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LETTER FROM THE EDITOR

Welcome to the *Entrepreneurial Executive*. This is my second issue as Editor, and I am confident that this volume continues our practice of bringing you interesting, insightful and useful articles by entrepreneurs and entrepreneurial scholars.

The *EE* is an official journal of the Academy of Entrepreneurship®, a non-profit association of scholars and practitioners whose purpose is to advance the knowledge, understanding, and teaching of entrepreneurship throughout the world. It is my objective to expand the role of the *EE*, and to broaden its outreach. We are interested in publishing articles of practical interest to entrepreneurs and entrepreneurial scholars, alike. Consequently, we solicit manuscripts from both groups.

The *Entrepreneurial Executive* is funded by the proceeds of membership dues and conference registration fees at Academy of Entrepreneurship® and Allied Academies meetings. We do not receive funding support from any university or agency. We encourage readers to become members of the Academy and to attend conference meetings in the spring and the fall. Upcoming conferences are announced on the Allied Academies home page: www.alliedacademies.org, as well as information about the organization, its affiliates and its journals.

As Editor, I am interested in recruiting Editorial Board members and in soliciting manuscript contributions and conference participation from a broad cross section of people interested in entrepreneurship. If you would like to become a member, contribute a manuscript, come to a conference, or just chat about the *journal*, please feel free to call, fax or e-mail me at any time.

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LETTER FROM THE PUBLISHERS

We are extremely pleased to present Volume 4 of the *EE*. The Academy of Entrepreneurship ® is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *EE* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to advance the knowledge, understanding, and practice of entrepreneurship throughout the world. To that end, the journal publishes high quality manuscripts, which are of practical value to entrepreneurship researchers and practitioners.

As publishers, we intend to foster a supportive, mentoring effort on the part of the Editor and the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

The Editorial Policy, background and history of the organization, Editorial Board Members, and calls for conferences are published on our web site. In addition, we keep the web site updated with the latest activities of the organization. Please visit our site and know that we welcome hearing from you at any time.

JoAnn and Jim Carland
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ARTICLES

FINNISH LEARNING ORGANIZATIONS: STRUCTURE AND STYLES

Raili Moilanen University of Jyväskylä, Finland

ABSTRACT

The first purpose of this study was to carry out an in-depth analysis of learning organizations. Learning organizations are here seen as entities composed of two main dimensions: learning and organizations. Learning has its background in education, and organization in business sciences. The concept of a learning organization is also regarded as a structure of related elements: driving forces, finding purpose, questioning, empowering and evaluation and as levels of individuals and the whole. The second purpose was to analyze learning organizations as different types of actors, which leads us to consider learning organization styles.

The data were gathered from 15 Finnish companies during 1996 and 1997, and analyzed by qualitative research methods. The structural composition of these companies varied, as did the number of the text units and the content of the elements used in the analysis. Four different Learning Organization Diamond Styles were found: companies Challenged by the Future, Great Thinkers, Active Actors and Secure in the Past.

INTRODUCTION

Learning organizations have been widely discussed, but it seems that not much attention has been given to the most difficult issue: namely, the learning organization as a whole entity. The reason for raising this issue at all is the fact that managers are in

charge of their organizations as a whole. The aim of the present study is to explore some models or tools for helping managers in their efforts to create or develop the learning organization as a whole entity. This is a very broad and complicated matter, but development of a whole learning organization is really a question of the whole, and not only its independent parts.

Some ideas and models have been presented to answer this requirement of treating the whole. Among the most well-known are those outlined by Chris Argyris, Mike Pedler, Tom Boydell and John Burgoyne, as well as the ideas of Peter M. Senge, and these were also selected as the background and basic conceptual framework of this study.

The aim of this article, then, is to cover the whole and this will be done through a close dialogue between theory and practice. In the first phase, a short review of the most relevant elements of the whole will be presented and after that a model of a Learning Organization Diamond will be described. Analyses of some Finnish companies will follow. Finally, conclusions will be made about the structure and different styles of learning organizations, followed by a discussion about the remaining unanswered questions and topics.

CREATING THE WHOLE BY USING THE EXISTING MODELS BY ARGYRIS, PEDLER ET AL. AND SENGE

There are some categorizations, which describe different learning organizations: Chris Argyris and Donald A. Schön (1978) and George P. Huber (1991) have defined their own views into this topic. Argyris and Schön (1978, 321) have a very broad focus: organization as group, agent, structure, system, culture and politics. Shrivastava's (1983, 9) focus is on learning processes and Huber's (1991, 90) on the process of knowledge. One categorization based on individual learning theories was presented by Moilanen (in press) and its focus is on

outcome-oriented, process-oriented and holistic views on learning organizations.

This review introduces three different models for learning organizations: the first by Chris Argyris and Donald A. Schön, the second framework by Mike Pedler and his associates and the third presented by Peter M. Senge. The main aim of this section is to explore the most relevant ideas for creating a learning organization as a whole entity. The focus of the review is on the most applicable aspects of these models as well as on what is lacking in terms of the whole. As an outcome of this review the most significant points will be raised and listed.

The process of identifying the points was not unambiguous, because the conception of the whole might be totally different for different scholars. Here the key aspects are presented in a framework covering the learning organization from finding the purpose up to the evaluation point. The framework also covers phases of recognizing obstacles (questioning) and offering appropriate means for learning and development (empowering). Besides these points the focus is also on the different aggregation levels of the organization - whether it is an organization or individuals.

Chris Argyris and Donald A. Schön

Chris Argyris has been writing about organizations, group processes and learning for forty years. In his early writings the focus was on individuals (Argyris 1957), but during the last decade Argyris has moved towards looking at the whole. Despite this move, his core ideas are still in individual and organizational mental models and their changes (Argyris & Schön 1978 and 1996, Argyris 1990, 1991, 1993, 1994). Although Argyris has addressed so many issues, he has most often concentrated on learning, and not organizations.

Argyris and Schön have given a definition on organizational learning, but they have not defined learning

organizations: “*Organizational learning occurs when members of the organization act as learning agents for the organization, responding to changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory-in-use, and embedding the results of their inquiry in private images and shared maps of organization*” (Argyris & Schön 1978, 29).

The work of Argyris is so extensive that it would be impossible to even try to cover it here, and therefore only some key aspects from the point of view of this study are presented. These significant points are presented in the form of a list in order to make it possible to gather all the information needed in building the whole. In addition the relation between the ideas gathered from the literature and the Learning Organization Diamond developed will be shown in parenthesis.

1. individuals as actors in the learning organization (aggregation levels)
2. structural features as part of the learning organization, for example role and authority structures, information systems, systems of incentives and systems for organizational inquiry (organizations vs. individuals as aggregation levels)
3. learning systems as structures promoting or inhibiting organizational learning (questioning, empowering)

Mike Pedler, Tom Boydell and John Burgoyne

The second facilitator of this study can be found in Great Britain. The perspectives of Mike Pedler, John Burgoyne and Tom Boydell have been crucial for this study. In 1991 they published a book, in which they introduced eleven characteristics of learning companies (Pedler, Boydell & Burgoyne 1991). Since then their thinking has moved towards considering processes,

which offers a more flexible basis for learning companies. (Burgoyne, Pedler & Boydell 1994).

The meaning of a learning company has remained almost the same since the late 1980's. The most recent definition by Pedler, Burgoyne and Boydell can be found in the second edition of their publication *The Learning Company* (1996, 3), purposing that “*A Learning Company is an organization that facilitates the learning of all its members and **consciously transforms itself and its context.***” The core of this definition is in facilitating the learning of everybody in the company and transforming the whole as well as its context. Other ideas important for this study has been presented in the books of Pedler, Boydell and Burgoyne (1989), Pedler (1983), Pedler and Aspinwall (1996).

Various interesting principles and ideas provided the direction from which to search for the different whole of the learning company. These points are presented below in the list with connections to the Model of the Learning Organization Diamond in parenthesis.

- | |
|---|
| <ol style="list-style-type: none">1. important parts of the whole (the whole)2. connection to business strategy (purpose)3. self-development opportunities for all, enabling structures (empowering)4. assessing the organization as a Learning Company (evaluation) |
|---|

Peter M. Senge

Peter M. Senge is the last to be reviewed here with reference to his two books about learning organizations. His first book (Senge 1990) is about five disciplines and it was written by Senge himself. The second book is edited (Senge & al. 1994) and it contains only some minor parts written by Senge. The concept

of a learning organization is now broader than in his first book, but it still seems to remain on the level of ideas.

It is, in fact, quite difficult to find a definition of a learning organization in Senge's publications, although his work is full of valuable ideas and descriptions. His early focus is on five disciplines (systems thinking, personal mastery, mental models, building shared vision and team learning), which are interrelated to each other. Senge writes: "There is a common sensibility uniting the disciplines - the sensibility of being learners in an intrinsically interdependent world" (Senge 1990, 375). He also says, that "... *people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together*" (Senge 1990, 3).

His latest preoccupation is with organizational architecture and the concept of an implicate order and learning results. (Senge, Kleiner, Roberts et. al. 1994, 45). But still individual mental processes seem to be the core of his thinking.

1. systems thinking (the whole)
2. individuals and teams (the role of individuals)
3. architecture (manager's role and organizational level of the learning organization)
4. shared vision (purpose)
5. inquiry as a vehicle of analysing mental models (questioning)
6. assessing results of learning processes (evaluating)

Conclusions about Defining Learning Organizations

Definitions presented above seem to concentrate on groups and changes in mental models, actions or processes rather than on organizations and their changes towards a learning

organization. The two first ones sound more like definitions of learning than of learning organizations, and the last one is about the learning organization. The picture is not as simple as this when analyzed more thoroughly, but the general analysis of the writings cited above give support to this way of thinking.

Learning organizations can be seen more as organizations being managed and aiming towards business and developmental goals, and therefore some aspects should perhaps be added to the definition depicting the learning organization.

The definition written during the first phase of drawing the model of The Learning Organization Diamond is also a definition of organizational learning and its prerequisites (Moilanen 1996).

"Organizational learning refers to the individual's and groups' learning enhanced by organizational factors and is aimed at successful outcomes for both the individuals and the organization." (Moilanen 1996, 9)

The second definition written is more like a learning organization definition:

"The learning organization has reasons for learning both at organizational and individual levels, it facilitates individual and group-based learning through all organizational, managerial and leadership means, and offers equal possibilities for all to enjoy and benefit from learning outcomes." (Moilanen, in press)

This definition, written in 1996, can be elaborated by adding new aspects to it, as follows:

“A learning organization is a consciously managed organization with “learning” as a vital component in its values, visions and goals, as well as its everyday operations and their assessment. The learning organization eliminates structural obstacles of learning, creates enabling structures and takes care of assessing its learning and development. It invests in leadership to assist individuals in finding the purpose, in eliminating personal obstacles and in facilitating structures for personal learning and getting feedback and benefits from learning outcomes.”

This last definition might add something new to those definitions cited, because it consists of elements covering the whole offering a somewhat more concrete and precise definition than do the others. Although a learning organization could be said to be a metaphor - it could be also seen as a real organization emphasizing some characteristics important for learning and learning organization development.

This definition focuses on the different roles of individuals and the whole - individuals are operating and the organization surrounds these learners facilitating the learning process, thus ensuring the best possible results both for the individual and for the whole. The definition also stresses the importance of conscious management and leadership in running a learning organization.

Inevitably the definition also has some weaknesses because its background is in strategic management, but this also offers one of its most obvious strengths - the learning organization is seen as a whole entity, with both structural as well as human aspects of the company in one and the same definition.

THE PURPOSE OF THIS STUDY

The concept of a learning organization or organizational learning can be analyzed from various different viewpoints. The focus of this study originates from these three different theories or models presented above. The reason for not choosing a single model is the feeling that the combination is a more valuable starting point. The challenge of developing learning organizations is so complicated that all helpful knowledge is needed in this process.

The main purpose of the present study is in combining learning and business as equals in the same learning organization concept. In this study the purpose is to see learning as valuable a part of the concept as business itself. The core of business actions is rarely in learning and, therefore both concepts need to be taken into account when developing the concept of the learning organization. The purpose includes firstly the necessity of seeing the whole consisting of its parts. Secondly, it includes the need of studying different types of learning organizations.

These purposes can be presented in the form of more precise questions:

1. What is the whole of the learning organization: which parts are important in a learning organization?
2. Can different types of learning organizations be found?

To be able to answer these questions the process of developing The Learning Organization Diamond has to be presented, as well as the precise form and content of the Diamond described. After that the data will be analyzed and the main conclusions about the structure and styles of learning companies will be drawn.

THE LEARNING ORGANIZATION DIAMOND

The roots of this study are clearly in the literature reviewed, and the actual shape and contents of the Learning Organization Diamond are based on the author's work published in 1996. The core principles of the Learning Organization Diamond Model are the existence of two different levels and four different elements. The levels are the individual and the organizational level, and the elements include finding purpose, questioning, empowering and evaluating. (Moilanen 1996)

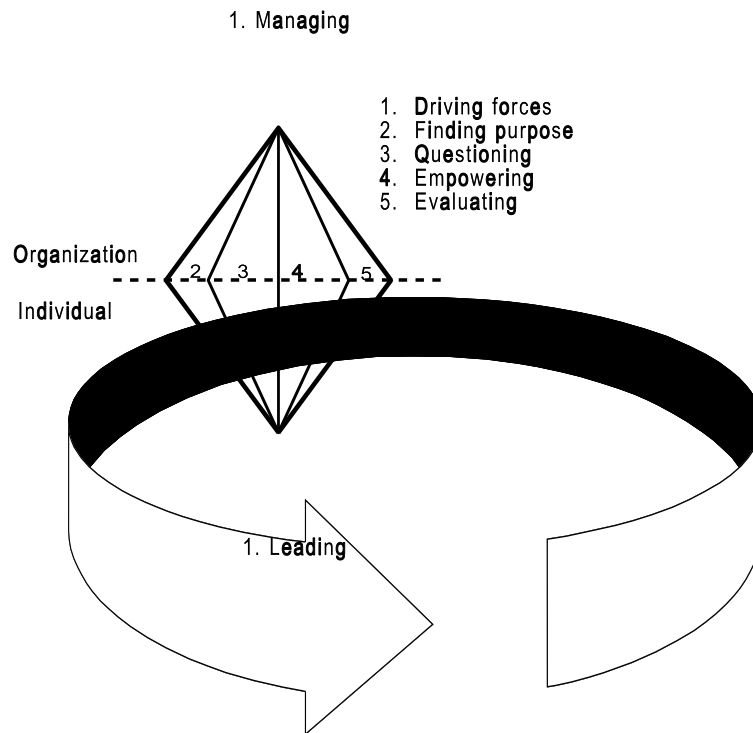
This model offered a good framework for the first analyses conducted in 1996, but it was soon noticed that the model was too static. The first article written about the data, which were also used in this study, showed clearly that the model needed some expansion: management and leadership were added to the model because they were seen so important in interviews (Moilanen, in press). The Diamond is still presented at two levels, but now with five elements: driving forces, finding purpose, questioning, empowering and evaluating.

In order to clarify the connections between some other models and the framework suggested here, Table 1 presents the origins and elements of the whole for comparison:

GANIZATION: ORIGINS AND THE ELEMENTS OF THE WHOLE
, in press)

The whole	Managing and leading as driving forces	Purpose	Questioning	Empowering
no, the core is in mental models	no	not so evident	yes, mental models of individuals and groups	yes, group based means
yes partly, mental models, systems	yes	yes	yes, mental models	yes, group based means
yes	in baked but not very clear	yes	yes	yes, wide range of means
yes, organizational and individual sides	yes	yes	yes, questioning all, analyzing obstacles	yes, wide range, including structural means

The Learning Organization Diamond is presented here in the form of an imaginary diamond.



A diamond was chosen to visualise the basic ideas of the whole learning company. This metaphor offers several advantages: for instance, diamonds are valuable and they are full of opportunities. This Diamond Model also represents the basic idea behind this article and the entire doctoral dissertation. Diamonds and learning organizations are composed of two halves which are in reciprocal dependence in terms of each other: organization (upper half of the diamond) and individuals (lower half).

Before going any further, the basic ideas of the elements are briefly presented below here in order to shed more light on the Learning Organization Diamond metaphor.

Driving forces are vital for the motion of the learning organization - managers are needed to enable structural and systemic changes in the organization. Further more, leaders are needed to help individuals and groups change their actor roles towards learner roles.

Finding purpose means knowing "why" and "where", which is important for developing the organization as a whole and also for the individuals as separate learners. This could be simplified by saying that organizations and individuals need directing towards their desired future.

Questioning means being critical and analytical about the history and present situation of the company or the learner. Organizations tend to have constraints, obstacles and problems which should be analyzed.

Empowering means using all the possibilities and means to foster learning in the whole organization as well as at the level of the individual.

Evaluating is the last phase of the model and its importance can be understood when analysing the correlation between doing and evaluation. Measuring is needed in normal operations as well as in development and therefore more emphasis should be given to this phase.

The Learning Organization Diamond offers a framework for analysing learning organizations. The framework is rather general, because organizations are different; their backgrounds, histories, cultures, processes and businesses vary enormously. But in spite of this great variety, frameworks or models are needed to help managers in their efforts to develop their companies towards

the direction of learning organizations. The model offers one direction for searching for the core ideas and structures of a learning organization. The Learning Organization Diamond Model offers a tool which make it possible to see the whole, but also the elements included in this whole.

THE LEVELS OF THE MODEL

The most difficult question which was raised in the first phases of studying learning organizations was the question of the independence or relatedness of individuals and the organization. At present the answer seems to be “both and”: why could not a learning organization have both the organizational side and the individual side?

Individuals are vital for the learning organization, because they are the actors and learners of this organization. It is very hard to find an organization which operates by itself, and therefore the other half of the model consists of individuals, their purposes, questioning, empowering and evaluating, as well as of leading these individuals and their learning.

The other half of the model consists of organizational factors. The point is that collective structures and processes are needed to facilitate learning. A learning organization is not only a group of “learning people”. Structures and systems do not create the learning organization by themselves, and they can also be obstacles for learning and therefore crucial to pay attention to.

Driving Forces

Management and leadership are seen as the driving forces in the Learning Organization Diamond. Driving forces are needed especially in companies where chance factors challenge the overall existence and future of the company. Thus, the reason

for developing this concept of “driving forces” is in motion and in change. In rapidly changing situations the value of directing, sharing the vision, leading people and facilitating learning through all possible means is extremely significant. Driving forces are divided here into management and leadership: management is seen as the main force at the level of the whole organization and leadership at the level of individuals.

Learning companies need managers and managing because forms, structures and processes have not been designed to serve learning and developing purposes. Organizations may have traditional or dysfunctional structures and systems which do not support learning. The development of a learning organization under these circumstances will meet problems, unless these structures and systems are changed accordingly.

Leading is as important as managing. The more learning is needed the more leadership is required. Leaders need to talk with people, to encourage them, to share the direction with them, to show possible routes for development, to challenge them, to help them in their learning difficulties and to support them. Leaders are simply needed to lead people towards the unknown future.

Finding Purpose

At the organizational level the creation of the whole learning organization will be started from finding and sharing purpose for the learning company. The future plans of the company are very significant for a learning company, because learning is not a separate phenomenon. Strategy and vision direct companies in their operations, and should also direct learning. This emphasizes the necessity of concentrating on the most crucial needs of the company.

The needs derived from the strategy of the company are not the only important needs: individual motives and needs are also very important. Motivation, needs, and purposes of learning -

and whatever other descriptions this concept has - seem to be so relevant that learning will not happen if people are not motivated to learn (Moilanen, in press).

Questioning

The second element of the Learning Organization Diamond is reflective questioning. It means observing and reflecting upon the present situation and existing qualifications of the learning organization. Organizations might have various structures or systems which do not facilitate learning. If individuals are encouraged to ask questions about these blockages, it might be easier for new systems and structures to substitute dysfunctional ones.

Questioning also means checking individual learning blockages at the individual level. There might be negative attitudes, dysfunctional habits or routines or lack of time and resources. These blockages need to be understood, in order to assist both individuals and the whole organization in applying learning tools and gaining benefits from their learning.

Empowering

Organization-wide arrangements and support systems are important in developing learning organizations. These do not only refer to what the individuals do themselves, but in some companies the most vital part of empowering learning and overall development might be changing the whole infrastructure of the company or building a totally different assessment system. In other companies the core of development will be in working with the traditional values and management systems.

Creating learning possibilities in a smaller scale is also very important. There are various methods or means for individuals to employ in their learning, and therefore all of them cannot be described here. Some examples can be presented:

learning by doing, social learning, training, listening, reading, practising, working in projects and job rotation are all vital routes for the development of the individual and the organization.

Evaluating

The last element is evaluating, which seems to have become more and more relevant, although companies do not always know how to work with evaluations of learning outcomes as they do with the results of everyday operations. This does not mean that learning outcomes should be separated from the action outcomes, but only that more emphasis could be focused on the learning outcomes themselves.

In this context evaluating means taking care of both the process of learning and building a learning company. The whole process of development is confirmed by both individuals and organizations becoming aware of the outcomes and results. In different companies and different situations this can take various forms: evaluating knowledge, process development, effectiveness of product development or the changing role of managers or teams. Rewarding is also included in evaluating, because people seem to need it in different forms for motivation, for instance.

At the individual level the whole is not perfect without having the capacity to assess the outcomes of learning. It is very rewarding and motivating to be able to realize that learning and development have occurred. If the capacity to assess learning is insufficient, the outcomes of all these phases in a learning organization will not reach the best possible level.

RESEARCH METHODS

This study of learning organizations can be seen to follow the tradition of qualitative research (for details, see eg. Gummeson 1991, Silverman 1984 and Tesch 1990.) The pursuit for search of different meanings for the concept of

learning organization is the most important task of this study, and the aim is to understand the core of learning organizations.

Interviews

The investigation into learning organization principles was conducted through semi-structured interviews in autumn 1996 in twelve large and medium-sized Finnish companies. The interview, based on the author's Licentiate thesis, contained themes like the learning organization as a whole, its elements, the present stage, the ideal of a learning organization and ideas of developing it (Moilanen, 1996). Another interview was conducted for the purposes of an EU -project in 1997, and three of these interviews were used to add some new aspects to this study.

There were some differences in these two interviews, but the advantage of using the second interview in this context could be seen in the application of the Learning Organization Diamond Model. Although the second interview was not planned to provide very much information about learning organizations, it actually did so. However, the information thus provided was not as broad and direct as in the first interview.

Analysing the Interviews

Interviews were coded according to the focus of their text units. The framework used in coding the data was The Learning Organization Diamond Model, and the key words chosen from the text units were categorized following the grouping of ten elements in the model. After this text units were collected in Excel-tables and analysed to find answers to the questions set for this study. Quite soon it became necessary to change the model because some managers talked more about the whole than about individuals.

The first phase was structural and the analysis was conducted by gathering information according to five elements of the model. Consequently, data related to driving forces, finding purposes, questioning, empowering and evaluating were gathered in their own groups, but it soon became evident that there would be need for regrouping due to obvious similarities and dissimilarities between companies. This led the consideration regarding learning organization styles. In the second phase the content and style of text units were analysed and companies were categorised according to their foci.

One point has to be mentioned before addressing learning organization structures and styles. The interviews were done with one manager per company. Therefore, illustrations and pictures presented here are not derived from thoroughly conducted analyses of these companies, but, rather, they are personal opinions and interpretations based mainly on the interviews.

STRUCTURES AND CONDITIONS IN LEARNING ORGANIZATIONS

This part of the study concentrates on the structure of the whole. The number of text units coded in different elements will be analysed. Some interviews had far more comments than the others about learning and being a better organization for learning. The number of text units coded per interview varied between 13 and 261, and per one element from 0 to 73. The following text units chosen from one interview illustrate the content of the model's separate elements.

TABLE 2: TEXT UNITS CHOSEN FROM ONE INTERVIEW: TEXT UNITS ARE CATEGORIZED ACCORDING TO THE LEARNING ORGANIZATION DIAMOND MODEL

The organizational side of the model	The individual's side of the model
Driving forces Managing (taking care) of the whole	Driving forces Leading (taking care) of the individuals and their learning
Making also big plans we do all the phases carefully managers start the process by creating the opportunities	manager's and leader's example leaders are responsible for individual's learning people are interested
Finding Purposes	
right application compared to strategy understand the relation of your work to the whole	any wishes, needs which come out there are very personal needs
Questioning	
the whole figure changed if these people won't believe not everything happens like lightning	we discuss through the teams it is smart to cross boundaries they don't have the courage to ask
Empowerment	
we'll go through the core processes structures needed to support learning a lot of investing you start change processes	they learn all the time I have the possibility to reflect they are able to help each other you consciously learn about learning
Evaluation	
we monitor continuously there is always discussion really our biggest challenges	we have self-evaluation

These text blocks show that this company works with the whole, although the last element of evaluating was at the time of this interview not yet developed. Other elements seemed to be equally important. Management and leadership were emphasized, as well as having a clear purpose for development. Questioning seemed to be important, and what is vital is that it was not a much weaker element than empowering. Evaluation, as mentioned above, had only few comments, although this company had applied various evaluation tools.

This analysis of the structure was not as fruitful as was expected, because companies and their properties as learning companies were so different. It was important to look at these

elements, but more interesting will be to continue the work with different learning styles.

LEARNING ORGANIZATION STYLES

Some relevant case descriptions will be presented here on a comparative basis. The Learning Organization Diamond Styles based on the differences observed in five companies are presented in Table 3 and the companies placed in a Learning Organization Styles table. Also the styles will be described by using typical features of the companies. Five different companies were selected to show the variety of learning organizations. Some basic facts about these companies are presented here; the entire case texts are included in Appendix 1. Please note that the interviews were conducted in 1996.

COMPARING COMPANIES AND DEFINING LEARNING ORGANIZATION DIAMOND STYLES

The companies seem to have some similarities, but also many dissimilarities: some are “learning and developing”, some are planning to do so, whereas some only dream of it. There are also companies, which do not even dream of it - they may not need learning or a learning organization at all.

These companies selected have been categorized and the foundation for styles has been established in the way that Table 4, below shows. The text units are organized in two categories so that the former ‘management’ and ‘leading’ have been discarded and the remaining elements categorized in ‘thinking’ and ‘doing’.

TABLE 3: SOME FACTS OF THE CASE COMPANIES

Veho: selling quality cars

specialized in importing and selling cars: Mercedes-Benz and Honda

ownership is family-based
turnover in 1996 over 2 mFIM; employs about 1000 people
develops continuously to serve the needs of its customers
URL://http://www.veho.fi/info.htm
ICL-DATA: a company willing to be the best place for its personnel
IT systems and services company
turnover in 1996 was 1.884 mFIM; employs 1850 professionals
operates as an essential part of ICL plc
operates also in the Northern European Region
URL://http://www.icl.fi/icl/yritykset.htm
ABB Industry Oy: long traditions, vast experience, technology leadership, willingness to change
turnover 2800 mFIM; employs 1977 (1996)
exports most of its products (91%)
URL://http://www.abb.fi/fidri/fidri_e.htm
Nokia Research Center: unit behind the successful development of mobiles
a research unit concentrating on managing talent, enhancing productivity and managing change
employs about 600 professionals (1996)
interacts closely with the R&D units of Nokia business groups
exploration of new technologies and product/system concepts and their exploitation
URL://http://www.nokia.com/company/overview/business_units.html
Fazer Confectionery Ltd: Say Fazer when you want the very best
sales and marketing organization for confectionery in Finland
personnel 70 + 55; turnover 511 mFIM
market leader in Finland in confectionery
URL://http://www.fazermakeiset.fi/english/index.html

TABLE 4: COMPANIES CATEGORIZED ACCORDING TO THEIR SIMILARITIES

Number	Interview	Company	Thinking* (purpose + questioning)	Doing* (empowering + evaluating)
1	A **	Veho	115	105
2	A ***	ICL-Data	28	32
3	A	ABB	42 ****	47
4	B	CCC-Corporation	28	45
5	A	Jollas-Institute	16	35
6	A ***	Continuing education center	12	14
7	A+B **	Kymppineon Oy	108	65
8	A	Nokia	91	55
9	A	3. nameless	41	33
10	B	Enviset	23	10
11	B	Nokka-Tume	19	10
12	A	1. nameless	10	29
13	A	Fazer	10	20
14	A	2. nameless	12	16
15	A	4. nameless	5	6
<p>* purpose and questioning are combined together, because their contents are more focused towards thinking than doing, empowering and evaluating are more active and therefore represent doing type of actions</p> <p>** long interview or talkative interviewee</p> <p>*** short interview</p> <p>**** most of the text units in this section were more personal opinions than ideas shared in the whole company</p> <p>Additional information about the companies in www-pages, for instance Continuing Education Center: http://kala.jyu.fi/tkk/taukki.html, Enviset: http://www.enviset.com, Kymppineon Oy: http://www.kymppineon.fi and CCC-Corporation: http://www.ccc.fi.</p>				

‘Thinking’ consists of the former ‘purpose’ and ‘questioning’ and ‘doing’ of the former ‘empowering’ and ‘evaluating’. The titles of the categories were chosen to illustrate

the main orientations in these categories: 'thinking' means more planning, ideas, values, etc. and 'doing' on the other hand, for example experimenting, working intensively and experiencing.

Veho and ICL seem to be companies "challenged by the future". Competition is very hard either in selling products or keeping and motivating the best specialists. Challenges seem to be common for these two companies. They are also similar in their overall focusing, although Veho seems to have worked harder and for a longer time than ICL with the elements presented here.

Nokia Research Center is an organization with clear values and strategies. However, it could be stated that NRC has not yet fully implemented its strategies. One possible reason for this could be its enormous growth and success in developing mobile phones and other high-tech products.

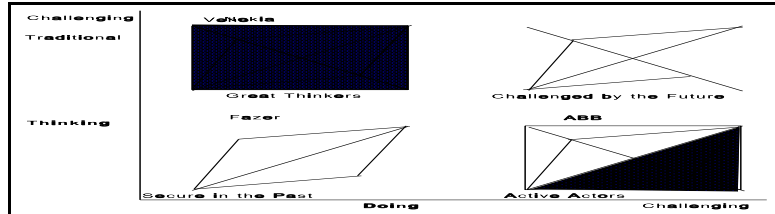
The focus of ABB Industry Oy is more on developing processes and competencies than deriving learning needs from the strategy. It has some focus on strategy of course, but the main emphasis is in on doing, acting, processing and developing.

Fazer Confectionery Ltd. relies more on its experience, but is still a successful company. Its competitive advantage is not in learning, but somewhere else.

These companies may all be successful in their own market situations and businesses, and the main point here is that they are different in their Learning Organization styles. Some base their competitive advantage on learning and building infrastructure for a learning organization and some build it on other elements. Despite these differences all of them can be leaders in their operative fields.

Next, these different companies are illustrated by shadowed diamonds in the figure below. The shape of the diamond is still the same. The position of the diamond, however, has changed, because the analysis is now focusing on "thinking" and "doing". The emphasis towards thinking means shadowing the left (upper) half and the emphasis towards doing means

shadowing the other half. Shadowing the whole means being active in thinking as well as in doing types of activities in learning. Exclusion of shadowing means having some other strengths than learning.



Nokia Research Center is characterized as a *Great Thinker*, because the emphasis is on ‘thinking’ types of activities. Naturally this type of a company also has the other side of the Diamond, but it is weaker. Companies active in ‘doing’ - in this picture ABB Industry - were named as *Active Actors*. Those who were passive both in ‘thinking’ and ‘doing’ are called *Secure in the Past* and the last ones are called companies *Challenged by the Future*. These last companies seem to be those that have done quite a lot for their learning and infrastructure of learning.

The connection between the structure and different styles seems to appear in relation to certain elements. The main focus in finding purpose and questioning could be said to be on ‘thinking’ and the main focus of empowering and evaluation on ‘doing’. But it is important to bear in mind that these are assumptions based on the limited data, available here.

Figure 3:
Companies placed according to the Learning Organization
Diamond Styles

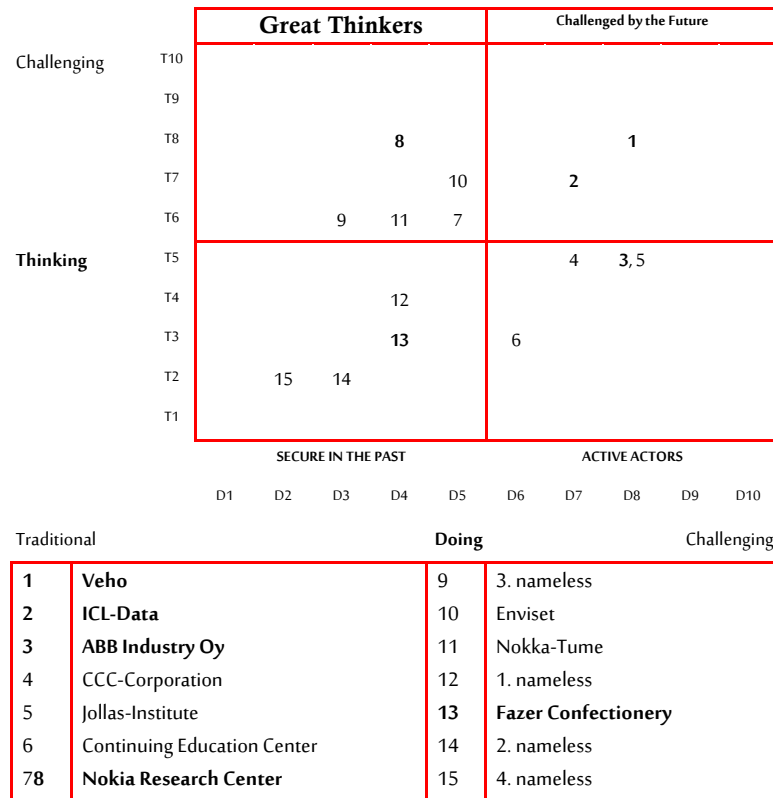


Figure 3 shows the variety of companies interviewed for this study. All of them are now placed in the same figure. It has to be kept in mind that placing is mainly based on the interviews and is therefore subjective. But, on the other hand, the managers interviewed agreed upon the places of their companies. Only one placing, (Enviset 10) was changed (from T7-D6 to T7-D5). Some of the companies placed in the Secure in the Past -style decided not to reveal their names, although it was emphasized that this placing does not mean that they are worse than the others. It was stressed that they have other competitive advantages than learning.

Case companies, as well as the others were analyzed as larger groups, which shed more light to the idea of the different styles of learning companies. Styles are described more thoroughly in Table 5 by using typical features and comments presented in the interviews. Again, it is important to bear in mind that the categories suggested are only tentative, because they have been formed on the basis of the interviews conducted in 15 Finnish companies.

To conclude, different organizations were analyzed and different views about learning organizations were found. It was not so easy to categorize and name the styles, but it was very fruitful. There are organizations operating in very diverse situations, and therefore their learning organization phases and styles cannot be similar to each other.

CONCLUSIONS ABOUT DEVELOPING A MODEL OF STRUCTURES AND STYLES OF LEARNING ORGANIZATIONS

The conclusions of this study are summarized in Table 6 and Table 7, according to the questions raised above. The first important focus of this study was the structure of a learning organization and the second was the different styles of learning companies.

TABLE 5: DESCRIPTIONS OF LEARNING ORGANIZATION DIAMOND STYLES	
GREAT THINKERS	CHALLENGED BY THE FUTURE
organization is more important based on thinking (purpose + questioning) huge challenges in products, very busy developing new products good strategists, not so good leaders of process excellent strategies and visions values, strategies and learning are in line with	individuals and organization both important both thinking and doing challenges inside and outside (both products and processes) both strategists and leaders, as well as excellent examples of learning shared strategy process as well as shared strategy

each other sharing the strategy is not always successful strong in analyzing and reflecting not able to integrate learning with work do not know how to measure learning	strategy and learning have clear relation questioning everything all possible means to empower learning: structural and human sides of the company evaluating, rewarding learning
SECURE IN THE PAST	ACTIVE ACTORS
from point of view of learning: individuals are actors, organization is for doing business not so active in either doing or thinking in relation to learning not so good managers or leaders in the field of learning and development traditional products and processes learning is not a key value strategy does not contain anything about learning not questioning small changes, no resources for significant learning evaluating has nothing to do with learning	individuals are more important more active than reflective focusing on processes and their changes leading processes and people, not the whole business or company not so good at strategy processes or sharing no connection between strategy and learning neither reflecting nor questioning very heavy emphasis on new processes, projects and experiments interested in results, but not in relation to the whole, instead in relation to individual results

Therefore, a structural analysis is first discussed in general followed by a summary of the elements used in the Learning Organization Diamond. Learning organization styles are also analyzed at two levels: first in general and secondly at the specific level of the styles developed here.

TABLE 6: CONCLUSIONS ABOUT STRUCTURAL ANALYSIS OF SOME FINNISH COMPANIES	
Structural analysis in general	Conclusions
is structure really needed this or some other structure elements of this study or some other	structure helps in recognizing the whole this study compares three different viewpoints and is only based on theory; no practical testing or formal comparison elements chosen seem to be general enough to provide frameworks for different types of

	organizations
Analyzed elements	Conclusions
driving forces	particularly in large and fragmented companies the role of someone taking care of developing a learning organization seems to be vital
purpose	shared direction is needed in developing the whole, motivation is needed to find the collective power
questioning	questioning is significant in realizing the current situation with its blockages and facilitators
empowering	this is needed to get things done; structures and systems may need to be formed differently and people need to be supported in their efforts
evaluating	evaluating is valued, but not yet implemented

It can be said that the framework used here made it easier to find significant viewpoints from these 15 interviews. Without knowing the key words, to look for it would have been very difficult to form the picture of the whole and its elements in these 15 companies. Furthermore, it was also easier to compare the companies with each other, because they were analyzed by using the same framework.

TABLE 7: STYLES AND THEIR VALUE FOR THE DISCUSSION ON LEARNING ORGANIZATIONS	
Stylistic analysis in general	Conclusions
stylistic analysis in general	organizations differ from each other so much that additional tools are needed to make these differences and their effects more visible
these or some other styles angles of the analysis	these styles are based on both theory and practiced doing and thinking, as well as past and future, were quite typical for analysis in the literature, although they were not used in the same way as in this study; in practice they seem to be good for finding differences between companies

Analyzed style	Conclusions
Challenged by the Future	this style seems to be shared by companies which have noticed for one reason or another that learning is a question of life or death in their companies
Great Thinkers	companies focusing more on "thinking" side of the real world seem to be existing: they have great ideas, which are not fully implemented
Active Actors	this style also seems to have real examples: no shared visions or purposes, either wondering about the basics, most emphasis is on doing and experimenting
Secure in the Past	all companies do not seem to need learning, at least in the short run, or they have not realized the real reason or need for learning

Table 7 contains the most important conclusions about the stylistic analysis of the interviewed companies. As has been indicated above, styles add insight to the discussion for as long as they offer some tools for analyzing organizations more easily or more thoroughly. Styles are needed, if they make it possible for managers to recognize typical features and general ideas behind the features and use this knowledge in their own work.

The main findings of this study are related to broader interpretations.

1. The first and the most important finding is that business units always need business-orientation, in other words, a learning organization is not only a group of people, but it is organized and it operates under certain "business laws" and therefore needs concepts of its own to analysis.
2. The second main finding is that a generalized, structural analysis is necessary, because it is problematic to try to cover different organizations with only narrow concepts. The need for using some type of "meta concepts" is more useful in describing organizations.

3. The third main finding follows from the second one, namely that Learning Organization Styles are needed because of the great variety of organizations.
4. The fourth main conclusion could be said to be in the viewpoint of a manager and his/her company: organizations are not "bad" or "good" as learning organizations. Instead, they are different and therefore need different tools for developing towards better learning organizations.

DISCUSSION

Holistic analyses of the learning organization and learning organization styles are still rare in the literature of the field. Considerations about the whole have been presented by Mike Pedler and his associates, as well as by Peter M. Senge. Some other studies have also been conducted, for example by Tannenbaum (1997). More discussion about the whole and especially about differences between companies is needed, however.

This study on Finnish companies has some similarities with the work done by scholars reviewed here, but there is one obvious difference. This is the viewpoint of business-orientation and a consciously managed organization. The three models presented in this study seem to have their background more in psychology than in business studies, proper.

The viewpoints presented by Argyris are the most different in terms of the present study, ie. the core is in changing mental models. The need for finding dysfunctional processes and elements is similar in both views. The ideas by Mike Pedler and his associates are very close to the ideas presented here. The most important similarities are in establishing the basic angles (doing and thinking, individual and organization), although they are implemented here differently. The most important dissimilarity concerns the backgrounds of our perspectives: Pedler has his in Action Learning and managerial learning, whereas the background of this study

is more in business studies. The similarities with Senge's ideas are few but clear. They include shared vision as one element and manager's role as an architect and servant.

The present study has certain limitations despite the fact that its background is in theories and ideas tested by other scholars. First of all, the data come mainly from managers' interviews. The second limitation is in the fact that it was not possible to combine qualitative and quantitative data in this study. Originally, the ambitious purpose was to measure and interview the same companies, which could have provided a more reliable picture of the whole. Measuring has been conducted only partly, but has not reached the level of reporting in this study, yet.

Evaluating and developing learning companies could be interesting questions for further studies. Some 20 companies have already been analyzed by the tool developed from The Learning Organization Diamond Model. This tool gives an overall picture of the learning company, but it is not sufficient, because it seems that the more information there is, the more questions can be raised about evaluating. Managers should be asked if they need more information about the top team learning, relations between learning and strategy, team learning, sources of learning, competencies or sharing competence, to mention only a few of the possibilities of evaluating.

The other area of great importance is the question of developing learning companies. A question not asked or answered in this study was the possibility of using styles in enhancing the development of learning companies.

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APPENDIX 1

FIVE DIFFERENT CASES

Veho

Learning and development are important at Veho, which is verified by the extensiveness and content of the interview. Learning is not only a vision in this company, but people from all levels of the organization have worked very hard to fulfill the goals of development and learning. Top managers are in charge of learning of the whole company. The CEO and his assistants concentrate clearly on forming new strategies, sharing them, starting processes required to fulfill these ideas, assessing the outcomes of development as well as challenging and supporting people. They also serve as good examples.

The role of individuals and their motives also seems to be significant at Veho, although it is not the main purpose. People are given a rough framework which directs their work and learning. Reflecting upon the situation seems to be easier than some years ago, perhaps because of the several change processes Veho has accomplished during this decade. Although reflecting is easy at the organizational level, individuals still have negative attitudes towards showing gaps in their own competence.

Empowerment seems to be very carefully done, and dysfunctional structures, systems or other elements have been changed without delay. Resources have been allocated to apply new ways of serving customers, and of developing processes or people themselves. Methods like Action Learning, training, running and participating in projects are actively applied in the whole company. People are also encouraged and financially supported to train themselves systematically. Evaluation is a very meaningful tool in this company, although the main emphasis is on business-based results. Evaluation of learning also seems to be desired in the near future, although measurement tools have not yet been developed.

Veho is a company, challenged by the market situation very heavily. The process of having different types of "learning projects" has given it confidence and a feeling of coping with an unstable situation.

ICL-Data

The Learning organization ideology at ICL-Data seems to consist of several elements with management and strategy as the key concepts for their development. This means a tight relation between strategy and learning: in fact it was said that learning is ICL's strategy. Strategy directs operations and learning, and the results of the company will be gained by consciously managing and leading this process.

People and their willingness to learn also seem to be very important in this company. This is easily understandable, because ICL-Data's personnel is mostly IT-specialists and they have to have motivation for both working and learning. When the infrastructure and learning possibilities are in good condition the results will also be better.

There seem to be some problems related to the prerequisites of learning and development here as in many other companies. People have certain habits and attitudes which hinder questioning and reflecting. Empowering and positive arrangements are better understood and accomplished than reflective questioning. Changes in the structure and systems, as well as in leader roles, have been carried out over the past few years, and all possible means of facilitating individual learning are used. Evaluation is one of the key questions also in this company, although tools have not yet been developed.

ICL Data seems to be a company that has thought out and worked hard to make the work environment more attractive for people who need to be the best in their fields and therefore learning all the time.

Nokia Research Center (NRC)

Nokia Research Center (NRC) is an organization which seems to have done more in values, visions and strategy than in the area of operationalizing these ideas. They are on their way towards the balancing out these, but at present the focus seems to be more on ideas and visions than actual operations. NRC and the whole company is developing new products and growing very rapidly. This might mean fewer resources for developing the learning organization architecture and supporting people in their learning.

The role of strategy seems to be very important at NRC, as is its relation to learning. Values are also very important at Nokia and, one of its core values is learning and developing conditions for it. Questioning at NRC seems to be somewhat contradictory; questioning is needed in every day work, but traditions are still strong and limit further developing. In particular, sharing the vision or sharing the ideas invented in other units is

slightly limited. Questioning seems to be difficult for the personnel: a heavy work load and time pressures keep the process going, but do not leave spare time for reflecting upon the whole situation.

Empowerment at NRS could be described with a metaphor of a one-idea movement. Conscious and systematic work is done to operationalize the ideas in the area chosen. This type of a heavy emphasis on only one area seems not to apply to the two companies presented earlier. The value of evaluating has been noticed and some tools have been developed.

This interview created a picture of an organization concentrating more on individual learning and finding a system of coping with the huge competence base needed in a high-tech company.

ABB Industry Oy

The particular manager interviewed at ABB Industry Oy has himself noticed the importance of learning and knowledge construction. The role of leadership and facilitating learning at a personal level seem to be more pronounced, the value of skills and continuous skill development is strongly stressed in different analysis. A heavy emphasis is placed on individuals and their motives for working, development and learning. The importance of the learning organization ideology has been noticed at ABB Industry Oy, but implementing has not yet been done. The company strategy could be said to be more like a business strategy than a learning strategy, however, when it comes to measures to create a learning culture and for instance to remunerate acquired knowledge as itself, the outcome is somewhat different.

Questioning seems controversial at ABB Industry Oy. Most of the individuals are able to ask for concrete help and information needed in developing their own work, but questioning about the models and attitudes directing their work seems to be more problematic. The area commented mostly upon in this interview was empowerment. ABB Industry Oy has focused on special areas like product development, recognizing the knowledge base, as well as future requirements of constructing new knowledge. They have developed various systems to help people in their learning. Evaluating is not focused on learning, but there are some elements which facilitate learning. Although many evaluation tools are lacking people and their knowledge is seen valuable.

In general, only a few points of this interview could be drawn and analyzed with the Learning Organization Diamond Model. The content of the comments also showed, that these ideas are not yet implemented at Fazer, but the need for applying them seems to be growing.

The long and successful tradition of Fazer is good for its business but not for developing a learning company. Some minor changes, as well as individual learning, could be seen, but nothing more radical from the point of view of learning could be noticed.

Managers and leaders of the company concentrate on business actions. They are not required to develop processes or structures of the company because of the learning needs and the same applies to leading people. Marketing and developing better products are the main points of emphasis of the company and its managers.

Purpose at this company is in running its business, and learning is not present in any significant form in its strategy or in the process of forming and sharing the strategy. Empowering learning was characterized by small things and applications, but nothing radical has been done to facilitate the learning of the whole company. Evaluating learning is missing - the focus of measuring is in business results.

As a conclusion it can be said that Fazer is a successful company, but its competitive advantages are somewhere else than in learning.

RECRUITING AND SELECTING QUALITY EMPLOYEES FOR SMALL BUSINESS AND ENTREPRENEURS

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ABSTRACT

Small businesses comprise a tremendous amount of the U.S. economy. While much research has been conducted studying what makes small businesses succeed or fail, the effects of quality employees has been overlooked. This paper provides information to small business owners on how to recruit and select quality employees. The underlying concepts of recruitment and selection, as well as the options available to small business owners, will be presented and discussed. This should provide some insight for the small business owner on the human resource management practices that can enhance the business.

RECRUITING AND STAFFING OPTIONS FOR SMALL BUSINESS OWNERS

Among the many challenges facing small businesses is that of recruiting and selecting quality employees. While many individuals correctly assume that recruitment and selection are two separate issues, they are closely related. The better the job done during recruitment leads to better options and alternatives when selecting among job applicants for a limited number of positions within the small business.

To further complicate matters, small businesses are in many instances very lean in terms of the number of employees. Given this challenge of having fewer employees involved, it is difficult for these individuals to run the business, complete government paperwork in a timely fashion, and manage the employees and the affairs associated with developing quality employees. Yet, to ignore your human resources

can hurt a small business tremendously. Given this challenge, the three questions a small business owner should address are as follows:

1. Should I conduct recruitment and selection independently?
2. Should I use an external agency to perform these functions?
3. Should I conduct some hiring tasks, and use an external agency for others?

The questions posed provide a wide variety of approaches that might be taken by a small business owner. In order to move forward, the small business owner must consider which options he or she would like to pursue at this point. The remainder of this paper will be subdivided into three major sections.

First, recruitment and selection will be covered from the perspective of an internal function. Second, the use of external agencies for conducting recruitment and selection will be addressed. Finally, the use of some internal procedures coupled with external agencies will be discussed.

RECRUITMENT AND SELECTION CONDUCTED INDEPENDENTLY

Job Description

The first step to recruiting and selecting employees involves defining the job to be conducted. This is known as a job analysis (Fuller, 1993; Harris & Arendt, 1998). The small business owner should consider the duties and responsibilities that the employee will be required to perform, the working conditions, and any knowledge, skills or abilities that would be necessary for successful performance of the job. The key to this is to stay focused on the reason that the job exists. Once the small business owner has identified the essence of the job, he or she should then develop a written job description. The job description is a written document that indicates the job title, to whom the employee reports, and which additional jobs or functions the person in the position will supervise. Additionally, the working

conditions are summarized, along with the detailed requirements of the job. Then, the specific duties and responsibilities of the job should be identified. Finally, as practiced in many organizations, it is acceptable to have the last duty and responsibility indicate that the owner can assign additional duties. This provides flexibility to the small businessman as jobs evolve over time, reducing the need to develop new job descriptions every time a job changes.

The foundation of many good human resource practices is based upon the job description. An accurate job description can assist in recruitment and selection in a number of ways. First, it provides information that can be used to effectively and efficiently recruit employees. Second, it provides some information as to what skills and abilities are necessary for an employee to perform the job successfully, indicating which selection techniques might be best used to assess the abilities of applicants (Fuller, 1993). Expending some effort into developing a comprehensive job description can assist the small business owner when the time comes to recruit and select employees.

Recruitment

The more effective job a small business owner does in recruiting potential employees, the better the quality of the applicants from which he or she will have to choose. First, small business owners should refer to the job description when recruiting. The job description will indicate the specific knowledge, skills and abilities the successful applicant will need to possess to be hired for the job. The nature of the job might influence the recruitment strategy of the small business owner.

A variety of recruitment sources will be discussed in the following paragraphs.

Even when the labor market is tight, classified newspaper advertisements are a common way to recruit employees (Love, 1998). In an advertisement, a small business owner should provide a brief overview of the job, based upon the job description. Advertisements have several positive characteristics. First, they reach a large number of potential applicants. Second, advertisements can be placed at a relatively low cost. While these two factors represent the most positive aspects of advertisements, small business owners should be creative when placing advertisements. The President of Innovative Management Concepts, Cathy Fyock,

an employment-related consulting firm based in Louisville, KY, Cathy Fyock, suggests placing these ads in the sports, television and food sections rather than in the classifieds section of the newspaper (Maynard, 1997a). One healthcare company wanted to target women returning to the workforce, and placed its help-wanted ad near the grocery ads (Fyock, 1992). Additionally, Ms. Fyock suggests advertising in alternative publications, such as small community newspapers, church newsletters, as well as publications of professional associations.

The techniques presented can lead to finding good candidates when good candidates are difficult to find; however, when times are tough for employees, an advertisement can lead to many applications for the small business owner to sift through. The downfall is that one advertisement can lead to as many as 100 job applications, and many of these individuals might not be qualified for the job. However, all is not lost. There are several steps an organization can take to reduce the number of unqualified applicants for a job. First, the advertisement can contain a realistic job preview (RJP). An RJP is stating both the good and bad aspects of the job (Meglino & DeNisi, 1987). As individuals gain information about organizations, they develop expectations. By utilizing an RJP, an organization provides a realistic expectation. This saves time and money for the small business owner given that organizations using RJP's experience lower turnover rates, lowering future recruitment and selection costs (Meglino & DeNisi, 1987). Additionally, RJP's do not drive away highly qualified applicants, as acceptance rates remain at their previous levels (Vandenberg & Scarpello, 1990). Because the applicants know what they are getting into from the start, these applicants are much more likely to be successful, satisfied and motivated than the applicant who assumes the job has no bad qualities (Meglino & DeNisi, 1987).

A second step a small business can take is to place a blind-box ad, which is an advertisement in which there is no identification of the business (DeCenzo & Robbins, 1999). Applicants are asked to reply to a post office box, which can represent an additional cost to the small businessman. However, the benefits might outweigh the costs associated with this technique. Because there is no identification of who the employer is, many individuals are reluctant to apply to blind-box ads, for fear that their employer is the one placing the advertisement (DeCenzo & Robbins, 1999). This is unlike the situation where the applicant is instructed to apply at a

specific organization based upon a more traditional advertisement. Some companies use this technique to reduce the number of applications they have to sift through. Additionally, businesses need only to respond to the applicants that they are interested in pursuing. When discussing this technique with employers, several indicated that it saves both time and money, given that the organization does not need to send rejection letters to those applicants not found to be suitable for the position to be filled. This is a technique that the small businessman can adopt if they need to reduce the amount of time spent recruiting and selecting employees.

Another step a small business can take is to target its recruiting efforts. For example, for those jobs requiring specific skills and abilities, a small business owner might approach local professional organizations or community colleges or universities to place an advertisement. Additionally, if certain skills are required and can be documented, then placing advertisements in trade magazines or journals can be helpful, and are used by small business to find applicants (Alexander, Ray, & Naffziger, 1997). These magazines and journals help target the desired applicant pool since the readership of these publications primarily consists of individuals in specific professions. Finally, requiring proof of those qualifications can further reduce the number of applicants responding to the advertisement.

Targeting recruitment efforts, however, can take on different forms, which have proven to be successful for many small business owners. Employers with quality employees may want to consider asking their employees to encourage their friends to apply for jobs (Alexander et al., 1997). At Proxicom, Inc., a small company providing internet related services, employee referrals is the primary way in which applicants are recruited (Love, 1998). Raul Fernandez, the president, indicates that employees willingly refer their friends for jobs with his company.

Another way to target recruitment is to look to specific sources of potential applicants. Hiring welfare recipients was once not viewed as an option for many employers. With the shrinking labor force, however, many small business owners, desperate for employees, have found that there are many potential benefits to hiring welfare recipients. First, the notion that people on welfare do not want to work is very often not true. Just outside of Milwaukee, C.D. Baird, Inc. was able to hire several former welfare recipients, as well as several disabled workers (Maynard, 1997a). Baird's personnel director found that programs exist to assist organizations

who hire these types of workers. Among these programs are tax credits, wage subsidies and enterprise zone programs which can assist small business owners in paying the employee's wages (Montague, 1997). A closely related option is to determine where the available labor is located, as Olson Warehouse and Distribution Company did (Buss, 1996). When expanding the small business, the company decided to locate to the inner city of Milwaukee, where available workers were in large supply.

Other employers have found that employees with certain types of backgrounds make the best employees. At Tommaso's Fresh Pasta in Dallas, the owners have found that immigrants have made the best employees in their organization (Ray, 1998). The organization set out to find good employees. In searching for good employees, the owners found that immigrants worked better in their organization, with immigrants now holding 21 of the 33 jobs in the organization.

Another source of potential applicants is the growing and expanding segments of the labor force. One such growing segment consists of older workers, while the number of younger workers in the labor force decreasing (Smith & Hoy, 1992). Given this trend and combined with the effects of corporate downsizing and rightsizing, small business owners may want to consider pursuing older workers. Older workers bring with them a number of characteristics that may benefit small business. They are more experienced, and can bring those experiences into the small business. Older workers also have been found to be more satisfied with their employment and more committed to their organizations, which may indicate a lower intention to leave their jobs (Smith & Hoy, 1992). Finally, small businesses have typically employed proportionately larger numbers of older workers than large organizations, and have certainly experienced success using this approach (Barth, Cordes, & Haber, 1984). Given the success of focusing on specific sources of applicants by small businesses, it is important to remember this concept when looking to fill positions in the small business.

A fourth technique used to recruit applicants involves hosting job fairs, or attending them at local colleges and vocational schools. Cathy Fyock of Innovative Management Concepts indicates that hosting an open house or job fair can attract interested applicants for jobs (Maynard, 1997a). However, if hosting an open house or job fair may seem overwhelming, most colleges and universities also allow

employers to visit the school on a given day, and students can interact with the employers present. One of the problems that small business owners must consider is coverage of the business while attending the job fair. For very small businesses, this may not be an option if the business needs to be operating at the same time the job fair is being conducted. Another problem is that many students may be looking for larger companies that are more easily recognized. As a result, while job fairs are an option, the small business owner must weigh the effort and time spent against the possibility of not finding a single applicant.

Closely related to job fairs are the placement offices of local colleges and vocational schools (Alexander et. al., 1997). Many of these institutions allow employers to provide information about jobs and then make this information available to students using the placement services of the university. While the face-to-face interaction of the job fair is lost, the time used to recruit, using this method, is very minimal. Also, the targeted population is usually smaller than that which would be reached using an advertisement in a newspaper, resulting in fewer applications to sift through. This can be good or bad. In the worst case scenario, no one will apply for the job. However, college placement services are typically free of charge, whereas newspaper advertisements are not.

Daniel Marcus, president of Encore Manufacturing Corporation, understands the importance of approaching schools (Buss, 1996). Rather than focus on colleges and vocational schools, Mr. Marcus lectures to high school manufacturing and technology classes. By being visible and using his organization as an example, students become interested, and later apply for jobs with his firm, which employs 65 workers.

Another recruitment source is to use internships. Many college and vocational students seek to gain experience in their chosen occupations. Many college programs offer internships for credit. This allows small business owners to obtain the help they seek, while at the same time helping the students gain the experience they seek. It also affords the small business owner the opportunity to get a good look at a student's work without a long-term commitment. If the intern works out well, then the owner can move on to further options and offers. Many students each year take internships that later become their full-time jobs upon completion of their programs of study.

The use of internships has proven to be very valuable for Creamer Dickson Basford (Maynard, 1997b). This New York City based small public relations firm has developed a highly successful internship program, having received 1,000 applications for 5 minimum wage summer internships in 1996. These internships have reduced recruiting costs by allowing for a complete testing of the intern's capabilities.

Finally, small business owners can use any combination of the recruitment techniques listed. The owner should examine closely such issues as unemployment rates, wages, competition and skills desired when formulating a recruitment technique or strategy, as each of these issues influences the success of the recruitment effort. For example, when unemployment is high, many individuals will apply for the same job, as each hopes to be gainfully employed. However, when unemployment is low, job seekers have more choices among jobs. This can make it more difficult to find quality employees for the small businessman. Be innovative and creative, and once you find a system or source that works, stick with it.

Selection

Once recruitment is in order, the next consideration for the small business owner is to choose among the selection instruments available to determine the best applicant for the job. In the following paragraphs, several selection instruments will be discussed. Realize that this does not necessarily represent an order to be used when selecting employees. The order to be used should be shaped by two major factors; namely, effectiveness of the instrument at providing job-related information as well as the efficient use of time. For example, it is more effective and efficient to give typing tests to clerical workers prior to conducting the job interview. If we gave interviews first, it would be difficult to determine which applicants possess the skills necessary to perform successfully on the job. The typing test quickly (efficiently) and effectively identifies which applicants are qualified for the job.

The only option that should be used as a first step is to obtain either an application form or a resume from prospective applicants (Alexander et al., 1997). This should be conducted first because this provides preliminary background information about the applicant's education, experience and qualifications.

Resumes provide the advantage that an employer does not have to create an application blank, which could save time and money. However, resumes from different individuals are not always formatted in the same manner. This can cost the employer in time to examine resumes that are set up differently. Resumes of applicants often times are misleading, enhancing or even misrepresenting the qualifications of the individual (Bachler, 1995).

Job application forms, on the other hand, do take time and money to set up properly. Additionally, many application forms violate the law by asking for information that is not pertinent to the job. Even well established companies have violated EEO laws when using their application form. One must be careful as to what background information is required on the application form. For example, whether someone is married or not or male or female has nothing to do with the individual's ability to perform. Typical information requested on an application includes name, address, telephone number, social security number, education, work experience and references.

While there is an implicit cost of generating application forms, they can provide several advantages over resumes. First, all applicants are asked to provide the same information, standardizing the information collected from the applicants. This allows for a fairer and easier comparison among the applicants. Second, an employer can require applicants to read and sign a statement indicating the truthfulness of the information provided (Sovereign, 1994). This provides some security for the employer, because providing false information can be grounds for dismissal. The application can address this issue, while the resume may not.

Once applications and resumes are collected, they can then be screened, meaning that the small business owner can discard those applications and resumes that do not meet the qualifications for the job. Beyond this, any of the following techniques can be used to select among the applicants.

Employment tests are commonly used to evaluate the ability of the applicant to perform on the job. A very wide variety of employment tests exist. First, work sampling, or job tryouts, can be used. This is a situation when a miniature replica of the job is created, and applicants are asked to perform the job, allowing for an evaluation of their ability. For example, if you refer to your job description and find that typing, as well as operating a 10-key calculator, is required of

the prospective employee, a work sampling could consist of a typing test and 10-key calculator test. Job tryouts have been found to be used by just over half of the small businesses that were surveyed in the Midwest region of the United States (Deshpande & Golhar, 1994).

Written tests measuring a wide variety of knowledge, skills and abilities can also be used to evaluate applicants. Written tests can evaluate intellect, motor ability, analytical skills and personality traits, and are used by approximately 41 percent of small manufacturing firms in the Midwest (Deshpande & Golhar, 1994). The key to the successful use of written tests is that they be correlated to success on the job. Employers should be cautious when using written tests, ensuring that the test is not only related to the job, but also accurately indicates which applicants will be successful on the job. Finally, tests can be purchased from vendors. Many of these vendors will indicate that their tests are valid and will stand up in court. Be sure to read the fine print. Many contracts indicate that the test must be given under specific circumstances and for specific jobs in order to be considered valid. If these requirements are not met, then the vendor is not responsible for any possible lawsuits.

One organization, Spirit Rent-A-Car, Inc., found that using tests for both personality and aptitude has helped their organization to grow to its current size of 300 employees (Barrier, 1996). Having tried the tests on their current employees first gave this organization the confidence to use the tests on applicants. In most instances if an individual is hired who did not score well on one of these tests, a termination follows after a short period of employment.

Another form of test is an honesty test. Honesty tests can be useful, and in most cases look for consistent patterns in an applicant's responses to a variety of questions. However, most applicants may be prone to provide socially acceptable responses to these questions, which might limit their usefulness. It has even been claimed that identifying honest employees has become a business necessity in the past few years (Hornsby, Kuratko, & Honey, 1992). Given the issues that face small business, as well as the potential losses associated with employee theft, incorporating an honesty test into the selection procedure may be well worth the investment.

The most commonly used selection device is the employment interview, with 89 percent of small businesses using a one-on-one employment interview when

selecting employees (Deshpande & Golhar, 1994). Employment interviews have been found to be less reliable and valid than job-related tests. However, most businesses will not give up the face-to-face contact that an employment interview provides. Given that dilemma, the focus will be on how to improve the employment interview.

First, structured interviews can improve the reliability and validity of the interview (Dipboye, 1992). A structured interview is one in which the questions are established prior to the interview. All applicants are asked the same questions in the same order. This type of interview allows for the effective comparison among the applicants regarding which applicant is best qualified.

Second, take notes during the interview. Relying on memory can lead to poor decisions. By taking notes, an interviewer can refer to the responses after the interview when making employment decisions. However, one must be careful to document only job-related criteria. Also, if notes are taken, then they can be "scored" following the interview. An employer can generate prior to the interview examples of good, so-so, and poor responses. This can assist the interviewer in identifying how qualified an applicant is for the job.

Third, prepare for the interview. Look over the applicant's resume or application blank and test scores (if applicable) so that you are aware of his or her abilities during the interview. It is important that the interviewer has an understanding about the applicant's background and qualifications, so that job-related issues can be discussed or questioned in the interview. Finally, review the questions to be asked.

Fourth, the questions that are asked of applicants should possess three primary qualities. First, questions that are asked of applicants should be work-related. For example, asking questions about work experience would be appropriate. Second, a small business owner should ask questions which are of a situational nature, meaning that the applicant would describe how he or she acted or responded in a particular situation or how they solved a job-related problem (Lieber, 1996). Finally, questions that are asked of applicants should be open-ended. A question that contains all three of these qualities accomplishes several feats. It requires work-related information to be provided, as well as the applicant to describe

this situation beyond a yes or no response. For example, if the job requires conflict resolution, a good question to ask might be as follows:

Tell me about a time in which you had a conflict with a coworker and how you went about resolving this conflict.

This question does two things very well. First, it gets at the job-related issue of conflict resolution. Second, it forces the applicant to describe a work situation and his or her response to that situation. Finally, this is not a question that can effectively be answered with a yes or no response. Questions that can be answered with a yes or no should be avoided.

Fifth, use the interview for what it is really good at assessing. The two major areas are communication skills and ability as well as interpersonal skills (Buckley & Eder, 1996). Most jobs today require each of these sets of skills. The interview requires, if not relies on, each of these sets of skills. Use the interview to assess these skills as they apply to your business. In a study of hiring factors, communications skills were found to be among the employment decision factors which small business considered when making hiring decisions (Alexander et al., 1997).

Sixth, since the interview consists of communication between at least two parties, use the interview to elaborate on the realistic job preview. When providing the realistic job preview, try to provide accurate information while selling the workers on your company or business (McGarvey, 1996). According to Roger Herman, a management consultant, using the interview to sell applicants on your company or business results in hiring more of the applicants that the business owners want.

Finally, when conducting the interview, attempt to put the applicant at ease. You should be interested in their ability; however, realize that interviews are stressful for most applicants. Allow time for the applicant to ask questions. The questions asked may indicate valuable information about the applicant's ability.

Also, do not jump to conclusions. Make an overall evaluation following the interview.

At some point, a background or reference check should be conducted. When checking references or background, ask questions relating to the applicant's performance on past jobs. Do not be surprised if many employers will not provide background information. Some will verify information, but not provide additional information. Be prepared to alter your questions to fit the situation. However, you do want to attempt to check references, even if it does not provide additional information. This will put you on more sound legal ground if you identify poor work performance, or run into problems with an applicant who is hired. Finally, remember that sometimes what is not said is the important information you are looking for.

In many cases, it is once problems arise that employers find that they should have conducted reference checks, verifying the information on the resume or application. Ed Pendergast, President of Symbus Technology, stated that his organization has had several occasions where applicants claimed to have had advanced degrees when they did not have these degrees (Weaver, 1997). In another case, DeAnne Rosenberg, a management consultant, found that an organization hired someone for a sales position that required extensive travel by automobile. The employee seriously injured another person while driving in an intoxicated state. Had a reference check been conducted, the employer would have learned that the employee had lost three jobs for being drunk (Weaver, 1997). However, it was too late for this particular organization.

Finally, if a small business owner wants to require medical examinations, it is recommended that this type of evaluation be given only after a conditional job offer is made. While the Americans with Disabilities Act applies only to businesses with 15 or more employees, by having this device at this point ensures that once the business grows beyond that point it will be in compliance with this particular piece of legislation.

USING AN EXTERNAL AGENCY TO CONDUCT RECRUITMENT AND SELECTION

In some situations, a small business owner cannot afford to take the time to recruit and select among applicants for a position currently open in the firm. In today's marketplace, this poses relatively little problem to an employer. Employment agencies and staffing firms are very commonplace, representing one of the largest and growing segments of the U.S. economy. For small business owners who do not have the time, but do have the money, several viable alternatives exist which can lead to recruiting and selecting quality employees. In the next several subsections of this paper, alternatives will be presented in which the small business owner takes a "hands off" approach to recruitment and selection, allowing an "agent" of the firm to handle these matters.

Staffing Agencies

Presently, one of the largest employers in the United States is a staffing agency, Manpower, Inc. Staffing agencies can assist in filling the needs of small businesses in a variety of ways. One way in which this can be accomplished is where the small business owner provides a job description to the staffing agency, allowing the agency to recruit, screen and select a qualified applicant from among the pool of applicants. The expenses associated with this service can vary from the employer paying all of the fees to shared fee expenses among the employer and employee to the employee paying all of the fees. This represents an option where the small business owner saves time by not having to examine applications, screen applicants, interview applicants and make a final decision, as Thomas Oberlin found out (Weaver, 1997). His firm, Oberlin Filter Corporation, hired a staffing agency to interview and verify references of job applicants, saving the organization time and money.

A second option is to lease employees. In this situation, the staffing agency or the professional employer organization (PEO) acts as the employer, merely loaning you qualified employees (Laabs, 1996). This situation again reduces the time associated with recruiting, screening and selecting among qualified applicants. In most circumstances, the small business owner pays the staffing agency an hourly, weekly or monthly rate, depending on the contract that is established. As a result of the staffing agency or PEO being the employer, the small business owner would not

need to pay any benefits, including social security and FICA, or complete the paperwork associated with these issues. Most likely, the small business would realize reduced premiums associated with workers' compensation insurance and unemployment compensation insurance, given that they are not considered the employer, and will not be responsible for those areas of employment. These can represent considerable savings to small businesses, as David Scott, vice president of operations of The Corporation for Professional Education, found out (Begany, 1991). David Scott indicates that his organization switched to employee leasing because the costs of many benefits had risen to a point that this small company could no longer offer them, but that the leasing organization could offer them.

Downfalls to leasing employees, however, do exist. If the small business owner is paying a staffing agency a fee of \$11.00 per hour for a leased employee, the staffing agency may be paying that individual only \$6.50 per hour, given that they are picking up additional costs, and may be providing benefits beyond the legally mandated benefits. This could lead to a situation where a small business owner could experience turnover beyond his or her control, as the employee may be searching for a more permanent employment relationship. Additionally, the ability to attract quality employees is reduced when wages are lower, and this could result when the staffing agency is taking its fee to employ individuals on behalf of the small business. However, if the reduced liability and time savings are high enough to offset the downfalls, this could be a very attractive option for small business owners, as many small employers have realized. The typical client for PEOs is a small business, with the average size of the clients running at about 43 employees (Laabs, 1996).

An additional option for small business owners is to use a temp-to-hire option with staffing agencies. In this situation, a staffing agency can supply a small business owner with qualified applicants. This allows the small business owner the luxury of taking an extended look at the employee's ability, qualifications and performance prior to committing to a full-time employment offer. Again, benefits include saving time, paying a flat fee while the employee is employed by the staffing agency, and most importantly, having the opportunity to take a look at the employee's performance for an extended period of time while on the job. Additionally, if the employee does not work out, there is no penalty associated with possible increases in

unemployment compensation premiums, as a third party, the staffing agency, employs the employee. The largest downfall is the lack of opportunity for the small business owner to examine all of the applications. However, this could represent a considerable cost in some situations, negating this downfall. Nonetheless, small businesses have used staffing agencies as a way to recruit employees (Alexander et al., 1997).

CONDUCTING SOME TASKS: USING AN AGENCY FOR OTHER TASKS

Most small business owners may not want to relinquish total control to a third party to make employment decisions on their behalf. This is understandable, given that the staffing agency does not have the same vested interest in the operation of the small business. Given this situation, what might be more appropriate is to have a third party conduct some of the time consuming tasks while the small business owner conducts other critical tasks, such as the interviewing of qualified applicants.

Small business owners could advertise their positions through public employment agencies. Given that these agencies are closely tied to unemployment benefits, they can generate a reasonably sized applicant pool at a very low cost. In this case, the public employment agency conducts the recruiting, while the small business owner screens the applications and conducts the tasks associated with selection. One major downfall with public employment agencies is their image. State agencies are perceived by prospective applicants as having available only low-skilled jobs (Decenzo & Robbins, 1999). This does not reflect on the competency of the agency, just the perception of the agency. In this option, the costs associated with recruitment are reduced, as well as the potential number of applicants. The time associated with screening and selecting among qualified applicants is the same as when the small business owner conducts selection on his or her own.

When considering private employment agencies, including staffing agencies and executive search firms, the options available to small business owners are much wider. In addition to conducting the recruitment, private employment agencies can be contracted to conduct initial screening. This could save the small

business owner a considerable amount of time. Realize that the fee for this additional task will be slightly higher, but the benefits may well outweigh the costs, as these organizations are human resource professionals, and may be able to more effectively and efficiently conduct this portion of the business (Weaver, 1997). Private employment agencies can be contracted to administer job-related employment tests, identifying which applicants meet the qualifications associated with the job available. Additionally, private employment agencies can conduct initial interviews, narrowing the group of qualified applicants for the small business owner, saving him or her additional time. With each additional task, the price of the contracted services will increase. However, if time is a scarce commodity, the money spent can be well worth the ability to focus one's time on running the business. This option allows the small business owner some additional control over the final decision, ensuring that an appropriate selection decision is made for the business.

SUMMARY OF RECRUITMENT AND SELECTION

A wide range of options exists for small business owners when conducting recruitment and selection. The selection tools presented are merely tools for identifying qualified individuals for the job available. A small business owner should carefully weigh the costs and benefits of the tools available, as well as take into consideration the value of time and money. A third party can easily conduct recruitment, whereas final selection is a tougher issue. Third parties do not have the same interest in the small business as the owner does. Some special circumstances or issues cannot be easily communicated to a third party. The small business owner should carefully consider his or her options given the situation that exists.

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UTILIZING INTERNSHIPS TO INCORPORATE EXPERIENTIAL LEARNING INTO COLLEGIATE ENTREPRENEURSHIP PROGRAMS

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ABSTRACT

Collegiate entrepreneurship education has come under close scrutiny and even criticism over the years. A major weakness is that students leave these programs without practical experience in entrepreneurship. Numerous papers have been written on experiential learning and on internships in other professions. However, very little attention has been given to internship as an experiential learning technique in entrepreneurship education.

This paper provides a definition for the entrepreneurial internship, the philosophical basis and benefits, and offers practical advice for implementing and managing an entrepreneurial internship.

INTRODUCTION

This paper focuses on experiential learning experiences in university entrepreneurship programs. Internships are defined as structured, out-of-class experiences that include a substantial work component (Kaston, 1984). They may be taken during the

summer or regular academic semester, be paid or unpaid, full or part-time employment, and taken for credit or noncredit purposes.

The academic and trade literature leaves the impression that internships are the domain of large companies and the public sector (Hite, 1986; Gabris & Mitchell, 1989; Farnham, 1993; and Bounds, 1995). This isn't necessarily so. Although we have no firm statistics on the number of internships in small, and middle-sized firms, internships may be found in many types of small businesses, including high-tech ones (Cronin, 1993; Gangemi, 1995). Internships which are conducted through various university departments such as management, accounting, marketing, or communications, may well be carried out in a small business.

Many instructors teaching entrepreneurship courses have incorporated experiential learning techniques in their attempt to provide hands-on experiences for their students. These techniques include Small Business Institute (SBI) type projects, case studies, simulations, and internships. Rogers (1997) reported that the Kauffman Foundation's Center for Entrepreneurial Leadership funded 39 schools during the last two years to implement internship/field experiences into their entrepreneurship programs. This number represents a 950 percent increase over the four schools with internship courses listed in Vesper's (1993) Compendium of entrepreneurship education.

Student internships given through the university are expected to grow even more in the future, especially those in entrepreneurship, as they reflect the growth of the United States as an entrepreneurial society. In addition, student internships overcome the alleged weaknesses of entrepreneurship programs, including the lack of practical experience (Clouse, 1990). Lastly, numerous articles and papers have been written on experiential learning, in particular teaching SBI-related courses and on internships in various professions. However, very little attention

has been given to internships as an experiential learning technique in entrepreneurship programs.

The effectiveness of an internship program depends upon how well it is carried out by university personnel, faculty advisors, and the company sponsor. This paper provides a definition of an entrepreneurial internship, the philosophical basis and benefits, and lastly, offers practical advice for implementing and managing an entrepreneurial internship.

DEFINITION OF AN ENTREPRENEURIAL INTERNSHIP

The entrepreneurial internship is a period of occupational experience in an entrepreneurial firm after the student has completed the required entrepreneurship course work. The internship provides experience-based learning and exposes students to entrepreneurs who start and grow companies. During the internship, the student is directly in touch with the realities being studied. Instead of simply reading, writing, and speaking about entrepreneurship, the student is actually involved in the operation of an entrepreneurial company.

Unlike other internships, the entrepreneurial internship does not specifically focus on business skills development, but rather provides a comprehensive understanding of owning and operating a business. The entrepreneurial internship differs from other internships in that it exposes student to entrepreneurs rather than to supervisors and managers. The entrepreneurial intern works directly with the entrepreneur, fully participating in activities and decisions that the entrepreneur makes. The intern is side-by-side “rubbing elbows” with the entrepreneur so that he/she can experience the real world of entrepreneurial decision-making and learn first-hand what it takes to be an entrepreneur.

THEORETICAL FOUNDATIONS

Internship or field experience as a learning technique is derived from experiential learning theory. The heart of experiential learning theory, according to Walters and Marks (1981), is the belief that learning occurs when an individual is actively involved with actual experience.

Bandura's (1977) Social Learning Theory explains experiential learning in internships. According to the theory, students learn by interacting with, and observing the behaviors and rewards of, a mentor or role model (observational learning). If the rewards are of value to the student, he or she will replicate the mentor's behavior to obtain similar results. The entrepreneurial internship incorporates observational learning from successful mentors (entrepreneurs) and is an effective strategy for helping entrepreneurship students learn the intricacies of business ownership.

Kolb's (1984) work on linking theory to actual practice also helps us understand experiential learning in internships and field experiences. He proposes that learning "is a process whereby knowledge is created through the transformation of experience" (Kolb, 1984, p. 38). In Kolb's model, learners have concrete experiences, then they reflect on these experiences. From these reflective observations, learners develop new skills, attitudes, and way of thinking. Learners then use these new skills and attitudes as a guide to further action, called active experimentation. The entrepreneurial internship provides students with the concrete experiences. During the integrative seminars students reflect on these experiences and develop new ideas and attitudes. These seminars integrate the internship experience and academic knowledge. The emphasis is on relating course material to the experience through guest speakers, videotapes and discussions. When students return to the internship they engage in active experimentation as they solve day to day problems of the business. The internship experience, therefore, increases student learning of entrepreneurship.

John Dewey (1971) provides a strong justification for experiential learning. He stated: “Learning to perform new roles, through off-campus experiences, was more fundamental than learning how to do something” (Dewey, 1971, p. 6). For example, the entrepreneurship student in the experiential setting first becomes aware of a problem, gets an idea for solving the problem, tries out a response, experiences the consequences, and either confirms or modifies previous conceptions. Using Dewey’s framework, the entrepreneurial internship allows students to reconstruct experience, thus resulting in significant experiential learning.

BENEFITS OF THE ENTREPRENEURIAL INTERNSHIP

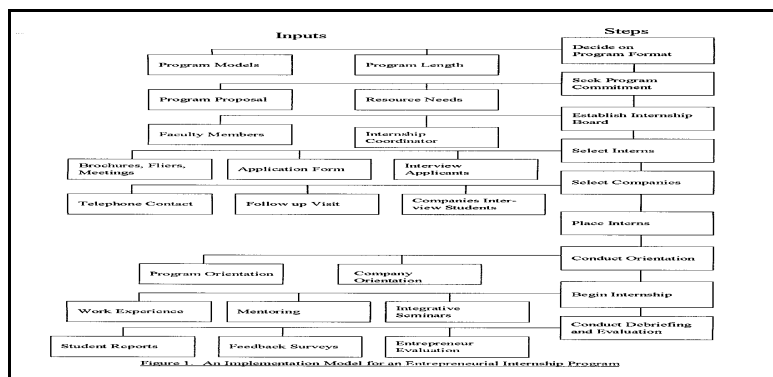
Apart from the philosophical justification for experiential learning, why do schools start an entrepreneurial internship program? In the authors’ situations, as in most business schools, developing the entrepreneurial internship is consistent with the mission of the business school. The goal of the business school is to provide high quality business and management education relevant to the needs of businesses and the community. Internship or field experience in businesses is an important vehicle for achieving this objective. Other reasons may be to increase the involvement of local entrepreneurs in the entrepreneurship program and to provide opportunities for entrepreneurship students to develop mentor relationships with local entrepreneurs.

Regardless of the reason for starting the program, the entrepreneurial internship can result in a win-win situation for everyone--the students, the entrepreneurship program/university, and the participating entrepreneurs. Table 1 shows a matrix of the potential benefits of the entrepreneurial internship program. The benefits, adapted from Beatty, Lady, Peacock, and Saladin (1996), are organized along a vertical benefit category domain, and a horizontal recipient dimension. The recipient dimension

specifies the primary recipient of the benefit, for example, faculty, school/student, and entrepreneur. The benefit category domain designates the overall categories of benefits from the internship.

Table 1: Benefits Matrix of the Entrepreneurial Internship Program

Recipients		
Students	School/Program	
th "real issues entrepreneurs n a daily basis. kills and techniques to solve in an entrepreneurial setting. nowledge from the classroom o problems in a business. hat it takes to be successful.	Improve the quality of the program Students return and share realistic on-the-job experiences with fellow students and faculty. Greater interaction between business faculty and local entrepreneurs, allowing for activities such as guest speakers, mentorships, and live cases for classroom instruction.	Fresh inc In fresh New
n about the business and the meone else's expense. luate entrepreneurship as a re actually starting.	Businesses may provide support to school to engage in research with practical applications. Businesses provide experiential learning which the college is unable to provide. Businesses aid the university by providing students with the most up-to-date facilities.	Intern c Studen for beco
velop mentor relationships. ng referrals for customers. ract with suppliers, bankers, tomers, etc. or a full-time job, if needed.	Build contacts for placement of future interns. Contacts for speakers, cases, and plant tours. School of Business can build a meaningful partnership with business community. Developing contacts for strengthening program advisory committee.	Opp Contac Oppor



INCORPORATING THE INTERNSHIP INTO THE ENTREPRENEURSHIP PROGRAM

The following steps should be carried out when developing an entrepreneurial internship program: (1) decide on the program format; (2) seek program commitment from administrators and faculty; (3) implement the program; and, (4) conduct program evaluation. Figure 1 displays a model of this process.

Decide on Program Format

There is no one “best” format for entrepreneurial internship programs. Several different models are used. Figure 2 summarizes four alternative program models for the entrepreneurial internship (Hanson, 1992).

Figure 2
Alternative Models for Entrepreneurial Internship Program

1. **Internship followed by Practicum:** Student completes internship followed by a practicum in the next semester with the same company. The student analyzes a problem identified during the internship; and provides recommendations to the company through a consulting report and presentation.
2. **Alternating Program:** Student completes a full semester internship then attends classes the following semester. During the internship student attends mandatory intern meetings and seminars. This model might be more suited for small programs with few students.

- | | |
|----|--|
| 3. | Parallel Program: Student is concurrently enrolled in courses at the university while spending a limited period of time on the internship. The student may not be able to take advantage of the full range of site experiences, but faculty has greater control over the program. |
| 4. | Independent Study Approach: Student works as “volunteer” with the company, then prepares a written report under the supervision of a faculty member. Course credits are assigned according to type of project. |

The Program Director should review each option to determine which one best fits his or her school. Alternatively, he or she may use elements from two or more options to develop a customized format that provides the best educational experience for the students. Similarly, there is no “best” length for the entrepreneurial internship. The duration will vary among schools. Choose the period of time that is adequate to provide students a meaningful experience-based learning.

Two other issues related to program format are: Should internships be done out of state or out of the country, and should they be paid or unpaid? The location of the university and the size of the entrepreneurship program will determine whether interns will be allowed to do their internships outside the university area, out of state or even out to the country. This decision will determine the number, size, and type of potential employers who can be recruited to support the program. If the university is located in a small town, it may be necessary to place interns in neighboring cities or even out of state. Similarly, if the internship program is related to international entrepreneurship or international business, students may be placed with businesses

overseas. Programs done in the local university area tend to be better managed and more successful.

The problem with placing interns too far away is that it becomes too difficult for the Program Director to visit them. However, given the convenience of videotapes, faxes, e-mail, and other teleconferencing technologies, some programs may choose to sacrifice the site visits for a meaningful internship experience.

Regarding student compensation, the entrepreneurial internship may be a paid training experience. Most internships in other disciplines are paid programs. Given the economic background of most of our students, and the current state of the economy, it may be unrealistic to expect them to participate in an internship which does not, at least, pay their expenses.

On the other hand, if most of the local businesses are very small, they may be unable to pay the full stipend. In these cases it may be necessary to identify additional funding to subsidize the stipend. Two possible sources of funding are the Coleman Foundation and the Ewing Marion Kauffman Foundation. The Coleman Foundation, Inc. provides a one-time grant of \$25,000 to schools interested in developing a new entrepreneurship program or expanding an existing program. The Kauffman Foundation, through its Center for Entrepreneurial Leadership, provides internship grants of up to \$100,000 to encourage schools to begin or expand an entrepreneurial internship program. During the years 1996 and 1997, the Foundation awarded approximately \$2 million to 39 colleges and universities.

Seek Program Commitment

After completing the initial planning, the next step is to seek the support of the Department Chair, the Dean, and the business faculty. Most administrators will want a proposal in writing. Prepare a proposal outlining the program and the plans for its implementation. Be prepared to explain the resource needs

of the program. Administrators will be interested in knowing: How much faculty time will be needed for program coordination? Will the program be managed as overload, release time, or free time? What clerical help will be needed and what funds will be needed to purchase supplies and to subsidize students' stipends? In addition to the proposal, seek a commitment from the Department Chair about the extent to which your work as internship coordinator will count towards tenure and promotion. Answers to these questions will determine the size of the program, and whether you will actually be able to start the program.

Generally, it is relatively easy to gain administrators' support for the program. Business Programs Advisory Boards and Accrediting Agencies long have encouraged incorporating real world experiences into the business curriculum. The entrepreneurial internship allows administrators to respond to these concerns. Administrators tend to "buy" into the idea of experiential learning very easily, because of its potential for increasing the involvement of the business community in the business programs. Internship/field experience enhances the quality of the entrepreneurship program and gives the school more credibility with the business community. So, administrators can become the program's chief advocates.

Obtaining the business faculty's commitment may not be easy. Business faculty are more skeptical of internship programs. Some faculty may view the program as lacking academic rigor, providing an easy grade, or providing cheap labor to businesses rather than as a course in which academic learning takes place. Be prepared to make presentations to faculty meetings and to give explanations to individual faculty members who may want to better understand the program.

Implementation

The main elements of the implementation plan are: establishing the Internship Board, selecting students and companies, matching students with companies, preparing students for the internship, and getting the program operational.

(a) *Establish Internship Board.* The members of the Internship Board are local entrepreneurs and faculty members who represent the major areas in the school's/college's academic program. Through the Board, entrepreneurs and faculty give input on course prerequisites, selection criteria, program content, intern assignments, and linking classroom learning with real world experience. Input from faculty and entrepreneurs is critical to program success. They must relate to the internship experience, and they must be open to linking classroom learning to real world experience. Also, some Board members will serve as advisors and mentors to the interns.

In addition, the Board will develop and interpret policies and procedures for administering the program and assist in identifying funding for the program. Board members will also assist in promoting the program, by speaking at meetings of the Chamber of Commerce, faculty meeting, student organization meetings, and other occasions to promote the entrepreneurial internship program. The involvement of faculty in planning and managing the internship builds faculty support for the program and enhances the academic integrity of the program. Faculty members who serve on this Board should have this service count towards tenure and promotion.

(b) *Selection of Students.* A suggested procedure for selecting students includes: (1) using information brochures, fliers, and meetings to inform students about the program requirements, qualifications, and the application process (2) having students complete an application which includes reasons for seeking internship and how they can add value to the company (3) interviewing of applicants by the internship committee and (4) having selected interns interview with companies.

According to Creek (1977), the most difficult part of intern selection has to do with personality variables--determining the type of person who will function best as an intern. Does the student have the type of personality to get along well with people? Is the student mature, confident and reliable? Does the student have good communication skills? Also, McCarrier (1992) suggests that the ability to work well with clerical workers is equally important. He argued that anyone with self-confidence can learn to work with managers, but the ability to work with and ask for help from clerical employees is difficult for many college students. From the authors' experiences, the best way to assess these characteristics is your own judgement during your interactions with the students and references from professors and previous employers.

(c) *Selecting Companies.* The criteria most commonly used are: size of business, in terms of number of employees and sales volume, and a willingness to mentor the intern during the period of the internship. The selection procedure should involve (1) initial contact by telephone to discuss the program and to ask if they are interested (2) follow up with a visit with the entrepreneur to answer questions and to further discuss the program. If the company is interested, and meets the criteria, the company should be selected for the program.

(d) *Placement.* Every effort should be made to place students in a business related to their entrepreneurial interest. They should be placed with either their first choice or second choice. Placement can be made by the Program Director based on the type of business the student wishes to start and the type of companies that are participating in the program.

(e) *Orientation/Preparation.* Preparing the intern for the internship is a very important part of the implementation. Preparation consists of initial orientation by the Program Director. During the orientation meeting, the Director should discuss internship policies and procedures, (including confidentiality, ethics, academic credit, reporting requirement),

the role of the intern in the organization, and employer expectations of internship. If the program is using faculty advisors, introduce the faculty advisors and explain their role. The Department Chair or Dean can be asked to speak about "The Intern as an Ambassador for the Business School" It is a good idea to have the orientation as close as possible to the beginning of the internship.

The other part of the preparation is the orientation to the company. During this orientation, the entrepreneur and the intern discuss what the intern will do and the expectations regarding work habits, dress and evaluation, among others. The intern can also "shadow" the entrepreneur for several days, research the company, and prepare a company profile report. Orientation is crucial because the intern gets a good understanding of the company, and the program gets an opportunity to eliminate the "gofer" mentality or menial types of jobs, thus ensuring a meaningful work experience.

(f) *Internship with Mentor.* The main elements of the internship phase are: work experience, mentorship, integrative seminars, and the closing. During the internship, students spend a minimum of eight weeks working with and observing the entrepreneur. They attend meetings and participate in discussions, observe operations of the venture, perform tasks such as marketing, accounting, computer applications, and work on any other projects assigned by the entrepreneur.

One day during the 3rd and 5th weeks (using an 8 week format) the interns attend the integrative seminars with the Program Director and entrepreneurs. These meetings complement the internship experience by providing the student with an on-going communication with faculty, entrepreneurs, and other students. Class participation is emphasized and encouraged through reporting on special assignments, relating and applying course information to on-the-job experiences, role playing, and use of speakers from business and industry. Students also consult with the faculty advisors. The integrative seminar is one of the

essential components of an internship program and it enhances the quality of the internship (Murphy, 1984 and Graves, 1984).

During the internship, the entrepreneur and intern develop a mentor/protégée relationship. The entrepreneur coaches, guides, and teaches the intern about various aspects of entrepreneurship. Entrepreneurs will serve as advisors and mentors to the student entrepreneur--modeling the qualities of drive, creativity, persistence, and independence which characterize successful entrepreneurs. Also, they will share their experiences, knowledge, and professional expertise, as well as help the interns access the business community's network of people and information.

Program Evaluation

At the end of the internship, the student completes an evaluation, submits a final report and gives an executive style presentation during the closing ceremony. Taken together, the work experience, integrative seminars, assignments, and mentorship provide an opportunity for significant experiential learning of entrepreneurship.

MANAGING THE ENTREPRENEURIAL INTERNSHIP

Managing an internship program is different from managing other educational programs. Unlike other programs, the internship Program Director must work with and assist the entrepreneur in providing the learning experience. The following guidelines/strategies can help to effectively manage the entrepreneurial internship.

Develop and maintain a cooperative relationship with entrepreneurs. Building strong relationship with entrepreneurs involves communicating roles and expectations, staying in touch, and showing appreciation to the entrepreneurs. In addition to discussing the academic expectations of the program, the

Program Director should prepare an “Entrepreneur Guide” that outlines roles and expectations of all parties. This sharing of information helps the entrepreneur to be a more effective mentor and paves the way to a more cooperative relationship (Ross 1990). Staying in contact is also a good approach for building relationships. Make site visits, send e-mail messages, and invite entrepreneurs as guest speakers for the integrative seminars. Another approach to building a relationship with entrepreneurs is to sincerely show gratitude to them for their efforts in working with the intern. Hold an employer appreciation day and give them recognition.

Work closely with administrators. In addition, the Program Director should work closely with the Internship Board, and at all times should keep administrators informed about activities and decisions, and in some cases, get final approval from administrators. Although administrators might be the program’s leading advocates, they do not like surprises. Keep your administrators informed at all times.

Establish procedures for monitoring interns. One approach is through scheduled on-site visits with interns and entrepreneurs. The primary purpose of these visits is to determine the extent to which internship objectives are being met, to detect student problems before they become unworkable, and to ensure that both students and businesses are benefiting from the experience. The visit should not be a social call—it is a very important assessment tool.

Faculty Advisors/Student consultation is another way of monitoring progress in the program. During the consultation students discuss projects, problems and concerns, and get faculty advisors' assistance in solving the problems. It is important to point out that the faculty advisor component must be handled carefully so that the entrepreneur does not receive or believe he/she is receiving free consulting. Both the entrepreneur and the coordinator must be confident that the internship project is the work of the student and not that of the faculty advisor.

Devise a procedure for handling students' problems. One of the most common problems with interns is being late for work or being absent without an "acceptable" excuse. To deal with this problem, a rigid policy should be jointly developed by the entrepreneurs, students, and the university. For example, the student must make-up the time missed or lose the wages for the time. The director should also speak with interns to find out if there is a problem that is causing the intern's absence from work.

Some students will also have problems working under pressure and having to juggle too many tasks. Many students tend to treat work assignments as homework, (or worse yet, as a test), and may be reluctant to discuss the pressures of responsibility. The director should encourage the intern to discuss the internship, including the positive as well as the negative aspects (Berger, 1992).

Another potential problem is conflict between intern and entrepreneur or an intern and employee. Interns should not take disagreements personally, and should view the incident as a learning experience. Remind interns that they are in the company to do a job as well as they can and to learn as much as they can (Somerick, 1993).

Interns may also experience sexual harassment problems. Some students are able to solve the problem themselves, but this is not always the case. Interns are asked to contact the Program Director or seek help from the entrepreneur in the strictest confidence to solve the problem. If the problem is with the entrepreneur, the student should be removed from the internship immediately.

Some other problems that may occur are job irresponsibility, failure to follow company policy, and reluctance to accept correction or constructive criticism. Peele and Campbell (1979) suggest the following steps for resolving grievances:

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| 1. Postpone making any decision or taking any action before you have talked with all parties. |
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2. Identify all possible solutions and alternatives.
3. Carefully weigh the merit or value of each solution, in terms of what it does to the student, program, company, and school.
4. Determine the good, better, or worst chances.
5. Determine the choices you cannot accept.
6. Discuss the situation and alternatives with the student and the entrepreneur.
7. Develop a plan of action that is acceptable to all.
8. Carry out the plan of action.
9. Follow up later to see if the plan is working or if further adjustments need to be made.

Establish procedures for determining interns' grades. Evaluate students on a number of components rather than solely on the internship performance. Since about 80% of the student's time is spent in the work experience component, the grade should be weighted towards the information received during the progress conference with students and mentors. The final grade should be based on the entrepreneur's evaluation and the quality of the intern's report and presentation. A pass/ fail grading scale is recommended, instead of a letter grade, because an "A" to the entrepreneur may not be the same for each evaluator.

Establish procedures for handling ethical problems. It is important to remind students that they are not police officers;

therefore, their job is not to tell the entrepreneur how to run his/her business. If an intern is asked to do activities that are illegal or unethical, the intern should discuss this issue with the Program Director.

CONCLUSION

The United States is moving toward an entrepreneurial society. The entrepreneurial fever has spread to universities and colleges, resulting in the development of more entrepreneurial courses and formalized programs. Internships reflect one way to provide an experiential learning for students. Such internships are expected to grow even more in the future. The effectiveness of an internship program depends upon how well it is carried out by the faculty advisor, university, administrator, and entrepreneur sponsor. Most welcome outcomes could be students who are better prepared to start their own ventures as well as a higher degree of respect of collegiate business educators by business practitioners.

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THE ROLE OF SCIENTIFIC PRODUCTIVITY CLUSTERS IN CUBAN INNOVATION

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ABSTRACT

Perhaps the most dramatic force shaping human destiny today is technology. The growth rate of an economy is based largely on technological innovation and implementation. The Cuban Technology Innovation Process (TIP) was designed to address current economic needs through science and technology.

TIP aims to increase our understanding of human resources in light of our national priorities and to assimilate and to adapt international research. In Cuba, this effort focuses on technical and environmental issues.

Among other things, TIP has shifted the focus of technological innovation in today's Cuban economy toward including more entrepreneurs. This is the groundwork for what has been called the Cuban Technology Innovation Science System. This paper lays out the basis of our system and provides a description of its components. It explores the role of the various mechanisms in place in Cuba to encourage interaction among research, production, and marketing. Such mechanisms include the National Forum of Science and Technology and the Scientific-Productive Clusters, both of which will be examined in some detail.

INTRODUCTION

Today, enterprises from developing or developed countries include the application of marketing principles to the effective application of technological innovation in order to be more competitive and to become firmly established in the marketplace. In Cuba, the element of competition is replaced by the national goal to maximize its scientific and technological resources in order to maximize the production of goods and services (Figueras, 1994). Thus, Cuba's socio-economic infrastructure requires a new approach which will prioritize technological development at every level; which will integrate resources throughout the system; which will lead to the development of more efficient and effective technologies nation-wide; and which will allow for a better assimilation of domestic and foreign technologies.

While the Cuban government has fostered and furthered technological innovation to the extent that there is already a synergetic influence on the country's socio-economic development, such development has been tightly controlled. What is needed now is the involvement of independent parties. The resulting plan for accomplishing this has been called the Cuban Technology Innovation Science System.

An important element in moving the Cuban economy forward from a time of crisis to an era of productivity has been a growth in innovation itself. Since 1994, Cuba has adopted innovations in the production of goods and services and in the creation of interfaces with industry and commerce. This paper details the basis for the system employed, as well as the sub-systems and their main components. It explores the role of the various mechanisms in place in Cuba to encourage interaction among research, production, and marketing. Such mechanisms include the national Forum of Science and Technology and the

Scientific-Productive Clusters, both of which will be examined in some detail.

THE PROCESS OF TECHNOLOGICAL INNOVATION

During the 1970s, new technologies emerged which brought about a profound social transformation. According to T.S. Kuhn, this new social and technical paradigm comes down to these five basic trends (Pavon, et.al., 1995):

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| 1. | An increased economic uncertainty for enterprise, as evidenced by the 1971 crisis of the International Monetary System and the 1993 oil crisis, which introduced unpredicted variations in the cost of raw materials and energy. |
| 2. | A radically faster pace for technological change and the emergence of synergetic technology: the interaction between recent technologies in the areas of materials, energy, biotechnology, information technology, and telecommunications. This change can be considered an authentic technological revolution. |
| 3. | The intangible elements of business (such as quality, design, and post-sales service) vis-a-vis the costs; and the transnationalization of small and medium-sized enterprises, creating powerful economic blocks. This in turn impacts both market demand and production. |
| 4. | A growth in the service sector and a new awareness of environmental issues. |
| 5. | Structural unemployment linked to economic development. |

From a global perspective, technological change goes hand-in-hand with changes within organizations. This is because the application of technology to increase efficiency leads to changes both in the workplace and within society. As a result of technological change, there is a growing tendency to reduce the size of the workforce to increase the profitability of enterprise. At the same time, as a result of regional economic alliances like the European Economic Union and NAFTA, we are witnessing profound changes in business practices. Such alliances will create a competitive market from which only the strongest will profit and thus survive.

Thus, market success will be based on a timely response to technological innovation. The more dynamic the flow of the process from an idea at its inception to the marketing of the product, the better the ability to compete. The national Technological Innovation Process (TIP) is considered the engine of technological development in Cuba (Barcelo, 1994).

TIP has been traditionally understood as the sequence of efforts, from innovation to accomplishment, that will yield new solutions to existing problems in the production of goods and services. There are two driving forces involved (Comision de Ingenierizacion, 1994):

1. The impact of technological innovation on creating consumer demand for new technologies (supply-push forces), and,
 2. The responses of technological innovation to public demand for new products and services (demand-pull forces).

What has happened world-wide in the last few decades has placed innovation in a new perspective. For example, the Japanese experience has revealed that the role of innovation in production and the service sector is more important than was previously thought. Further, the market itself is an important element in that it provides a mechanism for communication. Communication is vitally important because innovation is not a one-way process but rather a synergetic process encompassing ideas, design, production, and (perhaps most importantly) the consumer. It should be noted that by referring to the "consumer" as opposed to the more general "public" the marketing element is highlighted (Parisca, 1991, 1995). And while the word consumer implies social and economic needs, such a marketing orientation is also relevant to nonprofit organizations, such as those in public health and education.

THE PROCESS OF TECHNOLOGICAL INNOVATION IN CUBA

The expansion of technological innovation has largely resulted from the acute economic crisis of the past six years. Cuban scientists and technicians have developed a new approach, one which not only copes with problems arising from the general scarcity but which also lays the foundation for economic development on the international scene. This period has demanded great efforts in all sectors of the economy, where scientific and technological innovations have played a significant role. Even impediments such as the energy crisis, the shortage of investment capital, and the unavailability of materials to conduct research have not prevented Cuban scientists from carrying on their research within the network of scientific and technological institutions created by the Revolution. On the other hand, biotechnological and pharmaceutical production has reached such

a steady level that resources previously allocated to it can be redirected to fund other national endeavors.

Unprofitable production and services no longer receive unlimited capital to keep them going. Locally, there has been a major involvement of the research and development component in the production process to keep it afloat. Such an environment has sparked innovations which, in many cases, have led to survival. Additionally, Cuba is now linked to the world economy; this has triggered the development of new and improved products and procedures in the search for new markets and in order to strengthen those markets already developed.

To give cohesion to innovation nation-wide, the government has sponsored a series of forums, such as the Forum for Science and Technology (begun in 1985), and it has created the Scientific-Productive Clusters under the auspices of the Ministry of Science, Technology, and Environment (see Table 1).

TABLE 1: SCIENTIFIC-PRODUCTIVE CLUSTERS

POLO	TIPO
Oeste	Thematic Biotechnology
Humanidades	Thematic Social Sciences
Industrial	Thematic Industrial
Pinar del Rio	Territorial
Matanzas	Territorial
Villa Clara	Territorial
Cienfuegos	Territorial
Sancti Spiritus	Territorial
Ciego de Avila	Territorial
Camaguey	Territorial
Las Tunas	Territorial
Holguin	Territorial
Granma	Territorial
Santiago de Cuba	Territorial
Guantanamo	Territorial

In its eighth year, the forum series was expanded to include all types of science and technology. As a result, this series involves people from all sectors of the economy, thus strengthening the communication lines between research and development and the production of goods and services. Thus far, there have been eleven forums with the following main goals:

1. Developing new and improved products and services.
2. Sharing technological and scientific advances.
3. Strengthening integration among enterprise, research and development, and universities.

Such forms are aimed at solving problems related to economic development in areas such as health; biotechnology (including biotechnology and the medical and pharmaceutical industry); nutrition; and computer science. More than 500,000 people have participated in this forum series.

Our present system of government enables the existence of such distinctive institutions as the Scientific-Productive Clusters, which combine science, technology, and production. Basically, these institutions foster scientific integration and dissemination and technological advances for both commercial and non-commercial purposes (Oriol, 1995). Thus far, there has been evidence of the two-way relationship between research and development; and the importance of the market's role in this relationship has been proven (de la Rosa, 1992, 1993).

THE TECHNOLOGY INNOVATION SCIENCE SYSTEM

The Cuban Technology Innovation Science System (TISS) was developed to solve today's economic needs through

scientific and technological management. The system aims at increasing our understanding of human resources in light of our national priorities and to assimilate and to adapt international knowledge. In Cuba, this system focuses largely on issues related to the environment and to technology transfer. Many specialists agree with Argentinean Jorge Sabato (Sabato, 1968) that there should be harmony among universities, enterprise, and government. This model, called Sabato's Triangle, will foster scientific and technological development in each Latin American nation so that they can be an integral part of the modern international scenario.

Based on this concept, TISS should include three basic subsystems: the production of goods and services; science and technology; and the state itself. Such a system should also include the legal, institutional, and attitudinal elements which greatly affect integration. TISS is also regarded as a systematic process affecting each enterprise (whether state owned, private, or joint) in response to market need--which in Cuba means the socio-economic wellbeing of the population. Efforts within enterprise must be supported by the science and technology sector, which includes universities, research and consulting institutions, quality control agencies, and specialised libraries. Additionally, there are governmental programs and initiatives to further these objectives (Capote, et.al., 1995). Following are some of the characteristic features of TISS:

PRODUCTION OF GOODS AND THE SERVICE SECTOR
Co-existence of a planned economy with some elements of a market economy.
Three types of ownership: state, private, and joint. Diversified production. Large enterprises with too many employees.
More independence given to each enterprise to conduct foreign trade.

Poor entrepreneurial management.

Obsolete machinery across the island.

Failure to share both information on management and tools needed for new organizational technologies.

An evolving awareness of our natural environment.

Enterprises are poorly prepared to adopt new technologies.

SCIENCE AND TECHNOLOGY SECTOR

Increasing numbers of highly trained workers and specialists.
Imbalanced R&D infrastructure at all economic levels.
The network of scientific institutions must be perfected.

Responsibility to devise environmentally protective technologies.

Policies focusing on national needs.
Insufficient management consulting.

Need to perfect such interface mechanisms as centers for the protection of industrial property.

Insufficient technology transfer.

THE STATE

A need to define the country's development strategy in response to the recent economic crisis.

Growing governmental interest in furthering innovation.

The potential to foster positive change within industrial management.

Insufficient national policy to efficiently promote both technological innovation and transfer.

Insufficient international collaboration for scientific and technological development.

Acceptable environmental protection policy.

SCIENTIFIC AND PRODUCTIVE CLUSTERS

Between 1985 and 1990, there was a move to turn science into the driving force for Cuba's economic and social development. Due to the resulting separation of the scientific and technical sectors, however, a gap arose between the two, thus highlighting a need for integration. This and other factors, such as international trends and their impact on Cuba, shifted resources to seeking increased productivity and efficiency in our enterprise system.

With the objective of quickly duplicating successful developments in biotechnology and in the medical and pharmaceutical industry, the first scientific-productive cluster was created. Based on initially encouraging results, it was decided to expand the model used for this development into other areas. We now have fifteen clusters, three of which are thematic (studying biotechnology, social issues, and industry) and twelve of which are territorial (solving problems related to the social and economic development of each province). (See Table 1).

This new approach to scientific and technological innovation began to break down barriers between scientific research and the production of goods and services in both commercial enterprise and non-profit organizations. Our current goal, to increase the return on investment as the incentive to invest, is closely related to expected profits in a market economy.

There are several elements required for success:

- | | |
|----|--|
| 1. | The imperative to solve social and economic problems through science and innovation. |
| 2. | The application of research and development to meet specific needs and to achieve expected results. |
| 3. | The ability to apply throughout the system those innovations which evolve from the production of goods and services. |

4. The ability to integrate research and development, production, and national human and material resources.

Following the process described above, Cuba has now developed twenty clusters, or programs, to prioritize national development in the areas of energy, the sugar industry, biotechnology, and animal and human nutrition. Table 2 shows the composition of these clusters into 182 research centers and 273 agencies. The efforts of these clusters, combined with a general focus on efficiency and market competition, guide our research and development sectors.

Table 2: Information about the Scientific-Productive Clusters					
Clusters	Research	Development	Production Services	Teaching	Health
Oeste	23	-	5	1	9
Industrial	25	1	5	4	-
Humanidades	11	-	-	3	-
Prio	23	-	10	-	3
Matazas	13	3	18	1	7
Villa Clara	23	-	7	1	-
Cienfuegos	5	2	5	1	-
Sancti Spiritus	8	1	12	4	2
Ciego de Avila	10	2	26	-	3
Camaguey	11	2	10	5	7
Las Tunas	5	3	23	2	8
Holguin	5	-	26	6	3
Granma	5	-	19	2	1
S. De Cuba	7	-	4	-	2
Guantanamo	8	-	13	1	-
Total	182	14	183	31	45

Further, there is a growing awareness that the preparation and training of staff to participate in this process is of key importance. The number of professional and technical staff who have attained specialized credentials is shown in Table 3. It becomes apparent from this final table that the development of our human resources is a key factor in improving both operational efficiency and the ability to compete.

Table 3: Workers Taking Part in Scientific Clusters				
Polo	Workers (total)	University Workers	Technicians	Dr. in Sciences Sc.Dr.
Oeste	11,992	4,046	3,089	445
Industrial	582	365	124	84
Humanidades	2,925	1,381	766	67
Prio	529	335	114	35
Matazas	2,818	1,558	722	94
Villa Clara	1,421	389	443	54
Cienfuegos	333	88	69	19
Sancti Spiritus	206	180	26	11
Ciego de Avila	727	410	125	18
Camaguey	345	254	63	78
Las Tunas	284	179	50	7
Holguin	409	364	32	13
Granma	285	232	24	12
S. De Cuba	560	305	95	8
Guantanamo	327	137	190	4

CONCLUSIONS

Among the most meaningful conclusions of this work, we include the following:

1. There is a need to strengthen the potential for technological innovation throughout the country in order to build market competitiveness and to improve our standard of living. From this evolved the National System of Technological Innovation.
2. Technological innovation must be promoted at every level as a means of addressing economic challenges (at the state and global levels) and of surviving the current economic crisis.
3. Technological innovation must be viewed as influencing scientific and technical development on the island and as a means to solve social and economic problems. Thus were created the Forum of Science and the Scientific and Productive Clusters.

In order to improve the three basic subsystems of the Cuban Technology Innovation Science System (TISS), emphasis must be placed on effective interaction among them. The following strategies are recommended:

1. To facilitate industrial recovery, factories should be smaller and have fewer employees. The technical and entrepreneurial systems must be modernized. The new economic and legal agencies should ease the operations of the resultant "new" enterprises, which themselves must be autonomous, efficient, and competitive, regardless of type of ownership (state, private, or joint).
2. In order to attain higher quality, the production and service sectors must be given tools to further their technological capacity, to develop human resources, and to strengthen ties with the research and development sector.
3. Ties must be strengthened, too, between universities and other research centers and the production and service sectors.
4. Research and development must be promoted technological innovation in industry. This would enable industry to correctly forecast needs (Ramos et.al. 1992; de la Rosa, 1995, 1996).

5. Multiple interface mechanisms should be encouraged. These might include: consulting services, engineering services, certification boards and agencies, and professional organizations created to promote and share developments.
6. A national awareness of technology should be promoted through both the undergraduate and graduate curriculum by including courses in management and technology. A more extensive public awareness campaign is desirable as well.
7. It is necessary to design policies that financially support those industries, universities, and research centers which make efficient use of their resources to attain a competitive market position (de la Rosa, 1997).
8. We should foster foreign investments which will bring technological innovation to the country.
9. There should be a mechanism at the state level to facilitate the transfer of technology and innovation among all components of the system.

The most important results from the implementation of Scientific and Productive Clusters include:

1. Coordination among institutions within and external to their clusters, thus achieving greater results through more efficient utilization of resources.
2. Technological innovation responds to market demands for goods and services.
3. A growing national awareness of science and technology, thus creating a culture of innovation.
4. Increasing efficiency and competitiveness in enterprise.

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ENTREPRENEURSHIP: THE VITAL LINK TO FINANCIAL SUCCESS IN THE MUSIC AND ENTERTAINMENT INDUSTRY

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ABSTRACT

The music and entertainment industries are rarely defined as entrepreneurial in nature. However, they are rich in historical processes that appear to be opportunistic, risk taking, and pro-active. E-commerce may eliminate or change the fundamental structure of the entire entertainment industry, including record labels and movie production companies. Notwithstanding, the industry's future problems may be an entrepreneur's financial paradise. A review of the historical, current, and future benefits of entertainment industry entrepreneurship are explored. Results of a survey of entertainment industry executives (n=447), suggests ardent support of management, marketing and entrepreneurial education. The Center for Entertainment Industry Entrepreneurship Education (CEIEE), its service to the community and educational seminars are detailed.

INTRODUCTION

In the last few years, the *entertainment industry* has slowly started to reinvent itself. Record labels are often seen as

“stand alone” companies, when in reality they are generally just a small part of a global entertainment corporation. Corporate decisions made in Tokyo, Frankfurt, or Amsterdam can have serious repercussions for record labels, artists and their employees. In addition, new technology and e-commerce are causing perilous cracks in the industry’s skeletal foundation. Thus, entertainment products sold over the internet is changing the way artists, recording companies, retail outlets, and end users create, distribute, and purchase music and movies. Companies are merging, closing doors on many existing artist deals and industry employees. New talent will have fewer major label options and may have to rely on entrepreneurial independent labels, or create their own Internet record companies. Even the six mega entertainment corporations that control 80% of world’s music business and 89.2% of the American market are concerned about the effects of new technology on their bottom line profits (Siklos, 1998).

HISTORICAL PERSPECTIVES

The music and entertainment industries have developed into billion dollar corporations from historical entrepreneurial drive. For example:

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|----|---|
| 1. | In 1899, Fred Gaisberg, an American producer living in England, recorded the barmaid from the Rules Restaurant located next door to his studio. The company eventually became Thorn/EMI. |
| 2. | The invention of the Dictaphone in 1887, was the origin of what was to become CBS Records. The Columbia Phonograph Company (named after the District of Columbia) recorded and sold cylinders of The U.S. Marine Band directed by Philip Sousa. It was sold in 1991 to the Sony Corporation of Japan and is of course, know today as Sony Music (Wacholtz, 1996). |

3. In 1924, Dr. Julius Stein, a Chicago eye specialist who played the violin and saxophone for dance bands, created a booking agency named Music Corporation of America (MCA). Konosuke Matsushita founded his entrepreneurial venture in 1918 by inventing the two-way light socket. In 1990, the two merged as Matsushita purchasing MCA for \$6.6 billion. The Seagram Company was started in 1916 as the Bonaventure Liquor Store Company. It sold liquor through the mail, which was the only legal way to sell distilled drinks during the Canadian prohibition. In the 1920's it engaged in bootlegging to smuggle whiskey in the United States. According to Hoovers (1993), in 1928 the company went public and changed its name to Distillers Corporation Seagram Limited. Edgar Bronfman Jr. grandson of the founder and its current CEO, bought 80% of MCA in 1995 and has made an offer of \$10.4 billion for Polygram, the world's leading mega entertainment corporation in an attempt to convert his lacquer and fruit juice company into an entertainment industry powerhouse (Siklos, 1998).

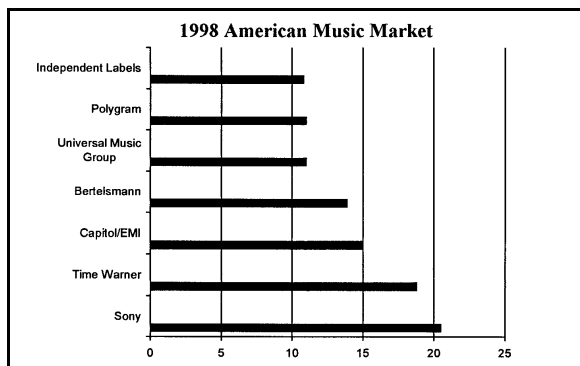


Figure 1: Six worldwide mega entertainment corporations dominate the \$12.4 billion American music market: Sony Entertainment, 20.5%, Time Warner, 17.8%, Capitol/EMI, 15%, Bertelsmann AG, 13.9%, Universal Music Group (including MCA), 11%, Polygram (before the merger with Universal Music Group), 11%, and all other labels, 10.8% (Siklos, 1998).

ENTREPRENEURIAL STRATEGIES

A number of researchers have defined entrepreneurship as opportunity recognition mixed with a persistent exploitation of the opportunity (Sexton, D. & Bowman-Upton, Stevenson, (1985) & Stevenson H.H. & Schlman, W., (1985). This statement appears to illustrate the past and present business psychology of many of the leaders in the music and entertainment industry. The mega's have always relied on small creative entrepreneurial ventures (usually less than 5 employees) of songwriters, music publishers, producers, video directors, recording artists, and production studios to create consumers products (albums, videos etc.). Most recording studios are owned by entrepreneurs and rented by the major labels in an effort to control rather than own the resource. Independent producers and production houses produce music videos. Concerts are often produced by local entrepreneurs and promoted by radio stations, print, and television. There are even a few mom and pop retail record outlets left, mixed with the Kmart and Wal-Mart rack jobbers and chain store one-stops. Even the world's largest music publishing company, Sony Tree, employs fewer than 100 staff writers and 50 administrators to take care of the business.

EPISODIC USE OF CREATIVE RESOURCES

Currently, mega entertainment corporations function as venture capitalists and major contractors in the industry. It appears the interface of the contractors and the entrepreneur

subcontractor affirms the success of both. Indeed, as long as there are economic profits to be made i.e. profits above and beyond what is considered adequate for a business to stay in existence, individuals and corporations will be attracted to the music industry.

However, without the entrepreneurial product creation system of songwriters, music publishers, recording artists, musicians, and studio owners, the mega entertainment corporations would be required to own rather than control the resources. Stevenson (1985) claims that “episodic use or rents of required resources” are promoter functions. This appears to define the entrepreneurial domain of the megas. However, the creative products being financed by the megas must interface with market demand and eventual consumer satisfaction before either succeeds. It is the interface of creativity and business that creates entertainment products and the additional interface of entrepreneurship and marketing that has, in the past, facilitated the success of the industry.

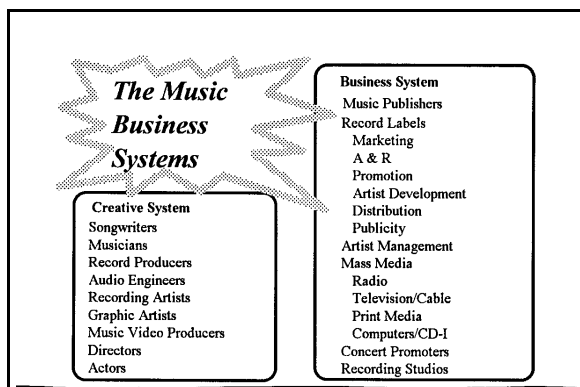


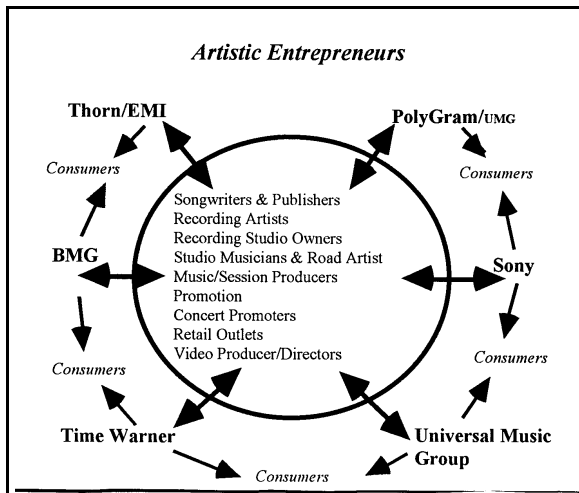
Figure 2: Music business professionals understand the marriage between art (creativity) and business. The

creative system of songwriters, musicians, and others depend on the business system which is made up of music publishers, record labels, and the mass media, to provide the finances and business structures required to market, promote, and distribute, their songs, corresponding recordings and images.

Industry historical successes appear to be related to entrepreneurial processes that are linked to traditional management, marketing and distribution systems:

1. Sony's attitude is to "find ways to stimulate consumer demand for music."
2. Bertelsmann Music Group (BMG) has over 48,000 employees, 200 companies, and net revenues of approximately 9 billion dollars. Yet, the management and marketing scheme of the organization is a "decentralized divisional strategy based on the entrepreneurial spark of strong individual business units." (Mistry, M., Wistreich, A., Dalton, D., Fox, B., & Hunter H. (1992).
3. According to Stodghill II, R. & Grover, R. (1994) the Atlantic Records group, a division of Time Warner, has boosted its revenues by marketing products to the "space between the elephants toes." Niche marketing of exercise videos and audio books are expected to increase its net sales to 900 million dollars for 1994. In addition, Atlantic Records management has "recruited a group of young, trend-savvy music executives and encouraged them to take risks to find new talent." The result is a 9.4% market share of new releases.
4. Time Warner's methodology is to merge with successful independent entrepreneurial entertainment companies and artists. In 1992, Time Warner paid 100 million dollars to entrepreneurial business man and recording

artist *Prince* for his Paisley Park Enterprises. They also acquired a distribution deal (worth a reported 60 million) with entrepreneur recording artist *Madonna* to launch and fund her new record label.”(Mistry, M., Wistreich,



A., Dalton, D., Fox, B., & Hunter H. (1992).

Figure 3: Mega entertainment businesses need entrepreneurial artists and their supportive entrepreneurial producers, musicians, managers, etc., to create entertainment products (songs, films, recorded music, etc.) that they can then sell to consumers. The artists need the mega entertainment corporations to finance, market, and sell their recordings to a worldwide market.

ENTERTAINMENT INDUSTRY SURVEY

A survey of music and entertainment industry leaders (n=447, response rate 39%) appears to indicate entrepreneurial knowledge and skills as valuable for a successful career in the entertainment industry. Industry decision-makers listed in the

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1993 issue of Music Row's *In Charge* were mailed a survey. Respondent's range from self employed creative entrepreneurs to major label CEO's. The results are displayed in Table 1.

Table 1: Survey Results						
	Creative	Mgt	Mkt	Other	Total	Index
Communication & Thinking (Cognitive) Abilities	242	308	258	157	965	97
Business Communication & Writing Skills	172	278	216	135	801	80
Business Management	105	313	149	114	681	68
Business Marketing	101	223	174	59	557	56
Business Publicity, Public Relations	86	183	164	121	554	55
Computers: including word processing and S/S	74	152	112	94	432	43
Copyrights/Legal	137	157	36	89	419	42
Sales and Consumer Behavior	73	130	134	77	414	41
Entertainment Industry Entrepreneurship	128	131	82	58	399	40
Accounting & Finance	52	195	82	53	382	38
Music Publishing	104	143	44	74	365	37
Artist Management	67	143	76	65	351	35
Audio/Video production	115	51	31	18	215	22
International Music/Entertainment Business	48	77	47	50	222	22
English Composition & Literature	65	33	70	171	185	19
History of Commercial Music	41	34	39	401	154	15
Music Technology & Interactive Multi-Media Tech.	78	39	19	18	154	15
Musicianship (ability to play an instrument or sing)	104	14	5	9	132	13
Knowledge of Musical Instruments	57	12	00	21	90	9

Other	14	10	45	20	89	9
Music Theory	40	18	7	5	70	7
Science and Math	5	19	14	00	38	4
A Foreign Language	8	3	17	10	38	4

The data in table 1 was collected by return mail and correlated. Because of the high response rate of 39% a second inquiry and non-response bias verification were not conducted. Respondents were asked to rank 10 of 23 “areas of knowledge” they felt were most important for building a successful career in the entertainment industry. Raw scores (the respondents rankings) were inverted and added to establish raw scores in columns 1-4 for the occupational categories: Creative Sample, Management Sample, Marketing Sample, and the Other Sample. The totals are listed in column 5, and the totals are converted to a 100 point index scale in column 6 (Wacholtz 1994). As an example, the column 5 score of 38 is divided by 10 and rounded off to 4. The raw score of 382 is divided by 10 and rounded off to 38. Table 1 displays the results and ranks the 23 “areas of knowledge” from most important to least important.

As the Table shows, creative respondents including songwriters, publishers, and music producers, ranked *Entertainment Industry Entrepreneurship* as the fourth most important area of knowledge, marketing ninth. Artist managers and record label administrators, ranked *Entertainment Industry Entrepreneurship* eleventh and marketing fourth. Marketing experts, ranked *Entertainment Industry Entrepreneurship* eight and marketing third. All others ranked *Entertainment Industry Entrepreneurship* eleventh and marketing fourth. Knowledge of *Entertainment Industry Entrepreneurship* and *marketing* was ranked ninth and six overall. Communication and thinking skills ranked first (Wacholtz 1993). Twenty-six percent of the respondents were employed in the Creative/Production occupations of songwriters, producers etc. Thirty-five percent

worked at a record label, 14% for music publishers, 5% at BMI, ASCAP, or SESAC, 5% at a music, film or television production company, 3% at a radio or television station, 11% were artist managers, 6% were publicists, and 20% listed other occupations including concert promoters, and booking agents 9%, record producers 2%, and recording artists 1%. Eighty three percent of the respondents have worked in the music and entertainment industry for more than 10 years. Sixty-nine percent of the respondents were male, 31% female. Two percent of the respondents are age 18 to 24, 11% are 25 to 34, 41% are 35 to 44, 29% are 45 to 54 and 16% are 55 or older. Sixty percent make more than \$75,000 annually. Twenty-four percent make \$50,000 to \$74,999, 10% make \$35,000 to \$49,000. Eleven percent of the respondents hold graduate degrees, 55% have a bachelors degree, and an additional 35% have completed some college education (Wacholtz, 1993).

PARADIGM SHIFT

Flat music and movie ticket sales in America and a change in distribution technology indicates a conceptual modification of the entertainment industry's marketing and entrepreneurial interface. Stevenson H.H. & Schlman, (1985) claim that "rapidly changing technology" provides pressure toward the entrepreneurial promoter side of the promoter/trustee scale. The music and entertainment industries are investing in digital technology. They will use it to create new marketing opportunities in the Western World with interactive cable and telephone digital delivery systems. The proposed Polygram/Universal merger for \$10.4 billion is an example of reduced administrative expenses through consolidation and strategic alliances caused by natural industry maturity. Siklos (1998) claims that retail outlets are closing. The industry's largest distributor, Alliance, is in Chapter 11, the number of recordings released by the six megas in 1997 is 56% less than was released

just 5 years earlier and the bottom line profits are declining (including a 10% dip by EMI in 1998). In addition, technology is quickly changing to the point when internet direct download will allow artists and creative entrepreneurs to by-pass the established megas and their labels, thereby eliminating normalized and political industry channels, plus distribution costs.

Thus, if you are a talented artist or musician or have ambition to tackle various non-artist related positions, you may be finding it difficult to find the key that will open the door into the entertainment industry. A college degree, internship and raw talent, combined with a basic understanding of how the industry operates, is often not enough to guarantee you an ideal job and success due to the entertainment industry's current frenzy of corporate downsizing. Those individuals who are currently employed in the industry are either busy scrambling to keep their jobs as the industry evolves, or breaking off and creating new, smaller businesses that are often highly profitable and satisfying ventures

INDUSTRY ENTREPRENEURIAL OPPORTUNITIES

Stevenson H.H. & Schlman (1985) claim that strategic orientation of the promoter is "driven by the perception of opportunity." The same is true for the entertainment industry. Opportunity recognition has always fueled the creative side of the entertainment industry. The industry's problems will provide entrepreneurs a creative and financial paradise.

The key to opening doors in the entertainment industry is *entrepreneurship education*. Successful, small businesses are often started by hard working, opportunity seeking individuals who then employ the most capable people they can find to help grow their business. The music and entertainment industry discovered this little secret many years ago. Look at the most successful songwriters, publishers, artists, screenwriters, actors, and attorneys, and you'll discover that most of them are

entrepreneurs. Garth Brooks, Reba McEntire and The Beatles are just a sample of artists that have used their talent to venture into the business arena of the entertainment industry. Indeed, it is this wonderful balance of creative and business-minded entrepreneurs combined with corporate leaders who often determine the potential success of a new recording or film. Together, it is the financing, knowledge and talent of industry corporations and creative industry entrepreneurs that sell records at platinum levels, and help a *Titanic* sell an unsinkable number of tickets.

However, the industry is also changing. Music over the Internet is poised to fundamentally change the way artist, recording companies, retail channels, and end users, create, distribute, and buy music. (Allen 1998). Major artists are already netting huge profits by selling product over their own websites, by-passing the established distribution and retail chains and retaining a larger share of the profits for themselves. E-commerce is changing the industry's cushy worldwide distribution systems. As an example, the Sunhawk Corporation of Seattle is selling sheet music by encoding the pages of sheet music and then decoding the pages after credit card transactions, thereby eliminating the need for musicians to purchase folios and sheet music at retail outlets.

GETTING STARTED

Clearly, the days of being solely an artist are over. If you're in a rock band, start a business. Record an excellent demo, give it to the local station, put it on sale at the local record shop, and then invite local or national industry personalities to a showcase. If you're terrific, you may win over the support of the local radio stations' music or program directors. They look for new artists who can create some excitement (your new record) which then increases the listening audience and lets them charge more money for advertisements. This in turn gives your demo some local airplay and may help you get a contact through the

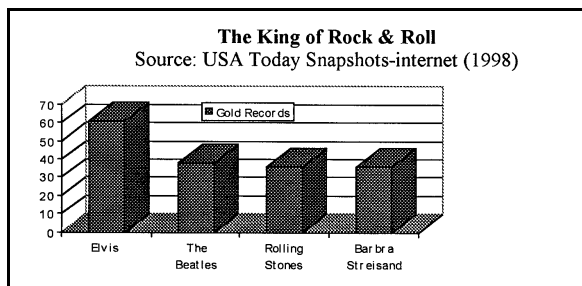
radio station to a record promoter with a major record label. A referral by a local radio personality about a new band that is selling product and is getting airplay on local radio stations will usually get noticed by major labels that are always scouting for their next profitable, record selling act. In this example, the band didn't sit back waiting to be "discovered." Pro-active and assertive, they formed their own business and became entrepreneurs by creating their own record label, financing their demo and promoting and marketing their own product. If they seriously desire to venture forth in the entrepreneurial arena, they will press and distribute their product through the Internet or create unique distribution deals with book publishers, retail outlets, trade organizations, or direct mail outlets instead of being dependent on major record labels for worldwide distribution. This allows the entrepreneur/artist to determine the marketability and profitability of their product.

ENTREPRENEURS CREATE SUCCESS

There is often an entrepreneur behind the success of a star or public personality that help keep the entertainment industry engine running. Entrepreneurs write the songs and screenplays, finance recordings, manage the images and careers of artists, promote, publicize and market the products to consumers. It is often these individuals and their small businesses that make the industry's profits soar. Relying on their own creative and business decisions, they work within the industry without the security of a corporate net to fall back on during negative sales periods.

Once you have worked your way into the industry, networking with other industry professionals and entrepreneurs enhances mutual profitable opportunities. Joining together with others who have similar interests and talents is a common practice among industry professional entrepreneurs. As an example, if you are a songwriter start a legitimate publishing company. This is a

great way to introduce yourself to industry insiders who can help your career and your business, while at the same time, increase bottom lines. If you do not have the talent or desire to be an artist or write a song there are still many entrepreneurial opportunities available. Artists need studio and tour musicians, record producers, audio engineers, managers, attorneys, booking agents, promotion agents, publicists, radio announcers, sales persons, and financial managers to help them build their careers. Entrepreneurs who are not label or mega entertainment corporation employees fill most supportive careers. Elvis Presley's talent combined with Sam Phillip's producing skills and Colonel Parker's managerial expertise helped create one of the most successful entertainment ventures in history. This is a stellar example of how entrepreneurship (Elvis, Sam Phillips and Colonel Parker) and the industry (RCA Records) embraced the numerous opportunities available for successful profit that still exists today.



INDUSTRY ENTREPRENEURS

Successful music industry personnel seem to have a passion for both the music and the business. Have the same perspective. Industry insiders are proud of what they do. They are, in many cases, humbled by the experience of working with

very talented musicians, songwriters, recording artists, producers, etc. and with very bright business people who make it all happen. Some are artists, others producers, and attorneys who work at or are partners with a law firm. All are movers and shakers in the industry. It's powerful when you are one of the people who make great things in the entertainment business happen. Many successful industry entrepreneurs are honored by their artistic or business contributions to a recording or a movie that are enjoyed by people all around the world. It is a privilege to be in a profession that provides music listeners with recordings they can sing, laugh, or cry to when they hear the entrepreneurs' work.

PRINCE & E-COMMERCE

Direct marketing over the Internet appears to be the next profitable venture for entrepreneurial creative artists. The buzz is that Prince is currently marketing a new, self-produced album over the Internet. If a record label had been involved, the cost of the recording, marketing, promotion, distribution, etc., could easily total over one million dollars. Contractual obligations would require the recoupment of the million in expenses to the label before the artist would see any of the profits from record sales. However, by producing the album himself, playing most of the instruments himself, and by recording the album in his own recording studio, Prince will find a huge profit (Allen, 1998).

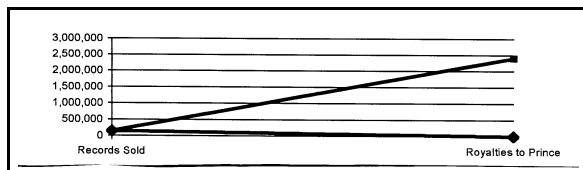


Figure 4: As an example, most labels receive about 40% of the suggested retail list price (not counting distribution) on CD's or approximately \$6.78 (Wacholtz, 1996). Break-even points can be determined by dividing the \$6.78 into the total expense. For a record label with a recording artist's account in deficit of \$1,000,000, the break-even point is the sale of about 148,000 CDs. Prince can sell the same 148,000 CDs over the internet, with his only expense being the cost of pressing the CD's (45¢ per unit) or \$16.95 minus the cost of pressing, for a profit of \$2,442,000 (\$16.50 times 148,000 units).

NICHE DOMINATION

Major artists use their contacts and industry success to expand into different career opportunities within the entertainment industry. As an example, Gloria and Emilio Estefan have formed their own global entertainment industry company, niche in the Latino market.

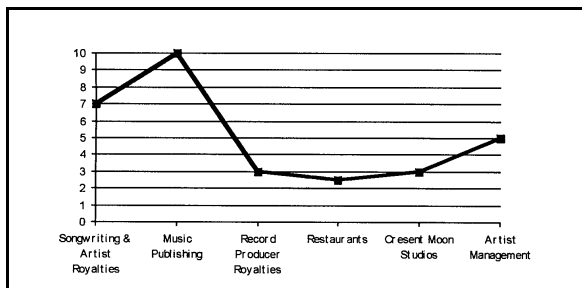


Figure 5: Gloria and Emilio Estefan's annual share of the various companies they own and run in the entertainment industry total approximately \$30 million (Franco, 1997).

CEIEE

Thanks to the *Coleman Foundation* the Center for Entertainment Industry Entrepreneurship Education (CEIEE) has been able provide educational seminars, newsletters, scholarships and networking opportunities to the Nashville entertainment industry. In the last two years, the center has provided \$5,800 in scholarships and textbooks for classes. It has staged five highly successful industry related seminars. Panels consisting of Nashville entertainment industry entrepreneurs provided valuable information with regard to creating and managing a business in the entertainment industry. The keynote speakers from Los Angeles and New York included: (a) *Jay Livingston* of Livingston & Evans, who is one of the world's greatest songwriters with standards such as "Silver Bells" and "Mona Lisa," (b) record producer *Elliot Mazer*, who produced many hit records for Janis Joplin, Crosby, Stills, & Nash, and Linda Ronstadt, (c) *Barry Massarsky* a copyright economics consultant who represents the Leonard Bernstein and Richard Rodgers estates, and (d) *Fred Volpacchio* of City Bank-New York, who is a top entertainment industry investment banker. From Seattle, Chairperson *Marlin Eller*, and CEO *Brent Mills*, of the Sunhawk Corporation, were the keynote speakers for our *Music Publishers Internet Seminar*. Marlin Eller is a software design engineer whose experience includes designing the original version of WINDOWS for the Microsoft Corporation. Keynote speakers from Nashville included *Mr. Dan Harrell* on "*How to Start a Business in the Music and Entertainment Industry*." Mr. Harrell is Co-President of Idea Entertainment and oversees the operation of Blanton Harrell Entertainment, Word Records, and the recording careers of Amy Grant and Michael W. Smith. *Mr. Tim Smith* was the keynote speaker on "*How to Grow a Business in the Music and Entertainment Industry*." Tim offered his version of the 7-S method of management. *Randy Talmadge*, President and owner of Mood Records and Vice President of Jay Livingston Music was the keynote speaker for the seminar on "*So*

You Want to be a Recording Artist." Mr. Talmadge signed Pam Tillis, Martina McBride, and Take Six to their first contracts and explained his entrepreneurial ventures in the music and film business from Los Angeles to Nashville. Dr. Don Sexton of the Kauffman Foundation led some of the panel sessions in Kansas City and Dr. Nancy Upton of Baylor University.

CONCLUSIONS

This paper offers a point of origin for future research of the entertainment industry and there use and need for entrepreneurship education. Entrepreneurs seize opportunities while others seek jobs that may or may not exist. The entertainment industry is no exception. One should consider options during the boom times as well as during industry slumps. It is often the unsung entrepreneurs who own the publishing companies that provide the hit songs for stars, independent producers who provide the seed money and studio direction, and musicians who provide the musical emotional backbone to support the artists best vocal efforts. Small businesses help with marketing, promotion, and publicity campaigns and artist managers help create careers and sell product.

Change is the name of the game in the entertainment business. The Internet is quickly effecting the marketing and sale-through of recordings and movies. Telephone and cable companies are becoming major players. Retail outlets and sales are being effected. What does it mean? Where are the jobs? Where do the college graduates go to work? Where do the artists find a financial and cultural support system? We do not yet know all the answers, however, it is clear that universities can provide the leadership and knowledge that will lead to findings through entrepreneurship education.

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