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# **Proceedings of the Academy of Entrepreneurship**

**April 13-16, 1998  
Myrtle Beach, South Carolina**

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## ENTREPRENEURIAL THINKING

**Ramona Akin, Henderson State University**  
**Calvin Shipley, Henderson State University**  
**James Tatum, Henderson State University**

### ABSTRACT

*The Mission of the School of Business at Henderson State University is to prepare students to function in an entrepreneurial environment. This requires entrepreneurial thinking, which involves being innovative, proactively searching for opportunities, looking beyond the usual and customary solutions to problems, seeking potentially profitable risks, and willingness to change.*

*In order to assess our effectiveness in fulfilling this mission, we surveyed those who know us best--our graduates. Those who received business degrees during the 15-year period from 1980 through 1995 were surveyed. This paper focuses on those results.*

### BACKGROUND

'Entrepreneur' and 'entrepreneurship' are terms that have saturated the field of small business research during the decade of the 90s. But what do they mean? One might ask for definitions from a dozen business school faculty and receive a dozen different answers.

One expert called entrepreneurship the backbone of our economies and the mandate for the wealth of our nations--one of the oldest established processes of human society and a driving force ever since the first humans began to develop specialization of labor. (Carland & Carland, 1998) Entrepreneurship has also been described as a discontinuous phenomenon, appearing to initiate changes in the production process and then disappearing until it reappears to initiate another change (Stoner, et al, 1995), and as the creation of new enterprise, with the entrepreneur being the individual who creates a new enterprise (Bartol & Martin, 1994). Entrepreneurs have been also defined as visionaries, ones who see what is not there. (Carland & Carland, 1998)

There is much interest in these rather elusive, albeit appealing, concepts. They are being bantered about and embraced by an ever-increasing number of business schools and business students.

### WHY THE INTEREST?

Some people view entrepreneurship simply as an interesting hobby. Those enamored with its romantic appeal, however, may fail to consider the hard work involved in becoming a successful entrepreneur. Stability and predictability are the last things an entrepreneur should expect. Rather, the entrepreneur lives from day to day. (Shostack, 1990)

The increasing interest in entrepreneurship by business students may reflect their willingness to accept the uncertainties inherent in business ownership since the previous benefits of being an employee are not as plentiful as they once were. For example, the prestige and security associated with one's chosen career and employing organization are, for the most part, concepts of the past. So

some are turning, with excessive optimism, to entrepreneurship as a means of achieving their life's dreams. (Brenner, et al, 1991)

Such optimism was evident in a survey of 2,994 new entrepreneurs who indicated that 81% believed their chances of success were 70% or better. A remarkable 33% believed that their probability of success was 100%. The survey also found, interestingly enough, that those who were poorly prepared to become entrepreneurs were just as optimistic as those who were well prepared. (Brenner, et al, 1991)

But are business schools really preparing their students for entrepreneurship? Or does the present business college curricula concentrate primarily on preparing students for careers as organizational employees? (Brenner, et al, 1991) Some suggest that course work is rarely relevant to today's business environment. Students complain about classes that taught them 'tools' rather than 'practical advice,' or 'analytical smarts' as opposed to 'street smarts.' (Solomon & Fernald, 1991) Distilled wisdom, regardless of how it was attained, is of no value if it does not address the immediate needs of the business. (Shostack, 1990)

The small business sector is relatively new ground for colleges and universities. Considerable uncertainty remains as faculties and administrators seek the proper "formula" for handling this enigma. (Solomon & Fernald, 1991)

Specific courses in entrepreneurship have been designed to provide practical education that students may use to further their business careers. Some have wondered, however, whether such courses merely entertain students who have little or no intention of operating their own businesses. In fact, do such courses merely give students a chance for wishful thinking about a fantasy, or do they provide the impetus toward a potentially rewarding career for individuals who had not previously considered such a possibility? (Brenner, et al, 1991)

Certainly, the possibility exists that many individuals who preclude business ownership and operation today may be the entrepreneurs of tomorrow. Keeping this phenomenon in mind may help business curriculum designers to structure a program appropriate for their respective students.

## EVOLVING FOCUS

The School of Business at Henderson State University is among those business schools that have weighed the advantages and disadvantages of focusing on entrepreneurship in its mission. Additionally, we have discussed, defined, re-defined, fine-tuned, and otherwise dealt with the term, entrepreneurship.

We examined, first of all, what incorporating entrepreneurship into our curriculum might really mean and how invasive such an incorporation should be. These numerous discussions centered around our students and their bent toward entrepreneurship.

The result of our deliberations was a somewhat tentative decision that we would, in fact, incorporate entrepreneurship into our mission statement.

## REFINING THE FOCUS

This somewhat tentative decision was re-visited several times at the School's annual retreat. Although our business school faculty were not unhappy with the decision, we seemed to have chosen a rather nebulous concept to try to grab hold of.

After a time, our discussions began to center on the abilities that our graduates would find necessary if they expected to function effectively in an entrepreneurial environment, as opposed to their necessarily becoming entrepreneurs. We agreed that our School should focus on the development of leaders with entrepreneurial capacity to effectively initiate, manage, and implement change in a dynamic business environment.

In order to achieve this goal, we determined that entrepreneurial thinking could be the key for our students. Entrepreneurial thinkers would be capable of functioning in an entrepreneurial environment, and the development of entrepreneurial thinking skills could assist in the development of leaders with entrepreneurial capacity.

A task force was appointed for the purpose of defining entrepreneurial thinking. The resulting definition, subsequently approved by the entire business faculty, follows:

*Entrepreneurial thinking involves being innovative, proactively searching for opportunities, looking beyond the usual or customary solutions to problems, seeking potentially profitable risks, and willingness to change.*

## SURVEY FINDINGS

The formal adoption of entrepreneurial thinking as a specific focus for the School of Business at Henderson State University occurred in the mid-1990s. We believed, however, that our curriculum had in fact been addressing the issue of entrepreneurial thinking for a number of years prior to that time.

In order to learn what we had been doing right in the past, in terms of preparing our students to be entrepreneurial thinkers, as well as to seek advice about what we should do in the future, we decided to ask those who know us best--our graduates. Those former students who received their degrees during the 15-year period of 1980-1995 were surveyed.

Our survey instrument defined entrepreneurial thinking, and it asked recipients which courses and particular teaching methods they believed had contributed to the development of their own entrepreneurial thinking skills. It further asked for recommendations for increasing the entrepreneurial thinking skills of current and future business students. Recipients of the questionnaire were also asked for a self-assessment regarding their entrepreneurial thinking skills, whether they own their own businesses, their year of graduation, major, and gender.

The 1400 surveys were mailed in the spring of 1997. One hundred and twenty-two questionnaires were returned for a response rate of 8 percent. Of those, 104 (85 percent) had earned the bachelor's degree. The other 18 responses were from MBA graduates. Because the primary concern was improvement of the undergraduate curriculum, the following analysis is based on the 104 undergraduate respondents.

Table 1 summarizes opinions regarding courses which contributed to entrepreneurial thinking skills. It includes specific core business courses (required of all majors) listed by at least 10 percent of the respondents.

Table 1	
CORE COURSES CONTRIBUTING TO ENTREPRENEURIAL THINKING SKILLS	
(Percent of all Respondents)	
Strategic Management . . . . .	36%
Basic Marketing . . . . .	25%
Basic Management . . . . .	16%
Accounting Principles . . . . .	13%
Business Law . . . . .	14%
Management Communications . . . . .	10%

Thirty-six respondents (35 percent) listed other management courses while 20 graduates mentioned other marketing courses. Table 2 presents the distribution of these courses.

Table 2	
OTHER MANAGEMENT COURSES	
(Percent of 36 Respondents)	
Organizational Behavior . . . . .	42%
Small Business Management . . . . .	25%
Human Resource Management . . . . .	22%
Leadership Seminar . . . . .	19%
Operations Management . . . . .	19%
International Management . . . . .	11%
OTHER MARKETING COURSES	
(Percent of 20 Respondents)	
Marketing Management . . . . .	45%
Marketing Research . . . . .	40%
Promotions Management . . . . .	20%
Sales Management . . . . .	20%
Consumer Behavior . . . . .	15%
Retailing . . . . .	15%

It should be noted that Organizational Behavior and Human Resource Management are specifically required for the management option. Leadership Seminar was also required for a very



brief period. Marketing Management and Marketing Research are specific requirements for the marketing option.

Thirty-eight respondents also mentioned a wide variety of other business courses, as well as nonbusiness courses. Both finance classes and advanced accounting classes were listed by 10 respondents each. Eleven of the 38 included nonbusiness courses.

Table 3 summarizes responses regarding the teaching methods which promoted entrepreneurial thinking.

Case Studies .....	25%
Teamwork and Group Activities .....	19%
Business and Marketing Plans .....	16%
Practical Examples in Class .....	15%
Classroom Discussions .....	14%
Oral Presentations .....	12%
Role Playing and Simulations .....	12%
Research and Writing Assignments .....	11%
Internships and Field Trips .....	9%

The strong connection between case studies and Strategic Management (see Table 1) is explained by the fact that case studies are a major teaching technique used in that course. The low response for internships and field trips may be explained by the fact that few students may not have had this opportunity while enrolled in the School of Business. Internships were recommended a significant number of times (see Table 4 below).

Internships .....	19%
Challenge Students .....	16%
Practical Examples .....	15%
Simulated Business Startup .....	14%

Graduates were also asked for recommendations for improving entrepreneurial thinking skills. Table 4 presents the major suggestions made by graduates. In addition, there were a wide variety of very specific recommendations which included adding certain courses and changing some course and degree requirements.

As previously noted, the most common recommendation was to increase internship opportunities--even though relatively few graduates mentioned it as an effective teaching method. This is a clear indication that the curriculum should move in this direction to improve entrepreneurial thinking skills.

As previously noted, the most common recommendation was to increase internship opportunities--even though relatively few graduates mentioned it as an effective teaching method. This is a clear indication that the curriculum should move in this direction to improve entrepreneurial thinking skills.

Other information regarding the respondents and entrepreneurial thinking was also gathered. Thirty percent (31 of 103 reporting) of these graduates own their own business, and 50 percent of these work full time in the business. When asked if they considered themselves to be entrepreneurial thinkers (yes=1, no=5), the average response was 2.2 indicating a more-than-average degree of entrepreneurial thinking. Some response bias may exist. Because the survey concerns entrepreneurial thinking, entrepreneurs may be more likely to return the questionnaire, resulting in a higher percentage of business ownership and entrepreneurial thinking. However, if the purpose is to develop entrepreneurial thinking skills, these respondents might provide more insightful recommendations for the business curriculum.

To understand more fully the relationships between specific courses, teaching methods, and entrepreneurial thinking, further statistical analysis was conducted. A t-test was performed to determine if a difference existed between business owners and nonowners. As would be expected, the mean entrepreneurial thinking rating for business owners (1.81) was significantly lower ( $\alpha = .05$ ) than for nonowners (2.33), indicating that owners consider themselves "more entrepreneurial." A t-test for differences in entrepreneurial thinking by gender was also conducted. At the  $\alpha = .05$  level, no significant difference was found. (The p-value was .08.) [When both bachelors' and masters' degrees are included, a significant difference in entrepreneurial thinking rating does exist between men (1.98) and women (2.35). Men consider themselves entrepreneurial thinkers more so than women.] On a related matter, a Chi-square test of independence found no relationship between gender and business ownership. In fact, of the 31 business owners, 16 were men and 15 were women.

In an effort to identify which courses might have an impact on entrepreneurial thinking, a t-test was conducted to see if the entrepreneurial thinking rating was different between those who did or did not mention a specific course as contributing to entrepreneurial thinking. Only those courses listed by at least 10 percent of respondents were tested (see Table 1). Of all courses tested, only accounting principles showed a significant difference ( $\alpha = .05$ ) in entrepreneurial thinking rating. Those who listed accounting had a mean rating of 1.46 compared to 2.26 for those who did not. In order to explain this result, it was hypothesized that accounting majors were more likely to mention accounting principles, more likely to own a business (local CPA practice), and therefore more likely to report greater entrepreneurial thinking (lower rating). No difference in rating was found between accounting and other majors. A Chi-square test indicated no significant relationship between the accounting major and business ownership, although 41% of accounting majors owned a business and only 24% of other majors did. A Chi-square test to determine whether accounting majors were more likely to list accounting principles as contributing to entrepreneurial thinking was not applicable due to low expected frequencies. However 32% of accounting majors listed accounting principles; only

6% of other majors did so. These results "suggest" that the hypothesis is correct but a larger sample size is necessary to allow a statistical conclusion.

A statistically significant positive correlation between the year of graduation and the entrepreneurial thinking rating was found. This indicates that those graduates who have been in the workforce for a longer period of time tend to think of themselves as more entrepreneurial (lower rating score). An analysis of variance comparing entrepreneurial thinking by major indicated no significant difference in ratings. Finally a Chi-square test was conducted to determine if there was a relationship between the recommendations for increasing entrepreneurial thinking and the respondents' entrepreneurial thinking rating. For purposes of this test the rating scores were classified as high (scores of 1 or 2) and low (scores of 3 through 5). No significant relationships were found.

In summary, very few statistically significant patterns were found between the respondents' entrepreneurial thinking rating and courses taken, teaching methods, or recommendations. Accounting principles was identified as important; but as discussed above, this may be due to accounting majors in CPA practice. Gender showed an impact only when both bachelors' and masters' degrees were included. Recent graduates indicated less entrepreneurial thinking (higher rating scores) which may be due to less "real-world" experience.

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# A COMMUNITARIAN PERSPECTIVE OF THE RESPONSIBILITIES OF ENTREPRENEURS AND SMALL BUSINESSES

Jeffrey R. Cornwall, University of St. Thomas

## ABSTRACT

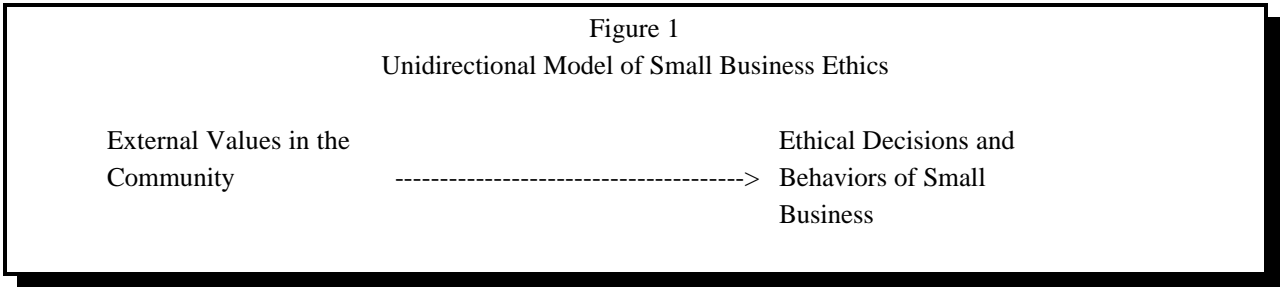
*The traditional approach to small business ethics has been unidirectional, examining only the external influences from the community on decision making of the entrepreneur. This paper examines the communitarian perspective as a model to examine the role small businesses play in shaping the moral climate of the community. The communitarian perspective advocates a renewal of balance between rights and responsibilities. This perspective offers a model of business ethics that integrates the impact that community members, including business organizations, has on the values and norms in the community. Such a perspective has an impact on how ethical aspects of small business are framed, requiring consideration and examination of a variety of issues related to small business responsiveness to maintaining the community. Small business is no longer viewed as merely reacting to external values in ethical situations, but in helping to shape community values by the decisions and actions it takes. Specific implications of such a model for researchers, educators, and entrepreneurs are explored.*

## TRADITIONAL VIEW OF SMALL BUSINESS ETHICS

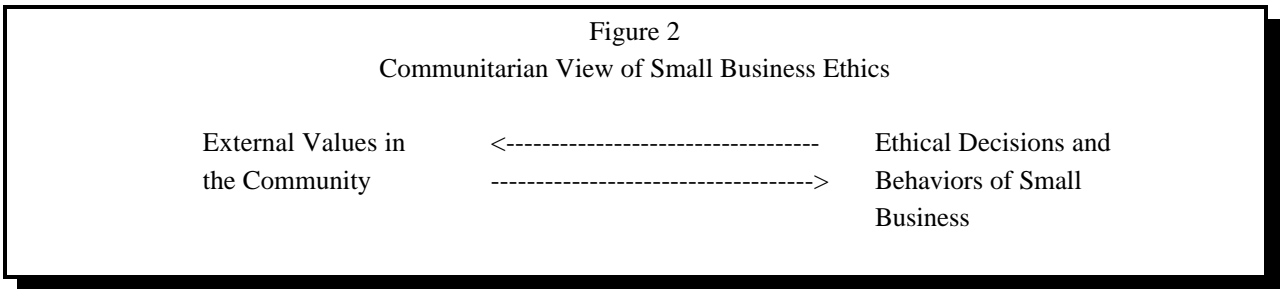
The literature on small business ethics has generally taken a unidirectional approach. Using this perspective, values are generated by a variety of external sources, which then influence the internal decision making processes within small business.

Externally generated values are defined using several distinct bases for examining ethical behavior. One approach is to examine small business ethics in terms of compliance with governmental regulations (Alpander, Carter, and Forsgren, 1990). Smith and Oakley (1994) examine the impact of the type of community (metropolitan or non-metropolitan) concluding that community customs are a strong determinate of the ethical decision making process. Humphreys, et al, (1993) use a multidimensional approach that includes culture, traditions, and adherence to contractual obligations.

Once the external sources of values are defined, the literature then focuses on the internal processes that guide decision-making. Hornsby, et al, (1994) provide a summary of the common approaches to defining ethical decision making in small business. They identified four approaches: 1) managerial awareness of ethical issues, 2) the use of codes of conduct, 3) managerial value systems, and 4) the small business owner's ethical perspective.



Although the unidirectional model has contributed to our understanding of ethics in small business, it misses the role that small businesses and entrepreneurs play as community members, and in some cases leaders, in helping to model and even shape community values. Warren (1996) asserts that “we should be careful not to dismiss business as an important source of moral development and discount the contribution it can make as a school of virtuous conduct and civic duty” (p. 91). Warren (1996) goes so far as to say that we should view business as important potential source of improving the overall moral climate. From this perspective, small business ethics are no longer viewed as unidirectional. Rather, there exists a ongoing dialectic process in which external values shape internal decision making, which the in turn shapes the external bases of ethics in their communities. Although the forces of influence are stronger from the community into each small business within it, small businesses do shape the values of the community through their behaviors and decisions. The communitarian perspective offers a prescriptive and action oriented approach to understanding the second leg of the process, from, which thus far has not been addressed in the small business ethics literature.



### COMMUNITARIANISM AND BUSINESS

Etzioni (1993) describes the communitarian perspective as a balance of individual liberty with the need for the active maintenance of the community and society. Communitarianism advocates that individual rights are only possible with a corresponding set of responsibilities back to society. “Claiming rights without assuming responsibilities is unethical and illogical” (Etzioni, 1993, p. 9).

The social contract is played out by a variety of members in a community. The communitarian perspective views families as the starting point for brining back the moral balance that has been lost due to an excessive focus on only individual rights, and not corresponding responsibilities.

Etzioni (1996) views the community as a web of relationships, which creates a shared set of values and norms. To sustain community over time requires on-going participation of all members in building social relationships and defining shared values. As members of a community, and a source of employment for so many people, small businesses are an important part of this process. In fact, entrepreneurs in small businesses approach such issues from what Ewin (1995) would define as a truly virtuous act, involving self-sacrifice, as many of these decisions directly effect their own wealth. Management of larger, publicly traded corporations acts on behalf of many others (shareholders) often with very little impact on their own worth.

### DEVELOPING A COMMUNITARIAN MODEL OF SMALL BUSINESS ETHICS

A communitarian model of small business ethics shares common elements with the Corporate Social Responsibility perspective, particularly the issue of employment security (Warren, 1996). Indeed, a fundamental aspect of communitarianism is the responsiveness of each individual member to the broader community (Etzioni, 1996). However, employment security in the communitarian model entails not just a social contract between the employer and employee, but the relationships between the employer, the employees, and the community they are all a part of. Together they build, define and shape the community and its values.

For example, a community dominated by high-growth, start-up companies that aggressively pursue exit strategies often with resulting loss of employment will likely be a community with a weak social network among citizens of that community. Owners view the community as incidental to the pursuit of their business objective. The community will be transitory and fragmented just as its employment opportunities. By contrast, a community dominated by businesses with active, long histories in the community will likely have much stronger social ties, and more clearly defined and developed shared values and loyalties. Solomon (1994) would assert that in the former community from this example, the intrusion of self-interest has corrupted the community. That is, the primary focus on self-interest at the expense of community that is part of the corporate culture in this example will begin to define the overall values of the community itself. As self-interest becomes established as a norm in the community, members of that community seek approval from others engaging in the same behaviors, thus reinforcing that norm in the culture.

It is important to note that profit and the process of building wealth are not, in and of themselves, bad for the community. To the contrary, profits and wealth can have a positive impact on the community in many ways. If viewed as part of the entrepreneur's responsiveness back to the community, wealth and profits can lead to growth in employment and wages for many of its members and can have the classic multiplier effect on the community economy.

The communitarian literature has generally defined business in predominately in terms of large corporations (Etzioni, 1993, 1996; Ewin, 1995; Warren, 1996; Shaw, 1996). Given the significant number of jobs accounted for by small employers, and the overwhelming number of new jobs created small businesses, examination of the role of small business in developing and maintaining the values of their communities in both the communitarian and the small business ethics literature. This will become increasingly important as the economy continues its transformation to a much looser, temporary set of relationships between employers and employees. As corporations continue to decrease employment roles and outsource more and more of what they historically have done

themselves, the community will no longer be defined by the large company, but by a complex set of temporary economic relationships (Warren, 1996). This new form of organization is called the cellular form of the firm.

Miles, et al (1997) define the cellular form of the firm as being made up of cells “that can operate alone but that can interact with other cells to produce a more potent and competent business mechanism” (p. 12). These “cells” can be small businesses, independent entrepreneurs, portfolio workers, or semi-autonomous work teams. If those writing about the emerging cellular form of organization are correct, small businesses and entrepreneurs will become the predominant organization form. As such, they will have an even larger role shaping communities of the future and must be more closely examined.

Specifically the role of business, including small business and entrepreneurs, begins by recognizing the responsibilities employers have to support their employees and families in their role as the social and moral building block through offering enough flexibility fulfill these essential responsibilities (Etzioni, 1993). Creating such flexibility in an entrepreneurial venture with no slack resources, and in fact often over-strained resources, is a dilemma not faced by larger organizations. The communitarian literature has not addressed the unique challenges of smaller and entrepreneurial firms. At what point can an entrepreneurial venture be expected to accept such civic responsibilities is as yet an unanswered question.

Another role of small business from the communitarian perspective is to participate in the integration between work and schooling. Many states have begun initiatives to the linkages between school, work, and a civil society. Minnesota, for example, has implemented the School to Work program as a major component for improving the educational system. This program includes variety of integrated vocational programs, including initiatives for young entrepreneurs. Entrepreneurs in the community can act as internship hosts and mentors to help support such programs. Small businesses can serve as placement sites for vocational programs integrating school to the workplace.

The communitarian perspective includes a strong support for volunteerism. Small businesses can facilitate and even encourage such activities by their employees by providing time and resources. Entrepreneurs can serve as important role models for such activities to encourage wider participation in the community.

## IMPLICATIONS

Society and the economic structure are evolving at an increasing rate of change. Scholars studying small business ethics must look beyond the traditional unidirectional models if they are to contribute to our understanding of the rapidly changing real world in which small businesses and entrepreneurs play an ever-increasing role. Small businesses will have a greater need to participate in defining the values in the communities in which they operate. We must begin to examine not only how external values shape decision making in small business, but how small business contributes, or fails to contribute to shaping community values. What values and norms will shape the increasingly complex set of relationships between small or cellular firms in a community? How will these entities come together to be a part of our definition of community? How will this effect our definitions of corporate social responsibility and stakeholders?

There are also implications for those who teach business ethics in universities. The predominant approach to the teaching of business ethics has focussed on large corporations and managers acting within those corporations. More attention must be paid to business ethics as they relate to small business and the entrepreneur, which have a very different set of issues in a very different context than large corporations. The traditional focus on corporate social responsibility and stakeholders will need to be reexamined to assure that students are being exposed to world as it is becoming.

Communities will need to look to new places to find leaders and “heroes”. They can no longer look to the company town model. Fewer communities are defined by a single large employer and its corporate leadership.

Entrepreneurs, therefore, will be called upon to contribute to community leadership and as community members. This will be no small challenge to the entrepreneur who must struggle day-to-day with the survival of the business. However, a strong community is very often a critical factor for the viability of any small business. The entrepreneur must invest a certain amount of attention and energy into the community (i.e. responsiveness) for the long-term success of the business.

#### AN EMPIRICAL AGENDA

It is important to continue to pursue an empirical stream of literature on small business ethics. In addition to the traditional unidirectional approach to such research, we must begin to examine how small businesses and entrepreneurs help shape the values of their communities. For example, how do the approaches to employment security practiced by small firms in a given community contribute to consumer confidence, population turnover, and individual investment within the community?

Research must also focus on concepts that characterize community (Warren, 1996). How do members of the community define their worth to that community? How do small business people define their worth to the community, and what factors cause that to change over time? Is communication within the community open, and is it based on trust? Who in the community has a sense of obligation to the community, and how does that change over time? How diffuse is that sense of obligation among members, and impacts that diffusion? Is there a shared and common sense of identity in the community, and what factors affect it? How secure are members within the community and why?

Finally, attention should be paid to the methodological problems identified in small business ethics research in the past. This is a continual challenge as much of what is being addressed is quite “soft” in nature. However, Thompson and Smith (1991) caution about weak sampling techniques and reliance on perceptual rather than objective measures in past research. Future research should be based on larger, more representative samples and utilize hard measures to validate perceptual measures whenever possible. Researchers must also design instruments that avoid the problem of leading the respondent to socially acceptable answers.



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# ENTREPRENEURIAL PERFORMANCE IN FOREIGN SETTINGS: ANALYSIS OF PERSONAL, EDUCATIONAL, AND EXPERIENTIAL PREDICTORS

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## ABSTRACT

*This study analyzes the degree to which individual, personal characteristics, educational backgrounds, experience and managerial activities are predictive of entrepreneurial performance in Thailand. Predictors are examined both individually and as a group using a 1994 data set of 187 Thai entrepreneurs. The implications for cross cultural comparisons are presented. The data are analyzed using the simultaneous equation procedure of LISREL.*

*It makes sense to search for factors which predict the performance of entrepreneurs in various national settings. Personality traits associated with entrepreneurship include the need for achievement, independence and autonomy needs, calculated risk-taking tendencies, self-confidence and high energy levels. In the United States, two of the individual characteristics associated with successful entrepreneurial outcomes are a high need for achievement and an internal locus of control. People with an internal locus of control believe that rewards and outcomes occur as a result of their own efforts, talents and abilities. In the United States people with an internal locus of control are thought to be more likely to succeed as entrepreneurs.*

*Of 187 Thai firms, 138 were from manufacturing, 20 from finance, insurance and real estate and 21 from other services. Of the seven variables hypothesized to effect entrepreneurial performance only three were confirmed by significant paths in the LISREL model. Age and environmental scanning were positively related to the company's revenue statistics. However, greater industry experience was correlated with less entrepreneurial success. Experience in industry may have kept the new entrepreneur from trying innovative new ideas.*

*Training materials, business curricula and short courses for entrepreneurs should not be based on the assumption of complete carry-over from western cultures to Asian cultures. Also, more research focused on local and international networking as a driver for entrepreneurial success is needed.*

## INTRODUCTION

Entrepreneurial activities are key ingredients in the growth and development of many national economies. In the United States, innovative business ventures are a primary source of new jobs as the twentieth century comes to a close. Large, longstanding institutions simply do not provide the same growth in employment opportunities which are present in these inventive, smaller start-up firms.

In less economically developed countries, entrepreneurial start-ups are a major factor in the economic well-being of a region (Tsuruoka, 1993).

Most efforts to examine ideas about the determinants of entrepreneurial performance have been centered on data sets from Western cultures. However the need to understand the sources of entrepreneurial performance is even greater in countries such as Thailand, Malaysia and Indonesia where traditional agricultural employment opportunities are inadequate to support the rural population and large numbers of people are flocking to the urban areas in search of employment (Tasker, 1995).

It is important to recognize that successful entrepreneurial enterprises are difficult to spawn and develop, but that these firms are truly the ones which develop and support long-term economic growth. Therefore, it makes sense to search for factors which predict the performance of particular individuals or businesses in various national settings. Two key issues immediately emerge. First, are there factors which are predictive of entrepreneurial performance across cultures. If yes, an understanding of these characteristics and activities may facilitate funding decisions, consulting and counseling activities, and training programs.

Second, it is clear that simple correlational analyses of predictive factors in the area of entrepreneurship are insufficient. In other words, merely correlating needs for achievement, self-confidence, an internal locus of control, needs for autonomy, and other individual characteristics with the performance is insufficient. Holistic predictive models of entrepreneurial performance must be developed and tested. This research effort is designed to address both of these concerns.

The purpose of this research, then, is to analyze the degree to which individual personal characteristics, educational and experiential backgrounds, and managerial activities are predictive of entrepreneurial performance. These predictors are examined both individually and as a group. Implications for cross-cultural comparisons are then drawn.

## BACKGROUND

Any number of factors may enhance or reduce the possibility that a particular new company will succeed. National upheavals (riots, revolutions, governmental changes) or world-wide changes in economic conditions, including the occurrence of an international recession are beyond individual control. Discounting these, the level of analysis pursued by most entrepreneurship research has been on individuals. The researchers have sought to identify personal attributes, educational achievements, and managerial activities which are predictive of the future success of a new firm. Factors from each of these three categories have been selected for this study.

## PERSONAL CHARACTERISTICS

A number of personality traits have been associated with entrepreneurship. These include the need for achievement (McClelland, 1961), independence and autonomy needs, calculated risk-taking tendencies, self-confidence and high energy levels (Sexton and Bowman, 1984). Two of the most prominent individual characteristics which have been associated with successful entrepreneurial outcomes are a high need for achievement and an internal locus of control.

The need for achievement has been predictive of two separate entrepreneurial processes: (1) the decision to start a new business, and (2) subsequent success in that business. Individuals who yearn for positions of authority and for success in those positions are normally the new business owners who are most likely to prosper in their new ventures. Those who have identified this variable suggest that it is not the desire for money, but rather the desire for outward signs of success which drive the high achiever in the business world. High need for achievement and entrepreneurship are well documented correlationally in the United States. In addition, some studies of this personality trait suggest that it is possible to generalize the finding that high achievers become successful business owners all around the world. For example, similar findings have been reported by McClelland (1961) in a study in India, and Hisrich and O'Connell (1986) in Ireland. There is, however, some dispute as to the predictive value of the need for achievement standing alone in studies of entrepreneurship (Gartner, 1988). Given the number of instances in which higher need for achievement levels have been associated with higher profitability and growth of a person's company, the inclusion of the variable was deemed helpful to this study. Miller and Droegge (1986) found that a CEO's need for achievement was significantly related to various measures of firm structure, and thereby perhaps related indirectly to firm performance, strengthening the case for inclusion of the variable in a holistic model of performance.

Locus of control is the second personality variable selected for this study. Specifically, an internal locus of control is expected to be related to higher performance levels in entrepreneurial ventures (Rotter, 1966). Internals are individuals who believe that rewards which occur and outcomes which people encounter are the result of their own efforts, talents, and abilities. Conversely, externals tend to believe that events which occur and rewards or punishments which follow are consequences associated with chance, luck, fate, or powerful others (Rotter, 1966). The scale used to determine one's predisposition is called the Locus of Control (LOC) instrument. A *low* LOC score is indicative of internality.

It is logical to believe that internals would be more likely to succeed as entrepreneurs. Individuals who believe their own efforts will determine performance tend to seek out and find more options in difficult situations (see Luthans, Baack, and Taylor, 1984). They are also more inclined to take action when circumstances make them unhappy. Consequently, internals are likely to respond proactively to challenging conditions and respond with greater flexibility to environmental changes and other difficulties. Several previous studies have linked internality with entrepreneurial and managerial performance (e.g., Box, White, and Barr, 1993; Govindarajan, 1988; Miller and Toulouse, 1986; Miller, Kets de Vries and Toulouse, 1982).

## EDUCATIONAL AND EXPERIENTIAL BACKGROUND

Entrepreneurs may learn in the following two major ways. First, classroom knowledge combined with the training given by consultants and other experts may assist in the operation of a new firm. Second, prior business experiences may be highly instructive to a prospective new entrepreneur. These experiences include time spent in the same business at another company, previous business start-up attempts, prior experience in the industry, and the age of the individual as a proxy for specific experiences.

Age and formal education were correlated positively with entrepreneurial performance in several previous studies (Birley and Norburn, 1987; Hisrich and Brush, 1984; Hoad and Rosko, 1964). Logically, those who have had more experiences are potentially at an advantage when compared to younger compatriots with less experience. Formal education should teach skills such as reasoning, planning, and decision making which may help the entrepreneur to be more successful.

Previous start up attempts have also been associated with increased likelihood of success in a new entrepreneurial enterprise (Box, Watts and Hisrich, 1994). Those with previous start-up experiences may report greater levels of satisfaction with the new business, and those latter businesses should be more successful than their earlier ventures.

Previous managerial experiences as part of another entrepreneur's top management team or experience in a particular related industry may season the new entrepreneur, giving the individual greater odds of success. Box, Watts, and Hisrich (1994) as well as Box, White, and Barr (1993) report a positive relationship between previous industry experience and performance.

### MANAGERIAL BEHAVIORS

Numerous managerial behaviors assist the leader in driving a new firm toward profitability and growth. Of these, environmental scanning is one key element. Scanning may help the company avoid unexpected disruptive events. Scanning will also assist in identifying opportunities for growth. In earlier studies, entrepreneurial environmental scanning intensity was found to be positively correlated with subsequent firm performance (Daft, Sormunen, and Park, 1988; Watts and Ormsby, 1990).

Each of these predictor variable categories may provide important indicators of success for a new firm, both in the United States and in other countries. The need for achievement and locus of control have been frequently used to study entrepreneurial personalities. Experience and educational attainments also have been routinely identified as key ingredients in entrepreneurial success (Bartlett, 1988). Environmental scanning and other managerial behaviors are also closely associated with a firm's performance levels (Sexton and Bowman-Upton, 1991). These variables and variable categories have often been studied separately. A logical extension of this research is to look at the variables together, in a more holistic pattern, seeking to identify patterns and trends which are predictive of performance. Also, it is essential to broaden the base of research to include data on entrepreneurs in non-Western societies.

### RESEARCH METHODOLOGY AND DATA

This research was conducted in Bangkok, Thailand. The study focuses on a data set of 187 Thai entrepreneurs who were in business in Bangkok in 1994. Survey instruments were completed by 191 entrepreneurs from that location. The survey form was translated and back-translated from Thai to English. The survey was based on instruments used in two previous studies of U. S. entrepreneurs (Box, Watts, and Hisrich, 1994; Box, White, and Barr, 1993). The questionnaires were distributed and administered by M.B.A. students at Assumption University in Bangkok, under the direction of one of the authors. Of the 191 forms distributed, 187 were deemed usable.

## VARIABLE MEASUREMENTS

The outcomes measures (endogenous variables) in this study were indicators of performance. While there is no single, unambiguous construct representing organizational effectiveness (Cameron and Whetten, 1983), sets of measures may be used to represent the outcome. Three related, but not multicollinear variables were developed to assess performance: (1) the average annual increase in employment, (2) the average annual increase in revenues, and (3) the average annual increase in profits. These variables are represented in this paper as Employment Growth, Revenue Growth, and Profit Growth, respectively. Employment Growth was calculated by subtracting the number of employees on the payroll in the first year of operations from the number on the payroll in 1994 and dividing by the number of years of operations. Revenues Growth and Profits Growth were calculated in a similar fashion.

The exogenous variables, as noted in the three categories mentioned above, were collected as follows. The personal characteristic, Need for Achievement, was assessed using Steers and Braunstein's (1981) Manifest Needs Questionnaire. This instrument uses a Likert Scale ranging from 1 to 7 per item. Reliability of the scale was .72

Locus of Control, the other personal characteristic, was measured using Lumpkin's (1985) abbreviated LOC questionnaire. The instrument uses a six point response range. Reliability of this instrument was .68.

The manager's educational and experiential background was assessed via self-reports. Previous industry experience, previous start ups, tenure, age, and educational level were measured with simple responses on the questionnaire.

The managerial activity of environmental scanning was assessed using an instrument devised by Miller, Kets de Vries, and Toulouse (1982). The questions were answered with seven-point range responses. Reliability of this questionnaire was .80.

## SAMPLE CHARACTERISTICS

Firms represented in this sample came from several different industries. The SIC (Standard Industrial Classification Manual, 1988) codes reported on the surveys were completed by managers from eight separate industries. The largest percentage (72%) of firms were involved in manufacturing (134 of 187). A complete breakdown of classifications is provided in Table 1. The mean age of individuals who responded to the questionnaire was 32 years. These entrepreneurs had considerable within-industry experience (mean = 7.47 years) as well as considerable experience with the start-up of new firms. Table 2 displays these and other sample characteristics.

## ANALYSIS TECHNIQUES

The data were analyzed using the simultaneous equation procedure of LISREL 7 (Joreskog and Sorbom 1983; 1989). The model illustrated in Figure 1 was tested. Revenue growth, profit growth, and employee growth were used to indicate the firm's performance. Previous business starts, the respondent's age, industry experience, and educational level were entered using the self-reported scores. The need for achievement and environmental scanning values were obtained by summing

individual indicants from the scale. The locus-of-control value was obtained from summing the individual indicant scores of the LOC scale.

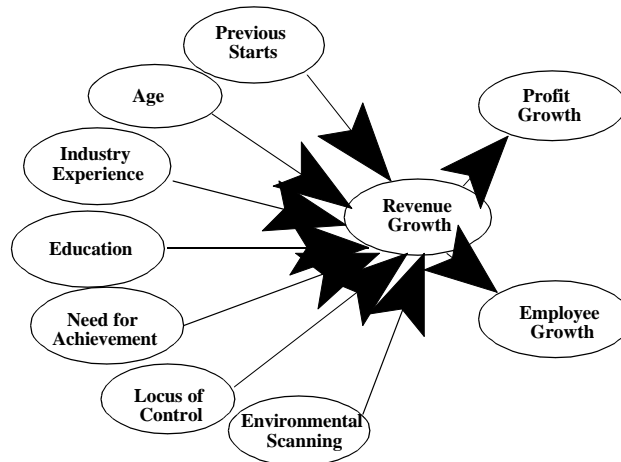
	Number of Firms
Agriculture	4
Construction	4
Manufacturing	138
Transportation	2
Wholesale Trade	5
Retail Trade	7
Finance, Insurance, & Real Estate	20
Services	21

Variable	Mean	Standard Deviation	Range
Employee Growth	18.46	36.78	-32.5 to 260
Revenue Growth	685	1610	-267.0 to 11,040
Profit Growth	105.6	322.2	-80.0 to 3,150
Previous Starts	2.433	6.427	0.0 to 45
Age	38.27	9.73	21.0 to 78
Industry Experience	7.47	7.73	0.0 to 50
Need for Achievement	5.65	.821	0.0 to 7.0
Locus of Control	3.35	.78	1.0 to 6.0
Environment Scanning	4.28	1.29	1.0 to 7.0

Employee growth calculated as: number of employees/year  
 Dollar amounts reported as: \$1,000/year (Thai Baht converted to American dollars)  
 Experience, Age, Education reported in years

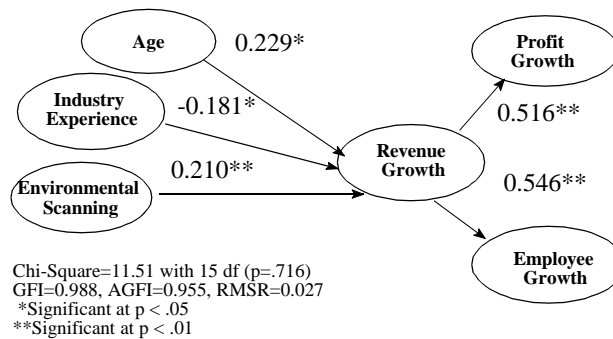
Since individual scores were utilized in the study, the econometric procedure as outlined by Joreskog and Sorbom (1988) was used for the analysis. The structural model was based on a Pearson correlation score among the tested variables.

Figure 1



The results of the LISREL Findings analysis are presented in Table 3 and illustrated in Figure 2. In terms of model fit, the  $X^2$  value was 11.51 with 15 df resulting in a p value of 0.716. The GFI was 0.988, the AGFI was 0.955, and the RMSR was 0.027. The model fit statistics indicate an excellent fit between the proposed model and the data matrix.

Figure 2



In terms of significant relationships among the variables studied, revenue growth had a direct impact on both profit growth and employee growth. the respondent's age and environmental scanning had a direct impact on revenue growth while industry experience had an inverse impact on revenue growth. Previous starts, education, need for achievement, and locus-of-control had no impact on revenue growth.



TABLE 3  
RESULTS OF ANALYSIS

Greek Notation	Path	MLE Coeff	T-Value
$\beta_{13}$	Revenue Growth -> Profit Growth	0.516	8.014**
$\beta_{23}$	Revenue Growth -> Employee Growth	0.546	8.671**
$\gamma_{31}$	Previous Starts -> Revenue Growth	0.049	0.644
$\gamma_{32}$	Respondent's Age -> Revenue Growth	0.229	2.564*
$\gamma_{33}$	Indust Experience -> Revenue Growth	-0.181	-2.088*
$\gamma_{34}$	Education -> Revenue Growth	-0.002	-0.033
$\gamma_{35}$	Need for Achievement -> Rev. Growth	-0.045	-0.589
$\gamma_{36}$	Locus-of-control -> Revenue Growth	-0.033	-0.436
$\gamma_{37}$	Environment scanning -> Rev. Growth	0.210	2.726**

$\chi^2 = 11.51$  with 15 df (p=.716)  
 GFI = 0.988  
 AGFI = 0.955  
 RMSR = 0.027  
 \* Significant at p < .05.  
 \*\* Significant at p < .01.

## FINDINGS AND DISCUSSION

Of the seven variables hypothesized to affect revenue growth, only three were confirmed by significant paths in the LISREL model. Age and environmental scanning were, as predicted, positively related to the company's revenue statistics. Logically, someone who was older and more mature may have been in a better position to patiently guide a new firm to success. Also, environmental scanning would lead the new entrepreneur to study opportunities present in the environment and to prepare for any threats which would develop, possibly giving the company better odds of succeeding in the early, formative years.

One other path was significant in the model. A positive relationship between industry experience and performance was expected. The relationship was, however, *opposite* of what was expected (inverse). Thus, greater industry experience was correlated with less success. Experience in industry may have kept the new entrepreneur from trying innovative new ideas, but rather held them to repeating what they had done, seen, and learned before. Without establishing a new niche in the industry, the company was less likely to succeed.

An additional consideration that may explain the unexpected negative correlation between experience and performance is the existence of "craftsmen" versus "opportunistic" entrepreneurs (Cooper & Gascon, 1992). Craftsmen often have significant experience in a particular industry and create a new firm as a means of establishing income replacement, after leaving a previous employer. Conversely, opportunistic entrepreneurs are quite committed to the growth of their new ventures. Thus, if this sample contained a large percentage of craftsmen, it would seem plausible that growth would not be related to previous experiences, since the goals of these craftsmen would merely be to maintain the size of the company and continue their present levels of income.

Revenue growth had a positive impact on both profit growth and employee growth. Increases in revenues should result in the addition of more employees and the growth of profits, as depicted in Figure 2.

The assumption that the personal factors of a high need for achievement and an internal locus of control would lead to company success were not confirmed by these data. In other words, it is possible that the cultural/religious circumstances in Bangkok do not favor these personality types in the development of a business. Perhaps these traits, which cause the individual to appear more aggressive and materialistic, may not meet with positive responses in the marketplace.

Also, formal education was not predictive of growth in revenues. One explanation would be that the educational experience may not provide the specific skills or the networking which was helpful to the entrepreneurs in the Butler Study. Since experience on the job and previous start-ups were also not associated with success, it is possible that factors other than education and experience, such as networking, are more crucial to success of new firms in Bangkok (Oh, 1996).

In the USA, an advantage on the personality front, or experience may be the difference between success and failure, whereas in less developed markets, these traits, while helpful, are not the most crucial elements. To further extend this logic, since environmental scanning was significant, it makes sense to argue that those entrepreneurs who discovered unique outlets or markets were those most likely to succeed in the rapidly growing and developing economy of Bangkok.

## CONCLUSIONS

Three basic conclusions emerge from this study. First, age and environmental scanning are predictive of performance in this sample, replicating findings from previous studies. When making cross-cultural comparisons, it follows that we should include any variable which is predictive of entrepreneurial success, regardless of the region being examined.

Second, the personal variables of locus of control and the need for achievement were not predictive of performance. It has been argued by Gartner (1988) that they should not be stand-alone predictors, and this finding supports such a position. We suggest that in a holistic model of entrepreneurial success, it may be wise to account for regional circumstances before examining personal variables. Therefore, in a very competitive economy, an aggressive, internally-driven, and goal-oriented executive may succeed where others do not. In the Asian environment, these variables may be less helpful in predicting entrepreneurial success.

Third, since educational levels, previous start-ups, and managerial experiences were not predictive of performance, we should endeavor to discover why educational advantages and past experiences do not predict success. It would be important to discover ways in which education and experience can be turned into tools to assist the new entrepreneur in a developing economy.

This research effort should be replicated in other countries to help confirm or deny the tentative conclusions being drawn here. Also, macro-economic conditions should be incorporated into holistic studies of entrepreneurial success.

As researchers, we can seek to identify personal, managerial, and experiential variables which are most often associated with performance, and couple them with training and counseling on all matters (including the choice of the type of company to be formed) which might help a new manager increase the odds that an entrepreneurial venture will be a successful and satisfying life choice.

However, training materials, business curricula, and short courses for entrepreneurs should not be based on the assumption of complete carryover from Western cultures to Asian cultures. Also, more research focused on local and international networking as a driver for entrepreneurial success is needed.

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# COMPETITIVE CONTEXT AND INNOVATION INITIATION: AN INVESTIGATION OF SPECIALISTS IN SMALL BUSINESSES

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## ABSTRACT

*This study explores the relationships between competitive context, the use of specialists and the initiation of innovative activity in 94 small businesses in a midwestern state. Results indicate significant relationships between competitiveness and environmental uncertainty and the presence of specialists in small businesses. The relationships, however, are in opposite directions. While competition is related to more specialists, environmental uncertainty is associated with fewer. Intensity of competition is the only variable in the study found to be related significantly to innovative activity.*

## INTRODUCTION

The reality of rapid and dynamic technological changes, changing consumer expectations, and the intensification of competition in a global marketplace have been reflected in both practitioner and theoretical literature. Under these conditions, one key to survival, profitability, and growth is the creation of new products and processes (Carrier, 1996; Chaganti & Chaganti, 1983; Varadarajan, 1986). Clearly, innovation must be accepted as a way of organizational life. Schumpeter (1942), however, suggested that only large enterprises can afford the cost of R&D, absorb innovation failures, and exert enough market control to benefit from the implementation of innovations. Because small businesses lack the resources of large businesses, it is critical that they come to understand better which factors are related to their ability to innovate and compete.

Entrepreneurial behavior "is characterized by a preference for creating activity, manifested by some innovative combination of resources for profit" (Carland, Hoy, Boulton, & Carland, 1984: 357). At its core, entrepreneurship involves bringing into existence an enterprise that is new. Small businesses are assumed to be energized by the entrepreneurial drive of their strategic managers (Drucker, 1985). Top management controls the flow of resources and the reward system of the organization. This is particularly true in small businesses. Organizations over time will act consistent with the perceptions of these top managers. To be competitive, however, the innovation recognized and encouraged by top management must energize the entire organization if small businesses.

This study investigates the impact of top management decisions to use specialists on the generation of ideas by all members of a sample of small businesses. Specifically, this paper addresses the following questions: (1) Is the intensity of competition associated with the use of resource specialists? (2) Is top management's ability to predict changes in firm context linked to the use of

resource specialists? and (3) Does the use of specialists affect overall firm innovative activity in small businesses?

## RESEARCH CONTEXT

King (1990) and Damanpour (1988) provide recent reviews of the literature on innovation. These reviews reveal that the relationship between competitive context and innovation has not been fully explored and call for investigation of this relationship. Each of these authors provides an insight into (1) the basic questions asked about innovation, (2) the methods used to answer these questions, and (3) areas that require further study. King's (1990) review, for example, suggests that there is a need to position studies into general research perspectives. This author identifies three general streams: research on the diffusion of innovations between organizations, research on creativity and creative problem solving, and research on innovation as a phenomenon of the work environment. It is from the perspective of innovation in the workplace that this study was conducted.

Research on innovation in the workplace may be further classified by level of analysis and predominant research methodology. Most research has been conducted at individual and organizational levels of analysis with little at the group level. Research at the individual level focuses on the individual as the main unit of production or adoption of innovation. Antecedent research at the individual level has correlated a number of trait (e.g., tolerance for ambiguity and risk-taking) and situational variables (discretion and leadership) with innovation. Process research has been greatly outnumbered by antecedent research, but there does appear to be consensus that innovation in individuals occurs in a series of stages. While there is little agreement on the number or the internal ordering of the stages, almost all proposed models begin with some problem recognition and end with a confirmation of a change.

At the organizational level, antecedent research has focused on member behavior factors (e.g., idea champions and resistance to change), organizational characteristics (e.g., size, strategy, and structure), and extra-organizational (e.g., competition and environmental complexity) that facilitate or inhibit innovation. As is the case at the individual level, there is a consensus that innovation at the organization level also involves a series of stages. There is less agreement, however, on when or why the process actual begins and when or how the end occurs. Generally, these models address issues concerned with initiation of the process (or what leads up to adoption) and its conclusion (or how the innovation is implemented successfully). According to King (1990), research on innovation at the organizational level has been faced with some consistent problems: 1) a lack of clarity and sophistication in operationalizing variables; (2) a bias toward exclusive reliance on reports of innovation by management; and (3) a tendency for process models to be conceptual and derived or borrowed from elsewhere (e.g., decision-making or planning).

In its exploration of how innovation activity in small businesses reflects response to the environmental contexts of organizations, this study fits within the stream of research concerned with innovation at the organizational level. It responds to the call for research on the relationship between organizational context and the initiation of innovation.

## HYPOTHESES

The critical interdependence between the environmental context of organizations and organizational innovation has been consistently maintained by researchers for more than thirty years. Thompson (1967) was one of the earliest theorists to identify ways by which organizations respond to their environments. More than twenty years ago, Cummings and O'Connell (1978: 46) noted that "there are different stimulants to organizational innovation, which need not direct the organization along the same innovative path ... ." Mintzberg (1987) recognized that firms develop streams of actions and specific competitive postures that reflect their attempts to cope with their external context. More recently, Van de Ven and Poole (1990: 317) noted that "The process of innovation consists of motivating and coordinating people to develop and implement new ideas by engaging in transactions (or relationships) with others and making the adaptations needed to achieve desired outcomes within changing institutional and organizational contexts."

Exactly what dimensions of the environment are most influential for innovation in small businesses remains a subject of empirical investigation. As a starting point, we begin with an exploration of the concepts of competition and dynamism. These two elements are among the most commonly cited dimensions in research on organizational environments (see, for example, Castrogiovanni, 1991; Dess and Beard, 1984). In addition, these two elements suggest different decisions may be made about the use of specialists. Figure 1 (available from the authors) provides an overview of the model to be tested in this study.

### COMPETITION AND THE USE OF SPECIALISTS AND PROFESSIONALS

Organizational strategy indicates that a firm's actions are tied to its ability to fit its internal activities with its external markets (Hofer & Schendel, 1978). Sustaining matches between internal activities and external opportunities calls for an interactive fit between organizations and their environments (Van de Ven & Drazin, 1985). Competitive context influences how organizations view their markets, configure their products and innovate in response (Sebora, Hartman, & Tower, 1994). It can be expected that at least some organizational activities reflect differences in the understanding of, and decisions about, external opportunities and internal resource allocation (Lengnick-Hall, 1992). Innovation is an important organizational activity in small businesses likely to reveal response differences due to competitive context.

It can be expected that, as competition intensifies, firms will seek out resources and capabilities that will allow them to establish some competitive advantage (Day, 1994). From a resource based view of the firm (Barney, 1997), this search for competitive advantage should encourage firms to invest in specific, value, and hard to imitate assets and the human capital necessary to maximize these assets. From the perspective of hypercompetition (D'Aveni, 1994), when sustainable advantages are not possible, reliance on innovation becomes more critical. Therefore, under conditions of intense competition, it can be expected that small firms will be more willing to commit to specialists and professionals as sources of relative advantage. Because of the increased need to define competitive differences, it is suggested that

H1: The number of specialists and professionals employed by small businesses is directly associated with competitive intensity as perceived by top managers.

Similarly, many authors (e.g., Chakravarthy, 1997; Duncan, 1972; Galbraith, 1977) have indicated that perceived environmental turbulence affects top management decisions differently than competition. While competition focuses on top management's ability to allocate firm resources for advantage, environment turbulence concerns those elements of change perceived to be outside the control of current management. These authors suggest that decision makers tend to develop decision rules and processes that enable them to confront the uncertainty systematically. For example, environmental dynamism has been linked to planning (Child, 1972), buffering (Thompson, 1967), formal contracting (Williamson, 1975), and cooptation through interlocking directorates (Pfeffer & Salancik, 1978) mechanisms for reducing perceived uncertainty. It is likely that uncertainty reducing rules will influence top management's decision to use specialists.

When top management perceives its environment to be stable, many organizations may determine that innovation is not critical. The organization will focus on internal controls. On the other hand, when the environment is perceived to be changing rapidly and in ways that could be threatening to a firm's very survival, it is likely that the firm will make decisions that will allow it both to reduce its uncertainty about the environment and increase its chances of adapting to change. As such, under conditions of turbulence, it will make the decision to employ a greater number of specialists and professionals. Top managers are likely to see the expertise and insight specialists and professionals can bring to decision making as a way to reduce uncertainty in the face of a dynamic environment suggesting the following:

H2: The number of specialists and professionals employed by small businesses is directly associated with environmental turbulence as perceived by top managers.

Innovation is critical to competitiveness (Braden, DeWeaver, & Gillespie, 1991; Zahra, Nash, & Bickford, 1995). Previous research has suggested organizations that have a wide range of specialists and professionals are more innovative. For example, Raffa and Zollo (1996) found professional to be crucial to sustaining innovative capabilities in small firms. In a cross-cultural investigation of innovation in organization, Kim (1980) found that professional training and profession activity correlated significantly with innovation. Moreover, Damanpour's (1991) meta-analysis appears to confirm the positive impact of specialization and professionalism on innovation. According to this view, specialists and professionals have a greater depth of knowledge and the mixture of their expertise provides opportunities for distinct cross-fertilization (Kimberly & Evanisko, 1981) and can facilitate changes in firms' core technical systems (Damanpour, 1987). Since small businesses have limited resources, their decision to dedicate resources to specialists and professionals represents a significant choice. Of interest is what might occasion such a decision.

When small businesses commit a significant portion of their resources to specialization, they expect to improve overall organizational innovative activity. As noted in Damanpour's (1991) meta-analysis of innovation research, the relationship between specialists and professionals and innovation appears robust. It appears to make sense for small businesses to employ specialists and professionals in highly competitive and turbulent contexts, suggesting the following:



H3: The number of specialists and professionals employed by small businesses is associated with overall organizational innovative activity.

## METHOD

### SAMPLE SELECTION AND DATA COLLECTION

Organizations were selected using directories of manufacturing and service organizations within Midwestern state. Selection of organizations entailed a four stage process. First, all organizations that reported having fewer than 250 employees, but more than 25 employees, were sent a letter requesting participation in the research project. (The term "small business" has been operationalized in a variety of ways. Therefore, we felt it was critical to specify what we considered small businesses before we began the sample selection. Because we sought to investigate innovation based on the thoughts and actions of individuals in small businesses, we felt number of employees rather than sales provided a more valid measure of size. We felt that a minimum of 25 employees would increase likelihood that multiple levels were present in the sample firms and a maximum of 250 would increase the probability that all members of the organization would reflect the same innovation culture.) Second, a follow-up telephone call was made to discuss possible participation. Third, meetings were held with all CEOs/Owners who were willing to consider participation. Fourth, if they agreed to participate, the logistics of questionnaire distribution and return were agreed upon.

In most organizations, questionnaires were distributed by company mail, with completed questionnaires returned to the researchers by U.S. mail to ensure confidentiality. Using this procedure, data were obtained from employees in 94 small business organizations, resulting in 4878 total respondents. The number of respondents per firm ranged from 4 to 161, with a mean of 46.99 respondents per organization. The average response rate was over 85% across all organizations.

## DEPENDENT VARIABLES

Previous researchers questioned the validity of the practice of *a priori* specification of a select list of innovations and suggested that researchers attempt to include all innovations in an organization for a specified period of time (e.g., Damanpour, 1988). It should be noted that this study did not distinguish among inventions in product, process, or structure. Following Damanpour (1992: 376), who viewed innovative activity as encompassing an "idea or behavior, whether a system, policy, program, device, process, product, or service, that is new ... .", innovative activity was defined in the introduction to the questionnaire as any "entirely new product, service or process." Attempts to define innovation more precisely, we felt, would result in respondents using our definition rather than the common understanding of what constituted innovation in their firms. Moreover, we found distinctions among product, process, and structure to become fuzzier as we investigated service and product based firms. Discussions tended to suggest that for service providers often the process was the product. In addition, King (1990: 50) suggests examination of innovation from the perceptions "of all those involved, not just those initiating and managing the process." Therefore, we surveyed all organization members and asked them to consider: "Approximately how many new ideas for products or services have you discussed with co-workers or supervisors in or outside your work unit?" and labeled their responses to this broad stimulus "innovation initiation."

Responses to the idea generation question should provide a valid measure of perceived differences in the value of innovative activity among the members in the small businesses within our sample. Hartman, Tower and Sebor (1994) found the test-retest reliability of these measures to be .92, while Tower, Sebor, Hartman and Cornwall (1993) found significant inter-organizational differences on this measure. These findings support the reliability and validity of the measure, especially when it is viewed as a function of the shared meaning of the value of innovation within organizations. Employee reports of innovative activity are likely to reflect this underlying shared meaning consistently, even if they may not provide an absolute count of the number of specific innovations. In addition, we attached the phrase "discussed with co-workers or supervisors" to add a dimension of "formality" to the innovative activity. Only those ideas shared with another organizational member were to be considered. Finally, we see no reason why members in the different organizational categories would systematically interpret the questions differently.

In an effort to reduce the effects of common method variance, we measured innovative activity using the responses of all organization members, thereby reflecting an aggregate measure of organizational innovation. Measures of the use of specialists, competition, and turbulence were based on responses of management personnel who had been designated by the CEO as likely to possess information about these issues. The study, therefore, allows us to measure the impact of top management decisions on aggregate organization activity.

Dependent Variable:	Innovation Initiation (INNOV)	Approximately how many new ideas for products or services have you <u>discussed</u> with co-workers or supervisors in or outside your work unit?
Independent Variables:	Competitiveness (COMP) (Three measures; alpha = .62)	Price competition  Product/service quality or uniqueness competition Competition for markets for products or services
	Environmental Change (CHNG) (Four measures; alpha = .72)	Rate of product/service obsolescence  Competitor predictability Customer preference predictability Degree of change in product/service technology Threat of environmental change to firm survival
	Use of Specialists (SPEC) (Two Measures; alpha = .45)	Degree of reliance on specialized technically trained personnel  Relative number of professionals, such as engineers, scientists, and accountants, employed

A review of frequency distributions indicated two characteristics of responses to the dependent variable required additional attention. First, some respondents provided answers that were extreme when compared to other respondents (e.g., 1000 ideas). This was addressed by testing for outliers (Barnett & Lewis, 1984) and excluding from further analysis data from respondents failing this test. As a result of this process, of the original sample of 4878 respondents, data from 4396

remained for analysis. The second characteristic was skewness. This problem was addressed by adding "1" to the values and taking the natural log of the result. This transformation preserved the distinction between zero and one (Cohen & Cohen, 1975) and reduced the amount of skewness.

The use of specialists and professionals served as a second dependent variable for a portion of this study. As reported in Table 1, this variable was a composite of two items. The first measured reliance on technically trained specialists rather than personnel with common sense and experience and the second captured the number of professionals, such as engineers, scientists and accountants, in the management of the sample businesses. Both were measured using five point likert scales.

## INDEPENDENT VARIABLES

In addition to the use of specialists, two other independent variables were measured. As indicated in Table 1, the first, competitiveness, was a composite measures of three dimensions of competition. Management respondents were asked to evaluate the severity (No Threat to Very Substantial Threat) of price, product, and market position competition. The second, turbulence, measured five aspects of change that we felt would affect top management's decisions to hire specialists and professions. In each case, these variables were measured using five-point likert scales by which managers were asked to assess how rapid or intense each factor was.

Variable	Mean	Std Dev	INNOV	COMP	CHNG	SPEC
INNOV	10.62	153.12				
COMP	3.45	.33	.11			
CHNG	3.18	.30	.00	.38**		
SPEC	2.67	.67	-.07	-.12	.24*	

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

## DATA ANALYSES

The relationships among the variables were assessed through correlation and regression analyses. The descriptive statistics of the composite variables and their correlations are reported in Table 2. Table 3 reports the results of tests of two models. The first regression analysis tests the relationship between competition and turbulence and the use of specialists and professionals. The second regression analysis tests the effects of the use of specialists on overall innovative activity, controlling for direct effects of competition and turbulence and possible interactions between these variables and the use of specialists.

## RESULTS

The results of the analysis of Model 1 indicate that H1 (The number of specialists and professionals employed by small businesses is directly associated with competitive intensity as perceived by top managers) must be rejected. While there is a significant relationship between competition and the use of specialists and professionals ( $p = .02$ ), this relationship is opposite of that hypothesized. Greater competition is associated with the presence of fewer specialists and

professionals. This same analysis indicates that H2 (The number of specialists and professionals employed by small businesses is directly associated with environmental turbulence as perceived by top managers) cannot be rejected. This is a significant ( $p = .03$ ) direct relationship between perceived turbulence and the number of specialists and professionals.

Model 1: DV = Use of Specialists (SPEC)					Model 2: DV = Innovation Initiation (INNOV)				
Variable	Beta	SE Beta	t	Sig t	Variable	Beta	SE Beta	t	Sig t
CONSTANT	2.07	.84	2.48	.02	CONSTANT	-79.43	46.46	-1.71	.09
COMP	-0.49	.21	-2.27	.03	SPEC	27.17	32.90	.83	.41
CHNG	.72	.24	3.047	.003	COMP	29.11	12.68	2.30	.02
					CHNG	-2.29	12.80	-.18	.86
					SPEC*COMP	-8.64	10.57	-2.25	.42
					SPEC*CHNG	1.25	9.39	.13	.89
					SPEC*COMP*CHNG	-.24	2.83	-.08	.93
R <sup>2</sup>	.11				R <sup>2</sup>	.07			
Adj R <sup>2</sup>	.09				Adj R <sup>2</sup>	.01			
F	5.38				F	1.10			
Sig F	.01				Sig F	.37			

The analysis of Model 2, as reported in Table 3, indicates that H3 (The number of specialists and professionals employed by small businesses is associated with overall organizational innovative activity) is rejected. The relationship is opposite of that hypothesized and is not significant ( $p = .41$ ). As indicated, only intensity of competition is significantly ( $p = .02$ ) related to overall innovative activity. When one considers that the overall model is not significant ( $f = .37$ ) and that the adjusted R<sup>2</sup> of the model indicates an explained variance of only .01, it cannot be concluded that any of these context factors affect the overall initiation of innovation in these organizations.

## DISCUSSION

This study attempts to provide additional information for entrepreneurs concerning how their decisions may affect their organizations' abilities to innovate. As indicated in its introduction, it addresses three questions: (1) Is the intensity of competition associated with the use of resource specialists? (2) Is top management's ability to predict changes in firm context linked to the use of resource specialists? and (3) Does the use of specialists affect overall firm innovative activity in small businesses? The answers to these questions provide a mixed picture of the use of specialists and professionals.

When the managers of small businesses perceive that their firms are in highly competitive contexts, they tend to have fewer specialists and professionals in the managerial ranks. This finding is contrary to what was anticipated. Perhaps, this finding lends support to those who believe that the flexibility that may be associated with managers who are generalists is more critical in highly competitive situations than any specific human capital that technical specialists and professionals can bring. This is consistent with what D'Aveni (1994) seems to suggest. If assets and/or capabilities can

serve as sources of advantage, perhaps they must reside in the organization as a whole rather than in a few individuals (Quinn, Anderson, & Finklestein, 1997). So, the answer to our first question appears to be yes -- and no. Yes, there is an association between specialists and competition; but, no, not as our question implied. There are fewer specialists and professionals in small businesses whose managers perceive their contexts to be highly competitive.

As expected, small business managers do appear to see the use of specialists and professionals as a means to reduce the uncertainty associated with turbulent contexts. The results also indicate no relationship between the number of specialists and professionals and overall organization innovation. Perhaps the use of these resources serves to reduce management's uncertainty in the inaccurate belief that their personal confidence in decisions somehow reduces the real uncertainty in their environments. The answer to our second question is yes. There are more professionals and specialists in the management teams of small businesses whose managers perceive that they are in highly turbulent contexts.

The answer to our final question is no. The results that indicate a relationship between competitive context and overall innovation initiation is consistent with previous research. Although the lack of variance explained would suggest that innovative activities are pursued to reasons unrelated to the current competitive condition. The failure of the data to support a relationship between the presence of specialists and professionals and innovation or between turbulence and innovation is interesting. At least two explanations are possible.

First, we measured specialists and professionals at the management level. Perhaps, there is a gap between the decisions that top managers make and the effect of those decisions on the entire organization. In this study, it appears that top management understands the use of specialists and professionals as a means to reduce uncertainty. Whatever these resources add, however, is not transferred across the organization. While the research cited above evaluated the roles of specialists and professionals in innovations in their particular areas of expertise, these specialized innovations may not excite the rest of the organization to act. They may not contribute to a culture of innovation.

Second, expecting a few to carry the many may be unrealistic. If innovation is able to be a critical activity for small business survival, it must be part of the culture of the entire organization. Innovation in small businesses, as in large businesses, is likely to be a complex process that involves a combination of individual, task, and organizational factors. Personal characteristics such as attitudes related to risk taking and adaptability to change have been found to impact innovation. Similarly, factors related to task and organizational support have been found to play a role in innovation activity. Clearly, this study suggests that additional research into the relationships among all these factors is called for.

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# **ENCOURAGING ENTREPRENEURIAL SPIRIT IN RURAL AMERICAN COMMUNITIES**

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## **ABSTRACT**

*This paper reports on the efforts by the Appalachian Regional Commission to aid rural communities in promoting entrepreneurship and small business in an attempt at revitalization and reversing the long-standing population exodus.*

## **INTRODUCTION**

Leaders and community representatives of rural communities sometimes feel that they have less opportunity to promote and encourage economic development than their counterparts in urban areas. Due to inadequate infrastructure in many rural areas, successful entrepreneurs and progressive small businesspersons often sense a need locate (or expand an existing businesses) in an urban setting. Moreover, recruitment of new industry for rural communities may also be difficult due to competition with population centers with greater economic power, a better educated labor force, and superior infrastructure.

Consequently, the purpose of this paper is to highlight the importance of planning and developing selective strategies, methods and procedures for maximizing small community resources and achieving economic success. Challenges and constraints have been generated in order to serve as a basis for a measurement device to isolate firms with growth potential so that assistance service resources may be more efficiently allocated. In turn, this exploratory effort will hopefully aid rural towns in meeting the often elusive goals of manageable economic development and controlled growth.

## **BACKGROUND**

At a recent conference to encourage rural development and entrepreneurship, it was concluded that small communities typically lack the ability to economically develop the infrastructure of roads, rail spurs, water lines, sewer capacity, ready plant sites, logistical support, utilities, and other needed resources. Furthermore, community leaders and government officials at the conference noted that prospective entrepreneurs often lack the critical wherewithal for networking, financing (even micro loans), education support, job skills for the 21st century, and support systems to either start or grow a small business. It was felt that advanced communication and technology, such as the world-wide web and virtual cyberspace businesses, should certainly help the entrepreneurial process in smaller communities. Nevertheless, there were still thought to be far too many towns lacking the support and know how to successfully move into the 21st century (Weinrauch, 1996).



The Appalachian Regional Commission(ARC) Federal Co-chairman, Jesse White, sees a need for a vital entrepreneurial economy in rural areas. He sees entrepreneurship as an essential element in the establishment of self perpetuating communities that create jobs, build local wealth, and contribute broadly to economic and community development. ARC hopes to: promote locally-owned, high value-added sustainable ventures that increase local wealth inside Appalachia; foster human and social capital; and reduce the need for outside government and philanthropic subsidies. Based on a series of consultations, state-level focus groups, and other research the commission has identified five vital factors that appear to make up the infrastructure that builds entrepreneurial economies:

1. Access to Capital & Financial Assistance - Private and public institutions related to financial support are particularly important for rural regions like Appalachia. Capitalizing new and growing existing small businesses are prerequisite to rural economic development.
2. Technical and Managerial Assistance - This assistance may include such illustrative tasks as market feasibility studies, business planning, financial planning and packaging, as well as advice with regard to marketing, accounting, procurement, exporting, management, and legal matters. However, this support is often fragmented at best and unavailable at worst.
3. Technology Transfer - Advice in technological services, such as engineering, manufacturing process design, innovation, research and development, patent and licensing is also fragmented and or unavailable throughout rural areas.
4. Entrepreneurial Education & Training - This could include formal, informal, and mentoring programs that provide educational, training, and technical hands-on programs to support the needs of new and existing small business owners.
5. Entrepreneurial Networks - Formal and informal networks of professional and small business suppliers can help in cultivating the right contacts as well as providing collaboration opportunities for new business ventures.(Appalachian Regional Commission, 1997)

The above five elements promise to offer tremendous opportunities for encouraging the entrepreneurial spirit in rural communities. They pinpoint some immediate needs of start-up and existing ventures.

## MICE AND GAZELLES

It is axiomatic that promotion of entrepreneurship and small business has become the popular mechanism to encourage economic development and job creation for struggling communities. Both government studies and the ongoing work of Birch of Cogentics(1994) have touted the value of the small business community to economic growth. Birch has even classified small businesses into categories of *gazelles* and *mice*.(i.e. the high growth small business and the mom and pop business respectively).

Birch notes that the *mice*, while they individually experience little or no growth, are on the WHOLE quite important to job creation. They are often manned by self-employed operators that create jobs for one or two individuals while giving the owner(s) an acceptable lifestyle. They usually work to live instead of living to work. Interesting, there are approximately 1.3 million new such businesses started every year. If they employ only one person, that is half of all the job growth in the United States. And if they employ two people, it is almost all of the yearly job growth. Without them the job market in this country would be in major trouble, especially in rural areas were self-

employment of services is quite apparent. Some writers have recently emphasized the critical role that both young and older entrepreneurs are contributing to rural towns. Many of them are transplants from urban or suburban communities. Frequently these “boonies” are self-employed professionals who are making the most of advanced communication and technology (Greising & Murphy, 1995). This trend certainly helps the rural towns to become economically viable and dynamic. Again, the proper infrastructure must first be available...like the field of dreams concepts purports--build the baseball diamond and they will come.

However, it is the few *gazelles* that can individually have a dramatic impact on job creation and economic spurt, especially in a rural town that has few major employers. These *gazelles* (rapidly growing small businesses) often grow in a very erratic and volatile manner. They may represent between five and ten percent of small business establishments. By themselves they are significant creators of job positions and they often encourage the development of many other small enterprises (often *mice*) which serve these rapidly growing firms. Unfortunately, public policy leaders and servers of the business community have a hard time predicting which small businesses will become *gazelles*. In fact, rapid growth businesses often hesitate for a long period of time before they suddenly become vibrant and rapidly growing firms (Birch, 1994).

If public officials could successfully identify these potentially high growth small businesses, the rural communities would have a far greater chance of meeting their expectations for economic rural development. If it is feasible to identify the businesses which are likely to grow it would be far easier to allocate limited public and private monetary and nonmonetary resources in an efficient manner.

## CHALLENGES

Given the challenges of promoting, coordinating, and evaluating programs in rural America, one might reasonably speculate that the challenges in rural areas across the rest of the world may be even more dramatic. Commonly in these settings there is a lack of resources, expertise, manpower, and funds to even attempt to tackle such challenges.

Two writers debating the specific contributions of the small business segment suggest that instead of concentrating on job creation, policy makers should appreciate the substantial benefits of small business risk taking--exploration of market possibilities, development, and refinement of new products, technical innovation, and product diversity. These benefits serve consumers, other companies, and the local plus national economy (Kressel and Guile, 1995). One could probably argue endlessly about the exact benefits of new business startups and the growing, existing businesses in rural communities. While researchers and policy makers may not always agree on the specific and exact contributions of the small business sector, there does seem to be a general consensus that small businesses are a positive force in communities both large and small.

Many rural community leaders want to encourage small business development and growth. Yet, the implementation aspect is quite difficult. The major constraints seem to consist of time, budget, personnel, and expertise in giving advice plus assistance in starting or growing a small business. Conceivably, the greatest challenge of serving small businesses is developing a constructive long-term relationship. Frequently the current modus operandi is to function at the transactional level in the interaction of policy makers and advisors to small business owners. Programs that serve entrepreneurs will often be effected on a one time or intermittent basis. This results in a splintered and

ineffective utilization of precious and limited resources in the rural town. Furthermore, the lack of coordination and communication of various programs results in poor synergism. In a nutshell, the system must move beyond the current paradigm in order to optimally enhance the entrepreneurial spirit in small communities.

### SELECTIVE STRATEGIES

Despite the problems of trying to create an entrepreneurial spirit and culture in rural communities, there may be some helpful strategies that could be planned and implemented. Government officials at various levels would do well to devise policies which explicitly include rural areas in order to enhance the quality of life via population retention in regions where flight is a serious problem. This could upgrade human capital while producing much needed quality jobs in these areas. Such an effort in policy development should surely include an examination of what current and future policies at various governmental levels are most beneficial and detrimental to rural small business vitality. Moreover, government officials and other community leaders should balance precious resources in the creation, retention, recruitment, and growing of small businesses (Flora & Christerson, 1990). Policies should also reflect the individual characteristics and strengths of specific rural communities. Federal and state governments can help provide some of the expertise and resources to help facilitate the policy planning and implementation stages.

Treacy, co-author of *The Discipline of Market Leaders*, predicts that a typical \$1-billion company will soon be staffed by about 1,000 people as compared to 7,000 today. The other 6,000, shed along the way, will be forced to retire or find meaningful employment elsewhere. Perhaps the best opportunity in business today is having a *tabula rasa*. Large companies do not worry about each other as competitors as much as they do new lean and savvy ventures that can appear from nowhere (Inc., 1995). Self-employment, new venture start-ups, and small business growth in rural areas will certainly help the declining employment trends of large companies. Nevertheless, this occurrence should be encouraged with proactive programs which must make some distinction between the self-employed, the *mice*, and the *gazelles*.

Porter identifies three strategic options for a business to succeed: be a low-cost firm in your industry, focus on specific market targets, and/or try to find a unique competitive niche in the marketplace. In developing entrepreneurial public policy strategies and worthwhile programs for rural areas it is prudent to create various programs and products for different small business segments. Interestingly, one well-known writer concludes that what successful start-ups do and when they do it is not at all predictable. Start-up activities occur in every feasible order, the time span devoted to start-up varies significantly, and not every start-up venture follows the same group of activities (Reynolds, F' 1995). In a subsequent article, Reynolds (M', 1995) notes that there are numerous federal, state, and local programs to help the small business sector. Yet, most individuals who are trying to start companies know little about these programs or how to contact the sponsors. And, the various government officials have been unable, at times, to link the benefits of these programs to economic development.

Despite the complexities of trying to predict which small businesses will be of the high-growth variety and which will merely stay small, it is still wise to try to focus on ways to best serve individuals who are serious about starting and/or growing a small business. Policy makers and advisors often

encounter individuals who are merely dreamers about small business ownership and lack the motivation necessary for starting or growing a business. As a result they may refuse to invest the necessary money, time, physical resources and mental energy in the business.

Amid gratifying successes, the authors have spent countless hours counseling with individuals who never followed through on what they agreed would be helpful to their businesses. They were not willing to make the sacrifices common to true entrepreneurs. This has resulted in less time and assistance for those who were serious about small business development. It is, therefore, necessary to perform a prescreening process with regard to prospective clients. While difficult to arrive at a completely valid and reliable measure it is necessary to attempt to distinguish between the “dreamers” and the “doers” as well as between the potential *mice* and *gazelles*. This process helps allocate the limited resources to those who will make a conscientious effort to “take the plunge.” Figure one identifies thirteen challenges and constraints for serving the small business sector and may serve as a basis for constructing a measuring device for “separating the wheat from the chaff.” These variables were presented and discussed at the recent rural conference and may be adapted according to the unique needs of the individual community.

Reynolds has also tried to study the process of those who started a business and succeeded versus some who may have been less serious or really did not “take hold”(Reynolds, 1995) Tracking various studies and publishing the efforts of rural entrepreneurs will help to strengthen rural entrepreneurial economic development and growth.

Figure 1  
Thirteen Challenges and Constraints for Serving Small Business Sector

- |  |  |
|--|--|
| 1. Limited time  | 8. More pressing problems and needs to deal with in our small community  |
| 2. Budget  | 9. Lack of knowledge about our services  |
| 3. Personnel shortfall   | 10. Owners will not take responsibility to do the things that need to be done                                    |
| 4. Marketing our services  | 11. Trying to predict who will succeed and who will fail -- improving the odds                                   |
| 5. Knowing what small business owners need   | 12. Building long-term relationships with small business owners  |
| 6. Weak infrastructure   | 13. Keeping current about small business programs opportunities-developing additional knowledge about the field! |
| 7. Identifying those who may need our help and with those who want to start a business |  |

## CONCLUSIONS

The ideas herein discussed may help to promote the concept of rural entrepreneurial development. The strategic window is open and the opportunities abound for attracting people back to small towns. Many successful individuals in urban and suburban areas are seeking a better way of life by relocating to smaller towns. Also, many existing rural residents want to stay in smaller communities and would like to find a career that gives them freedom, creativity, and economic benefits. Owning and growing one's own small business is a viable alternative if policy makers and rural community leaders can offer the model and infrastructure to make it a reality.

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# **WILLIE DIXON BLUES INNOVATOR AND ENTREPRENEUR**

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## **ABSTRACT**

*The purpose of this research was to explore the life and accomplishments of Willie Dixon and to assess his work within the context of intrapreneurial and entrepreneurial behavior. The analysis of Dixon's life against the concepts of intrapreneurship and entrepreneurship by several researchers in the field suggests the innovative nature of his work and offers proof of its intra- and entrepreneurial nature.*

## **INTRODUCTION**

"I am the blues," proposed Willie Dixon in his autobiography (Dixon & Snowden, 1989). The extent to which this statement is true can be considered the topic of this paper.

Willie Dixon (1915-1992) was in the forefront of the record industry as it related to the recording and distribution of American blues music for over fifty years (Palmer, 1981). Dixon did not own a large record company, did not serve in an executive capacity for a large record company, and, in fact, was not particularly involved as a "front man" for any of the major blues artists or combos of the time. However, Willie Dixon's drive and creativity throughout his life in the music business has had a lasting and significant impact not only on American blues music, but also rock and roll from its origins to the present.

In his role as a producer, songwriter, musician, engineer and advocate for the blues, Dixon provided many of the best known blues artists of yesterday and today with some of their finest recordings. Additionally, his work has "crossed over" the lines of musical identity and can still be heard on more contemporary recordings by some of the most famous rock and roll recording artists of the 1970's, eighties and nineties.

Thanks to the efforts of Willie Dixon, a foundation exists today that provides funding for scholarships, musical instruments for schools and numerous other charitable activities. This will most certainly keep Dixon's name in the forefront of music for years to come (Blues Heaven Foundation Web Site, 1998).

The purpose of this paper is to consider the extent to which Willie Dixon's activities in the music industry could be considered entrepreneurial in nature. More specifically, since Dixon's involvement as a record company executive is limited to small independent labels (Spoonful and Yambo) and his participation in an active, longstanding musical group as a player or manager was also limited, this paper will consider Dixon in the role of a intrapreneur, or corporate entrepreneur. Since Dixon spent many years in the employ of Chess Records and worked at various times with other smaller independent labels, such as Cobra and Modern, this paper will examine the extent and nature of his work to assess the entrepreneurial characteristics that work possessed.

This paper seeks to offer some insight to the question of whether Willie Dixon was just an employee of several record companies over his career or if he was in fact one of the most significant black entrepreneurs of his day.

## LITERATURE REVIEW

Followers of the Intrapreneurship, or Corporate Entrepreneurship School assume a "modular" view of the entrepreneurial process. Disciples of this school believe that entrepreneurial behavior and action can take place in larger, established organizations. This will occur as the organization seeks to change, meet new demands, and/or seeks to achieve technological and organizational innovation (Schollhammer, 1982).

The precepts of the Intrapreneurship School run contrary to the beliefs expressed by Schumpeter indicating that entrepreneurship and innovation would eventually result in ownership, organization building and management. This implies organizational maintenance rather than continued innovation (Schumpeter, 1934). Members of the Intrapreneurship School suggest that entrepreneurial behavior may be applied in an organization at any point in the business cycle where change is necessary. This effectively expands the definition of what entrepreneurs do instead of limiting these activities to the new venture start-up and growth phases (Luchsinger & Bagby, 1987).

Intrapreneurial behavior involves the alteration of a business unit to promote the internal factors that will facilitate continued development and successful operations. They further suggest that managers need to change their style to one that features adaptation and flexibility promoting entrepreneurial behaviors (Reilly & DiAngelo, 1987).

Intrapreneurship cannot be examined correctly without a select examination of the business structure in which the intrapreneur operates. Shils (1989) suggests the need to look at the use of incentives to promote the entrepreneurial activity, development of new combinations of resources, the need for direct communications with top management, and educated planning and acquisitions.

While intrapreneurship and entrepreneurship possess many similar characteristics, there are important qualities that distinguish these two entrepreneurial types. These qualities include the choice of setting where activity takes place, the environment for innovation, organizational constraints, organizational support and the impact of failure on continued entrepreneurial activity. The effectiveness of intrapreneurial activities taking place in larger organizations depends greatly on how top management in these organizations commits to creating an environment for action without fear of the consequences of failure (Luchsinger & Bagby, 1987).

Vesper (1990) identifies five factors dictating entrepreneurial needs in undertaking new ventures. These include:

- Technical knowledge of the area of business;
- A concept or idea of an unmet need;
- Resource availability, including start-up capital;
- Personal contacts that will support the new venture;
- Demand for the product/service translating into "orders."

Vesper suggests that these factors will have an influence on the type of venture undertaken by the entrepreneur (Vesper, 1990).

In looking at the motivation behind the entrepreneurial endeavor, the work of David McClelland (1961) is important. McClelland's extensive n Ach (i.e., Need for Achievement) studies describe the personality traits providing the best match with entrepreneurial activity (McClelland, 1961). Six key behaviors reported in McClelland's studies included:

- Risk taking in moderation based on skills and decision making processes, not chance;
- High energy and/or innovative activity for the accomplishments;
- A sense of personal responsibility;
- Identification and measurement of decision results using money as a unit of measure;
- Plans for future results;
- Possession of sound organization skills (McClelland, 1961).

Critical to McClelland's position was that although non-entrepreneurial individuals could exhibit entrepreneurial behaviors, entrepreneurs consistently displayed these behaviors in their entrepreneurial activities (McClelland, 1961).

Extended research by McClelland, as well as research by McBer and Company, identified nine competency traits most characteristic of successful entrepreneurs. These included initiative, assertiveness, identifies and acts on opportunities, oriented toward efficiency, a need to maintain high quality work, ability to plan, establishes monitoring and control processes, expends extraordinary effort to complete tasks, and establishes sound business relationships (McClelland, 1987).

McClelland and McBer's research also identified personality traits that were not necessarily characteristic of successful entrepreneurs. These included self-confidence, persistence, persuasion, influence, expertise, and information seeking behavior (McClelland, 1987).

Solomon and Winslow's (1988) research supported and refined McClelland's definition of entrepreneurship. The researchers found entrepreneurs to be confident, optimistic, moderate risk takers, adverse to judgement by others, and independent. Solomon and Winslow suggested the need for additional research to provide more definitive information on trait based concepts of entrepreneurship (Solomon & Winslow, 1988).

Carland, Hoy, Boulton and Carland (1984) focus on the personal characteristics of entrepreneurs. They identify entrepreneurs as being innovative, growth oriented and practicing strategic management in the development and operation of the organization. In fact a later study by the same authors revealed that entrepreneurs displayed far more innovative behavior than small business owners (Carland, Carland, Hoy & Boulton, 1988).

## WILLIE DIXON'S INVOLVEMENT IN THE RECORDING INDUSTRY

Willie Dixon's career in music essentially began in 1939 when he began playing stand up bass with Leonard "Baby Doo" Caston in the Five Breezes. After having some legal trouble and doing jail time based on his refusal to serve in the armed forces during World War II, Dixon teamed up again with Caston and Bernardo Dennis, forming the Big Three Trio. In 1948, during his tenure with the Big Three Trio, he began his work with Leonard and Phil Chess for Aristocrat (later Chess) Records in Chicago. After the group broke up in 1952, Dixon started working for Chess Records full time as a session musician and record producer (Rowe, 1975).

In 1953, Dixon began writing songs that were being recorded by other performers. At the time, Dixon was still arranging and producing sessions for Chess, as well as working as a session



musician with the Chess house band. However, in 1954 Dixon convinced blues great Muddy Waters to record the classic "Hoochie Coochie Man" causing his reputation and career to soar. Through 1957, Dixon was a mainstay for Chess, helping the record company to grow and supplying some of the company's best talent with hit songs including "Spoonful," "Evil," "The Seventh Son," "Wang Dang Doodle," and "You Can't Judge A Book By Its Cover" (Dixon, 1989).

During the 1950's and 60's, many of Dixon's songs were recorded by either Muddy Waters or Howlin' Wolf (Palmer, 1981). Waters and Wolf waged a tremendous rivalry during the period and spent a great deal of energy trying to out do one another. Dixon noted the competition between the two blues giants and used it to his advantage. Many times, to get Wolf to record his songs, he would tell him that Waters was considering recording the tune. Amazingly, he would use the same strategy to get Waters to record other songs that he had written (Davis, 1995). Of the sixty-two most recorded songs written by Willie Dixon, twenty-nine (47%) were recorded by either Howlin' Wolf (16) or Muddy Waters (13) (Dixon & Snowden, 1989).

Early in his career at Chess, Dixon not only was involved in producing and arranging material for other performers, but also was very active as a session musician. Between 1948 and 1960, Dixon was credited with playing bass on 304 different songs for thirty-three artists. This figure does not include the 300+ songs that Dixon recorded with the Big Three Trio, as a solo artist and with various "allstar" bands from 1948-1988. (Dixon & Snowden, 1989). Given the fact that complete credits were not always given for session musicians at the time, Dixon may well have played on many more recordings during the period (Palmer, 1981).

During the mid-1950's, Dixon was prominent on the Chicago music scene as a musician, songwriter, agent, A & R man, record producer and publisher (Rowe, 1975). Although the claims are basically unsupported by evidence, Dixon was rumored to have stolen or bought some of the material he has been credited with writing. It has also been reported that he was heavily involved in setting up recording sessions throughout Chicago with labels other than Chess in return for significant "kickbacks." Even if true, none of these practices would have been considered illegal, or even unethical, at the time in the recording industry (Davis, 1995).

In 1957, Dixon was lured away from Chess by Eli Toscano to produce records for his newly formed Cobra label. For approximately two years (1957-1959), Dixon provided the same services to Cobra as he had for Chess. During this period, Dixon produced, arranged, recorded and played with the recognized initiators of the "West Side sound," Buddy Guy, Otis Rush and Magic Sam (Sam Maghett), as well as several other Cobra recording artists. When Toscano and Cobra found themselves in financial trouble due to Toscano's addiction to gambling, Dixon left and returned to Chess (Davis, 1995). He remained at Chess until it was sold to GRT in 1969 (Dixon & Snowden, 1989).

One of Dixon's great triumphs occurred in 1977 when he reached an out of court settlement with Arc Publishing Company (a Chess subsidiary) for the return of all copyrights on his music. Prior to that time, although Dixon was credited as the writer of his material, the copyrights were held by Arc. As a result, except for regular payments made to Dixon as an employee of Chess Records, the majority of revenue generated by Dixon's material was diverted to Arc and to Leonard and Phil Chess. As Dixon became more and more savvy in his business dealings, he realized that there was a tremendous amount of money being made from his music and that he was not realizing a major portion

of it. The lawsuit brought the copyrights back to Dixon and, therefore, the substantial income those copyrights created (Dixon & Snowden, 1989).

Another suit was filed on Dixon's behalf in 1985 claiming that a song by the popular rock group Led Zeppelin was actually a copied Dixon tune. An out of court settlement in 1987 gave Dixon proper credit for Led Zeppelin's "Whole Lotta Love" as a rendition of Dixon's, "You Need Love," which was recorded by Muddy Waters but never released in the United States. An earlier settlement involving Led Zeppelin's recording of "You Shook Me," a Dixon tune previously recorded by Muddy Waters and "I Can't Quit You Baby," by Dixon and recorded by Otis Rush, brought additional income to Dixon based on the British band's monumental record sales (Dixon & Snowden, 1989).

One of the lasting benefits of Dixon's court settlements, and corresponding boosts in his personal income, was the creation of the Blues Heaven Foundation in 1981. Dixon's dream in creating the Foundation was to bring greater understanding of blues music to the public and to help establish its place in American cultural history (Blues Heaven Foundation Website, 1998). Dixon was very active in the development of the Foundation up to his death in 1992. Programs sponsored by the Foundation include the Muddy Waters Scholarship Program, Portraits From Blues Heaven, copyright and royalty protection for blues artists and donations of musical instruments to schools. The Foundation's current project involves the purchase of the old Chess Records Building in Chicago, Illinois and its rehabilitation as a studio, museum and working headquarters for the programs operated by the Foundation (Blues Heaven Foundation Website, 1998).

Willie Dixon remained active in the music business right up to his death in 1992 from the complication of diabetes. His later activities included recording for Columbia Records as well as creating his own labels, Spoonful and Yambo. Through these labels Dixon recorded his own music as well as that of such notables as Koko Taylor, Lucky Peterson, James Peterson and Buster Benton (Dixon & Snowden, 1989).

#### DIXON AS AN ENTREPRENEUR--AN ANALYSIS

Considering the actions and activities of Willie Dixon throughout his storied career in the recording and entertainment industry, was he an entrepreneur or just a very prolific employee for the Chess Company? This question will be addressed considering the attributes of the intrapreneur and entrepreneur cited in the previous literature review against Willie Dixon's activities and accomplishments.

Relating to the characteristics of the intrapreneur cited by Luchsinger and Bagby (1987), a major portion of Dixon's accomplishments occurred while he was employed by Chess Records. Chess was certainly large by record company standards, although it was in a start-up mode when Dixon first became involved with them. Even though he was never an owner, evidence indicates that Dixon had a great deal of power at Chess records in his handling of artists, the creation of records from a songwriting, arranging, performance and production standpoint and decisions regarding the signing of artists to the label. Based on his long tenure with Chess, coupled with his consequence free return after his brief defection to Cobra Records, his work was certainly done in an environment that was free from the fear of consequences due to failure. As one of the individuals credited with creating the "Chicago Sound" of the blues at Chess and later the "West Side Sound" while at Cobra, Dixon's position as an innovator in terms of the styles and compositions seems inarguable.

According to Reilly and DiAngelo (1987) intrapreneurs are directly involved in the development and modification of internal factors to assure the continued development and success of the organization. Furthermore, Reilly and DiAngelo indicate that intrapreneurs demonstrate great flexibility in their actions and adaptation.

Dixon's position in the Chess organization made him particularly powerful in the development of internal factors that assured Chess Record's success in the industry during the 1950's and 1960's. This position was solidified by his reputation and success as a songwriter, producer, arranger and his ability to handle some of the company's more difficult artists such as Howlin' Wolf and Little Walter Jacobs.

The flexibility of Willie Dixon in his work at Chess is evidenced by his ability to move easily through a variety of roles, ranging from musician to record producer. In fact, Dixon's move to Cobra in 1957 may be indicative of a desire for new challenges and roles that he was not finding at Chess at the time.

As it relates to intrapreneurship, Shils (1987) suggests that intrapreneurs are given incentives for innovative performance, are in direct contact with top management and have tremendous input into educated planning and acquisition. Although the information on Dixon's work at Chess does not indicate educated planning processes, it does indicate that Dixon had tremendous internal and external incentives for performance in terms of his delegated responsibility at Chess and freedom of actions in recording and producing activities. These incentives extended outside of Chess as demonstrated in his other activities around Chicago, arranging recording sessions for other companies as well. Support for Shils' indication of direct contact with upper management as a characteristic of the intrapreneur is clearly demonstrated by Dixon's close contact with Leonard and Phil Chess at Chess Records, as well as Eli Toscano at Cobra Records during his brief tenure with that label.

### DIXON THE ENTREPRENEUR

Willie Dixon's position as an entrepreneur, though indicated by his later work with his own record labels, is probably more evidenced by his creation and operation of the Blues Heaven Foundation from 1981 until his death in 1992.

Based on the five factors indicated by Vesper (1990) as dictating entrepreneurial needs in creating new ventures, Dixon clearly demonstrated a clear technical knowledge of the recording business. This knowledge assisted him in his work at Chess, in his creation and operation of his own labels (Spoonful and Yambo) and his creation of the Blues Heaven Foundation. In fact, the creation of the Foundation, by his own indications, represented his concept of an unmet need.

Although this was not necessarily the original intent, Dixon was able to develop a resource pool for the Foundation (including start-up capital) from his settlements with Arc Publishers and Atlantic Records (Led Zepplin). These settlements could have been Dixon's ticket to a comfortable retirement from a gruelling and cutthroat industry, yet he chose to create a new venture from his good fortune. Support for the new venture through personal contacts is evident by a review of the Board of the Foundation and major contributors which include a number of well known people from the recording and entertainment industries in the United States and Europe.

The only factor not specifically addressed by the available information was the demand for the product or service as indicated by "orders." However, given the fact that the Foundation has

continued to thrive and grow since Dixon's death in 1992, suggests that demand for the Foundation's Programs remains high.

Further evidence of Dixon's position as an entrepreneur is indicated when his accomplishments are compared to McClelland's six key behaviors demonstrated by entrepreneurs as a result of his studies regarding the "Need for Achievement" (n Ach). Clearly, Dixon possessed the skills necessary to become the moderate risk taker required for the music industry where no artist is a "sure thing." Dixon's prolific songwriting, recording and extensive work as a session musician represents a demonstration of high energy and innovative activity for his accomplishments. This level of energy and innovation caught up to Dixon in his later years as he, by his own admission, ignored his health for his work (Dixon & Snowden, 1989).

In conformance to McClelland's (1961) characteristics, Dixon's activities indicate a high level of personal responsibility for his actions. Artists and Dixon himself suggest that Dixon was very controlling in the studio and took his work personally, accepting the blame for failures, as well as the accolades for success (Davis, 1995).

Lawsuits against Arc Publishers and Led Zepplin that translated into significant sums of money for Willie Dixon in the later years of his career seem to confirm the use of money as a measure of success for McClelland (McClelland, 1961). Dixon indicated that he just wanted to be recognized and credited for his work (Dixon & Snowden, 1989), but the money received in the out-of-court settlements seems to reaffirm the recognition.

Dixon's creation of the Blues Heaven Foundation indicates his planning for the future and survival of blues music as a musical genre. It also supports the importance of the musical form from a historic point of view as a basis for the future. This supports McClelland's indication of the need to plan for future results (McClelland, 1961).

The final key behavior cited by McClelland (1961), possession of sound organization skills, seems to be implied in all of Dixon's work, although not cited directly in the information available on his career. The organizational and structural qualities of music as an art form suggest sound organizational skills as a requirement for Dixon's chosen field.

The only major flaw in supporting Willie Dixon as an entrepreneur seems to be the absence of strategic management and planning (Carland, Hoy, Boulton & Carland, 1984) in his work. Nothing can be concluded definitely in this area, however, since the available information does not address concepts related to strategic planning and management.

## SUMMARY AND CONCLUSIONS

This paper reviewed the information regarding the life and career of Willie Dixon and the identified characteristics of intrapreneurs and entrepreneurs. This review indicates that Willie Dixon definitely possessed critical characteristics of both types. Dixon's dominance of the music business, especially blues music, and his enduring impact on the business into the present suggest that he was very entrepreneurial throughout his career.

The implications of the research are historical in nature. A critical look at the life of Willie Dixon demonstrates the need for achievement that possess entrepreneurs. It also indicates the barriers to success faced by entrepreneurs and what must be done to overcome those barriers to assure success.

Willie Dixon possessed both the skills and the drive to be a success in the recording industry. His legacy endures and is reflected in the continued recording of his music by new artists and the philanthropic works of the Blues Heaven Foundation. Dixon's entrepreneurial spirit remains clear and present in the descriptions of his life and work.

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# A PRACTICAL GUIDE TO HIRING: A PRESCRIPTIVE APPROACH FOR THE SMALL BUSINESS PERSON

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## ABSTRACT

*Far too little attention has been given to the area of Human Resource Management (HRM) in most businesses. This is true not only from the application point of view, but also in the area of planning. This paper, using a prescriptive approach, provides a workable outline for the hiring process that should be manageable for the average small business. Specific areas discussed include: job analysis; collecting data; developing job descriptions; analyzing the compensation decision; recruiting; and, selection.*

## INTRODUCTION

In recent years justifiable attention has been directed at the significant impact small businesses have on our national economy. A few of these indices clearly reinforce the significance—52% of sales, 50% of gross domestic production, 99.7% of all employers, and 41% of business assets fall in the hands of small business (The Third Millennium: Small Business & Entrepreneurship in the 21<sup>st</sup> Century, 1995). A more important fact highlighted in this same source, and one most critical for this study, is that 54% of all employment occurs in the small business sector. Further, the fact that projections suggest that, in light of recent trends, over 70% of the workforce will be from small business by the year 2000 (Chowdhury & Lang, 1996).

Unfortunately, a major paradox exists in regard to small business and Human Resource Management (HRM). Based upon the industries that small firms are relegated to—fragmented industries (Porter, 1985), and the inability to exist, in most cases, with head-to-head competition in the area of low costs (Jackson, Capell, Wright & Kroll, 1995), small business can only be more than marginal by differentiating themselves. Or, as specified by Flanagan and Deshpande (1997), “Certain human resource management (HRM) practices have been identified as crucial to developing a sustainable competitive advantage” (p. 23) for small businesses. The most feasible option in this approach has to be through its people. Many researchers would argue, however, that the area of HRM is sorely ignored by most small businesses (Marlow & Patton, 1993; Aaron & Shore, 1990; Amba-Ra & Pendse, 1985).

It goes without saying that the true difference for small business is through innovation, creativity, and flexibility. How, then, can a firm demonstrate these approaches without having and keeping those individuals possessing parallel characteristics. Some might argue that there is no difference in pay levels or pay structure between large and small firms (Day, 1997). And still others, that what these two groups considered important in other areas of HRM effectiveness as being the same (Golhar & Deshpande, 1997).

Small business owners must address the question of “who should I hire and how much should I pay?” Attacking this problem is frequently undertaken using an informal approach that is fraught with risk. Since small business people wear many hats and do not have the staff to assist them, they frequently neglect key considerations that ultimately determine who is hired. The small business owner may list qualifications of a position that come to mind in a newspaper advertisement. They may attach what they consider to be a fair compensation level. If nobody responds to the job listing, they know their compensation is probably low and revise it upward. This scenario results in a loss of valuable time and dollars used to recruit potential employees. If many applicants respond to a job advertisement, a variety of questions including whether the salary was too high or if insufficient communication on required skills occurred. These questions are usually impossible to answer and other more pressing issues take hold for the small business person.

Figure 1: Hiring Process

Job Analysis  
 Collecting Data  
 Develop Job Descriptions  
 Compensation Decision  
 Recruiting  
 Selection

Despite the inherent risks in getting the right people hired for the right price, a process usually does not exist to help these owners minimize potential problems. In order to assist small business owners in developing the appropriate tools necessary for effective hiring, a prescriptive approach to this process will be provided. This approach, as depicted by the enclosed Figure 1, will focus on six critical issues that must be addressed. These include: job analysis; collecting data; job descriptions; the compensation decision; recruiting; and, selection. While this approach may not work for all small businesses, for those beyond the level of “mom and pop”, the described tools should be manageable. Implications for small businesses will also be provided.

### JOB ANALYSIS

The process of job analysis involves collecting relevant information about a particular job. Despite its relatively simple definition, no other human resource management intervention is more important. Job analysis provides informational utility for many other human resource actions. For example, job analysis provides the necessary information used in the development of job descriptions that are necessary for effective recruiting. This same information helps decision makers determine differentials in pay between organizational positions. Most newly hired employees also receive initial training that helps them become productive more quickly. Job analysis helps target training programs to critical needs where performance enhancement is most important (Harvey, 1991).

The Department of Labor's Revised Handbook for Analyzing Jobs (1992) provides a prescriptive approach to collecting job analysis information. Despite what appears to be a daunting task, small businesses will find the returns well worth the time spent. The following categories represent information that needs to be collected according to this source:

1. A worker's relationship to data, people, and things
2. The methodologies and techniques employed on the job
3. The machines, tools, equipment, and work aids used on the job
4. The materials, products, subject matter, or services that result from the job
5. Worker attributes that contribute to successful job performance

When performing a job analysis, it is important that the information collected is accurate and unbiased. The sources used to collect this information could be from direct observation of the job, from employees currently doing the job, or from employees who are familiar with the work. For a small business owner who has done the work being analyzed, this should pose no problem. The owner now has five categories of information about each job which will form the basis for job descriptions that can be used for recruiting.

### JOB DESCRIPTIONS

A job description is defined as a document that details the duties, responsibilities, and level of supervision of a particular job. Typically this document also includes a job specification that identifies the education, training, and experience necessary to successfully perform the job. When creating job descriptions, it is recommended that a standardized format be followed so comparisons for compensation purposes at a later time are made easier. The categories forming the job description require information previously collected with the job analysis and should be understood by the owner. The following format is typical and can be easily adopted by small businesses:

- i. Heading:
  6. Establishes the official title and if necessary, work location of this job.
  7. Identifies whether the job is exempt or nonexempt to the Fair Labor Standards Act.
  8. Example: Head Cashier, Exempt.
- i. Basic Function:
  9. States the overall role of the job.
  10. Identifies the end result the job is intended to achieve.
  11. Answers the question: Why does this job exist?
  12. Example: Under direction of the owner, collects or supervises the collection of all sales and accounts receivable for the business.
- i. Duties and Activities:
  13. Provides a specific list of significant duties and responsibilities of the job.
  14. Typically three categories of duties and responsibilities are possible; managerial, delegative, and job specific.
  15. Includes essential elements for Americans with Disabilities Act compliance.



16. Example: Responsible for the scheduling and supervising of other cashiers.
  - i. Dimensions:
17. Identifies quantifiable areas upon which this job has a direct impact.
18. Examples include dollar dimensions, personnel dimensions, and other pertinent dimensions.
19. Example: Supervises four nonexempt employees.
  - i. Qualification Standards:
20. Explicitly states the education, training, or experience needed to satisfactorily perform this job.
21. Example: B. S. in Business Administration; three years experience as a cashier.

Once job descriptions are developed for the positions that need to be filled, the small business manager is now ready to explore wage and salary levels that are needed to attract and retain qualified applicants.

## COMPENSATION

The primary concern in hiring for any business is to be able to attract applicants who are qualified without paying more than what is being offered in the relevant labor market. Following the creation of job descriptions, the small business is now ready to decide on compensation levels for each job. Establishing pay ranges for each job is necessary before recruiting begins. A pay range for each job identifies the maximum and minimum amounts that any employee holding the position will receive. The actual amount will fall within the range and be determined based on the relative attractiveness of the applicant that is hired. Having an established range guards against paying too much for the best applicant or not paying enough to get qualified applicants. The key concern is where do businesses get the appropriate information to establish pay ranges. The following sections provide insight into answering this question.

### WAGE AND SALARY SURVEYS

A wage and salary survey is a systematic process of collecting and making judgments about the compensation paid by other employers (Milkovich & Newman, 1996). Large employers may participate in many different surveys for a number of reasons including 1) adjusting pay levels in response to the market, 2) analyze personnel problems related to pay, or 3) forming reciprocal relationships with other employers so pay information is available when needed (Rock & Berger, 1991). Small businesses, on the other hand, will traditionally experience considerable time or financial constraints of such an extensive approach. They should concentrate on doing it right the first time. So, before a survey is undertaken, Milkovich and Newman (1996) identify many key questions that need to be addressed. The following are some of these:

- ii. Should the work be outsourced to another firm specializing in the process or done in-house?
- iii. Which jobs should be included in the survey?

- iv. What information should be collected?
- v. How should the data be collected?
- vi. What employers should be surveyed?
- vii. How does the employer determine the accuracy of the information that is received?
- viii. How should the information be used?

Due to the complexity of the process and the time commitment involved, formal wage and salary surveys are infrequently used by small businesses. Often, some informal approach is made to gather information from other employers in an attempt to set pay rates. These attempts, however, are usually inadequate in setting competitive rates that help small business people reach their objectives of getting attractive applicants while not overpaying. It is also possible to hire consulting firms who specialize in wage and salary surveys. Company names specializing in this field include Hay, Mercer, Tower Perrin Executive Alliance, and others. The attraction in taking this course of action is that many of these firms have access to huge databases that provide a refined survey product for buyers. Unfortunately, the costs associated with gaining these results can be quite high for a small business. Free information is also available to the small business person. This approach to gathering compensation information adequately provides necessary parameters for making compensation decisions. These free sources of information will be discussed in the next section.

#### PUBLICLY AVAILABLE INFORMATION

Many sources of information are available to firms whose compensation decision-makers are willing to do some library research. For example, The Bureau of Labor Statistics (BLS) publishes the "Occupational Outlook Handbook" which provides earnings and job outlooks for hundreds of occupations on an annual basis. This information is provided in job categories presenting salary data in ranges based on qualifications of job holders. It also includes training and other qualifications needed for specific jobs and works neatly with the job descriptions discussed earlier. The BLS also publish local area wage surveys for some areas giving small business people information better refined to the local market. Another source of information is the American Salaries and Wages Survey (1993) published by Gale Research Inc. Sources for this survey include the BLS, state government data, trade associations and trade journals. Compensation levels are provided for jobs by quartile and in some cases are very specific to local labor markets. Another public source of compensation data comes from The American Almanac of Jobs and Salaries (1993). Overall statistics on job outlooks are included with quartile information on hundreds of jobs.

Savvy small business people should use multiple sources, within constraints, on compensation and make comparisons before establishing pay ranges for the jobs they need to fill. Ultimately, decisions on establishing pay ranges for each job are the judgments based on what the compensation information sources provide the decision-maker.

## RECRUITING

Recruiting involves the searching for and obtaining qualified job applicants to meet the goals of the organization (Cook, 1992). Sources of applicants typically considered fall into two categories, internal and external. Internal sources fill a particular job with someone already employed by the organization while external sources look for applicants who are not current employees (Byars & Rue, 1997). For small businesses whose growth facilitates adding people, the focus on external sources of applicants will be emphasized.

## COLLEGES

College recruiting provides over 50 percent of the hires of professional, technical and managerial positions filled by organizations (Baird, 1992). Key issues that need to be addressed include the identification of positions needing to be filled, the universities that will provide the potential applicants, and the timing of the university visit. Contacting the university placement services usually provides interested employers with the needed information to successfully recruit on any campus.

## EMPLOYMENT AGENCIES

Employment agencies are another source of potential applicants. Public employment agencies are often tied into an individual State's unemployment system. These agencies may be affiliated with the United States Employment Services operating 2400 agencies in the United States. Public agencies typically deal with nonexempt positions in clerical and production fields and the cost to employers involves only a phone call (Baird, 1992). Private employment agencies typically charge employers a fee for providing applicants and frequently specialize in one field of employment. Executive and other exempt positions are good candidates for successful placements using private agencies who often advertise in large metropolitan newspapers.

## MEDIA ADVERTISING

Media advertising through newspapers and magazines has the advantage of reaching large numbers of people. A typically stated disadvantage is that employers using this approach often receive large numbers of unqualified applicants. When advertising, employers should accurately describe the job including qualifications necessary to be considered for employment. Careful development of job descriptions discussed earlier helps facilitate the creation of an advertisement that accurately identifies the job and needed worker qualifications. Compensation levels may be included as inducements to attract applicants.

## TEMPS AND OUTSOURCING

Temporary agencies and outsourcing firms also provide employers with workers. Temporary workers are typically individuals who are assigned to work at locations for a limited time. These workers are prescreened and should have the qualifications needed to successfully perform the work.

A key advantage for the firm using temporaries is the ability to try out workers before they become actual employees. If the temporary worker performs acceptably, employing firms typically offer permanent employment.

Outsourcing firms differ from temporary agencies in that they typically provide an entire business function relieving management from day to day operations of that area. When negotiating a contractual arrangement with an outsourcing provider, all the factors typically associated with purchasing a major asset need thought and attention. For example, bid evaluation processes, competence and knowledge factors, and procedures for measuring supplier performance all need to be considered (Behara, Gundersen & Capozzoli, 1995). For small businesses, all sources of external applicants should be explored and considered. Once applicants are identified and interested in employment opportunities, the selection of applicants needs to occur. This will be discussed in the following section.

## SELECTION

Picking employees who possess the knowledge, skills, abilities and temperaments to successfully perform their jobs is the culminating act of what this paper has intended to address. Selection techniques available to all employers include, weighted application forms, assessment centers, mental ability tests, personality questionnaires, training and experience evaluations, scored work samples, and interviews (Dipboye, 1992). Regardless of the tools used to make selection decisions, all must provide the employer with the best employees for two very important reasons. First, selecting the best applicant gives the employer high performing employees who facilitate the accomplishment of performance goals for the organization. Second, it is always important to have selection procedures that are free from bias and discrimination which ensures compliance with all Equal Employment Opportunity (EEO) regulatory authorities. A thorough discussion of EEO legislation is beyond the scope of this paper, however, following the suggestions next discussed should protect employers against blatant mistakes that leave them vulnerable to discrimination-lawsuit liability.

Selection techniques most relevant to small employers are those that minimize time and expertise commitments. Small businesses do not have abundant staff resources and decision makers involved in selection are typically involved in many areas of the firm. Understanding these constraints and the fact that jobs have differing requirements, we recommend to small businesses the following: weighted application forms, scored work samples, and interviews.

## WEIGHTED APPLICATION FORMS

Application forms are considered employment tests according to the Uniform Guidelines of the Equal Employment Opportunity Commission and therefore should only request data that is job related. The information provided gives the employer a profile of the applicant, provides an employee record for those who are hired, and may be used later to assess the effectiveness of the selection process (Mathis & Jackson, 1997). Weighting application forms enhances the value of using this technique for only a limited increase in time and effort. To weight application forms, job related knowledge, skills, and abilities (KSAs) are determined from the job analysis and job description

processes discussed previously. The KSAs are then explicitly included on the application form where the employer then allocates weights based on the importance of the items for any particular job. The completed weighted application form then provides the employer with a KSA assessment for each applicant and helps to determine if an appropriate job fit exists. Over time, KSAs can be validated to show that they relate to successful job performance further enhancing the selection process.

### SCORED WORK SAMPLES

If a particular job entails work that can be analyzed following its completion, this procedure is effective. As the name implies, an applicant is given an opportunity to perform a sample of the work which is then scored according to the performance level displayed. A key strength of this procedure is that it focuses on job behavior giving the organization an opportunity to view actual applicant performance prior to employment. This should also minimize concerns regarding decision influencing personal biases that are not work related. Possible concerns regarding implementation and use of scored work samples do exist. One concern deals with the employers ability to accurately appraise the work sample. In short, is the work sample measured and assessed fairly and objectively. Another potential concern involves the necessary training required to do the job. If substantial training is needed before meaningful work can be sampled, then this approach for selection is inappropriate. Finally, many jobs have components that defy easy observation or quantifiable measurement. For these types of jobs, some other selection procedure may be more appropriate.

### INTERVIEWS

A selection interview is a dialogue between an applicant and employer for the purpose of evaluating qualifications of the applicant for a job. Interviews are the most commonly used selection tool used by employers and are often used in conjunction with other selection methods (Bureau of National Affairs, 1988). Despite some criticism regarding the validity of using interviews (Arvey & Campion, 1982), research has also indicated that interviews can be used with good results (Latham & Saari, 1984). Selection interviews perform best when they are structured and job related (Orpen, 1985; Janz, 1982). Structured interviews ask all applicants the same questions with the primary advantage of allowing employers the opportunity to compare responses of different applicants on similar dimensions. When the questions asked in the interview are job related, the organization improves its ability to select applicants who will perform successfully on the job.

Creating a job related structured interview is not difficult when the process described in this paper is followed. Job analysis and corresponding job descriptions adequately identify job related areas that can be embodied in interview questions. Once formalized, all applicants for a position can be asked questions where the responses help the decision maker select successful candidates. Structured job related questions also deflect any claims of discrimination regarding the interview itself.

### IMPLICATIONS

This prescriptive offering has outlined a six part approach to the hiring process for small business owners. Where there are obviously many small businesses that either due to size, time, or

financial resources will be unable to implement these procedures, the majority can. There will be still others that will consciously elect not to develop a formalized process—relying, rather, on their intuition. As has been continuously reinforced in the general small business planning literature, those that plan are typically seen as the better performers (Golhar & Deshpande, 1997; Flanagan & Deshpande, 1996; Marlow & Patton, 1993; Aaron & Shore, 1990; Gatewood & Field, 1987; Finney, 1987).

The small business owner who is likely to ignore a prescribed approach is one will typically be using a pool of unskilled labor paying minimum wage. If, however, as has been suggested may happen, minimum wage increases to \$7.25 per hour by the millennium, even this business will need to make a more concerted effort to ensure efficient hiring practices.

Further, as small firms continue to be highly represented in the high technology and innovation fields, the need for the “right person” will be even more critical. Obviously unable to compete on a basis of cost, small firms will need to differentiate themselves through their people.

## CONCLUSIONS

While prescriptive in nature, this paper has provided an easily administered approach for the hiring process in small businesses. It may be argued by many that small firms do not have the time and money to administer such a program, and for many companies rightfully so. It might be, however, that it will be those same firms that help perpetuate the traditional problem of small business failure.

It is argued that those firms that want to continue the value added to our economy from small business will increase their emphasis in this area of hiring. If they do, then maybe the words of Flanagan and Deshpande will ring true for the small business community:

*When these practices are present, firms are more likely to utilize human resources effectively in building a sustainable competitive advantage (p. 24).*

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# **AN ANALYSIS OF THE EFFECT OF CULTURE ON ENTREPRENEURIAL PERFORMANCE: A COMPARISON OF CHINA, JAPAN AND U.S. ENTREPRENEURS**

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## **ABSTRACT**

*This study analyzes the effect that culture has on entrepreneurial performance. The study reviews the literature concerning the effects that cultural characteristics have on performance of entrepreneurial performance in three cultures. A model of the effect of individual characteristics on perceived entrepreneurial performance is developed utilizing past students and conceptual theory. The model is tested utilizing confirmatory factor analysis and LISREL for each country. The three countries models are then analyzed to determine the relative importance that each culture attributes the various characteristics in the success of the entrepreneurial venture.*

*The research utilizes the results of a survey of successful entrepreneurs in three countries: China, Japan, and the United States. Approximately 100 small business owners are surveyed in each country to determine the importance that various individual entrepreneurial characteristics have on the overall success of the entrepreneurial venture. Twenty personal characteristics were analyzed in each country. A model is developed that illustrates the effect that the various characteristics have on the performance of the venture. Performance is measured utilizing eight measures of the individual entrepreneur's perception of the importance and satisfaction with profit, market share, growth rate and sales volume of the venture. The models for each of the three countries are analyzed utilizing LISREL confirmatory factor analysis to determine the effect that the various characteristics have on the performance of the firm.*

*The models for each of the three countries are compared to determine the relative importance that each of the culture's entrepreneurs place on the various personal characteristics and how the characteristics influence the performance of the entrepreneurial venture.*

*The results of the study are discussed and the importance of the results for future entrepreneurial efforts in the various countries are analyzed.*



# **CORPORATE HIRING PRACTICES AND PERCEPTIONS OF INTRAPRENEURSHIP: AN EXPLORATORY STUDY**

**Barbara K. Fuller, Winthrop University**

## **ABSTRACT**

*Obstacles to creativity and innovation are heard in traditional business settings every day. They are disguised in terminology such as proper operating procedure, corporate bureaucracy, established hierarchical structure, turf protection, delegation and supervision, risk adversity, and saving your backside. These structures create a typical “corporate culture” that favors a lengthy conservative decision making process backed by a significant amount of research and data collection. Individuals are trained to follow instructions rather than initiate, to fear failure rather than learn from mistakes, and to stay within company guidelines or boundaries rather than be creative and flexible. Risky decisions are seldom considered. All these views are contrary to the entrepreneurial environment where new ideas and teamwork are encouraged and rewarded.*

*However, as competition becomes stronger and more aggressive in the marketplace, large companies are turning to entrepreneurial thinking to maintain a differential advantage and to avoid stagnation and decline. Increasingly over time corporations are recognizing the value and importance of original ideas and the new product development. Companies that encourage entrepreneurial behavior are the ones able to provide market leadership, sustained growth, and strengthened commitments to customers, partners, suppliers, and employees. In spite of corporate initiatives to integrate more entre-preneurial behavior into companies, they continue to struggle with ways to combine new approaches and individuals with the traditional internal organizational behavior and structure.*

*The study explores the perceptions of corporate human resources managers in hiring entrepreneurship majors for entrepreneurial positions within the organization. As the number of graduates from colleges and university programs in entrepreneurship increases, what will be the response of those hiring new graduates? Will the entre-preneurship majors visionary and flexible attitudes be rewarded and sought after or feared and dismissed? Where does entrepreneurship fit among other majors in the hiring hierarchy?*

*This research investigates the characteristics and skills sought by the human resources director when hiring graduates and specifically looks at the importance of skills identified to be strong in entrepreneurs. Organizational characteristics will also be investigated in order to assess the type of company most likely to hire individuals with more entrepreneurial tendencies. Results of this study will be used to help in the development of a curriculum in intrapreneurship that will prepare students to compete in the marketplace more effectively with other business majors.*

# CLINICAL ENTREPRENEURSHIP: INTRODUCING 'ETHICS EQUATION' TECHNOLOGY TO ENTREPRENEURSHIP EDUCATION

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## ABSTRACT

*The focus of this paper is on the direct observation of introducing applied ethics to entrepreneurship studies, the results, and how it was implemented by three Entrepreneurship class sections of upper division (third and fourth year) college students during each of three consecutive semesters, beginning in the summer of 1997. Each class, acting independently, engaged in developing concepts of 'ethical' entrepreneurship (hereinafter, referred to as the 'ethics equation'). Each student was asked (not required) to implement an applied ethics methodology, one that would evolve into an ongoing ethics strategy for his/her individual and team-oriented new venture creations. Each class section, with the exception of the first, was the direct beneficiary of the 'ethic equation', developed and introduced by each of the preceding classes. Each class was free to develop the formula of the 'ethics equation' in as many different ways as there were student teams to create and develop it. The result of these observed experiences shows a rapidly developing ethical awareness among students in an area where entrepreneurship and ethics bridge-models seem to be rare, illustrated in brief chapter overviews, or worse, non-existent.*

*A key method for facilitating the dynamic of an 'ethics equation' was to weave a role for it in a contemporary business plan model, the so-called 'road map' for today's emerging entrepreneurs. Integrating ethics into 'business plans' has been, and continues to be, practically unknown in training methodologies both among adult professional trainers and academics. This study, however, revealed that when students were exposed to this new learning technology, they embraced the 'ethics' strategy generously. These 'equations' were incorporated in major plan development efforts throughout student term-ending business plan projects: both oral and written. More significantly, it was also observed, that the adoption of the 'ethics equation' was easily brought to, and adopted by, students from the most available of sources, a simple WEB page model. Designed specifically to support such a plan, the Internet based feasibility and business plan ethics module was created solely to provide an ethics model and social contract scenario for student adoption of the 'ethics equation'.*

*In conclusion, the paper examines, compares and summarizes the role of the Entrepreneurship instructor, the students who develop classroom entrepreneurial new ventures and the contemporary, prominent programs; programs which claim to serve, by design, as aids to student entrepreneurial success. Each program is viewed in the light of the 'ethics equation' and the change this technology brings to entrepreneurship studies.*

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