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A PREDICTIVE VALIDATION OF A BIODATA QUESTIONNAIRE WITHIN A MULTINATIONAL ENTREPRENEURIAL FINANCIAL INFORMATION SERVICES ORGANIZATION

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ABSTRACT

Hogan, Hogan, and Busch (1984) defined service-orientation as "the disposition to be helpful, thoughtful, considerate, and cooperative" (p. 167). To measure this construct they developed the Service Orientation Index (SOI), an 87-item true-false questionnaire. The purpose of the present study was to test whether or not a biodata inventory could also be used to measure the service-orientation construct within a global entrepreneurial organization with a predictive validation strategy. Subjects were potential employees given the inventory in order to predict their service-oriented performance after they were hired. Within the sample of 261 employees, the service-orientation ratings were highly correlated with three scales: "Extroversion," "Conscientiousness" and "Agreeableness" and not significantly correlated with "Openness to Experience" and "Emotional Stability." The correlations of these scales with service-orientation were as high or higher than those generally obtained with the SOI; and thus, it was concluded that service-orientation may effectively be measured by biodata.

INTRODUCTION

The vitality of a small business may be linked to the service orientation of the individuals within the organization. Service orientation, according to the classic definition, may be based upon individual predispositions and the desire to provide service in a polite and timely fashion. (Hogan, Hogan & Busch, 1984). It includes fulfilling commitments to others and responding to their concerns. As has occurred in many other developed countries, in the past several years, the U.S. has evolved from a manufacturing to a service based economy and as such the importance of maintaining a service oriented environment is of growing importance. Ascertaining the customers' desires via direct feedback, for example; comment cards, is one way that areas that need change can be targeted. Since today's customers are often informed and assertive in their desires, training by small businesses can enhance the employee's ability to provide service. When cooperation between the company, its employees and the customers occurs, an overall higher level of service can be achieved. Service as a corporate policy can be taught by the small business via seminars and employee training sessions. However, this is often costly and the intended results can be ineffective unless the individual is committed to changing internal attitudes that negatively influence their level of service at the behavioral level. The employee will typically revert to or maintain the attitudes that dominated their behavior prior to the training because the extolled behavior may be inconsistent with their perception of its desirability, which can be influenced by factors such as job satisfaction. These other factors may in turn be influenced by the personality of the employee. It may appear to be true that some potential employees are better suited to highly service oriented positions than others, and often training may be futile. Since an individual's personality dictates his or her inherent level of service orientation, the cost effectiveness of hiring individuals compatible with the desired service level of the organization may be apparent. Small businesses should be particularly concerned with the service orientation of employees as the employees are the first line of defense in today's highly competitive marketplace. Unless the needs of the customers are met, the organization may suffer. Therefore, the ability to determine a potential employees natural orientation toward service before hiring him/her may ultimately enhance the company's overall well-being. For instance, Wright, Pearce, and Busbin (1997) found that firms which emphasize higher levels of customer service report higher profitability, return on sales, return on investments, return on assets, and profit growth than those reporting less of an emphasis on customer service by the individual employees - - outcomes desirable by organizations both small and large.

Among the most significant early works in the area of identifying service-oriented employees has been that of Hogan et al. (1984). To measure the traits from their definition of service-orientation, they developed the Service Orientation Index (SOI), a subscale of their Hogan Personality Inventory (HPI). The SOI consisted of 87 true-false items covering issues of agreeableness, adjustment, conscientiousness, and sociability. Validation of the SOI on a group of healthcare workers revealed a correlation of $r = .31$, ($p <.05$) between SOI scores and service-orientation ratings. Credit for the first use of biographical information in employee selection dates back to 1894 when T. L. Peters used biographical information for the selection of insurance agents (Ferguson, 1962). Research using biographical questionnaires blossomed during World War II, and research was performed demonstrating that background items could predict success in the military (Parish & Drucker, 1957). Crawford (1947) went as far as to examine the effectiveness of bomber crews and found that 83 % of teams matched using biographical type information were judged to be effective teams while only 47 % of other teams were judged effective. Reviews of further work support the empirical validity of biographical data in predicting various criteria including job placement success, entrepreneurial performance (Box, Beisel, & Watts, 1995), and performance for service employees in large organizations.

Biodata typically differ from measures of values, interests, personality, and abilities but can seek to assess constructs in each of these domains. Biodata questions are often presented in a standardized self-report questionnaire with a multiple choice format that asks individuals to describe their past experiences, behaviors, feelings, and/or attitudes. For example "in high school, how easy were your math classes?" and "in comparison with most people you know, how often do your friends come to you for advice or guidance" are biodata questions which could be reflections of perceived cognitive abilities and the personality construct of Agreeableness, respectively. Researchers use biodata with the assumption that often the best predictor of future behavior is past and present behaviors, attitudes, interests, and intentions. The use of biodata information in the Academy of Entrepreneurship Journal goes back to the first issue of the first volume with Box et al. (1995)

having used biographical information such as industry experience, years of formal education, age at business founding, and number of previous start-ups in order to examine factors influencing firm performance in entrepreneurial organizations.

Carraher, Mendoza, Buckley, Schoenfeldt, and Carraher (1998) used 4 samples with a combined sample size of 861 in order to examine whether or not a modified version of the 39 item biodata instrument developed by McBride (1988, 1997; McBride et al., 1997) could be used to measure the service orientation construct. As suggested by McBride they developed a new version of the Need for Achievement scale and changed several items so that they all contained 5 response options - with the exception of sex and age. Using limited information factor analysis, Carraher et al (1998) found support for an 8 factor solution (Agreeableness split in to 2 factors - Helpfulness and Agreeableness) as well as finding that service orientation ratings were consistently related with 3 of the topical scales: Good Impression, Sociability, and Helpfulness.

Two years later Chait, Carraher, and Buckley (2000) used 605 subjects who were applicants for customer service positions with a large financial services organization to reexamine the relationship between the biodata measure and service orientation. Using a full profile principal components analysis they found support for a 5-factor model with McBride's biodata instrument and further found that this 5-factor model was similar to the Big Five Personality factors of Extroversion, Conscientiousness, Emotional Stability, Agreeableness, and Openness to Experience and that the results from this 5-factor model had a similar multiple R (.46) to that from the originally hypothesized 7-factor solution suggested by McBride (1988, 1997; McBride et al., 1997).

Carraher, Buckley, Scott, Parnell, and Carraher (in press) used samples of 704 job applicants from 3 countries in order to extend the work of Chait et al. (2000) across borders and 50 American students in order to examine the long-term test-retest reliabilities for the scales of the biodata instrument. They found that across countries the service orientation ratings were consistently significantly correlated with the "Extroversion," "Openness to Experience" and "Agreeableness" scales and they were also significantly correlated with the "Conscientiousness" scale in both non-American samples but not in the American sample. The 6-month test retest reliability estimates were found to range from .7323 (Openness to Experience) to .8441 (Extroversion). In the current study we seek to extend the work of Chait et al. (2000) and examine if McBride's biodata instrument is useful within a global entrepreneurial organization in terms of predicting actual on-the-job performance in a predictive fashion. Specifically, the 39-item inventory developed by McBride (1988, 1997; McBride et al., 1997) is utilized in order to assess individuals' levels of service-orientation and compare these assessments to those determined through their on-the-job performance as employees over a one-year time span.

METHOD

Subjects included 261 job applicants who became employees within a global entrepreneurial financial information services organization. The gender composition of the sample was 53% males and 47% females with the average age being 24.67 (SD = 5.48). The primary instrument was the personality and biodata-oriented inventory developed by McBride (1988, 1997; McBride et al., 1997) as modified by Carraher et al. (1998). As indicated earlier Carraher et al. (1998) found support for an 8-factor solution while Chait et al. (2000) found support for a 5-factor solution. Using full-profile principal components analysis (as was used by Chait et al., 2000), we found support for the 5-factor model so we are going to use the 5-factor model in this study with scales calculated using regressed factor scores. Due to problems with the use of coefficient alpha reliability estimates (Sethi & Carraher, 1993), and the admonition that commonly used internal consistency estimations of reliabilities are "generally inappropriate for biodata" (p. 492, Mitchell, 1994), we did not calculate them but supported the internal consistency of the scales using limited information factor analysis. As previously mentioned, Carraher et al. (in press) found the 6-month test-retest reliability estimates to range from .7323 (Openness to Experience) to .8441 (Extroversion).

Table 1: Correlations of Service-Orientation with Biodata Scales

Scales	Correlation with Criterion
Extroversion	.39***
Agreeableness	.15**
Emotional Stability	.02
Conscientiousness	.21***
Openness to Experience	.09
Multiple R from regression analysis including 5 topical scales	.48***
R Squared	.23
* = p<.05 ** = p<.01 *** = p<.001	

A 17-item rater evaluation form consisting of items such as "The subject courteously and effectively dealt with customers" which were developed from the results of the job analyses performed by Schoenfeldt et al. (1992) was used independently of the employees formal evaluation system in order to avoid possible bias in the results for political or administrative reasons. Three raters familiar with the employees work (their immediate supervisor, a lead customer service manager, and the organization owner) each rated the subjects after one year of employment at the firm. As suggested by Tinsley and Weiss (1975), inter-rater reliabilities were assessed with corrected intraclass correlations from the rater evaluation forms for the three raters. The intraclass correlation was r = .79. These reliability estimates are comparable to those found by Hogan et al. (1984). The criterion scores were obtained by averaging the service-orientation scores given by the raters as was done by Hogan et al. (1984), McBride (1988), Carraher et al. (1998), Chait et al. (2000), and Carraher et al. (in press). Pearson product-moment correlation coefficients between the criterion (the average composite measure of service orientation from the three raters) and each of the topical scales are presented in Table 1. The multiple R's regressing all 5 of the scales on the criterion are also presented in Table 1. Turning to the results of the correlations, we see that the Extroversion, Agreeableness, and Conscientiousness scales have the highest correlations with ratings on service-orientation. It should be noted that all of these scales involve active rather than passive behaviors indicating that in order for individuals to behave in a service-oriented manner, they should actively seek to behave in such a manner.

CONCLUSIONS

These findings suggest that service-orientation can be effectively identified using a biodata inventory such as the one used in this study. It should be noted that the coefficients found here are similar to those found by Hogan et al. (1984) and the owner of the organization personally agreed with the ratings. These findings are also consistent with those found by previous researchers (Carraher et al. 1998; in press) with this instrument. In fact, O'Gorman and Doran (1999) have reported that it is through the focus on serving the customer well that small and medium sized businesses may more effectively compete with larger organizations which may have a cost advantage and thus being able to identify employees likely to treat customers well can increase an organizations profitability.

While the identification of proactive, considerate employees may be important to any organization, it is especially crucial in ones in which customer service may be a major part of the job for most of the positions within the organization as is increasingly becoming the case in the United States and around much of the world - and as may be especially important in entrepreneurial businesses where most employees may be called upon on a consistent basis to interact with both internal and external customers. Moreover, the generalizability of the instruments used to tap the construct are enhanced by the concept of service-orientation itself in that it is not occupation specific. This research has served to shed light on those areas of service-orientation that may be most important in the identification of individuals likely to behave in a service-oriented manner. Knowing which factors are important is a significant asset in developing a program designed to increase the service-orientation of both new and existing employees. In fact, in positions where service-orientation may be important, individuals should be selected based upon the degree to which they possess these characteristics and are likely to utilize them in the context of the position itself. Therefore, we believe that this type of an instrument can make an important contribution in the identification of individuals across occupations likely to exhibit high levels of service-oriented behaviors whether for selection or developmental purposes.

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CASE-BASED LEARNING ENVIRONMMENTS

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ABSTRACT

This research describes the use of case-based learning to create an interesting, humorous and Entrepreneurial learning environment. The cases use the learning theory developed by Clouse and Goodin related to whole-part-whole, just-in-time and connects the learning with the framework of the learner. The process uses a recursive design and permits students to act as consultants to cases. The process and products developed from this research will be discussed.

THE BORROWING EXPERIENCE OF BLACK AND HISPANIC-OWNED SMALL FIRMS: EVIDENCE FROM THE 1998 NATIONAL SURVEY OF SMALL BUSINESS FINANCES

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ABSTRACT

Commercial bank loans are a primary source of external capital for firms that are too small to access the public debt and equity markets. Thus, the availability of credit at a reasonable cost is a key concern for small firms. This article explores the extent to which black and Hispanic-owned firms are willing to pursue commercial bank loans and the extent to which they are able to obtain them. Results reveal that, although black and Hispanic-owned firms were just as likely to apply for a loan as white-owned firms, they were significantly less likely to be approved for one. Further, black and Hispanic-owned firms were significantly more likely to avoid applying for loans because they believed they would be denied. These findings did not reveal any differences in the interest rates charged on approved loans to black, Hispanic, or white-owned firms.

INTRODUCTION

Small businesses are a vital and growing part of the United States economy. According to the United States Small Business Administration (SBA), small firms having fewer than 500 workers employ 53 percent of the workforce and contribute 47 percent to all sales. They are also responsible for 51 percent of private gross domestic product and account for over 75 percent of new jobs (The Facts about Small Business, 1999). Small firms are also a major source of innovation. According to the SBA (The Facts about Small Business, 1999), small firms produce twice as many product innovations as large firms.

Traditionally, securing sources of capital has been a frequent concern for small and growing firms (Ang, 1991; Ennew & Binks, 1995; Pettit & Singer, 1985; Van Auken & Holman, 1995). Many small firms start with the intention of remaining relatively small. These micro-businesses or "mom-and-pop" operations are typically funded with the firm owner's personal savings, loans or gifts from family and friends, and with earnings from the firm (Petty & Bygrave, 1993). Somewhat larger firms, and particularly growing firms, however, may require capital from external sources. These sources are typically somewhat limited.

Small firms are unable to issue public debt and equity due to their small size and the high relative cost of issuance (Schnabel, 1992; Weinberg, 1994). Small, "entrepreneurial" firms with the prospect of rapid growth may have the option of funding from angels and venture capitalists. These firms represent a relatively small percentage of the total number of small firms, however. For most small firms, the major source of external financing is debt in the form of commercial bank loans (Ang et al., 1995; Berger & Udell, 1995; Binks & Ennew, 1996; Cole & Wolken, 1996).

Firms owned by minority business owners, and in particular, firms owned by black and Hispanic business owners represent a special subset of small firms that are growing even more rapidly than small firms in general. The number of black-owned firms increased by 108 percent from 1987 to 1997 to a total of 881,646 firms. Simultaneously, their revenues increased by 109 percent for the same time period. Hispanic-owned firms increased even more dramatically, increasing by 232 percent from 1987 to 1997 to a total of 1.4 million firms, while their revenues increased by 417 percent (The Facts about Small Business, 1999).

Previous studies conducted by the SBA have noted that black and Hispanic-owned firms are less likely to use credit and less likely to use bank loans than small firms on average (Minorities in Business, 1999). It is unclear as to whether or not these discrepancies are due to lack of access to debt capital, differences in firm characteristics, or, alternatively, different preferences on the part of firm owners. If, in fact, black and Hispanic-owned firms are less able or less willing to secure bank loans, the major source of external financing for small firms, that constraint may affect their ability to grow, to add jobs, to develop innovative products and services, and even to survive. This article will explore the use of debt capital and borrowing behavior on the part of white, black, and Hispanic small firms in order to deepen our understanding of these important topics.

RECENT BORROWING EXPERIENCE

The National Survey of Small Business Finances (NSSBF) includes information on each firm's borrowing experience for loans obtained within the previous three years. For black-owned firms, 28.8 percent of the firms had applied for a loan within the previous three years compared to 28.5 percent of the Hispanic firms and 27.1 percent of the white-owned firms. Approval rates differed dramatically, however. Whereas 77.8 percent of the white-owned firms had their loan applications approved, only 43 percent of the black-owned firms and 54.1 percent of the Hispanic-owned firms were approved. White-owned firms were more likely to provide collateral and guarantees, but black and Hispanic-owned firms paid a higher interest rate. It is also noteworthy that over 50 percent of the black-owned firms did not even bother to apply for a loan because they believed they would be turned down. This compares to 33.5 percent for Hispanic-owned firms and only 19.7 percent for white-owned firms. Thus, although an equal percentage of black, Hispanic, and white-owned firms applied for loans, a higher percentage of blacks and Hispanics were turned down, and a higher percentage of blacks and Hispanics avoided applying because they assumed they would be turned down. In terms of loan type, lines of credit were the most frequently applied for type of loan. For black-owned firms, over 50 percent of the most recent loan applications were for lines of credit compared to 38.6 percent for Hispanic-owned firms and 30 percent for white-owned firms.

LOAN APPLICATIONS AND APPROVALS

One of the key questions posed by this research is whether or not black and Hispanic-owned small firms are as likely to apply for loans as white-owned firms, and, if they apply, if they are as likely to be approved for loans. Univariate analysis, described above, suggests that although roughly the same percentage of minority-owned firms apply for loans as white firms, a lower percentage of them are approved. Similarly, a higher percentage of black and Hispanic-owned firms avoid applying at all, because they assume they will be denied. Logistic regression analysis was used to relate dependent variables representing loan application, loan approval, and application avoidance to a series of explanatory variables representing characteristics of the firm and the firm owner. Logistic regression is appropriate in instances where the dependent variable is dichotomous rather than continuous (Aldrich & Nelson, 1984; Cramer, 1991; Demaris, 1992; Tansey et al., 1996). The model took the following form:

$$\text{MRLapp (also MRLget and Noapply)} = a + b_1\text{black} + b_2\text{hispan} + b_3\text{ownage} + b_4\text{ed} + b_5\text{logsales} + b_6\text{ROE} + b_7\text{firmage} + b_8\text{org} + b_9\text{highrisk} + b_{10}\text{badcred} + b_{11}\text{serv} + b_{12}\text{manuf} + b_{13}\text{transp} + b_{14}\text{retail} + b_{15}\text{insre} + b_{16}\text{construc} + e$$

MRLapp is a dichotomous variable indicating whether or not the firm applied for a loan within the previous three years. This model was also tested with two additional dependent variables. MRLget indicates whether or not the firm received a loan within the previous three years, and Noapply represents firms that did not apply for a loan because they feared they would be denied. A correlation analysis revealed that the independent variables were not highly correlated with each other or with the dependent variables.

The independent variables selected represent characteristics of the firm owner as well as characteristics of the firm. The owner's personal characteristics may determine his or her willingness or ability to secure debt financing. Similarly, the firm's characteristics may make it more or less attractive to a lending institution. Owner characteristics include minority status (black or Hispanic), age, and educational level. Firm characteristics include variables representing firm size, profitability, firm age, organizational status, riskiness, credit history, and industry classification

One question concerning bank loans to black and Hispanic firm owners is availability, a second is cost. The findings discussed above suggest that external debt may be less accessible to black and Hispanic small business owners. Do those small firm owners also pay a higher price for credit when they are approved for a loan? To explore this issue, a regression model was developed using the interest rate on the most recent loan (MRLrate) as the dependent variable and the previously included independent variables. This model took the following form:

$$\text{MRLrate} = a + b_1\text{black} + b_2\text{hispan} + b_3\text{ownage} + b_4\text{ed} + b_5\text{logsales} + b_6\text{ROE} + b_7\text{firmage} + b_8\text{org} + b_9\text{highrisk} + b_{10}\text{badcred} + b_{11}\text{serv} + b_{12}\text{manuf} + b_{13}\text{transp} + b_{14}\text{retail} + b_{15}\text{insre} + b_{16}\text{construc} + e$$

A second logistic regression model was developed to test the relationship between the interest rate on the most recent loan and characteristics of the loan itself such as compensating balances, collateral, guarantees, points, and whether it was fixed or variable. One would anticipate that a willingness to provide compensating balances, collateral, or guarantees would lower the cost of borrowing. Similarly, one would anticipate that points would serve to lower the interest rate. Further, with variable rate loans some of the interest rate risk is borne by the borrower. Thus, one might expect a lower interest rate on variable rate loans. This model took the following form:

MRLrate=a +b1black +b2hispan +b3logsales +b4MRLcomp + b5MRLcoll + b6MRLguar + b7MRLpoint + MRLfixed +e

RESULTS AND DISCUSSION

This research seeks to address three important questions concerning borrowing by black and Hispanic-owned small firms. First, is there a demand for commercial loans on the part of black and Hispanic-owned firms? As noted earlier, many small firms are funded primarily by internally generated funds and by the personal financial resources of the firm owner. These "mom and pop" or "lifestyle" firms may not seek or require external sources of capital and may, in fact, prefer to operate with a minimal amount of debt. Alternatively, black and Hispanic-owned firms may prefer not to use formal sources of external capital such as commercial banks. Rather, they may prefer more informal sources such as loans from family members or friends. If this is the case, they may exhibit less demand for commercial loans than other types of firms.

The results of this research using data from the Federal Reserve's 1998 National Survey of Small Business Finances reveal, however, that black and Hispanic-owned small firms have comparable or even greater demand for commercial loans than small firms owned by white business owners. Hispanic-owned firms were no less likely to have applied for a loan within the previous three years than white-owned firms, and black-owned firms were significantly more likely to have applied for a loan. This finding suggests that there is no less demand for external sources of debt capital on the part of black and Hispanic-owned firms.

A second questions posed by this research is whether or not black and Hispanic-owned firms are as likely to be approved for loans. There are a number possible reasons for loan denial. It could be that the firm is too small, too new, or lacks assets that could be used as collateral. Similarly, the firm could be in what is viewed as an overly risky industry or line of business. A poor credit history on the part of the firm or the firm owner may serve as further deterrents to lending. These are all justifiable economic reasons to discriminate between firms applying for a loan. Non-economic discrimination occurs, however, when firms are denied credit for reasons including race, ethnicity, gender, age, religious preference, sexual orientation, or handicapped status. Non-economic discrimination is illegal in the United States and, within the context of the financial services industry, is specifically discouraged by laws such as the Home Mortgage Disclosure Act of 1975, the Community Reinvestment Act of 1977, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

The results of this research reveal that we cannot reject the possibility of non-economic discrimination in lending. Although black and Hispanic-owned firms were just as likely to apply for a loan within the previous three years as white-owned firms, they were significantly less likely to be approved for credit. This finding held true even controlling for other variables including firm size, firm age, profitability, organizational status, educational level of the owner, credit history, and industry classification. Even more disturbing, these results reveal that black and Hispanic-owned firms were less likely to apply for credit at all because they assumed they would be denied. As noted earlier in this article, bank loans are the dominant source of external debt capital for small firms. If bank loans are less available to certain groups, or if there is the perception that credit is less available, it will constrain the ability of those firms to grow, to develop new products and services, and to employ workers. Since many black and Hispanic-owned firms are located in urban areas, this is a particular threat to the economic well-being and development of cities, many of which are in desperate need of resident businesses, employment and other sources of economic vitality.

A third questions raised by this research is whether or not black and Hispanic-owned firms pay a higher price for credit when it is available. If credit is more costly for minority-owned firms, it may discourage them from borrowing or reduce their profits and cash flow when they do borrow. These findings do not reveal differences in the interest rates charge on the most recent loans between black, Hispanic, and white-owned firms. They do indicate that smaller firms pay a higher rate for loans, consistent with prior research. Further, they reveal that firms that are willing or able to provide collateral pay a lower rate of interest.

PERSONALITY AND SELF-VENTURING

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ABSTRACT

Over the last several years, a handful of researchers have shown renewed interest in demonstrating the relationship of cognition and entrepreneurial intent. Drawing from this effort, the authors continue the search for a personality linkage. One hundred and seventeen undergraduate students from two diverse southwestern universities were administered the Myers-Briggs Type Indicator (MBTI) and the Carland Entrepreneurial Index (CEI). Results provide further support of a cognitive relationship as well as implications for continued research.

INTRODUCTION

Since 1984 (Carland, Hoy, Boulton & Carland) considerable debate has centered on defining the entrepreneur. One school of thought has taken (what these authors consider) the easy way out by maintaining that anyone that engages in self-venturing is an entrepreneur. At the other end of this continuum, an aggressive, robust, and maybe (some may contend) fool-hearty group still contends that understanding the cognitive relationship of the individual and the venture is critical for better appreciating entrepreneurship.

The purpose of this paper will be to continue the task of searching for a relationship between personality and the propensity to self-venture. The intent of this research is not to provide evidence of differences between small businesses and entrepreneurs, but rather, to accept the conclusions drawn by Carland, Carland and Hoy (1992), Jackson, Watts and Wright (1993) that: the entrepreneur and his/her activity is best defined on a continuum; and, that there exists a "clear and pressing need to establish a valid measure of entrepreneurship" (Carland, Carland and Ensley, 2001). We also hope to provide further support to the convergent validity of the CEI with the MBTI as a means of defining the entrepreneur.

To accomplish this, we provide a brief history of the "E" debate, an overview of the instruments recommended for future research, and an empirical examination of the relationship between the two instruments. The ultimate outcome is that we contribute to ensuring that entrepreneurship research does not suffer a slow death.

THE LINE IN THE SAND

From the mid-fifties into the mid-eighties, considerable discussion of the entrepreneur and his/her characteristics was carried on regularly in the literature. Characteristics assigned to the entrepreneur were quite diverse. For the most part, this early research paid little if any attention to the type of small businessperson being investigated. Carland, Hoy, Boulton and Carland (1984), however, categorically insisted that our point of research orientation had to be narrowed. A "Mom and Pop" small business owner had to be different from one that started a venture that grew into a larger corporation. Gartner (1988) disagreed, in essence, drew the line in the sand and strongly declared that it does not matter-self-venturing is entrepreneurship. Considering that there had already been recent calls in the management and marketing disciplines for a more scientific, quantitative approach to research, it is no surprise that many joined Gartner's camp.

For the most part, the years since have witnessed a limited approach to discussion of cognition and the entrepreneur. The Carlands have held fast in their convictions to expand research in this area (Carland, Hoy & Carland, 1988; Carland, Hoy, Boulton & Carland, 1988; Carland & Carland, 1991, 1992, 1997, 2001; Ensley, Carland & Carland, 1998; Stewart, Carland & Carland, 1996; Carland, Carland & Stewart, 1996; Carland, Carland & Carland, 1995). Others have followed in the vein of the "cognitive connection" (Forsgren, 1990; Ginn & Sexton, 1990; Sexton & Ginn, 1990; Brodzinski, Scherer & Wiebe, 1990; Dugan, Feeser & Plaschka, 1990; Jackson, Watts & Wright, 1993; Reynierse, 1997; and, Tampere & Koiranen, 2000).

Still others (most very recently) have actually offered specific approaches to take. It was suggested that we should explore "potential" (Palmer, 1971), "conative (motivational and volitional) constructs" (Ruothotie & Koiranen, 2000), "psychological ownership" (Pierce,Kostova & Dirks, 2001), "psychological correlates" (Stewart, 1996), "entrepreneurial teams" (Ensley, 1999), "skills" (Robinson & Herron, 2001), and "strategic continuums" (Jackson, Watts & Wright, 1993). While many declare the need-none have offered the validated means to accomplish the task.

The Carlands have done just this by suggesting that it is quite appropriate to apply multiple measurement scales to the "E" phenomenon (Carland, Carland & Ensley, 2001). They have not stopped with just the idea-they have put forth the effort to provide the initial support for answering the definitional question.

PRIOR RESEARCH

Myers-Brigg Type Indicator (MBTI) and the Entrepreneur

Before discussing the prior research accomplished with the MBTI in terms of entrepreneurial personality traits, a general overview of this instrument is warranted. One of the most succinct explanations of this instrument was provided by Myers, McCaulley, Quenk & Hammer (1998):

> *The purpose of the Myers-Brigg Type Indicator (MBTI) personality inventory is to make the theory of psychological types described by C. G. Jung (1921/1971) understandable and useful in peoples' lives. The essence of the theory is that much seemingly random variation in behavior is actually quite orderly and consistent, being due to basic differences in the way individuals prefer to use their perception and judgment (p. 3)*

The means of accomplishing the separation needed to define types is based upon responses to forced choice questions that focus on four basic principles. These principles are: where does an individual prefer to focus their energies-internally or externally; how does an individual prefer to perceive stimuli-through their senses or through intuitive relationships; how does an individual make judgments-impersonally based upon logical consequences or rather on personal or social values; and how does an individual prefer to deal with the world-either through thinking or feeling. These dichotomies are shown below in Table 1. Combinations of responses allows for sixteen possible individual personality types.

Table 1: The Four Dichotomies of the MBTI	
E-Extroversion	I-Introversion
S-Sensing	N-Intuition
T-Thinking	F-Feeling
J-Judging	P-Perceiving
Source: Myers, McCaulley, Quenk & Hammer, 1998	

The instrument (through numerous revisions) has been examined within over "4,000 research studies, journal articles, and dissertations…since 1962" (Myers et al, 1998, p. 10). Considerable tests of validity and reliability of the instrument have occurred within many of these studies. However, only a limited number of these studies have specifically focused on entrepreneurs. The authors have set out to add to that limited literature in the current research.

Each preference has a dichotomous element that leans toward previously identified traits of the entrepreneur. While experts in the area of MBTI development stress that it is the collective groupings of these dichotomies that provide full meaning, the individual pairings still provide considerable insight into the individual's characteristics.

A number of researchers have examined the differences in these individual preferences over the last decade in a wide variety of populations. Some have specifically addressed the difference between small business owners and entrepreneurs, while others have focused on the assumed characteristics of the entrepreneur.

Fasiska (1992) and Carland and Carland (1992) determined that entrepreneurs demonstrated a higher E preference than did managers. The Carland study also supported proposed differences between small business owners and entrepreneurs.

Several studies have provided support for the conclusion that entrepreneurs (or potential entrepreneurs) demonstrated a preference for collecting information through intuition (N) versus through hard cold facts (S) (Fasiska, 1992; Carland & Carland, 1992; Carland, Carland, Hoy & Boulton, 1988; Ginn & Sexton, 1990; and, Sexton & Bowman, 1985). These results are not surprising given almost all research (whether theoretical or empirical) has recognized the entrepreneur as being innovative (Palmer, 1971), a change-agent (Drucker, 1985), as an individual that through his/her foresight "upsets and disorganizes" (Weber, 1958), or is the means for "creative destruction" (Schumpeter, 1934). Or as Stewart (1996) suggests, "the commonality among [entrepreneurs] was the ability to see what was not there, to envision the creation of a new venture" (p xi).

Results of studying the third preference (T-F) have been mixed. It may very well be that, entrepreneurs as well as most business managers must, at times, base conclusions on facts (Carland & Carland, 1992; Reynierse, 1993; and Roach, 1986). In addition, entrepreneurs have often been recognized as individuals with high personal values. Thus, two dilemmas surface - this is probably an area we cannot expect differences with business people in general, and that the entrepreneur may use each preference T or F with equal ease.

The final preference P--J has also received attention in the literature regarding the entrepreneur. Several studies have shown the entrepreneur preferring to deal with the outer-world using P rather than J (Reynierse, 1993; Roach, 1986; Fasiska, 1992, Carland & Carland, 1992, and Sexton and Ginn, 1996). It is also reasonable to expect these results - the entrepreneur is expected to exercise considerable adaptability when maneuvering a new venture into the market.

While the above summary of preference for information-related processes is encouraging from a theoretical perspective, it still enjoys only limited empirical support. For the most part, the entrepreneur has been ill defined, and the samples have often been questionable.

The Carland Entrepreneurial Index (CEI)

In 1992, Carland, Carland and Hoy presented a manuscript on empirical validation of a new entrepreneurship scale - the CEI. The authors based this instrument on considerable research in "…entrepreneurial planning, characteristic behavior and distinctions, and [borrowed] heavily from the literature of cognitive psychology." What emerged was an investigative tool that evaluated entrepreneurial drive on a continuum rather than as a dichotomous condition. Results of this study proved promising. In their study of "conative" constructs, Ruohotie and Koiranen (2000) lauded the value of this instrument. According to these authors, "…the widely known Carland Index nicely aggregates four key elements of entrepreneurship: personality, innovativeness, risk-taking propensity, and strategic posture" (p 11). Validation of the instrument remained, however, a work in progress until recently. In their recent study (Carland, Carland & Ensley, 2001), provided considerable support in terms of reliability, discriminant and convergent validity, as well as some predictive validity. The results indicated, "…personality behavioral elements which have traditionally been associated with entrepreneurship were correlated with the entrepreneurship index at a high level and in the correct direction" (p. 67). The authors vowed to improve the scale, especially in the area of its predictive qualities.

The work was a tremendous success in that through the results we can discriminate between different types of entrepreneurs on a continuum. While many have suspected this (Jackson, Watts & Wright, 1993; and Carland & Carland, 1997), an instrument for confirmation is now in place. This marks a new stage in entrepreneurial research, and one that brings us a major step closer to defining the "E" word. The research community has an obligation to continue along this path until additional modifications of the instrument are made, thus providing support for the quantum leap in research results that will surely occur.

HYPOTHESES

The current research is based on the implicit assumption that a group of advanced business students will exhibit personality characteristics in common with persons actively engaged in business. More particularly, business students will compare well with other groups of businesspersons in terms of the Myers-Briggs Type Indicator.

Furthermore, prior research discussed above suggests certain relationships between the Myers-Briggs Type Indicator (MBTI) results and the score value on the Carland Entrepreneurial Index (CEI). It would be expected that these correlations would be present in the business student population as well as among businesspeople. Given those a priori expectations, the following four working hypotheses regarding traits were developed for evaluation in the current research.

H1: Respondents scoring higher on the CEI should exhibit preference for E over I on the MBTI.
H2: Respondents scoring higher on the CEI should exhibit preference for N over S on the MBTI.
H3: Respondents scoring higher on the CEI should exhibit preference for T over F on the MBTI.
H4: Respondents scoring higher on the CEI should exhibit preference for P over J on the MBTI.

A fifth hypotheses was formulated based more generally on the literature. This hypothesis relates to types rather than traits. The hypothesis states that ESTJ and ISTJ types will be more common among more entrepreneurial students.

H5: Respondents scoring higher on the CEI should prefer ESTJ and ISTJ over other types.

THE SAMPLE

A sample of upper-level undergraduate business students from two, small rural universities completed both the MBTI and the CEI scales. Some 117 useable sets of responses were obtained from the students. The analyses that follow are based on the data obtained from that sample of students. Before turning to the analysis, however, a brief profile of the sample is provided.

The sample was young, as would be expected of undergraduates. Over 62% were between the ages of 19 and 25, and 20.5% were in the 26 to 35 group. The selection of the sample was secondary to the source of the sample elements. The researchers desired to gather data in classes composed of advanced business students. Over 85% of the students were, in fact, seniors and another 12% were juniors. As far as gender is concerned, 53.8% of the students were women and 46.2% were men.

The only other major demographic concern in the research was exposure to the small business environment. Briefly, 21% of the students surveyed reported having owned their own businesses, 50% reported that their parents owned their own small businesses, and 82% of the students reported they had been (or currently were) employed by a small business at least once.

The researchers decided to "compare" the MBTI profile of the student sample to some other relevant, known group. One study sample, discussed originally by Carland and Carland (1992) consisted partly of small business owners in a larger study of several populations. While that analysis is beyond the scope of this study, the researchers found no significant differences between the current student sample and the reported sample insofar as any traits on the MBTI are concerned.

DATA ANALYSIS

A note on CEI scoring

The analytical technique selected for the hypotheses specified above, was a simple analysis of proportions. The researchers had to decide on the "degree of granularity" for the Carland Entrepreneurial Index (CEI) scores. A decision to specify two levels of granularity was based on a lack of clear guidance in the literature. After some deliberation, the researchers decided to approach the question of granularity on the basis of the content of the data. The researchers decided to allow a boundary based on cumulative distribution. Because the interest was vested in higher CEI scores (see the hypotheses), the two-group approach came out as follows:

LOW	CEI score of 20 or less (54 respondents)
HIGH	CEI score of 21 or higher (63 respondents)

In order to consider other approaches to deciding on the High/Low CEI issue, the researchers determined to also use a tercile approach. The decision as to what constitutes a tercile was also based on cumulative frequency. The groups fell out as specified below:

LOW	CEI score of 18 or less (36 respondents)
MEDIUM	CEI score of 19 to 22 (40 respondents)
HIGH	CEI score of 23 or higher (41 respopndents)

These decision rule results indicate a tight compaction of scores around the score of 20 or 21. Analysis of the data (presented below) for the four stated hypotheses was carried out on the basis of both score category schemes.

DISCUSSION AND IMPLICATIONS

The researchers set out to consider a simple problem. This problem relates to the correlation between the Myers-Brigg Type Indicator (MBTI) and the Carland Entrepreneurship Index (CEI). The discussion of the background literature related to the MBTI and the CEI led to the specification of five very straightforward hypotheses. Data were collected from 117 undergraduate students in senior level business classes using a convenience sampling technique. The student group was expected to exhibit a tendency toward entrepreneurship greater than the general population. The sample was fairly small, but the study was exploratory in nature.

We predicted (Hypotheses 1-4) to find specific trait preferences based on an analysis of existing literature. Specifically, we predicted that respondents who scored higher on the CEI would prefer E over I, N over S, T over F, and P over J on the MBTI. Three of these four hypotheses were supported by the data collected from the sample: E over I, N over S and T over F. The last of the trait related hypotheses was not supported by the data. It is possible that the small sample size used in the study confounded this hypothesis. 65% (76) of the respondents preferred Judging over Perceiving. For the four dichotomies, this was the strongest split. It may be that the sheer weight of the Judging preference in the sample masked the expected preference.

The fifth hypothesis predicted that ESTJ and ISTJ types would be more common among high CEI respondents. We did not find that higher CEI score respondents were more likely to prefer xSTJ over the other fourteen types. It turned out that xSTJ's were, simply, more common (29%) than all other types combined among the respondents. The size of the sample and the overwhelming general preference for xSTJ might have confounded the analysis.

The first implication to be drawn from the research is obvious. The sample behaved largely as the trait-related hypotheses predicted. The fact that three of the four trait hypotheses was supported lends to the argument that respondents who "score" near the upper end of the CEI do, in fact, tend to prefer specific traits over others on the MBTI trait pairs. Furthermore, the preferences match predictions made from prior research and theory for three of the four trait pairs.

At the same time, the data acquired from the respondents did not support the fourth trait-related hypothesis. While it is possible that the hypothesis related to this trait pair (J-P), is in some way faulty, the researchers are reluctant to say so based on the concern over sample size and results of previous research. The relationship between the CEI and the Judging/Perceiving dichotomy requires further study. It may be that the sample used, and not just its size, was inadequate for a fair test of the hypothesis.

Conversely, the data related to the hypothesis (H2) concerning the S-N pair are very impressive. The sample as a whole clearly preferred Sensing (60%) over Intuition (40%). What the data indicate is that while that strong Sensing preference is evident in the sample, the 40% who preferred Intuition were heavily concentrated among those who scored toward the high end of the CEI. This is the strongest conclusion of the study.

The fifth hypothesis predicted that respondents with high CEI scores would prefer ESTJ and ISTJ types over other types. This hypothesis was not supported even though the two were the two most preferred types over all. Further analysis and more research need to be directed at the relationship between xSTJ types and CEI scores to uncover the nature of the relationship that might exist, particularly in light of the strong overall preference for xSTJ.

Further development of several of the findings of this research is in order and already underway. The supportive findings are completely consistent with general expectations. We did not find that persons with a high propensity to self-venture preferred Perceiving over Judging. In fact, the data demonstrate a very high level of Judging over Perceiving for all respondents and imply that persons who do prefer Perceiving are diffuse with respect to the CEI.

A larger sample needs to be acquired to determine whether or not sample size confounded the analysis related to H4 and H5. A different kind of population might produce results more in keeping with expectations. Another matter for discussion among scholars is the arbitrary method(s) the researchers used to distinguish "levels" of CEI scores. The study presented in this paper lends considerable support for the proposition that MBTI preferences do correlate well with CEI scores.

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WRITING AN EMPLOYEE HANDBOOK

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ABSTRACT

An employee handbook could protect an organization or could become a damaging liability. The primary purpose of this article is to educate small business owners about the significance of employee handbooks. Key elements including the benefits of handbooks, contents of a typical handbook, the effective use of clauses and disclaimers, concerns with on-line handbooks and issues that pertain to revisions or additions to handbooks are discussed.

BENEFITS OF EMPLOYEE HANDBOOKS

AVOID LAWSUITS. Handbooks reduce the risk of being sued by an employee.

DEFEND AGAINST LAWSUITS. Employee handbooks that clearly state the policies and procedures are the best place to start for building a successful defense against legal challenges (Milligan, 1999).

OBTAIN INSURANCE. Most insurers are unlikely to give even a price quote for liability coverage to businesses that do not have an employee handbook.

IMPROVE MORALE. Employee handbooks that clearly convey that policies and procedures will be applied consistently are likely to improve employee morale.

FREE UP BUSINESS OWNER'S TIME. When policies, procedures, and expectations are in writing, employees can look up the answers to their questions. This will free up business owner's time to focus on business-related issues.

CONTENTS OF A TYPICAL EMPLOYEE HANDBOOK

COMPANY INFORMATION. Information about the company is usually included at the beginning of the employee handbook. A welcome letter, a brief description and a discussion of the company's mission and values is included.

POLICIES AND PROCEDURES. Policies outline the rules and expectations of the company. It is important to include what is legally required as a starting point. Organizations could also include policies that address smoking, prohibited conduct, right to intellectual material, right to privacy, arbitration, solicitation, and dress code in the employee handbook.

Procedures outline steps or actions that could be taken if any of the policies or rules are not followed. The most important thing is to avoid including unrealistic or insincere policies. It will not only discredit itself to employees.

Include a clear and specific procedure in cases of harassment (London, 1999). The policy should include a broad definition of harassment, several lines of authority where complaints may be taken, and a clear indication of what will follow after a complaint has been lodged.

BENEFITS. Some benefits, such as social security, unemployment insurance, and workers compensation, are legally required and must be included in employee handbooks. Other benefits may be available only to select workers. Each benefit offered should be described to highlight the advantages for the employees. Employers should not include specific numbers or amounts in the employee handbook because they will vary. Only state that the benefit may be available and who to contact with questions about cost or coverage.

State to whom each benefit applies and what criteria will be used to determine eligibility. If the same employee handbook is given to employees at all locations and it lists a benefit, then the company will have to provide that benefit to all employees (Flynn, 2000).

EFFECTIVE USE OF CLAUSES IN HANDBOOKS

AT-WILL EMPLOYMENT CLAUSE. In this relationship, no contract exists. The best way to phrase an at-will clause is to simply state "this employment relationship is at-will," but it will still need to be backed up by the rest of the handbook and the actions of the employer.

The at-will clause should be included in the handbook. Employees should be asked to sign and date a form to acknowledge the at-will employment relationship. This form should become a part of the employee's personnel record. These forms must be signed and dated and placed into the employee's file.

NON-COMPETE CLAUSE. The non-compete clause is usually included in an employee contract, but if it is relevant to all employees and/or there is no written contract, it could be included in the handbook. The clause acknowledges that the employee may leave the company at some point in time, and prohibits the employee from going to work for the company's competition. In addition, it prevents the employee from taking the knowledge and using it to create a new business that directly competes with the former employer.

A well-written clause will specify: (1) the companies for which employees should not work for, (2) geographical areas in which employees should not compete with the company, and (3) the time period for which an employee is not allowed to compete directly with the company for business. As a general rule, a non-compete clause should not prevent competition for extended periods of time (Retwa, 2001). A reasonable time period will vary depending on the business, but six months to one year is typical.

CONFIDENTIALITY CLAUSE. A confidentiality clause specifies the topics an employee may discuss with certain people, or, conversely, topics that should not be discussed. In jobs that involve knowledge of trade secrets and recent developments, confidentiality clauses can be used to prevent word from leaking out of the department or, worse yet, the company. It is best to let employees know that there will be negative consequences if they ask for or attempt to share confidential information.

When including confidentiality clauses, be specific about the types of information that can or cannot be discussed. If a clause could be interpreted as prohibiting the freedom of employees to talk about wages, benefits or work conditions, it is unconstitutional and, therefore, invalid. Some companies may choose to include subjects that are not prohibited. Alternatively, a company could list subjects that are.

The confidentiality clause should specify to whom it pertains. Obviously an employee will not be allowed to call up the competition and sell them the latest invention, but who else should be eliminated from the calling list? It is best to limit confidential information to just those employees who need the information to perform their jobs. Employees who are trusted and informed will perform better, but they do not need to know the details of every new idea being pursued. Do not release too much information that would be hazardous for the competition to know.

NO-SOLICITATION CLAUSE. A solicitation (or no-solicitation) clause defines who can and cannot solicit coworkers to support a cause, buy something, or join an organization. Generally this clause is only included when solicitation is prohibited. Legally, the clause must be all or nothing because solicitation is a method of free speech. Companies have the right to prohibit solicitation because they are paying their employees to work. On the other hand, if solicitation is prohibited, it includes selling Girls Scout cookies or collecting donations for the Red Cross. These causes are dear to the hearts of employees and the company's support for these types of causes can help create employee satisfaction with the company.

The reason why employers use a no-solicitation clause in spite of the negative consequences is to prevent union representatives or company employees from handing out or collecting petitions to organize a union in the workplace. While the employer can express antiunion sentiments and give support for those feelings, they cannot exclusively prevent the solicitation of unions. All solicitation must be prohibited.

ARBITRATION CLAUSE. The purpose of the arbitration clause is to clearly communicate that any disagreements between employees and the management of the organization will be subject to arbitration by an in-house or a third-party arbitrator. The employer should obtain a signed acceptance of this clause upon hiring a new employee. The arbitration clause should be displayed conspicuously in the handbook. In other words, bring special attention to the arbitration clause. That special attention can be achieved by having a signed form to indicate acceptance of the arbitration agreement (Perkins & Terman, 1999).

DISCLAIMERS

Disclaimers are a special category of clauses. Traditionally, they were placed at the beginning of the handbook and contained "nothing in this handbook is contractual" or an equivalent phrase. This is a generic disclaimer, and it could mean bad news for a company because its purpose is unclear. It is a disclaimer of everything included in the handbook and makes everything eligible for change, from insurance benefits to the mission statement to the disciplinary procedures. The problem is that some things, such as the legally mandated benefits, are undoubtedly contractual - that is, not subject to negotiations.

Only place disclaimers where needed. A generic disclaimer that says nothing in the handbook is contractual would be inaccurate and, therefore, void (Aikin, 1998). So the disclaimer must be placed in the section to which it pertains and must clearly state that its validity is for that specific section only.

Use disclaimers consistently (Martucci & Smith, 1997). If supervisors are told to follow every step of the procedure every time, then the procedure, not the disclaimer, is relied upon and followed, making the disclaimer false. Since organizations frequently invoke disciplinary procedures, we offer helpful suggestions on how to fashion disciplinary procedures.

DISCIPLINARY PROCEDURES

Disciplinary procedures should be outlined in the handbook, but not in great detail and never as progressive steps that will be followed every time. If the disciplinary procedure is described as a series of progressive steps, then the employment will not be at-will, and termination of an employee for a first but serious offense will become extremely difficult. The employee could argue that the company failed to afford him/her due process - that is, did not use the step-by-step disciplinary procedure before terminating him/her.

The best alternative to listing disciplinary procedures as a series of progressive steps is to describe and depict the process as a cycle of possible actions. According to Falcone (1999), California courts have ruled that if the handbook implies there are specific steps in due process, the employment is no longer at-will, meaning a terminated employee can sue because a step in the list was skipped. If the procedure is created as a cycle, it may start at any point and progress to any other point. This representation helps when explaining that every step may not be followed and the inclusion of a step is only to show that it exists and is available for the management's use. To accomplish this, place all the options for discipline around the edge of a circle. Do not include a start or end point. They should not be placed in any specific order, as that would imply a steady progression. Then use the circle to decide which option would best fit each individual's misbehavior.

When describing the possible actions, be sure to include an "other" category as a possible action. Including such a category will be particularly important if the organization believes in adjusting the penalty to fit the crime.

ON-LINE EMPLOYEE HANDBOOKS

The increase in the availability of technology has resulted in many employers posting their handbook on the company's intranet or in a storage area on the internet. Organizations must consider a number of issues before resorting to posting employee handbooks on-line.

First, employers have to realize that on-line handbooks may not be accessible to employees who do not have access to computers and/or the internet. If the handbook is on the intranet, employees will not be able to access it from outside the company. In most cases, it will not be possible for employers to only have an on-line version, so posting handbooks on-line does very little to eliminate publishing and printing costs.

Second, changes employers make to a virtual handbook can be very hard to document. All employees need to somehow be notified that a change has been made and must somehow give their consent to the change. Documentation is important because a physical signed consent is easier to uphold in court than a reply to a mass email. In addition, if employees also have a printed version, updated sections must still be sent out to replace the old sections in the printed handbook because every employee cannot be expected to manually change the handbook. Also, employers have to print the changes, affix a date to the changed material and store it. Because adjusting a virtual handbook is so easy, there is a chance the change would not be printed out, dated, and kept.

Third, employers should be concerned with the security and integrity of the virtual handbook. Anyone can browse and read material on the internet. A password could be issued to access the handbook, but if someone wants to access it, they could figure out the password. Also there is a chance of someone breaking through the security restrictions and making unauthorized changes to the handbook.

REVISING/UPDATING EMPLOYEE HANDBOOKS

At a minimum, handbooks should be reviewed once a year. From time to time, it may become necessary to revise, update or add new policies, procedures and benefits. When making changes to the employee handbook, employers should engage in two very important actions. First, they should print the section or sections that were revised, record the date the changes will go into effect, and make sure that every employee receives a hardcopy of the changes. Second, employers should provide "consideration" when substantive changes are made to existing policies or when a new policy is added to the handbook. Consideration must be given to employees in return for their signature of acceptance of a new handbook. Courts no longer accept continuing to work as consideration (Jenero & Schreiber, 2000).

CONCLUSION

Employee handbooks are particularly valuable to small business owners. A well-designed handbook could protect and organization whereas a poorly- designed handbook will become a liability. The suggestions offered in this article could help small business owners craft employee handbooks that are not only legally defensible but also create a positive work environment.

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THE MOST IMPORTANT FINANCE SKILLS FOR ENTREPRENEURS: DIFFERING VIEWS AMONG FINANCE PROFESSIONALS

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ABSTRACT

Finance is commonly viewed as one of the most important topics for entrepreneurs to understand to ensure their survival and success. This study addresses 10 finance topics commonly taught in university courses. Each topic was evaluated by financial advisors on its level of importance for inclusion in entrepreneurial finance courses. The financial advisors include accountants/CPAs, bankers (lenders), investment bankers, venture capitalists, angels, personal financial advisors, and "others." The financial advisors considered all 10 topics to be at least "very important." However, some important differences did emerge among the various types of financial advisors on the topics of financing sources and methods, the relationship between outside investors and the entrepreneur, and the time value of money.

INTRODUCTION

Entrepreneurial finance is a relatively new subdivision within the discipline of finance and researchers have only begun surveying finance professionals as to which finance skills are most important for entrepreneurs. In this study, we compare the perceptions of different groups of finance professionals who advise entrepreneurs. Each group was asked to comment on the importance of ten finance skills for entrepreneurial success (see Table 2 for a list of these topics).

LITERATURE REVIEW

Several prior studies have surveyed financial professors to learn what topics are most important to cover in finance courses. For example, Cooley and Heck (1996) found that the time value of money, capital budgeting, risk and return, security valuation, and cost of capital were the introductory finance course topics viewed as most important by academics. Other researchers have surveyed finance professors to identify what topics are most important to cover in specialized finance courses. For example, Gardner and Mills (1990) gathered data on the financial institutions.

An alternative approach taken by some researchers is to gather data on the perceptions of finance practitioners, or of finance practitioners and academics (see Graham and Krueger, 1996; Gup, 1994). McWilliams and Pantalone (1994) surveyed top financial executives of large corporations and found that they believed working capital management, capital budgeting, and financial institutions should be required courses for finance majors.

Anderson, Envick, and Roth (2001) surveyed entrepreneurs and financial advisors to entrepreneurs to examine the perceived importance of different finance skills for entrepreneurial success. Their evidence suggests that entrepreneurs and financial advisors are in general agreement regarding the seven most important skills; however, entrepreneurs placed a higher value on the "behavioral" topics in finance.

METHODOLOGY

A nonprofit business organization, which primarily focuses upon promoting entrepreneurial activities, was utilized as the target pool for participants. This organization consists not only of financial advisors, but entrepreneurs, management and marketing consultants, among other types of members. We targeted 186 participants, which is the entire listing of members we believed to be financial advisors. Ninety-two surveys were returned, resulting in an outstanding 49.5% return rate. See Table 1 for demographic information regarding the participants.

Table 1: Demographic Information on Participant Financial Advisors			
By type:		***By financial advisor education:***	
Accountants/CPAs	24	High school	3
Bankers (lenders)	26	Trade school	0
Investment bankers	7	Bachelors	37
Venture capitalists	10	Masters	42
Angels	8	Doctorate	7
Personal Financial Advisors	9	Other	1
Other	8	Unknown	2
	92		
By business age:		***By financial advisor age:***	
Infant (less than three years old)	15	Twenty-six to thirty-five	13
Young (three to seven years old)	15	Thirty-six to forty-five	33
Mature (more than seven years old)	60	Forty-six to fifty-five	29
Unknown	2	Fifty-six to sixty-five	13
		Sixty-six and over	3
		Unknown	1
By business size:			
Small (less than 50 employees)	50	***By gender:***	
Medium (50 – 250 employees)	13	Female	10
Large (more than 250 employees)	25	Male	74
Unknown	4	Unknown	8

The topics included were chosen from a previous study conducted by Anderson, Envick, and Roth (2001), which asked both entrepreneurs and financial advisors to rank thirty finance topics according to their importance for entrepreneurs. The current study focuses on the ten topics deemed most important in the aforementioned study. Mean scores were used to rank the finance topics from most important to least important according to each group. The data were also analyzed using ANOVAs to determine if significant differences exist among the seven groups.

RESULTS

The means and standard deviations of all ten topics according to the seven groups of financial advisors are reported in Table 2. All topics received mean scores higher than five, which implies all topics are considered at least "very important." This high level of importance is due to the fact that the ten topics selected were ones previously identified as "very important" (see Anderson, Envick, and Roth, 2001).

As one can see by reviewing Table 2, the opinions of the different financial advisors are similar. However, there are some significant differences that deserve mention. Table 3 summarizes significant statistical differences found between the mean scores of the financial advisors. Only those three topics where significant differences were found are reported. These topics include the "overview of major finance sources and methods," "the relationship between outside investors and the entrepreneur," and "the time value of money."

CONCLUSION

The evidence from this study suggests that financial advisors generally agree on the importance of different finance skills for entrepreneurs, but the advisors do disagree on the importance of three skills. The significant differences observed suggest that financial advisors place a higher value on the skills that relate more closely to their own professions.

First, venture capitalists, investment bankers, and angels valued the topic "overview of major business financing sources and methods" more highly than did accountants. Obviously, venture capitalists, investment bankers, and angels provide financing to entrepreneurs and accountants do not. Many new entrepreneurs do not understand that angels primarily finance extremely young, very risky ventures; investment bankers finance much more established ventures with proven track records; and venture capitalists finance large new ventures in between these two extremes. Venture capitalists report that often entrepreneurs, with good business plans, seek venture capital when another form of financing would be much more appropriate.

The second topic where significant differences were found is "the relationship between outside investors and the entrepreneur." In this case, three types of outside investors-venture capitalists, bankers, and angels-all ranked the topic more highly than did accountants. This finding likely reflects that these investors have dealt with entrepreneurs who did not understand the nature of the relationship between outside investors and the entrepreneur. Personal financial advisors also viewed "the relationship between outside investors and the entrepreneur" as more important than did accountants. In contrast, accountants focus on accurately reporting the historical accounting income and the book value of assets. It seems natural that in their transactions with entrepreneurs, personal financial advisors would have more opportunity to consider the impact that outside investors can have on the entrepreneur's goals.

The third topic where significant differences were found is "time value of money." Venture capitalists ranked this topic more highly than did bankers or professionals in the "other" category. Personal financial advisors ranked it more highly than did bankers, accountants, or professionals in the "other" category. Again, these differences can be explained by reference to the professional activities of these groups. The time value of money topic is concerned with the discounting process to find present value and the compounding process to find future value. Venture capitalists often discount a new venture's expected cash flows, using very high required rates of return, to estimate the firm's value (see Smith and Smith, 2000).

Personal financial advisors assist entrepreneurs in planning for long-term financial goals, e.g. selling the business and retirement. The time value of money concepts, present value and future value, are essential to this planning process. In contrast, accountants emphasize the accurate reporting of historical income and book value, while bankers concentrate on determining the credit worthiness of potential borrowers. These activities do not rely as heavily on the time value of money as do the activities of venture capitalists and personal financial planners.

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Table 2: Means and Standard Deviations of Finance Topics According to Financial Advisor Groups

Finance Topic	VC		Bankers		IB		Angels		Acct.		PFA		Other	
	Mean	*SD*	*Mean*	*SD*	*Mean*	*SD*	*Mean*	*SD*	*Mean*	*SD*	*Mean*	*SD*	*Mean*	*SD*
Forecasting and financial statements	6.500	0.707	6.538	0.706	6.571	0.787	6.250	0.707	6.625	0.711	6.333	1.118	6.375	0.913
Cash management and projecting cash flows	6.300	0.823	6.269	0.827	6.571	0.787	6.625	0.518	6.583	0.654	6.667	0.707	6.750	0.707
Financial statement and financial ration analysis	6.200	0.919	6.269	0.827	6.286	0.756	6.250	0.463	6.500	0.590	5.667	1.732	6.250	0.707
Overview of major business financing sources and methods	5.900	0.994	5.522	1.275	6.333	0.816	6.250	0.463	4.957	1.147	5.778	1.202	5.875	0.991
Receivables management	5.600	1.174	5.692	1.123	5.571	1.397	5.000	0.756	5.583	1.018	5.778	1.394	5.750	1.389
The relationship between outside investors and the entrepreneur	5.900	0.876	5.696	1.146	5.333	0.816	6.125	1.356	5.000	1.348	6.444	0.726	5.125	1.458
Time value of money	6.200	1.033	5.154	1.461	5.143	1.464	5.500	0.926	5.417	1.176	6.444	0.882	4.750	1.982
Inventory management	5.200	1.229	5.462	1.240	5.571	1.397	4.750	1.389	5.478	1.310	5.667	1.225	5.375	1.408
Project evaluation approaches	5.500	1.650	5.423	0.945	5.571	1.618	5.375	1.598	5.261	1.137	5.556	1.333	5..000	1.309
Capital structure theory and liability management	5.100	1.287	5.435	1.376	5.000	1.414	5.500	.0926	5.478	1.275	4.889	1.764	5.750	0.707

Note: Italicized topics indicate significant differences exist. Refer to Table 3

Table 3: Information Regarding Significant Differences Among Financial Advisors

Overview of the major business financing sources and methods:				***p = .0295***	***F = 2.486***	
Accountants/CPAs with:	VC	IB	Angels	Other		
Means: 4.957	*5.900**	*6.333***	*6.250**	*5.875**		
The relationship between outside investors and the entrepreneur:				***p = .0333***	***F = 2.423***	
Accountants/CPAs with:	VC	B-L	Angels	PFA		
Means: 5.000	*5.900**	*6.696**	*6.125**	*6.444***		
Personal Financial Advisors with:	Other					
Means: 6.444	*5.125**					
Time value of money:					***p = .0665***	***F = 2.060***
Venture Capitalists with:	B-L	Other				
Means: 6.200	*5.154**	*4.750**				
Personal Financial Advisors with:	B-L	Acct./CPA	Other			
Means: 6.444	*5.154**	*5.417**	*4.750***			

* = Significant @ .05
** = Significant @ .01

MILES & SNOW STRATEGIC TYPOLOGY AND ITS CURRENT RELEVANCE: AN EMPIRICAL STUDY IN SINGAPORE

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ABSTRACT

This empirical research, done in Singapore, contributes to knowledge in the area of business strategy. There is currently a lack of literature concerning the strategy dynamics of successful companies in Singapore.

The primary goal of this study is to develop a theoretically based, economical framework for the examination of the relationships between environment, competency and strategy types and performance. Broadly, the research addresses the question whether there is one best business strategy based on core competencies for a given competitive environment.

The data that I obtained from objective primary sources was subject to a series of statistical analyses. Factor analysis was performed to determine the hidden constructs which could characterize a strategy type. A multiple regression model was developed to explore whether there was any relationship between performance and the firm's competency factor, while cluster and discriminant analysis were attempted with satisfactory results.

The dissertation includes description of the theoretical literature from which the research was conceived, the results obtained and the conclusions as derived from the study. The primary contribution of this research was the development of a broadly applicable model, which could be a useful platform for the future study of strategy and organizational performance.

INTRODUCTION

Business challenges today are becoming more varied, numerous, threatening and urgent. Firms need to respond effectively to these challenges, which include global competition, industry restructuring, internet-driven upheaval and market transformation to sustain growth and even to survive in the ever-changing environment. As every firm needs to compete for a set of customers against a variety of competitors and interacts with many components of its environment (Abell, 1980), getting the right 'formula' for achieving success in this increasingly competitive and hostile business environment is one concern held by many in this era of rapid change.

Singapore is one of the most competitive countries in the world. The Government has adopted a free market system for Singapore to attract foreign investors to bring in both capital and professional skills. Over the years, many foreign MNCs have set up their regional headquarters in Singapore. The Singapore Government has in recent years actively encouraged local firms to move away from lower to higher value-added activities. The Government has also established an S$1 billion fund as part of its efforts to develop local companies' technological capabilities and encourage them to expand businesses beyond Singapore. Such government funded initiatives provided Singapore homegrown companies with assistance and opportunities to develop new competencies and business management know-how for managing a global business. Some local firms with firm commitments to expand businesses beyond Singapore have already grown to considerable size with investments and facilities overseas. A few have gone global in a different kind of way, leveraging on knowledge tapped globally, rather than merely growing outward from a domestic base. Creative Technologies, SingTel and Singapore Technologies are some examples. Thus, Singapore is an ideal place for this study given the intensely competitive marketplace, with many international and local companies vying for a share of the respective businesses.

PURPOSE OF THE RESEARCH

The purpose of this study is to explore and examine the relationships between strategy types, environment, competency and performance. The study will pay explicit attention to the impact of business level strategy and environmental influences on organizational performance, using Miles and Snow strategic (1978) archetypes as the strategy construct, the Porter's (1980) Five Forces framework as the environment construct and Return on Investment (ROI) as the performance measure. The analysis will focus on the management perceptions of medium to large sized companies in Singapore.

SIGNIFICANCE OF RESEARCH

Public and privately held large and medium-sized enterprises play an important role in the growth of the Singapore economy. Together, they employ about 50 per cent of the workforce and contribute around 40 per cent of the total value added in the economy. Their continuing growth and success is crucial, especially with increasing competition from the region. Identifying the strategic postures and distinctive competencies of successful enterprises, gives insight and understanding of how these enterprises remain competitive and excel in the harsh operating environment. The findings of the research are likely to be relevant and applicable to both local and foreign companies operating in Singapore and the region.

SOME DISCUSSION OF THE RELEVANT LITERATURE

According to eminent academics, who include among others, Chandler (1962), Ansoff (1965), and Mintzberg (1987), strategies define the purpose of organizations, the competitive domain of firms and the resource commitment these organizations make to achieve and sustain competitive advantage. Hence, developing an appropriate strategy that fits the marketplace is one necessary ingredient for business success, which according to Miles and Snow is 'achieving fit' between the firm and its environment. In operationalizing the business strategy concept, Miles and Snow (1978), Porter (1980) and Miller and Friesen (1983) as well as other researchers have done much in developing empirical and conceptual typologies of strategies.

The typology as proposed by Miles and Snow (1978) remains one of the most popular approaches for defining and measuring the effectiveness of business level strategy (Zahra and

Pearce, 1990). It has been debated and supported by many researchers over the years (Hambrick, 1983; McDaniel and Kolari, 1987; Reukert and Walker, 1987; Snow and Hambrick, 1980; Snow and Hrebiniak, 1980; Hawes and Crittenden, 1984; Zahra, 1990). These studies have contributed significantly to the body of knowledge on strategic archetypes.

According to Porter (1980), successful strategy formulation, involving the identification and exploitation of a firm's competitive advantage, arises from an understanding of the five forces affecting the firm and its competitors in any given industry. In Porter's framework, profit potential in an industry is directly related to the collective strength of these five forces, and a firm's ultimate performance in the industry is a function of the environment and the firm's positioning in the market. Distinctive competence, which refers to things that an organization does especially well in comparison to its competitors (Selznick, 1957), has been the focus of many studies (Bourgeois, 1980). The relationship between strategy types, distinctive competence and organizational performance has also been examined in a number of studies (Hambrick, 1983; McDaniel and Kolari, 1987; Miles and Snow, 1978; Snow and Hrebiniak, 1980). Conant et al. (1990) suggest that strategy types, distinctive marketing competencies, and organizational effectiveness determine how a business performs.

Most prior research in strategic management had been focused on the strategy or environment independently as determinants of a firm's performance. Particularly in Asia, there is a lack of studies to enhance our understanding and ability to predict 'what performance outcomes could result from following specific strategies under different environmental conditions'. This study sought to provide an understanding of the relationship between strategy, environment, distinctive competence and performance

THEORETICAL FRAMEWORK AND RESEARCH APPROACH

The main focus is to gather insights on how strategy types are dictated or influenced by various environmental factors as well as by internal competency factors, which interface with the environment. For this study, I classify strategy types into two groups, namely, the Adaptive/Defender and the Proactive/Prospector type classifications. The following hypotheses are developed for this study.

Defender Type

Will be able to meet competition with better management of costs and marketing mix; Will be more reliant on internal strengths for their positioning in the marketplace to meet competition, assuming such lateral movements as appropriate; Defensive posture to hold turf does not mean they would lack confidence, for they have to operate in an increasingly competitive environment.

Prospector Type

More reliant on marketing strengths and is opportunity-seeking, which includes regionalization; Will not be solely reliant on flanking, and will be competitor-centered with focus on product offerings, quality and value for the customers;

Will exhibit relatively superior collection of distinctive abilities to deal with the environment and the marketplace. Such collection of superior abilities will likely result in superior organizational performance.

METHODOLOGY

The survey instrument comprises a total of 10 questions for gathering the data required. We were able to get 64 usable responses out of the 100-targeted medium to large companies in Singapore. In the Singapore context, this has often been the most difficult part of any market-based study. Most of the firms, which responded to this survey, had been personally approached. Though random sampling in the strictest sense was not done for this research, its purpose was still maintained, as the probability of companies being included in the sample was independent of any other factors, other than just getting them, through introduction from various contacts, to agree to respond to the survey questionnaire. The sensitive nature of the questions did not allow any other means to enable a sufficient response with reliable data for analysis. Considering Singapore's small economy, the sample size or response received was adequate for our purpose.

DATA ANALYSIS AND RESULTS

Data obtained from the survey through interviews was subject to a series of statistical analyses. Measures of central tendency, such as the mean and median, as well as standard deviations, were obtained from the analysis, and the t-test among others was conducted as appropriate. Factor analysis was performed to determine the hidden constructs which could characterize a strategy type and its given environment. It was noted through cluster analysis that the sample did in fact divide and fall under the two strategy types. A multiple regression model was developed to explore whether there was any relationship between performance and the firm's competency factor.

The general profile of the surveyed companies is shown in Table 1. The companies are categorized into the four industry types: manufacturing, retail, engineering, services and others. The response obtained from the sample was adequate for analysis.

According to the perceptions of the respondents on the strategic orientation of their firms, the majority of companies surveyed belonged to the Prospector type, total 37 or about 57.8 per cent. The Defender's strategy type formed about 27 of the 64 companies or 42.2 per cent. The ranking of contribution of the distinctive competencies to their businesses are given in table 3 and 4.

Defensive/Prospective types

Table 1 - Strategy Types of Surveyed Companies					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Defensive group	27	42.2	42.2	42.2
	Prospective group	37	57.8	57.8	100.0
	Total	64	100.0	100.0	

Table 2 - Distinctive Competencies			
		Defenders	Prospectors
Question	Distinctive Competencies	Mean	Mean
Q2 (a)	Financial Management	3.00	3.54
Q2 (b)	Sales	2.96	2.38
Q2 (c)	Market Research	3.19	3.59
Q2 (d)	Product R&D	3.08	2.43
Q2 (e)	Industrial Engineering	3.96	3.91
Q2 (f)	Production	3.65	4.26
(1 – Most; 2 – next; and 5 is least etc)			

Both groups ranked Sales as the most important distinctive competency. The Prospector group has an edge in both Sales and Product R&D capabilities, giving them the confidence to explore, while the Defender group emphasized Financial Management and Production. It was noted that the Defender group attached high importance to market research. This was evident as Defenders carefully searched out market segments that were most profitable to serve and then concentrated their efforts there.

Table 5- Competitive Forces			
		Defenders	Prospectors
Question	Key Content	Mean	Mean
Q8 (a)	Competitive Forces: Threat of New Entrants	2.7353	2.7619
Q8 (b)	Competitive Forces: Threat of Substitute Products	3.0000	2.7143
Q8 (c)	Competitive Forces: Jockeying Among Competitors	3.5294	4.0952
Q8 (d)	Competitive Forces: Power of Buyers	3.1765	3.5238
Q8 (e)	Competitive Forces: Power of Suppliers	2.5588	1.9048
(Scale: 1-Least Important … 5-Most Important)			

An embedded hypothesis that competitive forces were affecting all firms more or less equally was confirmed here. Both strategy types ranked the competitive forces in the same order and viewed the environment as equally competitive.

The above results as perceived by the respondents were subject to further tests (factor analysis, cluster analysis) to confirm that these samples indeed fell into two distinguishable groupings (Prospectors and Defenders). The analysis and results also supported the hypotheses developed for this study. The distinctive competencies of the responding companies and their interactions with the environment were cluster analyzed. The classification result was encouraging, as the predictive accuracy of the two clusters as identified was quite high. Cluster 1 identified 22 Defensive companies as against 27 perceived by the respondents, while Cluster 2 classified 38 companies as Prospective companies as against 37 classified by the respondents directly.

CONCLUSIONS

The results of this empirical research are significant for several reasons. Firstly, the results provided support for the recent arguments of some strategy scholars regarding the importance of strategy, environment and competencies to firm performance. As importantly, the results confirmed the view that both large and medium companies in Singapore, as well as subsidiaries of major MNCs, did align their strategic posture and formulated competitive strategies (adaptive/Defender or proactive/Prospector) in congruence with the requirements of their environment. The study also provided evidence that there was a positive relationship between firms' performance and their distinctive competencies. The results also showed that the character of firms was more dominated by 'competencies' factors and provided support for the resource-based view of the firm which has been presented by many scholars and researchers in recent years (Barney, 1991; Peteraf, 1993; Robbins & Wiersema, 1995).

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DEVELOPING A PROACTIVE PRESCRIPTION FOR SERVING FAST GROWING ENTERPRISES IN RURAL COMMUNITIES

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ABSTRACT

Small communities seek economic development opportunities by promoting entrepreneurship. This pursuit is manifested with advisory services, counseling, and training programs offered by government agencies, higher education, and Chambers of Commerce. However, these programs are often aimed at a very heterogeneous group. Consequently, the economic impact, measurable outcomes, and optimal benefits are sometimes debated. There are "plain vanilla" programs that attempt to serve everybody. Yet, one entrepreneurial segment that holds enormous promise is the hyper growth small and medium size enterprises (SME). For unknown reasons, they are usually absent from the public service programs aimed at the entrepreneurs. Thus, the purpose of this paper is to review some of the challenges in promoting rural entrepreneurship, recognize the problems of serving rural SMEs, distinguish the potential fast growing SMEs from the stagnate small businesses, pinpoint opportunities for meeting SMEs needs, and advocate a targeted approach for serving this exciting entrepreneurial market. The paper is based on thirty years of experiences in actually teaching and counseling entrepreneurs, receiving government grants for assisting fast growing businesses, and conducting various empirical studies that dealt with SMEs.. It is expected that the paper will provide additional insight and recommendations for serving current and future Gazelles.

INTRODUCTION

Economic development -especially in rural areas- is a constant concern among educators, government officials, community leaders, and the private sector. A number of writers and leaders have written about the problems of rural entrepreneurs. For example, the Appalachia Regional Commission identified a number of concerns for encouraging entrepreneurs. Their wish list for serving small businesses included: capital and financial assistance, technical and managerial assistance, technology transfer, entrepreneurial education and training, and entrepreneurial networks (Appalachian Regional Commission 1997). Unfortunately, at a recent conference, Entrepreneurship and Public Policy: New Growth Strategies for the 21st Century Economy, five alarming trends were dramatized. These five trends are: A growing skills inequality and poorly educated workforce, low research and development, declining supply of science and engineering graduates, graying of America workforce, and the urgent need to enhance regional development efforts. A number of strategies were suggested. This included: strengthening human capital, more hands-on entrepreneurial education, greater incentives for entrepreneurial investors, increasing global venture capital, enhancing technology transfer, and a proactive government role in building a strong entrepreneurial economic community in local and regional communities (The Small Business Advocate, June 2001). These suggestions are applicable to smaller communities that must tackle the spatial distance of entrepreneurial support.

Some writers suggested both "brick and mortar" and virtual incubators in meeting the rural needs of entrepreneurs (Weinrauch, Liska, Moore 2001 and Weinrauch, and Liska 2000). Although there is no one best normative model for incubators, they have been very effective in meeting some of the common technological and marketing problems of tenants. The National Business Incubator Association provides some impressive statistics on the growth and successes of the incubator tenants and their host incubators. Incubators are one vital medium for serving entrepreneurs and enhancing economic development in rural communities. Although business incubators are a dynamic and viable growth institution, most small businesses are launched under more humble conditions, such as a home garage, basement, or kitchen. Interestingly, the common "kitchen table" start-ups have incubated more businesses than all of the combined formal business incubators in America (Woodard 2000). Most of these kitchen tables are like "mice" compared to the hyper growth small businesses, known as Gazelles. As a group, the mice make significant contributions to job creation (Birch 2001 and 1994).

In terms of time, serving the mice is a very labor-intensive process for both the public and private sectors. These small businesses require a wide range of services and advice. The time element is further compounded with the very common problem of serving individuals who are debating on the merits of even starting a business. Frequently, they want help in making a go or no go decision on a new venture. These same individuals are usually thinking about a mom and pop type of small business. Their interests and drive is admirable and commendable. Nevertheless, there are far too many individuals --the dreamers-- that want help, time, and support. Consequently, a great deal of resources and time is afforded to these people --who may never actually start a business. There are opportunity costs and missed opportunities in serving the needs and desires of the fast growing businesses that need specialized services.

OPPORTUNITIES, CHALLENGES AND CONSTRAINTS

The public sectors frequently communicate the need to serve the SMEs and create a useful infrastructure in meeting the requirements of fast growing businesses -which often fail below the radar of needing help. This infrastructure is often couched within the context of high technology and entrepreneurship. For example, in the State of Tennessee there is a focus on a new economy, which is explain as an economic development initiative that will promote high technology businesses. This emphasis will encompass training a new generation of entrepreneurs in biotechnology and health-care businesses (Lewis 2002). Government leaders and educators are excited about new economic-development initiatives that encourage new economy businesses. Higher paying careers and a greater economic impact on a regional economy is the expected result. Throughout the country there appears a great emphasis on economic development with small businesses that are in high technology industries. Yet, many successful high growth businesses are in the more traditional industries. Are we overly bias with the new economy and shifting our limited public resources too much?

In serving the fast growing businesses there are constraints for the individuals who serve this segment. They must be overcome in order to optimize the opportunities for small business growth and economic development. For the sake of brevity, government officials, educators, and policy makers face these specific challenges:

Limited time
Budget shortfalls
Decreasing or overworked personnel
Knowing what gazelle entrepreneurs need
Weak rural infrastructure
Effectively identifying the potentially fast growing businesses
Marketing and promoting the available services
Perception, if it is free it must be worth little
Predicting who will succeed and adjust to chaotic process
Keeping current about existing programs and services
Building a long-term relationship with the SMEs
And, documenting and measuring the successes to reap additional government support

CRITERIA: COMMITMENT

To fully serve rural entrepreneurs and encourage economic development, it is essential to appreciate the entrepreneurial behavior process and the commitment to growing a business. Some of the major variables that must be considered by entrepreneurs and those who serve them are: level of financial and time commitment; realistic expectations on what it takes to achieve successful hyper growth businesses; willingness to stay in a rural area with successful growth; understand the chaotic and emotional highs and lows of rapid growth; develop the right temperament and attitude for successful growth; and a willingness to give up some control with delegation and ownership. Although these variables may not be all-inclusive, they illustrate the significance of educating and helping a sincere "winnable" growth entrepreneur that is serious about creating wealth for many individuals. In turn, this wealth will exponentially grow for the small town in question.

Space constraints do not allow this writer to go in depth with measuring the level of commitment. Yet, some illustrative actions embrace: the act of applying for bridge financing;

working with venture capitalists; giving up some ownership; expanding facilities and buying additional equipment; commercializing patents and licenses; hiring additional staff; exploring national and global markets; and a positive attitude for serving the many stakeholders who will multiply as the small business emerges as a viable and significant business for society. Interestingly, the goal for growing the small business seems to become a passion for ministering the wants and needs of the people who are working for or investing in the small business. The entrepreneurial gazelles have an attitude of growing wealth beyond their immediate families. Trust and a positive custodian approach seem to transform the successful entrepreneurs who can actually take that small business to the next level. These types of businesses -the successful gazelles-have a profound impact on the economic and social well being of a small community. Consequently, it is extremely critical to make sure that the strategic window does not close on those few businesses that could truly use our assistance.

A HELPING HAND

The challenges and problems for an entrepreneur in growing a hyper growth small business are unimaginable. There are no courses, textbooks, or one place that can adequately prepare the entrepreneur for all of the emotional and business roller coaster experiences that will occur.

As educators and practitioners, we can still provide some assistance, which will serve the policy makers and community leaders. As previously mentioned, there is an outcry for developing small business in high technology and for the new economy. This is certainly a worthy goal to pursue. Yet, there are many traditional small businesses that have a wonderful opportunity to grow and who could use our help. Also, numerous local, state, regional, and national government agencies are seeking prospective entrepreneurs who want to start and grow high tech businesses. This is causing some competition for resources among government agencies and a proliferation of services. It may be fruitful to consolidate limited financial and personnel resources. Moreover, to create better awareness among entrepreneurs, there is a need to market these overlapping services.

A few specific ways to serve current and future gazelles can be highlighted. We should ease fears and build self-confidence because this growth spurt will take the entire internal and external locus of control mindset that we so often teach in class. Our entrepreneurs must learn to embrace uncertainty and appreciate the need to focus their efforts. In a growth environment, there are so many opportunistic product-markets and strategic alliances to consider. Regrettably, entrepreneurs spread themselves too thin, and as a result, burn too much cash that sometimes results in failure. Besides serving as a clearinghouse for information, it is so vital to provide networking opportunities and sources for financial assistance for growth. A growing enterprise needs capital in both the equity and debt markets. In rural areas this need is even more pronounced. As noted earlier, capital markets are frequently too sparse in smaller communities. Also, given our own constraints, it is difficult to develop customized programs and targeted advisory services for the SMEs. Yet, to make a significant contribution to rural economic development we must make every effort to offer specific help, instead of the unusual generic plan vanilla advice we often provide. (This criticism is first directed to the writer of this paper since I have been just as guilty). Lastly, a dynamic and growing business requires an ongoing process of advice, financing, contacts, and planning. Therefore, it behooves us to encourage a relationship that is ongoing.

Specific strategies, programs, and consultation are needed to serve the few small businesses that will become gazelles. This will help to overcome the complaint by some entrepreneurs that the free advice offered is too generic for their use. Solving this complaint may help to minimize the sad perception (which is often untrue) that the free services are of lesser quality.

In conclusion, the content herein emphasizes the importance of targeting programs for the gazelles. It will not be easy to always predict who will become that exciting super growth business. Alternatively, as public servants we must and should continue to serve the mom and pop businesses and those who are debating about becoming an entrepreneur. Yet, in the product-market domain of entrepreneurial services, we must try to manage our time and observe which entrepreneurs have the potential to make a significant contribution in their own business as well as in rural economic development. This process will enable us to truly serve a vital sector that is sometimes ignored or not proactively pursue.

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IMPACT OF E-FUNDRAISING FOR NONPROFIT ORGANIZATIONS: AN ENTREPRENEURIAL APPROACH

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ABSTRACT

With names like eContributor, eGenerosity, and eCharity one does not have to speculate about the impact the Web has done and will continue to do for the nonprofit sector in the future. This paper will focus on the growing Internet fundraising trend utilized by nonprofit organizations. Because over 50 million Americans use the Internet each week, it is crucial that nonprofits recognize the trend of E-commerce and start raising funds for their organizations. This paper will address the issue of Internet fundraising, the various types of fundraising on the web, and list resources available for nonprofits to help them in their fundraising needs.

INTRODUCTION

"The Internet has fundamentally changed the way the world does business, and it's changing the way nonprofits solicit donations, manage fundraising, and reach new donors," (Giving Capital, 2000). Cyber-fundraising is the fundraising for the millenium. Since the inception of the Internet, the world has experienced a drastic change in how people research information, purchase things, and communicate. "Cyber-fundraising is still in its infant, experimental stage," (Zeff, 91). Just like it has taken several years to get the World Wide Web and all it has to offer where it is today, so will the process be for Internet fundraising. With a decline in the level of donations from traditional donors who are aging and a shift by their children away from their parent's spirit of philanthropy, the Internet may offer nonprofits a way of reaching donors in the new Millennium.

WHY SHOULD NONPROFITS GO ON-LINE?

There are a number of reasons why nonprofit organization should broaden their horizons and go on-line. Probably the most important reasons are so nonprofit organizations can communicate their mission more effectively, gather and disperse information more easily, and raise funds via the Internet more beneficially. Fundraising on the Internet is a vast growing field. By going on-line NPOs have the opportunity to take their message globally and therefore can raise funds from all over the world without spending additional money. It also gives them an opportunity to build relationships with donors.

People in the nonprofit sector are finally jumping on the bandwagon. Many nonprofit organizations are beginning to establish their own website. "The number of registered Internet addresses that end in .org-the designation usually used by non-profit groups- has jumped from about

500 in 1992 to more than 114,000 as of June 1998," (Greer, 1999). This number has and will continue to increase as more NPOs realize the importance and benefits of going on-line can do for their organization. Invaluable tips offered in Fundraising and Friend-Raising on the Web are:

Keep the home page simple.
Have a response option on every page.
Replace "last updated" footers with "this page maintained by [e-mail address]".
Put the hottest news at the top of the home page.
Let constituents update their personal information.
Allow on-line registration for events.

INTERNET LAWS FOR NONPROFITS

"The Internet can help your nonprofit organization raise funds, communicate its mission to the public, register-meeting attendees, and disclose financial information. But with those opportunities come traps for the unwary. Before you plunge too deeply into the Internet, keep in mind that the "wrong" click of a mouse can put your exempt status in danger," (Arrigo, 2000). Nonprofits will probably see more laws inflicted upon them in regards to fundraising on the Internet. Legislators and regulators are moving toward stricter policies and procedures. Most importantly, "under the Federal Regulation of Lobbying Act, lobbying organizations and individual lobbyists are required to register with clerks of both the House of Representatives and the Senate," (Zeff, 1996). The smartest strategy for NPOs is to stay well informed in all areas of Internet law.

FUNDRAISING OPPORTUNITIES ON THE INTERNET

Cyber-fundraising will not replace conventional fundraising. It will simply enhance nonprofit organizations' fundraising strategies and add a new dimension to raising money. The old saying in fundraising "if you don't ask, you won't get" remains true for the Internet as well. Though many web users are venturing into on-line contributions, Generation X (16 to 34) seems to be the on-line community for fundraising in the future.

In today's society, people are already comfortable with using the Internet to shop, communicate with friends, pay their bills, and manage their investments. Nonprofit supporters, potential donors and volunteers are looking for a quick and simple way to donate to the charity of their choice. People can make donations through credit cards, pledges, or digital cash. There are many fundraising options out there, and more are sure to come.

On-line Fundraising Strategies

Direct Donations	Exclusive Membership Areas
Corporate Sponsorship/Partnerships	Selling Products/Fundraising Mall
Grants	Volunteer Recruitment
Gathering Gifts In-Kind	Corporate Advertising
Prospect Research	Special Events

There are a number of ways to raise money on the web. Below, a few of the most popular and prosperous strategies are highlighted.

Fundraising Mall

"By far, the hottest new trend in fund raising is the online fund-raising mall," (Raddatz, 2000). Online fund-raising malls are a simple and rapidly growing concept. NPOs can log on to an online fund-raising mall site, select their chosen group, and then link to different E-commerce sites to make purchases. The E-commerce sites pay affiliate fees-a sales commission on the total purchases for each user-to the site through which their site was accessed. Sometimes these sales commissions can be as much as 30 percent of the total sale. At this point, online fund-raising malls donate a portion of this commission to charitable organizations. "The key to successfully using such fund-raising sites is choosing the one that will give one's group the highest percentage return," (Raddatz, 2000). A majority of these sites give the group or charity 50 percent to 75 percent of the sales commission. Some sites rely on other revenue sources and actually give more.

Direct Mail

Direct mail is the most popular and costly area of fundraising for NPOs. In order to achieve success with direct mail on the Internet, nonprofit organizations need to develop its own e-mail database. It is not wise to use an existing listserv or newsgroup. When creating their database, the organization needs to notify the user that the e-mail database may be sold to raise funds. The user should then be allowed to receive solicitations by e-mail.

The direct e-mails should be short and to the point. It should always include an invitation for the viewer to check out the organization's website. "When sending out e-mail solicitations, an identifying marker in the subject heading would be appropriate in order to identify the message as a solicitation," (Warwick and Stein, 1996).

Corporate Sponsorships/Partnerships

The drive behind corporate sponsorships is that it is a two way street. Corporate sponsors provide funding in exchange for free advertisement and links. NPOs receive funding to help with their mission. Another advantage for corporations is the association that donors have with their chosen nonprofit organization. Donors may look upon corporations more favorably because they are helping their organization. Corporations are always looking for an effective way to advertise their product. NPOs are always looking for ways to raise funds. This joint venture is one that has and will continue to prove successful.

Prospect Research

There are a number of companies whose focus is in prospect research. For a fee, NPOs are able to access services such as directories of prospect research resources, biographies of management, photographs, audio tracks, etc. This information is crucial when trying to solicit corporations for funds or grants. Before the Web, it would take NPOs hours and hours of work to find out this information. Now with Internet access, organizations are able to find this information in a timely and structured manner. For example, "the AMD Web page, http://www.amd.com/img/imagemap/shmap.conf?268,9 not only provides background about the company, the corporate mission statement, and press releases, but also discusses their target markets," (Zeff, 121). This type of information is invaluable and a must for all NPOs when they are soliciting funds.

Direct Mail in Cyberspace

Utilizing this form of fundraising is much more appealing to today's "e-mail junkies." People have gotten so accustomed to e-mail and have almost virtually abandoned snail mail (conventional mailing) for communication purposes. Most e-mail users have gotten accustomed to the quick send and reply method of e-mails. This works to the advantage of NPOs. Instead of spending a lot of unnecessary time licking envelopes on mailings that will more than likely get thrown away before they are read, they can e-mail the information to their current and prospective donors. Another great aspect of cyber-mail is noted by Gayle Greer in her journal article, On-line fundraising- the time is now.

Younger generations are also less likely to respond to traditional mail or phone solicitations. They have readily adopted Internet use and have greater demands on their time than ever. They are a prime audience for non-profits, as many have not yet established regular charitable giving practices but may be open to doing so if spoken to in their language: technology (27).

In addition, this form of fundraising creates a connection or bond with the donor and the organization. The donor tends to feel a part of the organization because there is constant communication. This personal contact can motivate the donor to give more contributions. Another plus is that it can persuade people to volunteer more because the donors want to get involved with their chosen nonprofit organization by donating their time as well.

Organizations Who Utilize the Web for Fundraising

www.hungersite.cam

This is a click-to-donate site that provides food for the U.N.World Food Programme. Also try its sister site, www.rainforestsite.com, and parent site,www,greatergood.com, where a percentage of purchases made through GreaterGood.com merchants goes to your charity of choice.

www.redcross.org

The American Red Cross' national site can direct you to local chapters and provide disaster prevention and safety tips.

www.unicef.org

The United Nations Children's Fund website.

www .cancer.org

The American Cancer Society site

www.salvationarmy.org

The Salvation Army site.

www.tnc.org.

The Nature Conservancy's website.

www.eactivism.com

This site provides news and resources and is an online community for activists.

www.peaceforall.com, www.webreleaf.com, www.wedid.net

These click-to-donate sites support various causes.

TAX EXEMPT FUNDRAISING ISSUES

"The solicitation disclosures that apply to written and broadcast requests for donations, membership dues and other forms of payments in support of (or to qualify for participation in) programs by charities, civic welfare organizations, labor unions and business leagues20 also apply to Internet requests," (Livingston and Segal, 2000). When a donor makes a charitable contribution of $250 or more, the nonprofit organization must provide written acknowledgment in order for the donor to file it on his/her income tax return. The acknowledgment is required regardless of whether the contribution is made in cash, by check, by credit card, or by some other electronic means. Therefore, it is the responsibility of the charitable organizations that receive contributions over the Intemet to provide acknowledgments for donors as they would for contributions received by any other route.

HOW E-COMMERCE EFFECTS INTERNET FUNDRAISING?

The general public trusts the electronic payment method more now that there have been huge strides made in securing it. With more than 200 million people on the Internet today, E-commerce is quickly catching on; online purchases totaled $8 billion in 1998 and are expected to swell to $400 billion in just three years. Brands such as Amazon.com and Toys.com have helped increase consumer confidence in Internet buying.

The first electronic commerce was First Virtual Holdings, Inc., which is based in Cheyenne, Wyoming. They initially received the credit card information over the phone and then gave a First Virtual number (personal ID) that was used when purchasing on-line. They found in their research that people generally do not like to submit their credit card information on-line but do not mind giving it over the phone. Newt Gingrich's political website was one of the first sites to utilize First Virtual's service.

Though the days when nonprofits requested that people who were visiting their site call an 800 number in order to donate are not completely gone, people are now trusting the electronic payment process more and this trust is growing fast. Nonprofits are beginning to see more on-line contributors use this process rather than phoning the organization or mailing them a check because of the boom in E-commerce.

GENERAL REFERENCES SITES FOR FUNDRAISERS

http://www.compasspoint.org/
Resource for on-line services for nonprofits.

http://www.fundingpool.com
This site provides a full range of services designed to get non-profits online and to make their presence online as meaningful and effective as possible

http://www.supportcenter.org/sf/
This site offers a wide range of fundraising topics.

http://www.fdncenter.org
This site offers a collection of links to foundation, corporate, and government funding sites.

http://www.givingcapital.com
GivingCapital provides a secure way to donate online. They help NPOs acquire new donors and increase contributions by providing an e-giving environment on the organization's web page.

http://www.socialworker.com/nonprofit/nphome.htm
This site provides current literature that focuses on E-commerce.

http://www.idealist.org

This is a great resource site for nonprofits. Information ranges from web site development to fundraising to a list of organizations that offer free services for nonprofits.

http://www.efundraising.com/

Great site that has various ways to raise money for nonprofits.

LIST OF WEB SITES THAT RAISE MONEY FOR NONPROFITS BY COLLECTING FEES FROM RETAILERS

www.4charity.com

On-line shoppers register and become a member of 4charity.com, pick their favorite organizations, and shop for books, music and videos, computer hardware and software, gifts (such as 1-800-Flowers), home office supplies, clothing, food, drink, and more. According to the site, the 20 nonprofits participating in the project receive 100% of all sales referrals.

www.charityweb.com

This Web site functions in a very simple manner. Web visitors choose from a list of retailers on the CharityWeb links section and proceed to shop as they normally would. The retailer gives a portion of each sale to charity. (CharityWeb claims this number to be as high as 25% per sale.) Proceeds from the sale are then split with a group of select participating nonprofits, such as Safe Haven and Kids Energy.

www.greatergood.com

Five percent of every purchase benefits selected nonprofits. This Web site places a real emphasis on showcasing nonprofits. Its core list of organizations includes Special Olympics, National Fund for the Blind, and Save the Children. Web shoppers pick their favorite charity from a list and then click to purchase books, CDs, videos, food, and more. It's understandable that types of products are limited, given that books, CDs, and computer products make up the bulk of consumer Web purchases.

www.igive.com

This simple but elegant Web site promotes what it calls "techno-giving." It's based on the same model as the other Web sites but has a larger number of nonprofit beneficiaries than most, including churches and youth clubs. To date, igive.com claims to have raised more than $300,000 for approximately 4,500 organizations.

www.mycause.com

This Web site limits the range of goods that can be purchased to books from Amazon.com, software from Beyond.com, hardware, magazines, and airline tickets. It includes more than 275,000 participating nonprofits from large national organizations to local charities.
**Information provided by Hoffman and Frenza, 1999.

CHALLENGES NONPROFITS FACE WITH E-FUNDRAISING

As we enter the 21st century, the true challenge of E-fundraising is managing its rapid growth and capabilities while maintaining client services and the mission of the organization. Websites are getting easier to design so it is crucial that NPOs create one that relays its mission, offers feedback from the donors, has accessible contact numbers, and offers updated information. There are increasing numbers of NPOs going on-line everyday so standing out and getting noticed among all of these organizations is a formidable task. Keeping the web site up-to-date with today's technology is necessary in order to be noticed.

Another area that is challenging is the need to keep current with all the Internet laws that are constantly developed, changed and instated. In order to keep in good standing with local, state and federal tax laws NPOs must constantly be aware of the laws that affect not only their fundraising but also affects their existence on the World Wide Web.

CONCLUSION

" Online fund raising can produce bigger returns: the average donation received through the Internet tends to be two to three times higher than that gained through direct mail or telemarketing," (Greer, 1999). Hopefully this paper has informed and promoted E-fundraising in a favorable light and one that is needed for all NPOs.

Not too long ago the non-profit industry was questioning whether the Internet could be a useful way to raise funds. Because of successes from a number of organizations like the Red Cross and the Hunger Site, this is no longer a question. The Internet is quickly becoming the dynamic tool for non-profit fund raising and will continue to grow in use for this purpose. The Chronicle of Philanthropy predicts that by the year 2008, 1 out of every 4 dollars donated by individuals for nonprofits will be donated on-line. With over two million charitable organizations in the non-profit sector and 80% that use e-mail on a daily basis and 75% have their own website, E-fundraising is undoubtedly the next tool to pursue when raising funds. Going online requires a certain degree of commitment from the non-profit organization to help make its online fund raising successful. "For the vast majority of nonprofit organizations that want to target America's growing group of wealthy, technology-savvy professionals, now is the time to take advantage of the Internet," (Greer, 1999). Because of the hard work and dedication of many people, the resources are available and the returns are great. Nonprofit organizations do not need to miss out on what is quickly becoming the best new way to raise funds that their industry has ever seen through E-Fundraising. The Internet will have increasingly more appeal to the x-generation and to future generations that grew up with the Internet and may become a vital process for the aggressive nonprofit organization.

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