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MEASURING ORGANIZATIONAL PERFORMANCE: AN EXPLORATORY STUDY

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The essence of the field of entrepreneurship can be summarized in three words – “successful opportunity exploitation.” Most of the theory and research in the field has focused on the areas of “opportunity” and “exploitation,” e.g., on what constitutes an opportunity, on how one identifies opportunities, on who does the exploitation, on the strategies necessary for effective exploitation, and so on. Some, although much less, attention has been focused on the issues of “what constitutes success” or “how one should measure success.” However, there seems to be no consensus regarding the best, or even sufficient, measures of organizational performance. This is in no small part due to the many varied views of what are desirable outcomes of organizational effectiveness and because performance has often been characterized by the theory and purposes of the research being performed. One indication of this lack of attention is the fact that almost none of the research studies done in the fields of entrepreneurship and small business have used the same measures of “success,” a fact that makes it difficult, if not impossible to generalize findings across studies.

In 1995, Robinson compared various measures of new venture performance, and concluded that “shareholder wealth” was the “best” measure for assessing the success of entrepreneurial ventures, a conclusion increasingly shared by both strategic management and finance scholars. Unfortunately, for the field of entrepreneurship, much, if not most, of what is really interesting in the area of “opportunity exploitation” occurs before a venture has gone public, i.e., before there is any easy way to measure “shareholder wealth.” Moreover, both Robinson’s study and others done in the fields of strategic management and finance have shown that most traditional financial performance measures, such as ROA, ROE, ROI, and ROS, do not strongly correlate with shareholder wealth creation. The objective of this dissertation is to fill this void.

In general, this dissertation addresses the measurement of organizational performance to provide researchers and managers a better understanding of the implications of selecting variables for use in empirical studies and management practice where organizational financial performance is the criterion of interest. More specifically, the purpose of this dissertation is to develop a measure of overall organizational performance that is based on traditional financial performance statistics that correlates strongly with overall shareholder wealth creation, so that both entrepreneurs and entrepreneurship scholars (as well as strategic management and finance scholars) will have a “metric” that they can use from the date of organization creation onward to indicate whether the organizations they are leading or studying are on the road to success or not. Further, a better understanding of the relative and incremental information content of financial performance metrics can assist managers in selecting non-financial metrics to fill information gaps about overall organizational performance.

Since no prior research has empirically established the domain of organizational financial performance, this research is by necessity exploratory in nature. A three part approach is adopted to address this problem. First, a model of overall organizational performance is inferred from empirical data that includes the primary constructs of an organization’s financial performance and empirical measures of these constructs. Next, the validity and reliability of the constructs and measures are tested. Finally, the overall model is statistically evaluated.

This research makes several unique contributions to the understanding of financial performance measurement for both research and management practice. Specifically, this research (1) demonstrates that the changes in financial performance metrics provide unique and significant information about shareholder returns; (2) identifies specific financial performance measures that

discriminate, and those that do not discriminate, between high and low performing companies with respect to shareholder returns; (3) tests the relative information content of individual financial performance measures with respect to shareholder returns; (4) identifies distinct dimensions of financial performance and measures of them; (5) develops and tests a multi-dimensional model of financial performance; and (6) develops annual and three-year composite measures of financial performance, with previously unequalled explanatory power for shareholder value creation, for use when market data is not available.

ENTREPRENEURS IN ACTION!: A MULTI UNIVERSITY WIDE CROSS-DISCIPLINARY PROBLEM-BASED LEARNING ENVIRONMENT FOR ENTREPRENEURSHIP --- DEVELOPING THE ENTREPRENEURIAL SPIRIT

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ABSTRACT

The objective of this paper is to describe a model called Entrepreneurs in Action! (EIA) that makes it possible for students to connect their learning to their daily life. The model further describes a system of infusing entrepreneurship into multiple disciplines across multiple universities. Using the curricular design principles of whole-part-whole learning, just-in-time teaching and a recursive design, the program achieves its goal of encouraging students to think more like an entrepreneur, which we believe will in turn lead to more entrepreneurial ventures. This process develops entrepreneurial thought through the use of problem-based cases. Results of a two-year study will be presented on how learning environments can develop the Entrepreneurial Spirit. With recent world events such as the hurricane Katrina, we need a paradigm change in our thinking process. The EIA process offers a paradigm change in learning.

OBJECTIVES OR PURPOSES

The world order changed after the September 11 disaster. No one may ever feel safe in his or her home again. Chaos and uncertainty will play a major role in our future lives. Corporate executives have learned to spin the numbers and "cook the books." Many families have seen their retirement 401(k) programs diminish in light of the current financial environment, which is characterized by scandals such as that of Enron and Worldcom. The security that we once knew in our physical and financial lives has been shattered and has perhaps disappeared. (Clouse, 2004).

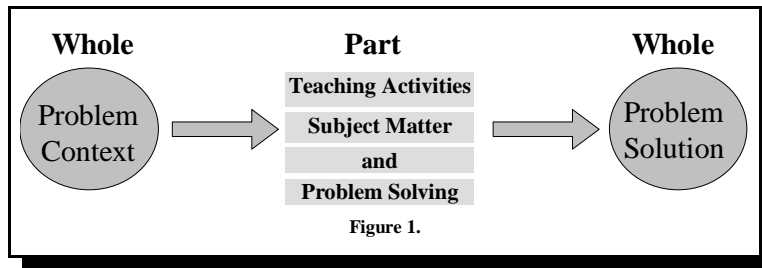
Major world events such as the Tsunami in Southwest Asia that killed 250,000 or more people in recent months and the recent hurricane, Katrina, on the Gulf Coast has changed many lives forever. The rational based reasoning process-developed years ago does not apply to an ever-changing environment where chaos and uncertainty rule the day. This research is about establishing learning environments to teach how to see new and different opportunities not seen by others and to establish the entrepreneurial spirit. The events related to Katrina point out that as the most powerful country (USA) in the world, we cannot use conventional wisdom and linear thinking to solve problems created out of chaos and uncertainty. Thus we need a paradigm change in our thinking and reasoning process.

This study is concerned about how we teach students to be self-sufficient and to live effectively and productively in a world of chaos and uncertainty. No longer can a student expect to have one job for his or her lifetime. We hypothesize that students who can think creatively and entrepreneurially will likely be the most successful and enjoy a life, which they can control. Most traditional curricula are designed around systems of compliance and control, which tends to stifle the creative and entrepreneurial instincts of students (Clouse & Goodin, 2002). In our work, we have

developed a new curriculum design to teach students to think creatively and entrepreneurially in a changing world. Our curriculum, called *Entrepreneurs in Action!*, is designed to encourage the development of entrepreneurial thinking, a skill described as "thinking outside of structured settings." Such a mindset is typified by creativity in problem solving, a skill which is of increasing importance in our fast-changing economy (Clouse & Goodin, 2000). Our work is designed to teach students to see opportunities that others pass over and to marshal resources in the face of high risk.

THEORETICAL FRAMEWORK

This research rests upon two primary conceptual supports, the broad field of entrepreneurship education and the concept of situated curricular design. Building upon this theoretical framework, we have designed a process for teaching entrepreneurship and creativity through the use of case studies presented on the Internet. Our cases are specifically written to connect with the framework of the learner. We build our cases around a "whole-part-whole" learning theory, which we have developed over the past few years. The learning theory is shown in the following diagram (See Figure 1).

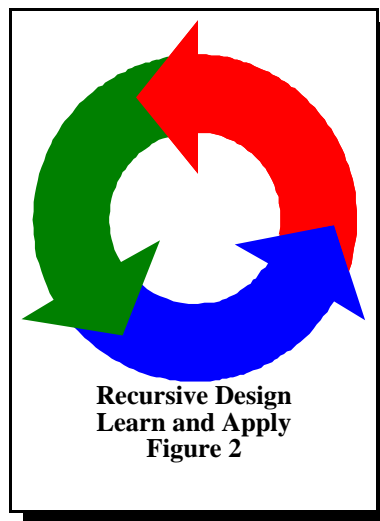


As shown in the whole-part-whole model, the student sees the "big picture," breaks it into parts, and develops an integrated whole, based on his or her framework. We have used this learning model in five different public schools sites across the United States: 1) Hendersonville, Tennessee, middle school, 2) Mandeville, Louisiana, high school, 3) Schenectady, New York, elementary school, 4) Los Lunas, New Mexico, middle school and 5) Murfreesboro, Tennessee, middle school. We have also used the EIA approach at 5 different Colleges and Universities 1) Tennessee Wesleyan College, Athens, Tennessee, 2) Anderson College, Anderson, SC, 3) Francis Marion University, Florence, SC, 3) Western Kentucky University, Bowling Green, KY 4) Tennessee Technological University, Cookeville, TN and 5) Vanderbilt University, Nashville, TN. We have used the EIA approach with Engineering, Human and Organization Development, Management, Music, Arts and Science and Public Relations students.

In our whole-part-whole model, we combine entrepreneurship education concepts in a curricular design that teaches independent thinking and creative problem solving in a business context. Students learn skills and concepts by way of practical application and curriculum integration occurs naturally, as students see the need for those knowledge areas such as math and social studies that are included in the lessons. The outcome most significant to the field of entrepreneurship education is that students begin to think for themselves while learning to explore and discover new ideas. This experience with real life context is meant to help them become more adept at understanding complex and murky situations, generate problems related to those scenarios, and then solve those problems effectively. The work done by Vanderbilt University's Cognition and Technology Group, on projects such as *The Adventures of Jasper Woodbury* and *Scientists in Action*, serve as a model for these aspects of the *Entrepreneurs in Action!* program. In a similar approach to curriculum design, this project makes use of instruction anchored in a context situated within the dominant subject area; in this case that of entrepreneurship. The research supports this

type of curricular design, which is often referred to as a situated curricular design (Bransford, J. D., Brown, A. L. & Cocking, R. R., 1999; Brown, Collins, & Duguid, 1989). We have enhanced this model, and refer to ours as whole-part-whole design.

This instructional design supports the Clouse theory where the concept being taught is connected (hooked) to the framework of the learner. Students learn and then apply new knowledge in situations that will reinforce their learning. Termed "recursive design," this strategy supports long-term learning of important concepts versus short-term memorization learning (See Figure 2).



In addition to using our whole-part-whole concept and a recursive design, we also use just-in-time learning techniques from local community entrepreneurs. By presenting curricular content just at the moment when the need for it arises, this feature addresses the issue of maintaining the relevance of the content being learned.

In general, this means that the students are given an opportunity to respond to a case developed for a local community or a national issue such as Katrina. Students are given the opportunity to think creatively about the entrepreneurial use of the case. When students want more information about an issue, they are able to e-mail their questions to local on-line experts. Experts and entrepreneurs are selected from the local environment to provide expert information just at the time the students need to learn such information. This is what we call "learning the parts." Once the students have the information they need, they then put together a new entrepreneurial "whole" for the case. Students are required to develop an entrepreneurial approach to the case and find ways to implement the entrepreneurial or creative activity. The research follows somewhat the theories expressed by John Bransford and company (Bransford, J. D., Brown, A. L., & Cocking, R. R., 1999), (Clouse, R.W., 2003) and (Clouse, R. W., 2002).

CREATIVE THINKING

There are at least two general underlying assumptions about entrepreneurship education. Some schools assume that entrepreneurship cannot be taught. To them, it is an inborn skill that is derived from your gene base. In these types of learning environments, students appear to be already either starting a company or have entrepreneurship tendencies. These schools emphasize how to develop a business venture and seek venture capitalists for funding. Corporate buy-outs are also an important feature of this approach. Generally speaking, some of these programs teach more about

how to manage and develop a corporate environment than they do to seek new and different opportunities. Usually, these programs are single discipline focused. (Clouse, R. W. & Goodin, T. L., 2001).

In programs associated with schools of engineering, students are more frequently involved in innovation than they are in true entrepreneurship. The schools of engineering are usually great at teaching the technical concepts related to disciplines but frequently do not have courses that cut across technical subject areas, thus combining multiple subjects simultaneously. While there is a trend among schools of engineering to introduce entrepreneurship into the curriculum, it is usually taught as an entity within itself and does not involve cross-disciplinary activities. (Clouse, Aniello, Bernacki, 2005).

Still, the vast majority of schools offer little or nothing to teach students about self-employment, creative thinking, and the process of generating new and creative ideas for opportunity development. (Clouse, R. W., 2002).

Our approach involves the development of cases that are tied to either the local community or of national concern. Cases are usually written for a certain group of students at Universities that are in the Entrepreneurs in Action! network. Other classes and Universities are encouraged to use the cases after they have been fully developed and tested. We have developed the following cases to be used in Engineering and Business related curricular:

FEATURED CASES

1. Blackout in America! (Electrical Energy Case) This case is about the great electrical energy blackout that began in the Midwest and continued to the Eastern US several months ago. This case encourages students to think about new alternatives to electrical power.
2. A Question of Power (Oil Related Case) This case is associated with the oil industry and provides the student with the opportunity to investigate new business ventures related to other sources of energy.
3. Chasing the Dragon (Drug Related Case) This case is about the problems associated with the increase in the number of methamphetamine labs in Tennessee. The production of such toxic illegal drugs has created a major social, political and economic problem across our country.
4. Not in My Backyard! (Recycling Case) The United States is a "throw away society." This case is about recycling and the many social and economic issues related to this problem.
5. Music City Blues (Music Case) This is a case about the music business. How does one write lyrics and find a means to support himself or herself?
6. Talking to the Air (Wireless Technology Case) This is a wireless technology case involving the opportunity to develop a wireless downtown community in a small town.
7. The Santa Fe Effect (Small Town Redevelopment) This is a case designed around the rejuvenation of small downtown areas.
8. The Phoenix (Cyber Café Case) This case is written to encourage students to develop a cyber café with a cross-disciplinary learning environment that could be the place where great ideas germinate and move into business ventures.
9. Long Lines, Short Tempers (Homeland Security) This case is written for engineering design classes interested in small device designs for homeland security and terrorist prevention.

These cases are written about issues of concern to college age students and tie into modern day living. These cases take about 4 to 6 weeks to complete and are part of on-going class instruction. Students are required to apply the contents of their class to the case, thus infusing entrepreneurship directly in to the class. In some learning environments, multiply classes are using the same case and collaborating with each other.

(Clouse, R.W. & Goodin T.L., 2005) and (Clouse, R. W. & Goodin, T. L., 2001).

The second approach is centered on the general concept that all students can learn and to some extent, be creative and entrepreneurial. The focus of this approach is to be broad based, to take a cross-disciplinary approach, to be focused on seeing opportunities that others do not see and to stress self-fulfillment. The general theme is to create a job and not take a job. Much of our academic learning is based on a system of compliance and heavy structure. Thus, there is very little room for creative thinking and entrepreneurial development in this kind of structured learning environment. It is our assumption that students can be encouraged to think creatively and entrepreneurially in a cross-disciplinary, problem-based learning environment. Researchers at Vanderbilt University (VU), Tennessee Technological University (TTU), Tennessee Wesleyan College (TWC), Francis Marion University (FMU), and Anderson College (AC) are engaged in a research project to develop a cross-disciplinary, cross-university on-line learning environment to teach and encourage multiple learning across multiple subject areas-- Entrepreneurs in Action! (Clouse, R.W. & Goodin T.L., 2004).

The overall objective of this research project is to develop an on-line entrepreneurship curriculum that builds on the infrastructure already in use at the selected schools and investigating ways to infuse the entrepreneurship spirit into as many courses as possible. Infusing occurs through the Entrepreneurs in Action! cases.

This presentation will report on our progress to date and will discuss the current outcomes. Topics to be discussed are as follows:

1. Connecting with the local community about local and national issues
2. Developing and implementing a Summer Entrepreneurship Institute
3. Developing and implementing EIA cases
4. Connecting with the framework of the learner
5. Evaluating performance
6. Involving multiple colleges and universities

This problem solving approach investigates the technical, social, political, and economic issues related the future of the world. Students develop cross-discipline solutions including several engineering fields, such as marketing, entrepreneurship, human and organizational development, and business. We are testing our cases in at least five different Universities-Tennessee Technology University, Cookeville, TN, Vanderbilt University, Nashville, TN, Francis Marian University, Florence, SC, Tennessee Wesleyan College, Athens, TN and Anderson College, Anderson SC. The results from these cases and others will be discussed. We want to teach students to "make jobs rather take jobs" thus increasing the job market and reducing unemployment (Vodopivec. M., 1998).

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SERVICE-LEARNING FOR BUSINESS STUDENTS: SUSTAINING BEST PRACTICES

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ABSTRACT

Community service-learning is defined as "[a] method under which students or participants learn and develop through active participation in thoughtfully organized service that is conducted in and meets the needs of a community, and is coordinated with the community and with an elementary school, secondary school, institution of higher education, or community service program" (National and Community Service Trust Act of 1993). One reason often cited for faculty unwillingness to encourage service-learning as part of their classes-- especially faculty in professional programs like business-- is because there is too much emphasis on "service" and not enough on "learning" Zlotkowski (1996b, p. 24-25). This paper describes a program at a comprehensive, public university in California that offers students service-learning credit in existing courses, or one unit of course credit in a self-standing course, by participating in service-learning activities. Two service-learning opportunities are offered during the year. The first involves working with young entrepreneurs in grades 5-8 in a program called the "Wise Kid, Healthy Kid" youth entrepreneurship camp. The second program targets high school-age students in a program called "Students for the Advancement of Global Entrepreneurship." The youth camps have been operating for six years, and the high school program has been operating for four years.

University business students who are new to service-learning are introduced to community service-learning by receiving extra credit in existing business courses. After they have gained service-learning experience through the "extra credit" avenue in their first semester of service,, they are then eligible to earn one unit of course credit for subsequent service. This paper has great potential impact for business faculty who are interested in employing active-learning strategies to help students learn and contribute to the overall service mission of the university. It is innovative because it first introduces service-learning to students in an "extra credit" fashion, but then sustains the projects by rewarding veteran students with one unit of course credit.

FIRM'S GOVERNANCE SYSTEMS AND OWNERSHIP STRUCTURE AS MAJOR DETERMINANTS OF ENTREPRENEURSHIP IN AMERICAN MID-SIZE FIRMS: EMPIRICAL INVESTIGATION

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ABSTRACT

This study explores two major determinants (the firm's governance systems and ownership structure) of entrepreneurship in mid-size companies. Subsequently, the study examines the impact of the firm's governance systems (an independent board chair, board size, and the ratio of outside board members to inside members) and ownership structure (the ownership of stocks by outside board members, executives, and institutions in the firm) on entrepreneurship (firm's innovation and venturing). The findings of this study revealed that an independent board chair, board size, stock ownership of outside board members in the company, and executives' ownership of stock, have a positive and significant impact on the firm's entrepreneurship. In contrast, the ratios of outside board members to inside members and institutional ownership have mixed effects on company's entrepreneurship.

STUDENTS AS PROXIES FOR ACTUAL ENTREPRENEURS IN ENTREPRENEURIAL RESEARCH

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ABSTRACT

This paper considers the practice of using university undergraduate as proxies for small business owners in entrepreneurship research. A data set was gathered from a sample of university undergraduate students at a major business school as well as from a sample of actual small business owners “actual entrepreneurs”. The university undergraduate respondents were divided into those with high nascent entrepreneurial inclinations and those low in nascent entrepreneurial inclinations. A discriminate analysis between the three groups was then done and results were then examined for similarities or differences with regards to life aspirations, life goals, and work goals of each group. Unlike the undergraduate respondents with low entrepreneurial potential, undergraduate respondents with high entrepreneurial potential were found to be very similar to actual entrepreneurs. Results of this research suggest that, when using students as proxies in the study of entrepreneurship, one needs to separate nascent from non-nascent students and use only those students who are high in nascent entrepreneurial inclinations.

BOOTSTRAPPING BUSINESS START-UPS: ENTREPRENEURSHIP LITERATURE, TEXTBOOKS, AND TEACHING VERSUS CURRENT BUSINESS PRACTICES?

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ABSTRACT

Existing scholarly research on bootstrapping is limited, despite the widespread use of bootstrapping strategies in actual practice among start-up entrepreneurs. Popular academic textbooks used in college and university entrepreneurship courses seldom provide in-depth coverage of bootstrapping; many devote just a few paragraphs or pages to the subject. In sharp contrast to the coverage given in these textbooks, bootstrapping in its various forms has been advocated in, and documented by, the popular business press as a widespread phenomenon. Given that textbooks in any established discipline often draw heavily upon that discipline's existing body of literature, it is not surprising that a lack of formal research by members of the entrepreneurship scholarly community reflects the possibility that textbooks, and courses (if they are based on those textbooks), may be out-of-step with entrepreneurial reality.

INTRODUCTION

Bootstrapping is entrepreneurship in its purest form. It is the transformation of human capital into financial capital. The overwhelming majority of entrepreneurial companies are financed through this highly creative process (Freear, Sohl & Wetzel, 1995; Bhide, 1992), which typically involves the use personal savings, credit-card debt (Cole, Lahm, Little & Seipel 2005), loans from friends and family and other nontraditional forms of capital. The entrepreneurship academic community has not fully recognized the effect of bootstrapping on entrepreneurial behavior and organizational success (or failure) through formal research. The above positioning statement is supported by the recent observations of other scholars such as Van Auken, (2005) who observed: "Although bootstrap financing commonly is used and is an important source of capital, few....studies comprehensively have examined the role of bootstrap financing in small firm financing" (p. 94). Winborg and Landstrom (2001) similarly observed that "bootstrapping is a phenomenon which deserves more attention in future research on small business finance" (p. 235). We also submit a logical chain-of-events argument that suggests a lack of coverage in the literature, which also seems to be reflected in our review of popular academic textbooks, may impact both teaching (if course content is anchored to assigned textbooks) and students' views about the realities that they will face as nascent entrepreneurs.

REVIEW OF EXISTING LITERATURE ON BOOTSTRAPPING

A series of searches of the academic literature revealed that rigorous study of bootstrapping, as a serious variable in entrepreneurial success has been minimal. Besides the conclusions

mentioned above from prior researchers who have pointed to a dearth of research, our search attempts conducted on databases used by *Proquest* also demonstrated the scarcity of scholarly research on bootstrapping. With parameters for the searches set to select only scholarly journal articles (with full-text availability), the low number of articles in search results from those *Proquest* databases suggested an opportunity for future studies of bootstrapping as an antecedent to entrepreneurial success or failure.

Subsequent search efforts resulting from a broader Internet search encompassing the business press, practitioner journals, and magazines revealed that the term, “bootstrapping” (which has different meanings in different contexts; homonymic variations may apply to computing, statistical methods, and meanings other than that which pertained to our interest in bootstrapping business start-ups), is often commingled with numerous subjects in search results. A *Google* search on the term “bootstrapping” returned 1,710,000 hits (retrieved September 9, 2005). It should be noted that the authors of this paper recognize the instability, bias, and imprecision of commercial search engines; for instance, the same search conducted a few months earlier produced 650,000 hits. Nevertheless, as we have indicated, the body of scholarly literature available for review is limited, yet bootstrapping is widely recognized as entrepreneurial reality.

BOOTSTRAPPING IN TEXTBOOKS AND CLASSROOM IMPLICATIONS

Bootstrapping is often characterized as a means to an end when other choices (i.e., traditional sources through venture capitalists, banks, and angel investors) do not exist (Van Auken, 2005). Popular academic textbooks used in college and university entrepreneurship courses seldom provide in-depth coverage of bootstrapping; many devote just a few paragraphs or pages to the subject. For example, even though credit cards (both business and personal) are widely used (Cole, Lahm, Little & Seipel, 2005), almost any indexed reference to credit cards in these text books is likely to lead the reader to a section on accepting cards as a merchant, as compared to using credit cards for start-up capital. Writing a business plan has been described as “the sine qua non of modern entrepreneurship education” by Katz, Harshman and Dean (2000, p. 235). However, the explanation given by these authors as to “why?” (although it is correct relative to obtaining traditional forms of capital and consistent with conventional wisdom) suggests the need for far more discussion and research, as they also mention that the importance of these student-written plans is to address the requirements of “bankers, investors, and lawyers” (p. 235).

The above observations about textbooks and any teaching based on the content within those entrepreneurship textbooks (reasons for writing a business plan, and so forth), is in stark contrast with the reality faced by students as well as more seasoned professionals who may endeavor to start a business. To illustrate the aforementioned reality, we submit the instance of industry sponsored research commissioned by MasterCard (de Paula, 2003), which has indicated the increasing popularity of credit cards: “Of the 64 percent of small business owners who use plastic for business expenses, 57 percent use personal cards, with 33 percent using those personal cards exclusively and 24 percent using them in addition to small-business cards” (p.54). Indeed, Nixon (1997) observed that some entrepreneurs have in practice adopted credit cards as a new type of “venture capital card” (p. 33):

Many entrepreneurs perceive that the process of obtaining a commercial loan from a bank is too difficult, or that it would ultimately be a vain effort. In some respects, this perception is not far off the mark....A credit card, or multiple credit cards, can be obtained over the telephone or through the mail, although the interest rate likely is higher. The bottom line for the entrepreneur is that this source of credit is easier to tap. “Some [credit card issuers] just give you the mirror test” “They hold a mirror up to your face and if you’re breathing, you get a card.” (p. 33).

Not only is it the case that business founders are using credit cards (Loftus, 2004; Hise 1998), credit cards are being aggressively marketed by banks (Streeter, 1996) “with little or no

documentation required” (p.15). The authors of this paper are not arguing that students should be taught to use credit cards for start-up capital. Nor are we suggesting that any entrepreneur should use them, or attempting to otherwise enter that debate (Prince, 2003; Streeter, 1996), which is a separate issue. However, given that credit cards are being used by a majority of businesses as one popular form of bootstrapping among several alternative forms (Hyatt & Mamis, 1997; Mamis, 1992), entrepreneurship educators should at least address credit cards as well as other forms of bootstrapping more openly. A realistic review of current businesses suggests that bootstrapping is the norm, and that business founders are often operating on a shoestring budget, substituting “ingenuity and a lot of gumption” (Fenn, 1999, p.43) for cash.

Scholars must proactively address reality in their efforts to construct a relevant and connected body of entrepreneurial literature in this important, yet emergent area of inquiry. The position advanced here is under the logical supposition that unless instructors are supplementing popular entrepreneurship textbooks with other resources drawn from practitioner-based materials to a substantial degree, it may be the case that contemporary courses underemphasize the likelihood that nascent entrepreneurs will engage in some form of bootstrapping (e.g., using credit cards as a source of start-up capital), as compared to obtaining traditional sources of start-up capital. We would maintain the position stated above even if the message that students receive is an implicit one: “write a plan; go to the bank; get the money; start your business; live happily ever after,” as this message is tantamount to telling a fairy tale relative to the reality that most entrepreneurs face. Finally, we also acknowledge our own aforementioned supposition, and that future researchers (including the authors of this present paper) should investigate how closely scholarly research, textbooks arising from that research, and subsequently, classroom practices based on those textbooks are, or are not, in alignment.

THE WIDESPREAD USE OF BOOTSTRAPPING

Hamilton (2001) has written about the culture of self-funded e-commerce firms. He identified self-funded entrepreneurs as “classic ‘bootstrapping’ types, often using credit cards, second mortgages, or retirement funds to bring a dream alive” (p.279). Cole, Lahm, Little, & Seipel (2005) observed the scarcity of academic research on the use of credit cards by entrepreneurs and small business owners, despite the widespread use of credit card financing in actual practice. Some entrepreneurs parlay multiple cards to amass significant funds, such as a Los Angeles entrepreneur and his partner, who used 10 Visa and MasterCard accounts and accumulated \$40,000 in debt (Deceglie, 1998). The entrepreneurs subsequently reported having a thriving business (that was also paying high interest credit card debt). Besides leveraging credit cards, self-funded entrepreneurs tend to utilize personal resources (Longnecker, Moore, and Petty, 2002) and whatever additional creative strategies may be at their disposal.

Roberts (2003), in an article titled “Bootstrapping is back: Entrepreneurs dig deep and make personal sacrifices for their businesses,” observed: “Entrepreneurs were spoiled during the dot-com era, often receiving funding before they had a business model or a customer, in the past two years, however, venture backers have become much stingier, especially with seed money” (p. 44). Whatever the state of the economy is, has been, or will become, the use of bootstrapping among nascent entrepreneurs can be logically predicted, or observed through formal study. In other words, when there are no other sources of capital to be found, bootstrapping becomes the method of choice (Freear, Sohl, and Wetzel, 1995).

While numerous articles appearing in periodicals such as *Entrepreneur* and *Inc.* tend to suggest bootstrapping can be risky, they nevertheless also emphasize that the vast number of start-up businesses utilize bootstrapping techniques. The percentage of start-ups that actually use bootstrapping quoted by Worrell (2002) in *Entrepreneur* magazine might be disputed as a figure of speech; however, he observed: “Despite the dream of some entrepreneurs to meet a VC with deep

pockets, the fact is that 99.9 percent of business owners will struggle alone, pulling themselves up by their bootstraps” (p. 1). McCune (1999) quoted Tom S. Gail’s, executive professor at the University of Houston’s Center for Entrepreneurship and Innovation, who estimated that “between 75 percent and 85 percent of startups use some form of bootstrapping to help finance themselves” (p. 1). Although the number of start-up businesses that rely on bootstrapping may be difficult to determine exactly (and may fluctuate based on economic conditions and other factors), it is evident that a substantial number, constituting an overwhelming majority, engage in the practice.

CONCLUSION

What we are able to conclude is that: 1) beyond our own search efforts, previous scholars who have studied the use of bootstrapping as well as differences among firms and consequences of various start-up financing strategies have noticed a lack of scholarship pertaining to bootstrapping, although bootstrapping is widely used. Van Auken observed a “serious gap in the literature” (in apparent concurrence with the authors of this paper) and stated that “research on the use of bootstrap financing is limited” (Van Auken, 2005, p.95); 2) textbook authors often do (and should) draw upon the existing literature in a given discipline in framing their content; 3) the popular textbooks that we have examined seemed to mirror the lack of coverage we found in the literature; 4) students’ views and understanding in a given course should be informed in terms of depth, breadth, and a realistic view of their given subject area(s) after they have processed the content of their assigned textbooks. More education and training are needed for would-be entrepreneurs such that they are more familiar with traditional sources of capital and non-traditional sources. Bootstrapping should perhaps be a course unto itself as an addition to university level entrepreneurship programs (Mamis, 1995). Mamis (1992) observed, “there’s no course book of bootstrapping techniques, but there ought to be....the approach has much to teach--and even companies that have progressed beyond their bootstrap days would do well to relearn some of the proven tactics” (p. 2). Van Auken (2005) has suggested that small business owners lack familiarity with sources of capital, and this influences their capital structure. However, it is also evident that raising capital from banks, venture capitalists, and other traditional sources for initial capitalization can at the very least, be difficult in the absence of a substantial inducement to join the entrepreneur’s cause in the form of investors’ potential for gain (Fried & Hisrich, 1995), collateral, or both. Conversely, it does not seem adequate to send would-be entrepreneurs an abstinence message with respect to some of the more risk-prone methods that they might employ, or simply admonish that bootstrapping is fly-by-night as compared to conventional wisdom (i.e., write a business plan, impress a banker).

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ONLINE MARKET INFORMATION AND ENVIRONMENTAL SCANNING ACTIVITY BY SMALL BUSINESS

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ABSTRACT

One of the most significant marketplace changes in the last decade has been the advent of the Internet and its applications. It has altered the competitive landscape. This paper evaluates the correlation between the online market information and environmental scanning activity of small businesses and characteristics such as firm's size, industry sector, and firm's sales growth rate. It also reports the correlation between firm's characteristics and overall Internet usage. Larger enterprises are more likely to conduct online environmental scanning, and to use the Internet for business-related activities compared to smaller firms. There are also significant differences in online environmental scanning based on industry sector. Interestingly, firms with higher sales growth rate are more likely to report higher Internet usage and online environmental scanning activity. So, it appears that larger firms are more likely to use the Internet and conduct online environmental scanning, which in turn are correlated to higher sales growth, an important measure of success. Data was obtained from a national sample of small businesses.

What has changed most radically in the last decade is the rate of change confronting small business and new ventures. What has not changed is the need for critical marketplace information, which is vital for firms to make more informed decisions, which impact directly on their success and survival. This paper demonstrates the vital role of Internet technology in helping small businesses to obtain critical information for decision-making, and ultimately for survival and success.

SELF-EMPLOYMENT IN THE GOLDEN YEARS

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ABSTRACT

The number of people who are over 60 is growing rapidly. Even though they choose to retire from full-time jobs, many retirees are healthy enough to work and want to remain active. At the same time, retired people often find they would like additional supplemental income without returning to full-time work. One solution is self-employment. This could be especially true in rural areas where it may be more difficult to obtain jobs that suit retirees' needs. This paper examines the proportions of men and women in metropolitan, suburban and rural areas who claim themselves as retired, yet receive income from self-employment.

INTRODUCTION

The median age of the total population is increasing. Accordingly, once the oldest baby-boomers reach age 65 in 2011, the population will begin to age rapidly. The U.S. Census Bureau predicts that between 2000 and 2040, the numbers of American 65 and older will more than double, to 77 million, while the number of prime working-age adults, between the ages of 25 and 54, will increase by only 12 %. (Johnson, 2004, p. 48). By 2030, the proportion of people in the U.S. who are 65 and older is expected to increase from 13% to over 20% (Purcell, 2000).

As the number and proportion of older people is increasing, the traditional practice of completely retiring at age 62 or 65 is also changing. Some companies are encouraging early retirement by offering incentives that entice people to leave their career jobs, even if they would normally have continued to work. If they are active and in good health, many of these people then begin working with another employer or strike out on their own (Quinn & Kozy, 1996; Singh & DeNoble, 2003). This is especially true for retirees who find they need supplemental income. Because they live longer on average than men or do not receive sufficient benefits, women are 70% more likely to spend their retirement in poverty. In the over-50 age group, women make up 60% of the lower-income quartile (Hill, 2002, p. 40). Therefore, adequate income in retirement is more likely to be an issue for women. This problem may be especially acute in rural areas where fewer jobs are available.

This study examines the proportions of people in rural, suburban and urban locations who are retired yet receive income from self-employment. The following section provides a background on the aging population that is retired or nearing retirement, and special problems associated with starting and conducting business in rural areas. Data from the March Supplement to the 2004 Current Population Survey are then analyzed by sex and location.

THE GOLDEN YEARS

Many people continue work or return to work after initial retirement simply because they enjoy the activity of work (Sautters, 2005) and/or need supplemental income (Kirchhoff, 2005). Since 2001, the number of employed men over age 55 has increased 20% since and the number of employed women over 55 has increased 26.3% (Kirchhoff, 2005). In fact, the proportion of people over age 65 who are employed is the highest in approximately 35 years. Improved health

and well-being at older ages combine with increasing prices and an overall drop in the stock market have encouraged older people to continue working. The proportion of those in the 51-56 age group who say they plan to work after age 65 has increased from 26.3% in 1992 to 39.8% in 2004 (Kirchhoff, 2005), while a survey by AARP found that 80% of the baby boom generation plans to continue working after retirement, primarily because they will need the income (Fetterman, 2005). Working longer is a particularly good strategy for workers who will not receive retirement benefits from an employer (Block, Waggoner & Fetterman, 2005).

One reason these numbers have risen so dramatically is that the baby boom generation is reaching retirement age. This group expects that their golden years should provide opportunities to remain active and try new things, which could include starting a business they have thought about for a long time. In the past, middle-aged and older people have had higher rates of self-employment (Duchesne, 2002; Haider & Loughran, 2001; Karoly & Zissimopoulos, 2004), making the possibility that retiring baby boomers may try self-employment a very real one. In 2002, 5.6 million people over 50 cited self-employment as their primary occupation (Karoly & Zissimopoulos, 2004). Self-employment may be a particularly attractive option for people in rural areas where the choice of jobs is more limited.

SELF-EMPLOYMENT IN RURAL AREAS

The quantity and quality of jobs in rural areas have been seriously affected by problems such as sagging rural farm economies, increased foreign competition, and decreases in rural industries (Lichter, 1989). Economic decline has led many workers to migrate to urban areas, further decreasing the population and purchasing power in rural areas. Rural women in particular “have been an economically disadvantaged group historically” and face restricted employment opportunities (Lichter, 1989, p. 199, 200).

Several studies have shown that rural development often lags behind that of urban areas in terms of population, buying power, capital, entrepreneurial climate, innovation, support services such as health care, and well-developed electronic and transportation infrastructures (MacKenzie, 1992; SBA, 2001). Business services such as accounting, banking, advertising, and legal counsel may be difficult to locate, leading to higher fixed costs and greater difficulty competing (Trucker & Lockhart, 1989; Fendley & Christenson, 1989; SBA, 2001). In addition, the merger of small rural banks with larger banks that are less willing to loan funds to small businesses can make it more difficult to obtain financing (SBA, 2001).

Despite these problems, some studies (Jack & Anderson, 2002; Robinson, 2001; Tosterud & Habbershon, 1992) show that rural small business owners do not necessarily view their location as problematic. Kilkenny, Nalbarte and Besser (1999) state that a business owner may feel successful even with a low income if the quality of life in the community is high. Clark and James (1992) found the rate of business ownership to be higher in non-metro areas with low populations.

Self-employment seems to be a desirable option for non-metropolitan residents despite the economic difficulties. This may become even more so for people who have reached the golden years of life and do not wish to work for a full-time employer, yet want to remain active and receive a supplemental income. This study examines the proportion of residents in urban, suburban and rural areas that are retired, yet receive income from self-employment.

METHODOLOGY, RESULTS AND ANALYSIS

Data regarding the number of working-aged self-employed people were obtained via Data Ferret from the March Supplement to the 2004 Current Population Survey and a random subset of the data for the entire nation was analyzed through the use of SPSS. Chi-square

analyses were conducted on these data to determine if equal proportions of people in urban, suburban and rural areas were self-employed. These data were further broken down by sex to examine any (or the lack of) gender differences.

Table 1 presents the overall percentage of working-aged people in urban, suburban and rural locations. Chi-square analysis shows that among both women and men, the differences in the proportions of people in each location are statistically significant and are therefore unlikely to have occurred by chance. With both women and men, rural residents were the most likely to be self-employed, with rural men being 45% more likely to be self-employed, and rural women about 40% more likely to be self-employed. The proportions of urban and suburban men were equal, while suburban women were slightly more likely than urban women to be self-employed.

Sex	Urban	Sub.	Rural	Chi-square
Men	8.4	8.4	12.2	.000*
Women	6.0	6.3	8.5	.000*

Among people who receive social security because they are retired but still receive income from self-employment, there is statistically significant difference among women in different locations, but not among men (see Table 2). Rural women were 43% more likely than their urban counterparts and 77% more than their suburban counterparts to be receiving self-employment income. It is also important to note that the overall percentage of self-employed people increases dramatically among this group of retired people

Sex	Urban	Sub.	Rural	Chi-square
Men	23.9	17.8	18.6	.145
Women	11.9	9.6	17.0	.007*

It was not possible to break the data in Table 2 down by age, so these numbers could include those who have chosen to take social security at age 62 or 65. According to current laws, people who wait until they are 65 ½ before they take social security will not have their social security benefits reduced regardless of how much they earn, whereas people who take social security at age 62 have their benefits reduced by \$1 for every \$2 earned about \$12,000 (Block et al., 2005, p. 7B). People who wait until age 70 to claim social security benefits will receive higher benefits than those who claim it at age 65. People born after 1959 must wait until age 67 to receive full benefits (Block et al., 2005). This system encourages people to continue to work (unless they have retired before age 65 ½). As the age limit for full benefits rises, more people are likely to continue to work well into their 60s.

CONCLUSION

By 2008, the first wave of America's 79 million people in the baby boom generation will reach age 62 when they are eligible to retire and receive reduced social security benefits

(Fetterman, 2005). As the numbers and proportions of older people in the U.S. population increases dramatically in the coming years, how people spend their days and support themselves will become more and more important to society. Rising costs along with the increasing number of years that people spend retired mean that older people will need more money in their golden years than did their predecessors. Self-employment may be an important way for seniors to earn supplemental income while not working in full-time jobs for employers.

This is especially true for women, who have longer lifespans in general. A large percentage of women end up in poverty. The results of this study indicate the rural women are more likely than women in other locations to be self-employed. One reason for this may be that rural women, who have higher levels of self-employment than other women at almost all ages, need to keep their businesses because they outlive husbands and need the extra income. It is also possible that they enjoy their jobs and want to continue to work as long as possible. Future research should examine the retirement intentions of self-employed rural residents, especially women, to determine if they are more likely to plan to continue in their own businesses in their "retirement" years.

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IT-BASED RELATIONSHIP CAPABILITIES AND PERFORMANCE IN MINORITY BUSINESS ENTERPRISES

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ABSTRACT

Recent U.S. Census Bureau statistics have shown that minority-owned business enterprises (MBEs) have grown more than four times as fast as other U.S. firms over the past decade. Their continued contribution to America's economic backbone requires the acquisition of the necessary resources for developing the essential capabilities deemed requisite for sustaining competitiveness. Fundamental to this premise in today's information economy is the establishment of a technological infrastructure used to build and manage relationships with customers, suppliers, and the like. Yet, minimal is known about how MBEs integrate technological resources into their firms. To explore this issue, about 200 minority business owners were surveyed and their responses analyzed to better understand their IT-based relational capabilities and performance. The results suggest that the use of information and communication technologies in relationship development and maintenance are generally, significantly and positively associated with MBE performance.

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