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# THE ROLE OF INTEGRATED WEB-BASED BUSINESS CHARACTERISTICS IN CONSUMERS SELECTIONS

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## ABSTRACT

*Over the last several years, the concept of online shopping has drawn a significant attention among the consumers. Although websites offer the consumers with information, choices and convenience, but the tasks of finding the exact products that meet consumers' needs can be a complicate decision. The purpose of this research project was to examine the usage of online shopping websites and determine the factors that contribute to the customer decision making process. A number of websites have been assessed to determine their usage, popularity, and preference among the consumers. Based on survey methodology, a data-driven model was developed and the objective of the project was formulated in term of major issues pertaining to online shopping. Surveys and interviews were conducted with 250 participants. The survey method included face-to-face interviews, email, and social networking questionnaires. The analysis of data indicates that customers are selecting websites based on reputation of the online business providers, availability and type of products that are proper to their needs. Further, younger customers of age range 16-34 are more active online shoppers than customers with children. This group is more focusing on electronics, video and books with average spending of \$150. The results of this project cloud contribute to decision making process of small business' owners in making transition to the e-business.*

**Keywords:** Social Networking, online shopping motivation factors, web-based business



## **SMALL BUSINESSES USE OF AN IPO**

**Don Bradley, University of Central Arkansas**  
**Kalyn Camp, University of Central Arkansas**

### **ABSTRACT**

*The IPO is a lucrative tool that a small business owner looking to generate a large, non-interest bearing sum of capital can use in order to grow or expand his or her business. The process involves various stakeholders, such as the small business owner, the underwriting investment bank, and the investors buying into the new shares of the small business. Once the process has been completed, the small business will be a new publically traded entity. Liability will be shifted from the founders to the new stakeholders in the business, and the managers of the business will be free to use to new capital gained from the IPO to expand or pay off debts and other obligations. The underwriting bank and the investors will all play a part in successfully bringing the business out into the public market and each will have benefits that they will reap as well.*





# **REACTIVE OR PROACTIVE OPPORTUNITY RECOGNITION: THE ROCK N BOWL STORY**

**Erich N. Brockmann, The University of New Orleans-Lakefront**  
**Kenneth J. Lacho, The University of New Orleans-Lakefront**  
**John Blancher, Owner, Mid City Lanes Rock N Bowl**

## **ABSTRACT**

*In this article we use a case history approach on a uniquely successful business in the New Orleans, LA area to show how an entrepreneur and opportunities interact. John Blancher is the owner of Rock N Bowl which is an extremely popular entertainment combination of bowling, drinking, eating, and dancing. John led the business from virtual bankruptcy to national recognition with a strong reliance on his spiritual faith and the Invisible Hand of God. He and the business are an interesting application of entrepreneurial opportunity recognition and action.*

## **INTRODUCTION**

What follows is a case history of the Mid City Lanes Rock N Bowl establishment located in New Orleans, LA. We provide a series of examples where John was tested, presented with an opportunity, and then benefited from that opportunity to the betterment of the establishment. Oftentimes, he did not immediately recognize the opportunity. However, his spiritual faith allowed him to pursue the opportunities and resulted in a business which has become a national icon.

We believe the article is worthwhile to the readership because it illustrates examples of traditional opportunity recognition but in a rather non-traditional environment, at least at first glance. We will show how these seemingly non-traditional applications are, in fact, excellent examples of the application of entrepreneurial attitude.

## **LITERATURE REVIEW**

Entrepreneurship has been defined as a process activity generally involving; an opportunity; proactive individuals; risk; and, resources (Morris, Lewis & Sexton, 1994). More recently, Alvarez & Barney, (2007) have proposed a creation context where entrepreneurs decide iteratively, inductively, and use biases and heuristics. Strategies consistent with the creation context are emergent and changing with competitive advantages based on tacit learning.

## **RESEARCH METHODOLOGY**

Data were collected through a series of interviews between the authors and Mr. Blancher, owner of Rock N Bowl. An exploratory study format was used given the unique environments

under consideration (Siggelkow, 2007). Such a method is applicable to the current situation because of the lack of significant studies and because it allows for richer data (Eisenhardt & Graebner, 2007; Eisenhardt, 1989, 1991).

## RESULTS/DISCUSSION

As with most, John's story starts with his childhood. He developed strong values based on family, spiritual faith, self-reliance, and competitiveness. From an early age, John was competitive as well as personable. He came from a home environment where spiritual faith and self-reliance were central tenets. He won every boyhood contest he entered such as those for selling the most raffle tickets. He always wanted to win and often did. He was quite adept at convincing people to buy what he was selling. His competitiveness naturally led him into sports and he played baseball in high school. These characteristics are all invaluable to an entrepreneur (Goodman, 1994; McNerney, 1994).

John's athletic abilities resulted in a baseball scholarship at a local university. He earned a Bachelor Degree in Education and taught school after graduation. However, he soon recognized that he was not earning enough to support his growing family—consisting of a wife, son, and daughter. John therefore decided to pursue a Master Degree in School Administration. After earning his degree, he returned to teaching school and coaching baseball. Still, he was unsatisfied with the income available by working in education. John decided to pursue money earning avenues where he had been successful in the past.

### Initial opportunity to buy bowling alley

Shortly after John's return from Yugoslavia a friend, a CPA, informed him about a bowling alley for sale, The Mid-City Lanes. John knew of the business because he had played on the stairs leading to the business as a boy. This was an unusual location for a bowling alley. It was on the second floor of a strip mall shopping center. The only access was via stairs which presented logistical problems for deliveries and maintenance.

The business was currently owned by the Knights of Columbus who owned the equipment and leased the space. They were not really interested in running the bowling alley and therefore, were letting the lanes and equipment deteriorate. John played there as a kid and remembered it as always being busy. However, he saw a catering hall with a bar and bowling alley instead of just a bowling alley.

### Recognizing opportunity

When John looked at the Mid-City Lanes, he didn't see a bowling alley. Instead, he accessed his earlier experience in catering and envisioned a reception venue for parties. However, instead of people just standing around in a big non-descript hall, they could have the opportunity to bowl should they desire. But, first John had to purchase and then renovate the place sufficiently to attract customers and revenue.

John bought the business for almost nothing. He paid \$1,000 down and financed another \$9,000 for ten years. The Knights of Columbus constrained financially by the lease. The owners

of the building required that the premises be returned in a “Broom Swept Clean” condition if the lease was broken or not renewed. This meant that all of the bowling alley equipment had to be removed at a cost of nearly \$50,000. Since the Knights of Columbus were not interested in the business at all, they were happy to sell the business to John for what appeared very favorable financial terms.

Even though John saw a catering hall that was also a bowling alley, he started out with trying to make money from the bowling business. This choice was mostly out of necessity because there wasn't much else present and John lacked any capital for improvements. But, once again, John leveraged his personal attributes. As when he left teaching, John was going to “work his butt off”. He was also able to recruit family members to help, especially his father, because they were currently out of work.

John mortgaged his house in order to install a kitchen. He got the place cleaned up and used his sociability to enhance every customer's experience. He personally greeted every customer and shook his or her hand upon arrival. The problem was lack of customers and therefore revenue.

### **Brush with bankruptcy**

Even with the relatively friendly financing terms, John was having a trouble attracting enough customers to simply cover expenses. After only two months of operations, John was unsure if he would be able to make payroll. He had already tapped all the traditional sources of capital available to entrepreneurs (e.g., mortgaging his house to install the kitchen). Once again, in this time of despair, John returned to his spiritual faith and simply believed that a new opportunity would turn up.

### **Rock N Bowl Becomes a National Icon through more publicity opportunities**

Although his Rock N Bowl Mid City Lanes business was now viable, John wasn't where he wanted to be financially, yet.

John was still much of a one man show. If an employee didn't show up, John would often have to fill in. On one such night when John was tending bar, a customer ordered an Alligator sandwich. Even though the option was on the menu, John recognized that the selection was unusual and assumed the patron was not local. Once again, in his outgoing manner, John began talking to this customer about the Rock N Bowl business. The customer was in town researching New Orleans for an upcoming article in *The National Geographic Magazine*. When the article about New Orleans appeared in a 1995 issue in the magazine, John's Mid-City Lanes, Rock N Bowl figured predominately.

From 1995 on the publicity became nationwide and was nearly nonstop with articles in *USA Today*, *CNN*, *Rolling Stone* magazine, and the *NBC Today Show* just to name a few. John's business was now a national phenomenon. Bands continued to pursue him for an opportunity to play, party planners called him such that advertising/marketing wasn't necessary, and the business was providing satisfactory employment for most of John's family members—both immediate and extended.

## CONCLUSIONS

The uniqueness of Rock N Bowl is immediately recognized whenever one visits. Few places exist where one can find a bowling alley on the second floor of a strip mall. Fewer still are able to combine the bowling experience with the local food and music which further enhances the uniqueness of the business. Music and food are the soul of the New Orleans environment; they are the foundation of the Tourism industry (Shuler, 2013).

John's model may not work in other cities lacking a similar food and music culture base. For instance, he benefited greatly by having bands wanting to play his venue. In New Orleans there are many more bands than there are venues. Therefore, once John started offering live music, he was able to book bands without much trouble or expense. Then, as the business became more popular and successful, the quality of the bands would also improve. Because of the tight knit community of musicians, John's venue quickly became very well-known through word of mouth.

John relied almost exclusively on word of mouth advertising; this was mostly because of lack of resources to afford commercial marketing. Such reliance started from his purchase when John would personally greet every customer and shake his or her hand. Afterwards, he rarely used traditional marketing venues. At first this is because he just didn't have the money necessary. As time progressed, he received so much publicity and he just didn't need any additional exposure. He did make one television commercial with virtually free music from the public domain. He then wrote the words himself and has never changed it. His commercial is currently the longest running unaltered commercial on television. Such business actions display John's balance between relying on his spiritual faith while making conscious and rational cost-benefit decisions. He seems to have found a formula that works—at least in the current environment.

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# ASSESSING THE IMPACT OF INNOVATION IN ENTREPRENEURSHIP

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## ABSTRACT

*This paper proposes to examine the impact of innovation on entrepreneurship and the moderating effect of the strategy of the organization in this interaction. Literature and theoretical considerations point to positive effects and benefits of innovation in entrepreneurship. However, empirical findings on innovation-performance relationship in SMEs are divided, therefore warranting a further investigation of context and under what factors innovation impact entrepreneurship. This paper takes a quantitative approach in investigating the effect innovation and entrepreneurship relationship and the role the organizational strategy plays in fostering interaction between the two variables. A research agenda is outlined.*

Key words: Entrepreneurship, innovation, organizational strategy, culture, performance

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# FRAME OF MIND AMONG JAPANESE RESTAURANT ENTREPRENEURS

Anthony Iaquinto, Eastern New Mexico University

## ABSTRACT

*This paper reports the findings of a survey of 29 restaurateurs in Nagoya, Japan. Through the use of semi-structured interviews, the author explored which of six principles on entrepreneurship touted by Iaquinto and Spinelli (2006) are perceived to be important to a sample of Japanese restaurant entrepreneurs. Findings indicate that not all of the six principles were important to restaurant operators in Japan, and that cultural characteristics unique to Japanese may provide an explanation. It is hoped that this preliminary work will spur more such studies in other countries.*

## BACKGROUND

Discarding the notion that specific traits can define which people are more inclined to start their own business and which people will be successful in their venture, Iaquinto and Spinelli (2006) argue that accepting six basic principles will encourage more individuals to take the plunge and could possibly better ensure that a greater percentage of individuals will become financially successful entrepreneurs. These six principles are described below.

*Principle #1 Entrepreneurship is a career.* Iaquinto and Spinelli (2006) argue that much literature implies that entrepreneurship means starting your own business. But that is emphasizing a single task instead of focusing on the bigger picture, much like describing acting as reading a script. Instead, it might be more important for individuals to see entrepreneurship as a career. And like all other careers, a career in entrepreneurship needs to be managed, which in part involves the recognition that setbacks are inevitable, such as failing to win an audition (Iaquinto and Spinelli, 2006). By viewing entrepreneurship as a career it is expected that individuals can more easily accept the notion that if one experiences a bankruptcy, they have not failed as an entrepreneur—many highly successful entrepreneurs have experienced just such a reversal before they eventually found success.

*Principle #2: There are no secrets to success.* Business authors frequently claim to have the secrets to a successful start-up (cf. Branson, 2010), but the secrets of one rarely match with the secrets of another, giving the impression that there are hundreds of secrets to success. But the fact is that decades of research have yet to find a set of universal secrets to building a sustainable business (Iaquinto & Spinelli, 2006). Even such common sense notions as providing your clients with superior product quality and customer service, while significantly increasing ones chances, may not guarantee success (cf. Barrison, 2011). Each business opportunity is unique, and so are the factors that can lead to success or bankruptcy (Iaquinto and Spinelli, 2006). This is good

news for entrepreneurs because the resources, experiences, skills, and decisions that one might apply to a failed business may be just what the entrepreneur needs for their next venture.

*Principle #3: Luck is part of the equation.* It's been nearly taboo to suggest that good luck plays an important role in one's march to success, and anyone who believes that bad luck had a role in their venture's demise is immediately branded as a loser. "Winners create their own luck" is a favorite refrain of motivational speakers (cf. Head, 2012). But luck has always been—and will always be—a part of the equation (Block and MacMillan, 1993; Iaquinto and Spinelli, 2006). For example, Horwitt (2004) wrote that luck, in the shape of "inheritance, family connections, God-given talents, timing, government investments, the benefit or burden of being born to a particular set of parents (or maybe just one parent), as well as all the other twists and turns we experience," plays a significant role in determining success in most human endeavors. Block & MacMillan (1993) insist that luck is a component in the success or downfall of any new business development project.

*Principle #4: Never reach for a gallon when you only need a quart.* Many business writers assert that only by reaching for the stars can an entrepreneur achieve financial independence and happiness (eg. Kiyosaki, 2008), but Iaquinto and Spinelli argue that setting more reasonable goals can significantly increase their chances for success. By setting smaller, achievable milestones entrepreneurs could build a solid foundation that creates options (eg. Brodzinski, 2008). A number of highly-successful entrepreneurs had very modest goals when first starting out (Arnoff and Ward, 1992). Another reason for not reaching for the stars is because the quest for wealth may not be as fulfilling as entrepreneurs expect. One research project found that, after a certain point, increases in wealth improve your happiness only briefly, due to a pair of forces known as hedonic adaptation and social comparison (Easterlin, 2003). In other words, the excitement of riches quickly wears off, and there's always someone out there who has more.

*Principle #5: It shouldn't only be about the money.* Many self-help books argue the need to set life goals to find purpose and direction (cf. Covey, 2004). After setting life goals, the next step is to find the means to achieve those goals. Iaquinto and Spinelli (2006) argued that some people are able to accomplish all of their life goals by following a spiritual or religious faith. Other paths that can serve many of life's goals simultaneously are careers in medicine or grass-roots activism OR by starting a new business venture. The importance of having multiple goals for starting a business is because if the business succeeds in accomplishing some of the entrepreneur's personal goals, even if it is not financially successful, the experience can still be considered a positive one (Iaquinto and Spinelli, 2006).

*Principle #6: Embrace fear.* Many entrepreneurs share similar fears, such as losing current or future earnings, going deeply into debt, not doing as well as hoped, disappointing others, and losing one's self-confidence (Iaquinto and Spinelli, 2006). The bulk of entrepreneurship literature has long recommended dealing with fear by confrontation or by working around it (cf. Anonymous, 2012). But Iaquinto and Spinelli (2006) argued that entrepreneurs should never get comfortable with fear, nor should entrepreneurs try to conquer or ignore it. Fear is a natural reaction that one should embrace; incorporating it into their decision-making and planning. Moreover, fear is the greatest of motivators (cf. Wilson, 2009).

## METHODOLOGY

The authors used semi-structured interviews to explore which of the six principles espoused by Iaquinto and Spinelli (2006) are perceived as important to Japanese restaurant entrepreneurs. Nagoya was chosen for the study as it represents a typical large city in Japan, and altogether 29 restaurants agreed to participate. All of the restaurants had been open for at least five years, and all were owned and operated by the same founding individual or family. All the participants were Japanese, and all 29 restaurants can be described as casual restaurants offering traditional Japanese fare (eg. sushi, tempura, soba/udon, etc.). And all of the participants in this survey were men. Unlike America, the restaurant industry in Japan is much more fragmented, with family-operated restaurants composing a significant segment of the industry.

*The Survey* We organized the structured interview based on the list of principles devised by Iaquinto and Spinelli (2006). These six principles are: 1) entrepreneurship is a career; 2) there are no secrets to success; 3) luck is part of the equation; 4) never reach for a gallon when you only need a quart; 5) it shouldn't only be about money; 6) embrace fear.

## RESULTS

*Principle #1 Entrepreneurship is a career.* Interestingly, only five participants in this study (17%) thought that 'believing entrepreneurship is a career' would contribute to a positive frame of mind. In fact, not a single participant in this study had started more than one venture and only seven of the respondents 28% said that they would definitely try a new venture if their current venture did not reach their goals. Follow up questions suggested that the Japanese sense of *giri* (responsibility) makes it difficult for Japanese entrepreneurs to get a second- or third-chance at success. Several respondents stated that while legally they had no responsibility to investors, bankers, suppliers, landlords, workers and customers if a business fails; Japanese social norms dictate that entrepreneurs should pay off the debts to all the stakeholders of their venture, even if it takes the rest of their lives.

*Principle #2: There are no secrets to success.* A significant number of restaurant entrepreneurs in this study (80%) agreed that there are no general set of secrets that can ensure entrepreneurial success. Yet, after further discussions, nearly 72% of the participants in the study admitted that two items were critical to entrepreneurial success in the restaurant industry: hard work and patience. Interestingly, a few participants in this study said that they observed that people can learn to work harder and to work more efficiently; but few people can learn how to be more patient. That was an interesting conjecture given that these same operators also considered patience as being more important than working hard. Still, some of the Japanese restaurateurs who participated in this study admitted that a certain set of secrets for success may work for some restaurants and another set of secrets may work for a different type of restaurant. Therefore, most of the Japanese restaurateurs in this study were only worried about whether they knew the secrets of success for the specific type of restaurant that they were operating. As such, many acknowledge that because of their experiences, opportunities for opening a restaurant were limited to the type of shop that one apprenticed in when they were younger.

*Principle #3: Luck is part of the equation.* Twenty-five of the twenty-nine restaurateurs questioned in this study (86%) agreed that luck is part of the equation. This perception is probably rooted in the Japanese view of fate that permeates much of society. In fact, the Japanese word for destiny is related to luck, as the basic word for luck (*un*) is the first syllable in the word for destiny (*unmei*). But among those who agreed, about half added that knowing that luck was part of the equation would not be an important factor on whether they should open a restaurant, but it probably be a factor in a decision to close a restaurant.

*Principle #4: Never reach for a gallon when you only need a quart.* Nearly all of the participants of this study agreed that having modest goals was a good frame of mind for restaurant entrepreneurs. In answering an open-ended question, most of the respondents stated that they have very simple goals: to be their own boss, to please their customers, to earn enough money to live modestly yet happily and to leave something for their children. The restaurant operators in this study generally concurred with the notion that the most important reason for not aspiring to great wealth is the increased risks involved in such a goal—the bigger an entrepreneur's aspirations, the bigger the risks necessary to accomplish them (Iaquinto and Spinelli, 2006). Further, the bigger one's risks, the higher the probability of bankruptcy and the greater the losses an entrepreneur can incur. And in the light of Japanese sense of *giri* (see above), aspiring for lofty goals is much more dangerous for Japanese restaurateurs than American ones.

*Principle #5: It shouldn't only be about the money.* Nearly 80% of Japanese restaurant entrepreneurs in this study agreed that 'making money' should not be the only reason to start a venture, though all recognized that profit-seeking must be an important goal for any venture. The goal most mentioned by Japanese restaurant operators was the need to pass something to one's children. The high cost of living restrains spending and the high savings rate leads to significant accumulation of assets; even after paying for high ticket items such as a house. Further, and an offshoot of the widespread custom of filial piety and Buddhism, parents feel a need to bequeath assets (not only financial assets but also the family genealogy and the family grave, etc.) to someone, hopefully their children, who can understand the relevance of those assets. Some would find it surprising to find 'a need for a challenge' so low in the rankings. But again, with knowledge or exposure of Japanese culture one could conclude that in regards to financial matters most Japanese are very risk-averse (Kubota 2010). It is this author's observations that many Japanese do not 'relish' financial challenges nor significant changes (cf. the philosophy behind Kaizen, Imai, 1986

*Principle #6: Embrace fear.* Reactions to this issue were nearly split in two. Half of the Japanese restaurant entrepreneurs, especially those who stated that they studied martial arts as a hobby, compared that principle with an old samurai code, which in its purest form demands practitioners to meditate every day on their inevitable death; only by viewing yourself as already dead can you be at peace. The author interpreted the samurai code as a means to confront your fear. The other fifty percent of the respondents agreed that some level of fear can keep one on their toes, yet several owners wondered if a person had the ability to recognize the emotional line between 'just enough fear' and 'too much fear.' Embracing too much fear may be paralyzing.

## CONCLUSION

This study attempted to explore which of six principles on entrepreneurship touted by Iaquinto and Spinelli (2006) are perceived to be important to a sample of Japanese restaurant entrepreneurs. Overall, findings indicate that not all of the six principles were deemed important to restaurant operators in Japan, and that cultural characteristics unique to Japanese can help explain why some of the principles were not seen as important.

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# SMALL BUSINESS BEHAVIOR IN TIMES OF SLOW ECONOMIC GROWTH: NEW ORLEANS, LOUISIANA; THE AFTERMATH OF KATRINA, BRITISH PETROLEUM AND THE GREAT RECESSION

**Kenneth J. Lacho, The University of New Orleans**  
**Erich N. Brockmann, The University of New Orleans**

## ABSTRACT

*The economic behavior of sixty small businesses in New Orleans was studied. Specifically, what was their economic status, what were their problems, what did they do to solve them, and where did they go for help.*

*The businesses came from the retail, service, and finance, real estate sectors. The majority considered themselves to be doing well. The major problems were the economy (demand) and competition. Increase marketing (promotion) effort was the major method used to combat these problems. Other businesses, friends/family, and business associations were the primary sources of help, especially for service firms. Government agencies were used very little, universities not at all.*

## INTRODUCTION

Hurricane Katrina (2005), the U.S. Great Recession (December, 2007 to June, 2009), and the British Petroleum (BP) oil spill each have impacted the seven-parish New Orleans Metropolitan Area economy in recent years. However, the area's economy has weathered the above conditions. The flooding from Katrina is long gone. Football is back. So are Mardi Gras and the Jazz Fest.

The New Orleans area (NOLA) economy is in a slow growth mode. By May 2012 the area population was at 87.5 percent of the pre-Katrina level (New Orleans Metro Area....2012). The unemployment rate was less than that of United States during the 2007-2009 recession (Metropolitan Report, December 2012). Tourism continues to improve. Some 8.75 million visitors came to New Orleans in 2012 up from 8.3 million in 2010 (New Orleans Metro Area..., 2012). The number of restaurants increased from 805 pre-Katrina to 1,323 in 2013.

While many small businesses have struggled or failed, others are booming. There is an upswing in high-tech and Internet firms as well as those serving a growing film industry. (Keating S., 1, 27, 2013). Growth is occurring on a neighborhood basis such as the Warehouse District, St. Claude Avenue, Magazine Street, Marigny/Bywater and Mid City, fueled by an influx of young people to the city (St. Claude Avenue..., MacCash, 2013).

The purpose of this study is to examine the status of small businesses in the New Orleans Metro Area as they move from difficult economic times to one of slow growth. Specific issues to be addressed include:

1. How well is the business doing?
2. What problems does the business now face?

3. What actions has the owner taken to solve these problems?
4. What sources of help did the owner seek out?

## LITERATURE REVIEW

Since Katrina, the New Orleans area and Southeastern Louisiana have merited several academic studies. Lacho, Bradley, and Cusack (2006) examined how business nonprofits helped small businesses survive the aftermath of Katrina. Lacho and Eness (2011) examined the recovery of small neighborhood businesses three years after Katrina.

The effects of the BP oil spill and Hurricane Katrina on businesses were studied by Mancuso, Alijani, and Kwan (2010). The impact on business of three South Louisiana towns was studied by Mancuso, Alijani, Omar, and Ordogne (2011). Cater and Chadwick (2008) conducted an exploratory study of the response of two small businesses in South Louisiana to the crisis situation after Katrina.

## RESEARCH METHODOLOGY

Sixty owners of small businesses were interviewed. This was a convenience sample. The questionnaire was made up of open-ended questions which allowed for probing by the interviewer. Questions centered around the problem areas described above. This research should be considered to be exploratory in nature. There were 36 service firms, 18 retail, 6 finance, and insurance, real-estate firms.

The average age of the firm was 13 years. The ages ranged from less than 1 to more than 20. The number of employees ranged from 1 to 40 plus. The average number of employees was 10. Twenty-seven firms were located in Orleans Parish, 25 in Jefferson Parish, 6 in St. Tammany Parish, and 2 in St. Bernard Parish.

## FINDINGS

### How Well is the Business Doing?

The current situation was considered for retail, service, and the finance sectors. The majority of owners felt their businesses were doing good: retail 65 percent, finance 86 percent, and service 58 percent. Only 18 percent of the service firms felt that business was bad.

#### Problems Faced

Next, we consider the types of problems the small businesses faced. Problems were divided into internal and external. Internal includes problems related to employees, operational, controlling costs, cash flow, and advertising. The three main external problems included the economy (demand), competition and technology. In some cases, the respondent indicated both external and internal problems.

External problems dominated the type of problems encountered the most. Some 47 percent of retailers noted external problems as most important in contrast 18 percent citing internal problems. Finance-related firms rated external and internal problems equally (43 percent). Some 58 percent of service firms rated external problems as those based in contrast to 24 percent for internal problems.



## **Actions Taken**

A number of actions were taken in response to problems faced. These included price changes, increased marketing or promotion efforts, personnel-related changes, cut costs, and technology. See Table 1. Marketing or promotion efforts dominated the actions taken by all three sectors, especially service firms. Some 48 percent of service firms took action to solve perceived problems, followed by finance (43 percent), and retail (35 percent). Some 29 percent of finance firms did nothing.

### **Sources of Help**

These firms went to a variety of sources for help. Sources were categorized as follows: banks/financial, service (attorney, CPA, consultant), other business owners, friends/family, government, business associations, suppliers, and marketing sources such as ad agencies. (See Table 2).

Retailers made great use of service advisors (43 percent), followed by associations (50 percent), and marketing sources (35 percent). Finance-related firms made little use of outside sources. Some 50 percent did seek help from government sources.

In contrast to retail and finance firms, service firms made strong use of external sources, banks/financial were sought out by 67 percent of the service firms, service-related, 43 percent; other business, 62 percent, friends/family, 72 percent, associations, 50 percent; marketing-related sources, 65 percent, and government, 25 percent.

## **DISCUSSION**

Most of the respondent firms were considered to be doing well or neutral. All of the retailers indicated they were doing well or at least holding their own (neutral). The positive outlook on the part of all firms seems plausible given to the better than slow growth of the local economy. The major problems seem to be related to getting customers, the economy, and competition. In addition, some firms have had to adjust to changes in technology. One of these adjustments is the use of websites, Facebook, and Twitter.

The predominant action taken to deal with demand and competition was to change, improve, or expand the firm's marketing effort. The emphasis on sales during this time period is exemplified by the free two-hour seminars put on by the Jefferson Parish Chamber of Commerce once a month. The theme of each seminar had to deal with improving a firm's sales effort, e.g., "How to Close a Sale."

Where did the firms go for help in solving their problems, be they external or internal? The sources of help used by sector are shown in Table 2. The service firms used external sources the most, especially friends and family (73 percent). Other businesses as sources of help ranked high (50 percent) as well as associations (50 percent), and marketing services 65 percent. These highly used sources seem to reflect a personal contact or relationship which is used. One explanation is how business is done in New Orleans. Personal contacts and friendships are very important. Many of these relationships are the result of networking, meeting people at chambers of commerce and trade association events.

The use of services (attorney, CPA, consultant) may reflect the need to use these sources to solve a specific problem (e.g., legal). Similarly the use of marketing services, e.g., website designs, or social networking may be needed to solve a problem other sources cannot provide help with.

Of note is the low use of local state or federal government as a source of help. There are many sources of help available from government-related sources such as the U.S. Small Business Administration, Service Corps of Retired Executives, and Small Business Development Centers. Either the respondents were not aware of these services or did not trust any government agency.

Universities were not mentioned at all as a source. Three reasons are suggested. For one, the respondents may not have been aware of the services available, e.g., reports on the economy such as The University of New Orleans Metro Report, student interns, and class project teams under the Small Business Institute program. Second, schools may not promote their programs to the small business community. Third, small business owners may feel the professors are too "Ivory Tower," and not have practical experience.

## CONCLUSION

The majority of firms seem to have weathered the impact of Hurricane Katrina, the BP oil spill, and the Great Recession of 2007-2009. The major problems faced were the economy (demand), competition, and technology change. The primary action taken by all sectors concerned increased marketing (promotion). This makes sense given the slow growth of the economy and severe competition.

Sources of help included banks/financial, service (CPA, attorney), other business owners, friends/family, government, business associations, suppliers, and marketing service firms. Finance sector firms made less use of external sources in contrast to retail or service firms.

Of note is the dominance of the use of informal sources of help such as friends/family, other businesses, and business trade associations. This reflects the role of personal contacts of doing business in New Orleans. Government agencies were used little, suggesting a lack of knowledge of their services. Local universities were not used at all reflecting a lack of knowledge about them or confidence.

What actions have you taken?							
Industry	Price Change	Marketing	Product	Personnel	Technology	Cost Cutting	Nothing
Retail	5.88%	35.29%	23/53%	11.76%	0.00%	11.76%	11.76%
Finance	0.00%	42.86%	0.00%	14.29%	14.29%	0.00%	28.57%
Service	6.06%	48.48%	15.15%	15.15%	6.06%	3.03%	6.06%

Percent of seekers by Industry								
Industry	Bank/ Financial	Service (attorney/ acct/ consultant)	Other Business	Friends/ Family	Government	Associations	Suppliers	Marketing Sources
Retail	33.33%	42.86%	30.77%	00.00%	00.00%	50.00%	33.33	35.00%
Finance	0.00%	0.00%	0.00%	27.27%	50.00%	0.00%	33.33%	0.00%
Service	66.67%	42.86%	61.54%	72.83%	25.00%	50.00%	33.33%	65.00%

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# A QUANTITATIVE STUDY OF BUSINESS OWNERS AND PERCEIVED NETWORK BENEFITS: COLLECTIVE VS. INDIVIDUAL BASED CULTURES

Cheryl Luczak, Saint Xavier University  
Sumaria Mohan-Neill, Roosevelt University  
Gerald Hills, University of Illinois at Chicago

## ABSTRACT

*Do the cultural roots of business owners influence their market orientation, social networks, and ultimately affect the benefits derived from these networks? This study focuses on the relationship between culture and network benefits and further explores a conceptual model related to cultural aspects of network benefits for small business owners proposed in an earlier qualitative study by Luczak, Mohan and Hills (2010). This study provides an empirical exploration of how business owners' culture moderate and influence their marketing orientation and networking processes.*

*Based on Hofstede's cultural dimensions, it is suggested that business owners from a collectivist culture exhibit a relational market orientation (1991). Business owners exhibiting relational market orientations also exhibit stronger social ties than owners with transactional orientations, allowing business owners' greater access to economic, relational and intellectual capital. Data for this study was collected from a sample of American and Indian small business owners. Building on Hofstede's model and the proposed theoretical framework, this research explores the differences between Indian and Western culture, shared values, trust and commitment in the context of small business owners. Fundamental differences that distinguish between collectivist and individualistic cultures are used as a basis to identify differences in networking practices between the two cultures. This analysis contributes to the scholarly understanding of networking theory through the exploration of the relationship between culture, market orientation and network benefits to small business owners. This research addresses an existing gap in the marketing literature by exploring the moderating effect of culture on business owners' networking activities and determining if this effect represents a competitive advantage.*

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## **COVERED IN OIL – AGAIN**

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**Biruk Alemayehu, Southern University at New Orleans**  
**Marjorie Anne Fox, Southern University at New Orleans**  
**H. Kevin Fulk, Southern University at New Orleans**

### **ABSTRACT**

*The South Louisiana coastline has experienced a number of natural and man-made disasters, beginning with the BP Oil Spill in 2010. These disasters have caused millions of dollars in damage in the form of human costs, environmental costs, and economic costs. This paper seeks to update the original South Louisiana study and compare the economic hardships originally felt in Louisiana with those that exist after Hurricane Isaac. In particular, this study investigates the continuing decline in the South Louisiana economy as a result of the spill.*

Key Words: BP Oil Spill, Hurricane Isaac, Economic Effects of Natural and Man-Made Disasters.





# **ENTREPRENEURIAL INVESTING: IS IT AN INFORMED CONTRARIAN STRATEGY OR WALL STREET HERD MENTALITY?**

**Sumaria Mohan-Neill, Roosevelt University, Chicago**  
**Indira Neill Hoch, University of Illinois at Chicago**

## **ABSTRACT**

*The most recent dramatic stock market crash began in the 4<sup>th</sup> quarter of 2008, and continued into 1<sup>st</sup> quarter of 2009; many people lost much of their life savings and equity. The stock market's violent downward spiral dramatized the painful upheaval in the world economy, as global markets and all sectors of the economy began to freeze as asset valuation in all classes lost most of their value. For the next 5 years (2008-2013), many individual investors (ii) stayed out of the market, while many large Institutional Investors (II) and Wall Street reaped the benefits of a bull market. The fact is that since the market bottomed in the 1<sup>st</sup> quarter of 2009, all the major US stock indices (Dow, Nasdaq and SP500) have all increased by more than 100%. So, 5 years later, many Wall Street pundits and talking heads began touting the amazing run of the market in the last few months, often making the case that since individual investors (ii) have not yet returned to the market in large numbers, the rally still more momentum. Are the pundits and so-called smart money trying to lure individual investors back in the market to buy near the top, so they can sell, and take profits? Sentiment, psychology, fear, greed and manipulation are sometimes blurred at market bottoms and tops. Is the market at another top, waiting to slowly decline or to crash again? This paper will address the fundamental tenets of Entrepreneurial Investing in the context of Wall Street noise and hype. What should guide investors as they consider their options? The most important issues in Entrepreneurial Investing are to first be very well informed about any decisions. Four basic questions must be considered together: 1) It is not just WHAT to BUY, but 2) WHY or WHETHER to BUY –i.e. what are your objectives, risk tolerance, etc.? 3) WHEN to BUY & 4) WHEN to SELL? Questions and data are presented and its up to the audience to decide.*

## **INTRODUCTION**

This paper and presentation will analyze the fundamentals of entrepreneurial investing using Apple (AAPL) as a case study. It was the most loved stock on Wall Street. Hedge funds and money managers couldn't find anything wrong with it as it soared to \$700/share. Now as it hovers around \$450, and many are talking it down, the question is how has it fundamentally changed? If it was great at \$700, why is it bad at \$450? Why are they not pounding the table on Apple anymore? Where are the guys who dubbed it a "generational buy"? Instead many are now touting Google as it continues its climb above \$700/share.

## APPLE VERSUS COMPETITORS IN TERMS OF FINANCIAL RATIOS

APPLE has a P/E of 10 compared to Google at 24. Apple has billions cash, with no debt. What has changed to make it this unattractive? We hear stories of some funds, which sold large positions of Apple, and it adds more negative sentiment. The headlines scream people dumping the stock, but do we ask when was it sold? Was it at the end of 2012, when people wanted to realize large capital gains in the stocks, (Apple had great gains) and could some sell to avoid paying higher taxes later with an Obama win? There is almost a 2-month lag in the filing disclosure that is available for public consumption. Imagine realizing a gain in December 2012, and then getting to buy the stock back in February or March are the price has been decimated. What is driving sentiment? Can Apple be successfully evaluated using fundamental analysis and the basic questions for entrepreneurial investing? Is it possible to succeed as a small investor with a **contrarian** strategy versus Wall Street's current sentiment and recommendations?

**FIGURE 1: APPLE COMPARED TO COMPETITORS (FINANCIAL RATIOS)**

**FIGURE 2. 5 YR PERFORMANCE CHART OF APPLE COMPARED TO COMPETOTORS AND INDICIES (DOW, SP500 AND NASDAQ)**



**FIGURE 3. 2 YR PERFORMANCE CHART OF APPLE COMPARED TO COMPETITORS AND INDICIES (DOW, SP500 AND NASDAQ)**



FIGURE 4. WALL STREET'S CURRENT CRUSH-FEB 24<sup>TH</sup>, 2013

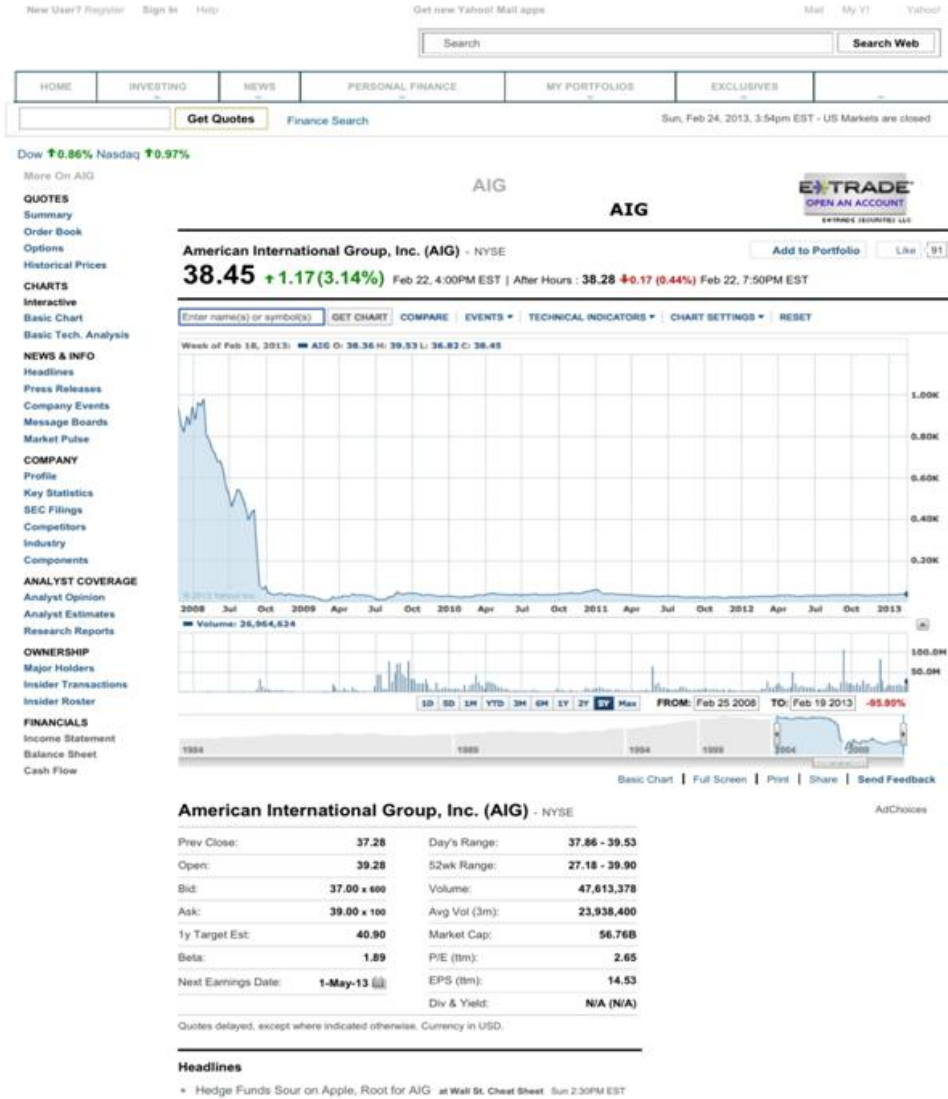


FIGURE 5.AIG HEADLINES-FEB 24<sup>TH</sup>, 2013-YAHOOFINANCE.COM

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Dow **↑0.86%** Nasdaq **↑0.97%**

 **AIG**

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**American International Group, Inc. (AIG)** - NYSE   91

**38.45** **↑1.17 (3.14%)** Feb 22, 4:00PM EST | After Hours : **38.28** **↓0.17 (0.44%)** Feb 22, 7:50PM EST

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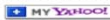

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# **AN INSTITUTIONAL AND PEDAGOGICAL MODEL THAT FOSTER ENTREPRENEURIAL MINDSET AMONG COLLEGE STUDENTS**

**Nelson Pizarro, California Lutheran University**  
**ABSTRACT**

*To suggest ways to design (institutional and pedagogical) environments using constructivist methods that produce students with entrepreneurial mindsets and skills, this study builds on previous research and examines the impacts of an organizational and pedagogical approach adopted by The Evergreen State College (TESC), which is constructivist in nature. Using constructivist education theory to explore the TESC model, the author details key design features that can be adopted for entrepreneurship education. Interviews with faculty members reveal how TESC functions; alumni provide evidence of enterprising behavior. Three important design features emerge; team-teaching, no grades, and theme-oriented curricula. These results can help policy makers, business schools, and entrepreneurship professors understand an environmental model that supports the development of an entrepreneurial mindset among college students.*

Key Terms: entrepreneurial education, constructivist education





# **A RESOURCE-BASED VIEW OF ENTREPRENEURIAL ORIENTATION: ITS IMPACT ON SME PERFORMANCE**

**David Price, Washburn University**  
**Michael Stoica, Washburn University**  
**Scott Weaven, Griffith University**

## **ABSTRACT**

*This research seeks to identify unique relationships between the resources utilized by Small and Medium-sized Enterprises (SMEs) and examines which resources are critical to firm performance. A model was developed and a cross-sectional survey administered to 229 SMEs in the United States. Statistical tests were conducted on the relationship between five resource categories: human, organizational, social, knowledge-based resources and entrepreneurial orientation (EO) and firm performance. In contrast to many previous studies, this research takes the position that EO is a firm-specific resource. Findings indicate that the resource dimensions of EO and knowledge-based resources are more important to SMEs.*

## **INTRODUCTION**

Understanding how SMEs achieve high performance in order to impact society has significant implications of SME owners/managers, SME employees and the economies in which the SME operates. High levels of performance can facilitate firm growth and subsequent profit performance, which in turn can yield employment gains and contribute to the general economic health of a state, region or nation (Wolff & Pett, 2006). Due to the lack of resources most common with small firms, a better understanding of the factors contributing to their performance is beneficial (Rauch et al., 2009). This research investigates SME performance by integrating various intangible resources into a model that attempts to explain which resources are most effective for SMEs. Thus the variability in a firm's performance may be attributed to distinct bundles of organizational resources (Anderson & Eshima, 2011; Barney, 1991). In addition to its practical contributions, the results of this research will add to the theoretical body of knowledge in the RBV and extend the current understanding in EO research.

## **THEORY AND HYPOTHESES DEVELOPMENT**

Scholars have noted that the resource-based view (RBV) of the firm is fundamental in understanding the performance of firms (Barney, 1991; Wernerfelt, 1984, Wiklund & Shepherd, 2011). This is an internal focus on the importance of firms' resources and is the foundation of the RBV (Barney, 1991; Wiklund et al., 2010). Additionally, as there is acknowledgement that entrepreneurship is an important part of the resource-based framework (Connor, 1991), the combining or bundling of resources involves configuring them into complex combinations, so as

to yield competitive advantage (Newbert, 2007). Resources should not be viewed as homogenous but as heterogeneous and variable, and the value of resources depends on the combinations with other resources (Anderson & Eshima, 2011; Barney, 1991).

Often RBV research has employed a single factor (resource) to explain variations in firm performance, which will often consist of a single measure. In this paper we investigate the combined effects of multiple resource variables and firm performance. There has been a proliferation in resource categories, often seeing a firm as the combination of accumulated tangible and intangible resource stocks that are owned or controlled by the firm, such as technological assets, capabilities, human, financial, physical and knowledge-based resources that are tied to the firm or controlled by it. Intangible resources are essentially knowledge-based and therefore more difficult to imitate and are the focus of this study. These include human capital, social capital, organizational resources and knowledge-based resources.

The importance of human resources in enhancing firm performance has been widely studied and there is little disagreement that human capital constitutes an important element in the resources a firm possesses (Chadwick & Dabu, 2009). Organizational resources include systems and policies, expertise, organizational routines, culture and structure (Greene & Brown, 1997), and due to its inimitability is included for analysis. Social capital (networks) involves relationships between individuals or between organizations and the need to understand social capital as a resource has been highlighted in the entrepreneurship literature (Davidsson & Honig, 2003) and relationships have been seen as a key source of competitive advantage (Chisholm & Nielson, 2009).

Knowledge-based resources are an important group of intangible resources that can foster competitive advantage and has been described as having the greatest ability of all resources to serve as a source of sustainable differentiation due to immobility (Gold et al., 2001; Wang et al., 2009). According to Wiklund and Shepherd (2003), the management of knowledge is required to integrate all knowledge in order to anticipate current and future needs, and there is a continuous process to identify and exploit knowledge to develop new opportunities. Alavi and Leidner (2001) describe this process as creating, storing/retrieving, transferring and applying knowledge. Entrepreneurship scholars have attempted to explain performance through investigating a firm's entrepreneurial orientation (EO). EO refers to a firm's strategic orientation, and many researchers agree that EO is a combination of three basic dimensions: innovativeness, proactiveness and risk-taking (Covin & Slevin, 1989; Wiklund & Shepherd, 2005), although there is much discussion on other measures (see Covin & Wales, 2012). This paper adopts the position that EO is an important resource in itself, and it is posited that this concept is an important *resource* for firms. Previous research has empirically explored the independent effects of EO on performance (Zahra & Covin, 1995) and its relationship with the environment (Covin & Slevin, 1989), but has not fully investigated internal firm-level characteristics that may interact with other resource variables and performance. Thus the following hypotheses were developed:

*H1: There is a positive relationship between human resources and firm performance.*

*H2: There is a positive relationship between organizational resources and firm performance.*

*H3: There is a positive relationship between social resources and firm performance.*

*H 4: There is a positive relationship between knowledge resources and firm performance.*

*H5: There is a positive relationship between a firms EO and firm performance.*

The final model to be tested include three control variables for firm age, size and environment:

**--Insert Figure 1 about here--**

## **METHOD**

In total, 229 useable responses were received utilizing SME databases, networking and snowballing techniques. Respondents were sent an online survey through three emails or delivered in person. Questions in the survey were sourced from existing scales within the entrepreneurship and strategy literature (Alavi & Leidner, 2001; Carmeli & Tishler, 2004; Covin & Slevin, 1989; Edelman et al., 2005; Gundry & Welsch, 2001; Wiklund & Shepherd, 2003; Yiu, Lau & Bruton (2007). Three control variables were added to the final model: firm size (employees), firm age and environmental factors (Duncan, 1972) and the questions used seven-point Likert scales. The acknowledged differences between industries in the sample required the use of subjective performance measures (Miles & Snow, 1978), indicating the perceptions of performance goals with regard to sales, growth, compared to competitors and an overall evaluation. The scales were subjected to reliability and validity testing and factor analysis was used to reduce the number of items in some scales. Hierarchical regression analysis in SPSS was used to analyze the relationships between each set of variables in the final model.

## **RESULTS**

The most commonly reported industries were in the retail sector (93 businesses or 40.6 percent) as shown in Table 1 below.

**--Insert Table 1 about here—**

Most firms (44.3%) had less than 10 employees, and 26.9 percent had between 50-100 employees. The age difference was surprisingly spread, with the largest proportion of firms (23.9%) over 20 years of age. The next highest level being in the 4-6 year category. Tables 2 and 3 below illustrate both firm size and age:

**--Insert Tables 2 & 3 about here—**

Each scale was assessed in terms of reliability, first based on Cronbach's alpha coefficient for the following constructs: human, organizational, social and knowledge resources, entrepreneurial orientation, environmental turbulence and performance. Cronbach alpha analysis

led to some items being deleted in the scales. All scales were robust, analyses showing final scales ranging from 0.71 (organizational resources) to 0.92 (knowledge resources). These results indicate evidence of high internal consistency and homogeneity in each set of items. Reliability and correlation analysis is presented in Table 4.

## RESULTS

The variables were entered into a hierarchical multiple linear regression with performance as the dependent variable. The variables in the model included control variables age (AGE) in years, size (SIZE) as number of employees, and environment (ENV). Independent variables included in the analysis are human resources (HUMAN), organizational resources (ORGAN), social resources (SOCIAL), knowledge resources (KNOW), entrepreneurial orientation (EO) with the dependent variable performance (PERF). The results are shown in Table 5 below:

**--Insert Table 5 about here--**

Model 1 was regressed on three control variables, age (AGE), (SIZE) and the environment (ENV) against performance (PERF). Model 2 includes the three control variables (ENV, AGE, SIZE) with the five independent variables with strong results. The adjusted R<sup>2</sup> is 0.39, ANOVA F is significant (19.19) at the one percent level. Comparing Model 2 with Model 1 we see that the addition in the Adj. R<sup>2</sup> is 0.05 to 0.39, an additional 0.34. Thus the five key independent variables are making a major contribution to the explanation of performance. Knowledge resources has the strongest result ( $\beta = 0.39$ ,  $t = 5.48$ ,  $p = < .01$ ). The t-value is large at 5.48, and significant at the 1 percent level. EO also shows strong results ( $\beta = 0.25$ ,  $t = 3.35$ ,  $p = < .01$ ). The strong beta (0.25) and large t-value (3.35) are significant at the one percent level. There is a large decline in performance to the next variable, as organizational resources showed a small beta and is not significant ( $\beta = 0.08$ ,  $t = 1.29$ ). Similarly social resources and human resources were small and not significant. The control variables collectively became less important.

Model 3 is the final optimal model. The adjusted R<sup>2</sup> improves slightly to 0.40, with a concomitant jump in the F-value (from 19.19 to 38.62), both significant at the one percent level. The final model leaves one control variable (AGE) which remains with a negative beta of -0.09, only marginally significant at the 10 percent level. This means that younger firms may tend to perform better in the sample. The two key variables that remain are knowledge resources and EO. Compared to Model 2, the beta coefficients remain at the same high level but there is a further improvement in the t-values which rise to 5.48 and 3.35 respectively (both significant at the one percent level). The remaining component in the final model is organizational resources and shows a beta coefficient of 0.08 and a t-value of 1.29 and is not significant.

- Hypothesis 1 states that firm performance is positively related to human resources. The results indicate no significance (Model 2) ( $\beta = -0.01$ ,  $t = -0.10$ ). Therefore H1 is rejected.
- Hypothesis 2 states that firm performance is positively related to organizational resources. The results show no significance (Model 2) ( $\beta = -0.01$ ,  $t = -0.10$ ). Therefore H2 is rejected.
- Hypothesis 3 proposes that firm's performance is positively related to its social resources. Findings indicate no significance (Model 2) ( $\beta = 0.06$ ,  $t = 0.89$ ). Thus, H3 is rejected.
- Hypothesis 4 proposes that firm's performance is positively related to its knowledge resources. The results show very strong support for this relationship. Results show increased significance at the one percent level and slight increases in t-values from Model 2 ( $\beta = 0.39$ ,  $t = 5.17$ ) to Model 3 ( $\beta = 0.39$ ,  $t = 5.48$ ). The adjusted R-square shows 40 percent of explanation in the variance of Model 3. We can conclude that H4 is supported.
- Hypothesis 5 proposes that a firm's entrepreneurial orientation is positively related to performance. ANOVA F-tests and beta coefficients were significant ( $p < 0.01$ ) in Models 2 and 3. Adjusted R-square for EO increased slightly from 39 to 40 percent of the explained variance. We conclude that H5 is supported.

## DISCUSSION AND CONCLUSION

Knowledge resources was the most powerful variable in the final model. This result is consistent with the literature which argues that knowledge-based resources have perhaps the greatest ability of all resources to serve as a source of sustainable competitive advantage (Lee & Sukuco, 2007; Wang et al., 2009). Knowledge permits a firm to predict more accurately the nature and commercial potential of changes in the environment and the appropriateness of strategic actions (Cohen & Levinthal, 1990). Importantly, the enhancement of knowledge-based resources increases the application, distribution and creation of new knowledge, potentially increasing competitive advantage exponentially (Hauschild et al., 2001).

EO was also significant in the final model. This result is consistent with the strong support shown for the EO concept in the literature (Covin & Wales, 2011; Moreno & Casillas, 2008; Wiklund & Shepherd, 2005). EO dimensions (innovativeness, risk-taking propensity and proactiveness) are related to first-mover advantages, the tendency to take advantage of emerging opportunities and respond more quickly (Zahra & Covin, 1995). EO may have a strong affect as it may be used as a mechanism to overcome resource constraints encountered by smaller-sized firms. It is under these conditions that managers can more greatly benefit from being innovative and proactive and from pursuing risky new initiatives, thus differentiating their firm from competitors.

The remaining variables in the model were substantially less powerful, including human, organizational and social resources. It is suggested that the interplay between the bundle of resources tested in this model reduced the influence of these variables. For example, Greene and Brown (1997) noted the interaction of human and organizational resources are key in

understanding firm performance, and that the two are closely related. Edelman et al. (2005) also found that human and organizational resources are closely tied. Individual learning can enhance ongoing firm learning and knowledge-enhancement opportunities, as human capital is a resource that is fundamental to knowledge creation (Hitt et al., 2001). Thus, as knowledge has been found to be a significant factor in the model, it could be argued that this finding is consistent with research that suggests knowledge resides ultimately in the people of the organization (Carmelli & Tishler, 2004; Grant, 1996; Hitt et al., 2001). In other words, it appears to follow a contingent approach, in that the existence of one resource affects the other.

Our testing indicated a lack of support for social resources, which is in contrast to research (Dubini & Aldrich, 1991; Lee & Sukuco, 2007). However, social resources have been observed to have drawbacks that may help explain this result. For example an organization with high social resources can be resistant toward outside resources if it has strong internal ties and these can inhibit the adoption of new relationships with others (Nahapiet & Ghoshal, 1998). This suggests that the opportunity to gather new information and knowledge might be less in an organization with plentiful social resources.

This research strongly supports the notion that high-performing SMEs possess a predisposition for EO and the successful management of knowledge resources. Policy-makers may need to afford a means of identifying knowledge-based resources and the processes involved with the acquisition and management of this capability, to ensure firms are organized to exploit its usefulness. This research also suggests a close link between EO and knowledge resources and this has theoretical implications for the RBV literature. The resource-based view of the firm has emerged over the last fifteen years as one of the more dominant perspectives used in strategic management and more recently in entrepreneurship, and this research has shown that the RBV indeed has potential to explain performance in smaller organizations.

While this research may not address all potential obstacles that manager's face in their quest to create successful firms, it does imply that certain firms may be predisposed to successful knowledge integration and EO characteristics. Additionally, these results indicate that managers should choose wisely in investments in human, organizational and social resources, as it was found that these resources may not add value to an organization. Limitations include findings being drawn from a convenience sample across multiple industries, which may prove problematic for generalizability. The cross-sectional nature of the data collection limits potential findings and it is unclear if similar results would be found in a comparison of large firms. As resources are accumulated and managed over time, a longitudinal approach would provide more reliable data. The study utilized the variable a subjective measure of performance as opposed to other more common measures such as sales. Thus, results should be considered within these limitations

Future research on the role of resources at varying points in time during the evolution of SMEs and small business would be beneficial, for example, do the dimensions of knowledge and EO become less important? Additionally, the EO literature has stated that the different dimensions that comprise EO (proactiveness, risk-taking and innovativeness) are best measured as distinct dimensions (Lumpkin & Dess, 1996). Further, consideration of strategic contexts other than the resource-based view could be an important area for research in the field.

This research argues that knowledge-based resources and EO are the most critical for SMEs. The empirical study examined four different types of traditional resources and positions EO as a firm-level resource. The study contributes to our knowledge about performance in SMEs and investigated performance based on a multi-resource method. While the firms have differing industry backgrounds, research conducted by Crook et al. (2008) on RBV research showed no significant differences across small and large firms or service versus manufacturing firms, suggesting that performance and resources are important across a range of contexts. Small businesses face enormous challenges and policymakers will need to address issues presented in this research and elsewhere to maintain and develop a strong economic presence. These include factors such as encouraging a strong entrepreneurial orientation and the development of knowledge resources and the two are closely related (Kreiser, 2011). As core elements in the findings of this research, these concepts are essential, both individually and collectively, for the creation of more successful entrepreneurial endeavours.

**\*REFERENCES & STATISTICS AVAILABLE UPON REQUEST**





# **AN EXAMINATION OF SERVICES USED IN NORWEGIAN BUSINESS INCUBATORS**

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## **ABSTRACT**

*Business incubators assist tenants by providing three major types of services: infrastructure, business support, and mediation (Bergek & Norrman, 2008). While infrastructure refers to the physical facilities such as the building itself and office equipment, business support and mediation services relate to intangible services. Business support services include the consulting services and expert advice provided by incubator employees. Through mediation services, incubator employees connect tenants with experts and support systems outside the incubator. This study examines the extent to which these different services were used by tenants of incubators in Norway. While the physical infrastructure is often viewed as a central benefit of being in an incubator, the small business owners in this study used the intangible services more extensively.*

## **INTRODUCTION**

Business incubators aid new business owners by providing supportive environments in which they can establish and grow their businesses. Incubators provide not only the necessary infrastructure for business (physical facilities, office equipment, etc.), but also business support (managerial advice) and mediation services (assistance with networking (Bergek & Norrman, 2008; Rice & Matthews, 1995). Incubator tenants also form relationships with each other that be conducive for expanding their businesses (Chrisman, Bauer Schmidt & Hoger, 1998; Neck, Meyer, Coben & Corbett, 2004). The purpose of this study is to shed more light on the services used by Norwegian men and women who are incubator tenants. The following section provides a brief background on business incubators. The results of this study are then presented.

## **BUSINESS INCUBATORS**

Business incubators provide start-ups with a nurturing environment, hands-on assistance, and a variety of other services during their first years of development. The term “incubator” is appropriate because these organizations foster the development of new companies, helping them survive their vulnerable start-up period and grow more quickly into successful firms (Finer & Holberton, 2002). Bergek and Norrman (2008) identified five components that are typical of most incubation models: selection, infrastructure, mediation, business support, and graduation. Selection and graduation procedures pertain to entry/exit policies while the remaining components describe the type of resources and services provided to tenants while they are in the incubator. Basic items such as photocopiers, postage machines, and other office equipment are useful and even necessary, but would present high costs to a single small venture first starting out. Large and specialized facilities and equipment such as loading docks, forklifts, autoclaves and water purifiers would be out of reach for most new businesses, but incubators can provide

these through the cost-sharing model of the incubator organization (Boyd, 2006). These services and resources, conveniently provided in one location, are a great help to new businesses just starting. Hansen, Chesbrough, Nohria and Sull (2000, p. 76) found that during the first six to nine months of operations, many managers of new ventures spend up to half their time just establishing the basic infrastructure they need to run their businesses. They quoted an incubator tenant extolling the virtues of his incubator where tenants do not have to deal with “back-office stuff like ‘Why doesn’t the fax machine work today?’...Here in the [named] incubator, we can focus entirely on the business issues as hand. I’ve made three years’ worth of decisions in three months” (p. 77).

Although these shared physical facilities and administrative services are the most easily seen benefit, mediation and business support services are highly important for increasing the probability of survival and success (Bollingtoft & Ulhøi, 2005; Hansen et al., 2000; Lee, Lee & Pennings, 2001; Peters, Rice, & Sundararajan, 2004; Smilor, 1987). Expert advice and business support provided by incubators can substitute for direct experience and help business owners acquire the tacit knowledge shared by other managers in the industry (Aldrich, Reese, & Dubini, 1989; Miller, Besser & Riibe, 2006). By indoctrinating firms in standard business practices (such as business planning, financing, and administration), business incubators raise up tenant firms so that they comply with norms of the larger social, political, and business communities (Aldrich & Fiol, 1994).

The overall goal of incubation is, of course, graduation. It is important for firms to stand on their own feet rather than relying on the continued support of an incubator for an extended period of time. Additional new ventures can then benefit from the limited slots available within incubators (Hackett & Dilts, 2004). Most incubators expect tenants to strike out on their own after three to five years (Bergak & Norrman, 2008; CSES, 2002). Such policies also help to ensure that resources are not wasted on firms that cannot survive long-term without assistance.

Positive results are not, however, automatically guaranteed simply by incubator tenancy (Johannison, 1987). Hansen and associates (2000, p. 75) state that without a focus on networking, an incubator is “little more than a place to set up shop.” Entrepreneurs who already have “strong personal connections to the right industry players” or do not need to move quickly may not need the services of a networked incubator (Hansen et al., 2000, p. 81). Women, however, are less likely than men to have these strong personal connections (Aldrich, 1989; Brush, 1997; Renzulli, Aldrich & Moody, 2000; Robson, Jack & Freel, 2008; Robinson & Stubberud, 2009). For them, incubator tenancy may be particularly effective for linking them with lawyers, accountants, and sources of information, thus increasing the diversity of their networks and decreasing disadvantages they would face compared to men with better networks.

Incubators can provide a variety of services, from giving access to physical facilities to providing management development to improving networks. This study seeks to examine which services are most used by incubator tenants in Norway. Participants were asked about their use of a variety of services, as explained in the following section

## METHODOLOGY AND RESULTS

Data were collected through a survey conducted in Norway in December 2011/January 2012. This study focuses on those who had started businesses within the last three years. Names and contact information for incubated firms were obtained from SIVA (Industrial Development Corporation of Norway; [www.siva.no](http://www.siva.no)) and participants were contacted by telephone. A total of

117 business owners in incubators participated in the survey. They were asked to rate their use of five types of services in the past 3 months on a Likert scale from 1–7 (1=not often, 7=very often), with 0 indicating the services had not been used. Likewise, they were asked to evaluate the quality of these services on a Likert scale from 1-7 (1=very poor, 7=very good). The survey was conducted in Norwegian and translated into English for this report.

Physical services are those related to the use of the facility such as conference rooms, kitchens/break rooms and audio visual equipment. General services refer those provided by employees of the incubator, including handling mail, copying and staffing a reception desk. Economic advice includes help with accounting and finance as well as with contracts and investors. Business development refers to assistance with business plans, marketing, research, human resources, etc. Legal advice, help with patents and IT consulting fall under the category of other special services. The mean frequency with which each of these services was used is shown in Table 1.

Type of service	Overall frequency of use	Evaluation of service	Percent that have never used this service
Economic advice	3.3	4.4	18.8%
Business development	3.1	4.4	21.4
Physical services	3.0	4.5	25.6
Other special services	2.8	4.2	22.2
General services	2.6	4.2	23.1

While the use of the physical facilities and general services were expected to be the most frequently used service, the results show that economic advice was the most commonly used service among Norwegian incubator tenants. Economic advice received the highest mean rating for use (3.3), and the lowest percentage of participants who had not used this service (18.8). Business development was slightly behind economic advice in terms of frequency of use. These two types of services are very similar in that they involve helping business owners develop knowledge about business. Physical services received a 3.0 mean rating, but 25.6% of participants stated they had not used these services. This was the highest proportion in that category. However, physical services also received the highest rating for quality of service (4.5), just ahead of economic advice and business development (4.4). Other special services and general services received quality ratings of 4.2. With 22-23% of participants stating they had never used these services, they received frequency of use ratings of less than 3. It should be noted that none of the services had a mean of greater than 3.5, although the maximum rating for this category was 7.

## CONCLUSIONS

It was expected that physical and general services would be the most commonly used of the services included in this study. The building facilities and business services provided by incubators are often thought to “be” the incubator. Tenants find a common place to set up shop and share the services of staff who perform the work that might otherwise be done by assistants, secretaries and administrative staff. This was not, however, the case. Physical services had the highest proportion of incubator tenants who said that they had not used these services in the last three months. General services received the lowest frequency of use ratings and were similar to

physical services in terms of the proportion of people who had not used this service in the last three months.

Sharing of knowledge seemed to be much more common than the sharing of facilities. Services based on business expertise—economic advice and business development—were used more frequently than the other services and had the lowest proportions of people who had not used them in the last three months. Given these results, education programs may be more cost efficient than incubators. While some individual participants used physical services quite often, there were clearly many that did not use them. Mentor programs or educational programs may provide economic advice and business development services that suit business owners' needs without providing physical facilities and general services. Further analysis should be conducted to determine what type of businesses would benefit most from incubator tenancy.

One facet of incubator tenancy that was not included in this study was the frequency of interaction with other incubator tenants. The development of relationships between tenants can be an important benefit of incubator tenancy (Hamel et al., 1989; Neck et al., 2004; Sherman & Chappell, 1998). This is an area for future research. This interaction may be a valuable benefit that helps justify the cost of incubators.

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# ENTREPRENEURIAL ORIENTATION AND INTENT

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## ABSTRACT

*The concept of entrepreneurial orientation can apply to individuals as well as organizations (Bolton & Lane, 2012; Rauch, Wiklund, Lumpkin & Frese, 2009). Some of the characteristics most frequently associated with entrepreneurial orientation include autonomy, competitive aggressiveness, innovativeness, proactiveness and risk-taking (Bolton & Lane, 2012; Fillis, 2010; Hamidi, Wennberg & Bergland, 2008; Lumpkin & Dess, 1996; Rauch et al., 2009; Ward, 2004). Bolton and Lane (2012) determined that the latter three were the most strongly related to entrepreneurial intent. Following Bolton and Lane, this study examines the relationships between university students' self-reported levels of entrepreneurial orientation and their desire or intent to start their own businesses. Surveys conducted before and after an intensive two-week entrepreneurship course were used to evaluate the effectiveness of the course and to analyze the relationships between the elements of proactiveness, innovation and risk-taking.*

## INTRODUCTION

More than half of younger people (ages 18-34) would like to start their own businesses (Kauffman Foundation, 2011). Competitive aggressiveness, autonomy, innovativeness, proactiveness and a willingness to take risks are five of the characteristics commonly associated with entrepreneurial orientation (Bolton & Lane, 2012; Fillis, 2010; Hamidi, Wennberg & Bergland, 2008; Lumpkin & Dess, 1996; Rauch, Wiklund, Lumpkin & Frese, 2009; Ward, 2004). Bolton and Lane (2012) determined that the latter three were the most strongly related to entrepreneurial intent. These three are also logically related to each other. A willingness to take risks is necessary for creativity and innovation because there is seldom a guarantee that a new idea will work. Without proactiveness, few innovative projects will be started, much less completed.

Training in topics related to entrepreneurship can increase the skills and abilities necessary for starting a business as well as the motivation to do so (Barr, Baker, Markham & Kingson, 2009). This study reports the results of pre- and post-tests conducted before and after an intensive two-week entrepreneurship course intended to help students increase their entrepreneurial orientation. Students voluntarily completed surveys regarding their attitudes toward risk-taking, innovation and proactiveness and their intent to become entrepreneurs. The following section provides a brief review of the literature related to entrepreneurial orientation. The methodology and results of this study are then presented.

## CREATIVITY AND INNOVATION

Creativity and innovation are important to entrepreneurs as they develop new products, markets, new methods, etc. Many students believe they are not very creative and that they are

incapable of coming up with innovative ideas. Some students are simply unwilling to take the risks necessary to act in creative ways. To convince them that there are different ways to be creative, such as developing and improving upon others' ideas (Couger, 1995; Kuratko, Goldsby & Hornsby, 2012), the instructor of this entrepreneurship course used a variety of creativity exercises. For example, student groups were challenged to imagine "bad ideas" for products. The point of this activity was to let students have fun by freeing them from the pressure to think of viable products. Other student groups then attempted to develop these bad ideas into good ones.

Creative ideas can often come from the juxtaposition of dissimilar elements. Previous students in the entrepreneurship course tended to limit their business ideas to restaurants and retail shops because those were the types of businesses with which they were most familiar. This course introduced students to topics that were likely to be new to them, providing fodder for creativity (Couger, 1995). Guest lecturers spoke on such diverse topics as sustainability, alternative energy, peak oil, materials science and judicial systems, as well as more business-related themes such as product development, negotiation and networking. The most popular guest was a manager of an international snack firm who told about his trip to a maritime museum. The scrimshaw art on display was in no way related to snacks, but it inspired him with an idea he then used to solve a major product development problem.

The overall course was designed as a large competition. Groups voted for their favorite ideas, with the most popular ideas being rewarded with points that accumulated until the last day. In this way, students received feedback, but were freed from the pressure of having their ideas graded (the course grade was based on written assignments submitted before and after the two-week course). This focus on creating and developing outside-the-box ideas instead of completing a business plan was meant to build confidence and creativity so that students would have these necessary skills before they moved on to more concrete business plans. Barr and associates (2009, p. 378) also followed this philosophy in a course about technology commercialization:

Our primary goal is not to turn the greatest number of our students into entrepreneurs. It is, instead, to get our students to understand that entrepreneurship is an option for them and to increase their confidence and self-efficacy in regard to making this career choice....Prior research provides evidence that entrepreneurship training can substantially increase cognitive and motivational precursors to entrepreneurial activity, which suggests that the training may open up entrepreneurship as a choice to students who would otherwise remain closed to it.

Most of the students had not previously considered entrepreneurship, but were enticed to enroll in the course because of the embedded travel program. The purpose of the entrepreneurship course was therefore to introduce them to entrepreneurship and encourage them to think about including it in their plans for the future. The next section describes the results of pre-tests and post-test conducted with students before and after they completed the course.

## **METHODOLOGY AND RESULTS**

A total of 30 Norwegian students (19 females and 11 males) from Norway and 2 female American students completed the entrepreneurship course, which was held at a university in the northeastern United States. They were asked to voluntarily complete a survey at the beginning and end of the course, and to use some sort of indicator that would allow the pre-tests to be



matched to the post-tests while preserving anonymity. Some students failed to provide the same indicator on the pre-test and post-test, leaving 26 matched sets of surveys. Three students could not participate in the program on three days due to sickness, yet their surveys may have been included in the results because the anonymous nature of the survey prevented their omission.

Survey items for risk taking, innovation and pro-activeness were taken from Bolton and Lane (2012), with three items for each category. Entrepreneurial intent was measured by four items based on Cooper and Lucas (2006). Participants were asked to indicate their level of agreement with each of these 13 statement using a Likert scale (1=strongly disagree to 5=strongly agree). The mean ratings for the four categories and the results of paired sample means-tests for the pre- and post-tests are shown in Table 2. The mean rating for the entrepreneurial intent post-test was used to create high (3.5 or higher) and low (<3.5) intent groups. This resulted in 14 students being placed in the high intent group and 12 in the low intent group. Paired sample means-tests were also conducted for the pre- and post-tests within these groups.

Entrepreneurial orientation factors and entrepreneurial intent	Overall	Low intent	High intent	t	p<
Risk-taking					
Pre-test	2.6	2.3	2.9	2.07	.049
Post-test	3.0	2.8	3.2		
Paired sample means-test for pre-test and post-test ratings within groups	t=2.75 p<.011	t=2.53 p<.028			
Innovation					
Pre-test	3.1	2.9	3.2		
Post-test	3.4	3.1	3.5		
Paired sample means-test for pre-test and post-test ratings within groups			t=2.65 p<.020		
Pro-activeness					
Pre-test	3.7	3.6	3.8		
Post-test	3.9	3.7	4.0		
Paired sample means-test for pre-test and post-test ratings within groups					
Entrepreneurial intent					
Pre-test	3.1	2.7	3.4	3.60	.001
Post-test	3.3	2.7	3.8	6.48	.001
Paired sample means-test for pre-test and post-test ratings within groups			t=2.23 p<.044		

Analysis of these results shows that the high intent group scored significantly higher in risk-taking in the pre-test, but not in post-test. There was an overall difference between the pre- and post-tests, but closer analysis shows the increase was greatest among those in the low intent category. By the end of the course, students in the low intent group had increased their risk-taking orientation to levels similar to those in the high intent category. On the other hand, high intent students increased their orientation towards innovation during the two weeks, but low intent students' ratings did not increase significantly.

Proactiveness post-test ratings were higher than the pre-test ratings for each group, but the increases were not statistically significant. The students in the course viewed themselves as rather proactive people. The mean ratings for proactiveness were higher than the other ratings in the pre-test and post-test for the entire group as well as for the high and low intent groups. The

lowest rating for proactiveness (3.6 in the pre-test, low intent group) was greater than the highest ratings for risk-taking (3.2 in the post-test, high intent group) and innovation (3.5 in the post-test, high intent group). Therefore, proactiveness ratings began relatively high across the board and stayed high, while some increases were seen in the risk-taking (low intent) and innovation categories (high intent).

Students in the high intent group had higher entrepreneurial intent ratings than the low intent group in the pre-test as well as the post-test. While the intent ratings for the low intent group were unchanged over the two weeks, the ratings for the high intent group increased significantly. Additional tests on the elements of entrepreneurial orientation were carried out using slightly higher and lower cut-offs for high/low intent group categorization, and using pre-test rather than post-test ratings, but the overall results did not change.

## CONCLUSIONS

Many students stated at the beginning of the course that they were not creative or innovative and did not believe they could develop those qualities. These students may have surprised themselves if they were among those whose innovation ratings increased over the two weeks of the program. The element of risk, which also can relate to creativity and innovativeness, is indeed an issue for many potential entrepreneurs as over one-third of the people who want to start a business see “too much risk” as a significant barrier to entrepreneurship (Kauffman Foundation, 2011). Students in this study gave the lowest ratings to risk-taking. Some increased their orientation toward risk-taking significantly, but this did not seem to have a great impact on their entrepreneurial intent ratings. Greater emotional support and encouragement, combined with a variety of ways that students can find ways to be creative and learn about risk-taking may be beneficial (Schmidt, Soper & Facca, 2012). Those who ended the course with a relatively high entrepreneurial intent rating also tended to increase their orientation toward innovation, suggesting the creativity exercises were effective in helping them see ways in which they are and can be creative.

The vast majority of the participants in this study were from Norway, a country with relatively high levels of uncertainty avoidance. Attitude toward risk and innovation may in this way be related to culture, and this will be examined in future entrepreneurship courses involving students from diverse lands.

Entrepreneurship is an important topic for today’s university students. It is only logical that students who develop the right skills and attitudes are more likely to start businesses with high potential for growth. Similar to Barr and associates’ (2009) program, the goal of this course was not to make entrepreneurs of all the students, but to increase students’ understanding of entrepreneurship, encourage them to view entrepreneurship as a future possibility and to increase their self-confidence in this regard.

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# IMPACT OF MICROFINANCE ON ENTREPRENEURIAL ACTIVITY IN EMERGING ECONOMIES: PANEL DATA FROM ARGENTINA, BRAZIL, COLOMBIA & SOUTH AFRICA

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## ABSTRACT

*Since the 1970s, microfinance, or small-size loans offered to poor people to use for start-up or working capital so that they might improve their financial circumstances through entrepreneurship, has grown in popularity and availability throughout the world. Across the globe, millions of individuals have borrowed billions of dollars through microfinance institutions. Emerging economics, in particular, view microfinance as a significant economic development tool. However, limited empirical evidence exists to substantiate the impact of microfinance. In this study, we use panel data from Argentina, Brazil, Colombia and South Africa to investigate the effects of microfinance on early and later stage entrepreneurial activity. For early stage entrepreneurial activity, we examine this relationship, overall, as well as by gender. Our study's results prove interesting. We find that microfinance relates positively to early stage entrepreneurial activity overall and by women. On the contrary, microfinance negatively relates to early stage entrepreneurial activity conducted by men. It also negatively relates to later stage entrepreneurial activity overall. These findings add empirical evidence to the scholarly discourse about microfinance and its impacts.*

*Keywords: microfinance; entrepreneurship; female entrepreneurship; emerging economy*



# **ENTREPRENEURSHIP EDUCATION AND VENTURE CREATION: THE ROLE OF THE SOCIAL CONTEXT**

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## **ABSTRACT**

*Entrepreneurship education promotes entrepreneurial success, but not all aspects of entrepreneurship can be taught. It is relatively easy to equip students with knowledge and skills necessary for setting up and running a business, but more difficult to instill an entrepreneurial attitude and shape an entrepreneurial behavior. Students need to be inspired to possess an intention to start a business. Inspiration is an emotional issue which is essentially social. In this study, we establish the importance of the social context in generating emotions toward venture creation. We also propose important criteria for designing the social context in entrepreneurship education.*





# **CHANGE MANAGEMENT IN MALAYSIAN SMES DURING THE ASIAN FINANCIAL CRISIS**

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## **INTRODUCTION**

In 2010 there were 645,136 Small (with <100 employees) and Medium (with between 101 and 200 employees) Enterprises (SMEs) in the globalized economy of Malaysia and this represented 97.3% of the total business establishments in the country (Department of Statistics Malaysia, 2011). In that year, these SMEs contributed 28.3% of country's GDP and employed 52.7% of the country's workforce. It is interesting to note that the realization of the importance of SMEs in Malaysia only occurred in a little more than a decade ago (Ministry of International Trade and Industry of Malaysia, 1999).

All firms must anticipate, respond and adapt to a changing environment in order to compete effectively in such an environment (Bonvillian, 1997, Nadler et. al, 1995). Research by Zain (1998a, 1998b) on the electrical and electronic industry in Malaysia has shown that large firms in the industry introduced or adopted new improvement and technology on a continual basis in order to remain competitive. Zain and Rickards (1996), and Zain (1995a, 1995b), in their assessment of the innovativeness of firms in a number of large manufacturing industries, have found that when compared to less innovative firms the more innovative firms introduced more changes in terms of new products, processes and techniques, new training programs and campaigns and new or latest technology. The more innovative firms also demonstrated high environmental dynamism by interacting with various external agencies as well as creating their internal climate that are more creative.

Nevertheless, what is true for larger organizations may not apply to SMEs. There are differences in organizational structure and management processes between large and small to medium sized organizations (Wiesner and McDonald 1996; Jennings and Beaver 1997; McDonald and Wiesner 1998). SMEs face difficulty in planning and responding to changing environment due to their position in the marketplace in comparison with larger organizations. Joyce et al. (1990) reported that the market was a major barrier to change for small firms. As most small firms may be reliant on sales of larger organizations they supply or on the state of the industry they operate in, it would be rather difficult for them to plan for growth and change (Atkins and Lowe, 1996; Jennings and Beaver, 1997; Joyce et al., 1990). While most of the literature on managing change focused on large organizations, all organizations regardless of size have to compete within these changing environments (Bonvillian, 1997; Collins, 1993; Limerick, 1992). However, this may be more problematic for smaller organizations because they have fewer resources at their disposal (Callus et at, 1991). These are some of the factors which raise the question as to whether the change management models applied to large organizations can

also be applied to SMEs given their different characteristics such as informality of organizational structure, their reporting relationships and processes, the availability of capital, the role of SMEs in the market place, the degree of management skills, and time and business planning (Jennings and Beaver, 1997; Marlow and Patton, 1993).

Thus, the main objective of this research is to investigate various organizational changes introduced and implemented by Malaysian SMEs when the country was facing a major financial crisis, i.e., the 1997 Asian Financial Crisis.

## METHOD

A survey using a validated questionnaire was employed in this research. The respondents for this study were obtained from a database which was compiled from two directories: the Malaysian Manufacturers Showcase and The SME Directory provided by Small and Medium Enterprises Development Corporation of Malaysia (SMIDEC). Altogether, 2,303 completed questionnaires (adapted from Wiesner and McDonald, 1998) were processed (9.5% response rate). Basically, the questionnaire was aimed at determining the various changes introduced in the organizations including change in workforce, change to job design, change in quality emphasis, change in organizational strategies, change in management structure and change in communication.

## RESULTS AND DISCUSSION

The ability of Malaysian SMEs to compete effectively in a constantly changing environment is viewed as the key to survival and growth, especially in a period when the Malaysian economy was emerging from one of the severe global economic crises of the nineties. Firms need to be able to anticipate, respond, and adapt to such a changing environment (Bonvillian 1997, p.20; Nadler and Shaw 1995, p.3). The challenge for management is to develop an organization which can achieve an advantage through recognition of the implications of a turbulent environment and creation of organizational systems that facilitate flexibility, innovation and speed (Limerick 1992, p.38; Nadler and Shaw 1995, p.3). A large percentage (86%) of the firms in this study carried out various changes in organizational practices in their efforts to adapt to various internal and external environmental changes that are necessary in order for them to achieve their goals. In most of the changes identified in this study, the required environmental adaptability is more likely to be found in Malaysian SMEs with fewer than 100 employees. These changes included the adoption of flexible hours of work, telecommuting, introducing quality problem solving teams, self-managed work teams, outsourcing, best practice programs, TQM, joint consultative committees, and job enrichment and rotation schemes. In each of these examples the majority of SMEs that adopted these changes were small business (those employing 100 or fewer employees) in contrast to the findings obtained from Australia, where medium sized firms (those employing 100-200 employees) carried out more changes than small firms (Wiesner and McDonald 1996; McDonald and Wiesner 1998).

SMEs face difficulties in planning and responding to the changing environments due to their position in the marketplace in comparison to that of large organizations. Joyce et al. (1990, p.51), for example, reported that the market was a major barrier to change for small firms. The changeability of the market makes it difficult for small firms to plan for growth and change especially as they may be reliant on the sales of the larger organizations they supply or the state of the industry in which they operate (Atkins and Lowe 1996, p.43; Jennings and Beaver 1997, p.64; Joyce et al. 1990, p.51). On the other hand, when SMEs implement change they may have some advantages over large organizations. For example, the informality of organizational structures and relationships may mean that forces that traditionally restrain change or maintain stability have less influence. Additionally, the degree of flexibility and their relatively small size means that change can be adopted quickly (Marlow and Patton 1993). This appears to have happened in the Malaysian SMEs notwithstanding the effects of the Asian financial crisis. Astonishingly, the SMEs increased their number of full-time employees and the recruitment of women employees during the crisis. In addition, downsizing was relatively rare and delaying of management structures was not common. Furthermore, major organizational changes occurred during the three years preceding the survey instead of over the preceding five years. These findings further indicate the responsiveness of Malaysian SMEs, particularly small businesses to the environmental pressures such as those arising from the economic and financial crisis faced by the country in late nineties. The adoption of strategic plans by many Malaysian SMEs may have provided a bolster against the more debilitating effects of the economic turbulence. Quite a large majority (59%) had formal strategic plans. Conversely, an absence of formal strategic planning may lead to failure among SMEs (McKiernan and Morris 1994).

## IMPLICATIONS AND CONCLUSION

Findings of this study have produced some important implications to practice. In response to the various changes occurring in their internal and external environments managers of SMEs must be willing to carry out many changes including changes in workforce, work practices, and strategies. Before implementing those changes, they need to be clear about the objectives of the changes and the forces that trigger those changes.

To conclude, this study constitutes a first step in the analysis of small and medium sized businesses in a time of economic crisis in contemporary Malaysia. Future studies may provide a framework for identifying the characteristics of employee, management, and organizational change factors which contribute towards the success of small and medium sized business in turbulent times.

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