentation and interviews with JMU personnel supported the contention that the process was fair and open and without political influence.

Client Satisfaction

The activities of the VHCC BDC fall under three headings: business counseling; seminars and workshops; and information and networking services. Thirty-three clients have received counseling. Two of the clients have started businesses; two have completed business plans; and four were in the process of completing business plans as of September 1988. Client experience with the business counseling was assessed by a telephone survey conducted in August of 1988 by Alfred Ziviello, a graduate assistant with JMU's CFE. Twenty-one of the thirty-three clients were contacted, and seventeen (slightly more than half completed the survey. Of the seventeen, four contacted the VHCC BDC with reference to an existing business and thirteen were considering a new venture. All seventeen respondents felt that the services provided by BDC were of some value. The most frequent response (eight respondents) was that the service was most valuable. Persons seeking help with an existing business were slightly less positive than the prospective entrepreneurs but the numbers are too small to attach any significance to these differences.

When asked if the service would make any "difference in the way you do business," five of the prospective entrepreneurs responded that they had dropped the idea of starting a business - which may be a positive outcome. (Several indicated that they abandoned the idea when they discovered how much time and commitment was required.) Six said that it would make a difference, one was not sure, and one said that it would not make a difference. The only possible negative note is the unwillingness of the four respondents with existing businesses to ascribe any impact to the services: three were not sure whether the services would make any difference and one felt the services would not make a difference. When asked if anything had changed in their businesses, three reported little change and the fourth had gone out of business.

The VHCC BDC sponsored three workshops for prospective entrepreneurs during the first year. Participants' satisfaction was assessed by a review of evaluation forms completed at the close of each workshop. Twenty-three persons attended the first workshop and seventeen completed evaluation forms. Participants were asked to rate the workshop on eight items. For each item about three-fourths of the respondents gave the most positive response (on a four point scale). The second and third workshops attracted twenty-two and fifteen participants respectively. Participants were asked for yes or no responses on three items. All responses were positive.

Information and networking services include preparation brochures; providing information on starting a business; service as a receiving site for world trade teleconferences; and memberships and presentations to business and civic organizations. It was not possible to evaluate satisfaction with the information and networking service since the clientele is much larger and less structured.

Involvement of Faculty and Students

The SBA has been reluctant to contract with community colleges to prepare Small Business Institute (SBI) cases since a community college presents circumstances which make the involvement of classes more difficult. The most obvious problem is the absence of upper division and graduate classes. Another obstacle is the heavy teaching loads of community college faculty. Nonetheless, SBA allowed JMU to subcontract cases to VHCC BDC, and a professor and students in a marketing class completed two SBI cases. The same professor also assisted with the presentation of two workshops.

Involvement of a single class in the preparation of two cases may not seem very impressive; however, even this one class had an important multiplier effect on the time given to business assistance. The VHCC BDC director was asked to estimate the percentage allocation of his time to the three major activities of the BDC for a typical week. The faculty member was asked to estimate the number of hours that he and the students devoted to the two cases. The VHCC BDC Coordinator and the faculty member were also asked to estimate the number of hours contributed by the professor and the eight local business people who were recruited to assist with the workshops. All estimates were converted to the common units of work-days. The single marketing class contributed almost half (47%) of the effort directed to business counseling and almost one-third (31 %) of the total effort of the VHCC DC. In addition, the faculty member and the local business people contributed almost one-fifth of the total effort in support of the workshops. While these data do not capture any information- networking activity by the faculty member, students, and business people, they undoubtedly made an important, albeit informal, contribution to VHCC BDC networking efforts.

The SBI cases were well received by the two business persons. Both rated the assistance as most valuable in telephone interviews. They both felt that the studies would make a difference in the way they do business. Their pen-ended comments were also very favorable. JMU's SBI coordinator felt that the VHCC BDC cases were in the mid-range when compared to JMU's locally generated cases. The SBA's case officer also rated the two VHCC DC cases in the mid-range of the cases prepared by colleges and universities.

Building the Local Institution

In creating a BDC, JMU might have taken one of several different roles for itself. At one extreme, it might have created a JMU presence in the Southwest -- a JMU BDC at Virginia

Highlands, but not of Virginia Highlands. The BDC would be a satellite of the JMU Entrepreneurship Center. JMU would recruit the coordinator who would report to the JMU CFE. The VHCC role would have been supportive: providing space, utilities and services to the JMU BDC. The VHCC faculty and students would not be actively involved in the program. JMU, however, took the opposite approach creating a BDC of Virginia Highlands. The grant funds were passed through to VHCC which recruited a BDC Coordinator reporting to the VHCC Dean of Instruction and Student Services.

Strong educational institutions are inherently a force for economic development independent of any programs specifically designed to assist businesses. They contribute to a community environment which attracts and retains businesses and entrepreneurs. JMU's approach built the capacity of the local institution. The alternative approach does little to build the local institution. In it a message to the staff, students and the community that may be counter-productive. Establishing a satellite sends the local institution lacks the competence to conduct the program.

PROBLEM AREAS

Two problem areas were identified. First, neither the JMU CFE nor the VHCC BDC implemented a viable strategy for self-sufficiency. Second, client demand for business assistance was less than anticipated.

Self-Sufficiency

Self-sufficiency for the VHCC BDC was an important goal. Partial self-sufficiency for the first year was an explicit goal in the funding proposal; and self-sufficiency was required for the survival of the VHCC BDC and to demonstrate the validity of the BDC model for economic development. From the start, VHCC made a contribution to the BDC: secretarial assistance, space, and other support from VHCC made up 9% of the first year BDC budget. Nonetheless, self-sufficiency did not receive sufficient attention -- particularly in the early stages of the pilot program. A careful reading of the published and unpublished documentation of the site selection process reveals that the institutional criteria emphasized the ability to get the program up and running. Institutional ability and commitment to sustain the BDC does not appear to have been a factor in the selection process. Moreover, candidate institutions were asked neither to make any commitments regarding self-sufficiency nor to present a strategy for achieving self-sufficiency. Even after completion of the site selection process, self-sufficiency of the VHCC BDC did not receive great attention. JMU CFE faculty and staff were asked to estimate their time allocations among various aspects of the program. Support to self-sufficiency received only a fraction (3%) of the total effort and was not a major concern for any of the individual positions.

The VHCC BDC was asked to present a plan for self-sufficiency and did so in May of 1988. This was in accord with the project schedule in the funding proposal, but it was too little, too late. JMU had not placed enough emphasis on self-sufficiency and failed to convey to VHCC the importance of this goal. The original grants terminated in September 1988. VHCC provided a part-time teaching position to the BDC director and JMU obtained a funding extension for the BDC until March 1989. Since then the program has continued only as an add-on responsibility for the VHCC Director of Continuing Education.

Client Demand

In its first eleven months of operation VHCC BDC served 33 clients through its counseling and 60 through its workshops. While the clients were pleased with the services, the numbers were disappointing. The funding proposal anticipated several hundred or more clients, and the VHCC BDC Coordinator felt that he could have served more clients through the counseling program and workshops.

There are several possible reasons for the shortfall. First, JMU's expectations may have been influenced by its own experiences in a non-metropolitan, but rapidly growing area. Expectations may have been unreasonable for a depressed area. Second, VHCC must compete with other schools, including four-year colleges, for local media attention. While the BDC Coordinator was successful in generating newspaper coverage and developing a relationship with the dominant newspaper's business writer, there may be inherent visibility problems. Finally, VHCC BDC's ability to generate clients was limited by a factor that was not anticipated in the funding proposal. The proposal called for the BDC to serve clients in a fifty mile radius. However, a community college in the Virginia system is restricted to a defined service area. While it can serve clients from outside the area, a community college is reluctant to sponsor or promote its programs outside its area. The VHCC service area is surprisingly small: it includes the City of Bristol, Washington County and the western portion of Smyth County. Thus, while the VHCC BDC Coordinator developed strategies to expand the client base, implementation of the strategies was tied to a limited service area.

RECOMMENDATIONS

BDC and the Educational Mission

Integration of the activities of the CFE into the educational mission of JMU is an important part of the implicit model that JMU offered to VHCC. The CFE describes itself as "an interdisciplinary enterprise of the College of Business." The CFE Director is a faculty member, not an administrator, and is released from one course per semester. As Director, he reports to the Dean of the School of Business. As faculty member he is in the Management Department and subject to departmental standards for tenure, promotion, and merit pay. Faculty from other business departments also are affiliated with the Center and offer relevant elective courses in their disciplines. Several of these courses are organized around case studies in which the students provide research and consulting services to businesses. Cases which meet SBA criteria are funded through the SBI; others are funded through CFE resources.

Integration into the academic program and involvement of students and faculty has several important payoffs. First, it creates a multiplier effect vastly expanding the amount of time devoted to assisting businesses. Secondly it makes the Center integral to the educational mission of the school and thus increases institutional support for the CFE. Third, it reduces the dollar costs of the Center and makes self-sufficiency a more obtainable goal. Finally, it has an indirect payoff as entrepreneurial-minded students graduate and enter the work force. Nonetheless, the generic BDC model developed by the Entrepreneurship Center offered little guidance concerning the integration of the BDC into the academic programs. Perhaps by default, the Coordinator of the VHCC BDC was hired as an administrator without faculty status. No faculty were formally affiliated with the Center although, as noted, one faculty member supervised the SBI cases and assisted with the workshops.

Regionalize the Program

Regionalization of the program was suggested by the President of VHCC, but was also endorsed by many of the interviews in the Southwest. A mechanism is required to allow participation for other schools at a relatively low cost. One approach would be to ask other schools to nominate individual faculty to become affiliated with the BDC. Affiliated faculty might be expected to teach at least one relevant course per semester as part of their regular teaching load and to schedule office hours during which they would be available to provide business information services. They might be required to generate candidate SBI cases and supervise at least one SBI case per academic year. They might cosponsor and assist with the preparation and presentation of BDC workshops offered in their service areas and assist with the cooperative marketing of BDC services. Faculty affiliates might meet periodically to exchange information and provide mutual support. In return, the affiliated faculty would participate in a brief training course offered by JMU and the BDC and would receive either released time or a comparable dollar compensation. Their school would be expected to provide office space and other in-kind support and travel funds.

CONCLUSION

The pilot program has numerous strengths. The concept of the BDC as an economic development tool focusing on business assistance is entirely appropriate to the region. Interviews in the region and the literature of economic development support the contention that assistance to new and existing small businesses will meet greater success than attempts to attract industry from outside the region. The site selection process was open and fair and did not create animosity on the part of the unsuccessful candidates. Students and a faculty member prepared two SBI cases which significantly increased the level of effort of the BDC and which were competently executed and well-received. Clients expressed satisfaction with the services of the BDC; and the program attempted to build the capacity of the local institution.

Two problem areas were identified. First, neither JMU nor VHCC developed a viable strategy for self-sufficiency. As a result attempts to achieve self-sufficiency for the BDC were ad hoc and survival of the BDC was not assured as of September 1989. Second, client demand for assistance was less than anticipated. The disappointing level of demand may be attributable to restriction of the BDC to the VHCC service area.

Two recommendations were offered to strengthen the BDC model for rural economic development. First, the BDC should be fully integrated into the educational mission of the host institution. Specifically, this means (1) full-time faculty status for the Coordinator with release time to direct the BDC; (2) affiliated faculty and students offering consulting and research support to business as a regular part of class work, not as an add on. Second, the program should be extended beyond the single community college service area by bringing other community colleges into participation.

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THE USE OF THE SMALL BUSINESS INSTITUTE PROGRAM IN RURAL DEVELOPMENT

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ABSTRACT

This paper is centered around a theme of how the Small Business Institute can play a greater role in rural development. The paper is built around six areas from which the author felt the SBI program could expand. These six areas are: targeted industries, community development, work with existing industries, adopt a community, retail and service business development, and attracting international businesses. Presently, the number of loans being issued by the Small Business Administration is shrinking. This necessitates that the SBI director look to other areas for bona fide cases. The Small Business Administration also would like the SBI program to expand into rural development.

INTRODUCTION

The focus of this study is to show various ways in which the Small Business Institute program can expand into rural development. Even though this paper will zero in on rural development, many of these same ideas could be used in urban development. Since the Small Business Administration has not had as much money to loan, the number of SBI cases given to various universities has declined. This leaves the SBI director to find many cases on his/her own. Hopefully, this review will stimulate the SBI director's thought process to look at rural development as a very viable new source for SBI cases. What better place to turn to than their local or state university, and more specifically, the SBI program. "State industrial development professionals have borrowed from the methods used by large corporations to develop, promote and sell their products. Oregon's development program is founded on market research, 'product development' and 'sales' integrated from the state level down to the individual community (1)." Keeping this last quote in mind, this should provide excellent opportunities for SBI cases.

"As corporations realize the strategic importance of site selection decisions, the analytical tools and techniques are becoming increasingly complex as more variables are added to the site selection equation (2)." With this increasing use of strategic planning and greater analytic tools and techniques, the use of SBI students becomes more feasible. Many small communities do not have the high-powered computers and research assistance needed for this kind of sophisticated research.

Another area in which the SBI students and faculty could be a major help is in developing a better quality of life assessment and plan. "While corporations are taking an increasingly closer look at sites that provide a high quality of life, economic developers are consciously taking strides toward improving the quality of life in their areas and providing better information to facility planners (3).

There is no doubt that there is plenty of opportunity in rural America for the SBI program to develop outstanding cases. David L. Birch stated in February 1988 issue of *Inc.* that, "To begin, we defined remoteness to mean not just rural, but to be any location at least 60 miles away from the nearest metropolitan area. It turns out there are 53 such areas in the United States, distributed across all regions of the country - from Vermont to Georgia to Texas to

northern California. And those places, from 1978 to 1987, gave birth to more than 281,000 businesses (4)."

Development groups must provide more flexibility in their facility planning to survive in today's business world. Because of this need for flexibility and new ideas, the SBI program becomes a viable alternative. Unfortunately, there is fast becoming a greater gap between facility planners and development groups. "And that considerable gap between what facility planners say they need and what development groups are providing will likely grow more important over time as product lifecycles grow even shorter and market fluctuations become deeper, faster and more unpredictable (5)."

The rural development area not only includes working with governmental agencies but also working with private development groups that are both non-profit or profit making. "Though the majority of respondents conduct site studies, the survey revealed that private development groups were the most likely to do so, with 91 percent answering affirmatively. What group was most likely to own industrial sites and engage in construction of industrial buildings? In both instances it is industrial development foundations, of which over half own industrial sites and 35 percent construct industrial buildings. Chambers of Commerce and state development groups are the least likely to be involved in these two activities. On the other hand, state organizations are the most likely to provide equity loans and loan guarantees (6)." These groups of private developers could constitute a sizeable new market for SBI cases.

The fast growth of the service sector has created some new direction in rural America. Students and faculty have a great role to play in this development through the SBI program. The biggest deterrent to the development of the service industries in rural America is simply where it fits. Lloyd D. Bender stated the following concerning this debate. "The debate concerning the role of services-producing sectors in rural economic development has heightened in the last decade. The debate is whether services should be in center state in development programs. (7)." Hopefully, this area will provide many fruitful cases for SBI students and faculty.

A very dynamic area for the SBI program to get involved is in the area of international development and trade. This not only provides an opportunity for SBI students and faculty to work with rural development personnel, international business, governments, and possibly the foreign language area of their university, but could lead to an international exchange of SBI cases.

SMALL BUSINESS INSTITUTE INVOLVEMENT IN RURAL DEVELOPMENT

The following six areas are designed to show the SBI director the various possibilities that exist to expand the SBI program. Hopefully, the thought provoking ideas will create not only action and new funding directions for the SBI program, but will initiate debate and refinement of the SBI program.

Targeted Industries

Student teams can be used to help a community go through a self-assessment; to look not only at possible new industries and jobs, but also look at the infrastructure that it takes to attract those industries and jobs. The student team, along with community leaders, would start with the demographics of the community development area and analyze these figures thoroughly. From this analyzation, the group would discuss strengths and weaknesses of the area and

would come up with a list that could be used in the recruitment of new industry. This process would also show the community what areas they needed to strengthen to be more attractive to industry. From this list, the group of students and community leaders would brainstorm as to what industries the area would have a good chance of recruiting. After this list had been developed, the group would then decide on the top three or four industries that the community leaders felt they could best attract. By this targeting of specific industries, the community is in a much better position to attract a targeted industry. Also, by targeting these industries, the community could target infrastructure improvements to attract these specific industries. Some examples of improvements would be a larger water treatment facility, better roads and utilities for industrial sites, improved educational programs in the areas needed by these industries, and financial packages geared specifically towards these industries.

Another phase of this project would then start with the students helping the community to develop letter writing campaigns, telemarketing solicitations, brochures, news releases, and video tapes about the community as it targets itself to these industries. The students could also help with recruitment at professional business meetings and conventions of these targeted industries. Many universities have the computer graphics capability to do some outstanding work for these rural communities that they otherwise might not be able to afford. Some even have printing and telecommunication equipment that would not be available in a rural area.

Site visitation is another area in which students might be very helpful. The students could actually get involved in site selection, planning of the route from the airport, setting up of community meetings involving prospective industries, and actually developing lists of possible customers within a certain radius of the community. There are many types of research projects that could be undertaken by the students that pertain to the targeted industries.

Community Development

Some communities may not be ready for the targeted industry approach. If a community is just starting in its community development program, the first step is still the same as in the targeted industry approach where you used the demographics and self-assessment. In this case, the student team would concentrate on the community finding its strengths and weaknesses and getting their infrastructure into a position to recruit feasible industries. As has been learned long ago in sales, you must have a product to sell to be successful in sales. Many of these communities have assets to sell but they have never combined them into a salable package. Students could research transportation availability, utility, capacity, capacity of the educational system, recreation, quality of life, minerals and raw material availability, and potential worker skills and availability. It is amazing how many rural communities do not have any type of self-assessment, which is the beginning point of economic and community development.

Work With Existing Industries

Many rural areas already have some industry and the best bet for creating jobs is to help that existing industry expand into new product lines, new target markets, or become more efficient in their production. Student teams could be used to help these existing industries to make a self-assessment of their position in the market place or find better ways to operate their facility. The author has found that most of these rural small businesses are weakest in the marketing area. Each student team could take a strong look at market potential and placement of their product within that market. Many of these businesses also have problems with

operations management and this could be a strong SBI case for students to work on. For most of the rural states in this country, growth in jobs is most likely going to come from existing businesses rather than new businesses. Unfortunately, most rural areas have completely neglected their existing businesses. In many cases, they have taken these existing businesses for granted.

A good SBI example of what a student team can do is that one of the author's student groups was able to come up with a totally new market segment that the existing industry had not even explored. This new market segment resulted in a doubling of the existing industry's sales. Unfortunately, many of these managers are great at operations and production management but have less experience in marketing.

Adopt a Community

Another approach that has been used is to send all or a large part of the SBI teams into one community and literally make each SBI case a part of a total program to improve the community. From a political point of view, this approach could be very helpful in getting other SBA, EPA, or Economic Development grants for your university. Unfortunately, many rural communities don't have the trained, elected or hired officials to do a lot of community development. This is caused by many factors including lack of financial resources, lack of education, or simply no desire to change or better the community. By taking this community development approach of actually adopting an area and working with it exclusively, your SBI program can have a major economic and cultural impact. The key to making this approach work is finding a community that is willing to work to better itself.

This community adoption could be not only a short term process, but a long term one that could last three to four years. The biggest problem with the long term approach is that once you start having success, other communities start wanting a piece of the action. It is funny how success breeds more work, but think of the impact you will have at your university, region, and state levels.

Retail and Service Business Development

Many times rural communities overlook the possibility of expanding jobs in the retail and service business sector. In fact, all research tells us that this area will be growing much faster, as far as new job creations, than the manufacturing sector. If a small community is on an interstate highway and major railroad, they are in a great position for a distribution center. SBI students can help these communities determine if they have the infrastructure and trained workers to enter this sector of economic development. South Dakota has experienced a major increase in service sector jobs due mainly to the banking and credit card industry. Many of these banks and credit card companies realize that you can put their operations anywhere due to availability of telecommunications and satellites. In Arkansas, Acxiom, one of the nation's leaders in direct marketing, has their international office in Conway and yet is a major player in the New York and New Jersey markets.

From a retailing point of view, many rural areas would be an excellent location for a strategically placed regional shopping center. Locating this strategically placed regional shopping center could be an excellent SBI case. A medium sized shopping center could create as many as five hundred new jobs while also helping existing retailers. Another retail opportunity for SBI cases would be trying to expand and further develop existing retail operations.

Attracting International Business

The SBI program has a great opportunity to help rural areas in seeking out international business. SBI students could do country studies, market research as to what industries would be the best to contact in a given country, export analysis for local existing businesses, and exchange cases with international universities. This area has unlimited possibilities. Already, there have been SBI cases exchanged between Ireland and three or four American universities.

CONCLUSION

All six areas discussed in the paper: targeted industries, community development, work with existing industries, adopt a community, retail and service business development, and attracting international business start SBI in a new direction in case development. In the past, many of our SBI programs were content to wait for the Small Business Administration to provide them cases. This author is suggesting that we widen our perspective of what a good SBI case is, not only to include rural development, but also urban development. Even though the author has zeroed in on rural development, most of these same ideas and principles could be used equally as well in urban development.

The advantage that the SBI program gives to rural America is the fact that it provides expertise to the rural community, that in general, they might not be able to afford. Many of these communities are stymied because they don't know how to start a self-assessment or inventory of their assets. The basic principles of self-assessment and organization would be a wonderful starting point toward economic stability for these areas. In most cases, these communities could not afford to hire the expertise that they will get from the student SBI teams and faculty members. This creates an excellent opportunity for the SBI program. It's important that the SBI continue to work hand in hand, as in the past, with the Small Business Administration on bad loans and problem loans. The new direction of community development creates new vistas and extra funding opportunities for SBI as a whole. This could also mean joint programs with not only the Small Business Administration, but the U.S. Department of Commerce, U.S. Department of Agriculture, other federal and state government agencies, as well as other private foundations and international sources. These could include both governmental and private international funding.

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A Realistic Job Preview for the Entrepreneur

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ABSTRACT

The research/Professor examined Sexton and Upton's (10) question "How should the (Entrepreneur's) class be taught". The objective was to develop a course where not only subject content is learned but the student experiences the benefits of a "realistic job preview". A model was developed and implemented that incorporated subject content, interaction with the business environment and individual freedom for problem solving. The course consisted of developing a business plan in a compressed time frame. The model is outlined and the results of the course evaluations are presented.

INTRODUCTION

"Can Entrepreneurship be Taught? What Topics should be included? How Should the Class be Taught?"(10, p35)

New small businesses continually face the challenges of survival. Several researchers have identified factors critical to the success of the small business owner/entrepreneur (9;13;5). However, these researchers have not addressed Hull, Bosley and Udell's questions: can society identify and encourage entrepreneurs and will education, serve to decrease the failure rate of new businesses and to increase the awareness and interest of students in entrepreneurial careers?" (3, p11)

As a person heads for the business environment Suszko and Breugh (11) found that persons receiving a realistic job preview would perceive the organization as being honest with them, better able to cope with the job demands, and would remain in their job. Similarly, Hodge (2) found that reality shock "a rosy preemployment expectation to organizational reality gained from his/her actual experience in working toward it, often results in disillusionment, disappointment, cynicism, and frustration once on the job.

The educational process should address two issues: the academic education of the entrepreneur and the realistic job preparation for life as an entrepreneur. However, the student entrepreneur may not be able to experience the realistic job preview unless it is presented within the educational context. This paper proposes that indeed realistic job preview may be offered within the entrepreneurial course. A model is proposed and the student responses to the model's implementation are reported.

LITERATURE

While Hull et al. (3) found the potential importance of education in possibility reducing the failure rate of new businesses there still remains those, as vesper and McMullan (14) report, who question whether entrepreneurship can be taught, with some claiming it can't.

The entrepreneurship course must offer a variety of dimensions if it is to meet the needs of the students. For instance, London's (4, p621) identification of individual characteristic dimensions needed for career motivation went beyond the needs, interests, and personality to include such factors as career identity, career insight, and career resilience. Rhodes and Doering (8) in their development of an "integrated career change model" identified three factors:

intention to change careers, preparation for change, and actual change. The academic course that will facilitate this change, according to DeCarlo and Lyons (10, p38) should be unstructured and pose problems requiring novel solutions under conditions of ambiguity and risk. It should also stress independent study rather than group efforts. Likewise, DeCarlo and Lyons noted that "a 'frustration factor' (in the form of inadequate data availability) should also be included as a barrier to the successful completion of class projects."

The frustration factor is analogous to Hodge's "reality shock". According to, Hodge reality shock occurs when preemployment expectations give way to organizational realities and the results can be disillusion, disappointment, cynicism and frustration. " (2, p6) She went on to say that "since people get little help in preparing for careers, they must learn their own strengths and weaknesses so as to have realistic expectations in career and company choice and that educational institutions should address the reality of making a living."(2, p7)

One way that institutions can facilitate this learning process is by including a form of realistic job preview as part of the educational experience for the student entrepreneur. For instance, Meglino, DeNisi, Youngblood, and Williams (7) supported this concept when they found a significant reduction in trainee turnover when the trainee was given both an enhancement preview to reduce overly pessimistic expectation and a reduction preview designed to reduce overly optimistic expectations. Likewise, in another study, Meglino and DeNisi (6) found that turnover would be reduced if a new employee was given a realistic description of undesirable job aspects. Likewise, Suszko and Breugh (11) found that persons receiving a realistic job preview would perceive the organization as being honest with them, be better able to cope with job demands, be more satisfied with their jobs, and remain in their jobs.

The student's realistic job preview of the entrepreneurial environment includes several important factors as reported by Vesper and McMullan (14). They call these factors the "seven important differences that would be expected between the student entering an entrepreneurship program and the student leaving the program." The seven differences are: 1. - greater knowledge about entrepreneurship and how it works, including the wide arrays for different ways it works. 2 - knowledge of business basics, but without the elegant, academic refinements entrepreneurs don't find helpful. 3 - greater ability and tendency to spot new business opportunities before others do, including 4 - greater ability and tendency to respond to business opportunities with virtuosity, 5 - vision that reaches more extensively in both detail and future time in designing potential ventures, 6 - higher capability to make the most that can be made. of an opportunity, rather than just the minimum needed to profit, and 7 - enhanced capability to stimulate other people share those future visions.

This paper proposes that entrepreneurial education needs to include the realistic job preview as part of the education package being offered to these potential entrepreneurs. This paper suggests an educational model that meets the needs of the student, while allowing the student to experience some of the realistic job conditions that confront the small business entrepreneur.

METHODOLOGY

As many Universities and Colleges have found, most courses in the business curriculum address the needs and demands of operating a "large business". The limited amount that has been done with small business courses has been to attempt to use the same teaching methods,, with variations in content, to address the special interests of small business while not

disrupting the educational format of the institution. This educational researcher, at first, attempted to follow this same path.

The educational institution where this model was first implemented has a fall and spring semester with a one month (January) intersession separating the two semesters. The intersession appeared to be the ideal time to offer an entrepreneurial or small business planning seminar. The objective of the course was to have each student complete a business plan based on information relevant to the local metropolitan area. The result was four weeks of deadly interaction for both the students and the professor. The course was business as usual but the students and professor were hoping and expecting something different.

It became clear that the student who selects an entrepreneurial course is a different type of person. One who looks forward to the unusual. The next year the class format was changed to a one week, 8:00 a.m. to 5:00 p.m., format. Speakers from the community would visit the class and provide the basis for student dialogue with the "real world." The business plan was due on the Friday of that week and the class then met, for breakfast, with several commercial loan officers from the local banks. The response by students and the professor indicated a significant improvement in meeting the needs of the entrepreneurial student. However, there developed a "Thursday" panic syndrome in which the students were sure they would never complete their business plan within the specified time frame. While every student did complete their plan they usually had weak or soft spots in the plan that could have been enhanced had there been some extra time.

Having taken a major step forward and at the same time realizing that there existed still further possibilities for improvement, version three was developed. This version incorporated the needed small business/entrepreneurial educational content but added the dimensions that addressed the realistic job preview and entrepreneurial student requirements. Shown below is a schematic of the model:

Table 1 About Here

RESULTS

The following are based on two seminar classes. The statistical results are from the "Instructional Development and Effectiveness Assessment" (IDEA) course evaluation form. The standard notation used by the form considers "average" to be in the 30 to 70 percentile rank, "Hi-Average" 70 to 90, and "High" 90 and above.

Table 2 About Here

CONCLUSION

The seminar model for entrepreneurial education is in a continuous state of change. Demands by the students, the professor, and the business community will continue to necessitate the evaluation of how entrepreneurship and small business courses are taught at the post secondary level. However, this model of teaching entrepreneurship has met several of the needs as reported by other researchers. In that sense the model serves as a basis from which to evaluate, adjust, and develop future courses and programs.

Three factors have been identified by previous research as important to entrepreneurial programs. They are: helping the student learn how well their personality/traits fit with being

an entrepreneur, introducing the student to networking and local relevant data gathering, and allowing the student to experience the demands of the entrepreneur.

London (4) identified the need for career insight and for the individual to relate the perceptions of his/herself to the actual career. By having the course consist of five hours of class room interaction (lecture, discussion, and speakers) joined with at least three or four hours of data gathering over a ten day continuous period provided a form of introduction to an entrepreneur's workday/workweek.

DeCarlo and Lyon's (10) 'frustration factor' was implemented in what proved to be a very satisfactory and realistic method. The students, when they left the classroom, were continually faced with the lack of data. Hodge's (2) "reality shock" came swiftly and painfully (to the ego) when students would ask for (i.e. insurance) information and the door would close or the phone hung up with the comment "don't waste my time, you're only a student." These students soon realized that they were currently students but as seniors they were really close enough to graduation to honestly think of and identify themselves as persons interested in starting a business. A significant change in self concept, student to business person, was observed.

The realistic job preview was effected by the time constraint of the course, twelve days versus the usual 14 week semester, and by the interactive nature of the course dynamics. The thought of not completing their business plan and thereby failing the course was enough to bring out the fear of failure in most everyone. However, at the conclusion of the course, when the business plan was completed and they were still among the living, the student began to realize and appreciate the time demands faced by entrepreneurial business people. They also realized that they, the student, had survived the initial step to proving they might be able to deal with the reality of the entrepreneur's business environment. Meglino and DeNisi (6) identified this process as learning to perceive the organization as being honest with them. The organization in this case being the academic environment, allowed the student to interact, fail, adjust, and go on with their business. Likewise, students benefitted from the speakers who provided them with examples of real life work experiences, the local businesses who provided them with real life operational experiences and a chance for active dialogue, and their cohorts who provided the real life experience of networking.

Vesper and McMullan (14) seven important differences were facilitated by this model. For instance the students gained a much greater knowledge and appreciation of how entrepreneurship works; a greater knowledge of business basics without the elegant academic refinements entrepreneurs don't find helpful; a greater ability and tendency to respond to business opportunities with virtuosity; and an enhanced capability to stimulate other people to share their future visions.

The theories of entrepreneurial training and realistic job preview work well together. The only factor standing between the innovation, of new methods for teaching the future entrepreneurs is the resistance to change by the institutions and the faculty and the creativity and flexibility of the instructors. The education of entrepreneurs is an educational entrepreneurial challenge that has many if not all of the characteristics of the business entrepreneurial challenge.

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AN EXPLORATORY EVALUATION OF THE EFFECTIVENESS OF THE SBI PROGRAM AS PERCEIVED BY QUANTITATIVE AND NON-QUANTITATIVE MAJORS

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ABSTRACT

The Small Business Institute (SBI) program is often used to provide students with practical experiences in addition to their classroom education. From an educational standpoint, the program strives to help students develop analytical, problem solving, communication, and interpersonal skills. This study provides an exploratory evaluation of the effectiveness of the SBI program as evaluated by quantitatively-oriented and non-quantitative majors at a small university in northern Colorado.

Introduction

The declining dominance of the U.S. economy relative to those of other countries' economies dictates that Colleges of Business Administration provide their graduates with the requisite skills for both their success and their organization's success. While many schools provide excellent technical education, graduates generally lack practical, interpersonal, and communication skills (1). In addition, Denhardt (2) argues that most business curriculums inadequately cover creativity, problem solving, and social responsibility.

Today's employers want more than technical training in their major (3). In a survey of employers, Lantos and Butaney (4) found that employers emphasize the attributes of motivation and assertiveness, as well as leadership, problem-solving, oral, and written communication skills.

Researchers suggest that more practical experiences such as internships and practical projects are needed in the college curriculum (5,6). Wensley (7) argues that such methods provide employees with skills in analyzing situation, solving problems, and determining alternatives and solutions.

The nations' Small Business Institutes may be an additional pedagogical technique available to sharpen analytical, problem solving, communication, and interpersonal skills. Ater and Coulter (8) believe that the SBI experience enables students to validate the usefulness and application of the theoretical concepts learned in the classrooms. Mario and Schatz (9) suggest that SBI programs have provided valuable assistance to businesses but also better prepared students for their subsequent careers. Part of the explanation for this belief is that SBI programs sharpen the students' understanding of the marketplace, ultimately providing a more realistic view of the business world.

The SBI program is a cooperative arrangement between four year colleges and universities through the U.S. and the Business Development division of the Small Business Administration (SBA). The SBA contracts with the participating schools to provide counseling to a specific number of local small businesses in the school's community. The school receives a limited amount of funds to be used in covering expenses related to the counseling experience. The SBI Director screens potential business clients and business students matching the business' needs with the students' expertise. Counseling is provided in

all areas of business including management, marketing, accounting, computer information, and others. The counseling experience extends over a semester or quarter and results in a written and often oral report to the client.

The SBI exposure to a real business forces students to sharpen interpersonal communication skills by developing rapport with their client and by obtaining the information necessary for the consultation. The students must also learn diplomacy, confidentiality, and persuasive interpersonal communication skills. In most cases, the students apply the techniques learned in their business policy and other case-oriented classes one of which is the ability to determine root problems. For example, the students must sift through verbal and written material to discover the business's true situation and problems.

The Research Question

The SBI program is believed to provide an experience which improves student motivation, assertiveness, and career orientation. It is hypothesized that participation in the program teaches students how to examine a situation and determine the underlying problem, acceptable alternatives, and the best recommendations. Finally, it improves both oral and written interpersonal communication skills.

Although many individuals hold these beliefs, there is little empirical research to verify that SBI programs are indeed effective in building the above mentioned skills. In addition, no research exists to determine if students in different majors obtain different benefits by participating in the program.

Research Methodology

A skills/usefulness scale was administered to 150 business students of various majors who had been enrolled in the SBI class during the past 14 years. The scale was used to measure the differences in the skills and knowledge acquired between majors. The development of the scale, the sampling procedure, and the results of the analysis will be discussed in the following sections.

Sample

The sample for this study was drawn from the 150 SBI alumni at a small university in northern Colorado. The alumni list included all students who had participated in the SBI class since its inception in 1975. Initially 101 out of the 150 alumni responded to the questionnaire. In order to increase sample size, a subsequent mailing was sent. After the second mailing, a total of 127 responses were received for a response rate of 85 percent.

The sample was divided into two groups, quantitative students and non-quantitative students. The former consisted of students majoring in finance, computer information systems, and accounting. The latter consisted of marketing, management and general business majors. The authors believed that the curriculum in computer information systems, finance, and accounting required more quantitative analyses while the curriculum in marketing, management, and general business placed less emphasis on number-crunching. This division of students enabled the authors to test differences between the two groups with respect to the effectiveness of the SBI experience, career usefulness, and orientation to the client's business.

Measurement Scale

This was an exploratory attempt to develop a scale which would measure the student's perceptions of the skills and knowledge they obtained in the SBI class. Since no standardized scale exists, this was also an exploratory attempt to developing a scale to measure these perceptions. The items on the scale were generated by the SBI course instructors based on their objectives for the course during the past 14 years.

The authors initially generated 23 items which represented four broad content areas of the skills and concepts taught in the SBI course. A 5-point Likert-type scale was used with 1 being "strongly agree" and 5 being "strongly disagree". A factor analysis resulted in 20 items measuring four factors: Analytical Skills, Interpersonal Skills, Career Usefulness, and Operational Skills.

The first factor, Analytical skills, contains six items which involve the students' ability to analyze situations to determine problems, identify alternatives, conduct competitor analyses, and perform industry analyses. High scores on this factor would indicate that students felt that their analytical skills in these areas were enhanced through the SBI course.

The second factor which was identified was Interpersonal Skills. The four items loading on this factor pertain to the students' ability to relate to the client and the firm's employees as well as colleagues in the student counseling teams.

The third factor, Career Usefulness, represents the students' attitudes towards the usefulness of the course and project in their careers. This was indicated through six items which includes statements about the overall usefulness of the course in the business curriculum as well as its usefulness in the students' particular job.

Operational Skills, the fourth factor, is comprised of four items regarding operational skills such as personality traits and functional skills needed to operate a small business were presented. Functional skills included management, marketing, and entrepreneurial skills. A high score of this factor indicates that a student feels prepared to handle business operations from a holistic perspective.

Analysis of Results

Factor analysis, using Varimax rotation, was performed on the entire sample across the 23 items on the scale to assess the underlying dimensions of this scale. Factors were retained with an eigenvalue of one or greater, and a .50 cutoff was employed for the factor loadings.

Four factors emerged in the analysis. Table 1 shows the items loading on each factor. Three items did not load on any of the factors. It was anticipated that the item "How to identify the various alternative solutions to the problem" would load on the Analytical Skills factor. "How to make professional presentations to an audience" was expected to load on the Career Usefulness factor while the third item, "To better understand how the business runs," was expected to load on the Operational Skills factor. However, none of these items satisfied the stated criteria for loading on any of the four factors. Consequently, the factor analysis results suggested using 20 items to measure four dimensions of students' perceptions of the SBI course.

The group means for quantitative and non-quantitative majors were calculated for each of the four factors. The group means are shown in Table 2. The mean ratings ranged from a high of 1.809 (non-quantitative majors rating the SBI's effectiveness on developing interpersonal skills) to a low of 2.341 (quantitative majors rating career usefulness). All group means were relatively high indicating that both sets of majors perceived the SBI as effective in developing the three skill areas (analytical skills, interpersonal skills, operational skills) and as useful in their careers.

A multivariate analysis of variance (MANOVA) was conducted to determine the set of group means for the quantitative majors was significantly different from the set of group means for the non-quantitative majors on the four dimensions. The four factors represented the dependent variables in the analysis with the type of major (quantitative or non-quantitative) serving as the independent variable. A MANOVA was appropriate, rather than separate ANOVAs, in order to preserve the alpha level (.10). The homogeneity of variance assumption was upheld in this analysis. The Box's M value was 17.65 with an approximate F-value of 1.69 and a p-value of .076

TABLE 1

FACTORS AND LOADINGS

ANALYTICAL SKILLS FACTOR LOADINGS

How to analyze the competitive situation of the client under study .70844

How to recognize the identify problem situations in a small business .68496

How to search for relevant information from within and outside the small business .67744

How to conduct situation analysis of the small business under study .62907

FACTOR LOADINGS

How to analyze the industry of the small business under study .61781

How to identify the root of the problem as opposed to the symptoms of the problem .53046

INTERPERSONAL SKILLS

How to relate with individuals in the business world .78425

How to interact with client personnel .77238

How to develop good rapport with the client .71604

How to deal with colleagues in the work place .63131

CAREER USEFULNESS

I feel the SBI class should be made a requirement for all business majors. .78203

I use many of the skills I acquired from the SBI class on my current job. .69153
 This class has helped me develop a better understanding of my work environment. .65232
 This class helped me better prepare myself for the job market. .63971
 I found the SBI project to be extremely useful. .61747
 I will definitely recommend the SBI class to other students. .61573

OPERATIONAL SKILLS

The personality traits that may be necessary to run a small business .75274
 The management skills necessary to run a small business .74321

FACTORS LOADINGS

The marketing skills necessary to run a small business .71854
 The entrepreneurial skills needed to run a small business .68628

TABLE 2

GROUP MEANS FOR THE FOUR FACTORS

Quantitative Non-Quantitative
 Analytical Skills 2.087 1.983
 Interpersonal Skills 1.908 1.809
 Career Usefulness 2.341 2.027
 Operational Skills 2.255 2.062

TABLE 3

UNIVARIATE F-TESTS

F-Value Significance Level
 Analytical Skills .95043 .332
 Interpersonal Skills .53735 .465
 Career Usefulness 4.05550 .046

which shows equality of variance in the two groups. Therefore, no adjustments were needed in the MANOVA.

The MANOVA resulted in an F-value of 1.11063 and a p-value of .355 (d.f.=4). This shows that the set of quantitative majors' means taken as a whole did not differ significantly from the set on non-quantitative majors' means taken as a whole. Univariate F-tests were conducted to assess whether the group means differed on each of the individual scales. The results of this analysis are depicted in Table 3. Of the four F-tests, the F-test on career usefulness was the only one which was significant at the .05 level of significance (F value of 4.04440 and a p value of .046). The groups were statistically equal on the Analytical Skills, Interpersonal Skills, and Operational Skills dimensions.

Discussion

The authors believed that the more quantitatively trained students would approach the SBI case with a different orientation directed towards problem solving. The non-quantitative students were expected to adopt a more holistic approach, approach the business intervention as a generalist, accept more problem areas, and view the interaction as more useful to their careers.

The number of factors was not forced; therefore, any number of factors could have evolved from the analysis. Four dimensions contributing to students' perceptions of the SBI program were examined in this study. These four factors were labeled as Analytical Skills, Operational Skills, Interpersonal Skills, and Career Usefulness. The data analysis suggests that quantitative and non-quantitative type majors do not differ in their overall attitudes towards the course. However, on the Career Usefulness dimension, the major types appear to differ. This implies that the quantitative students did not feel that the course was as useful to them on the job as the non-quantitative students did.

On the Career Usefulness dimension, the mean score for quantitative majors was 2.341 while non-quantitative majors' mean score was 2.027. This indicates that the non-quantitative majors felt that the course was more useful to them in preparation for and in performing tasks in their jobs.

One possible explanation for this result is that most of the projects contained problems that included a combination of quantitative and non-quantitative issues. Combinations such as these provided limited exposure to specific issues in the functional areas of accounting, finance, and computer information systems. For example, only a small number of cases dealt strictly with only a finance or accounting problem. Consequently, quantitatively-oriented students may have expected to engage in more narrowly focused cases that would have allowed them to use technical skills in their area of expertise. With respect to the remaining factors, the two types of majors appeared to have gained similar experiences through the course. Students appeared to be essentially the same on the Analytical Skills, Interpersonal Skills, and Operational Skills dimensions.

Further research needs to be conducted across all majors who have enrolled in the course. In addition, samples from other schools need to be surveyed to determine if other SBI programs

are effective in developing the same skills. Further research could verify the perceptions of quantitative majors in other schools as to the usefulness of the SBI program in their careers. Subsequent research would also provide additional validity for the survey instrument. Additional research may be conducted in the areas of client perceptions and client satisfaction regarding the SBI projects. Also, research may be needed in the area of how these SBI courses are being integrated into the various business programs of curricula.

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AN INVESTIGATION OF ATTITUDINAL AND CONCEPTUAL DIFFERENCES BETWEEN MINORITY AND NON-MINORITY ENTREPRENEURS

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ABSTRACT

This exploratory study investigated the attitudinal and conceptual differences between minority and non-minority entrepreneurs. The results and findings suggested that there were statistically significant differences between the two groups. But, on the whole, the results also indicated that minority and non-minority groups have many things in common.

INTRODUCTION

There are several disagreements among researchers, scholars and even practitioners about apparent conceptual and attitudinal differences among entrepreneurs based on race and/or gender (Hollingsworth and Hand, 1975; Janger and Shaeffer, 1970; Miner, 1975). The broad definition of minority in the United States includes Negroes/Blacks, American Indians, Japanese, Chinese, Filipinos, Koreans, Polynesians, Indonesians, Hawaiians, Aleuts, Eskimos, Mexican Americans, Puerto Ricans and other people with Spanish surnames (Janger and Shaeffer, 1970: 7). However, the most recent definition will include all women and Vietnamese. To encourage all these people to become successful entrepreneurs may call for utilization of traditional and nontraditional methods of approach (Anyomi, 1986 a,b). Hollingsworth and Hand's (1975) study found, contrary to the traditional belief, that profitability is the major reason for starting up a business or new venture; this was not the case.

Both groups, that is, minority and non-minority entrepreneurs considered customer satisfaction as their Primary concern. Profit was their secondary concern according to the findings from Hollingsworth and Hand's (1975) study. Birley and Saunders' (1987) study found that a woman does not lack talent or experience necessary to run an enterprise as was the traditionally held belief that women do not have the talent and experience to be able to create entrepreneurship. But, in order to perform well, every entrepreneur must possess the correct work attitudes, training, motivation, and other qualities (Andrews, 1971; Anyomi, 1982; Athanasiou, 1969; Kimmel, 1969; Porter and Lawler, 1968; Robinson, 1969; Robinson, Athanasiou, and Head, 1969; Vroom, 1964).

(Hollingsworth and Hand's, (1975) study revealed also that black and white entrepreneurs have several things in common. For example, their study found that blacks and whites have common goals and aspirations, that is, to satisfy their customers, have respect, independence, high self-esteem, job satisfaction and other things such as prestige and security that can make them successful entrepreneurs in their community. Findings from the Hollingsworth and Hand's study (1975) revealed that black entrepreneurs were stronger in their beliefs about serving their community than their white counterparts, but Hollingsworth and Hand's (1975) study stated that the blacks fell short in the areas of sales forecasting and planning where white entrepreneurs were stronger. Lowenhar's (1984:4) study revealed inconsistency about what sales forecasting error margin must be acceptable. Lowenhar's (1984:4) study pointed out that top management officials wanted the error margin to be from 0 - 5%, but finance division seemed comfortable with 11 - 15% margin of error. The minority entrepreneurs may

need persuasiveness, understanding of the importance of forecasting and/or accuracy (Anyomi, 1987; Fildes and Lusk, 1983).

In regard to women as members of the minority group, they are also new to the market, but Miner's (1974) study explained that the motivation to manage test did not show statistically significant difference when men and women were measured. But Miner's (1974) study found that women were lower in the areas of assertiveness and desire for authority. Birley and Saunders' (1987) study found that women as minority entrepreneurs tended to have predominantly women customers than their counterparts (men) who have all genders as their customers.

The primary aim of this investigation is not to refute previous theories, but to formulate hypothesis to be tested to further encourage additional research and/or to add to the body of knowledge. Again, it has been argued that entrepreneurship cannot be classified as science or art, but as a practice. There is no clear-cut definition. It is because of this that research in the area of entrepreneurship is important (Anyomi, 1986a,b; Hand, 1986; Moore, 1986).

Moreover, during the time most research were conducted, all women were not listed as minority. DeCarlo and Lyons (1979) conducted research on minority female and non-minority female entrepreneurs. DeCarlo and Lyons' (1979) study found differences between the groups. It has become necessary to conduct a new study on the newly defined minority groups or entrepreneurs. The question as to "who is an entrepreneur" actually remains a hot debate among several researchers including (Carland, Hoy and Carland, 1988; Gartner, 1988). Though many researchers including Gartner (1988:11) defined entrepreneurship as the creation of organization, it has become difficult to distinguish between a small business owner and an excluded.

Carland, Hoy and Carland (1988:34) suggested that since there were disagreements concerning the definition of an entrepreneur, the disagreements must be made to promote deeper investigation into the "concept" itself, that is, to look for the symptom or origin.

Lacey (1974) and other researchers believed that the sub-concepts of the Miner Sentence Completion Scale (MSCS) is a valid test for this type of research. Thus, the (MSCS) was selected to explore this study.

HYPOTHESIS

Hypothesis: There are no statistically reliable differences between minority and non-minority entrepreneurs as measured by the components of the Miner Sentence Completion Scale (MSCS).

METHODS

Data Source

In order to answer most of the argumentative and qualitative questions concerning attitudinal and conceptual rating differences between minority and non-minority entrepreneurs, the author collected demographic and questionnaire data randomly from non-minority and minority entrepreneurs from well-known business centers located in a southern state of the United States. The break down of the respondents indicate 69 non-minority entrepreneurs and

47 minority entrepreneurs. The age grouping of the respondents is between the 18 to 65 bracket. Table 1 shows detailed basic demographic data on the respondents.

Questionnaire/Measure

The questionnaire used the five-point scale from 0 (unfamiliar) to 5 (very familiar) based on sub-concepts of the Miner Sentence Completion Scale (MSCS). The scale (Lacey, 1974; Miner, 1965, 1974; Miner and Smith, 1969) has been considered as one of the better methods to identify early managerial talents or similar hierarchy of managerial motivation. The respondents who were all top entrepreneurs, were asked to rate the questionnaire items according to their importance to them.

The entrepreneurs who responded to the questionnaires administered to them said they possess qualification from high school diploma, undergraduate degree, graduate degree to other (or professional). Questionnaires were used to collect the data from the 69 non-minority and 47 minority entrepreneurs. Only four persons refused to participate or changed their mind and did not answer.

RESULTS

Overall Findings

Table 2 reports the means and standard deviations of Blacks, Orientals and the target groups for this research, that is, minorities and non-minorities who are actively involved in creating and managing entrepreneurship as a career. The mean age for minorities as a whole is 35.07 and the mean age for the non- minorities as a whole is 41.22.

TABLE 1

Demographic Data on Respondents (Entrepreneurs) from a Southern State of the United States

	Variable	N	Percentage
Age Groups	18-25	3	2.6
	26-33	35	30.2
	34-41	37	31.9
	42-49	19	16.4
	50-57	12	10.3
	58-65	10	8.6

Race Groups Black 4 (1m; 3f) 3.4 (0.9%; 2.6%)

Oriental 15 (3m; 12f) 12.9 (2.6%; 10.3%)

White 97 (59m; 28f) 83.6 (59.9%; 24.1%)

Target Groups Minority 47 40.5 Non-Minority 69 59.5

m = male f = female

TABLE 2 Means and Standard Deviations for All Variables

Minority Non-Minority

	Standard	Standard	Variable/Concept	Means	Deviations	Means	Deviation
Age	35.07	8.36		41.22		9.99	
A. Authoritative figure(s)	1.95	1.77		1.75		1.87	
B. Competitive activities	1.86	1.68		1.80		1.75	
C. Assertive role(s)	1.76	1.49		1.83		1.77	
D. Imposing wishes	2.65	2.01		2.15		1.93	
E. Standing out from the group	2.93	2.15		2.45		2.11	
F. Routing administrative function(s)	2.91	2.09		2.68		2.20	
G. Other (Please specify)	0.23	0.15		0.00		0.00	

The conceptual and attitudinal ratings by the respondents as indicated by the means and standard deviations showed some significant differences. By comparing the minorities as a whole with the non-minorities presented some significant differences as indicated by one of the scales. The results support other studies (Hollingsworth and Hand, 1975; Miner, 1974), though the methods used in these research were different.

Though (Smith, White and Looney, 1986) believed that some research data may need log-linear analysis, the author chooses t-Test for the analysis because many researchers and scholars are more familiar with analysis involving the t-Test to compare ratings rather than the most recent analysis such as log-linear that may have too complex and complicated ideas for readers to understand as pointed out by other studies (Lawrence, 1988; Levin, 1984). The author computed the t-Test for minority and non-minority entrepreneurs comparing ratings across concepts.

Table 3 presents the results of the t-Test comparing minority and non-minority entrepreneurs. It is interesting to note that the results reported in Table 3 do not support the hypothesis.

Table 4 indicates studentized range test for levels of education. There is a significant difference between graduate school and high school when it comes to the scale or variable "standing out from the group." Other variables show no differences at all. The result indicating a significant difference reported in Table 4 does not support the null hypothesis.

DISCUSSIONS AND IMPLICATIONS

The results and findings reported here may suggest that the minority and non-minority entrepreneurs have almost the same attitudinal and conceptual ratings. However, there are some statistically significant differences between them. The age of the minority group is one major difference compared to their counterparts non-minority group who are much older. This finding supports other studies (Birley and Saunders, 1987). Comparing educational levels of the respondents.

TABLE 3

Results of t-Test Comparing the Ratings Of Minority And Non-minority Entrepreneurs (a)

Component/Scale Minority Entrepreneur Non-Minority Entrepreneurs

Means Standard Means Standard Deviations Deviations

A. Authoritative figure(s) 2.63 2.57 2.80 1.82 -0.44 B. Competitive activities 2.76 1.35 2.89
1.48 -0.41 C. Assertive Role(s) 2.44 1.38 3.10 1.44 -1.47* D. Imposing wishes 3.47 1.52 3.30
1.30 0.56 E. Standing out from the group 4.12 1.27 3.60 1.42 1.68 F. Routing administrative
function(s) 3.89 1.43 4.04 1.33 -0.51 G. Other (Please explain) 0.02 0.15 0.00 0.00 1.19

a Unfamiliar = 0 ratings are counted as missing

* p<.05

TABLE 4

Studentized Range Test For The Variable: Standing Out From The Group

Education Lower Difference Upper Comparison Confidence Between Confidence Limit
Means Limit

Graduate School vs High School 0.025 1.494 1.963

High School vs Graduate School -2.963 -1.494 -0.025 *

*p <.05

disclose that there is a significant difference between high school and graduate school. Among those familiar, out of 69 non-minority, 8 had received graduate degrees. The minority group, especially women entrepreneurs who responded to the questionnaires as being familiar had done graduate work and 13 of them said they were in possession of MBAs or MAs. The significant difference between high school and undergraduate was not statistically significant. There was only one respondent with a professional qualification. The non-minority group with the higher age profile respondents have mostly undergraduate and high school qualifications. But, some of them also have MBAs. Based on this, the author may not rule out biasing implications or effect on the attitudinal and conceptual ratings.

There are recent or other studies which indicate different or similar results regarding entrepreneurship (Gumpert, 1986; Moore, 1986; Zabra, 1986). All agree that there are some difficulties with the definition(s) of entrepreneurship.

The present results and findings portrayed important implications for the next research. Future studies must investigate finance, age, size and other aspects of the organization as well as the levels of education of the respondents to make sure they are equal. Also, the results may not

agree with some of the contemporary theories on motivation but other studies McClelland, Atkinson, Clark and Lowell (1975) found relationship between performance and motivation or motive.

The bias effect might not have been deliberate on the part of the respondents, but based on freedom of expression of individual opinion and perception without restraint or controlled mechanism.

Additionally, readers must bear in mind that several entrepreneurs do not know anything about the concepts of motivation as detailed by the (MSCS), risk, and others upon entering into the business. No normal person who is familiar with all the concepts of risk will knowingly undertake the risk of business. It may be laconically stated or defined that the entrepreneur is one who doubts and/or is unfamiliar with the concepts of risk of business by assuming the risk of business. He or she believes that it may not happen to him/her. This type of businessman is the one who rules out the risk of business. One must take the definition as manipulation of words to fit one's self-interest. Entrepreneurs have different reasons for becoming known as entrepreneurs though all seek to earn profits. Most of the minority entrepreneurs created their own organizations because they could not stand the humiliations of being unemployed and also to take advantage of the opportunities available to them. Thus, the results and findings must be interpreted with much care because the sample size is too small. In general, the results and findings bring into focus an important area that may need future consideration. It appears that past experience and background played important roles in the familiar and unfamiliar ratings of the respondents.

Finally, the author agrees with other researchers that the debate about who really an entrepreneur is or is not must continue and minority and non-minority entrepreneurs must receive support and encouragement because quality of life in their communities may depend on how well they perform.

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DIFFERENTIATING THE ENTREPRENEUR: A FUNCTIONAL - PERSONALITY THEORY

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ABSTRACT

While no clear and concise definition of an entrepreneur has evolved, there is at least universal acceptance that innovative accomplishment is the key critical determinant of entrepreneurial success. The manner in which entrepreneurs convert opportunities into marketable ideas is the principal focus of this paper. Their profile of innovation has been classified, in order of originality, into four significant types and further subdivided by their outward and inward looking personality characteristics. The reader is encouraged to select twelve self-descriptive character traits from the table provided and then proceed to interpret their underlying functional, innovative and primary attitudinal, entrepreneurial direction. Eight basic types of entrepreneurial personalities are identified and each type's strengths and weaknesses are described.

INTRODUCTION

The decision process employed by entrepreneurs and the very nature of entrepreneurship continues to receive increasing national and international interest. Yet, in today's world of global markets, instantaneous communication and flexible production systems, no clear and concise definition has emerged (Brockhaus, 1986). Most authors and researchers in the field of entrepreneurship, however, are somewhat in agreement with Drucker (1985):

"Innovation is the specific function of entrepreneurship. . . It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth."

The process by which entrepreneurs consciously and purposefully convert opportunities into marketable products or services is a key that can help distinguish various levels of entrepreneurship (Smith, et.al., 1987). In addition, the conceptualization of an entrepreneur can be further refined by examining the personal and sociological aspects of entrepreneurial behavior (Smith and Miner, 1984).

Table 1, contains a listing of character traits that have been drawn from several prominent sources of research on entrepreneurs.

Table 1 Character Traits of Entrepreneurs

Dominant Considerate Controlled Reserved Curious Organized Decisive Persuasive
Energetic, Easygoing Intellectual Stable sincere Modest Logical Loyal Quick Involved
Observant Quiet Confident Bold Understanding Ingenious Efficient Diplomatic Stimulating
Open-Minded Perceptive Practical Painstaking Serious Persevering Cheerful Persistent
Idealistic Friendly Patient Thoughtful, Calm Dependable objective Clear-thinking Conscientious
Tactful Independent Forward-looking Soft-spoken Sensitive Disciplined Mature Responsible
Analytical Imaginative Creative Frank Committed Determined Factual Sympathetic
Enthusiastic Realistic Reliable Thoughtful Agreeable Systematic Cooperative Intelligent

Adaptable Warm Tolerant Mainstream Scientific outgoing Goal-oriented Trouble-shooter
Effective Conservative Innovative Gracious

Source: John A. Hornaday, "Research about Living Entrepreneurs," in Encyclopedia of Entrepreneurship, Kent/Sexton/Vesper eds., copyright 1982, pp. 25-27. Prentice Hall, Inc., Englewood Cliffs, New Jersey; Gordon Baty, Entrepreneurship for the Eighties (Reston, VA.: Reston Publishing, 1981); and Joseph R. Mancuso, Have You Got What it Takes? (Englewood Cliffs, NJ: Prentice-Hall, 1982).

At this point, the reader may wish to select the twelve characteristic terms that best describe the type of person or entrepreneur that he/she believe himself or herself to be. Later on, a crossclassification is given that identifies these character traits with the entrepreneurial types that follow.

Entrepreneurs and Innovation

Although the process of innovation has been described as a key function of entrepreneurship, the order of uniqueness and originality falls into four basic types (Hisrich, 1986). These represent the a continuum from completely new and innovative to the newly applied replication of existing products, services and processes. In addition, the origin of an idea is clearly related to the role of creative thinking that may be vital to marketplace development and success (Drucker, May-June, 1985).

Figure 1 illustrates the types of entrepreneurs that can be associated with the levels of product or service originality. Most innovations involve a number of ideas or items already invented, as well as, human resources which can be combined together, in a new way or through new applications.

Such ordinary innovations lack technological uniqueness but represent the vast majority of products or services introduced to the marketplace. As the level of innovative uniqueness increases, fewer and fewer true technological advancements and new breakthrough inventions are developed and introduced on the market.

Figure 1 Types of Entrepreneurs and Innovations

Finders Level (Breakthrough Innovation) of Innovative Uniqueness

Grinders (Technological Innovation)

Binders (Ordinary Innovation)

:Number of Innovations Introduced on the Market

Robert D. Hisrich, "Entrepreneurship and Intrapreneurship Methods For Creating New Companies That Have an Impact on the, Economic Renaissance of an Area," in Entrepreneurship, Intrapreneurship, and Venture Capital, ed. Robert D. Hisrich (Lexington, Mass.: Lexington Books, (1986), p. 73. products, services or processes; the novel, untried and clearly revolutionary.

Table 2 Entrepreneurial Profiles In Action

Type Description Examples

Finders Creators of entirely new Thomas Edison - Light Bulb products, services or Eli Whitney - Cotton Gin processes; the novel, Alexander Graham Bell - untried and clearly Telephone untried and clearly Edward Land - Polaroid revolutionary. Corporation

Grinders Expanded new use or a Nolan Bushnell - Atari different application of Corporation a product, service or Ray Kroc - McDonald's process already created Corporation or existing. Ted Turner -Broadcasting System

Minders Creative replication of Walt Disney - Disney existing product, Productions, Inc. service or process, Steven Jobs-Apple Computer adding a creative Frank Phillips-Phillips element to enhance and Petroleum Company improve its application. Ken Olsen Digital Equipment Corp.

Binders combination of existing Sam Walton Wal-Mart concepts and factors Stores into a formulation Frank Perdue - Perdue or use which serves as a Chicken Farms synthesis of a number of Fred Smith - Federal ideas resources or itmes Express already invented. Bill Murto - Compaq Computer John McCormock - Visible Changes, Inc. Lillian Katz - Lillian Vernon Corp.

Source: Adapted from Richard M. Hodgetts and Donald F. Kuratko, *Effective Small Business Management*, 2nd ed. (Orlando, FL: Academic Press, 1986), 52-53, and Donald F. Kuratko and Richard M. Hodgetts, *Entrepreneurship: A Contemporary Approach*, (Chicago Ill: The Dryden Press, 1989), 50-51.

While "Finders" are associated with revolutionary discoveries, "Binders" bring people and ideas together in new formulation, combinations or marketplaces. "Grinders" represent a category of entrepreneurs that innovate through adaptation, extension and refinement of previously invented products, services or technological processes. Ray Kroc of McDonald Corp., fot example did not invent franchising or fast-food, but a systems of delivering quality and consistency that revolutionized an industry. "Minders", like theexample of Frank Phillips, succeed for numerous reasons. These include vision, hard selling of ideas and recognition of the strengths and weaknesses upon which to build a market.

As identified by the four basic functional types of entrepreneurs, the common thread of the entrepreneurial spirit is the catalytic link with the process of innovation. A creative process which serves to stimulate intuitive thinking and the feelings necessary to bring to the market and maintain a new enterprise (Carland, et.al., 1984). Entrepreneurs rarely change their fundame ntal type or attempt to work in more than one area of functional innovative accomplishment.

Entrepreneurial Personality Theory

Another approach to examining entrepreneurial profiles is to understand the attitudinal orientation that provides direction for psychic energy. One analytic explanation comes from the famous psychologist Carl Gustav Jung (1875- 1961), who offers a coherent scheme to account for the divergent types and behavioral styles of entrepreneurs.

Employing Jung's system (Jung 1923), entrepreneurs can be classified into eight types:

1. Outer Directed - Finders, 2. Inner Directed - Finders, 3. Outer Directed - Grinders, 4. Inner Directed - Grinders, 5. Outer Directed - Minders, 6. Inner Directed - Minders, 7. Outer Directed - Binders, 8. Inner Directed - Binders.

Finders, Grinders, Minders and Binders denote innovation functional types already identified, while outer directed and inner directed are characteristics associated with the extroversion and introversion of an entrepreneur's behavioral and attitudinal orientation. According to Jungian Typology (Gorlow, et al, 1966) in trying to understand the nature of entrepreneurial spirit and personality, throughout history, the functional (innovative) type is the key - it give the personality its particular direction, its persistent force, stamp and flavor; while according to Begley and Boyd (1986), the attitudinal orientation describes the direction that psychic energy takes in stimulating intuitive feelings, attitudinal adjustment and action orientation.

As described by Arnold Mitchell, Director of the "Vals" (Values and Lifestyles) program at SRI International, (1983), the inner directed entrepreneurial personality type's main interests are introverted within an inner world of experiential concerns and ideas; the outer directed type is, oriented to the outer world of people and things, with an extroverted style favoring emulation and achievement.

No one entrepreneur, of course, is entirely one or the other type. Most introverts deal with the world about them when necessary, and extroverts often deal effectively with ideas. But the introvert does his best work inside his head, in reflection, and the extrovert does his best work externally, in action. In either case, the preference for inner directedness or outer directedness remains. Typically, entrepreneurs usually underrate the value and strength of their primary functional and attitudinal direction. Because these are so natural to them, they erroneously believe that everyone else is also similarly capable, and so do not truly appreciate their unique personality, capacities and gifts (Brockhaus, 1982).

The descriptions that follow are of the eight basic types of entrepreneurial personalities - summarized in Table 3. All represent well-adjusted intelligent, effective and successful entrepreneurs. Each type's strengths and weaknesses are described.

Outer Directed - Finder Type

Those entrepreneurs identified as being outer directed and finders are ebulliently enthusiastic innovators. Possessing a great deal of imagination, they constantly perceive new possibilities, new ways of doing things, and are happiest when they can dream up and initiate new projects; usually, they carry them out.

They are confident of the worth of their ideas, tireless in problemsolving, and they show great ingenuity in tackling difficulties and snags encountered (Smith and Miner, 1984). Having patience and stick-to-itiveness in complicated situations, they can almost always be relied upon to discover solutions that work. These entrepreneurs get so involved in projects that they think of little else.

Another positive attribute is the ability to stimulate and persuade others to accept their ideas. Their perceptive and empathetic understanding of others enables them to win ready support for their ideas.

Their biggest problem is an aversion to uninspired routine, and they can hardly force themselves to attend to humdrum details or projects alien to their major interests. Even pet

projects begin to pall and to lose their challenge with time. What will happen next is more significant than what is happening in the here-and-now. As a result, the (extroverted) outer directed finder types are happiest in a situation that provides one project or idea after another, and that uses others to carry through once the major problems are solved and breakthrough accomplished.

Inner Directed - Finder Type

These entrepreneurs are the true creators. They completely trust their intuitive insights. Problems stimulate them and they see many alternative solutions plus possibilities in situations that appear "closed" to others.

The Inner Directed - Finder Type tend to drive others as intensely as their own ideas drive them, and they back up their insights with determination. They like to have their ideas worked out and accepted, and will spend any amount of time and effort to achieve this (Hoy and Carland, 1982).

Their Achilles' heel is a single-minded concentration and abhorrence of compromise. At times, this type seems so blinded by the value of their ideas and plans that they fail to see conditions that should be taken into account. They are effective when boldly ingenious, revolutionary ideas are needed.

Working in bursts of energy, powered by excitement and enthusiasm, they feel smothered in a routine job full of small details. Where they may be lacking most is in judgment. They cannot comfortably listen to criticism of their ideas and insights, and are, at times, in danger of ignoring the real world. Not always having the power to shape their ideas into effective action, they may appear to others as impractical geniuses or cranks.

They are involved little with others and need minimal companionship. They are directly responsible for the often observed, historical myth, that entrepreneurs are academic and social misfits.

Outer Directed - Grinder Type

The outer directed - grinder type entrepreneur likes to take charge of things and run the whole show. Disciplined thinkers, these people respect objectivity, well-thoughtout plans and orderly procedures (Begley and Boyd, 1986). Since this type is strongly analytical and objectively critical, they are unlikely to be persuaded by anything but clear reasoning and logic. According to the outer directed grinder, everyone's conduct should be governed strictly by logic, and this person is his/her own stern taskmaster in this respect.

Such entrepreneurs enjoy being visionaries, and are unstinting in efforts to turn in a superlative performance. They like to make decisions, are good at organizing plans and projects, and enjoy giving orders. If their orders are carried out halfheartedly or inefficiently, these people are capable of losing their tempers. They tend to demand strict compliance of others in the pursuit of objectives and believe that their approach to problem-solving and decision-making is the only right one. Being strict disciplinarians, such people can fire employees with ease.

They suffer from a lack of perception, and, seldom stop to listen to others (especially to subordinates), and make decisions without concern for what associates or subordinates may think and feel. Anyone who disagrees with their policies and plans is regarded as misguided.

Being naturally critical, they cannot appreciate other people's good qualities. As a result, many of their associates and subordinates consider them opinionated and ruthless risktakers.

Inner-Directed - Grinder Type

Inner directed grinder type entrepreneurs prefer to analyze rather than to control. They are good at organizing ideas and facts, not people and situations. When absorbed in analysis or problem-solving, they remain markedly independent of external circumstances. These introverted thinkers with a marked perception of detail show great perseverance in problem-solving and can easily work on a single idea for a long time (Smith, 1967).

Outwardly quiet, reserved, and sometimes withdrawn, the entrepreneurs can be curiously detached about what is going on. This type can be adaptable, as long as their inner ruling principles are not violated. Although confident in the realm of ideas, they require time to arrive at decisions requiring action and implementation. They are ideally suited to working out the difficulties underlying a problem-others can then do the implementing.

Their major problem is difficulty in communicating. Such entrepreneurs can state their problems and solutions clearly and exactly, but they keep them so exact, abstract and complicated that others frequently find it difficult to follow.

Another shortcoming is that they expect others to value and accept their ideas without modification, and are stubborn and headstrong in the pursuit of them.

Outer Directed - Minder Type

These are adaptable realists who are keenly attuned to the concrete, the actual and the factual-they always know what the facts are because they notice, absorb and remember more of them than anyone else around. There is a sort of effortless economy in the way they tackle concrete situations. Coupled with an ability to see and consider the needs of the moment is a decisiveness in implementing plans and ideas without delay.

Being perceptive people, they search for the satisfying solution; instead of trying to impose a "should" or "ought" of their own, and their associates and subordinates usually accept their compromises. As observed by Mancuso (1982), these entrepreneurs tend to be open-minded, easy-going, unprejudiced and tolerant of most everyone; they know how to manage conflict. Their major shortcoming is a frequent inability to see the potential value of new ideas.

Innet Directed - Minder Type

These entrepreneurs are very dependable. Like their outer directed counterparts, they also respect facts, and can absorb, remember and use a tremendous number of them. Everything has to be clearly stated and factual.

They react to facts and problems in an individualists way, but what they actually do about them is usually sound and valid. This is because the deeper aspects of things is sensed.

In work they are thorough, painstaking and systematic. Such people are patient with detail and routine and their persevering attitude has a stabilizing effect on others.

They do not get into projects impulsively, but, once involved, it is difficult to distract, discourage or stop them, and they are unstinting in the effort and time they spend.

Inner directed - minders are good administrators--their practical judgment, memory for detail, and conservative bent make them consistent and reliable leaders. They can always be counted on to cite cases to support their evaluations of people, methods and projects. Responsibilities of maintenance and implementation are ideally suited for them. And, if necessary, they will complete the work themselves rather than miss a deadline.

A shortcoming is that they cannot readily empathize with needs that diverge radically from what they perceive theirs are. In interpersonal relationships, they tend to be impersonal and passive. Others are accepted as long as they don't interfere with what they are doing.

Outer Directed - Binder Type

These entrepreneurs radiate good fellowship and are sensitive to the emotional atmosphere around them. In relationships with others they tend to be friendly, tactful and sympathetic. Since their sense of security and well-being derives from others' feelings, they can be quite upset by any display of indifference.

An obvious forte is in ideas or services that deal with people, and they do their best thinking when talking with others. Such people are good at greeting others and often enjoy long telephone conversations. For them to be brief and businesslike required special effort. They always negotiate the relationship first and then the contract (Hisrich, 1986).

Since they have to be constantly involved and interacting with others and feed on Variety, they tend to be impatient with long, slow jobs, or complicated products and services, especially when these require solitary absorption. Another shortcoming is that they tend to jump to conclusions and act upon assumptions that may be wide of the mark.

These people are drawn to those having similar traits and interests, and can be insensitive or blind to conflict and potentially explosive interpersonal situations, because of a strong desire to ignore unpleasant feelings and disharmony. They place, however, great value on loyalty to the business and to its customers.

Inner Directed - Binder Type

This entrepreneurial type has as much wealth of feeling as the outer directed binder, but cares more deeply about fewer things and has greater inner intensity. Like the outer directed, they put personal trust, loyalty and obligations first, but they are more strongly guided by inner-directed values (Hornaday, 1982).

Such people can be understanding, tolerant and sensitive to other people's feelings, as long as their deepest values and convictions are not challenged or threatened. They prefer to be left alone and have little need to impress, change or persuade others.

They perform best when working with an idea they believe in, and their feelings add extra spark to their efforts. There has to be a personally meaningful purpose behind the market rewards.

A main problem is that they tend to be overly sensitive and vulnerable to criticism and frequently suffer from a sense of inadequacy.

These entrepreneurs exhibit practiced control of feelings, and their true motives generally remain concealed and secret; they suppress negative feelings and judgments in an attempt to keep unpleasant situations at a distance.

SUMMARY

In the final analysis, all of the entrepreneurial types described above differ in what they do best and what they like best to do. They differ in their innovative function, their interests, values they respond to and handle interpersonal relations and problems, and how they make decisions. Yet, they all practice success, through a positive attitude and a goal orientation toward creating something of economic value in use or exchange. Regardless of the innovative functional type or the attitudinal orientation, the entrepreneur is an individual with an adventurous spirit, who requires freedom to undertake the risk of new enterprise.

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Table 3 Characteristics of the Different Entrepreneurial Types

Following are the characteristics that are usually checked by the different types. Remember that there are no pure types and that your self-perceptions as well as those of others may span several different categories.

FINDERS GRINDERS

Outer Directed Inner Directed Outer Directed Inner Directed

Innovative Creative Dominant Analytical Enthusiastic Persevering Practical Independent
Imaginative Ingenious Bold Quiet Confident Understanding Disciplined Disciplined

Persistent Soft-spoken Objective Curious Involved Reserved Analytical Adaptable
Stimulating Intelligent Conscientious Clear-thinking Perceptive Sincere Logical Intellectual
Persuasive Observant Decisive Organized Forward-looking Determined Energetic Logical
Mature Patient Confident Persistent Serious Persistent Responsible Efficient Energetic Frank
Determined Thoughtful Goal-oriented Scientific Outgoing

MINDERS BINDERS

Outer Directed Inner Directed Outer Directed Inner Directed

Realistic Dependable Friendly Modest Factual Stable Tactful Cooperative Persuasive
Thorough Warm Sincere Open-minded Factual Cooperative Loyal Easygoing Systematic
Enthusiastic Understanding Tolerant Painstaking Cheerful Tolerant Efficient Persevering
Agreeable Sensitive Quick Reliable Understanding Sympathetic Calm Practical Considerate
Committed Considerate Objective Loyal Independent Tactful Serious Idealistic Controlled
Diplomatic Effective Sympathetic Soft-spoken Friendly Conservative Gracious Patient
Mainstream

INNOVATION IN SMALL BUSINESS INSTITUTE PROGRAMS

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ABSTRACT

The study includes the results of a survey of SBI directors in 25 states about practices they considered to be innovative in the operation of their programs. Those perceptions of innovation, suggestions that could be adopted by other institutions, and recommendations for dissemination of information about innovative practices are included in the report.

INTRODUCTION

As a reactor for a session on improving the SBI curriculum at the 1989 SBIDA convention, I was impressed by some of the speakers' suggestions and the variations offered by members of the audience. At the same time, I was concerned that several of the suggestions were thought of as unique, even though I had seen them in other programs and even used some myself. The hypothesis 30,000 feet on my return from the Washington convention.

A random sample of 100 members of SBIDA was asked to respond to a simple request -- to describe one innovative or different thing they did in their programs. After a follow-up reminder in early April, forty-seven responses were received. Respondents were classified according to types of institutions as indicated below:

Respondents' Number Institutions

State Universities	10
Regional State Universities	19
Private Universities	8
State Colleges	5
Private Colleges	5
Total	47

Returns were approximately in proportion to the randomly selected sample with no significant variations in classifications and represented programs in 25 states.

While some respondents confessed to doing nothing unusual or cited such things as having students meet as a class or cooperating with small business development centers or internship programs, most returns had some ideas and suggestions. Some had more than one and all were included in the analysis of the recommendations. Some stated satisfaction with their own program and felt no need for any differences or innovations. Ideas or program variations have been grouped into general response categories and not in any particular order of perceived importance.

THE ELECTRONIC ERA

Three universities reported the creation of a special conference center or laboratory for SBI students. Two of them were equipped with computers exclusively for SBI team use with one providing a graduate assistant as a consultant to the teams on computer use and generation of reports. The three labs also contained library materials helpful to the case consultations.

Even without labs, the age of computerization was evident in the choice of innovative operations reported. Several schools required that the final case report be computer generated -- an additional educational experience for the students. One school uses a software program designed to develop business plans for the clients while another requires the use of color graphics in the final report to achieve a more professional look for the document.

While the use of videotape for oral report practice was mentioned, one school has the students videotape the client's operations for analysis and study instead of casual observation.

THEORY X -- THEORY Y?

Elements of director control of the teams and cases were considered innovative by some respondents. Interestingly enough, the range of perceived direction varied from tight control to very little input by the supervisor.

One end of the spectrum included such program variations as the preparation of a client background report so that the SBI team could study the company before they were even introduced to that client or saw their physical operation. Another director provided each student with a sanitized model of an earlier case to guide their study and report preparation. Two schools required that work on the report be turned in every two weeks so that the students would conform to a time table prepared by the instructor. Another program director required a standardized cover (with logo) for what was considered a more professional looking report.

Four different directors reported that their students were required to practice their oral reports in a classlike setting before the client presentation or exit interview. One of them even has a speech professor to coach the team while another requires the client to come to campus for the exit interview so that interruptions can be minimized.

In contrast to tight control, one private university director has each member of a team prepare a problem statement after the initial visit, then combines the individual observations into the problem analysis for the team study. Another regional university has the students prepare a mini-report on a company they choose that is similar in nature to the case to be studied as a warm-up experience and to orient them to the problems they may face.

SOURCES OF ASSISTANCE

Seldom can a successful program be run by one individual. Several directors farm out the cases to other instructors, sometimes as projects in their classes. Some are paid for this service from SBI funds, others are expected to provide this assistance as a service to the business school. In one instance, the instructor receives extra remuneration if he finds the case to be studied.

Some programs use outside help at the report generation stage, hiring English instructors to review the student reports and others use SCORE members assigned to SBI teams to provide counsel to the young consultants.

One university brings ex-clients to class to discuss counseling from their point of view and two directors have the client evaluate the usefulness of the team's work and report.

An unusual and interesting program is in the testing phase in the state of Washington where advisory boards are being used to help implement plans developed by the SBI teams.

PROMOTING THE SBI PROGRAM

Three public universities reported unique methods of promoting their programs. One used a display window in the business school for publicity and building interest in the SBI. Another had the availability of a College of Business cable TV program for future semesters. A third used publicity releases in the students' hometown newspapers to foster good will and create pride in the accomplishments of the student counselors.

Since word-of-mouth may be an important recruiting tool for SBI students, it was not surprising to see the use of a party or dinner for the teams as the most mentioned "innovation." Two directors reported variations on this practice -- one provides restaurant certificates for the best work at two program progress sessions during the semester and another invites the clients as well as the students to a final banquet.

PUBLIC SERVICE AS A TOOL OF RECOGNITION

It would seem that a number of directors and coordinators see the SBI as an outreach service of the college or university in addition to the traditional counseling of small business clients. Several respondents noted such activities as cooperation with the local industry council in expansion studies, a program to help women start small businesses in their homes, and setting up of short courses to meet business community needs. One private college reported taking extra cases to help non-profit or community organizations not eligible for SBA reimbursement. Another private school considered itself innovative by requiring the students to spend an entire year with their client to achieve better rapport with the business and its management.

EVEN SOME NO NO'S

Three respondents cited practices that seemed in contrast to SBA directives and as such might well be different from other programs. One director said he did not attend exit interviews so the students would be "on their own." Another seemed to emphasize feasibility studies that are discouraged by the SBA, and the third emphasized studies of businesses quite distant from his university setting. While it is true that they could reach clients who did not have access to university research data, it would be most difficult for teams to visit such clients the required six times.

CONCLUSIONS

It would seem that the general concept of innovation is alien to some SBI directors and unimportant to some others. It was somewhat disappointing to find no unique ways of finding interesting and challenging cases, no ideas on building governmental support for the SBI programs, and only one experimental attempt to follow up on the thousands of cases produced by SBI teams.

Perhaps what is equally important is what is perceived as innovation, i.e. what is innovative seems to be in the eye of the beholder. Since much of what is considered innovative is actually an adaptation of another procedure or process, the experience of the individual

director may have a great deal to do with what they have accomplished or modified in their own program.

There was no consistent pattern of innovation reported and undoubtedly some ideas were not indicated in the survey by the respondents because they would not have classified them as innovative. In general, SBI directors have been most cooperative and helpful by sharing what has worked well for them with their peers and colleagues but do so in response to inquiries and not in an open communications mode.

No mechanism presently exists for the transmission of innovative ideas within the SBI network of directors, yet the editor of the quarterly newsletter often appeals for news items for the publication. Perhaps each issue could feature a description of a program innovation, thereby creating a means of learning about different approaches to SBI training as well as providing the publication incentive now needed in many publish-or-perish environments.

It might be well for SBIDA to provide national recognition by presenting annual awards to the most innovative programs or ideas used in SBI schools. Such a program should encourage experimentation and the search for better approaches to solving the problems of small business owners and provide support data for Federal authorities who control future budgets for the SBI system.

At least this study may remind all of us that there are different ways of approaching the operation of our programs and that we should be constantly alert to methods of improving those programs--perhaps remembering Abraham Lincoln's admonition that those who do not change are condemned to live in the past. rs assigned to SBI teams to provide counsel to the young consultants.

PROGRAM ASSESSMENT OF THE TENNESSEE ENTREPRENEURSHIP DEVELOPMENT INSTITUTE NETWORK

Reginald M. Beal, University of Wisconsin-Whitewater

ABSTRACT

The research reported herein evaluated the performance and benefits produced by the Tennessee Entrepreneurial Development Institute (TN EDI), an educational and training program operated under a Tennessee Department of Transportation (TDOT) contracted by Shelby State Community College in Memphis, Tennessee. Findings show that the program did produce both tangible and intangible benefits for the targeted group, disadvantaged business enterprises (DBEs) located in Tennessee that had procured or were seeking highway construction contracts with TDOT. Also, recommendations were made on the delivery of TN EDI's services.

STATEMENT OF PURPOSE

The Tennessee Department of Transportation (TDOT) contracted with Shelby State Community College (SSCC) to help provide supportive service programs to increase the number of disadvantaged business enterprises (DBEs) active in the highway program and to stimulate their growth and eventual self-sufficiency.

Specific goals include: --Increased proficiency in day-to-day business management of DBE firms. --Enhanced DBEs technical proficiency in procurement and performance of contracts. -
-Building individual firm's confidence and develop support networks among DBEs. --
Increased awareness within the industry and among the public as to the growth and development of DBEs throughout the state, region and nation.

HISTORY

The TN Entrepreneurial Development Institute Network began at SSCC in December, 1986 as an outgrowth of initiatives in April, 1986 by the college's Office of Community Relations to conduct a seminar for minority businesses on procurement opportunities in state government. This was followed by successful collaborative efforts in July and August, 1986, between that office and TDOT's Contract Compliance Office to provide DBEs in West TN with technical training supported by the University of Tennessee Transportation Center (UTTC). As a result of this activity and subsequent discussion with DBEs, UTTC and TDOT, Shelby State submitted a contract proposal to meet the needs that had been identified.

SSCC developed and implemented credit and non-credit training courses and technical assistance and public awareness activities for the disadvantaged business enterprises engaged in or planning to enter the highway construction industry.

Three centers were established by SSCC to service the training needs of DBEs: West TN at SSCC's Southwest Center in Memphis; Middle TN at Tennessee State University (TSU) in Nashville; and East TN at State Technical Institute Knoxville (STIK). An additional site for one course was established through Lane College in Jackson to service DBEs in Rural West TN.

The (UTTC) staff, SSCC, TSU, STIK faculty and other trainers and consultants were retained to facilitate and conduct training and provide technical assistance.

TRAINING

A total of 96 individuals representing 52 DBE firms have participated in TN EDI Network training. The firms represent such diverse specialties as grading, excavating, fencing, concrete/asphalt pavement, walks and curbs, reinforcing steel, masonry, hauling, landscaping and guardrails.

West TN Number of Attendees: 25 Number of DBE Firms Represented: 15 Training/Faculty Consultants Recruited: SSCC-4; UTTC-3; MSU-1; Consultants-2

Middle and East TN (Nashville & Knoxville) Number of Attendees: Middle TN-9; East TN-13 Number of DBE Firms Represented: Middle TN-5 East TN-9 Training/Faculty/Consultants Recruited: Middle TN: TSU-3; UTTC-3 East TN: STIK-2; UTTC-3

Jackson/Rural West TN Small Business Management - only course offered Number of Attendees: 35 Number of DBE Firms Represented: 23 Training/Faculty/Consultants Recruited: Lane College-1; Memphis Minority Business Development Center-2

STRUCTURE/STAFFING

After thirteen months of operation under the supervision of SSCC's Office of Continuing Education within the Academic Affairs unit, the President of SSCC transferred supervisory responsibilities to the Institutional Advancement unit. This move sought to consolidate and give impetus to the college's thrust into economic development and training.

The program staff initially consisted of only one person - the Coordinator. The individual who developed the program did not join the staff as Project Director until the program had been underway for four months. SSCC's Director of Community Relations was then assigned to the part-time position of Resources Coordinator.

DEFINITION OF MARKET

Market Description - DBEs that are certified or anticipate certification by TDOT to perform highway construction work represent the market for EDI services.

Market Size

Potential DBE candidates for EDI services ranged from 51 - the number of TDOT certified DBEs in May 1988 - to 128, the number of DBEs referred to Shelby State's mailing list as certified or interested in certification. While the number of DBEs certified declined from 95 in 1985 to 70 in May 1988, the estimate dollar volume of contracts awarded to minority DBEs during the twelve month period ending July, 1987 totaled \$27.0 million, a 2,000% increase over 1982 (\$1.4 - 2.8 million). In fact, the estimated DBE contract awards of \$27.9 million is greater than the entire volume of \$23.8 million generated by all 791 TN minority construction firms (highway and other) in 1982. (Source: U.S. Department of Commerce Study).

This demonstrates that the significance of the highway construction industry to minority economic development can't be measured merely by the number of firms participating. The revenues flowing into the minority community's economy are equally important.

A major increase also occurred in the number of minority contractors engaged in road-building. From an estimated 2-4 prime contractors and 5-15 small subcontractors in 1982, the number of prime and subcontractors grew to 30 in 1989, a gain of 15-23 (200-429%)

The substantial growth in the minority highway construction industry segment during 1982-1986 can be unquestionably contributed to the implementation of Transportation Act of 1982 and Public Law 97-424.

Although no reliable data is available on women highway contractors, there are at least 30 certified in TN alone and 21 or (70%) received contracts in 1986-87.

DESCRIPTION OF COURSES

EDI Curriculum

The curriculum and several courses initially offered by Shelby State's EDI in the winter of 1987 have undergone several revisions in an effort to better address the needs of DBE participants.

Listed below are the current core courses/seminars.

1. Orientation to the EDI (4 hrs.)
2. Small Business Management (30 hrs.)
3. Construction Math (30 hrs.)
4. Plans Reading and Estimating (30 hrs.)
5. Project Scheduling (24 hrs.)
6. Financial Management: Personal & Business Planning & Cash Flow Management (12 hrs.)
7. Computer Applications in Construction (30 hrs.)

Minority and women construction firms were discovered to be particularly weak in four areas of operation - estimating, plans reading, accounting, and project scheduling. The core courses cover the managerial activities needed to successfully operate a small highway construction firm.

As an added incentive to attend the courses, participants were awarded college credits in Continuing Education. One CEU (Continuing Education Unit) is earned for each ten hours attended. For example, 3 CEUs would be earned by attending the 30 hour Small Business Management course. Those attending the courses at Shelby State received regular college credit.

In recognition of the fact that DBEs are at different stages of development (from start-up to maturity), more advanced courses targeted at mature, successful firms were offered in addition to the core courses. They included the following:

1. Training Seminar for Construction Superintendents (32 hrs.)
2. Construction Law (Contracts & Negotiations) (3 hrs.)

3. Equipment Management (3 hrs.)
4. Plans Reading & Estimating By Computer (3 hrs.)

IMPACT OF COURSES ON DBES

To determine how effective the DBE revenues and profits, the following activities were undertaken.

1. DBEs were interviewed by phone and in-person using a questionnaire designed to gather information on how effective EDI classes had been in helping to increase their revenues and profits and improve daily operations. All 52 of the DBEs who had attended EDI classes were contacted but only nineteen (37%) were able to be interviewed. 2. Personal interviews were conducted with SSCC, TDOT, and UT officials involved in the program. These interviews were designed to obtain their assessment of the program.

Summarized below are the results of the DBE interviews.

-- Eighteen (95%) were emphatic that EDI courses/seminars benefitted them and their businesses.

-- Six (32%) identified a total of \$1,128,000 in contract awards secured through knowledge gained in the EDI courses. -- Seventeen (90%) experienced improvements in day-to-day management. -- Eleven (58%) experienced increases in profits by applying skills acquired through the EDI. -- Fourteen (74%) set revenue and profit goals. -- Five (26%) had written business plans, two of which were highly questionable in terms of completeness.

NETWORKING EFFECTIVENESS/PROBLEMS

Colleges and Universities

SSCC was the hub of a network of four colleges conducting training of DBEs across the state. UTTC collaborated with faculty and staff at each school to ensure continuity and to clarify content of courses taught by each college's faculty. Problems which occurred related to:

-- Lack of detailed marketing/promotional plan -- Inadequate coordination between SSCC and host schools on procedures and activities for registration, course cancellation, evaluation, course content, textbooks, financial reports and contract consummation.

The Network of the EDI is made possible by the relationship and services of several key entities.

-- Colleges and Universities - course development and scheduling, training, facilities. -- TDOT/FHWA - funding, monitoring, information -- DBE Service organizations - information, training -- Elected officials - public awareness, resources support -- Consultants - marketing, recruitment, training, technical assistance

Most of the problems which impact the success of the TN EDI Network-coordination/communication, organization, direction, supervision and control-can be directly attributed to the lack of a written plan with specific goals, strategies and activities.

RECOMMENDATIONS

Marketing the EDI-Network

Develop a comprehensive marketing plan with overall goals and objectives for the Network and sub-goals for each EDI Center.

Course Offerings

Continue to tailor the content of courses based on on-going evaluations of the courses by DBE participants, consultants, and faculty and conduct surveys of the needs of prospective participants.

Course Scheduling

Develop a work plan outlining the key activities and time tables required to conduct the courses offered.

Management/Technical Assistance

Develop criteria for determining what DBE needs will be addressed. Determine the types and scope of services to be offered and develop strategies for delivering them.

Networking

Develop a strategic plan to improve communication and support among each element of the network: TDOT, colleges and universities, consultants, related officials, majority and DBE contractors.

TDOT establish an ombudsman program to resolve disputes between prime and subcontractors regarding job performance.

Management and Operations

Develop operational plan for each EDI Center and the total EDI Network.

REFLECTION'S ON OUR ART: THE TRUE OBJECTIVES OF THE COUNSELING PROCESS

Michael D. Ames, California State University, Fullerton

ABSTRACT

Central to the success of any Small Business Institute (SBI) is the live case process. Too often we limit our consideration as SBI directors to the smooth operation of the mechanics; and, by doing so, we permit true excellence to elude our counseling programs. This paper looks beyond the mechanics of the counseling process and examines its more subtle qualities. It considers three questions. First, what are the true objectives of the SBI counseling process? Next, what constitutes excellence? Finally, how can excellence be achieved? The last question is answered specifically with two problem solving models that SBI directors can use to achieve excellence.

INTRODUCTION

Central to the success of any Small Business Institute (SBI) is the live case process. Students deal with a real-life, ongoing situation; as opposed to a written case in a book. Everyone benefits. The students have the opportunity to apply their knowledge to a real world situation. Business owners gain new ideas and fresh insights concerning their businesses. Instructors experience the excitement and pleasure of working on a close personal basis with small groups of students and entrepreneurs to accomplish worthwhile goals.

The mechanics of the process of consulting with small business have been ably described by others: contact, problem definition, data search, analysis, plan development, and implementation. (5, pp. 41-46; 8, pp. 495-516) I am concerned that too often we limit our consideration as SBI directors to the smooth operation of the mechanics; and, by doing so, we permit true excellence to elude our counseling programs. This paper looks beyond the mechanics of the counseling process and examines its more subtle qualities. It considers three questions. First, what are the true objectives of the SBI counseling process? Next, what constitutes excellence? Finally, how can excellence be achieved?

WHAT ARE OUR TRUE OBJECTIVES?

The SBI's reason for being is to help small business. Help small business to do exactly what? We all know that there are many answers to this question. The list of possibilities on the Small Business Administration's request for counseling form is eclectic. However, this list provides only superficial answers.

One must dig deeper. Reflection about the objectives of the SBI suggests our true objectives have to do with learning. Not just learning about the items on the request for counseling form, but learning about how to develop answers for small business problems.

Who do we want to learn? Three possible answers are: our students, the small business owners and their employees and ourselves. What do we want learned? Not just solutions to some of the problems presently confronting a specific business. That is not enough. Students and the business community gain relatively little from such solutions that will apply to tomorrow's problems.

What more is needed? The answer, I would argue, is twofold. The first objective is to develop problem solving skills. As we guide students, small business owners, and their employees through the process of finding solutions to today's problems, they (and we) learn how to better solve business problems. Since we will not always be there to guide the learning process, a second objective is necessary. The second objective is to help the learners learn how to learn . We are not certain what business problems our students and clients will face in the future. We do know that they will have to deal with these problems on their own. If we can help them become independent, self-directed learners they will be able to tackle business problems that you and I cannot conceive of today.

What are the true objectives of the SBI? To teach all concerned how to effectively solve business problems on their own. Imagine a community of self-confident entrepreneurs that know how to learn the answers to the business problems they encounter. Think of the impact these knowledgeable individuals can have on our economic system. Those of us involved in the SBI have the opportunity to teach thousands how to be successful at doing this each year, What a tremendous legacy the instructors supervising SBI cases can offer our country.

WHAT IS EXCELLENCE?

If you accept my vision of the true objectives of the SBI, you may understand my concern that an SBI counseling contract can easily be administered at too superficial a level. Smooth mechanics will no doubt yield useful results well worth the contract price. However, if the SBI's true objectives are not being met, can we, as directors, claim success? Can we applaud ourselves for excellent work? I think not.

What is excellence for the SBI? Excellence is artfully teaching all our constituents how to effectively solve business problems on their own. It is nothing less.

Excellence is not lecturing students on the best way to deal with a business problem they have uncovered at a client's business. Lecturing tells the instructor nothing about the student's prior knowledge concerning how to deal with this type of problem. The lecturer has no way of knowing if the students understand all or any part of what was said. The students may faithfully transcribe the lecture into the recommendations in their counseling report, but how long will the students remember the hows and whys of the solution (assuming they were mentioned in the lecture in the first place)? Ferdinand F. Fournies explains why lecturing does not work as well as we think: "when you are talking to others, the only things you can be sure are working on the subject you are talking about are your brain, your mouth and maybe their ears. If you want to know what a person's brain is working on, you have to make the sounds come out of his mouth....The sounds that come out of their mouths had to be in their heads. This is the most fundamental way of knowing whether you are successfully transmitting thoughts...you must do something to make the sounds come out of their mouths. That something to do is: ask questions." (6, pp. 82-83)

To a large degree we are all captive to a traditional educational model that assigns us the role of pedagogue. Pedagogy seems synonymous with preaching of a didactic. How can a student really gain in-depth know knowledge, the argument goes, if we do not instruct them in the essential elements of our didactic about how to be a good small business owner? We are uncomfortable with a pedagogy which does not carefully prescribe the student's course of study--all the important things for the student to memorize for the test. We have heard about self-directed learning and other less didactic, experiential approaches, but who has time for it?

There is so much to learn in a small business management class. Further, the learning cannot be left to chance. We must be sure they learn it.

This is exactly the educational model applied to our own early education. This didactic approach seems natural, we all have learned how to be successful as a student under it, and it seems to have worked for us. There is only one problem. Excellence in small business counseling cannot be achieved if we apply it to SBI casework. The didactic approach is inappropriate if our objective is to teach all our constituents how to effectively solve business problems on their own.

Why? I would argue, the main reason is the nature of the problems which must be solved. Howard S. Barrows explains this well, "Well structured problems in which all the information needed to work the problem is present, the method to use for the solution of the problem is defined, and the problem solver gets a clear indication when the problem has been correctly solved and managed, occur only in textbooks." (2, p.29)

In other words, we are dealing with messy, real-world problems which are characteristic of the dynamic world of small business.

One of the great strengths of SBI casework is that it brings the challenge of such problems into the classroom. However, given the nature of the problems, the students need more than their textbook to deal with them. They need to learn the art of dealing with such problems. To clarify this, consider what the student has to cope with.

It is usually not clear, at the outset, what has caused the client's problem. Much of the data that will be needed to evaluate and understand the problem is not initially available. Still the student will have to speculate concerning possible causes, and then to find the data needed to determine which speculations appear most correct. They will have to ask the right question, observe accurately, make the correct probes, and examine proficiently. As the data is collected it must be evaluated. Is it correct? What does it really mean? Often interpretation of the data collected will put the lie to all the causes originally considered and new, creative explanations will have to be sought. Data will never be complete. It will be ambiguous. When students develop recommendations to deal with the problem, they will never be absolutely certain that they are right. They will never be sure if specific tools and techniques are appropriate. Only time will tell. Complications could very well develop. They will realize that implementation of their ideas must be monitored to see if the approaches to resolution of the problem are effective. None the less, decisions will have to be made so that the final draft of the counseling report can be delivered to the client.

What we are talking about here is launching the student on a self-directed, life long learning process where the student ultimately must take responsibility for solving a never-ending succession of puzzling and surprising business problems. To be an effective business leader, the student must learn how to manage the learning process itself.

For us to achieve excellence, for us to be totally successful, all our students must be able to critically evaluate how well they are doing at learning what they need to know to succeed. In later life, there will be no teacher available to tell them whether they are right or wrong. They will have to act independently. Ultimately as they take charge of organizations they will have to guide the learning processes of others.

The comments in this section have largely referred to students, but any definition of excellence for the SBI must include providing the same kind of guidance to clients and their employees as well. To claim excellence, our legacy must include more than just implementation of specific recommendations. It must include a community of self-confident entrepreneurs that know how to learn the answers to the business problems they encounter.

HOW CAN EXCELLENCE BE ACHIEVED?

Accepting that excellence for the SBI is nothing less than artfully teaching all our constituents how to effectively solve business problems on their own, defines what we must do. Most of us have learned how to solve small business problems, We have learned effective methods for reasoning through messy problems. We have become expert problem solvers. We also need to become expert at guiding the process of learning of others so they can do the same.

Certainly, we need to utilize our business knowledge to ask ourselves about how we would deal with the problem or situation the students are working on for the client. We must reason through the problem in logical stages and reach conclusions. However, instead of simply providing our answers to the students and the client, we need to challenge them with the same questions we are asking ourselves. We need to encourage them to come up with their own answers. Further we need to ask them our questions in the same sequence we are asking them of ourselves. It is not a matter of who is right and who is wrong, it is a matter of guiding learners with challenges and questions which inspire them to systematically find, for themselves, good solutions to the problem. In this way we guide their self directed learning along the path to true expertise. Expertise not just in solving business problems, but also in the process of learning itself. While we may begin the semester by explaining our thinking process in some detail and coaching carefully on how to solve trial problems, it is our probing, carefully sequenced questions which will ultimately lead the learners to effective functioning on their own. This is how we can achieve excellence.

There are several good sources which offer practical guidance on how to adopt a nondidactic pedagogy which you can use to open the pathway to excellence for your students and clients. (1, 2, 3, 4, 6, 7) Utilizing a nondidactic approach is not abandoning the pedagogue's responsibility for the process of learning, it is simply approaching it differently. Instead of being a teacher of facts and telling learners when they are right or wrong, one becomes a facilitator of the learner's learning process.

As noted earlier, John Bruckman and Steve Iman have provided us with a process model for consulting with small business. It consists of six phases: contact, problem definition, data search, analysis, plan development, and implementation.(5, pp.41-42) Phase B of this model, Problem Definition, can be used to illustrate how a non-didactic approach works.

Bruckman and Iman argue problem definition is one of the most crucial steps in the process and that generally not enough work goes into this phase. "It is rather easy to mistake symptoms for central causes of problems ... It is important that consultants pay close attention to their diagnostic approaches, avoiding adherence to the first problem definitions' which arise out, of the initial chaos of information ... problems are rarely as simple and recognizable as they seem to be, problem definitions' must be reviewed throughout the consultation process; the consultants and clients should either reaffirm the validity of the definitions or redefine the problems."(5, p.43)

Assume that the introductory interview with the client has been completed, we are back in the classroom, and we have before us the "initial chaos of information." How do we proceed? The instructor (one of us) has two instructional objectives, one is to develop students' problem solving skills, the second is to help students become independent, self-directed learners.

To accomplish both goals the instructor must first apply his own expertise to the problem. The instructor might ask himself questions such as, "What is going on here?" "Have I had experience with similar problems in the past?" "How is this problem different?" "What are the possibilities?" "What facts do I need to weigh the possibilities?" "Do I know enough now, or do I need more data?" "Where can I find the necessary data?" "How can I collect the needed data efficiently?" "Am I on the right track, or is there another way of looking at this problem?" When the instructor does this he/she is not only applying business expertise to develop a solution to the specific problem, he/she is also applying self-directed learning expertise. One critiques the adequacy of one's own knowledge and develops a plan for one's own continued learning about the problem.

The essence of the non-didactic approach, is to ask the students (and the other learners) these same questions, in the same sequence, as the problem facing the students evolves. "What is going on here?" "You say you don't know, please guess. " "Why do you think so?" "Did you notice anything else during the interview which might help us?" "Does that suggest any other possibilities?" "What do we know for sure about the problem so far?" "What else do we need to know?" "What would be a good way to find out what we need to know?" For the SBI case process to be considered excellent, the learners must learn two processes. First, how to develop and apply business expertise to develop a solution to the specific problem at hand. Second, how to develop and apply self-directed learning expertise to solve business problems in general.

J. D. Bransford and B. S. Stein summarize the first process with their "IDEAL" approach to problem solving. The steps are:

1. identify the problem,
2. define and represent the problem,
3. explore possible strategies,
4. act on strategies, and
5. look back and evaluate the effects of your strategies.(4, p.25)

As discussed earlier, most of us are familiar with this type of approach.

Barrows summarizes the second process with his, "structure of the teaching/learning sequence."(2, p.59-61) His structure has four phases which overlay repeated iterations of the problem solving process:

Phase 1. The first time the group meets. Members learn about each other and the learning climate and ground rules are established. (For example, we are all here to learn so do not be embarrassed if you do not know all the answers, the problems we are dealing with are not well defined and there are no quick and easy right answers, its valuable to volunteer an alternative opinion even if you are not sure you are correct, and its important to listen carefully and to give full consideration to the opinions of others even if you think they are not correct.)

Phase 2. The first session with a new problem. Learning objectives are established, and the group evaluates the problem and considers what the group can recommend to handle it given the present knowledge and skills of the group. This first requires an iteration of the problem solving process (Steps 1 through 4), but also includes three other important steps:

a. Identification of learning issues. During the first session with a new problem the group has had no opportunity for prior preparation. Certain knowledge and skills required to solve the problem will be lacking. Such lacks are no one's fault and simply defines what must be learned. As the problem solving discussion progresses learning issues should be noted and recorded. This amounts to an initial critique of the quality of the decision the group can make during the first session with the new problem. Once the critique is complete, the group is finished with the first iteration of the problem solving process (Step 5).

b. Identification of areas of needed learning through self-directed study . Learning issues are reviewed and it is decided what must be learned.

c. Management of self-directed study. The work of the group during the first session is not complete until appropriate resources for the needed learning are identified, learning assignments are made, and deadlines for reporting back to the group are set.

Phase 3. Self-directed study. Learning assignments are carried out by group members for the time, negotiated. Group members may work together or consult, but there is no formal group meeting.

Phase 4. Follow-up session. The group reconvenes to complete work on the problem. This involves four steps including at least one more iteration of the problem solving process:

a. Critique of the learning, resources used in self-study. How valuable were these, resources? Should more appropriate resources be sought?

b. Reanalysis of the problem from the beginning. The group has now learned all it thought it needed to learn through self-study. It must repeat the problem solving cycle, apply this new knowledge to the problem, and critique its prior thinking.

c. Conscious integration of new learning. The group formally integrates the new information and skills gained into their analysis. The instructor makes sure, this is done at a conscious level. If the learners do not ask each other what they have learned and how it applies to the problem, the instructor does.

d. Self evaluation of problem solving skills and learning skills. Each learner is asked to evaluate their own skill and how these skills have grown during the problem solving experience.

As mentioned above, your specific questions guide the learners sequentially through both the problem solving and self-directed learning processes. As they work to complete the processes, additional learning issues typically become evident and the process cycles. Once they practice the cycle a few times, they will begin to ask themselves and each other the same type of questions. You will be able to withdraw from active involvement in the process somewhat, but you will need to continually monitor the quality of the processes and their sequences, interjecting your questions when the learners do not ask the questions of themselves.

CONCLUSION

The SBI live case program offers the student and the client a learning situation which they consider relevant to their future. The very nature of the program is real. It is not contrived. When these favorable conditions are exploited by non-didactic teaching methods, SBI casework becomes an incredibly effective learning experience. Learners learn to confront new problems, reason them through to determine causes, work together to decide what they need to find out, detect when they need to learn more to adequately deal with the problem, execute a group effort to find and utilize appropriate learning resources to learn what they need, and apply what they learn to the problem. They learn how to learn in the context of the day to day pressures of free enterprise.

This is exactly what is required to achieve excellence. You can be confident that graduates of such a program will continue to use and perfect what they have learned throughout their lives. They may not think they learned it from you, but you will have achieved the true objectives of the SBI: To teach all concerned how to effectively solve business problems on their own, You will have achieved excellence for your SBI program.

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SMALL BUSINESS TRAINING TO ASSIST ENTREPRENEURS: A RURAL MISSOURI PROJECT

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ABSTRACT

This article reports on an entrepreneurial training effort directed toward small towns with populations of less than 10,000, they are primarily rural areas. Under the auspices of JTPA administered through Trenton Junior College and implemented through Missouri Western State College a series of entrepreneurial training courses were scheduled for Northwest Missouri counties and towns. To attract prospective entrepreneurs, existing owners of small businesses and dislocated workers, advertising was utilized to target the following groups of potential and existing entrepreneurs.

INTRODUCTION

Employment growth attributed to small business accounts for half of the net employment growth in the United States. [1] Further analysis of the impact of small business on the growth of employment indicates companies with fewer than 20 employees accounted for the greatest percentage increases in the United States employment growth rate.[2]

Because of the significant effect on employment growth, from small business many state governments, federal agencies, and institutions of higher learning have considered small business training as a possible intervention strategy to address and to foster employment opportunities for the nation's unemployed. A number of entrepreneurial training programs have focused on the displaced worker, but the results have not translated into effective solutions for all dislocated workers and the long term unemployed.[3]

This article reports the results of entrepreneurial training for rural areas with populations of 10,000 or less. The participants included dislocated workers, the unemployed, those with a business idea and existing small business owners. From the five courses offered over a four year period the survey results indicate classes on how to start and maintain a business have a positive employment effect. Consequently, entrepreneurial training as an intervention strategy should receive strong support by federal and state agencies, all educational and other non-profit institutions, particularly when resources are coordinated and shared by these organizations.

A. Those who have a business idea, but don't really know how to make it happen. B. Those individuals that have no clear idea for a business, but just feel they would like to work for themselves. C. Home based businesses and part-time businesses that could expand into full-time businesses, but do not know how to accomplish this objective. D. Individuals, who have been in business before and desire to try again. E. Those individuals that have skills through training and experience that they believe are substantial enough to allow them to develop their own business. F. An unemployed or dislocated worker that wishes to consider the alternative of acquiring business skills to start their own business or use these skills in obtaining employment.

This entrepreneurial training initiative expanded upon previous entrepreneurial training in that individuals were not required to be dislocated or unemployed nor did the program attempt to duplicate previous Title III Programming of the Job Training Partnership Act, which

attempted to match job skills with existing job openings, retrain individuals in occupations with high demand, or provide relocation assistance. This training initiative had two principal objectives, which consisted of developing a business plan and the implementation of the business plan. Consistent with these objectives was the minimization of risk for the parties involved and a necessary understanding of the background information required to start or to expand a business.

PROGRAM FORMAT

The instructional program provided 80 hours of classroom instruction over a four month period with class periods of three hours per session. The first course began in late 1985 and the last course ended in 1989. In total, five instructional courses were completed during this four year period. The curriculum included the principles of marketing, marketing research, advertising, business law, accounting, finance, banking relationships, personnel, inventory control, and different types of business strategies. Materials utilized in the course came from a number of sources.[4] The courses were taught by two Missouri Western State College Business professors. As the classes progressed consulting time was provided by each professor concerning the participants business idea and subsequent business plan. This consulting continued for approximately three months after the class ended. This approach utilizing two curricula programs enabled the instructors to vary the instruction to the needs of the class, while the consulting block provided a one-to- one relationship to help guide the potential entrepreneur or the existing business owner on their business plan.

PARTICIPANT CHARACTERISTICS

Initial enrollment for all five classes total 129, but approximately 57 percent of the participants continued after the first two class sessions. The primary purpose for class participation broke down into four categories:

- A. Had a business idea, but needed help in developing it 18
- B. Desire to work for myself 16
- C. Had a home-based business they wanted to expand 7
- D. Had a full-time business they wanted to improve. 7

The information collected on the participants indicates that the male, female mix was 55 and 45 percent respectively with an age distribution from 17 to 70. There was no central tendencies in the distribution on age. A comparison of education and income of students who had businesses or started businesses is shown in Table 1.

RESULTS

Course participants were surveyed in April and May of 1989 to measure the program's success. Table II indicates the businesses started and the jobs created from these five courses.

TABLE II BUSINESSES STARTED AND JOBS CREATED

Owners	Number of Employees Before Class	Number of Employees After Class
Business Before Class	20	25
New Businesses Started	13	19

The total increase in employment as a result of five 80 hour programs was 48 new employees. By including the owner/operator and their employees than 45 jobs were maintained. Therefore, a total of 91 jobs were created or maintained by this program.

From the information derived from the program, 11 participants decided not to start businesses. However, 20 responded they still have potential plans for beginning a business. Twenty-two participants completed a business plan from the course and 18 have yet to complete a business plan. Table III indicates the distribution of businesses by category since the ending of the course.

TABLE III TYPE OF BUSINESS STARTED

- Retail Trade 1
- Wholesale Trade 1
- Specialized Services 6
- Manufacturing 1
- Night Club 1
- Vending 1
- Doll Making 1

The cost of the program was \$1,730 per job. When the number of jobs created and maintained is considered, the cost drops to \$912 per job. Of the 13 new businesses started, five were income eligible under JTPA guidelines.

IMPLICATIONS

There are several implications associated with this research.

1. There is need for entrepreneurial training for some dislocated and unemployed workers.
2. The employment effects of the training when courses include other potential entrepreneurs fosters a very positive employment effect consistent with public policy. Not only do their courses create jobs, but the spinoff effects of providing training for existing small business owners permits the owners to hire additional employees and maintain their business.
3. Another significant implication enables course participants to decide not to venture into business saving time, money and preventing the waste of resources which can be directed toward ventures with greater opportunity costs and less risk.
4. The final implication from entrepreneurial training relates to not only providing courses in entrepreneurial training, but offering a combination of services to new and existing business. Courses, consulting, development of business plans, follow up services and accessing incubator projects all combine to increase the chance for success for the small business operator.

TABLE 1 COMPARISON OF EDUCATION AND INCOME OF STUDENTS WHO STARTED BUSINESSES

10th Grade GED H.S. Diploma Post H.S. Total	
Less 10,000	3 3
10,000 -25,000	4 1 5

25,000 - 40,000	1 5 3 9
40,000+	1 1 2
Withheld	1 1 1 3
Total	1 2 13 6 22

Associate Bachelor 4yr. App Total

Less 10,000	0
10,000-25,000	2 2
25,000-40,000	2 2
40,000+	1 1 2
Withheld	1 1
Total	6 1 7

CONCLUSION

Entrepreneurial training that is open to all interested, existing and potential small business operators has a significant effect fostering self employment and increasing employment opportunities. However, to minimize risk, programs should utilize a combination of services offered by government agencies and educational institutions, which supports an intervention strategy for small business that can produce positive employment results. Considering the twenty individuals that still have the potential to start a business, the spinoff effects from entrepreneurial training for this project should continue into the future. Therefore, employment growth from small business intervention strategies can have significant results, particularly with a combination of services are offered by educational, governmental and private non-profit organizations.

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STUDENTS AS MARKETING CONSULTANTS: A METHODOLOGICAL FRAMEWORK AND CLIENT EVALUATION OF THE SMALL BUSINESS INSTITUTE

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ABSTRACT

This paper describes a research process for evaluating the effectiveness of individual Small Business Institute programs. It is based on the experience of a major southeastern university that recently completed an in-depth client study for 87 SBI marketing cases. This paper builds on previous SBI research efforts and presents a field-tested methodology for obtaining high response rates and designing survey instruments that maximize information generated. A summary of major findings and implications of this research are discussed. Additionally, the importance of measuring the impact of SBI programs at the local, regional, and national level is stressed.

INTRODUCTION

SBA management assistance programs have been scrutinized by budget-conscious legislators throughout the 1980s. With threats of additional budget cut-backs, initiation of user fees, or possible discontinuation of services, it is critical for SBI directors to justify the economic and social value of their program to all of their constituents: governmental funding agencies, the academic community, and the small business sector. Comprehensive evaluations of individual Small Business Institutes, state-wide and regional networks, and the national program can provide valuable support for the merits of this important small business advisory service.

BACKGROUND

Recently, the Florida International University (FIU), Miami, SBI program was placed "under the microscope" and carefully analyzed for effectiveness by its clients. Since no formal analysis of the program was previously attempted, a decision was made to proceed with a major investigation of its program at that time (Summer 1989). While the results and implications of the study were extremely valuable in providing strategic direction for the SBI project leaders (SBI director, SBI coordinator, and key faculty), specific findings are only briefly discussed in this paper. Potentially more significant, however, is the research process used in the FIU study. This research plan can be readily adapted by SBI directors seeking a field-tested mechanism and approach to analyzing client satisfaction levels and student/faculty performance.

The FIU research study evaluated the effectiveness of the Small Business Institute from the clients' perspective for the four year period, June 1985 to June 1989. Since the majority of these SBI cases were marketing-oriented (e.g., marketing planning, marketing research, advertising/promotion, and integrated marketing strategy), the primary focus of this investigation was to assess the value of students as marketing consultants to small business. At FIU, SBI marketing cases are utilized periodically in five courses: Marketing Management (graduate level), cases in Retailing, The Marketing Game, Marketing Strategy, and Small Business Management. Other universities will have different emphases and can adapt the research evaluation to their particular needs and situation.

OVERVIEW OF THE LITERATURE

Various facets of the SBI client-student relationship have been explored in recent years. Analyses of the national SBI program have been written by several authors (Burr & Solomon, 1977; Douglas & Lamb, 1986; and Weaver & Solomon, 1985). Regionally, Keisner (1987) evaluated client satisfaction levels at 13 California universities. Individual SBI programs have been previously analyzed by Fry (1987), O'Connor & Rogers (1988) and Sampsell, (1988). From the marketing literature, relevant articles addressing the value of students as marketing consultants have been provided by Ramocki (1987) and Peterson (1986). This paper builds on this growing body of knowledge. Specifically the study:

1. Focuses on entrepreneurs' perceptions about students as marketing advisors.
2. Explores a diversity of small business clients over a four year period.
3. Is empirically based, and serves as a model for future similar evaluations of other SBI programs.

METHODOLOGY

Primary data collected in this study was obtained through survey research. First, a pretest of the questionnaire to approximately 10% of the expected sample is recommended (we used SBDC clients and workshop participants). The pretest is useful for the survey instrument, testing possible response formats, and/or identifying potential problems in the questionnaire construction/administration process. Telephone interviewing was the primary means utilized to collect data. The questionnaire was kept brief (less than ten minutes) since research has shown that small business entrepreneurs are unlikely to respond to lengthy surveys (Sampsell, 1984; Elstrott, 1987). A mail survey was considered, but this suffers from low responses rates and slow turnaround time for completed questionnaires. Personal interviewing, another option, is very labor intensive and impractical in most situations.

Prior to the development of the survey instrument it is helpful to prepare a one page list of research issues for investigation. This facilitates the survey design process. An example of the actual questionnaire used in this study is shown in Appendix 1. Before interviewing begins, a pre-coded information sheet can be employed to obtain basic, previously documented data from client records. our client background summary form contained information on the client (name of business, name of contact person, address, and phone numbers), the case (year study conducted, primary type of business, assistance provided, and hours spent on the analysis), and student characteristics (undergraduate vs. graduate class standing, size of the consulting team, and grade earned on the analysis). This dual approach maximizes the amount of valuable information obtained while minimizing time spent interviewing.

The Sample

Eighty seven SBI clients that received marketing assistance from the four year period, June 1985 to June 1989, constituted the sampling frame for the study. Firms that obtained business assistance that was primarily managerial, financial, or other functional specialty (e.g., computer systems, recordkeeping, etc.) were excluded from consideration. Completed questionnaires were obtained from fifty-eight clients representing a response rate of 66.7%. This high level of participation was ensured by using several follow-up techniques including a pre-notification letter, multiple callbacks, a reminder letter, and where necessary, the survey was conducted in Spanish (note: 38% of the sample were Hispanic). Of the 29 non-responses, we were able to confirm that 20 were no longer in business.

Other Methodological Issues

The major dependent variable in this analysis was client satisfaction. Keisner's (1987) ten point Likert scale was adapted. While measuring objective financial data is desirable, Sapienza, Smith & Gannon (1988) addressed the problems of trying to obtain such information from small business entrepreneurs. They noted that often this data is unavailable or inaccurate. Other key information assessed in this study were attitudinal/ perceptual in nature, dealt with business/entrepreneurial characteristics, and the SBI case and student team. The statistical analysis for this project was done on a DEC VAX-8800 computer system via SAS programming language.

MAJOR FINDINGS AND IMPLICATIONS

A summary of the key research results from this study are presented below.

A. Attitudinal/perceptual information

1. Client satisfaction: - 62% of SBI clients were satisfied or very satisfied with their marketing analysis (7 or higher on the ten point scale).
Mean score = 6.88 - 31% were somewhat satisfied (4-6 on the scale)
- Only 7% were dissatisfied (3 or less)
2. Nearly 4 out of 5 clients found the report useful for developing marketing strategies for their business.
3. Student characteristics:
 - 75% of clients rated students high on professionalism (14% average, 11% low; mean 4.05/5.00)
 - 50% scored the students high on business knowledge (40% average, 10% low; mean 3.43/5.00)
 - 57% found student recommendations high in practicality (19% average, 24% low; mean 3.44/5.00)
 - 55% rated the overall value of the analysis high (22% each, average and low; mean 3.44/5.00)
4. 79% felt that student should have work experience prior to conducting SBI studies (only 14% said it should be in the client's field)
5. 93% of clients stated that the SBI program was of some benefit to their firm.

B. Client Profile

1. Business characteristics:
 - a. Years in business
 - 38% less than 2 years,
 - 67% less than 5 years
 - b. Number of employees
 - 88% less than ten,
 - 12% ten or more

c. Legal structure

- 37% regular corporation,
37% Subchapter S corporation,
25% sole proprietorship/partnership

d. Type of business

- 64% service,
17% retail, 19% other

2. Entrepreneurial characteristics:

a. Sex

- 60% male,
40% female

b. Age

- 53% were 25-39

c. Ethnic background

53% white,
38% Hispanic

d. Education

- 60% college graduates

e. Years of experience in field

- 54% less than 4 years

A further statistical analysis of the relationship between variables in the study will be helpful and is in the process of being completed. However, as the basic finding clearly indicate, the FIU Small Business Institute is providing an important service to primarily young, inexperienced, but well educated entrepreneurs. Many of these business owners can not afford to hire professional consultants. The analyses conducted by the students are often invaluable during this critical formative stage for the growing enterprise.

Among major areas for improvement frequently cited in this study included the need for closer student/client working relationships, more practical training for students about "real world" business problems, and more regular follow-up by the Small Business Institute/Small Business Development Center professional staff to assist clients implement recommendations prescribed by the student reports.

CONCLUDING REMARKS

The favorable evaluation of individual Small Business Institutes and the national SBI program can be a major asset in the preservation and expansion of this important small business management assistance resource. The methodological framework and summary findings presented in this paper illustrates how this process can be implemented at the university level. SBI directors should periodically evaluate all facets of their program to assess its strengths and weaknesses. Additionally, more research initiatives at the regional and national level are desirable to measure the economic and social impact of the Small Business Institute program

to its varied constituency. Armed with such "ammunition" the Small Business Institute can increase its chances for survival and growth.

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SMALL BUSINESS INSTITUTE SURVEY

PART I. CLIENT SATISFACTION PERCEPTIONS

1. How satisfied were you with the marketing analysis conducted by FIU students for your business?

Extremely Dissatisfied 0 1 2 3 4 5 6 7 8 9 10 Extremely Satisfied

2. How important was the written report to you in marketing strategies for your business?

_____ Very Important _____ Important _____ Somewhat Important
_____ Unimportant

3. Based on your experience as an SBI client, please rate the student consultants on a five-point scale for the following characteristics (where one [1] represents the lowest degree and five [5] the highest degree of a given attribute).

Low Average High

a. Professionalism 1 2 3 4 5 b. Business knowledge 1 2 3 4 5 c. Practicality of recommendations 1 2 3 4 5 d. Overall value of the analysis 1 2 3 4 5

4. Which of the following statements best expresses your view toward employment backgrounds of students prior to conducting SBI studies?

_____ Should have work experience in my field _____ Should have work experience in related fields _____ Should have some work experience, the field does not matter _____ Work experience is not necessary

5. How beneficial is a program using university students as marketing consultants to your firm?

_____ Very Beneficial _____ Beneficial _____ Somewhat Beneficial _____ Not Beneficial (if not beneficial, please explain why)

6. Do you have any suggestions on how the FIU Small Business Institute Program can be improved to better serve client needs?

PART II. CLIENT PROFILE

1. Business Characteristics:

a. Approximately, how many years were you in business at the time of the SBI study? _____
b. Approximately, how many employees did you have at the time of the SBI study? _____ c.
Which of the following legal structures describes your business? _____

_____ Sole proprietorship _____ Partnership _____ Sub-chapter S corporation _____
Regular corporation _____ Other (specify) _____

2. Entrepreneurial Characteristics:

a. Sex: _____ Male _____ Female

b. Age: _____ 24 or less _____ 25 - 39 _____ 40 - 54 _____ 55 and over

c. Ethnic Background:

_____ Black _____ Hispanic _____ White _____ Other

d. Educational Background:

_____ Did not graduate high school _____ High school graduate _____ Some college _____
College graduate _____ Post-graduate studies

e. How many years experience did you have in your field prior to starting your own business?

BEYOND THE SIMPLE STRUCTURE: STRUCTURAL ADJUSTMENTS FOR THE SMALL BUSINESS IN A DYNAMIC-COMPLEX ENVIRONMENT

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ABSTRACT

For quite some time now, the operating environment of small business organizations is considered simple and stable at best and simple and dynamic at worst. Therefore, the simple structure characterized by high degree of informality and centralization has been considered adequate for the early years of formation and beyond. Many small businesses are also considered to operate in an environment that is insulated from the complexities and dynamics of the operating environment of large organizations.

This has changed and because of the increasing complexity of the operating environment of small businesses, the traditional informal and simple structure developed around the capabilities and limitations of the owner manager is no longer adequate. Therefore, the author advocates a more formalized structure that is decentralized with sufficient boundary spanning roles for effective interaction with the external environment.

INTRODUCTION

For quite some time now, the operating environment of small business organizations is considered simple and stable at best and simple and dynamic at worst. As a result, the simple structure characterized by high degree of informality and centralized has been considered adequate for the early years of formation and in some cases, for many years beyond the early years of formation. Many small business organizations are also considered to operate in an environment that is insulated from the complexities and dynamics of larger business organizations' operating environment.

Not any more. The growth of service industry has brought many small businesses in contact with big business organizations and because many service oriented small companies emerge because of the need for service by individuals and organizations, including government at all levels, there is increased interaction between small and large organizations. The "Mom and Pop" shop which constituted the traditional form of many small businesses has given way to small businesses that must interface with complex organizations with established and highly developed structures. In fact, many small businesses, these days, are consciously created to compete with giants like General Motors, International business Machines, Mcdonald, Exxon and many others in certain fields. Globalization, propelled by advances in transportation and communication technology, has made even the small farmer in Iowa who never had to worry about foreign competition and changes in distant economies of places like Japan, France and Germany, to feel the impact of a shrinking world marketplace and the intricacies of the political and socio-cultural systems that influence international economics.

Because of the increasing complexity of the operating environment of small business organizations, the traditional informal and simple structure developed around the capabilities and limitations of the owner-manager, is no longer adequate. Instead, the author advocates formalized structure that is decentralized with sufficient boundary spanning roles for effective interaction with the external environment.

The Traditional Simple Structure of Small Business Organizations

The simple structure found in many small business organizations today, is characterized by high degree of centralization and informality and is not elaborate.

"Typically, it had little or no technostructure, few support staffers, a loose division of labor, minimal differentiation among its units, and a small managerial hierarchy. Little of its behavior is formalized, and it makes minimal use of planning, training, and liaison devices. It is above all, organic" (Mintzberg, 1979, pp. 306)

The simple structure relies and revolves around the owner-manager who makes all important decisions regarding goals, strategies and the long-term direction of the firm. The culture and firm's image become an extension of the personality of the owner-manager. There is little delegation of authority and participation by employees is limited to very simple decisions. Goals are less formalized and strategies tend to be erratic especially in the face of environmental uncertainties.

Advantages

There are certain advantages of a simple structure. Among the advantages are:

1. Because one individual is responsible for mission, goals and strategy formulation, there seems to be a strong sense of mission. The owner-manager who is motivated by desire to succeed seems to know where the firm is going and controls the destiny of the firm.
2. Simple structure allows the firm to be flexible and readily adaptable since only one individual has to make all strategic decisions.
3. While the firm remains small, simple structure enables the firm to avoid the intricacies of extensive bureaucracies that are associated with elaborate structure (Mintzberg, 1983, p. 161-162).

It should be noted, however, these advantages are realized when the operating environment is at best simple and stable and simple and dynamic at worst. A complex and dynamic environment tend to nullify many of the advantages that are associated with the simple structure.

Disadvantages and Inadequacies

The disadvantages of the simple structure are inherent in its design. The design which concentrates authority in one position, the owner-manager, makes it too restrictive for other members whose creativity and knowledge could be useful, to have opportunity to participate in the decision-making process. Today, the increasing complexity of small business, environment is making it continually difficult for one individual to make required quality and informed decisions that are needed even for the small business to operate effectively and efficiently.

The simple structure creates a one-man-show. And this could be demotivating to today's "new breed of workers" who demand among other things, a challenging and interest job, opportunity to make meaningful contribution to the organization and be recognized, and more responsibility and authority on the job together with a strong voice in decisions that affect

them and their jobs (Kerr and Rosow, 1979). "Perhaps the most basic approach that can be taken by small business is to shift its over-all decision-making process to a more participative mode" (Hollman and Ullrich 1983). However, this shift is encouraged only when employees are competent, involved, committed and knowledgeable about the issues that confront the organization (Vroom, 1973).

Simple structure by its nature, is not elaborate, and has few support staffers; has loose division of labor and minimal differentiation among its units. There are no positions that are consciously designed to relate the organization to its external environments. This did not seem to affect the effectiveness of the small business that operated with the simple structure when the operating environment of the small business was stable and simple or even when it was simple and dynamic. In today's marketplace with intensified competition fueled by globalization, there is increased pressure on the small business to operate more compete with larger organizations or smaller subsidiaries of entrenched companies. There is increased business contact with a variety of government agencies as more government regulations are now extended to cover small business operations. The pressure to be more efficient now requires the small business operator to utilize advanced technology previously reserved for large organizations. These changes exceeds the capability of the simple structure.

A major risk associated with the simple structure is that continuing success of the organization depends on the health of one individual - the owner-manager. It fails to provide for succession in case of the death of the owner-manager. It is estimated that while 98 percent of small corporations are family owned, only 30 percent continue to the second generation and only 15 percent make it to the third (Benson, 1984). It should be pointed out here, however, that while the simple structure is not to blame for all of the succession problems in small businesses, it would help if small businesses operate with a structure that allows other members of the organization to participate in the decision making process. Thereby providing for continuity in the absence of one person.

"Like all the configurations, restricted to its appropriate situation, the simple structure usually functions effectively -- but lacking a developed administration, the simple structure becomes a liability outside its narrow range of conditions -- its centralized nature renders it ineffective in dealing with an environment that has become complex (Mintzberg, 1983, p. 161).

Structural Modification

The term structure is used to characterize the process of developing and maintaining a system of working relationships among the people of an enterprise and dividing the work that is to be done (Kuriloff and Schollhamer, 1979, p. 211).

The purpose of any structure is to provide for efficient utilization of both material and human resources in the pursuit of organizational objectives or goals. The crucial nature of efficiency to the viability of any organization makes a good structure a necessity especially to the small business which can least afford the inefficiencies of by a poor or ineffective structure.

While there can be no universal structure that can be prescribed to all organizations because of the unique nature of each, it is generally accepted that for any structure to be effective it must reflect and be responsive to the realities of the internal and external environments of the organization (Lawrence and Lorsch, 1967). Schollhamer and Kuriloft (1979) proposed guidelines for structuring the small business based on identifiable traits common to effective structures:

1. The human use of human beings: a good structure should match task requirements with the desires and capabilities of each worker.
2. Proper division of work: task should be meaningful and doable by an individual or group of people.
3. Appropriate departmentalization of activities: logical tasks should be grouped into the same department or organizational subunits.
4. Balance of authority and responsibility: the principle of parity should be carefully observed to ensure equality of authority and responsibility, especially with regards to authority to make decisions.
5. Clear specification of authority and responsibility for every positions: this requires job description that is clear with respect to job expectations and resources that are available to the job holder.
6. Proper degree of delegation: the simple structure, which is currently utilized in most small businesses, concentrates all authority to make decisions in one position, making it difficult for even knowledgeable members to participate. The lack of proper degree of delegation tends to overload the owner-manager with task and decisions that can be effectively made by other members of the organization.
7. Proper span of control: while there seems to be no agreement on what constitutes proper span of control or management, it is recognized that a proper span of control is one that takes into consideration among other factors, the characteristics of the task supervisors and subordinates with respect to the need for supervision and that required degree of coordination currently under the simple structure, the small business organization has wide span of management which often creates decision overload for the owner-manager and in turn leads to poor quality decisions.

The over-riding objective, when designing a structure for the small business, is to design a structure with the proper degree of centralization and flexibility so as to effectively adjust to the organization to changes in its environment. Increased number of boundary spanning roles are encouraged to cope with the increased number of interactions and relations and relations that area required by the increased environmental complexity of today's small business. It is appropriate to note at this point, however, that the degree of decentralization and flexibility must be determined by the degree of environmental complexity and dynamism.

Other factors that must be considered are the characteristics and management style of the owner-manager around whom the small business organization revolves. Many owner-managers of small business are individuals with high need for power, control, and have a very strong personal feeling about how to management the organization that have helped to create. High in achievement motivation would make them resistant to any structure calls for delegation of authority and reasonable degree of formality and insist on an informal structure at worst and a simple structure at best. Even Ford Motor Company is said to have experienced this phenomenon during the late years of its founder. This is the more reason for any structure to be sensitive to the personality of the owner-manager.

Summary

The days are numbered, if not gone, when Mom and Pop operations constituted the core of the small business and simple and informal organization structure were adequate and effective. A majority of the small businesses of today are exposed to the pressure of intensified competition brought about by globalization, highly educated and knowledgeable works and consumers and ever increasing government regulations. In fact, the environment of the small business is no longer different from that of large firms and today's small business is required to interact with many facets of the environment.

Obviously the simple and informal configurations which is a structure of choice of many owner-managers with their inherent limitations can no longer provide effective management base for the small business in a complex and dynamic environment. A structure that is formalized, flexible and proper degree of decentralization is needed. A simple structure is no longer adequate because of the increasing complexity of the small business organization beyond the very early years of formation.

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FRANCHISING: ANATOMY OF A START-UP

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ABSTRACT

Franchising is the most rapidly growing method of doing business in the world today. Over a third of all retail sales in the United States and over 20% of our GNP are generated through franchised outlets. This article explores the start-up processes of a franchise business and analyzes both the means as well as the steps which are necessary to start a successful franchise chain.

INTRODUCTION

While some refer to franchising as an "industry," it is more properly described as a method of doing business or distributing goods and service (1). Franchising occurs when a sponsor or individual allows another party or individual the right to do business in a specified manner for a limited time period in a specific location. This right or privilege many allows the sponsor to provide goods, services, marketing techniques, and a name and logo to a franchisee who utilizes these assets in a local business called a franchise (6).

Andy Kostecka of the U.S. Department of Commerce provides an additional definition: "Franchising is the method of doing business by which a franchisee is granted the right to engage in offering, selling, or distributing goods or services under a marketing format which is designed by the franchisor. The franchisor permits the franchisee to use the franchisor's trademark, name, and advertising," (5).

THE FRANCHISOR

Franchising provides an exciting opportunity for the franchisor to develop or expand an existing business practice which may be replicated or duplicated in a different location or duplicated in a different location or setting (4). Some of the advantages of developing a franchising system include:

- 1) Opportunity to expand a successful business concept
- 2) Ability to use another's capital investment to expand the business at a different location
- 3) Providing management skills, motivation, and point-of scale marketing techniques to a franchisee
- 4) Opportunity for another individual to own a business which is generating strong profit margins
- 5) The franchisor is not required to incur the cost of developing each new unit
- 6) The franchisee has an ownership interest and a financial stake as an incentive to assure the success of the franchise
- 7) The responsibility for operating, hiring, training, and retraining the staff is generally transferred to the franchisee
- 8) Franchising tends to reduce the number of corporate staff personnel required to manage and supervise the business
- 9) Franchising reduces the financial support requirements of the head-quarters organization
- 10) Franchising provides a quicker penetration of different markets than simply expanding

11) Economies of scale may be easier to achieve through franchising than through company-owned outlets.

There are also certain disadvantages which a franchisor should realize before developing the franchise concept. Franchisors need to be well aware of both the advantages and disadvantages before progressing through the litany of regulations and requirements necessary to establish a franchising business. Some of the disadvantages include:

- 1) Additional corporate cost for the establishment of training programs, sales programs, marketing costs, and overhead costs
- 2) The loss of control of a business entity which now is owned by a franchisee rather than the franchisor
- 3) Limitations of franchisor's options and flexibilities as defined by the franchise agreement and disclosure documents
- 4) The difficulty of finding the proper franchisees
- 5) Being able to develop a proper franchisor-franchisee relationship; keeping the franchisee happy
- 6) Exposure to lawsuits brought by the negligence of the franchisee
- 7) The profitability of company-owned units may be greater than the profit derived from franchised outlets.

OPPORTUNITY EVALUATION

Before a decision is made by a franchisor to begin the franchising process, it is important that an evaluation be made relative to the opportunities, strengths, weaknesses, and threats involving the business. A prospective franchisor needs to determine if the company has sufficient financial support to expand (2).

A start-up franchisor needs to properly evaluate two major areas to determine properly evaluate two major areas to determine probable success for the business:

- (1) self evaluation and
- (2) evaluation of business opportunity.

The following is a franchisor checklist which needs to be properly completed before developing a franchising organization.

FIGURE 1 FRANCHISOR CHECKLIST

Date of Evaluation _____

Name _____ Score _____

Directions: Mark the square that most accurately represents your own characteristics.

Rating: 5=Excellent; 4=High; 3=Average; 2=Low; 1=Poor

5 4 3 2 1

DRIVE LEVEL

Energy	()	()	()	()	()
Endurance	()	()	()	()	()
Activity	()	()	()	()	()

MANAGEMENT EXPERIENCE

Managerial Skills	()	()	()	()	()
Motivation	()	()	()	()	()
Problem Solving Ability	()	()	()	()	()
Resource Usage	()	()	()	()	()
Personal Characteristics	()	()	()	()	()
Self-motivated	()	()	()	()	()
Self-confident	()	()	()	()	()
Common Sense	()	()	()	()	()
Goal Setting	()	()	()	()	()
Seeks Responsibility	()	()	()	()	()

WORKING WITH OTHERS

Communication Ability	()	()	()	()	()
Ethics	()	()	()	()	()
Uses Feedback	()	()	()	()	()
Adaptability	()	()	()	()	()

WORKING WITH SELF

Tolerance of Ambiguity	()	()	()	()	()
Internal Focus of Control	()	()	()	()	()
Dealing With Failure	()	()	()	()	()

BUSINESS OPPORTUNITY

PRODUCT OR SERVICE

Customer Need	()	()	()	()	()
Growing Market	()	()	()	()	()
Desirable Product	()	()	()	()	()
Long-Term Market	()	()	()	()	()

MARKETING

Promotion	()	()	()	()	()
Easily Duplicated	()	()	()	()	()

Brand Recognition	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Site Selection	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Advertising	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

PROFITABILITY

Profits	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Revenues	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Return on Investment	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Start-Up Costs	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

FRANCHISOR'S PERSONNEL

Operations Manager	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Sales Manager	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Advertising and Promotion	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Field Support	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

The franchising experience is dependent upon the interactions between the franchisor and the franchisee. The major advantage to the franchisee is the opportunity of entering a business which has the benefit of an established product, service name, or method of doing business. As the franchising program is developed, both the franchisor and franchisee will realize the profit potential of the business. Franchising should provide an opportunity for growth and success for both parties. The factors most critical to success in franchising are generally rooted within the franchisor-franchisee relationship. The franchisor has a tremendous influence upon all franchisees and other operations.

DEVELOPING A FRANCHISOR'S BUSINESS

One of the most overlooked factors in developing a franchise organization is that the franchisor needs to realize that one is actually involved with operations of two different businesses: (1) the franchisor's headquarters or corporate office and (2) the franchisee (and also company-owned) stores. Franchising requires that the franchisor develop a separate corporate entity to sell, administer, and support franchising or company owned stores. The franchisor needs to recognize the corporate responsibilities and develop the operations and staff necessary to fulfill the corporate obligations.

The headquarters organization will generally consist of an administrative staff of three key executives: (1) the president, (2) a sales executive, and (3) an operations executive. Depending upon the financial resources of the franchisor, it is important that these three individuals are brought on board at the start of the franchising operation. (See Figure 2). The president is responsible for the overall development of the business including public relations, financial structuring, initial public offerings, legal aspects, financial aspects, and the hiring of the franchising executive. The sales executive will be solely responsible for the marketing and selling of franchises to franchisees. The sales executive is responsible for the development of marketing packages which may be used to explain the franchising system to prospective franchisees. The operations executive is responsible for the actual business start up and the operation of the business. Once the franchise agreement is signed, the operations executive is responsible for the success of the franchisee for the duration of the franchise agreement.

FIGURE 2

President _____

3 3 // Sales Operations Executive Executive

There are additional people that need to be brought on board after the franchising organization has grown, including a marketing executive, an accountant, and a legal representative.

Before the franchisor actually starts the franchising process, there are certain steps which need to be taken to insure the proper development of the franchising unit. These include those listed on the Headquarters Development checklist (See Figure 3).

One of the most important aspects of developing a franchising program is taking the proper steps to develop a successful program. The Headquarters Development Checklist (Figure 3) lists the various aspects and steps that need to be developed and covered before a franchise should ever be started. It is important that the franchisor properly develop the accounting services which are necessary both for the headquarters corporation as well as for the franchisee organization. This accounting system, which is often computerized, allows for control by both the franchisor and the franchisee and insures proper recording of all sales both to the franchisor and franchisee.

FIGURE 3

FRANCHISOR HEADQUARTERS DEVELOPMENT CHECKLIST

Person Finishing Activity Responsible Date ACCOUNTING Franchisor chart of accounts
_____ Accounting controls _____
Franchisee chart of accounts _____

FINANCE

Franchisor pro-forma cash flow statement (5 yrs.) _____
Franchisor pro-forma balance sheet _____
Franchisee pro-forma cash flow statement (5 yrs.) _____
Franchisee pro-forma balance sheet _____

LEGAL

Uniform Franchise Offering Circulator Financial _____
Earning claims _____
Site criteria _____
Acknowledgement form _____
Franchise Agreement _____
Trademark Registration _____
Compliance _____
Registration States _____

ADMINISTRATIVE

Location selection _____
Store design and decor _____
Operations manual _____
Training program _____

Headquarters training _____
Application review _____
Inventory control _____
Personnel _____
Field support programs _____
Field crew _____

MARKETING

Advertising Initial announcements _____
Franchise advertisements _____
Run Advertisements _____
Preliminary Information Folder _____
Response system to initial inquiries _____
Telephone inquiry qualification guide _____
Application forms Form letters and paragraphs-prospects _____
Form letters and paragraphs - franchisees _____
Franchisee store advertising Initial advertising _____
Grand opening campaign _____
Continuous support _____

MARKETING RESEARCH

Target market research and identification _____
Product research and references _____
Franchisee profile development _____
Manager profile development _____
Competition analysis _____

In addition, before a franchise is started, it is important to determine, through the development of pro forma financial statements, the feasibility of the entire operation. The proper franchisor cash flow statement should illustrate to the franchisor and possible investors the actual start up costs and returns that the franchisor will incur. Most franchisors' organizations will incur a loss during the first and second years. Many franchisors hope to overcome this loss during the second or third year of operations. The proper pro forma cash flow and balance sheet should give a proper picture and illustrate the financial hopes of the organization.

One of the most important and often overlooked aspects of developing a proper franchising system is to record the necessary legal documents for the franchising system. There are two major legal documents which are required by the Franchise Disclosure Act of 1979. (1) The disclosure document or Uniform Franchise Offering Circular (UFOC), stipulates 20 to 23 items which the franchisor must disclose about the operations of the business. This disclosure document simply allows the franchisor to report anticipated start up costs, franchise fees, the territory restrictions, and a proper description of the business to the franchisee. (2) The franchise contract or agreement allows the franchisee to have in writing the actual obligations of both the franchisor and franchisee and also stipulates the duration (generally 10 to 20 years) of the franchise agreement. Because of the complexity of these documents, it is recommended that the start-up franchisor find a lawyer who has had experience in the franchising field.

The administrative side of the franchising organization is generally divided into the sales side and the operations side. The sales side is responsible for selling the franchise units to new prospective franchisees. The operations side is involved with the franchisee once the

franchisee has signed the franchise agreement. It is important that the operations manual, training program, location selection, store design and decor, and proper advertising have been developed for the franchising units. The operations executive will utilize these manuals and directions to help the franchisee develop a proper franchising program.

Both marketing and market research areas are very important for a franchisor. The franchisor needs to be able to properly identify the target market, the product being offered, and the advertising program which will be used in the franchising units. Additionally, many franchisors strive to develop a proper franchisee profile which delineates the characteristics of the franchisees whom they seek as partners in the franchising business. A manager profile is often also developed which franchisees may then use to screen or hire prospective managers for the organization. It should also be noted that different form letters, paragraphs, and packages should be developed by the marketing people before the franchise is actually up and operating.

THE PROSPECTIVE FRANCHISEE

An important and difficult aspect of developing a franchising business is the identification of who will be the franchisees. The sales executive is responsible for screening and qualifying all prospective franchisees. The franchisor should seek those individuals with sufficient financial backing as well as the moral character to be strong franchisees.

Figure 4 may help the franchisor in developing an evaluation form for screening prospective franchisees:

FIGURE 4 FRANCHISEE PROFILE CHECKLIST

NAME _____
 ADDRESS _____
 DATE _____

INTERVIEWED WITH DATE SCORE

1. _____
2. _____
3. _____

Directions: Mark the score that most accurately represents your applicant's characteristics.

Rating: 5=excellent; 4=good; 3=average; 2=fair; 1=poor

BUSINESS EXPERIENCE	5	4	3	2	1
Prior experience	()	()	()	()	()
Skills	()	()	()	()	()
Past performance	()	()	()	()	()

EDUCATIONAL BACKGROUND

Ability to think	()	()	()	()	()
Decision making	()	()	()	()	()
Intelligence	()	()	()	()	()

ACTIVITY LEVEL

Energy
 Drive
 Endurance

IMPRESSIONS

Appearance
 Positive Attitude
 Communication Skills

MANAGEMENT ABILITY

Organized
 Responsible
 Ambitious
 Financially stable
 Work well with others

ABILITY TO WORK WITH FRANCHISOR

Adaptable
 Sense of ethics
 Friendly

TOTAL SCORE _____

The franchisor should not be aware of some of the requirements of properly starting a franchising business. It is important that the franchisor realize the complexity of developing a franchisor organization. The franchisor will need the help of an in-house sales staff, plus an organizational staff and also the outside support of competent legal expertise.

CONCLUSION

Franchising is one of the fastest growing methods of doing business in the world today. It is important that the franchisor be able to determine those steps and directions which are necessary to undertake before franchising may be properly developed. The franchisor should realize the necessity of developing a self evaluation and organizational headquarters evaluation as well as being able to predetermine some method for choosing perspective franchisees.

A successful franchising organization is almost always coupled with the proper development of the franchising program including legal, financial, sales, administrative, and marketing areas. franchising is a vibrant and exciting opportunity for businesspeople who desire to expand their operations through this method of doing through this method of doing business. Franchising is the wave of the future.

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ORGANIZING SMALL ENTERPRISE DEVELOPMENT PROGRAMS

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ABSTRACT

The paper describes a tool called a "Value Chain Diagram" (VCD) that can help us organize Small Enterprise Development (SED) programs that generate the quantifiable results that come when entrepreneurs apply in practice what they receive from a program. The VCD suggests how to link each step in a SED program to four levels of program effectiveness which requires that trainers and consultants (SED advisors) work with entrepreneurs to help them take action and make presentations on their accomplishments. An effective SED program shows up on a VCD as a V-shape or "smile pattern". The paper uses a case study to demonstrate the use of the VCD, and concludes with suggestions on how to organize better SED programs.

INTRODUCTION

Although most policy makers agree that small enterprises are vital to a free economy and that Small Enterprise Development (SED) programs should be organized to help them survive and prosper, there is surprisingly little evidence that such programs help much. For example, recent issues of *The Savant* - the SCORE newsletter - have discussed how to make the services of SCORE chapters more effective (1). The typical service involves entrepreneurs seeking advice and going off to use it or not, leaving the chapter members in the dark about whether the advice was followed, and whether it worked.

Many SBIs face similar difficulties evaluating and defending their programs. Student teams carry out research for entrepreneurs, and the SBIs are paid when the clients sign off that the research was helpful. But for too little is known about which types of studies for which types of entrepreneurs proved worthwhile. Without such information it can be difficult for an SBI to justify its continued existence. With such information it can be difficult for an SBI to justify its continued existence. With such information, as we shall see, SBI programs become much easier to defend.

Our first step is to compare effective and ineffective SED programs. By "effective" we mean simply that clients made quantifiable improvements in their enterprises, and gave credit to the SED program for its help. Next we designed several tools based on the findings. We begin with a case study and then explain one of the design tools.

THE ABC CASE

This SED program started in May 1984, when Mr. T. Hernes, an SED advisor in the construction industry, approached an Association of Building Contractors (ABC). ABC's officers were skeptical at first. While they favored training their members, they were afraid the timing might be wrong and the training irrelevant. The timing might be wrong, they said, because construction was in a slump. Lack of training was the least of their worries. They also wanted assurance that Mr. Hernes was not coming merely to lecture its members on topics that might be important elsewhere but useless to them.

The proposal

Mr. Hernes explained that in interviewing several ABC members and in visiting several building sites, he had found major variations in the site productivity of ABC's members. Many of those interviewed had agreed that ABC members could make more profit by cutting waste.

He therefore proposed a three-phase program that would take contractors away from their work for only a few days. First, he would give the participating contractors data collection manuals to help them think about their sites. A few months later, he would run a three-day course on methods analysis, work study and productivity improvement. Third, for three months the participants would analyze their sites, implement improvements and report their results to each other at a one-day seminar.

He explained the expected benefits of the program in terms of increased profits for ABC's members and improved relations between them and their customers. Increased profits, correctly handled, would lead to financial soundness. Productivity should lead to an industry with better paid workers.

While ABC's officers like the proposal, they still wondered whether the participants might already know what Hernes proposed to teach. How would they select the participants? Hernes suggested that they invite only contractors who would make the first program a success - participants who would demonstrate improvements quickly so as to attract more contractors to later offerings. He would interview them to see what they already knew. So they selected 18 contractors who were interested in training, could understand the material and who had jobs where they could apply what they learned.

Pre-course activities

A few weeks later Hernes met with the participants, explained the program, and handed out manuals for collecting site productivity data. He explained that between June and September they were expected to collect data about their sites which they would use in the course, scheduled for September. There they would work on their own "live cases", analyze their site data and decide how to improve productivity. The data concerned site layout, activity on the site, bottlenecks, daily output and construction methods.

The course

In the first two days of the course, Hernes used four half-day "Flexible Learning Packages" (FLPs). On the third day the participants applied what they were learning to their productivity data. Each FLP contained lectures, quizzes, cases and exercises. The methodology was participative and intense. The contractors were divided into groups, each with a flip chart. There was no lecturing. Instead each group was helped to learn from the materials and discuss problems among themselves. They solved cases and presented solutions to each other.

The participants scored an average of 90 per cent on each quiz. If scores had been low, Hernes had planned to run additional sessions. The contents seemed relevant: several participants remarked, "This is just what we need".

The follow-up

Between September and December, Hernes helped the participant's prepare for the follow-up seminar where they would discuss what they had accomplished. Of the 12 contractors who completed the program, seven had jobs where they had improved productivity.

Six contractors made presentations where they described how they had introduced piecework or task rates and had begun paying workers more frequently, to "loyalize" them. They had cut waste by up to 60 per cent. One contractor who was building tourist facilities in a park had discovered that his site activity was only 15 per cent of what it could have been. Because his sites were so scattered he had to make difficult tradeoffs among the storage of materials, transport and security. He had cut transport costs in half, and had reduced pilferage. He estimated saving \$30,000 on that job alone. His colleagues were quite impressed when he told them that this had allowed him to buy an airplane to improve his supervision of his scattered jobs!

Evaluation

The participants said they had enjoyed the program. Hernes felt they had learned a lot from their own experiments. He estimated total program cost at \$10,000, including everybody's time, lodging and transport. He expected that the contractors would apply the new methods on future jobs and that some savings would be passed on to clients as lower prices on future tenders. The six contractors who made presentations had each saved at least \$30,000 on their present jobs, giving the program at least a 18 to 1 benefit-cost ratio.

Hernes used such information to devise a better needs analysis, comparing the site productivities of various contractors, so they could set better aims. Future participants were therefore able to declare at a program's start, "I am going to cut waste by X per cent". He also began video taping selected sites, so that critical problems were easier to see. From these evaluations came several new design tools, one of which is described next.

THE VALUE OF EFFECTIVE PROGRAMS

To visually describe SED programs that generate quantifiable long-term and short-term benefits that far exceed program costs, we should start with the fact that such programs are rare. Our research indicates that this is so largely because our clients - the entrepreneurs - seldom know what to expect from our services. Few of them are informed consumers of SBI services. Most, in fact, are first-time users. They see that it cost time and money to participate in a program, but the value it generates - why they would use and even pay for such a service - is more of a mystery. Value to them and the SED advisors should be seen as a relationship between effectiveness and cost: the higher the effectiveness and the lower the cost, the greater the value. However, while cost is something most people can agree on, effectiveness is less objectives; it means different things to different people.

To incorporate the concept of value into our design tools, we start with Michael Porter's (3) analysis of competitive strategy, and his idea of a "value chain" for industrial companies. They buy inputs, transform them, and make them available when and where customers want. These activities generate value, and for them customers willingly pay. Porter's important contribution here was how he divided the generation of value into phases.

The resulting tool - called a "value chain diagram" (or VCD) - has horizontal and vertical dimensions that create a "space" where we can describe and analyze SED programs. As in Porter's model, time is the horizontal dimension, but since our VCD concerns services and not manufacturing, we dropped "input, transformation, and availability", and inserted instead the three main phases of an SED service: preparation, execution, and follow-up, (along the bottom of Figure 1). These phases must be further divided into stages to emphasize the special skills needed to carry out a program. So in Figure 1, we have placed four stages; problem definition, needs analysis, results delivery, and diplomatic advertising. Having laid out the phases and stages, we next arrange the main program activities through time as a series of boxes as in a network diagram.

The vertical dimension of the VCD comes from Kirkpatrick's training evaluation hierarchy (4): reaction, learning, application, and results.

Reaction is what the participants thought of a program - including the materials, instructors, consulting reports, facilities, and methods used. Participants' reactions - often a critical factor in continuing an SED program - are typically gathered through questionnaires - often derisively called "smile sheets" or "happiness sheets". For example, in the typical SBI program, clients sign forms indicating their degree of satisfaction with the reports produced by student teams. This helps assure that SBIs are not paid for shoddy work. Reaction in the ABC case, in contrast, came when several contractors commented: "This is just what we need!!" Such information helps us organize enjoyable programs, but rarely translates back into the enterprises.

Learning is more difficult to measure than reaction. The principles, facts and techniques the participants acquired can be measured with paper-and-pencil tests and skill practice. The ABC contractors were quizzed and recalled 90 percent of what was covered in the sessions. Learning, however, is not necessarily applied back in the enterprises.

Application is concerned with whether participants did something different back in their enterprises. Methods of evaluating such change include before and after comparisons; observations by participants, their subordinates, bosses and peers; statistical comparisons; and long-range follow-up several of which we saw in the ABC case. However, just as favorable reactions are no guarantee that people have learned anything, superior individual performance in a course or back on the job does not always improve enterprise performance. This is because such performance is affected by many factors outside the control of participants and SED advisors. For example, only six of the 18 participants in the ABC program reported that they had actually applied what they had learned. However, only seven had jobs where they could apply the new methods. Mr. Hernes attempted to bring some such factors under his control by selecting participants who had reputations for trying to improve their businesses, but neither he nor the contractors could much influence the business cycle which generates jobs where the new skills could be applied.

Results is concerned with cost savings, work output improvement, and quality changes; and is measured by collecting data before and after a program, sometimes with controls on trained and untrained groups. Since many factors contribute to results, it is important to isolate other variables that could have contributed to a change.

USING VALUE CHAIN DIAGRAMS

The VCD is built up using an evaluation hierarchy such as Kirkpatrick's, to see whether a program's activities form a V shape. To do this, we first arrange the activities horizontally through time and then shift them vertically to conform to the evaluation hierarchy. This can be done on a flip chart by putting each major activity on a 5x8 card and placing the cards appropriately in time and on the evaluation hierarchy.

The VCD helps us visualize whether there are enough of the right activities to link participants' reactions and learning to results back in their firms. It shows how evaluation levels are linked in a program, and highlights key features of effective SED programs:

- They start in the top left corner of the VCD, move down to the learning and reaction levels in the middle stages, and return to the upper-right corner - the application and results levels - toward the end of the program.
- They exhibit a simple "smile pattern", "V-shape" or "U-shape". Ineffective programs lack this pattern. Each stage of a program should be linked strongly to the next; if a link is faulty, the program will be ineffective.

APPLYING VCD TO THE ABC CASE

The ABC program began with pressure for change (box 1). The contractors were concerned that competitors were constructing better buildings at lower cost. Hernes convinced ABC's officials that his program would help ABC's members cut cost (box 2). To link this pressure at the results-level to the applications level, the program emphasized the crisis facing the construction industry. A sense of urgency was thus built in at the beginning that would drive the program to its conclusion.

Participants were selected (box 4) who had histories of improving their businesses, and they were made to realize from the start that this would be not just an entertaining learning experience, but that they would be expected to do something in exchange for getting recognition from their peers.

Learning was linked to application, first when needs were analyzed and it was found that the contractors would need to learn how to analyze their sites before they could carry out improvement projects (box 3). It was also linked to applications through the support Hernes gave to the projects (box 7). Reaction and learning were linked in the use of participative training materials (box 6). If, on the other hand, someone had simply been called in to "talk about site productivity", the participants are unlikely to have enjoyed the course as well nor learned as much. Applications were linked to results by coaching the participants to make their presentations in terms of money saved (box 8).

Issues of program credibility can arise when benefits are captured in presentations by participants. Knowing that their presentations may mark them for bigger things, they may be tempted to exaggerate. And since diplomatic advertising will be based partly on these presentations, an independent audit is often needed. Therefore the ABC officials asked an unbiased person to visit the sites and to verify whether the builders were actually realizing the savings they had described (box 9).

APPLYING THE VCD TO THE SBI

These tools should help us design and organize programs that will attract more resources both from the business community and from congress through the SBA. A program that generates a high benefit/cost ratio shows up vividly on a VCD, as a "smile pattern".

Government officials and elected representatives - even though they may know little about organizing effective SED programs - can spot this pattern, and encourage it.

SBI Directors should encourage the SBA to introduce arrangements that help us complete the "SED cycle" where our clients accomplish something and give our programs credit for helping them. Instead, at present, we have many incentives to break off the client- consultant relationship when a report has been produced - which is in the middle of the SED cycle, at the learning level, in the VCD. To be sure, students have probably learned something, and clients may have used some of the information, but the SBI is rewarded regardless of whether the client was able to improve performance. To make it easier to justify our programs, we need to be able to point to more dollar savings in our work.

CONCLUDING REMARKS

We saw how to combine an effectiveness framework with the SED program cycle, and how to use a graphic tool - the VCD - to organize and justify SED programs. We saw that results come when each level of effectiveness is linked to the next. While both response and learning can be measured in classroom settings, the next two levels, application and results, cannot. They require preparation and follow-up.

SBI directors who wish to organize programs along the lines suggested here, can start by having a few student teams coach their clients to make presentations on how they improve the performance of their firms, and how the SBI helped them. Each term a few teams would produce consultants to clients, coaching them to make presentations on how they have improved, and how the SBI helped them.

Each term an SBI Director would select a few clients based on criteria such as past records of business improvements. Also, they might select clients in similar businesses, but who are not in direct competition so that much of the expertise of a consulting assignment can come from the entrepreneurs, rather than from the students. The director may wish to market such services through trade associations as a way of strengthening the associations' images with their membership.

New tools would be needed. Special interest groups among the SBIs would develop materials for specific sectors, and on specific topics, and test these with groups of clients. Those materials and approaches that generate the best results with clients could be promoted strongly by SBA and SCORE.

In closing, our own Association may wish to sponsor a national competition on business improvement. This new competition could be modelled after the one organized by Training magazine for the year's best three training programs. Being able to demonstrate to our constituencies that we are helping to save small businesses a great deal of money would help our already good image.

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SUCCESSION IN THE SMALL BUSINESS THE FIRM'S FUTURE AND MANAGEMENT'S FEARS

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ABSTRACT

The purpose of this study was to focus on small-business owners' attitudes and perceptions regarding management succession in their firms. Specifically, the center of the study is the owner/manager's succession planning process and what the plan (if it exists) embodies. Additionally, attention is directed towards the roles which families play in the future of small business. A final study purpose is to consider how small firm managers evaluate and market their firms.

Conclusions drawn from the study are that succession planning is generally not being performed. Also, small business owners have fears about their firms' futures but seemingly have elected not to address those issues and have chosen to continue operating on an ad hoc basis.

INTRODUCTION

In recent years, the United States federal policy has devoted much attention to the creation of entrepreneurial business ventures. Each year during the 1980's, some 600,000 businesses have been started. These small firms, regrettably, usually are short lived. Many cease to exist within the first two years and it is estimated that only about 20 percent survive beyond 5 years. The move from one generation of top management to the next is one of the most agonizing experiences that any business ever faces. The problem is often most acute in the small, family firm. In this type of business, there seems to be something more deeply rooted in the transfer of power than mere impersonal business interest. The human tradition of passing on a heritage, possession, and a name from one generation to the next motivates both parents and children to seek continuity in the family business. For a variety of businesses, however, this continuity is not easily achieved. Although more than 98 percent of the corporations in the United States are family-owned, it is estimated that only 30 percent continue and enter the second generation and only 15 percent move into the 3rd generation (BIRLEY, 1989). With this in mind, it is important to remember that a large number of small companies were started in the post-World War II boom. Now, their founders are reaching retirement age and, therefore, for them the question of succession is becoming an increasingly urgent one.

SURVEY OF LITERATURE

A variety of studies which examine the subject of management succession in small firms have previously been undertaken. While many successful entrepreneurs have a strong desire to have the future of their firms perpetuated, ensuring this is often difficult. The transition is seldom smooth since the owner/manager often finds it difficult to "let go". Even in the closest of families, for example, there may be a tough struggle with this potentially explosive issue. At stake may be family ties and relationships which may be negatively, impacted for long periods. "The concept of "smooth succession" is an oxymoron [contradiction in terms],' observes Peter Davis, Director of executive at the University of Pennsylvania's Wharton School. Davis says that succession in a family business 'is probably the most complex

management challenge anybody faces.' Not only is it a highly charged emotions issue, but it often requires changes in the structure and culture of the organization as well as changes in the people involved." (NELTON, 1986). In an additional study, (BARNES AND HERSHON, 1976) researchers conclude that the transfer power from the first generation to the second rarely takes place while the founder is alive and on the scene. What occurs is a transition period of great difficulty for both the older and the younger generations. In another research undertaking, Ambrose studied certain factors which tend to inhibit and others which tend to encourage effective transfer of family-owned businesses (AMBROSE, 1983). This research compared profiles of businesses which were transferred with businesses which were terminated for other than financial reasons. Among other things, the study concluded that:
*Most business founders started the business to provide employment for themselves (65.9%).
*Despite the negatives owners would again select same career path (86.8%)

Of additional interest is the fact that the very independent nature of business people may also be a significant factor which prevents successful resolution of the succession issue. An important understanding growing out of another important study (BULLOCK, 1978) is that entrepreneurs tend to have sizeable egos and typically are "workaholics". Often, they think they will "last forever". "Those who have the topic have found there is psychological resistance to the thought of dying or being incapacitated; the small business owner harbors a number of myths about problems preventing resolution of succession, and there some real limitations to the ability of a small firm to handle this problem which results from its small scale operations and restricted ownership." (BROWN, 1988).

OBJECTIVES

Through this study, the researchers propose to establish benchmark data which provide a basis for evaluating small business owners' attitudes and actions regarding management succession in their firms.

Of major interest is the current status of the succession planning process among the survey population, as well as the composition of the succession plan if, indeed, one exists.

Additional attention is focused on the owners'/managers' views of the roles which their families will play in the future of their business. Also addressed is, indeed, the matter of "...do the survey firms even have a future?" A final study purpose is to consider managers' concerns regarding such issues as the financial evaluation of their firms and the marketing of them.

METHODOLOGY

To learn more about regional small business owner attitudes regarding company succession, a two-page survey was mailed to 1000 small businesses in 55 counties in South Central Texas, beginning August 15, 1989.

Of 1000 surveys directed to companies on an SBA mailing list, 180 were returned for lack of a current address. Some of these companies had gone out of business, and some had moved subsequent to last contact with SBA. From the remaining 820 surveys, 122 responses were received, yielding a useable response rate of 15 percent.

RESPONDENT PROFILE

Characteristics of Responding Firms

Of firms responding to the survey, over half had fewer than five full-time employees. One fourth had 5-9 employees, and only 4 percent had more than 50 employees. The average number of employees was 13.

One third of the respondents were retailers, 17 percent were wholesalers, 14 percent were manufacturers, 36 percent were service firms. Some 22 percent cited business involvement in "other" activities which did not fit into survey categories.

Respondents' Relationship to Firm

About 60 percent of respondents were original founders of their firms. Some 30 percent had purchased their companies from original or subsequent owners. Only 10 percent were related to the firm's original founder.

STUDY FINDINGS

Status of Succession Planning

The survey attempted to divide respondents into those who did or did not have succession plans. Most responded, however, "Yes and No" by answering questions in both categories. In other words, many responses were "mixed."

Lack of family interest (16 percent) was the leading reason for lack of succession planning, followed by doubts about the future of the company. In addition to categorized responses provided by the survey, respondents commented in open-ended format that:

-Family members were still too young to consider succession. -Family members lived elsewhere and were not available. -Family members were not qualified professionals (veterinarians, CPAs, lawyers, dentists, etc.) -Some respondents did not want their family members "in this kind of business" and one was opposed to "sticking them with a low-return, hard-to-run business".

Respondents who were involved in succession planning were inclined toward turning the firm over to the family. Although only ten percent of the respondents were related to the firm's founder, fully 32 percent of those responding expected to pass their firms on to family successors.

Of respondents not leaning toward family succession, most preferred selling the going concern for cash. Few were interested in retaining part interest, holding paper, or liquidating.

Family Succession

An in-depth question about family succession revealed more deep concern about lack of family member interest. Some 37 percent indicated this area as a problem, compared to response rates of less than 20 percent on questions about lack of family member skills and understanding of the firm or the industry. Very few (5 percent or less) were concerned about family feuds or lack of family financial resources.

Hiring Outsiders

Almost 40 percent of respondents were concerned about excessive salaries required to recruit outside managers to take over their businesses. Comments also indicated doubts about motivation paid managers, their willingness to come to small towns, willingness/ability to relate well to the customers, and potential for becoming competitors later on. Over 20 percent of the respondents were about outside manager qualifications, but relatively few were worried about trust-worthiness, understanding of the company or getting along with family members.

Future of the Company

Almost half of the respondents were worried about increasing company operating costs, while about one-fourth were worried about capital scarcity and corporate competition respectively. Fewer than 20 percent were concerned about other small business competitors and fewer than 10 percent mentioned franchised competitors. A few respondents complained about government regulation and unfair treatment of small businesses by vendors.

Selling the Company

Over 40 percent of the respondents were fearful that there would be a lack of buyers should they try to sell their companies. About one-fourth were unsure as to how to market their companies and how to determine their companies' worth. Only 10 percent were worried that company value would be low.

Liquidation

Although only 10 percent feared their firm was of low value as a going concern, 35 percent felt that asset value would be low in the event of company liquidation. They commented that the company "was the customers" or "was the owner/manager", so that much of their company's value would vanish with cessation of operations. Many respondents (34 percent) simply did not want to see the company end as a result of liquidation.

Although 25 percent were concerned about evaluation of the going company, only 12 percent were worried about determining asset worth. This seems to suggest that the difficult part of the evaluation process was that of evaluating owner-customer relationships and good will.

Other Survey Comments

Respondents were asked to write additional comments on the back of the survey form. Selected comments are condensed and paraphrased below:

-Company is not just a business but a tradition. Proud of company's contribution to the state and area economy.

-If promised survey feedback is received, it will be the first in 50 years. -Family members should get outside experience before considering succession. -Potential buyers must service debt and make a living, too. -In a service business, the value is the owner's ability and personality; it's not good collateral if seller holds paper. -One entrepreneur responded, "I develop all my businesses with plans to sell after fully developed."

CONCLUSIONS

Hopes for small-firm perpetuation through family succession may not be well-founded. This conclusion is based upon respondents' concerns about a lack of family member interest and availability, coupled with their firms' perceived problems in the future.

Alternatives to family succession each have their own drawbacks, from problems with hired management to concerns about sale and liquidation. Although the respondents themselves did not seem concerned, choosing an alternative may itself be difficult when family members are involved in making succession choices.

It is likely that many business owners who participated in this study, and most who did not, will continue to operate on an ad hoc basis until some major event (owner death or incapacitation) forces the making of a last-minute choice.

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USING NONTRADITIONAL COMPENSATION TO ATTRACT AND RETAIN EMPLOYEES IN A SMALL BUSINESS ENVIRONMENT

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ABSTRACT

This paper deals with the problem of the small business owner/manager to hire and retain employees, especially in areas of low or relatively low unemployment. What can be done when faced with competition from large organizations to hire people of similar skills. What is offered are various options which will help the small and medium size business appear attractive to the worker and yet not be beyond the affordability of the organization.

INTRODUCTION

In John Nesbit's book, *Megatrends*, "it is said that many men and women in large businesses are looking for the opportunity to move to small or medium sized organizations for employment." (9) The reason Nesbit discusses this trend of business people moving to small firms is because of the flexible possibilities in compensation schematics in the small business environment. Yet, small businesses rarely see themselves as viable units for attracting and retaining employees. They retain a myopic view of their potential for attracting people and look only at dollar affordability and cost per hour per employee. What is proposed is that the hiring practice of the small business is "from the wrong perspective". That is, look at why the individual would desire work in a small organization, accent those points of view, and market those points of view to the prospective employee and do not try to compete directly with the large business organization on a "dollar for dollar" basis.

What Employees Look for in a Small Organization Environment

The "Work In American Institute," research uncovered that individuals come to work for a number of reasons, most of which can be encapsulated in the environment of the small business. The first point, people come to work looking for challenging and interesting jobs; second a job that can make a meaningful contribution to the organization; third, to receive recognition for their efforts; fourth, to achieve more responsibility and authority in their job area; fifth, to have a voice in the decision making that affects their outcomes as an individual; sixth, the flexibility to handle personal matters and leisure time activities (Table 1). It is of interest to note, that each of the above categories was written as if it were a descriptor of the small business work environment. Often the small business does not feel it has the type of environment to compete. If the primary emphasis of a person in working is straight dollar amounts of income, and having the feeling of power, then perhaps a working environment in a small business organization is not the place to locate. The number of people who work for these reasons are so small as to render them a minor component in the job market. This indicates a subject that needs addressed early in the hiring process, that is, to seek out those type of employees whose personality and motivations are most closely aligned to that of the small business environment.

Compensation Options Compared

The work in the small business environment offers individuals the challenge of doing a diversity of tasks, and seeing with minimal dispatch what impact they have on the success of the organization. Because of the typically small number of individuals employed in the

organization, receiving recognition either has not, or need not be a problem. Responsibility and authority are present because the individual is allowed the working latitude in directing the activities of a particular product, marketing effort, or the like. Almost as a by-product of the above items, a voice in decision making that directly affects them and their working lives becomes a primary compensation factor. The flexibility in handling personal matters, leave, and leisure time activities are a key compensating factor (Table 2).

When we look at the comparison in Table 2, the typical compensating factors; wages, dental plans, retirement accounts, autos, and the typical grouping of perks that are customarily spread before applicants area not the main focus. What is offered is to hire from a different frame of reference. This new frame of reference allows the small business manager to concentrate on the strengths of that environment and not to compete with the larger organizations.

For example, a complaint shared by the small organization manager is the inability to generate large volume discounts for various benefit costs. That is a reality, but instead of dwelling on these negative aspects, the positive side can be used. Let the employees pick the options they want creating a virtually tailored plan for each employee, within reasonable norms.

Individuals wishing to break away from large organizations also wish to leave behind the rigidity. Stress the flexibility and individuality of the new environment. For example, the typical small organization may not be able to pay dollar for dollar equivalent wages for overtime on peak period work (double or triple time wages). But, a creative situation exist even here. For every 100 hours over regular time worked, they are credited 2 hours of use as they please. It can be used to take off early at some later period, or accumulated over time to help fund a paid sabbatical leave. Large organizations, especially unionized ones are seldom free to use this type of creativity. Similar creative options exist for other compensation areas (Table 2) to match the needs and desires of the individual with what area the strong selling points of the small firm.

Nontraditional Compensable Factors

The key elements are not the dollar units, but the small business organization. The importance of these nontraditional factors is so strong, that it is starting to move major corporations. Xerox to name but one among many, to try and emulate the small business organization and be able to offer the key points in the employee compensation scheme. If we examine the high tech organizations that are emerging in the computer, research and similar fields, components of the nontraditional factors include liberal dress codes, feeling part of the team effort, goals sharing, the liberal use of titles, community esteem, and the like. These components area then combined with low cost perks to supplement the traditional compensable factors. Low cost perks include such familiar items as: counseling; tax preparation help; wellness programs; subsidized child care, and club memberships, etc. For example, many people would like to feel an important member of their community. The small business environment offers a degree of flexibility in this sense. That is, there is excellent opportunity for one of the employees to act as a representative to a service club in town, on the board of directors of the local YMCA, or the like. In the large organization this would more likely have been restricted to one of the senior officers. With the liberalization of titles, the person from the smaller organization will be able to have both the community and personal esteem they desire. One cannot underestimate the importance of these nontraditional factors to the individual. The difficulty is in translating the feeling of self worth and identity in a community environment to exact dollars for comparison.

Guide To Competitive Implementation Of A Nontraditional Compensation Plan

The following items are offered as a guide to implement a nontraditional compensation plan.

1. Hiring from the proper perspective
2. Share your vision as a manager/owner of what being a part of your organization means
3. Employ some basic principles of sound leadership
4. Work toward employee involvement
5. Be creative in a compensation package

The first step in implementation of a successful plan is to keep the proper hiring perspective to seek out those people who want the feeling of being in business for themselves to market the positive differences of being in a small organization. A helpful suggestion is to write out this philosophy (mission) of the organization, to solidify the process in written word so as to keep the consistency of perspective during the critical early periods of personality formation.

The next step in the implementation of a nontraditional compensation plan involves the sharing of the "vision" of what are viewed as the organizations goals. Sharing the vision of an organization is a key factor irrespective of organization size. Sharing a vision becomes bureaucratized in large organizations, and is lost before it filters down to the middle level managers. It's one reason people talk about the inefficiency and bureaucracy of organizations. Vision sharing solidifies the goals and attitudes of the people within the organization and enables a concerted effort towards achieving these. It involves considerable effort and energy on behalf of the small business owner or manager. It implies that the manager has put together and offered to employees in written form, what is the purpose, mission, and goals of their organization. Vision sharing can be one of the most powerful motivating forces in an organization. It brings people to feel that they are part of the team, that they are going to be part of the success, that their efforts count in a significant fashion, and they're working towards "something" in this organization. Vision sharing is not a magical thing. Vision sharing is a point of honesty with your people, and getting them to "buy into the story." To have the vision become internalized within their value structure is something they see as necessary to achieve.

The third step, so to speak, in implementation of a nontraditional compensation plan, involves being sure that enough of the elements of sound leadership are present within the organization (3 p. 51). While it is beyond the scope of this paper to talk about aspect of leadership, for our purposes they can boil down to a few key areas equal treatment, security, and career opportunities. The first key area is equal treatment of all employees in the organization. Equal treatment can expand into lengthy legal wading, but that is unnecessary. Just remember the "golden rule" of treating people and this complex area becomes simple. The second key area is to assure workers of some relative security. Security is a word that evokes significant levels of emotional reaction from the traditional worker. Feeling psychologically secure in a job is a response across all age groups. The average worker is motivated by a desire that there will be a job in the future.

The next key area is that there be career opportunities present within the organization. The typical small business person looks upon the statement of career opportunities as an

impossibility. After all the organization is small, ownership is usually concentrated among a few people. We can manage careers of individuals even within the small organization by allowing them the flexibility of attending professional conferences, added schooling, and gaining certain certifications and licenses where applicable. In similar fashion, many come to small business environments because of its flexibility in allowing them to learn many job areas. The cross training of individuals within a firm presents a career opportunity to move from job to job within the organization. This changing of tasks also gives a deep feeling of accomplishment to the individual.

Finally, under leadership areas are reasonable personnel policies. Reasonable meaning that the individual has a right to complain to the owners without any fears of retaliation. They can say what is on their mind.

The fourth step is to be sure that there is a significant level of employee involvement. Most of us, when we think of employee involvement, think of quality circles. We think of Japanese management styles, and we just shake our heads and figure that this is obviously not going to work (6 p. 20). We give rationalizations of cultural differences that won't allow such systems to work in America. The small to medium sized firm is the ideal unit for participatory environment. It's an ideal unit for fostering, goal setting, and sharing of ideas. The small, high tech, firms in the silicon valley, grew dramatically in their early years because of the close rapport and teamwork of the people involved. This is participatory management, call it a quality circle, employee involvement, or whatever term or buzz word is currently in the literature. Again, the major setback to employee involvement frequently is the manager. The small business person often perceives the firm as "theirs" and it is their ideas which produce success in the organization.

Lastly, if the proper hiring perspective is maintained with a participatory managerial spirit, the base is formed to build a creative nontraditional compensation plan. The possibilities are only limited by the creativity of the owner/manager.

We build the best individualized plan of traditional items. We offer a liberal array of low cost perks to make the package irresistible. Will the cost be out of line? No, but neither will it be inexpensive. However, the package created may be what will keep the employee working and productive.

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***NEW PAGE* Table 1 Reasons People Work**

Reason / Large Organization / Small Organization

	3	3
1. Interesting job description	3 Frequently limited to small organization	3 The nature of the challenging environment that each employee is a key player in the organization's success
2. Make a meaningful impact on organization contribution	3 perspective on how a job fits into the organization	3 by an employee more easily perceived whole picture
3. Receive recognition	3 Lost in the crowd	3 Because of the small numbers, recognition by peers is more significant effort achieved.
4. Expanded possibility for authority and lines of ones area	3 decentralized control, responsibility wider levels of	3 Confined to narrow By the nature of for
5. Input to decisions	3 By virtue of	3 The opportunity for that affect the institutional or continuous dialogue employees career
6. Flexibility to handle personal matters	3 life arrangements	3 Some experiments with flextime and personal unlimited leisure activities
	3 possibilities for	3 settings often more flexible arrangements restrictive that larger organizations are unable to attempt

Table 2 Comparison of Compensation Options

Compensation Item / Large Organization / Small Organization

	3	3
1. Sabbatical leave/	3 In the early stages	3 Sabbatical leave needs leave without pay of use by a small more complex funding.
2. Flexible work schedule	3 Generally limited to	3 Used regularly by the (8 p. 59) flex time arrangements.
	3 high tech firms, the operations often	3 Others are realizing preclude arrangements, the compensation as do union contracts.
	3 potential. Some small organizations allow	3 employees to do p/o work at home (typing, report writing, etc.) when appropriate.
	3 Others utilize off-hours work time if	3 the employee's presence is not mandatory during regular hours

3 3. Cafeteria benefit 3 Recent surge in 3 Main setback is the system (2 p. 334) 3 popularity. Main 3 lack of numbers to 3 restrictions lay 3 achieve discounts on 3 in unionized settings 3 selected items. 3 3 4. Retirement systems 3 The advantage would 3 The pension law (7 p. 33) 3 appear to be with the 3 changes have dealt 3 larger organization. 3 this a serious 3 Yet, without union 3 setback, but there 3 coverage less than 3 are other alternatives 3 half of employees 3 3 are covered by 3 3 pension accounts. 3 3 3 5. Profit sharing plans 3 Utilized frequently. 3 This can be the most (7 p. 33) 3 Most fail because 3 readily accessible 3 they became devices 3 avenue to pursue 3 of expected 3 retirement benefits 3 compensation. 3 through. Easily 3 3 implemented due to 3 3 the reduced number of / 3 participants.

Table 2 (Cont.)

Comparison of Compensation Options

Compensation Item / Large Organization / Small Organization

	3	3	3 3
6. Stock options	3 Available generally to	3 Unfortunately, most (7 p. 33)	3 key executives 3
	3 restrict to key 3 3 employees. Appear 3 3 to model large 3 3 organizations. Can 3 3 be a useful 3 3		3 3
	3 motivator for all 3 3 employees. 3 3	3 7. Leave with pay 3 Well structured along 3 Flexibility is	
	3 present (e.g. vacations, 3 industry norms. 3 in selecting which holidays, etc.) 3 Difficult to be 3		
	3 days, the number of 3 flexible with one 3 days, and holidays. 3 person among a 3 Despite		
	3 flexibility 3 large work force. 3 the figures do not 3 Unionization sharply 3 reflect abuse. 3		
	3 restricts options. 3 3 3 8. Wages 3 The data suggest that 3 Creative small 3 large corporations 3		
	3 business people have 3 may be able to afford 3 utilized compensation 3 more generous salary. 3		
	3 time (e.g. time off 3 3 the job) in lieu of 3 3 overtime. Others 3 3 offer bonus personal 3 3 hours.		
	3 That is, after 3 3 every 100 hours 3 3 worked, they get 2 3 3 hours credited to use 3 3 as they		
	3 please for 3 3 time off or to 3 3 accumulate toward an 3 3 extended sabbatical.		

CITRUS MANAGEMENT PRACTICES NEEDED TO COMPLY WITH COMMON MARKET STANDARDS OF 1992

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ABSTRACT

The European Community is aggressively pursuing its goals of achieving a united marketing system by 1992. The Texas citrus industry is attempting to expand its fruit exports to Europe and will have to comply with the directives proposed for citrus. With implementation of the two year Integrated Pest Management program that has been outlined, Texas citrus will be in compliance with the 1992 directives and free to export to Europe without concern.

INTRODUCTION

The year 1992 will encompass two important events in the history of Europe. The first is the five hundredth anniversary of the discovery of America by Christopher Columbus. The second is the market unification of the 12 nations that make-up the European Common Market, with implications that pose wide reaching effects for the whole world. In particular, the United States faces a serious economic challenge by this new plan of market unity.

The marketing plan requires the European Economic Community (EC), or Common Market, consisting of 12 member states, (Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, and the United Kingdom) to remove all trade barriers by 1992 through the adoption of approximately 300 directives setting business standards that will apply throughout the European Community. The European Free Trade Association (EFTA), whose members include Austria, Finland, Iceland, Norway, Sweden and Switzerland, are also involved. Cooperative arrangements with the EC are underway, including harmonization of technical regulations, to create a "European Economic Space" in parallel with completion of the EC's internal market. These new standards will apply, not only to Europe, but to the rest of the world, particularly the United States, which is Europe's largest trading partner. In 1987, the United States conducted over \$145 billion dollars in trade with the EC, of which approximately \$10 billion were agricultural products.

THE PROBLEM

The agriculture standards (also called directives) being proposed by the Common Market countries are called the European Community Common Agricultural Policies, CAP for short. At present, there are NO DEFINITIVE regulations on the books, but initial indications are that agricultural products exported to the EC will be subjected to strict pesticide residue standards, possibly "near zero" tolerance levels. In addition, shippers will be required to place on the invoices and on the external surface of the packaging, the common and trade name of the chemicals used in post harvest treatments. Any chemical pesticide residue, be it insecticide, herbicide, or fungicide found in or on any agricultural product, that exceeds the set standard or that is not properly identified, will cause that product to be rejected.

The new and tougher EC pesticide standards are a direct result of the pressure being exerted by the increasingly health-conscious European public.

All indications are that the Florida citrus industry officials are closely watching and evaluating the evolving situation as it has potential effect on Florida's large European export market. The Texas citrus industry must also begin monitoring the EC standards situation. During 1988- 1989 Texas shipped 36% of its total grapefruit exports, valued at over \$3 million, to the EC. A growing export market, in excess of \$1 million, would severely hurt the Texas citrus industry if lost because of non-compliance with the proposed EC standards. The Foreign Agriculture Service has given approval to a \$350,000, two year program to help market Texas citrus in Japan and Europe, of which only \$48,650 will be aimed at convincing the European consumer of the higher quality of Texas citrus.

PURPOSE AND IMPORTANCE OF THE STUDY

The main purpose of this study was to gather information awareness. Growers, shippers, researchers, and industry officials need to watch closely the events as they develop in the EC. Blind complacency towards new EC pesticide standards could have serious financial consequences. Effective changes in pest management practices, from chemicals to biological controls, take several years to implement. Although 1992 is two years away, Texas citrus managers must begin today to revise pest control methods if they intend to meet the new EC standards.

The short term effects of a revised citrus management pest control will be beneficial to the citrus industry in maintaining the European market. Long term benefits can be divided into three parts. First, once biological control has been established, costs on a per acre basis will decrease due to the elimination of chemical use. Second, the citrus industry would be recognizing the changing consciousness of the U.S. consumer, specifically, the fear of chemical residues in our food supply. Lastly, it is only a matter of time before the Environmental Protection Agency severely restricts the use of most chemicals presently being used by farmers.

Integrated Pest Management (IPM) is a method of controlling pests; i.e., insects, diseases, fungi, and weeds, that incorporates the use of biological and selective non-toxic chemical controls. The research study will identify the EC's CAP proposals that will impact the Texas citrus industry and identify the IPM techniques that will enable the citrus industry to comply with them. Citrus management practices needed to comply with this objective will be defined and clearly outlined in a two year management plan.

Scope and Limitations

This study focuses on the possible effects of the fruits and vegetables pesticide residue directives of the EC in 1992 and how this new standardization and marketing strategy may impact the Texas citrus industry.

There are several limitations that have impacted the clarity of information received from the government sources. Several EC documents were incorrectly numbered by various governmental agencies. Further, U.S. government agencies do not have a coordinated distribution network in place regarding the EC in 1992. The U.S. government employees feel that this situation should improve as 1992 approaches. Finally, it was difficult to get information as the directives are undergoing constant revisions.

Literature Search

Initial information was obtained from U.S. newspaper, expanding to specific U.S. government agencies dealing with foreign trade. Local agricultural statistics and information regarding citrus exports were collected from several agricultural newspapers and newsletters. The information sources contributed to the definition and established Texas cultural practices, projected marketing trends, and crop statistics. Concern, and knowledge, of events transpiring in Europe was virtually non-existent. 1992 means the 500 anniversary of Columbus' landing in America and nothing else.

The bulk of information was obtained from U.S. and European government agencies in the Washington, D.C. area. Specific documents and directives on citrus pesticide residues was collected. Since the governing bodies of the EC are still evaluating the directives with the distinct possibility of amending some of them, it was determined that December 31, 1989 will be the date of final approval and the beginning of implementation of the pesticide regulation by the EC.

Methodology

A secondary information search was the principle research strategy utilized to clarify the research problem and to formulate feasible alternatives for the Texas citrus industry. A thorough literature search of the local University library yielded only general information on the EC in 1992. State and local agriculture entities were to obtain the latest information on Texas agriculture statistics, cultural practices, and future marketing projections. Inquiries through the Texas Department of Commerce led to contact at several government agencies for more precise information. Considerable pertinent information regarding the CAP proposals and the new EC pesticide directives were received from the European Community Library and Economic Affairs Office, the U.S.D.A.'s Foreign Agriculture Service, GATT Office of Standards Code and Information, and the U.S. Department of Commerce.

DATA ANALYSIS

European Community Development History

The concept of a single unified European market was developed in 1958. Since then, the EC has embarked on a unique market revitalization program the will provide the free movement among EC members of goods, services, people, and capital. The EC's Master Plan is the Commission's White Paper, introduced in 1985, which designates the specific EC directives that will need to be passed in order to accomplish the goals of a unified market. The EC intends to adopt approximately 300 Internal Market Directives by 1992. The three general objectives of the IMD's deal with:

1. The removal of physical barriers to trade among member nations. This includes the elimination of all regulations and procedure which give rise to border controls such as vehicle safety; checks or veterinary and phytosanitary controls.
2. The removal of technical barriers through the harmonization of EC industrial standards and the opening of public procurement procedures, and

3. The removal of fiscal barriers through the harmonization of Value Added Tax (VAT) rates and excise taxes. Elimination of restrictions on capital movements and stricter guidelines against distortions to competition.

EC Legislative Process

Most of the Internal Market legislative work and review processes will be carried out by four EC institutions: The Commission, the Council, the European Parliament, and the Court of Justice. The following outlines the membership makeup, duties, and responsibilities of each:

1. The Commission is responsible for formulating and proposing legislation and providing for the administration of Community policies. The commission will be composed of 17 commissioners, with 2 each from France, FRG, Spain, Italy and the UK, with one each from the other member states. The commissioners are prohibited from receiving instructions from their countries of origin.
2. The Council is the decision-making arm of the EC and must approve all EC legislation. Each member of the council acts as representative of the individual EC Member State.
3. The European Parliament is comprised of 518 members, elected by the voters in each of the Member States. The Parliament advises the Commission and Council on legislative proposals before any legislation is adopted. It also has the right to amend or delay legislation of the Council and Commission.
4. The Court of Justice is comprised of thirteen judges and six Advocate-Generals, each appointed by agreement among the "Supreme Court" of the EC, the Court determines the validity and correct interpretation of challenged Community Law Provisions.

The Official Journal of the EC is the document that contains the directives that will govern the actions of the Member States. Section I (referred to as "L" Documents) is comprised of directives, recommendations, and decisions of the EC that have been approved by the Member States and are now binding. Section II (referred to as "C" Documents) are proposed directives, recommendations, and decisions of the EC that are being considered. Section III is reserved for future directives.

EC Harmonization of Standards and Certification

One of the main objectives of the EC unity plan is to have, by the end of 1992, harmonized EC-wide standards and procedures for testing and certification. This will allow all products that comply with EC standards to freely circulate within the EC. Once the standards have been adopted, the EC Member States will be obliged to recognize each others' national standards for non-essential characteristics. The responsibility for technical standards for essential EC requirements falls on two non-governmental European bodies: the Committee for European Standardization (CEN) and the Committee for European Electrotechnical Standardization (CENELEC).

Agricultural Standards

Of approximately 300 EC directives, there are four directives that deal specifically with pesticide residues on citrus fruits. These four are located in Section II - "C" documents of the Official Journal of the EC, which signifies that they are "proposed" directives being

considered for approval. Directive C-12 superseded by C-160 should be in its final form by December 31, 1989 and pertains to Pesticide Residues In and On Certain Products of Plant Origin, Including Fruit and Vegetables." Directive C-13 created a catalogue of acceptable chemical products that may be used on agricultural plant products based on current scientific and technical knowledge.

TEXAS CITRUS INDUSTRY

Basic Statistics

The Texas citrus industry is comprised of approximately 35,000 acres of which 20,000 are grapefruit and 15,000 acres are oranges. The 1988-1989 season saw 36% of the grapefruit exports go to Europe with an estimated value of over \$3 million. The deeper red varieties of grapefruit are considered the specialty of Texas. The year-round climate in Texas' Lower Rio Grande Valley is excellent for the development of superior interior and exterior fruit quality.

Export Potential

Weather conditions and crop prices have been favorable to Texas citrus growers resulting in increased new acreage being planted. As these new orchards come into production, the question arises as to what to do with the inevitable increased production, and the answer appears to be export. The deep red varieties of grapefruit are considered a true delicacy by many Europeans. Grapefruit exports to Europe during the 1988-1989 season increased 32% over the previous year and current indications are that this season's increase will be even greater. A \$168,000 federal grant has been awarded to Texas for export marketing of Texas grapefruit, \$48,000 aimed at the EC consumer.

Texas Citrus Pest Management Practices

Three general approaches for managing citrus pests are cultural control, biological control and chemical control. The first two are preventive in nature and may have more impact on long term production, while the latter provides short-term relief. Integrated Pest Management (IPM) is a management technique that encompasses all three methods of pest control. From a citrus management standpoint, IPM requires a higher level of management than just using chemical pest controls.

POTENTIAL IMPACT OF 1992 ON THE UNITED STATES

The EC legislation dealing with standardization may exclude or hinder the entry of U.S. imports since European products are likely to become less costly. Currently, U.S. interests do not have the opportunity to review and comment on proposed EC standards and directives.

RECOMMENDATIONS

Texas and farmers all over the U.S. have long been plagued with depressed prices from crop overproduction, and Texas citrus is no exception. European consumers have expressed increased interest in Texas grapefruit over the last few years, but the EC is setting the export rules for non-member countries, which will bar entry to the EC markets unless they are followed.

To comply with the directives Texas growers must begin altering their pesticide management practices now. The pest control approach taken by most Texas citrus growers is one of strict chemical usage. Implementation of the IPM program with its use of selective chemicals that are low in toxicity and have shorter residual periods and work in conjunction with nature to accomplish pest control, will enable Texas citrus to meet the new EC pesticide residue standards.

CONCLUSIONS

The formation in 1992 of the united trade and marketing system for the European Common Market has been described as creating a "wall of protection around Europe." The harmonization of business practices to facilitate commerce and create economics of scale within the EC will develop Europe into a powerful economic force. There is no doubt that the EC stands to gain considerable with its united marketing effort and quasi protectionist regulations. The reality is that the regulations are to be implemented, but they are insurmountable. An informed and prepared Texas citrus industry stands to gain considerably from the EC market that has already expressed great interest in Texas grapefruit. Possibly, the largest consumer market in the world is forming in Europe, and with careful examination of the pending EC Agricultural Policies and the implementation of Integrated Pest Management procedures to comply with them, the Texas citrus industry can continue to forge ahead and at the same time boost it's economy.

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ENTREPRENEURSHIP IN TOURISM: DEVELOPING A MODEL OF INNOVATION POTENTIAL

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ABSTRACT

This paper considers the nature and issues associated with innovation in the tourism sector. Based upon a large scale field research program it concludes that entrepreneurship is a key factor in explaining inter-firm differences in innovative activity. Profiles of high potential and low potential organizations are given along with a model and conceptual framework to relate mainstream innovation and entrepreneurship literature to the specific tourism context.

INTRODUCTION

Innovation is widely regarded as an important change process that can sustain business development in increasingly dynamic markets. In recent years a large amount of literature has emerged on innovation, especially in technological markets. Particular focus has been on the types of innovation, the multi-faceted influences on the innovation process and on attempts to explain the underlying causation of differences in inter-firm innovation rates.

This paper focuses on marketing innovation strategies and approaches within the tourism sector in Ireland. This sector has experienced mixed fortunes in recent years. The dependency on the sometimes volatile North American Market, along with a large Visiting Friends and Relatives (VFR) market from the United Kingdom, has created a narrow, even unpredictable, customer base. Four major source countries, USA, Britain, France and West Germany represent 88% of the volume and 85% of the value of overseas tourism to Ireland.

So what part can innovation play in achieving national, regional and organizational objectives for tourism? The view adopted in this paper is that innovation is essentially concerned with purposeful change, whether through products offered, markets served, or means to penetrate and service markets. It is concerned with the willingness and preparedness to change to accommodate emerging opportunities (proactive innovation) or to defend against significant threats (reactive innovation).

The paper is concerned with the nature and role of innovation in the private, primarily (but not exclusively) smaller, indigenous operator. In Ireland the majority, at least in volume terms, of tourism operators, are small, indigenous and highly varied. Such variability may be a critical component of a differentiated, interesting tourism product.

METHODOLOGY

This paper is part of a larger, commissioned piece of research into tourism innovation. A total of 32 indepth interviews and 167 returned mail questionnaires (25% response rate) were used to formulate conclusions on the relationship between entrepreneurship and tourism innovation. The indepth interviews were held on the operator's premises using a semi-structured questionnaire. In the majority of cases, the interview was conducted with the business owner, although in the cases of some of the larger hotels, the General Manager was contacted. Each interview normally lasted around one to two hours.

The mail survey was drawn from the files of the local development agency who was concerned with the Mid-West region of Ireland. The overall sample reflects the structure of the tourism sector in Ireland, but is not necessarily capable of generalization to other environments. Of particular note, would be the high degree of independent as opposed to franchised operators and the bias of the industry towards the accommodation sector compared to day visitor attractions agents etc. It follows that some caution should be exercised in the transfer of the findings to the North American context.

Key characteristics of the sample are described in Figure 1.

MAIN FINDING

(a) The Innovation Potential of Tourism Operators: A conceptual Framework

What causes different operators to innovate at different rates? The answer may partially reflect a preparedness to try, and also an ability to effectively implement. A critical consideration appeared to be the internally and externally perceived attractiveness of a particular organization pursuing a new opportunity through to a satisfying conclusion. The underlying causes are inherently complex to unravel and isolate, particularly due to the interacting nature of many of the influences that ultimately shape a firms potential.

Variances in the potential to innovate reflected differing situations within individual tourism operators. Some may have accumulated high degrees of experience in innovation and perceive further innovation as part of a planned strategy that was within the capability of management and the resources available to the organization. Others did not seek innovative change at all, preferring to slowly adopt new ideas for product development within a time frame that failed to reflect the emergent opportunities, but was compatible with the expertise and resources available to the business. This is reflected in Table 1 where the majority of mail respondents had followed primarily a market penetration or development approach. Only 11% actively sought a product development strategy.

Innovation potential may even vary within an organization over time. As an outcome of a previous set of decisions, strategies and influences, changes in resources, objectives, structures, ideas and values, all appeared to impact upon the preparedness of an organization to innovate. These influences are schematically detailed in Figure 2. The interacting variables are all likely to impact upon innovation potential and clearly a number do not lend themselves easily to intervention if any agency development policy is designed to stimulate innovation.

A number of more general comments can be made concerning the relationship between entrepreneurship and innovation and these are detailed in the following sections.

(b) The Role Of Innovation

A Prime role for innovation is to enable an organization to renew itself in critical competitive areas to ensure continued success or survival. The matrix presented in figure 3, modified from the Ansoff growth vector model, highlights four broad directions for development that may be achieved through innovation.

It is perhaps meaningless to discuss innovation unless it is contextualized to specific applications. The aim of product innovation is to upgrade the visitor experience through completely new or improved products. In a tourism context, it could be argued that the

pioneering initiation of a radically new product is a rarity. However, opportunities do exist for the transfer of concepts, tried perhaps in non-competing markets, so that a competitive advantage may be gained, however transient it may turn out to be (ie., theme park concept USA-UK). At a national or regional level, a failure to upgrade and add new products may result in a loss of competitive strength for that area compared with other markets competing for the overseas or domestic tourist.

Innovative approaches to product development in tourism are less likely to be constrained but not freed from technological considerations. Although the creation of such facilities as water slide parks, computerized reservation systems, preserved railroad lines, etc, are technologically dependent, it has been generally argued that innovation activity is more likely to be influenced by marketing, attitudinal, strategic and operational barriers. Within a tourism context, product innovation may include changes in facilities, services and systems or the 'packaging' or 'combination' of products offered.

Another important innovative opportunity lies in process innovation, aimed at reducing operating costs or improving marketing and service delivery effectiveness. The competitive advantage gained by such innovation may be transient, yet a failure to change can, of course, lead to short term disadvantage. The areas of marketing and service delivery effectiveness are particularly important to the tourism operator. A focus on service consistency, customer care and the design of the service operation system, can add to the quality of the experience created for the visitor.

A third option for growth lies in the area of market innovation. The tourism sector is characterized by an international market, requiring a differential approach to ensure penetration. New need segments such as women business travellers, incentive holidays, activity, short breaks and conferences, represent opportunities that can be transposed on to traditional geographical segments. Although some repackaging and product modification maybe necessary, often the investment associated with marketing innovation is lower than that required for product development.

It is probably fair to state, that despite the skills of marketing and operations personnel in raising service standards and improving market share, only product innovation can add the 'freshness' and 'variety' necessary to sustain business growth. However, Table 2 suggests that the majority of innovation recorded by respondents in the mail survey reflected facilities upgrade and modification rather than significant new investment and innovations. In some smaller operations there was a marked 'domestic' orientation where property improvement rather than business expansion dominated by innovation patterns. (c) The Nature Of Innovation

Radical product innovation is only made possible through the invention of new ideas, systems, packages and products. Such radical development is probably rare in tourism, notwithstanding the theme park concept, water parks etc. More common is incremental product innovation, or more cruelly described as imitative innovation where ideas developed elsewhere, perhaps in a different context, are introduced, modified and commercialized at a local or national level.

Imitation therefore, although part of the diffusion process of the innovation, may still have a vital role in changing the nature of the tourism operator mix of activity. This may be especially true of smaller, less advanced tourism economies such as in Ireland. Even within technological or industrial markets, it has been argued that major, radical breakthroughs in

technology that can change an industry, are comparatively rare. More common is the market driven variety of innovation involving a constant striving to upgrade and modify activities to maintain customer impact and competitiveness. Raising room standards; installing new features in the leisure park, or extending the restaurant area, are examples of the 'stuff of innovation' in tourism. Only rarely are these interspersed with the large scale, revolutionary projects that quickly gain public attention.

The nature of innovation therefore, depends very much on the unit of analysis. Within the international tourism field, it may well be possible to consider the source of new ideas, the pioneers, from the imitative, incremental change followers. At a national or local level, pioneers, in 'transferring in' ideas generated elsewhere, may play a crucial role in generating both organizational and local tourism traffic, for example a major day visitor attraction. Finally at organizational level, innovation generally and new product development specifically, may be a major impetus to competitive success, although no claim may be made for originality.

Table 3 demonstrates the overwhelming importance of incremental innovation that may be considered as 'low impact' in terms of the area tourist product. Only 14% of the innovations recorded offered the potential for significant development in either the business and/or tourist product.

(d) Entrepreneurship and Innovation

A recognized feature of many markets is the different propensity of firms to innovate within their business. Although the impact of competitive pressure is likely to be a paramount stimulus to innovation, it is noticeable that even within the same sector, organizations innovate at different rates. Writers such as Steiner (1979), Porter (1980) and Ansoff (1984) all argue that innovations are often pursued as a result of a will, a clearly defined strategy to change. Therefore, it is argued, in situations of equal competitive pressure, the organization with the determination to innovate is more likely to achieve success over an organization with the potential and resources, but no desire.

A prime focus appears to be on the owner of the business, the entrepreneur, in acting as a focal point for change. Whilst it is not appropriate to review the burgeoning literature on entrepreneurship, there is an increasing volume of evidence to support the role of the entrepreneur as the change master, or at least the initiator of innovation that diffuses through the organization. Entrepreneurs are not necessarily innovators and innovators within an organizational context need not be business owners. However entrepreneurs especially in the smaller organization, do have the capacity to identify opportunities and to assemble resources to make innovations happen.

Within a tourism context, the ability of the entrepreneur to control the nature, amount and timing of information into the organization may be crucial to innovative preparedness given the intangible, experiential nature of the tourism product and the inherent difficulties of 'bench-testing and examination'. Many tourism firms are small and may not have developed a formal management structure. In such a situation, the role of the owner or entrepreneur is central to strategic development through innovation. Even in larger firms, the entrepreneurial climate has been proposed as a key success factor by creating a receptivity to new ideas in situations where formal management structures have developed.

Three main patterns are innovation were identified from the survey reflecting a different ability or willingness to change over time. Pattern 1 (Fig 4) indicated the situation in the early years of the business launch. After the initial launch, which may have been demanding on entrepreneurial skills, a period of stability is pursued with consolidation being the main priority. Most innovations tend to be very minor and often related to service delivery.

Pattern 2 (Fig 5) reflected the majority of respondents. After start-up, which may have been a significant event (ie launch of a new day visitor attraction etc) most of the subsequent innovation was ongoing incremental and generally limited in scope. Many operations did not regard significant departures in product-market activity as a serious option for development.

Finally Pattern 3 (Fig 6) reflects the more significant operators in the industry. Periods of intense, significant activity were interspersed with periods of calm where the focus was on more minor, incremental change. During the pauses, management appeared to regenerate both energy and resources. It can be argued that several key factors operate to determine variations in innovation potential between different tourism operators. The following listing, although somewhat crude and not capable of generalization across the total sample selected, represents a 'typical' profile of a high potential compared to low potential organizations for more significant innovative development. The points summarize the key findings identified in the research. Full supporting data is available from the author (Pettitt 1989).

PROFILE OF A HIGH POTENTIAL ORGANIZATION/INNOVATOR A PROFILE OF A LOW POTENTIAL ORGANIZATION/INNOVATOR

A sound history of profitable A history of stability and no growth growth

An ideas Portfolio of substan- Plenty of Ideas of dubious tial size and quality quality

Access to reserves and Limited reserves, poor additional resources financial resources

A track record of innovation No experience of innovation

Numerous contacts in the Prefers to work along, personal network limited contacts

Capable of more analytical ap- Believes in 'gut feeling' proaches to planning techniques regarded as irrelevant

Travels abroad frequently Finds no time to get abroad

Regular exposure to similar Sees little point in operations appraising similar operations

Attends regular refresher Too busy to attend training training

Experienced in similar tourism Drifted into tourism with no operations entrepreneurial background

Clear ambition and drive to Clear ambition, but lack achieve it organized drive

Business motives exceed Personal motives exceed personal motives business motives

Prepared to use agencies but Depends heavily on agencies as retain independence source of support but little contact

Respects, but plans to beat Ignores competition competition

Regular attendee at trade shows, Too busy to attend trade meetings, etc. meetings

Alert to new trends and ideas Rarely meets other operators outside area

Prefers a formalized strategy, Prefers an emergent, unplanned prepared to change direction reactive strategy according to opportunity

Utilizes a range of Values advertising as means to promotional media expand Can't afford much for promotion

Values customer care and Customer care valued but not service seen from customers view

Price reflects a premium offer Likes to offer a competitive to beat others price

A wide concept/vision of A narrow concept of activities possible activities

Uses range of published Unsure of what information is information available

Tend to be larger, property Tends to be smaller, activity/ based organization accommodation based organization

CONCLUSIONS

A number of conclusions can be drawn concerning the nature of innovation in business:

- a) Many small operations are unlikely to generate the level of investment in innovation necessary to substantially alter the overall tourist product. Generally operations are too small, too fragmented and too bound by personal rather than business motives.
- b) Most activity in product development related to minor investment rather than innovation. The attraction of additional financial resources emerged as a major barrier for further innovation.
- c) The role of the entrepreneur appears central to the whole innovative activity. They acted on an ideas source, appraisal, implementor of new ideas with little external support.
- d) Many of the original ideas from new entrants reflected a combining of activities (cruising - restaurant, educational packages - accommodation).

In the balance, the innovation potential of an organization reflects closely the entrepreneurial style of the key players and the ability to attract the necessary resources to capitalize on the ideas that have been located. Other factors undoubtedly play a role, but if the vision is lacking, the drive is lacking and the means to tangibilize the idea into product development

are non-existent, serious questions need to be asked about the capability to progress. Entrepreneurial characteristics appear to be major factors in distinguishing between innovative organizations.

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Table 1

MAIN BUSINESS STRATEGY OVER PREVIOUS FEW YEARS STRATEGY n %	
To Raise Productivity/Lowering Costs	13 7.8%
Market Penetration	65 38.9%
Market Development	35 20.9%
Product Development	19 11.4%
Diversification	7 4.2%
No Strategic Objectives	28 16.8%
Total	167 100.0%

Table 2 DIRECTION OF INNOVATION

PRODUCT INNOVATION n %	
- Upgrade (1)	64 28.7%
- Extension (2)	35 16.2%
- Minor New (3)	31 13.9%
- Major New (4)	23 10.3%
Total	154 69.1%

MARKET INNOVATION n %	
- Domestic/Infrastructure (A)	46 20.6%
- Operational (B)	9 3.6%
Total	223 100.0%

TYPE OF INNOVATION Table 3 Degree of Innovation LOW MEDIUM/HIGH

TARGET MARKETING THE SENIOR CITIZEN IN THE LODGING INDUSTRY AS A WAY TO INCREASE BUSINESS

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ABSTRACT

The senior citizen group (age 50 and over) offers an expanding target market opportunity. Not only is the senior citizen group growing at twice the rate of the rest of the population, but they also have more free time, are more prosperous, and reflect a greater propensity to spend than ever before. Recent surveys show that some marketing efforts have been directed toward the senior citizen group. This study found that lodging, as a leisure pursuit, represents a very important target market segment because of the amount of time and disposable income available to the senior citizen group. The marketers should find this group an increasing appealing target market.

INTRODUCTION

The senior citizen group (age 50 and older) represents a growing target market for those firms recognizing the changing markets and taking action to meet the developing opportunities. A target market is a fairly homogeneous (similar) group of customers to whom a company wishes to appeal (1). According to a study by the Conference Board of New York, the senior citizen group represents an \$800 billion-a-year market and controls a large portion of discretionary income and controls 77 percent of all financial assets in the United States (2). Financial holdings of the senior citizens group are more than double those of the lower age group (3). Today's senior citizens are the healthiest (increasing life expectancy) and wealthiest group of older people in history (4). The senior citizen group or "MUPPIES" (Mature upscale post-professionals) are one of the fastest growing consumer market segments and represent about 50 million Americans and accounts for almost half of all consumer demands (5). Not only does the senior citizen group have a large share of disposable income and a growth rate double that of the rest of the population (6) but they also have more free time, are more prosperous, and reflect a greater propensity to spend than ever before. More senior citizens are achieving higher incomes, after retirement, than they enjoyed during most of their working lives. On the average, financial holdings for senior citizen households are more than \$54,000 compared with \$14,000 for the prime age group (35 to 45) and less than \$8,000 average for households between 25 and 35 years (7). This seems to be the result of today's senior citizen having had the advantage of more than four decades of expanding economic growth. The economic growth of this period provided a base for retirement benefits that are the most generous in United States history.

Another advantage for the senior citizen is that their responsibilities have decreased, i.e. their children have left home, their home maintenance reduced, and family expense reduced as a whole. Because of such changes, a recent study estimates that discretionary income for households of senior citizens is 30 percent higher than that needed to maintain a comfortable standard of living as compared with 16 percent for the 35 to 50 age bracket and 13 percent for those under 35 (8). In all likelihood the senior citizen group will be the economic stars of the next few decades.

Population growth suggests rapid expansion of the senior citizen group. In 1982, over 20 percent of the American population was in the senior citizen age group. The current age group

of 45 to 54 will increase during the 1990's by an amazing 72.2 percent (9). By 2010, it is estimated to increase to 74 million or one-fourth of the total United States population and by the year 2030, it is estimated that the number of senior citizens will grow to approximately 100 million (about 30%) (10).

The majority of today's marketing efforts are directed toward the "yuppies", teens, and baby-boom markets. With exception of a select group of products and services focused toward the senior citizen market, such as health insurance plans, pain relievers, skin creams, etc., there are relatively few products and services developed for and directed toward the senior citizen market. The problem seems to be two-fold: first, marketers have not seemed aware of the expanding senior citizen target market, and secondly, the marketers have trouble in directing their messages toward the stereotyped senior citizen group. Insufficient data about the senior citizen group has resulted in a lack of focus on this rapidly expanding target market (11).

Businesses that continue their "fixation" on the youth market are doomed to sacrifice lost profits for their marketing myopia (12). Significant marketing potential exists for products such as health products, home care & maintenance services, bargain priced restaurants as well as leisure pursuits such as travel, overnight lodging and recreation sports. Because they have the time, money and energy to travel, they represent an important targeted market group for travel, making up a majority of the cruise tour market and escort guided lodging and tour market.

SURVEY

This study was undertaken in trying to substantiate the importance of the senior group as an increasingly important target market in the lodging industry. The marketer has seemingly overlooked or slighted the senior citizen group as an important focus group. Current reviews of this group reveal its importance for consideration.

A sample of 500 small business employers was randomly drawn from a national listing of firms offering lodging accommodations. A pilot study was conducted initially in seeking major questionnaire defects or biases that might adversely affect the survey results. A two page questionnaire was mailed to the selected firms with a cover letter explaining its purpose. The questionnaire contained questions pertaining to demographic data and questions concerning the importance of the senior citizen group as a target market segment. A total of 94 questionnaires were returned for a total of 18.8 percent which reflects meaningful implications for the marketer in considering the senior citizen group as an important target market segment. This study was descriptive and may or may not be a sample that is truly representative of the entire population.

QUESTIONNAIRE

Question 1

What type of business are you in?

Response	Raw Score	Percent
Hotel	28	29.8
Condominiums	1	1.1
Motel	41	43.6
Resort/Ranch	8	8.5
Both Hotel & Motel	8	8.5
Other	8	8.5
Total	94	100.0

Approximately 80 per cent of those responding to this survey were from the hotel/motel classifications. The largest group was motels with 44 per cent of the responses. As the results of the next question will verify, the overwhelming majority of these lodging industry respondents were small businesses.

Question 2

What range would the company's total gross sales fall in?

Response	Raw Score	Percent
less than \$100,000	9	9.6
\$100,000 - \$2 million	51	54.3
\$2 million - \$5 million	18	19.1
\$5 million - \$15 million	8	8.5
\$15 million - \$30 million	4	4.3
\$30 million - \$50 million	0	0.0
more than \$50 million	4	4.3
Total	94	100.0

Of the lodging industry respondents, 60 per cent had gross sales under \$2 million. With this large number of businesses under \$2 million, the survey truly represents the small businesses in the lodging industry. Only 4 respondents had more than \$50 million in gross sales. Eighteen percent had between \$2 million and \$5 million in gross sales.

Question 3

Estimate what percentage of your market is made up of senior citizens (over 50 years old).

Response	Raw Score	Percent
less than 10%	11	11.7
10% to 20%	30	31.9
21% to 30%	20	21.3
31% to 40%	12	12.8
41% to 50%	11	11.7
51% and above	10	10.6
Total	94	100.00

Over 50 percent of the respondents do between 10 percent and 30 percent of their business with senior citizens. The group with 10 percent to 20 percent had the highest percentage of respondents with 31.9 percent. Thirty-five percent of the respondents indicated that over 30 percent of their total lodging clientele were senior citizens. As can be seen by these figures, the senior citizen is a very valuable part of the lodging industry's consumer base.

Question 4

By what percent do you plan to increase your share of the senior citizen's market in the future?

Response	Raw Score	Percent
less than 10%	25	26.6
10% to 20%	38	40.4
21% to 30%	12	12.8
31% to 40%	7	7.4
41% to 50%	1	1.1
51% and above	2	2.1
No Response	9	9.6
Total	94	100.0

The largest response to the increase in market share was 10 percent to 20 percent with a 40 percent response. The heartening fact of this question was that all but nine of the respondents indicated there would be some increase in senior citizen market share. Of the nine that did not indicate an increase, they were all non responses. It is very evident that the lodging industry is well aware of the increasing number of senior citizens that will provide them an increase in their future business.

Question 5

What volume of your sales is derived from senior citizens?

Response	Raw Score	Percent
less than \$100,000	48	51.1
\$100,000 - \$2 million	36	38.3
\$2 million - \$5 million	6	6.4
\$5 million - \$15 million	0	0.0
\$15 million - \$30 million	2	2.1
\$30 million - \$50 million	0	0.0
more than \$50 million	1	1.1
No Response	1	1.1
=====		
Total	94	100.00

At the present time, 51 percent of the respondents did less than \$100,000 worth of their business with senior citizens. Thirty- eight percent did between \$100,000 and \$2 million in sales with senior citizens. It can be derived from this question that not only is there a great potential for increased sales, but the senior citizen market is presently providing very important dollars to the lodging industry. Many lodging industry small businesses actually have their margin of profit in this segment of society.

Question 6

What type of advertisement approaches do you use right now or plan to use in the future?

Response	Raw Score	Percent
Television	26	6.5
Yellow Pages	50	12.4
Radio	30	7.5
Billboards	37	9.2
Newspapers	54	13.4
Word-of-Mouth	63	15.7
Magazines	43	10.7
Mailouts	57	14.1
Tele	24	6.0
None	2	0.5
Others	16	4.0
=====		
total	402*	100.0

*Total responses represent multiple answers by respondents

This question did not provide a dominant response to any of the possible forms of media used for advertising. Yellow pages, newspapers, word-of-mouth, magazines, and mail-outs were the most prevalent of the responses. The leading response was word-of- mouth, with 15.7 percent. It was very evident by the number of responses that the lodging industry relies

heavily on a multi- media approach for their advertising. In general, the small businesses tended to use the less expensive forms of advertising. If this survey had been directed more towards larger corporations, the researchers feel that the more expensive forms of advertising, such as television and radio, would have been used to a greater extent.

Question 7

Do you agree that senior citizens are important and profitable enough to target market?

Response	Raw Score	Percent
Strongly Disagree	1	1.1
Disagree	4	4.3
No Opinion	6	6.4
Agree	30	31.9
Strongly Agree	32	34.0
No Response	21	22.3
Total	94	100.0

Two-thirds of the respondents either agreed or strongly agreed with the idea that senior citizens should be target marketed. One thing that is evident from the findings of this question is that many of the lodging industry small businesses are not sure as to what to do in regards to senior citizens. This can be verified by the 29 percent of the respondents that gave no response or no opinion answers. Very few of the respondents disagreed, with only 5 percent indicating their disagreement.

Question 8

In target marketing the senior citizens, how do you segment them or plan to segment them in the future?

Response	Raw Score	Percent
Actual Age	23	22.5
Family Income	8	7.8
Social Status	6	5.9
Interests	17	16.7
Level of Activities	17	16.7
Don't Target	22	21.6
Cognitive Age	5	4.9
Other Criteria	4	3.9
Total	102*	100.00

*Total responses represent multiple answers by respondents

Of those small businesses that responded to this targeting question, the top three segments were actual age, interests, and level of activities. Actual age target marketing was the largest response group. There were 22 businesses that did no target marketing at all. The authors were a little surprised that social status and family income had such a small response rate.

Question 9

To what extent are senior citizens being or going to be portrayed in your advertising.

Response	Raw Score	Percent
Very little	9	9.6
Little	12	12.8
None	13	13.8
Some	28	29.8
Great Deal	9	9.6
No Response	23	24.5
=====		
Total	94	100.0

This question seemed to indicate that the lodging industry did not plan a great exposure or senior citizens in their advertising. Only nine respondents stated that they would use senior citizens a great deal in their advertisements. The largest response was "some" with 30 percent of the lodging industry's respondents giving this answer. There seemed to be no clear-cut answer to this question with nearly one-fourth of the respondents not answering the question. Fourteen percent of the respondents indicated that they would use no senior citizen in their advertisements.

Question 10

How do you see senior citizens being portrayed in advertisements as a whole?

Response	Raw Score	Percent
Healthy	48	25.8
Weak	2	1.1
Affluent	30	16.1
Poor	2	1.1
Independent	47	25.2
Dependent	2	1.1
Happy	52	28.0
Sad	1	0.5
Others	2	1.1
=====		
Total	186*	100.0

*Total responses represent multiple answers by respondents

The top three ways that the respondents saw senior citizens as being portrayed in advertisements were happy, healthy, and independent. This indicates a very positive approach to the senior citizens and society. The fourth largest group was affluent portrayal of the senior citizen and not the low income stereotype. By portraying the senior citizen very positively, the lodging industry should increase their share of this market.

Question 11

What special incentives do you offer senior citizens?

Response	Raw Score	Percent
Discounts/Lower Rate	59	56.2
Free Meals	1	0.9
Special Packages	21	20.0
Free Lodging	0	0.0
Coupons	8	7.6
None	13	12.4
Others	3	2.9
=====		
Total	105*	100.0

*Total responses represent multiple answers by respondents

The overwhelming response to this question was discounts/lower rates. Special packages ranked second. From the response to this question, price seems to be the major motivator that the lodging industry is using to attract senior citizens. Thirteen respondents indicated that they gave no special incentives at all to senior citizens to attract their business.

Question 12

To what degree do you think you provide services to senior citizens?

Response	Raw Score	Percent
Very Insufficient	0	0.0
Insufficient	0	0.0
Adequate	34	36.2
Sufficient	22	23.4
Very Sufficient	17	18.1
No Response	21	22.3
=====		
Total	94	100.0

As far as providing services to senior citizens, the largest response from the small businesses was adequate service with 36 percent. Only 17 respondents indicated that they gave very sufficient service to senior citizens. This indicates to the researchers that most of the respondents felt that they could improve their service to senior citizens. No respondents indicated that their services were less than adequate.

Question 13

What kind of services are you providing the senior citizens now or plan to offer in the future?

Response	Raw	Score Percent
Special Interest Activities	15	14.6
Transportation Services	14	13.6
Easier Accessibility	32	31.0
More Comfort Features/ Special Section of Rooms	18	17.5
Special Food Offerings	16	15.5
Others	8	7.8
=====		
Total	103*	100.0

*Total responses represent multiple answers by respondents

The largest response to this question was easier accessibility. More comfort features/special sections of rooms was the next highest category with 17.5 percent of the responses. Comfort and accessibility seem to be the keys of the future for the lodging industry to attract a greater percentage of the senior citizen market. Targeting these aspects should not only increase the number of senior citizens but actual gross dollars. Special food offers also seem to be a popular service.

CONCLUSION

In the years ahead, youth will become considerably less important while the senior citizen group is expected to become the fastest growing and dominant segment of the lodging industry. The respondents to the survey were largely composed of viable small business firms that seemed to realize that the senior citizens group is already an important part of the lodging industry's consumer base. About 53 percent of the respondents estimated that over 21 percent of their market is comprised of the senior citizen market.

In general, the small businesses tended to use the less expensive forms of advertisement. If the survey had been directed specifically toward large business firms, it is likely that the more expensive forms of advertising, such as television, would have been used to a greater extent. The respondents portrayed the senior citizen group as happy, healthy, independent, and affluent and reflected an opinion that the senior citizen group should represent an increasing portion of their market. Two-thirds of the respondents either "agreed" or "strongly agreed" with the idea that the senior citizen group should be target marketed. This study strongly indicates that modern day marketers should carefully analyze the buying habits of specific categories of potential customer groups, such as the senior citizen group, and focus their efforts on these new domestic market segments.

FOOTNOTES

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YELLOW PAGES: SOME EXPLORATORY FINDINGS

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ABSTRACT

Marketers and business analysts of every stripe have been guilty of ignoring the tremendous importance of the Yellow Pages to the small business entrepreneur. This research takes some exploratory looks at how the Yellow Pages are used by merchants in general, how the Yellow Pages are used by restaurants in particular, how the Yellow pages are used by diners when looking for a restaurant, and how ads of various types are perceived by diners.

INTRODUCTION

Marketing myopia? Marketing scholars and educators have not been myopic, they have been blind when it comes to Yellow Page advertising. Yellow Page advertising, often scorned, and universally overlooked, is often the primary promotional medium (translate, major promotional expenditure) for many, if not most, small, independent businesses. Inspection of Yellow Page advertising reveals that the Yellow Pages are the promotional mainstay of the small, independent business.

National concerns and franchises, ie. McDonald's, will generally have a simple listing, with the name of the franchise at the top in bold, and the individual franchise outlets listed in regular (light) type following. It is the small, local hamburger stand that will spring for a big display ad costing many multiples of the plain-vanilla listing. It is immediately obvious that the major chains are relying upon their media advertising to pre-sell the company. It is equally obvious that many of the small, local establishments view the Yellow Pages as a true advertising medium, not just a directory. Their use of the Yellow Pages in this manner, as well as ways in which these expenditures could be made more effective, has been totally ignored by business scholars.

As evidence of the extent of that oversight, a quick survey of eight 'small business management' texts showed that no less than seven of them totally ignored the Yellow Pages. They provided not a single mention-, it was as if the Yellow Pages simply did not exist. The one book that mentioned the Yellow Pages provided but a single paragraph of discussion. Out of the eight books, a total of over 4,000 pages-, one (short) paragraph.

Even that great and valued friend of the small business, the SBA, seems totally unaware of the existence of the Yellow Pages. Following the model used by virtually every text on small business, the SBA Guide to Advertising 151 discusses the various advertising mediums of print, radio and television with nary a word about the Yellow Pages. Yet inspection of the Yellow Pages reveals numerous establishments which are spending far more money on their Yellow Page ads than they are on the more glamorous promotional mediums. (Note: Due to an increase in the number of directories following the breakup of AT&T, the total amount spent on Yellow Pages advertising has increased dramatically over the last few years. Thus, a heavy promotional expense has gotten much heavier. {9})

The marketing and business journals are equally silent. There is virtually no academic research in this area. The few studies which are cited are invariably publisher sponsored and their findings are justifiably suspect. As one advertising executive remarked concerning

publisher sponsored research, "No advertiser has ever seen a publisher who did not have a survey to show that its book was the most widely used, most preferred book" {7}. Says another, "In every case, the commissioned research points irrefutably to the substantial superiority of the sponsor's property" {4}. Not only is the research biased in its source, but as a rule, the 'studies' which are so often cited, provide only the vaguest of details as to the methodology of the research, nor is there any information as to where the details of the methodology might be found. The advocate in question simply says, for instance, "studies show that over 35% of Yellow Pages users rely primarily on independent books." {2}

THE 7-2-1 RULE

A good example of how these 'studies' become 'fact' is the much cited "7-2-1" rule. According to this heuristic, a bold listing represents one (1), an incolumn ad is twice as good as a bold listing (2), and a display ad is seven times as good as a bold listing (7). Generally this rule is presented as simple statement of fact. The 'best' explanation of how the actual research may have been conducted can be found in Yellow Pages Report, a valuable little book published by a W.F. Wagner. (Note: this identical book is also published under the title Advertising in the Yellow Pages - How to Boost Profits and Avoid Pitfalls... hmmm? Those wishing to contact the author may have trouble doing so, since the introduction explains that the author is a former directory salesman who writes under the pseudonym W. F. Wagner ... hmmm? As mentioned previously, it is tough to document and/or verify anything in this field.)

At any rate, here is the description provided by Mr. Wagner: "Display ads generally get the best response. The following study illustrates just how much better.

Parker, the plumber, was given a Display ad, an Incolumn ad and a bold listing in a Yellow Pages directory. A different telephone number was placed in each ad, and the telephones were metered to count the calls. After one year, which brought in over 2,000 calls, the results were analyzed.

The Display ad generated approximately 7 of every 10 calls, the incolumn ad produced 2 of 10, and the bold listing, only 1 of every 10. In short, the majority of consumers called from the Display ad." {8}

As might be expected, the discussion gives no hint as to who sponsored the research, who performed the research, where the research was performed, the size of the display ad, the directory that was used, or the true nature and identity of the business (the discussion refers to "Parker, the plumber" ... "the plumber"? ... as in the only one?). Taken at face value, however, these are not necessarily implausible results, one would expect a display ad to draw better than a standard listing. Where the real problem comes, however, is in the way in which this "7-2-1" rule is used in a totally indiscriminate fashion.

'EMERGENCY'BUSINESSES ARE BETTER SUITED FOR DISPLAY ADS

Some businesses are simply better suited for display ads than other businesses. The businesses which are in the best position to profit from large, eye-catching display ads are ,emergency' businesses. These businesses are characterized by non-routine, one-time searches for help. In addition to the non-routine nature of the search, these businesses often are often characterized by relatively high-ticket items. As such, it takes only a few extra customers to justify the cost of the larger ad. An analysis of the business categories with the largest numbers of display pages {6} reveals the following breakdowns:

Medical Physicians	46 pages
Optical	10 pages
Dentists	8 pages
Hospitals	8 pages
Chiropractors	5 pages
Professional Services Attorneys	28 pages
Insurance	13 pages
Real Estate	12 pages
Computer stores	8 pages
Copying	8 pages
Printers	6 pages
Housing and Home Repair Plumbing	14 pages
Apartments	12 pages
Carpet	10 pages
Roofing	10 pages
Storage	10 pages
Glass	8 pages
Moving	8 pages
Electric	6 pages
Furniture	6 pages
Air Conditioning	5 pages
Locks	5 pages
Building	4 pages
Auto and Auto Repair Auto, etc	37 pages
Tire	8 pages
Truck	8 pages
Miscellaneous Restaurants	13 pages
(Pizza, in a separate listing, tallied)	4 pages
Churches	9 pages
Beauty salons	6 pages
Florists	6 pages
TV	6 pages

The point is this: The choice of plumber as a test case for the relative superiority of display advertising was a wise one. As illustrated by the entries above, these one-time, non-routine, emergency businesses are ideal candidates for heavy use of display advertising. The El Paso Directory lists 136 plumbers over 14 pages (many are listed more than once (under installation, under repairs, under supplies, etc.)) In contrast, the 346 grocers are listed in less than two pages. Grocery stores represent a routine, repetitive purchase and so they have only a listing. The non-routine, emergency businesses utilize lots of display. But for Yellow Page writers to blithely cite the 7-2-1 rule without regard to the specifics of the business is highly misleading.

A LOOK AT RESTAURANTS

Restaurants represent an interesting situation. They represent the largest of the miscellaneous category. And while the selection of a restaurant would seldom be considered to be an 'emergency' search, it will often be a non-routine selection. In addition, the restaurant listings also show an interesting blend of small- local-independent businesses vs. large-national-franchise establishments.

The restaurant Yellow Pages also show a tremendous disparity in ad sizes and types, ranging from regular (light) listings to half-page and even full-page ads. This will also make for a tremendous disparity in costs. A regular listing is free with a business phone. To get the listing in bold costs but \$11.75 a month. On the other hand, a quarter-page is \$351 a month, a half-page is \$691 a month (Current rates for El Paso, Texas, Southwestern Bell Directory).

According to Dun and Bradstreet surveys of retail business establishments, restaurants earn an average profit of 5.4% on sales [1]. Based on the Dun and Bradstreet figure, a half-page ad must generate an additional \$12,578 in sales per month (\$150,936 per year) to pay for the differential between a bold listing and a half page display ad.

Do these ads actually generate that much additional business? The evidence is mixed, at best. If the display ads do generate profitable levels of business, then everyone should use them. If they don't, then nobody should use them. The great disparity of expenditure provides for no definitive conclusion.

Restaurant Advertising: Display vs. Listing

There are 579 outlets representing 393 separate establishments featured in the Southwestern Bell, city of El Paso, directory. The breakdown of listing versus display advertisements is as follows:

Number Category 320 Basic listing, regular or bold 25 one column-inch display 20 two column-inch display 9 four column-inch display (eighth of a page) 5 six column-inch display 12 eight column-inch display (quarter page) 1 sixteen column-inch display (half page) 1 thirty-two column-in. display (full page)

Obviously, many merchants (the majority) feel that display advertising is not a profitable investment. (As mentioned earlier in this paper, certain types of establishments, most notably large franchise chains (McDonald's, Pizza Hut, etc.) rely exclusively upon media advertising and do not employ display advertisements.)

On the other hand, roughly 20 percent of the establishments, a number which represents an even higher percentage of the truly independent, local establishments, did employ display advertising. For restaurants that were represented in both the 1988 and the 1989 directories, a comparison was made between the amount of display advertising in the two years. The result of that comparison is shown below:

Number Category 3 Ad in 1989 smaller than in 1988 44 Same size both years 12 Ad in 1989 larger than in 1988

Whether through ignorance, indifference, inertia, or just laziness, the most common response of businesses nationwide is to simply "run it again" {8}. El Paso businesses also followed that pattern with 75% of the businesses maintaining the same size ad and most running the same ad.

The fact that 'increasers' outnumbered 'decreasers' by 12 to 3 is strong support for the argument that the retailers themselves believe the ads are working (either that or it represents testimony to the persuasive skill of the salesperson). It is much less clear, however, as to how these restaurant managers are making that determination of effectiveness.

The recommended method of tracking Yellow Page effectiveness is to use a different telephone number for the Yellow Page advertisement. An investigation of all 73 display ads was made, comparing the display phone number with the white pages number. These two sources provided the same number in every single case. While it may not be clear how the various restaurants are monitoring the effectiveness of their advertisements, it is obvious that they are not using separate telephone numbers to perform this task. (Looking to the future, the next stage of research will be to personally interview the restaurant owners to investigate how these owners assess the effectiveness of their display ads.)

Do Restaurant Display Ads Pay-Off ?

Are restaurant display ads necessary? The answer to that question would, to a large degree, depend upon how diners use the Yellow Pages. If they use the Yellow Pages only to look up the phone number or address (ala grocery stores) then display advertising is an unnecessary expense. On the other hand, if diners use the directory in an 'exploratory' manner (looking for a 'new' dining experience ... selecting a restaurant that 'looks good') then display advertisements might be a good investment.

A convenience sample of students was used to investigate this question. As shown in the results below, the students were evenly divided in their assessment of how they used the Yellow Pages. This would indicate that a substantial number of prospective customers use the directory in an exploratory manner.

Number Response 27 "Use the directory just to look up the phone number of a restaurant I already know"

27 "Use the directory to select new restaurants I have not tried before"

Given that a large number of prospective customers may be actively searching through the Yellow Pages in search of new dining experiences, what is the value of a display advertisement over a basic listing? Once again, student classes were used as a convenience sample to explore this dimension of consumer behavior. Four classes of approximately equal size (about 60 students in each class) were used. Four different advertisements were tested:

1. Basic bold listing for Pete's Prime prime rib restaurant 2. Half-page display for Pete's Prime prime rib restaurant 3. Basic bold listing for Roman Village Pizza restaurant 4. Quarter-page display ad for Roman Village Pizza restaurant

One advertisement was given to each of the four classes ... It was desired that the students do their evaluation 'independently'. In other words, it was intended that the students not be aware that the objective of the research was to make a comparison between listing versus display

advertisements. The advertisements were selected from the Boulder, Colorado directory so that the evaluation would be based upon only the information provided in the Yellow Pages. The students were asked to give their impressions of the restaurants on a semantic differential type scale.

As one would probably hypothesize, the best evaluations were recorded by the half-page display ad of the Pete's Prime restaurant. In second place was the quarter-page display ad of Roman Village Pizza. The two bold listings brought up the rear with almost identical evaluations. The two bold listings were much more similar to each other than any other two evaluations were to each other.

It should be noted that although the methodology is quite different, the basic findings of this research are supported by the findings of Jackson and Parasuraman {3}. The Jackson and Parasuraman study is the only research dealing with Yellow Pages which the authors have been able to find in the academic literature.

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

It is obvious that marketing scholars have not done justice to the Yellow Pages as a promotional device. For many small, local entrepreneurs Yellow Page display advertising represents their primary promotional outlet and their biggest promotional investment. More effort needs to be made to measure the true magnitude of these 'overlooked' expenditures for the small business.

Given that these Yellow Page advertisements represent such a large part of the small retailer's promotional budget, additional research needs to be done to determine ways in which a small business may assess the effectiveness of these advertisements. Furthermore, research needs to be made regarding ways to make Yellow Page advertising more effective for various businesses. More effective Yellow Page advertising will depend, at least in part, on a better understanding of how consumers use the Yellow Pages. Hopefully, this current research represents a start in that direction.

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PROFILE AND ANALYSIS OF POTENTIAL ENTREPRENEURS

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ABSTRACT

This paper examines the characteristics of potential entrepreneurs in the state of Montana. The objectives are to provide a profile of potential entrepreneurs and to compare this profile with profiles of established entrepreneurs found in the literature. This information may then be used to assist the public sector in establishing policies and marketing strategies to encourage and promote the development of entrepreneurship.

The study collected data through questionnaires distributed to participants of Young Entrepreneurs Seminars which were targeted to individuals under the age of 30. There were several similarities between the profile of the potential entrepreneurs in this study and profiles of established entrepreneurs found in the literature. These included motives for starting a business, previous work experience and having a family member in business.

Start-up capital, work experience, and further formal training were the most frequently mentioned additional resources required. Exposure to the business environment either through previous work experience in the area or through a family member who was self-employed seemed to influence perceptions about what additional resources were required. The selection of potential sources of assistance depended upon the type of business of interest to the respondent.

INTRODUCTION

An estimated 700,000 corporations, 100,000 partnerships and 500,000 sole proprietorships were started in the United States during 1988. In fact, the number of new start-ups has increased by 700 percent since 1950 (Birch, 1988). With 1.3 million entrepreneurs creating new firms and the current level of small businesses in the economy, interest in entrepreneurial activity is at an all time high. To date much research has centered on the personality traits and internal motivations of entrepreneurs versus non-entrepreneurs (Bowen & Hisrich, 1986; Cooper & Dunkelberg, 1984; Cromie, 1987; Hisrich, 1986). Since most of the studies were done after the individual started his/her business, data on motivation for starting the business and the steps followed prior to the start-up were often collected after the fact. It is possible that the original motives for starting a business and the initial steps taken may have been forgotten or substituted. In addition, many of the policies, marketing strategies and assistance programs developed by the public sector have been reactive rather than proactive in nature. In other words, they have been created in response to the needs expressed by individuals who already know that they want to start a business or have actually begun operations.

This study examines potential entrepreneurs: individuals who have thought about a business idea but have not yet decided to begin operations. The information may be valuable for a number of reasons. A profile of potential entrepreneurs can be established which would include their previous work experience, whether they have a family member in business, their motives for starting a business, mean age and mean educational level. It can then be compared with research in the literature on established entrepreneurs to determine what, if any, similarities can be found between the two groups. If some commonality exists, the anticipated needs for additional resources and the perceptions of available sources of assistance of the

potential entrepreneurs can be used by the public sector to set proactive policies and to establish marketing strategies to better serve those individuals who may become entrepreneurs.

METHODOLOGY

The participants in the study were individuals who attended Young Entrepreneurs Seminars held concurrently in Billings, Bozeman, and Missoula, and Montana. The seminar, held at a variety of sites on October 22, 1988, was targeted to individuals 30 years of age and under. At the time of registration each participants was asked to complete a questionnaire, and a total of 124 completed questionnaires were collected. The responses to the questions were coded, and the resulting data was entered into a VAX 8650 computer and analyzed using SPSSX. The chi-square test was used to determine the existence of significant differences between categorical variables. T-tests were utilized to determine whether the difference between two means was statistically significant. Analysis of variance using the F-test was employed to determine whether the differences among three or more means were statistically significant.

FINDINGS

Table One provides a general profile of the respondents. The mean age of the group was 26.0, and the mean educational level 13.9. The group was almost evenly divided between males and females.

TABLE ONE

GENERAL PROFILE OF RESPONDENTS

AGE

16-17	31	25.6%
18-21	13	11.7%
22-30	44	36.4%
31-35	20	16.5%
36-39	5	4.1%
42-49	4	3.3%
50 & OLDER	4	3.3%

Mean Age = 26.0

EDUCATIONAL LEVEL

10-11	20	16.7%
12	25	20.2%
13-15	34	27.4%
16 and Over	45	36.6%

Mean Educational Level = 13.9

GENDER

Male 63 51.2% Female 60 48.8%

Table Two provides a general profile of the responses to questions concerning type of business of interest, additional resources required and potential sources of assistance. Several respondents indicated more than one type of business of interest among the twelve choices. Although the questionnaire requested that the participants rank their potential sources of additional information, many only checked their choices. Whether the respondent ranked or checked a source, the response was entered as a check only which means that more than one source could have been chosen. TABLE TWO

PROFILE OF RESPONSES

TYPES OF BUSINESSES OF INTEREST

Number Percentage

Retail	48	38.7%
Service	39	31.5%
Prof. Practice	25	20.2%
Manufacturing	22	17.7%
Finance	16	12.9%
Wholesale	16	12.9%
Recreation	13	10.5%
Communication	9	7.3%
High Tech	5	4.0%
Energy	4	3.2%
Construction	3	2.4%
Agriculture	3	2.4%

ADDITIONAL RESOURCES REQUIRED

Start-Up Capital	82	66.1%
Work Experience	54	43.5%
Further Formal Training	51	41.1%
Vocational Training	9	7.3%
Nothing, Ready to Start	9	7.3%

SOURCES OF ADDITIONAL INFORMATION

Number Percentage

SBA	102	82.3%
College	97	78.2%
Chamber of Commerce	87	70.2%
Local Government	76	61.3%
Relative	75	60.5%

Almost two fifths of the respondents were interested in retail and over 50% were interested in service or professional practice. Start-up capital (66.1%), work experience (43.5%) and further formal training (41.1%) were the most frequently mentioned needs of the group. The Small Business Administration (82.3%), colleges (78.2%) and the Chamber of Commerce (70.2%) were selected most often as potential sources of additional information although the local government and relatives were all selected by more than 60% of the group.

Table Three provides the significant relationships found between the types of businesses selected and perceived sources of additional information. Almost 94% of those choosing retail would go to the SBA for assistance compared to only 75% of those not selecting retail ($p=.005$), and over 80% would go to the Chamber of Commerce ($p=.028$). On the other hand, those selecting service were less likely to go to the SBA, colleges or a relative than those not selecting service. Of the individuals who were interested in service, over 70% indicated the SBA as a potential source compared to more than 87% of those not choosing service ($p=.04$). Almost 60% of those interested in service indicated college as a potential source of assistance versus 87.1% of those not choosing service ($p=.001$). Over 46% of those who selected service chose a relative as a potential source compare to about two thirds of those not choosing service ($p=.03$). To summarize, individuals who were interested in retail were more likely to go to the SBA and the Chamber of Commerce for assistance, and individual who were interested in service were less likely to go to the SBA, college or a relative.

Everyone who chose energy would consider the local government or a relative as a likely source of assistance compared to 60% and 59.2% of those not choosing energy ($p=.045$ and $.043$). Of those who were interested in high tech, only 20% considered the SBA a possible source of assistance compared to almost 85% of those not selecting high tech ($p=.002$).

The only significant relationships between the type of business of interest and gender were found in the area of manufacturing and construction. Among the males, 25.4% indicated an interest in manufacturing while only 10% of the females did ($p=.024$). All of the individuals who were interested in construction (2.4%) were male ($p=.043$).

Table Four provides employment history of the respondents and their family members. About 70% were presently employed and were older and better educated than the unemployed individuals. Over one fifth of the respondents indicated they currently held management positions.

TABLE THREE

SIGNIFICANT RELATIONSHIPS BETWEEN AREA OF INTEREST AND SOURCES OF ASSISTANCE

Potential Sources Areas of Interest

	Retail	Non-Retail	P Level
SBA	98.8%	75%	.005
Chamber of Commerce	81.3%	63.2%	.029
Service Non-Service			
SBA	71.8%	87.1%	.044
College	59.0%	87.1%	.001
Relative	46.2%	67.1%	.028
Energy Non-Energy			
Local Government	100%	60%	.045
Relative	100%	59.2%	.043

High-Tech Non-High-Tech

SBA 20% 84.9% .002

TABLE FOUR

HISTORY OF RESPONDENTS AND FAMILY MEMBERS

	Yes	No
Presently Employed	87 (70.2%)	37 (29.8%)
Mean Age	26.9	23.8
Mean Ed Level	14.1	13.5
Management	18 (20.7%)	
Non-Management	49 (56.3)	
Did Not Indicate	20 (23.0%)	
Worked in Area of Interest	64 (52.9%)	57 (47.1%)
Mean Age	28.5*	23.5*
Mean Educational Level	14.5*	13.3*
Family Member In Business	71 (57.3%)	53 (42.7%)
Father	41 (44.1%)	
Mother	21 (22.6%)	
Sibling	20 (21.5%)	
Other	11 (11.8%)	
Mean Age	26.8	24.9

* Significant beyond the .01 level

Approximately one half of the respondents had previous experience in the type of business of interest and their mean age and education level were higher than those who had no previous work experience in the area of interest. They had a mean age of 28.5 and a mean educational level of 14.5 compared to a mean age of 23.5 and a mean educational level of 13.3 for those who had not worked in a similar type of business ($p=.003$).

Nearly 60% of the respondents had a family member who owned a business. Approximately 45% identified fathers as the family member who owned a business. These individuals were more likely to indicate a need for start-up capital than those who did not have a family member who owned a business. Over three-fourths of those who had a family member in business indicated a need for start-up capital compared to only about one half of those who had no family member who owned a business ($p=.002$).

Table Five presents the significant relationships found between the respondents who had worked in the area of interest and those who had not. Over 60% of the males had worked in the area of interest compared to 40% of the females ($p=.01$). Individuals who selected service,

communication, agriculture or construction were more likely to have worked in the area of interest than those who did not select them. Of those selecting service, over 70% had worked in the area of interest compared to only about 45% of those who did not select service (p=.006). Of those selecting communication, almost 90% had worked in communication compared to approximately 50% who did not select that area (p=.031). All of the individuals who indicated in agriculture or construction had worked in the area of interest (p=.049).

Respondents who had previous work experience in the area of interest were more likely to indicate a need for start-up (p=.046) than those who had worked in the area of interest. At the same time, these individuals were less likely to indicate a need for further formal training than those who no previous experience in the area (p=.044).

Table Six presents the ranking of reasons for wanting to start a business. Eighty five percent of the respondents ranked the opportunity to work at something they liked as a very important reason for starting a business; and the chance to make decisions was ranked as very important by over 70%. On the other hand, the opportunity to be one's own boss was ranked not important by over one third of the respondents.

TABLE FIVE

SIGNIFICANT RELATIONSHIPS BETWEEN RESPONDENTS WHO HAD WORKED IN AREA INTEREST AND THOSE WHO HAD NOT

Worked Not Worked In Area In Area P Level

Males 63.9% 36.9% .01
 Females 40.7% 59.3%

Service 71.1% 28.9% .006
 Non-Service 44.6% 55.4%

Communication 87.5% 12.5% .031
 Non-Communication 50.4% 49.6%

Agriculture 100% ___ .049
 Non-Agriculture 51.7% 48.3%

Construction 100% --- .049
 Non-Construction 51.7% 48.3%

Start-Up Capital 73.4% 56.1% .046

Further Formal Training 32.8% 50.9% .044

TABLE SIX

REASONS FOR STARTING A BUSINESS

Very Not Important Important Important

Work I Like	91 (85.0)	15 (14.0)	1 (1.0)
Make Own Decisions	79 (71.8)	28 (25.5)	3 (2.7)
Better Product/Service	55 (51.4)	45 (42.1)	7 (6.5)
Know a Better Way	43 (44.8)	35 (35.4)	20 (21.2)
Make Good Money	37 (34.9)	57 (53.8)	12 (11.3)
Set Own Hours	33 (32.4)	37 (36.2)	32 (31.4)
Be Own Boss	21 (21.4)	40 (40.8)	37 (37.8)

When comparing the ranking of motives for starting a business and educational level and gender, significant differences were found between educational level and the ranking of setting own hours and educational level and between gender and the ranking of being own boss. As Table Seven indicates, those who ranked setting own hours as very important were better educated than those who marked it important and not important ($p=.04$). Those who ranked being own boss very important or important were better educated than those who said it was not important ($p=.018$). In addition, one third of the males ranked being own boss very important while only one eighth of the females did. Conversely, almost one half of the females ranked this motive as not important compared to less than three tenths of the males ($p=.008$).

TABLE SEVEN

SIGNIFICANT DIFFERENCES IN RANKING OF MOTIVES

SETTING OWN HOURS

	Not Very Important	Important	Important	P Level
Ed. Level	13.4	13.5	14.6	.04

BEING OWN BOSS

	Not Very Important	Important	Important	P Level
Ed. Level	13.0	14.1	14.5	.018
Males	29.4%	37.3%	33.3%	.008
Females	47.9%	43.5%	8.7%	

Although the seminar was primarily for individuals who were 30 years old or younger, the age of the respondents in the Montana locations ranged from 16 to 58. Because of this, an attempt was made to determine if there are significant differences between the responses of those under thirty and those over thirty. An examination of the responses to all the variables of the under 30 groups as compared to the over 30 group revealed significant differences in mean educational levels, types of business of interest, additional resources required, potential sources of assistance, and identification of family member in business. Table Eight reports on these differences.

TABLE EIGHT

SIGNIFICANT DIFFERENCES BETWEEN THE AGE GROUPS

30 & Under Over 30 P Level

Mean Educational Level	13.3	15.3	.001
Interest in Service	19.3%	63.6%	.001
Need/Further Formal Train.	48.9%	21.2%	.005
Chamber of Commerce	77.3%	48.5%	.003
Local Government	69.3%	39.4%	.003
College	87.5%	51.5%	.001
Relative	70.5%	36.4%	.001
Self-Employed Father	39.8%	15.2%	.007

As one would expect, the mean educational level of the older group was higher than the mean educational level for the younger group. Over 60% of the older group selected service compared to less than 20% of the younger group ($p=0.001$). Almost 50% of the younger group expressed a need for further formal training compared to approximately one fifth of the older group ($p=.005$). The 30 and under group was more likely than the older group to go to the Chamber of Commerce ($p=.003$), the local government ($p=.003$), a college ($p=.001$), or a relative ($p=.001$). Almost two fifths of the younger group had a father who owned his own business compared to about one sixth of the older group ($p=.007$).

SUMMARY

Cooper and Dunkelberg (1984) found that of the 1,394 entrepreneurs that they surveyed almost 50% had parents who owned a business. According to Jacobowitz and Vidler (1982), 72% of the business owners they interviewed had parents or close relatives who were self-employed. Shapero and Sokol (1982) found that more than one half of the enterprise founders they studied had fathers who were self-employed. Consistent with these published works, the present study found that over 57% of the respondents had a family member in business.

Several studies have shown that a large percentage of established entrepreneurs have previously worked in the area of interest. For example, Cromie (1987) found that almost two thirds of the 69 early entrepreneurs that he interviewed had previous work experience relating to their current business venture, and Hisrich (1986) found that over 63% of the 468 women respondents in his study had worked in the area of interest. Similar responses were found in this survey of potential entrepreneurs as almost 53% of them stated that they had worked in the area of interest.

According to the current literature, there has been no common, dominant motive found among the entrepreneurs for starting a business. In the studies by Cromie (1987), business owners ranked autonomy as the number one motive and financial rewards as number four. The Chemical Bank Study (1983), which included responses from over 1,100 entrepreneurs in the New York City area, noted that 38% of the individuals that being the boss was very important and about one fourth claimed that financial benefits were of importance. Cooper et.al., (1984) found that being able to do work of interest and make more money were the highest ranked motives in their study of 890 starters. Studies by Hisrich (1986) indicated that they least important motives of the individuals surveyed were power and money, and the most important were independence and achievement. This study also found that the top two ranked motives of the respondents were the ability to work at something they liked and to make their own decisions.

An interesting finding of Scott (1986) in interviews with 154 women entrepreneurs in the state of Georgia suggested that "being the boss" may be less important to women than men.

This result was replicated in the current study of potential entrepreneurs since a significant difference occurred between males and females in the ranking of this motive.

Findings vary as to the educational level of entrepreneurs in the literature. Reviews of four studies by Brockhaus (1982) indicated that entrepreneurs tend to be better educated than the general population (Bowen & Hisrich, 1986). However, Jacobowitz, et.al., (1982) found that the group of entrepreneurs which they studied did not prosper in school. Thirty percent were high school dropouts, and only 11% had graduated from a four year college. Cooper and Dunkelberg (1984) found that 64% of their group had less than a college degree. On the other hand, Hisrich (1986) found that 68% of his participants were at least college graduates. The mean educational level of the respondents in this study was 13.9 which indicates a higher educational level of the earlier findings.

The respondents ranked start-up capital, work experience, and further formal training as their top three additional requirements. The Small Business Administration and colleges were the top two potential sources of additional information mentioned by the respondents. An examination of the significant differences between the younger and older group indicates that younger potential entrepreneurs are more likely than the older group to seek assistance from the Chamber of Commerce, the local government, a college or a relative. This may indicate a developing trend toward seeking more entrepreneurial assistance from the public sector.

There were no significant relationships found between the types of businesses of interest and the anticipated additional requirement of the respondents. However, significant relationships existed between the type of businesses of interest and where one would go for assistance. Those individuals interested in retail were more likely to go to the SBA and the Chamber of Commerce, while individuals interested in service were less likely to go to the SBA, colleges or a relative for assistance. All of the individuals interested in energy chose the local government or a relative as potential sources of additional information. Respondents selecting high tech were less likely to go to the SBA than those who did not select high tech. It is possible that the respondents assume that various public agencies have specialties and assist only certain types of businesses.

Those individuals who worked in the area of interest were older, better educated and less likely to indicate a need for further formal training than those who had not worked in the area of interest. Previous work experience or having a family member who owned his/her own business increased the likelihood that the respondent would indicate a need for start-up capital. A possible explanation for this could be the increased sophistication that one gains through exposure to actual business activities.

RECOMMENDATIONS

There were several similarities found between the profile of the potential entrepreneurs who participated in this study and the available profiles of established entrepreneurs found in the literature. Consistent with previous findings, over one half of the respondents in this study had a family member in business and had worked in the area of interest. As other studies were indicated, financial motives are less important to the potential entrepreneurs than the need to be autonomous. In an attempt to encourage entrepreneurship and motivate individuals to become business owners, emphasis should be placed on the opportunity to make decisions independently and to work at something of interest.

Start-up capital, further formal training and work experience were ranked as the top three additional requirements. Respondents who had a family member in business or who had worked in the area of interest recognized the need for start-up capital more frequently than those who did not have a family member in business or had not worked in the area.

In an attempt to increase the business sophistication of potential entrepreneurs and, perhaps, increase the likelihood of business success, courses offered in the area of entrepreneurship should continue to include exposure to established entrepreneurs and their business operations through forums, internship programs with actual businesses, and cases studies provided through the Small Business Institute Program.

A respondent's perception of the potential sources of assistance depended upon the type of business of interest. The findings show that those individuals interested in service are likely to go to the SBA for assistance. If the SBA is interested in promoting and encouraging growth in the service area, they should examine the promotion efforts used to attract service clients and the type of assistance provided to them. Similarly, those who expressed an interest in service were less likely to indicate colleges as a potential source of assistance. If colleges are interested in promoting all forms of entrepreneurship, as well as attracting new students, course topics and seminars relevant to starting a business in service areas should be included in the curriculum.

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BLACK-OWNED FRANCHISE UNITS: AN ANALYSIS

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ABSTRACT

The development of black-owned franchise units is an important component of the progress of black entrepreneurship. The magazine Black Enterprise has focused its attention on those franchisor companies with the largest number of black-owned units, and on the formal programs which most of its top-listed firms conduct to attract black and other minority franchise applicants and to assist those accepted in acquiring franchise units.

This paper analyses this Black Enterprise focus, and presents an alternative method of measuring success in developing black franchise units. Furthermore, an analysis of telephone interviews with top managers of a variety of franchisor companies leads to a listing of factors which seem causal in developing black-owned franchise units. It is concluded that there are several ways to measure success in this context, and that such success can be achieved both through formal corporate programs, and also in the absence of such programs.

INTRODUCTION

An alternative path to traditional small business ownership is to be a franchisee. The pro's and con's of such an alternative are well known and have been the subject of numerous articles and book chapters. Clearly the franchise path seems enticing to many entrepreneurs, for franchise sales have been growing at about a ten percent pace for several years, and are expected to reach one trillion dollars by 1994.(1) Much has also been written about black entrepreneurship.(2) The entry of blacks (and other minorities) into traditional small business has been a long and relatively slow process, with gains to date having been only moderately successful. Thus, it is logical that blacks should seek to become entrepreneurs as franchisees as well as through independent small business ownership. Yet here too progress has been limited. U.S. Department of Commerce figures for 1988 show black-owned franchise sales accounting for only .7% of total franchise sales.(3) Obstacles to black entry into franchising are both racial and financial. Certainly many franchisors have consciously limited or discouraged blacks from becoming their franchisees, but also many blacks have found it impossible to raise the necessary start-up money to become a franchisee. However, in recent years some of the larger and more prominent franchisors have made formal efforts to recruit and assist blacks in becoming their franchisees.

RESEARCH

For the past several years, the magazine Black Enterprise has compiled and published an annual "Franchise 50", a ranking of national franchisor companies by the number of their black-owned units. Those firms with the largest number of black-owned units are lauded by Black Enterprise, and certain of these firms (mainly very large firms at the top of the listing) are singled out for their formal programs to attract and assist more blacks and other minorities to become franchisees. As will be discussed below, this listing has its strengths and weaknesses, and the purpose of this paper is to develop an analysis beyond that of Black Enterprise's listing? Would an alternative analysis and listing better identify success in developing black franchise units, and can we determine the factors that lead to such success?

METHODOLOGY

The most recent Black Enterprise "Franchise 50" listing was published in the September 1989 issue and is based on 1988 data. As described above, the ranking is by the number of black-owned franchise units. The top five and bottom five companies are presented in Table 1 as examples.

While this listing does show the firms with the greatest number of black-owned franchise units, it clearly ignores the issue of relative numbers. Certainly McDonald's Corp., with almost five thousand total units, should be expected to have more black-owned units than Popeye's Fried Chicken, with only 713 total units. However, the fact is that in terms of the percentage of black-owned units, Popeye's, with 21% of its units being black-owned, ranks much higher than McDonald's, which has only 8.5% of its units black-owned. Ranked by percentage of total units being black-owned, the top six companies are shown in Table 2.

Thus, we have a very different ranking when we calculate the percentage of total units that are black-owned. If this is an alternate and perhaps more valid measurement of success in obtaining black-owned franchisees, can we then, as discussed above, determine the reasons why these firms have such higher percentages than many of the firms ranked high on the original Black Enterprise listing?

To determine this, the author conducted telephone interviews with top management spokespersons in the above six firms(4), as well as in a number of other firms in the original "Franchise 50" listing that were cited in the Black Enterprise article for having formal programs to recruit and assist black franchisees.

ANALYSIS

In spite of Black Enterprise's focus on the minority assistance efforts of such companies as McDonald's, the fact is that none of the top-listed firms ranked by percentage of black-owned units have a formal program to recruit and assist minority franchisees. Top management spokespersons were adamant in stating that all prospective franchisees were evaluated by the same criteria and were expected to meet the same requirements for experience and financial strength.

Still, a few of these companies were pleased that they were attracting blacks as potential franchisees, and had begun to respond to this. D & K Enterprises, Inc., of Dallas, TX, a producer of personalized children's books, stated that because of their success in attracting black franchisees they were now in the process of designing a book that would specifically include illustrations of black children and thus be aimed at the black market. Perma Brite, of Windsor, CT, which franchises a fiberglass and porcelain refinishing service, has included minority media in its advertising program to attract new franchisees. Wash On Wheels, of Sanford, FL, which franchises pressure washing, carpet cleaning and ceiling tile cleaning services, has developed a video tape for franchisee recruitment that includes a segment featuring a successful black franchisee. Yet none of these high-percentage firms is engaged in any type of "affirmative action" assistance programs that give extra attention or aid to minorities.

Why, then, do these firms have high percentages of black-owned franchise units? The interview process identified a variety of factors that correlate with higher black-owned percentage figures, but none of these factors seems to always lead to higher percent figures.

One factor is start-up costs. Many high-percent firms seem to be attracting blacks because their start-up costs are relatively low. Previous research has shown that difficulties in obtaining financing is a basic obstacle to black entrepreneurship(5), and start-up financial requirements of only \$3000 to \$20,000 for some of these franchise opportunities (in comparison to several hundred thousand dollars for the best-known fast food franchises) are certainly a factor in attracting black franchisees.

Another factor involves reputation and word-of-mouth promotion. Several company managers mentioned that many of their successful black franchisees had recommended the franchise opportunity to friends or acquaintances and had thus been instrumental in bringing in additional black franchisees.

Several high-percent company managers also believed that they were attracting black franchisees because their franchise involved a product or service that could be conducted as a part-time business. For example, most D&K agents sold their personalized books on a part-time basis and were employed full-time elsewhere or were

homemakers. For such persons, the franchise is an opportunity for supplementary income, but of course this opportunity should appeal to whites as well as to minorities.

Another factor leading to certain firms having high black-owned percentage figure was the frequency of multi-unit ownership. For many franchisors, it is common for one individual, partnership or corporation to be a franchisee-owner of several or even many franchise units. For example, a Hardee's manager stated that its 2000 franchise units are owned by only 260 franchisee individuals or groups. Several of the high-percent firms stated that many of their black-owned units were multi-unit groups. Thus, one successful black franchisee may account for several black-owned units and raise the percentage figure accordingly.

Finally, it must be recognized that a higher percent of black-owned units may be due to a low denominator rather than a high numerator in the calculation. In other words, the addition of even a few black-owned units for a company with a small number of total units will result in a significant increase in the black-owned percentage figure, while a firm like McDonald's must add a large number of black-owned units to increase its percentage figure by even a small amount. Thus, for these major franchisors, with many years of history and a large base of total units, efforts in the past decade to attract minority franchisees are going to have only a minor impact on percentage figures, while a young franchisor company's limited efforts may result in large jumps in its percentage of black-owned units.

The percentage of black-owned units is thus not a more valid measure than the total number of black-owned units in measuring "success" in recruiting black franchisees. Rather, both measures are useful and valid in measuring such success. The more formal recruitment and assistance efforts of the "major" franchisors should also be recognized as important and successful, as Black Enterprise has done.

Some examples of such formal efforts are worth citing. Near the top of the "Franchise 50" listing, Kentucky Fried Chicken has had a Minority Franchise Program since 1982. The company provides guarantees for loans to accepted minority franchise applicants, reducing the needed start-up capital requirement to \$50,000. Normally, a new franchisee must have a net worth of at least \$500,000 and be able to put up \$150,000 in cash. To be accepted into this minority assistance program, the applicant must have strong experience in the industry, and demonstrate high commitment to the franchise.

Hardee's Corp., of Rocky Mount, NC, a fast food chain with about 2000 total units (18 currently black-owned), has a similar program. Its two year old "Franchise Associates Program" enables minority applicants with strong business experience to obtain a franchise with only \$50,000 in personal liquid assets. Normally the company requires \$150,000 in liquid assets and a net worth of \$500,000.

Hardee's in effect sponsors the franchise by making available existing company-owned units to these minority applicants. To evaluate applicants and then increase their chances for success, Hardee's requires applicants to work 50 hours a week at an existing unit, and provides accepted applicants with six months of training.

A somewhat different approach is taken by Subway Sandwiches and Salads of Milford, CT. Rather than having a formal minority assistance program like that of Kentucky Fried Chicken or Hardee's, Subway works to recruit minority applicants by promoting their franchise opportunities in magazines such as Black Enterprise and via franchising seminars aimed at blacks. Also, some of the company's existing black franchisees are employed as "Development Agents" to specifically recruit additional black applicants.

Even smaller franchisors, such as American Speedy Printing Centers, Inc., of Bloomfield Hills, MI, with only 650 total units (46 currently black-owned) have made formal minority recruitment efforts. American Speedy has increased its number of black-owned units by participating in minority business seminars and networking forums, and by working with minority business organizations.

Sometimes assistance to minorities comes from a source other than the franchisor company. Several investment financing organizations exist that will provide equity and debt financing to qualified minority franchise applicants. One example is the Equity Participation Investment Program, which is administered through the State of Maryland and provides \$3,000,000 a year to minority applicants seeking to acquire franchises.(6)

CONCLUSIONS

The development of black-owned franchise units is an important component of this country's corporate and governmental efforts to increase black and other minority entrepreneurship. Success in this development can be measured both by Black Enterprise's annual "Franchise 50" listing of those companies with the largest number of black-owned units, and also by the alternative compilation of those firms with the largest percentage of black-owned to total franchise units. Black entrepreneurship is being expanded by the largest franchisors' formal programs and also by the opportunities presented to blacks by the more accessible nature of the franchises available from smaller and less well-known franchisors. In the interviews conducted in this research project, the large companies reported satisfaction with the results of their formal programs and plans to continue and expand them, and the smaller companies also voiced gratification with the fact that their franchise opportunities were attracting black and other minorities, even without any formal programs or assistance. Each group can learn from the other, and governmental agencies can learn from both.

Future research might involve a more in-depth probe of this phenomenon, with interviews with, and data collected from, the population of black franchisees as well as franchisors.

TABLE 1 BLACK ENTERPRISE "FRANCHISE 50" LISTINGS

Black Total Start-up Rank	Company	Type	Units	Units Costs
1	McDonald's	Fast Food	418 4900	\$500,000
2	Burger King	Fast Food	174 4491	\$264,000- 454,200
3	Popeye's Fried	Fast Food	150 713	\$150,000
4	Kentucky Fried	Fast Food	135 3571	\$150,000
5	Subway	Deli Chain	126 3400	\$ 37,900
		Sandwiches	46	\$ 79,000
		Voice Message	3 44	\$ 40,000-
	Enterprise	Services	47	\$ 150,000
	Perma	Ceram Resurfacing	3 130	\$ 24,500
	Enterprises	Ceramic	48	
	I Can't Believe Frozen Yogurt		3 225	\$142,000
	It's Yogurt Shops		49	
	Kwik Kopy Printing Service		3 680	\$150,000 50
	Midas Intl. Auto Repair		3 1698	\$175,000- 206,000

TABLE 2 TOP RANKED FIRMS - PERCENTAGE OF UNITS BLACK-OWNED

Original Black Total Start-up Rank	Company	Type	Units	Units Costs
3	Popeye's Fried	Fast Food	150 713	\$150,000
	Chicken (21.0%)	40		
	Perma Brite Refinishing	Services (20.8%)	5 24	\$ 12,500
	Church's Fried	Fast Food	56 371	\$415,000
	Chicken (15.5%)	27		
	D&K Enterprises	Personalized	10 72	\$ 3,000
	Children's (13.9%)	11		
	Professional Cleaning	Carpet Systems Service (10.6%)	37 350	\$ 12,000
	Wash on Wheels Mobile	Cleaning (10.6%)	11 104	\$ 4,000
		20,000		

FOOTNOTES

(1) "Eye on the Future," Black enterprise, Sept. 1988. p. 45.

(2) For example, see: Sonfield, Matthew C., "An Attitudinal Comparison of Black and White Small Businessmen," American Journal of Small Business, Jan. 1978, pp. 38-45; and Sonfield, Matthew C., "Aiming For the 'Mainstream' Market - the Key to Black Small Business Success?" Journal of Small Business Management, April 1979, pp. 33-35.

(3) "Eye on the Future," op cit.

(4) Popeye's Fried Chicken and Church's Fried Chicken merged early in 1989.

(5) Sonfield (1978, op. cit.

(6) "Eye on the Future," *op. cit.*, pp.

CHANGING PROFILES: MINORITIES IN SMALL BUSINESS

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ABSTRACT

Non-white minorities make up one-fifth of the U.S. population and their numbers are rising fast in the nation's cities. American Demographics magazine reported that in 1983, Blacks, Hispanics, Asian and other minorities were a majority of the population in 25 cities with populations over 100,000, an increase from nine such cities in the 1970 census [Yankelovich, 89].

INTRODUCTION

Minorities face many problem discrimination, unequal opportunities etc. For the small business minority owner, the obstacles and risks are perhaps greater than for other entrepreneurs. It was estimated that over 1.4 million new jobs were created in 1986 [Bates, 45]. More than 50 percent of these business are expected to fail within the first two years of operation. For the minority owned business, the failure rate will much higher, due primarily to a lack training and experience in business management [Hornaday, 54]. The trend toward increasing minority self-employment is continuing [Hilliard, 16]. A substantial percentage of minorities have ventured into the field of small business and according to some 1984 data, sales revenue of the Hispanic firms has increased substantially. Asian-American, American Indians, Black, etc., have also ventured into small businesses [Palmer, 38].

The Problem

The objective of this study was the identification of various factors that make it difficult for the minority small business owners to survive as compared to the non-minority small business owners. The object also was to examine certain methods or aids that would help solve this problem, and the extent to which they have been successful. The evaluation of the problem would be with respect to certain factors, such as information search patterns regarding policy formulation and decision making, and the use of computers and information systems by the minority owned small businesses.

An area that needs to be investigated is information seeking behavior among minority business owners, since the success of almost any small business depends in large part on access to and intelligent use of information. Two sets of independent variables are considered important when examining the information seeking behavior of small business owners. These are psychological characteristics and the types of business problems perceived to be significant. An increasing number of minority owned businesses are employing increasing use of computers in their businesses. But a negative point is that in too many cases they do not know how to make the best use of these computers [Malone, 10].

Importance and Value of the Research

Although the situation overall has improved it is felt that a lot needs to be done in the field of minority owned businesses. The importance and value of this research would thus be to help identify the variables, and if any of these variables indicate factors which are problematic, to be able to reduce them as far as possible.

The purpose of the study was to be able to isolate certain variables in order to pinpoint the factors which influence the decision making, and the performance of minority owned businesses. The effort was to isolate these variables and analyze the effect on the overall performance (success/failure) of the businesses.

Data Collection

The data collection was all secondary. The study was mainly based on the studies previously conducted by various agencies and individuals, related to this subject. The studies included those which were related to small businesses, minority owned businesses, information systems in small business, and various other journal articles voicing their opinion on status and position of minority owned firms as compared to non-minority owned firms.

PROBLEM DISCUSSION

A pioneering study of both minority and female-owned firms conducted in 1975 by the U.S. Commission of Civil Rights showed that minority and female owners encountered problems of "staggering" proportions in obtaining the information about federal, state, and local government contracting opportunities that was necessary to submit timely bids. In addition to having trouble in obtaining the working capital necessary for effective marketing and bidding, these groups also encountered a great deal of skepticism regarding their ability to perform adequately on government contracts charges reverberated throughout the minority business community [Baker, 2].

The minority businessman say that they are facing other obstacles with which their white colleagues do not have to contend. Their complaints are rarely with corporate policies per se. Most major companies have someone responsible for ferreting out minority suppliers and helping them get into the procurement pipeline. Many go further, offering seminars and technical assistance to minority businessmen.

But off the record, corporate policies disintegrate at the buying level [DeCarlo, 25]. The real situation is small orders that do not provide economies of scale that enable the small business owner to lower their prices, and thus having little chance to win larger orders in competitive bidding. The seeds of distrust were sown in the late 1960's and early 1970's, when many corporate and government agencies deliberately threw business the way of minority owned companies. Many small minority owned companies sprang up to take advantage of this favorable treatment. Some were helped but for most it was too much too soon.

Also, quality, delivery, and intimations of crookedness as well as incompetence spread like wildfire. Government agencies now investigate them so thoroughly before conferring minority status that the wait for such certification is interminable. The result is that many minority businessmen are operating in a holding pattern [DeCarlo, 23]. Many differences were also attributed to socioeconomic, rather than racial factors [Hornaday, 143].

Many of the business problems minority entrepreneurs face are detailed in Table 1.

A study of 122 Black, White, Hispanic, and American Indian women entrepreneurs found that the responses of both minority and non-minority women entrepreneurs differed significantly from those of women in the general population of tests of achievement, autonomy, aggression, conformity, independence, benevolence, and leadership [Deutsch, 1].

Research on business ownership by minority groups indicated that while blacks had the lowest ownership rate, they had slightly higher growth rates than the other minority groups. Hispanics had the second highest rates of ownership among minorities along with the highest rate of increase in ownership. Asians had the highest ownership rates but the lowest rate of increase in number of businesses [Senh, 25].

TABLE 1

BUSINESS PROBLEMS IN START-UP AND CURRENT OPERATIONS

PROBLEM AREA	START-UP		CURRENT OPERATIONS	
	NUMBERS	PERCENT	NUMBERS	PERCENT
Obtaining Lines of Credit	48	43	28	25
Lack of Business Training	28	25	8	7
Lack of Management Experience	26	23	15	13
Weak Collateral Position	22	20	12	11
Lack of Exp. in Financial Planning	18	16	12	11
Lack of Guidance and Counsel	15	13	4	4
Lack of Exp. Hiring Outside Svcs.	14	13	8	7
Lack of Respect	12	11	6	5
Demands of Company Affecting Personal Relationships	11	10	8	7
Personal Problems	9	8	5	5
Lack of Involvement with Colleagues	8	7	3	3
other (Money, Employees, Planning, Discrimination, Collections)	18	16	14	13

INFORMATION SEARCH PATTERNS AMONG MINORITY ENTREPRENEURS

An important area that needs to be looked into is the information search patterns used by minority entrepreneurs. It has been noted that various types of small business entrepreneurial groups differ in their information-seeking behavior [Zurcher, 545].

An equally valid approach to explaining the information-seeking behavior of small business owners would be to focus on the motivation that arises from the need to solve a specific problem. The number and variety of problems confronting business owners may be correlated with dissatisfaction, which in turn leads to a search for information to solve problems.

The problems most often experienced by small business owners can be grouped into four categories: general management, operations, finance, and marketing. Once the problems they experience tend to determine how entrepreneurs spend their time, this approach could be used to describe how minority business owners allocate their managerial efforts.

General management problems include major recurrent problems that must be addressed by top management. Operational problems involve production activities in retail and service enterprises. Finance problems have to do with both long-and-short-term capital needs, as well as with case flow, credit, and collections. Marketing problems can arise in the areas of promotion and advertising, product development, and market research.

In a study conducted by Zurcher, it was postulated that the problems minority small business owners faced could be used as one predictor of information-seeking behavior. Zurcher found that minorities tend to emphasize personal relationships in their work more than non-

minorities do. This suggests that minority entrepreneurs may show a preference for personal information sources across problem categories. Since minorities also tend to dislike impersonal arrangement [Cooper, 14], it was predicted that no significant relationship would be found with written, institutional, and electronic information sources, or with seminars.

Only with respect to financial problems were minorities expected to seek a wide variety of information sources, cutting across both personal and impersonal categories, because of the larger financial commitments required for minorities in the United States, as compared to their home countries [Waters, 3].

FINANCIAL PERFORMANCE OF MINORITY VERSUS NON-MINORITY OWNED BUSINESSES

In 1969 President Nixon created the Office of Minority Business Enterprise, now recognized as the Minority Business Development Agency (MBDA). The creation of the MBDA represented the first major effort to direct public policy toward assisting the minority business sector. A principal focus of this effort has been the need for financing.

Minority owned firms were found to exhibit different operating and financial patterns from non-minority firms, in terms of the manner in which they develop their profitability [Bates, 67]. Studies by Bates found a weak repayment record on the part of Black entrepreneurs who receive SBA loans in selected cities. Similar results have been provided by Klein [Knight, 86].

However, according to another study, in 1978, the U.S. Department of Commerce entered into a contract with Dun and Bradstreet, Inc. (D&B), in which D&B agreed to provide financial data for: 1) minority owned business firms which are not assisted by MBDA (Minority Business Development Agency), 2) minority owned business firms which are assisted by MBDA, and 3) non-minority firms which form a basis of comparison to minority firms.

The study sought to test for comparative differences among non-MBDA assisted minority firms and comparable non-minority firms. Performance was evaluated in terms of profitability, indebtedness, and liquidity. The basic research model was a simple one-way analysis of variance (ANOVA), which was utilized to test the null hypothesis of equal performance across the two categories of firms. Further, multiple regression analysis was employed in cases where performance differences occurred in order to determine whether they were attributed to differential firm size/or age, rather than minority or non-minority status. The ANOVA results are shown in Tables 2 through 4:

It seems that the results of this research are more applicable to firms that borrow from private lenders. Minority owned firms which do not receive assistance from the MBDA were found to have virtually the same performance characteristics as non-minority firms with regard to, profitability, indebtedness, and liquidity.

These findings have some important implications for minority owned firms. First, the minority firms which deem themselves creditworthy must make themselves known to lenders. Minority firms must also ensure that ethnic status is not equated with economic non-viability. Second, banks and other private lenders should recognize that compliance with terms of the Community Reinvestment Act does not require financial institutions to make loans having a high degree of risk. From this research there are indicators that there is a sizeable population of viable minority owned firms. These findings seem to be contradictory to the otherwise

popularly held belief that minority owned firms do not perform as well as the non-minority firms.

AIDS TO MINORITY OWNED SMALL BUSINESSES

Over the years, efforts have been made in all fields to increase the assistance that can be offered to minority owned small business. Efforts have been made on the part of the government, as well as private individuals to help such businesses.

The Commerce Department's MBDA has certain programs which it offers to the minority owned business. One such program is the Export Development Program. Under this program, nine private consulting firms are funded by the MBDA to operate export development centers around the U.S. and to assist minority entrepreneurs interested in exporting.

The Small Business Administration offers many programs, such as the Small Business Institute to offer counselling services to small business firms [Betts, 10]. In addition SBA's 8(a) set-aside program, which has for 21 years has funneled government contracts to "Small and disadvantaged" companies.

In 1988, Congress ordered the Department of Defense to allocate five percent of its procurement budget to minority suppliers. In the private sector, General Motors alone did more than \$1 billion of business with minority suppliers in 1986.

More than a quarter of RJR-Nabisco's company-paid employee life insurance handled by black insurance companies. Similarly, the Polaroid Corporation is establishing a network of minority dealers to sell Polaroid products to other companies. Ford Motor Company says it is serious about attracting minority owned business.

TABLE 2 RETURN ON ASSETS

MINORITY NON-MINORITY F. PROB.

Manufacturing	13.11	11.89	.569
Construction	18.36	11.81	.006
Services	18.60	15.63	.368
Transportation	11.16	7.70	.338
Retail Trade	16.88	15.89	.764
Wholesale Trade	14.22	18.29	.458

TABLE 3 CURRENT RATIO

Manufacturing	3.52	5.14	.308
Construction	3.64	3.35	.637
Services	5.03	5.86	.739
Transportation	2.38	3.56	.519
Retail Trade	6.32	5.64	.662
Wholesale Trade	3.32	3.87	.326

TABLE 4 DEBT TO NET WORTH

Manufacturing	170.8	139.6	.216
Construction	176.9	159.8	.512
Services	168.0	164.5	.915
Transportation	319.7	185.0	.015
Retail Trade	170.7	145.8	.224
Wholesale Trade	185.1	138.4	.049

CONCLUSIONS

But despite all these efforts, dissatisfaction still exists among minority owned firms. What has or can help these entrepreneurs to overcome their problems? Three factors can be cited here: a support system, further education, and perseverance. The first factor is a strong moral support system of family and friends, clients, and business associates. A support system needs to be established by every entrepreneur to provide the guidance and encouragement to continue even when the chips are down. In addition, returning to college, seminars, conferences, continuing education programs, etc., are the educational methods which can compensate for weak business skills. Last, is the factor of perseverance. While continuing education is helpful, there is no substitute for perseverance, preparation, and hard work for success.

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SMALL BUSINESS INSTITUTE DIRECTORS' ASSOCIATION NEW CHALLENGES FOR SBI'S

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ABSTRACT

This study investigated the benefits of counseling as they relate to the success of small business owners. Gender differences in motivation and behavior was also investigated. A mail survey was conducted. The sample included 580 small business owners who had received some counseling. The sample was divided into 290 males and 290 females. The response rate was 24%.

The findings supported the fact that small business owners do find counseling beneficial and that it did result in success in the areas of new products, services, and increased employment. Gender differences was found to not be a discriminating factor in either risk taking or participative management style.

INTRODUCTION AND LITERATURE REVIEW

The continued success of the significant final contributors of small businesses to the American economy is of concern to everyone. The successful support has two truly significant social issues. First, as everyone knows, small business creates more new jobs than any other element of the economy. Secondly and equally important, emerging small businesses hold the challenge of the American dream...to be an entrepreneur...to make it on your own! Both of these significant contributions face significant threat from emerging forces in the economy, if small business is to continue to contribute to society, small business people need to be better prepared to succeed. In the past two decades our local, state and federal governments have built support systems that have successfully helped many aspiring entrepreneurs succeed. The Small Business Institute is one of these programs.

Now, as we face the 'nineties' and beyond the turn of the century, it is imperative that these counsel services better address the emerging limits for small businesses. This paper addresses the question of women as entrepreneurs and the differences in attitudes as compared to men. If we who counsel small business people are to improve our ability to help, we have to understand these differences of opinion by the gender.

An April 1987 Impact Study completed by the Iowa State University revealed that the constituency who has received the SBDC services perceived the SBDC Center as providing a high quality service. As shown in the client ratings of performance and those who would recommend the SBDC service, client satisfaction has been very good and has increased continuously over time.

The percent of client rating SBDC services as good to excellent increased from 72.8% for the 1983/84 clients to 83.4% for the 1984/85 clients and 87.65% for the 1985/86 clients. The mean ratings also increased from 3.0 in 1983/84 to 3.5 in the 1984/85 and 3.9 in 1985/86. According to the study, 95% of the clients using the SBDC services would recommend them to a friend (Iowa State University Research Dept., 1987).

Business attitudes and behaviors of the entrepreneur are often cited as critical factors in being a successful small business owner. Research has identified several of these as being

important. The literature indicates that entrepreneurs of the 1980's have changed. Today women play an increased role in the labor force and this role will remain prominent.

According to the Bureau of Labor Statistics, the number of self-employed women has multiplied three times as quickly as the number of self-employed men. The government considers women-owned small business to be the fastest growing segment of the small business population, increasing 6.9% yearly from 1977 to 1982, compared with the 3.7% growth of male-owned companies. Among the privately owned companies, women now own more than 25% of the sole proprietorships (Flatow, 1986).

Most women are in the micro-businesses that are going to stay small, both in sales and employment. These businesses tended to cluster in what are the service industries: clerical services, personnel, travel, catering, advertising, and public relations are the most popular (Wojahn, 1986).

The woman entrepreneur tends to be more people oriented. They think more about the risk that a business career places on relationships with employees and family.

Other factors that are known about entrepreneurs include the point that entrepreneurs do not like working for anyone else but themselves. While money is always a consideration, there are easier ways to make money than by doing it alone. More often than not, money is a by-product of an entrepreneur's motivation rather than the motivation itself.

Contrary to popular belief, entrepreneurs are not high risk takers. They tend to set realistic and achievable goals. While they do take risks, they are calculated risks. They know their limits, but are willing to bet on their own skills. For instance, they seldom buy lottery tickets or bet on spectator sports, but are not reluctant to gamble on games involving their own skills, such as tennis or golf. Further, entrepreneurs will accept a challenge not so much on the off chance of winning, but for the experience, and experience is what they parlay into success (Mancuso, 1984).

These ideas concerning counseling services, the changing aspects of the entrepreneur and the success of small business can be depicted in the following model:

The literature as depicted in the model provided the basis for the following hypotheses which were tested in the study:

H1 Counseling will help create new jobs in 10% of the small business owners.

H2 Counseling will result in new goods and services being created in 10% of the small business owners.

H3 The counseling received will be rated at less than 3.

H4 Eighty percent or more of respondents will recommend counseling to other business people.

H5 The primary reason for women starting a small business is because they did not like working for someone else.

H6 The primary reason for men starting a business is freedom from standardized pay for standardized work.

H7 Women will value the satisfaction of customers more than profits.

H8 Men will value profits more than satisfaction of customers.

H9 Women will be more risk-averse than men.

H10 More women will permit employee participation than men.

METHODOLOGY

The design for this research was Ex Post Facto. The level of research goal is a descriptive picture of the situation at the present time. A mail survey was used. Validity of the questionnaire was established by the office managers of the Drake University SBDC and the Center for Entrepreneurial Management.

The population consisted of 1,533 elements, 1,051 male and 482 female. The sample was divided into two categories, male and female. Each category included 290 SBDC clients that were randomly selected within each category.

There were 206 questionnaires returned. Of these 11 respondents did not start a business, therefore, did not complete the questionnaire. Another 58 questionnaires were returned as non deliverable due to incorrect addresses. The usable response rate was 24%.

RESULTS

Hypothesis 1 stated counseling would create new jobs in 10% of the small business owners. The results indicated that 18.7% of the clients responding said at least one new job had been created as a result of counseling. As a result H1 is supported. Since the primary purpose of counseling is to assist small businesses with existing problems, any increase in employment is a plus.

[See Table 1]

Another positive aspect found in the data is the increase in new products or services. The results indicated that 21.1% of the respondents did in fact add a new product or service to their organization. This means that H2 can be supported.

[See Table 2]

The counseling received had a mean rating of 2.993 for the respondents of the survey. Females rated the counseling higher (2.72) than did the males (2.67). If this result is coupled with the idea that men have more business experience than do women, this could mean that males have a better perspective of the value of counseling services. Hypotheses 3 is supported.

The counseling did receive a very good recommendation from the respondents. Counseling would be recommended by 83.6% of males and by 88.9% of the females. This is in contrast to the ratings since men rated the counseling services lower than females. The interpretation

centers on the idea that the females feel counseling services did not help them greatly, but may help someone else. Hypothesis 4 is supported.

The primary motivation for women to accept the responsibility of a small business was because they did not like working for someone else (49.2). The next closest reason for women to enter business was to make money (44.6%)

The primary reason for men to enter into self-employment was to make money (59.3%). The next closest response was because they did not like working for someone else (37.3%). The difference in the male and female motivation probably is due to the fact the male is usually the primary support for the family with the female income being a supplement. Hypotheses 5 and 6 can be supported.

Both males and females are particularly interested in the satisfaction of customers. Both rated satisfaction of customers as the number one choice. The difference between the sexes came as the men rated profits second 51.6% of the time, whereas the females rated respect of peers second 42.95% of the time. Since women rated the satisfaction of customers higher than profits, H7 is supported since men also rated satisfaction of customers number one.

Contrary to popular belief, entrepreneurs are not high risk takers. They tend to set reachable goals in which they have some control over the situation. Seventy-five percent of the men and 60.7% of the women chose to bet on the favorite in the betting question.

It should be noted that 30 of the women stated they did not believe in betting and refused to answer the question. It should also be noted that the overwhelming response on the tennis question indicated that both male and female were not willing to take a risk. This supports the contention that small business owners are not risk takers but do like challenges. Since neither male nor female seems to be risk takers, H9 is not supported.

Both the males and females consider their employees in decision making. Nearly 90% of both sexes consult with their employees on matters which directly concerns them. Therefore, there is no support for H10 as is seen in the information presented.

Eighteen of the missing cases were women.

CONCLUSIONS

This study indicates that small business owners do find it advantageous to use counseling services. The owners that do this increase their businesses in terms of new goods, new services, and increased employment. Small business owners are satisfied with counseling services and do recommend these services to other business people in the area.

The major areas of interest comes in the difference in the business attitudes reflected between the genders. This information is of value in working with female clients. Women want to work for themselves and that motivation is stronger than making money. Money was a close second for women and probably reflects the fact that more female heads of households are moving into this area and also that as economic conditions change, it takes more money to sustain a certain level of life style even when there are two wage earners. Customer satisfaction was important for women as well as men in their dealings with customers. The difference came when females rated respect for peers higher than profits. It still appears that women are more other-directed in their dealings with people. This other-directedness is also

reflected in the fact that small business clients (particularly women) have a high degree of respect for their employees and engage in management styles that reflect this degree of concern. The most interesting area involves risk taking. Women are not risk takers. This was also indicated by the males but more women stated that they appreciate the challenge of a situation.

Two important concepts addressed as a result of this study are: 1. small business owners do derive benefit from contact with counseling services such as those offered by SBI's. This is a group to be which resources can as directed and results will be gained. 2. when consulting with women as small business owners, different approaches need to be taken because women's needs are different. Women will need more guidance in being profit directed and increasing their tolerances for appropriate risk taking.

These concerns can be addressed by recruiting more female students to SBI Case Counseling. This will tend to serve a two fold purpose. First, the first hand experience if being involved with a small business will educate females at a younger age as to what is involved in owning a small business. Second, a somewhat reverse role-modeling can be achieved. As women who are currently involved in small businesses are counseled by younger women than the expertise of the younger women might be incorporated into the approaches utilized by the current business owners. This would result in women helping women to become better small business owners and in return the younger women can see what can actually be accomplished.

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TABLE 1 NEW JOBS

Value label	Frequency	Percent
1. None	109	81.3
2. One	13	9.7
3. Two	4	3.0
4. Three	2	1.5
5. Four	2	1.5
6. Five or more	4	3.0

TABLE 2 NEW PRODUCTS

Value Label	Frequency	Percent
1. None	105	78.9
2. One	22	16.5
3. Two	4	3.0
4. Three	1	.8
5. Four	0	.0
6. Five or more	1	.8

CONFERENCE MEETING FACILITIES: VARYING PERCEPTIONS OF HOTELIERS AND CLIENTS

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ABSTRACT

This study examines the differences in what business clients look for in selecting a hotel site for meetings and conferences and what hoteliers perceive as being desired by business customers. Based on the literature, twenty-one of the most frequently mentioned variables were examined in a survey of Colorado hotels and business associations. Analysis revealed that there are differences in the importance of these variables as perceived by hoteliers and business customers.

INTRODUCTION

Many people do not realize the importance of selecting a hotel site for their meetings, conventions, conferences and retreats. But, a hotel site and everything it offers can either "make" or "break" a business transaction. Variables such as catering service, quality of food, amenities, privacy, group coordinator, and size of the meeting rooms can either irritate the business executive if the variables are considered unsatisfactory, or help the executive make important business decisions if he/she is in a comfortable working atmosphere with extraordinary services. The business person selecting the hotel site must identify the purpose of the meeting as well as the important traits desired before he/she begins searching for a hotel. Then, he/she should choose the hotel that offers most of the important traits desired. The hotel should match the organizer's needs.

More and more each day, hoteliers are realizing the importance of catering to small businesses. The market is rapidly growing with groups requiring 30 guest rooms or less, consisting of 10 to 20 people. Hoteliers think that these groups are important because they require assistance in selecting a hotel. For example, larger groups usually have a professional organizer to plan their meetings. But, the smaller groups usually assign a secretary or sales manager to plan the meetings, usually someone with no experience in this field. Hotels are discovering that with small business meetings, they get lots of repeat business if they do a good job catering to their needs. This is where the small numbers add up (1).

Previous Research

Within the last year, new hotel construction, spurred by favorable tax laws, has been taking place all over the country. With this added space, the hotel industry is beginning to realize that there is a new lucrative market to tap into. Now, not only do hoteliers need to promote themselves to their regular overnight traveling

guests, they also need to consider marketing themselves to the business clients and the convention clients. There is a strong demand for meeting space by business clients who use the hotels for meeting, conferences, conventions, and retreats. More than half of all sales in most large U.S. hotels can be attributed to meeting business.

In order to utilize their space as efficiently as possible, hoteliers are going to need to learn exactly what their business clients is looking for in a hotel. The factors are numerous and can range from the size of the meeting rooms and the fee for the rooms to the amenities offered

and the quality of food provided. Granted, each business or association utilizing the hotel service will more than likely have heterogeneous needs. Therefore, the hotelier should be specific in classifying his target market so he can best suit their desires. However, several experts have differing views on what exactly the business customer is searching for.

Actually, the business customer is searching for a variety of factors in a hotel. One conference organizer, who plans about 500 meetings a month, rated the following five factors in order of importance when selecting a hotel for his group.

1. Personality of the hotel
2. Physical capability of the meeting rooms
3. Price
4. Level of service
5. Distance from the airport

(2) Jan Hillman, event director with World Trade Promotions, said that she looks for the following attributes in a hotel: good location, competitive discounts, good exhibition facilities, and decent catering and banquet facilities (3). But when Gerry Niesen, meeting planner for Honeywell Avionics, scouts a hotel, he mostly concentrates on the staff. He wants to know how the hotel people get along with each other, the morale of the hotel, how the staff responds to each other, and how they treat the average customer. So many planners are looking for different traits when selecting a hotel (4).

But, sometimes what the planner is searching for will not be offered all in one hotel. "Many professional event organizers claim fundamental differences remain between what the customer needs and what their hosts are prepared to offer (5)." Simon Pearson, director of marketing for Hyatt International's Asia/Pacific sales office, thinks that he needs to offer suitable space, technological support with simultaneous translation, amenities and services, and innovative food, beverage, and theme parties in order to best provide the needs of his meeting planner (6). So, there are likely to be conflicts in what the customer desires and what the hotel has to offer.

Besides these factors, one variable seems to remain constant. It seems that the size of the group and the size of the hotel is important to both the customer and the host. It seems that, for the most part, small groups want small hotels and large groups need the larger hotels. Mostly, the small group seem to feel that they can "dominate" the small hotel and, therefore, receive the best service and most attention possible. And the large groups need the larger hotels for the obvious reason that they need more meeting space and guest rooms. It seems to be that whether the group is large or small, they want a hotel that they can "take over" so that they can benefit from extra service. However, in rare cases this is not true. For example, one small group consisting of five members felt that they needed to stay in a large hotel to insure privacy rather than at a small motel or inn where there would be other guests present most of the time (7).

One other aspect of size is also important. That is the fact that small groups are becoming increasingly important to hotels for small meetings. "Small groups are 60% of Marriott Meeting Business (8)." These are the groups requiring 30 guest rooms or less. Since the meetings are small, most hoteliers are discovering that non-professional meeting planners are organizing the set-up. These would be people such as secretaries or a vice-president of sales, etc. Many hotels decided to penetrate into this market because they realized that small businesses often return to the hotels that offer the traits they desire (8). This repeat business really starts to add up.

Although there may be controversy on the customer's needs and wants, there is no doubt that the majority of hotels are beginning to discover what a great potential there is for small businesses using hotels for meeting places. For example, the USA-based Marriott Corporation chain recently created a new position in order to cater to this market. The new position is called the executive meetings manager (EMM). This person is responsible for handling all of the details of setting up meetings and conferences for businesses. Some of the things the EMM is responsible for are catering, direct billing, room reservations, and meeting room set-ups. The new growing market also spurred USA-based InterContinental Hotels to publish a Meeting Planners Guide. "The guide is a 60-page handbook offering checklists and basic instruction on aspects of conference planning such as site selection, financial planning, contracts, and food and beverage (10)." So, the hoteliers do realize that they must become competitive in order to accommodate this market.

Research Methodology

A questionnaire was developed based on the literature review. The questionnaires were mailed to both hotels and associations in Colorado to determine the differences in what is actually desired by associations using hotels and what hotels perceive as being desired. The results will be discussed in a following section.

Sampling Procedure

Questionnaires were mailed to 30 hotels and 100 associations, all located in the Denver/Boulder area. Out of the hotels surveyed, 22 were returned for a 73% response rate. The associations had a 40% return rate. The Denver/Boulder area telephone directory was used as the sampling frame for hotels. The Directory of Associations served as the sampling frame for associations. Only the hotels and associations that are considered "small" were evaluated. The hotels that were evaluated did not earn more than \$3.5 million average annual gross receipts over three years which meets with the Small Business Administration's definition of small for the hotel industry (11). The associations that were evaluated all stated that they used small hotels for their conference sites.

Analysis of Results

A multivariate analysis of variance (MANOVA) was conducted to determine the differences between what hotels perceive as important and what associations think is important in selecting a hotel site. The twenty-one variables that were developed based on the literature review are listed in Table 1. A MANOVA was appropriate, rather than separate ANOVA's, in order to preserve the alpha level. (12).

Table 1

Variables Ranked by Hotels and Associations

1. Number of meeting rooms
2. Size of meeting rooms
3. Fee for meeting rooms
4. Number of guest rooms
5. Rate for guest rooms
6. Audio-visual price

7. Catering service
 8. Quality of food
 9. Amenities offered (pool, lounge, health club, etc.)
 10. Business service--typing, etc.
 11. Geographic location of hotel
 12. Location of hotel within city
 13. Privacy
 14. Competitive discounts
 15. Good exhibition facilities
 16. Reservation facilities
 17. In-room video checkout
 18. Lockable cupboards/storage
 19. Message system
 20. Group coordinator
 21. Setting and surroundings
-

The MANOVA resulted in an F-value of 1.79 and a p-value of .016 (d.f. = 21). This indicates that the means of the two groups do differ across the twenty-one attributes. Univariate F-tests were conducted to assess whether the group means differed on each of the individual variables. The univariate F-values and the mean ratings on the twenty-one variables are shown in Table 2. Three variables did differ significantly. They are the availability of a group coordinator, amenities offered, and the fee for the meeting rooms.

Table 2

Univariate F-values and Mean Ratings

Hotel Assoc.

	F-Value	Mean	Mean
Number of meeting rooms	.2	1.9	1.4
Size of meeting rooms	.78	1.5	1.4
Fee for meeting rooms	.01	1.9	1.2*
Number of guest rooms	.28	1.8	2.2
Rate of guest rooms	.40	1.4	1.2
Audio-visual price	.14	2.7	2.2
Catering service	.87	1.8	1.9
Quality of food	.34	1.5	1.8
Amenities (pool, health club, lounge, etc.)	.002	2.1	3.2*
Business service--typing, etc.	.16	3.3	3.8
Geographic location of hotel	.20	1.7	1.3
Location of hotel within city	.52	1.8	2.1
Privacy	.12	2.7	3.4
Competitive discounts	.79	2.1	3.4
Good exhibition facilities	.38	2.3	2.8
Reservation facilities	.40	2.2	1.9
In-room video checkout	.68	3.6	3.8
Lockable cupboards/storage	.68	3.3	3.5

Message system	.76	2.5	2.7
Group coordinator	.01	1.7	2.9*
Setting and surroundings	.62	1.8	2.0

*Significant difference at alpha = .05

Twenty-one factors regarding hotel traits were examined in this study. A comparison of the importance of factors to associations and hoteliers was conducted. The associations rated the eight variables as being more important than hotels did. These variables include the number of meeting rooms, size of meeting rooms, fee for the meeting rooms, rates for the guest rooms, audio-visual price, geographic location, competitive discounts and reservation facilities. The variables that the hotels viewed as more important than associations did were the number of guest rooms, catering services, location of hotel within the city, privacy, good exhibition facilities, video check-out, lockable storage, message system, group coordinator, and setting and surroundings. The data analysis suggests that hotels and associations did not differ significantly on the importance of these variables. The three variables that differed significantly were the availability of a coordinator, amenities offered, and the fee for the meeting rooms. The hotels thought that the amenities and the group coordinator were more important than the associations thought. Then, the associations felt that the fee for the meeting rooms are more important than the hotels seemed to think. However, other findings in the literature show that the group coordinator is very important to the associations using hotels.

Discussion

The data analysis suggests that the most significant differences are in the availability of a group coordinator, amenities offered, and the fee for the meeting rooms. Of these three variables, the mean score of hotel respondents was lower on the amenities offered and the availability of a group coordinator. From this study, this indicates that the amenities and group coordinator are not as important to consumers as hoteliers perceived them to be. The questionnaires showed that the associations felt that these variables were only somewhat important, while hoteliers felt that these variables would be very important to their business customers. The mean scores can be found in Table 2.

The other variable, the fee for the meeting rooms, is more important to the associations than the hoteliers thought. The hotels' mean is 1.9 whereas the mean for the associations is 1.2, which can also be seen in Table 2. This indicates that the associations feel that this variable is more important than the hoteliers perceived it to be.

This study indicates that the hotels need to realize that their customers feel that the fee for the meeting rooms is very important. Perhaps the hotels felt that only the rates for the guest rooms is most important, ranking the fee for the meeting rooms as less important. However, this study suggests that the associations using hotels view the fee for the meeting rooms as very important.

Our survey also suggests that the hotels are concentrating strongly on the amenities offered, when the associations do not view this variable as being very important. According to the associations, many other variables are more important than the amenities offered.

According to the questionnaire, the associations do not view the availability of a group coordinator as being very important. However, the literature reviewed on this topic states that this is a very important variable to many businesses using hotels for conferences. The

justification for the difference is that the businesses discussed in the literature were large corporations and businesses utilizing large hotels for meeting space, rather than small businesses, or clients using small hotels, as was the case in this study.

The results of this study suggest research in other related areas. Suggested areas of investigation include whether or not the availability of a group coordinator and the amenities offered in a hotel are really important variables to associations or business using hotels. Also, finding the importance of the fee for the meeting rooms could be another area of research. The study should be expanded from a local area to a regional or national study utilizing various types of hotel customers in addition to associations. Difference between wants and needs of large and small clients should also be examined.

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IMPACT OF GOVERNMENT LEGISLATION ON SMALL BUSINESS

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PURPOSE

One Small Business Institute has attempted to systematically survey businesses in its service area. The results of an exploratory survey by the institute, indicated the issue of how the business entrepreneur deals with government bureaucracy and legislation was important to small business owners. This issue was discussed in a group meeting of several successful business entrepreneurs in May 1989. The meeting generated suggestions of a number of ways to help entrepreneurs deal with government legislation. This present study was created to see if the ideas discussed were actually desired by small business. To obtain information for the study, a survey targeting four specific objectives was developed:

- #1. Discover if small business owners perceive they are impacted by government legislation, and if so, what source(s) of information they use to keep up to date on such legislation.
- #2. Test whether or not there is a need for the Small Business Institute or another entity to provide an information service to small business about new government legislation.
- #3. Discover if entrepreneurs need and want a directory of their legislators (federal, state, and local), and/or a guide on the proper ways to approach their legislators.
- #4. Determine if small business owners want a hot-line service, which would provide advice and guidance when problems arose with state and local governments.

SURVEY METHOD

The survey was conducted over the telephone during a three week period. The population chosen was 421 successful small business owners in the immediate area of the institute which receives the institute's newsletter. These business owners had been in business over three years, were profitable and had a minimum of ten employees and a maximum of 500 employees. Using a random number table, 135 companies were called. Out of the 135 companies were called. Out of the 135 companies contacted, sixty-seven were surveyed and sixty-four surveys were usable.

Each survey respondent was qualified. Three of the surveys were unusable for two different reasons. The survey was to target small businesses and two of the businesses surveyed were removed because they had over 500 employees. The other discard survey was for an interrupted, incomplete interview.

There are several reasons why only sixty-seven companies were surveyed out of 135 phone calls. About ten to fifteen of the companies had changed company names. Approximately another ten had changed ownership. There were several others that were out of town for the duration of the survey. Many of the owners or presidents were busy and unable to be reached. A few of the companies refused to be interviewed. And two of the companies were going out of business when reached.

It took on average about five phone calls to each company before a president or owner could be reached for questioning. On a few occasions vice presidents or other people in the

company were surveyed. These other people were responsible for making decisions and possessed knowledge in the area of the impact of government legislation on the company. The survey instrument may be found in exhibit #1.

SAMPLE REPRESENTATIVENESS

To verify if the survey was representative of small business in the county in which the survey was conducted, a Chi Square test was calculated. To administer the test, data was gathered from Donnelly Demographic 1988 edition page 22A on the representation of business in the County. The companies surveyed were then placed into seven categories. The Chi Square test at an alpha of .05 and degree of freedom six indicated no significant difference between the sample and the county's small business population.

SURVEY RESULTS

#1 Has your business been recently impacted by government legislation?

n = 64 YES 46 71.9% NO 18 28.1%

This question asks if a recent law has had an impact on the company.

#2 Do you expect that your business will be impacted by government legislation?

n = 18 YES 9 50.0% NO 9 50.0%

If the company has not been recently impacted, this question is asked. Question two asks if the owner expects to be impacted by government legislation in the future. If the responses are, "No." to the first two questions, the survey will end after asking three demographic questions.

#3 did you know about the legislation before it went into effect?

n = 46 YES 42 91.3% NO 4 8.7%

For those who responded, "Yes." to question one, question three asks if the owner had previous knowledge about the law before it went into effect.

#4 Have you found a way to be notified about government legislation?

n = 13 YES 5 38.5% NO 8 61.5%

If the owner answered, "Yes." to question one and "No." to question three, he is asked question four. Also, if the owner answered yes to question two, he is asked question four. Question four asks if the owner has found an information source containing government legislation.

#5 What is your source(s) of information on government legislation?

n = 74

A. Trade Journal/Publication	14	18.9%
B. Trade Association.	29	39.3%
C. Newspaper/T.v.	16	21.6%
D. Other.	15	20.3%
Uncertain/Didn't answer	9	19.5%
Bias of Information	1	2.3%
Lobbying Benefits	1	2.3%

This question asks the owner to name what pleases him or her the most about the information

*Wall Street Journal . . .	4	5.4%
Govt. contacts and info. .	4	5.4%
Accountants.	3	4.1%
Broker	2	2.7%
N.F.I.B.	2	2.7%
Tax Service.	2	2.7%
Chamber of Commerce. . . .	1	1.4%
Consultant	1	1.4%

* Wall Street Journal is included in breakout of response C.

Question five asks the owner to list company information sources containing government legislation. Several respondents utilize more than one source.

#6 What did you like most about this source(s)?

n = 47

A. Price.	0	0.0%
B. Timeliness of Source	17	36.2%
C. Providing the info. I want .	19	40.4%
D. Other	11	3.4%
Uncertain/Didn't answer	9	19.5%
Bias of Information	1	2.3%
Lobbying Benefits	1	2.3%

This question asks the owner to name what pleases him or her the most about the information source on government legislation.

#7 What did you like least about this source(s)?

n = 47

A. Price	0	0.0%
B. Timeliness	5	10.6%
C. Too little info. to help. . .	7	14.9%
D. Too much info	4	8.5%
E. Other	31	66.0%
No Dislikes	17	36.2%
Uncertain/Didn't answer . . .	11	23.4%
Terminology too difficult	2	4.3%
Inability to describe alternatives	1	2.3%

Question seven asks the owner to name what displeases him or her the most about the information source.

#8 How much did this legislation cost your business?

n = 46

A. Under \$500 . . .	3	6.5%
B. Under \$1000 . . .	1	2.2%
C. Under \$5000 . . .	6	13.0%
D. \$5000 or more . .	28	60.9%
E. Uncertain . . .	8	17.4%

If the company recently had been impacted by a government law, the owner was asked the financial effect of it in question eight.

#9 In your opinion, would a service, which would alert you about proposed and enacted legislation that would have an impact on your business, be of value to you?

n = 55 YES 27 49.1% NO 28 51.9%

Question nine asks the owner if an information service to small business, about government legislation, would be of value.

#10 Why not?

n = 28

A. No time	1	3.6%
B. No money.	0	0.0%
C. I cannot influence legislation	6	21.4%
D. Already have	21	75.0%

If the owner responded, "No." to question nine then he was asked in question ten for a reason for his or her response.

#11 If you had to pay an annual subscription fee for a service that provided biweekly updates on proposed legislation on issues that would affect your business, how much would you be willing to pay?

Question eleven asks how much the owner would be willing to pay for the information service, if he believed it would be valuable to him or her.

#12 Would a directory which gave names, phone numbers, addresses and ways to approach state and local legislators and regulators be of value to you?

This question asks the owner if a directory of legislators and a guide on the proper ways to approach their legislators would be valuable.

#13 Would you be willing to pay for a hot-line service which would provide advice and guidance when you ran into problems with state and local governments?

n = 55 YES 14 25.4% NO 41 74.5%

This question was asked to discover if the owner would pay for an advice and guidance hot-line service on government legislation.

SURVEY INTERPRETATION

Several questions had interesting results. Only nine companies out of the sixty-four were not impacted by government legislation or believed they would not be impacted. Questions three and four show 79.7% of small businesses have a source of information on government legislation. It appears the most common source of information on government legislation comes from trade associations and trade publications. Combining these two sources one obtains 58.1% of all sources of information on government legislation. A large percentage of small businesses are happy with their source(s)

of information on government legislation. Seventeen out of the forty-seven businesses stated that they had no dislikes about their source of information on government legislation. Small business is materially impacted by government legislation. There were many answers, for question eight, which priced the impact at \$10,000 to hundreds of thousands of dollars. Question nine, the one which asks if a subscription update service would be of value to his or her business, resulted in a near 50% favorable 50% unfavorable response. The response to question ten indicates that having a satisfactory update service from other sources was the major reason why companies were unfavorable to question nine. The question on the value of a directory to the entrepreneur, question twelve, also had a near 50% favorable opinion. The question on the hot-line telephone service drew a large negative response.

Several programs were adopted and produced from the research. The institute has urged its subscribers to become active members of their trade associations. The legislation update service will be further researched to determine if the update service is useful to those who have no such affiliation, or to lawyers. Instead of producing a directory of legislators for small business, the institute has published a guide on how to properly approach legislators. This guide had been made available to all the small businesses, on the institute's mailing lists. Legislation working groups have been implemented at the institute's meetings of successful

entrepreneurs. Before the meeting a list of fifteen prescreened bills, which effect small businesses, are sent out to successful small businesses across the country. Small businesses then chose which bills they would like the institute to focus on. At the meeting of entrepreneurs, the three bills which received the most votes are discussed. Those entrepreneurs present can then contact their legislators and express their views about the bill. The how-to guide on ways to properly approach legislators was available, if the entrepreneurs needed it.

CONCLUSION

There are several insights I came upon during the survey. Concerning the legislation update service, companies which belong to trade associations generally felt they were being informed on legislation and did not feel the service was of any value. This suggests that small business owners should be urged to join appropriate professional associations. For those who have no such association to turn to, it is reasonable to conclude there is a need for such a service. The service could also be a means for lawyers to keep informed on new legislation as well as to inform their clients.

Small businesses would use the directory as a convenience item. I believe this would be done infrequently, because it appears small businesses don't try to influence legislation, but rather react to it. One owner, a manufacturer of defense parts stated for example, "Lobbying is for the big guys like McDonnell-Douglas." Many small businesses don't have the time, money, or power to influence

legislation. Small business can get most of the information they need from the White Pages of the telephone book. this research and input from entrepreneurs reveal that government legislation and regulation are not a major concern to small business even though such legislation and regulation is perceived as costly. The major belief among small business is that small business cannot influence legislation and the large companies area the ones who have the power, time and money to influence legislation. There are a few exceptions to this belief. Is this general belief good for small business? Should something be done to unite small business?

The hot-line service elicited little enthusiasm. Businesses did not want to pay for something generic they might not and probably will not use. Successful business owners seemed to feel if they ran into problems they could always pay a lawyer for specific advice.

EXHIBIT #1

SMALL BUSINESS LEGISLATION SURVEY

#1 Has your business been recently impacted by government legislation?

If yes then #3 If no then #2

#2 Do you expect that your business will be impacted by government legislation?

If yes then #4 If no then #14

#3 Did you know about the legislation before it went into effect?

If yes then #5 If no then #4

#4 Have you found a way to be notified about government legislation?

If yes then #5 If no then #8

#5 What is your source(s) of information on government legislation?

A. Trade Journal/Publication B. Trade Assoc. C. Newspaper/T.v. D. Other _____

#6 What did you like most about this source?

A. Price B. Timeliness of Source C. Quality/Providing the info. I want D. Other

#7 What did you like least about this source?

A. Price B. Timeliness C. Too little info. to help D. Too much info. E. Other

If no on #1 then #9

#8 How much did this legislation cost your business?

A. Under \$500 B. Under \$1000 C. Under \$5000 D. \$5000 or more

#9 In your opinion, would a service, which would alert you about proposed and enacted legislation that would have an impact on your business, be of value to you?

If yes then #11 If no then #10

#10 Why not?

A. No time B. No money C. I cannot influence legislation D. Other

GO TO #12

#11 If you had to pay an annual subscription fee for a service that provided biweekly updates on proposed legislation on issues that would affect your business, how much would you be willing to pay?

#12 Would a directory which gave names, phone numbers, addresses and ways to approach state and local legislators and regulators be of value to you?

#13 Would you be willing to pay for a hot-line service which would provide advice and guidance when you ran into problems with

state and local governments?

#14 What type of business are you?

#15 How many employees do you have?

#16 What is the annual revenue of your company?

YOUNG ENTREPRENEURS GET A HEAD START IN BUSINESS WITH EDUCATION

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ABSTRACT

This paper describes the case histories of four students who pursued entrepreneurship education at Xavier University and now successfully operate their own small businesses in Ohio. The paper delves into these student's businesses: the initial beginnings of the business, personality, management, finance, marketing, customers, competition, future plans, and the role that education played for them. The article stresses that interested students can be taught how to be better entrepreneurs. Constructed from numerous hours of individualized interviews, the paper is full of insights into entrepreneurship, especially in its connection with young people who start early in a business and are experiencing steady growth.

INTRODUCTION

Xavier University, a liberal arts school in Cincinnati, Ohio believes the entrepreneurial spirit is vital to America. The Xavier Entrepreneurial Center was firmly established in December 1987, and an entrepreneurial studies concentration was offered within the university's general business major. According to Dr. Andrew Eustis, Director of the center, the program is important and essential for those individuals hoping to own their own company. Says Eustis, "The strength of our free enterprise economy depends heavily on entrepreneurs, individuals who take initiative and assume risks in creating new businesses or in growing existing ones." Xavier's program in entrepreneurial studies is designed to help prepare students for careers in three areas: existing family businesses, corporate entrepreneurial opportunities, and new start-ups.

The following four students currently attend or have graduated from the Xavier entrepreneurial program. All of them are self-employed in some capacity and attribute much of their business know-how to the entrepreneurial program.

PAUL UHLIR, 23 years old, graduated with a business management degree, and is the owner of Michelangelo Painters in Cleveland, Ohio. In the summer of 1985, he was a garbage man in Cleveland, Ohio working 50+ hours per week and making only \$4.00 per hour. Tired of working for someone else, Paul began talking to customers along his garbage pick-up route about painting their houses or garages. This sales tactic proved successful; he made more money painting two houses than from collecting garbage six days per week. He remembers, "I would get out of my maggot filled work clothes and get into paint clothes and paint until dark." However, problems began to arise. He still needed more money - "I wanted to expand the painting but I didn't have enough capital to start up my business." So, Paul asked his friend, Bob Hill, to join him in the venture.

The first summer they split the equipment and worked separately. Bob was in charge of the financial operations, and Paul oversaw hiring, training, and insurance. Paul hired high school age employees and expanded his business to include roofing.

By the end of the Summer 1986, personnel was up to eight people - two people on roofs and six people painting. The business took in \$20,000 worth of painting profits which was to be

used to pay off Paul's school debts. Instead, he invested in trucks, lawnmowers, roofing equipment, and a trailer.

In the summer of 1986 they did three times as many houses as in 1985. Says Uhlir, "We started our roofers at the beginning of the summer in '86-vs.-starting them in August like in '85." The company's first summer gross was \$6,000 with a net of \$1100. "After we took out wages, it was a big loss for the first year." The second year roofers grossed more than painters - \$26,00 -vs.- \$22,000 respectively. In 1986, they added lawncare services and driveway resealing to the company. To save on costs, the workers used their own lawnmowers and tools. There's been over 100% increase on completed jobs each year. By creating new spin-offs, Michelangelo continues to grow year by year.

Relatively speaking, they have no more risks. Paul says, "We're making it big now and getting more customers for house painting." He and Bob keep their own books which cuts down on outside costs. In order to keep business flowing, Paul keeps in weekly contact with customers and keeps track of contracts.

COMPETITION: Two competitors have offered to buy out Michelangelo several times. "We've thought about it because we both dislike painting," says Uhlir. One competitor would tear down Paul's flyers posted around neighborhoods where Paul's crew was painting a particular house, and then replace them with theirs. Competition can be fierce. Uhlir reflects, "There are a lot of painters in Cleveland and there's going to be room for more. There's a population here of 1.5 million with lots of homes worth money. Our niche in the market is a two year guarantee on our work." Paul claims that daily communication with the customers, even just saying "hello" in the morning is crucial. Paul says his customers "treat you like a king" if you are courteous and friendly.

CUSTOMERS: Paul knows his customers are very satisfied. "In three years of business, we're approaching our 150th home this upcoming summer (1988). We've had only two jobs that have required partial repaintings and that was only on the garages."

FUTURE: Paul plans to rotate crews so each employee will know every aspect of the business. Ideally, Uhlir wants to oversee the business and have the painting as just one tiny entity of Paul Uhlir Inc. Paul sees a possible career for himself in Michelangelo in maintaining and controlling all these home services. In the future, he plans to add plumbers and concrete workers.

EDUCATION: "I learned about business from reading and from having a lot of experience." One important piece of advice that has struck with Paul from his entrepreneur class is "Don't mess with the IRS."

ANN RISACHER, 26, graduated from Xavier with a management degree and was part of the entrepreneurial program's initial stages. After graduating, she returned to her hometown of Mansfield, Ohio where she bought a children's clothing shop from a neighborhood friend; and existing business that had been unprofitable. Her mother, Judy, had the finances to back her. Renamed ANTONY'S ANIMAL CRACKERS, with the motto "Your children are #1 with us, too," Ann sells clothing sizes moderate to high end, preemie to 14, in boys and girls. The store also sells instant gift items such as bibs and rattles. Ann emphasized that they won't carry the same lines as department stores or discount houses and 95% of their business is repeat.

Ann makes it a point to know each customer by name. Her store maintains a high level of customer service - a level she worked hard to develop from the time she purchased the store. "The first two years we had a limited reputation - you couldn't get out of the store without spending \$50.00 for a shower gift," said Ann. She explained that the store was very elite and rather high-priced for her town forcing shoppers away to Cleveland and Columbus. "However," Ann said, "we re-organized and gave the store the energy and attention that it needed and is necessary in order to run a small retail business and we made the customers feel comfortable." Based on her customer mailing list, traffic increased 20% each of the first two years of operation; 1988 showed the most dramatic increase in business volume and customer growth. "We can see the light at the end of the tunnel now."

CUSTOMERS: Ann travels twice a year to New York where she completes 95% of her buying. "Going to New York is a two-person job. We spend a large amount of money in just five days. We deal with each line individually - eight to ten lines per day, sometimes fifteen." Ann shops for her customers specific needs which shows her commitment to service. "If I know a customer is looking for something special, I'll try to find it in New York. For instance, locating an outfit for a thin six year old who wants to look like a six year old but wears a size 4."

Ann says she **LIKES** her customers - "There is sincerity here in my store. They don't take advantage of me and I don't take advantage of them." Ann claims her business runs about 55% in-town and 45% from small, surrounding cities. Ann says she is trying to increase both areas, but especially the out-of-town percentage. Her most frequent buyer is the well-to-do grandmother, with the career mothers close behind. Ann stresses, "We build from repeat business and customers demand 100% quality. I have sent merchandise back when it didn't look like a sample. Clothes that are going to be washed a few times and then fall apart won't work for kids."

COMPETITION: Ann's competition is the nearby mall and discount houses such as T.J. Maxx and Swallows. The mall stores provide a discount, but the service techniques at larger stores are generally poor or non-existent. "At any rate," says Ann, we have an upscale client that doesn't want 1200 regular customers in a store where they shop."

Ann's official, no-nonsense manner seems to be one of the keys to her success as an entrepreneur. "My long-term goal in life was to own my own business. After college I thought I could either become a buyer in a retail operation, save money, and then go to the banks OR I could get out of college and buy this business and be my own boss. I decided on the latter. I don't like politics - I'm `no bull.'"

EDUCATION: Ann obtained advice and encouragement from Dr. Eustis that better enabled her to own and operate a business. She says, "In the entrepreneur class I learned that practical common sense and using your instincts was very important." Overall, "the more I'm into business, the more I value my business education."

GRACE GOTTENBUSCH is a manager involved in a family bakery business, SERVATII's headed by her father/owner, Bill Gottenbusch. In Cincinnati, Servatii's has a solid reputation and is noted for its fine specialty breads and pastries. Says Grace, "We bake as late as possible so that everything will be fresh the next day. We don't want our name mixed up with factory production." Grace's grandfather began the business in Muenster, Germany. Originally, Servatii's Cafe, the Cincinnati-based shop was founded 26 years ago. In total, there are six SERVATIIS' stores three of which were opened in the past few years.

Although no one in the family is pressured to take part in the business, Grace, who recently graduated from Xavier University with majors in entrepreneurship, accounting, and marketing, is already heavily involved in the operation. She laughs, "I wanted to be a doctor, but my chemistry grades weren't too good."

Grace worked 30+ hours per week as administrative assistant to her father while a full-time student. In the summers she worked about 50 hours per week and more. Grace says, "I'm the `catch-all." I'm capable of filling in as manager or sales rep in any of our locations. Mostly, I make labels and troubleshoot, especially in customer-related incidents." Since graduating in May, Grace has been taking on more of the organizational responsibilities within the business.

CUSTOMERS: Customers usually fall into three categories: specialty items buyers, daily basis buyers, and out-of-towners. A large portion of business revenue is generated from impulsive buying habits. The stores are set up to display products on shelves and behind counters easily visible by the customers. The bakery smell is their best advertisement - luring in customers who frequent the stores or walk by.

COMPETITORS: Servatiis considers the numerous Cincinnati German bakeries their true competitors, but their history gives them the competitive edge.

FUTURE: Servatiis is getting more into wholesale. Says Grace, "We are working with Krogers now putting our items in their delis and bakery counters. We also do specialty breads for them." Currently Servatiis employs 125, and they are trying to upgrade their training program. The family is always trying to come up with new items. "We're updating tortes right now and how do we test new items? We eat them!" laughs Grace.

EDUCATION: In addition to all her responsibilities in Servatiis, Grace worked for a sub shop in a required internship for her entrepreneur major, was a top student, and participated in the newly formed Entrepreneur's Club. Her face is a common sight as she continues to help build the program and bring in interested students.

JEFF KLUG, another family business employee, and a former Xavier entrepreneurial student has always worked for Klug School Bus Service. Jeff's father started a body shop business 35 years ago and went into school buses in the 1970's. Says Jeff, "Dad figured with seven kids in the family, any income was helpful." The growth rate was unbelievable from a one-bus to a 150-bus company and then into highway service. In 1968, Jeff's brother, "Butch," went into the business while attending college. "Eventually, my father said to my brother - here's the business - run it. Since then, my brother has been standardizing all of the equipment, and universalizing it." He is now CEO and Jeff's sister, Mary Joe (age 31) is the Vice President.

The company is officially called Klug School Bus Service and Charter Bus Service, although there are four different corporate names. Says Klug, "My brother started the charter business within the past five years." Four of Klug's sisters are not in the school bus business. They wanted to find their own road. Jeff relates, "In our school bus company you earn your stripes. There's no free lunches. There's not enough room for slack. Our father made it clear that we would work hard - 50 to 70 plus hours per week." Jeff says it can be tough working with your family: often you hurt each others feelings. You have to tell the difference between work and family.

Jeff explained the benefits of working in the family business versus working for a larger public company. "In the family business, I have my own say when I can do things. I have

some slack. I love the responsibility, but I'm not power hungry. I enjoy people looking for help. Granted...it gets hectic at times. But you have to keep your head straight and keep it up."

Jeff is on an hourly pay scale. "I don't make \$30,000 a year. I'm an entrepreneur - I make enough to live nicely, but you don't take away from the pot - from what's feeding you." Jeff expresses a sense of pride in what his father built. "Our name means a lot going down the street. You don't like to see your bus pulled over or wrecked. It's embarrassing. So, you work that much harder to keep your vehicles in top-notch condition."

Jeff explains, "I started working for the company like my brother, beginning in grade school pushing a broom, cleaning up around the shop - learning the business from the bottom up. I now do all of the purchasing for the company. I drive routes during the school year as well. As buses get older, I sell them. I do all of the bus and highway coach scheduling, answering radios, making sure buses get out on the week-ends. Someone has to be out at 3 a.m. to make sure the buses are leaving."

Jeff says his father quit school in ninth grade and idealizes the American Dream - work hard, be fair, and live happily ever after. The company "just happened," and with lots of hard work it got bigger. Jeff says, "Dad knew he was skilled enough with the people he had and he had the facilities to run a company. Jeff stressed their loyal workers - "our mechanic has been with us for twenty- five years - not a better one in the business. He's been very frugal with the company's money when buying parts. He spent the money as if it was his own - his last few dimes." Klug hires employees outside of the family; in total, he employs approximately thirty full-time workers, and 150 to 200 part-time school bus drivers. The company has ten mechanics, one body man, and others who work on parts, driving, and stock checks.

The school bus business can be "tricky." Klug is contracted by the Cincinnati Board of Education on a yearly contract. Each year they must go back to sign and bid on contracts. With the highway coaches, they are presently under contract with corporations in Cincinnati to conduct tours. They use MC 8's and transit city buses which are like Greyhound buses. They also own a small tour agency. JEFF TOURS, in which charters are set up to go to ballgames or restaurants. Their charter work includes travel throughout the country by highway coach. This is the most profitable part of the business; however, the coaches are expensive to repair. They would like to get more involved in special trips. "For instance," says Klug, "we'd like to charter college trips such as spring breaks to Florida." They also set up package deals. For instance, the Cincinnati Bengals might charter several buses to take themselves and others to an out-of-state game.

The prices charged to customers depends upon the amount of time, number of miles, and the area of destination. Says Klug, "We ask that people honor our alcohol and clean-up deposits so that if there is any problem, we can charge them fairly. We have a system where my brother and I go through the buses and make a decision whether they need to be cleaned or taken care of or if they're o., and only need normal maintenance. We don't take someone's hundred dollars just because it's there."

COMPETITION: Jeff cites six companies as competitors many of whom are vying for The Cincinnati Board of Education's business. Says Klug, "We have to make something we have attractive to them. For instance, we have a good record - 1% breakdown ratio which is excellent. We have the best maintenance program - we pride ourselves on that. Also, we have our own on-site body shop."

Another "plus" is that Klug Bus Service implemented their own training program for bus drivers. Says Klug, "it's the same as the State of Ohio and then some. We show movies, hold a four-day class, we have driver training until they can handle a vehicle properly. We hold monthly safety meetings which are mandatory. We speak to them about problems that may crop up, or any new laws or rules that they need to know. "The drivers usually have other jobs and want extra income; often drivers are women who want extra money while their children are young. Says Klug, "We've got to have dependable, good people behind the wheels with their eyes and ears open, and the ability to check things out."

FUTURE: With the highway coaches, Klug foresees opening branches in every city in the U.S. Klug would like to franchise out and personally would like getting into limousine service.

EDUCATION: "In the business classroom," says Jeff, "you don't SEE much - not until you're really involved in business...the taxes...the people you deal with...the type of thinking." He stressed that working in business for yourself is different from working in a business for someone else; you have to understand the needs of other people first before your own if you want to be successful. Jeff believes the entrepreneurial program is great for people who want to get into entrepreneurship and don't know much. "I wasn't totally dumbfounded as some others since I've been involved in it. I learned from the program that people are in small business because they want to be and because they try hard. If it was easy - and it's not - everyone would be doing it. BUT just because you fail once doesn't mean you can't try again. You learn from your mistakes."

In conclusion, as can be seen through these students's experiences, entrepreneurship is frustrating, fascinating, and requires endless hours of hard work. All entrepreneurial career paths require individuals who can identify and evaluate the unique marketing, financial, and operational factors relevant to the success or failure of specific business enterprises; entrepreneurs must therefore possess skills as business generalists rather than specialists in a single business function. The Xavier Entrepreneurial Center is doing its part to develop that most valuable economic resource: entrepreneurship.