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# LEADERSHIP AND VALUES AMONG ENTREPRENEURS IN CHINA, GERMANY, LATVIA, AND THE USA

**Andrea V. Amorosi, Nova Southeastern University**

**Mel Aparicio, Stream Line Aviation**

**Tibisay Delgado, Great Florida Bank**

**Shawn M. Carraher, Cameron University**

## ABSTRACT

*Entrepreneurship has an important role in a country's economy, contributing decisively for the creation of new businesses or business opportunities in companies that already exist, according to the Global Entrepreneurship Monitor (GEM, 2007). It seems that during the worst economic times some of the biggest, well known companies were born. This also gives room for many small companies to grow and become stronger due to the larger companies fall in the market. It is known that many different leadership styles and values can make up just one entrepreneur but there are still a lot of unknown theories that might influence each other in regards to this topic specifically. This paper gives a great deal of information on the different styles of both leadership and values found among entrepreneurs.*

## INTRODUCTION/CONCLUSION

The earliest historical references to entrepreneurship come from the field of economics and inquiries into the nature and sources of profit. All economic value was thought by the classical economists to arise from some combination of Land, Labor, and Capital (e.g., Smith, 1776). Entrepreneurship became associated with all activities that create residual profits in excess of the rate of return for Land, Labor, and Capital (e.g., Glancey & McQuaid, 2000; Kirzner, 1973; Matley, 2005; Mises, 1949; Moschandreas, 1994; Ripsas, 1998; Schumpeter, 1934/1961). Entrepreneurship has also been widely regarded as a driver of economic development and growth (Harper, 2003). Williams (2008) argues there appears to be a clear distinction between "necessity-driven" entrepreneurs pushed into entrepreneurship because other options for work are absent or unsatisfactory, and "opportunity-driven" entrepreneurs who engage in entrepreneurship out of choice. In the current study we examine the interaction of values, manifest needs, and leadership among samples of American, Chinese, German, and Latvian entrepreneurs. Future research is suggested based upon prior research (Buckley and associates, 1992-present; Carland and associates 1984-present; Klentzman & Associates.

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## **PRE-START-UP PREPARATIONS: WHY A FORMAL BUSINESS PLAN ISN'T ALWAYS WRITTEN**

**Edward D. Bewayo, Montclair State University**

### **ABSTRACT**

*It is now conventional wisdom that the best way to prepare for a business start-up is the formulation of a business plan. In reality, only a small fraction of entrepreneurs start out with business plans. One estimate puts the number at no more than 5%. There are many reasons why entrepreneurs do not bother to prepare business plans, including the limited or total lack of awareness of the usefulness of business plans. Many entrepreneurs don't prepare business plans because they believe that business plans are used only for raising business funds. If most entrepreneurs don't prepare business plans, how do they prepare for launching their businesses? This paper summarizes the findings of a study covering 355 small business owners in New Jersey who were interviewed by senior undergraduate students on the activities they undertook in preparation for new business launches.*

*One hundred and seventy-eight, 50%, of the 355 business owners interviewed claimed to have prepared business plans for their start-ups. This particularly high percentage is explained in the paper. The study found that preparing business plans strongly correlated with the usage of bank financing, including bank equity loans. An overwhelming majority of the business owners who had prepared business plans stated that they had found their business plans to be useful as guidelines for operating their businesses. Even those who had used business plans to raise business funds claimed that their business plans were more useful as tools for guiding the operation of their businesses.*

*Business owners who hadn't prepared business plans gave four major reasons for not preparing the business plan: not having to use bank financing, being highly experienced in their lines of business and industry, the business plan being too time consuming, and lack of knowledge about business plans or how to prepare them. Two hundred and nineteen of the interviewed business owners had acquired business and industry experience from previous employment. Fifty percent of these business owners didn't prepare business plans, and frequently said that their experience was enough preparation for their start-ups and, therefore, didn't need business plans*

*The interviewed business owners, even when they didn't prepare business plans, undertook a variety of market-related non-documented activities. The commonest of these activities was checking out the competition and suitability of location. Other activities that were commonly undertaken were market surveys, developing contacts, trade shows, and customer targeting, i.e., the Vietnamese population. A significant number of business owners undertook several of these non-documented activities, but stopped short of formally documenting them in a business plan.*

# **NEW OUTCOMES FOR A NEW ECONOMY: A NEW APPROACH TO UNDERGRADUATE ENTREPRENEURSHIP EDUCATION**

**Trish Boyles, Muhlenberg College  
Mark Lang, Charter Partners Institute**

## **ABSTRACT**

*The new economy, largely knowledge-based and service-driven, rewards companies that create and commercialize new knowledge. This has opened up space for more entrepreneurial activity and changed priorities for managers of existing companies with respect to the knowledge and skills needed in their human resources. However, recent evidence suggests that newly hired college graduates lack the critical thinking and creativity skills that existing employers require. Moreover, little evidence exists to suggest that undergraduate entrepreneurship programs, arguably a fertile ground for the development of such knowledge and skills, impact students' likelihood of starting new ventures or of developing entrepreneurial skills and competencies. As such, we build on previous critiques of entrepreneurship education and relevant theories regarding important skills and capabilities for the new economy, to propose an alternative approach for undergraduate entrepreneurship education. First, we critique current outcomes for gauging the success of an undergraduate entrepreneurship program. Next we develop alternative outcomes grounded in current theory and research regarding the development of entrepreneurs and employer needs in the new economy. Finally, we present a pedagogical model that immerses students in a dynamic and iterative process of innovation and creation, empowers them to develop initiative, and engages them in critical thinking and problem solving.*

## **INTRODUCTION**

The “new” economy, largely knowledge-based and service-driven, rewards companies that create and commercialize new knowledge (Apte, Karmarkar, & Nath, 2008; Audretsch & Thurik, 2000; Black & Lynch, 2003; *Ewing Marion Kauffman Foundation*, 2007). This not only creates space for more entrepreneurial activity, but has also changed priorities for managers of existing companies with respect to the desired knowledge and skills of their human resources. Employees across a range of jobs, careers, and industries now require an unprecedented level of initiative, adaptability, innovation, and creativity for success in the new economy (NCEE, 2007). Although a college education is now considered by many a necessary step on the way to a vital career, recent evidence suggests that newly hired college graduates lack the critical thinking and creativity skills that employers need (ASTD, 2009). Practicing entrepreneurs have even indicated that the shortage of highly skilled workers inhibits the growth of their own companies as well as the development of new entrepreneurial firms (*Ewing Marion Kauffman Foundation*, 2007). In light of this, and in order to ensure the ability of the U.S. to compete effectively in the global economy, there have been

multiple calls for educators at all levels to recognize the challenges and opportunities of the entrepreneurial economy and make the necessary changes to educational programs such that they develop the knowledge and skills students will need in the new economy (e.g. innovation and creativity, initiative and adaptability, critical thinking and problem solving abilities) (Goldin & Katz, 2008; *The Growth Report*, 2008; *The Ill-Prepared U.S. Workforce*, 2009; *Ewing Marion Kauffman Foundation*, 2007; Pink, 2008; *Tough Choices or Tough Times*, 2007; Wagner, 2008).

The new economy has also contributed to the groundswell of interest and program development in entrepreneurship education. Given the nature of the new economy, in particular the shift toward service and knowledge, we argue that the capabilities and skills needed by the entrepreneur to find and exploit opportunities also reflect the capabilities and skills employers are looking for in the workforce. As such, undergraduate entrepreneurship education offers a potential fertile ground for the rising workforce to learn these skills and abilities. In addition, the rapid expansion of undergraduate entrepreneurship programs in colleges and universities across the U.S suggests this fertile ground is quite widespread. However, the current and dominant pedagogical approach to undergraduate entrepreneurship programs in the U.S. emphasizes a linear and relatively abstract process of new venture creation (Edelman, Manolova, & Brush, 2008; Hills, 1988; Honig, 2004; Kourilsky, 1995; Soloman, Duffy, & Tarabishy, 2002) and as such, we argue, neglects the knowledge and skills required for the new economy. Moreover, when undergraduate entrepreneurship programs are evaluated, their success or impact are often measured in terms of student intentions to start a business, or actual launching of a new business. Considering that the data suggest that new college graduates starting up businesses are quite rare, and most entrepreneurial activity is performed by 35-54 year olds after significant work experience (Georgellis & Wall, 2000; Shane, 2008), at best there are significant measurement and methodological challenges for evaluating undergraduate entrepreneurship programs on these dimensions, and at worst these are inappropriate criteria on which to evaluate a program.

We argue that the intention or actuality of starting a business is indeed not the most effective outcome on which to base the success of an undergraduate entrepreneurship program, and suggest defining desired outcomes as a first step to program development. Building on recent critiques of the dominant approach to undergraduate entrepreneurship (i.e. Honig, 2004), social learning theories, theories of creativity and innovation, and the challenge of developing important knowledge and skills in the rising workforce, we develop an alternative approach for undergraduate entrepreneurship education that strives to meet outcomes based on the broad needs of the new economy. We propose and articulate desired outcomes for undergraduate entrepreneurship education focused on the development of student knowledge and skills across three major categories: 1) Learning and innovation capabilities, 2) Life, leadership, and career skills, and 3) Global, civic and business literacy. We ground these outcome categories in current theory and research regarding the development of entrepreneurs as well as producing skilled and competitive members of the workforce in the new economy. We also present a pedagogical model for the achieving these outcomes that immerses entrepreneurship students in a dynamic and iterative process of innovation and creation empowering them to develop initiative, engage in critical thinking and problem solving, and learn from failure.

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## **WHY ENTREPRENEURS NEED TO AUDIT THEIR FINANCIAL STATEMENTS**

**Don B. Bradley III, University of Central Arkansas**  
**Ashley Floyd, University of Central Arkansas**

### **ABSTRACT**

*When starting your own business, audits are extremely important for a number of reasons. Audits aid in the principal-agent relationship, lend credibility to financial statements, can help discover fraud and uncover weaknesses, and usually are a "must" in obtaining business loans. Another side to this exists though. Many people have lost faith in auditing because of scandals at corporations like Enron, WorldCom, and Tyco International. Tougher regulations, responsible oversight committees, and harsher punishments need to be put in place to help restore the faith lost in auditing and accounting both. Also, a discussion will follow about why most entrepreneurs do not hire auditors (because of the rising costs of doing so) and what a small business should do when they do decide to hire an auditing firm to conduct an audit engagement for them.*

# **FRANCHISING AS A STRATEGIC MARKETING PLAN FOR SMALL ENTREPRENEURS: A TEST CASE OF THE REAL ESTATE BROKERAGE INDUSTRY**

**Richard S. Brown, Temple University**

## **ABSTRACT**

*Franchising is normally viewed as a governance mechanism and/or a distribution medium. Most of the existing literature on franchising takes the view of the parent corporation (Franchisor) in order to explain behavior from the corporate level. Measures used in many studies are firm level performance metrics which capture profitability and efficiency. In this paper, I attempt to find if there are differences between franchised firms and independent firms in the residential real estate brokerage industry. In essence, franchising in a fragmented industry such as real estate brokerage is an attempt at a strategic marketing plan. This plan includes a branding element which can be an important motivator to franchise. I find, in a sample of 158 real estate transactions, that there are no differences between the two types of firms by using three statistical techniques—T Test, Regression, and Probit Analysis—and five variables—Listing Agent Type, Days on Market, Original Asking Price, Sale to Asking Price Ratio, and Commission Rate. The results put in doubt the use of franchising for strategic marketing purposes in that independent firms fared as well as franchised firms. These findings have implications for studies in Marketing, Entrepreneurship and Strategy.*

## **BACKGROUND**

Differences in industry structure can help to explain divergences in the strategic planning that new ventures undertake. Considering that entry barriers are lower in highly fragmented industries, one would expect to find that many new entrepreneurial firms gravitate toward these industries. Amongst the topics that are key to this issue is that of a new firm's strategic planning and, more specifically, its strategic marketing. The strategic marketing plan for a new venture is crucial to firm survival for a number of reasons dealing with the nature of scarce resources in startup companies. Resources such as brand name, financial capital and founder experience are central to many startup firms. However, there are few instances where all three are present at the initial conditions of firm founding.

In order to optimize a firm's survival, founders must utilize their scarce marketing resources efficiently and effectively or risk failure through death or substandard profits. In a fragmented industry, one way to maximize firm exposure is through franchising. Although many scholars in the Strategy field have seen franchising as an issue in the context of Agency Theory, franchising can also be viewed as a technique to maximize the problem of newness (Stinchcombe 1965) that many small firms face. Therefore, franchising can address several issues pertaining to both small, new firms and fragmented industries.

First, in an environment that approaches perfect competition, franchising can consolidate sellers by placing them under a common umbrella. Secondly, franchising can allow a startup to have instant brand recognition giving it validity and legitimacy (Terreberry 1971) through acquisition. Thirdly, franchising can act as a management mechanism for the franchisor by delegating the franchisee as a de facto corporate manager even though the franchisee is technically a proprietor.

This paper will treat franchising as a strategic marketing tool in the context of fragmented industry space. The test case for the industry type is the real estate brokerage industry in the United States. Real estate brokerages can be considered fragmented because there are numerous small agencies (sellers) in the marketplace. In the past 20 years, franchising has become more prevalent in the brokerage industry as firms such as Remax, Coldwell Banker, Long and Foster, and Prudential consolidate small agencies under one umbrella.

A number of research questions follow. First, are there significant differences between franchised and non-franchised brokerage firms in terms of the number of listings per agent employed, days on market (DOM) of listed properties, commission rates, and advertising presence? Secondly, in light of the findings to the first question, can it be stated that becoming a franchised brokerage is a strategic marketing option over becoming an independent firm. In other words, franchising is a business trade off. For the recognition and standardization that the franchisee receives, he or she must incur transaction costs which have to be no more than the benefits incurred. Is this the case? This study will use brokerage data from the Philadelphia Multiple Listing Service (MLS) to answer the preceding questions.

## EXISTING LITERATURE

Theories from the Strategy, Marketing, Entrepreneurship and Economics literature are pertinent to this analysis and will be discussed in this section. Although an extensive literature review was used for the full analysis, this proceedings version has limited space. Please contact the author for a full literature review.

## INDUSTRY

### Real Estate and Real-Estate Related

The real estate industry includes all firms that work primarily with real property. Major sub-groups are operative builders, general contractors, real estate brokerages, title insurance companies, real estate lessors, and hotels. This industry was chosen because is an interaction of two types which have not been prevalent in many works. This interaction includes service industries which are also highly fragmented.

More specifically, real estate brokerage includes firms that list, market and sell real property. Although these firms can be residential or commercial in nature, this paper addresses only residential firms. The real estate brokerage sub-industry, like the broader real estate industry, includes many small firms none of which has a very large market share. Since this is the case, even the largest firms do not have excessive market power in setting the tone of the industry.

Characteristics of Fragmented Industries

Fragmented industries have several common characteristics that are present albeit to different extents. Porter (1980) describes fragmented industries as those that contain all or some of the following: 1) Low Entry Barriers, 2) Lack of Power Advantages with Buyers, 3) Lack of Power Advantages with Suppliers, 4) Lack of Economies of Scale, 5) Lack of Economies of Scope, 6) Regional Issues such as High Transport Costs, and 7) Regulation.

In quantifying fragmentation, measures typically have two variants. First, there are Concentration Ratios (CR) which measure a certain number of industry leaders. CR4 and CR8 levels are most common in the academic literature and they measure the top four or eight industry leaders, respectively, by market share. Mathematically, these levels are represented by:

$$\sum_{i=1}^n MS_i$$

In this case, the summation of market shares (MS) of N market participants are simply calculated to derive a number. In a highly concentrated industry, a CR4 level is greater than 40 percent and often above 60 percent (Caves and Porter 1978). In a fragmented industry, these levels may fall to below 20 percent. The closer an industry approaches perfect competition, the closer the CR4 level approaches zero.

Another measure of industry concentration is the Herfindahl-Hirshman Index (HHI). This differs from the previous equation in that the market shares are squared as shown by the equation:

$$\sum_{i=1}^n [(MS_i)]^2$$

The major difference is that the HHI (Federal Reserve Bank of Atlanta 1993) accounts for large industry players by squaring the market shares. The index has values that range from perfect competition (0) to pure monopoly (10,000). These two values are significantly different because the HHI accounts for firms with very large market shares exponentially while the CR levels are a simple summation.

However, in a fragmented industry, the effect is reversed. Imagine an industry where there are 10 players with an average of four percent of market share and then a number of tiny firms each with less than one percent of the market share. The HHI would equate to 10\*(4<sup>2</sup>) or 160 plus the aggregated amount of the small firms. However, since the square of a market share under one produces a smaller value, even if there were hundreds of small firms, the aggregated figure would not have a significant influence on the HHI. In this case, squaring small values keeps the HHI low.

## HYPOTHESES

The hypotheses are focused on differences between franchised versus independent firms. This is an important distinction because if there are differences in marketing performance between the groups, then a follow up question would deal with the level of difference since there is significant cost involved in starting and running a franchised company. Conversely, if there is no

difference between the groups, then this result would raise serious doubts to the effect of franchising as a strategic marketing tool regardless of if it is a superior managerial control mechanism.

*H1: Real estate brokerage firms that are franchised are significantly different from real estate brokerage firms that are non-franchised (i.e. independent) in terms of the amount of Days on Market (DOM) of the properties that they list for sale.*

*H2: Real estate brokerage firms that are franchised are significantly different from real estate brokerage firms that are non-franchised (i.e. independent) in terms of the commission rate charged to their customers.*

*H3: Real estate brokerage firms that are franchised are significantly different from real estate brokerage firms that are non-franchised (i.e. independent) in terms of the original price of homes that they list for sale.*

*H4: Real estate brokerage firms that are franchised are significantly different from real estate brokerage firms that are non-franchised (i.e. independent) in terms of the ratio of sale price to original price of homes that they list for sale.*

## DATA AND VARIABLES

Data for this study was downloaded from the Multiple Listing Service (MLS) of greater Philadelphia which includes the city of Philadelphia and surrounding suburban counties in Pennsylvania and New Jersey. All subject properties were sold and settled sales in Philadelphia county which settled during the week of June 1, 2009 and June 7, 2009. Only residential sales were included and all property types and sales price ranges were included. All told, there were 158 sales during this week ranging in price from under \$10,000 to well over \$1,000,000. Property types included condominiums, row/town houses, twin/semi-detached, and single/detached.

The variables used were as follows:

- Ratio Index—This was calculated as the ratio of sold price to original price multiplied by 100.
- Natural Logarithm of Days on Market (Ln DOM)—Days on Market was measured as the amount of days the property was listed for sale until the date a sales contract was executed on the property.
- Commission Rate (Comm Rate)—Published rate of commission for the property to be paid to the real estate brokerage(s) involved in the transaction.
- Natural Logarithm of the Original Price (Ln Op)—The natural logarithm of the property's original asking price.
- Listing Agent Type (LA Type)—This is a dummy variable with 1=Franchised Brokerage and 0=Independent Brokerage.

## METHODOLOGY

In order to determine if there was a significant difference between the two groups in question—Franchised Firms and Independent Firms—three separate statistical tests were completed. First, a T-Test for Group Means was run on SPSS. However, the T-Test is limited in the amount of information given as well as in its robustness and so additional methods were utilized.

To corroborate the findings from the T-Test, multiple regressions were run using the General Linear Model (GLM) function in SPSS. In using the Generalized Linear Model (GLM), several regressions were performed with all variables in the place of the dependent variable in subsequent iterations. In addition to three continuous independent variables, a dummy variable was included for the two groups (1=Franchised and 0=Independent). This method was chosen because I was trying to determine, in the face of the other three variables, which group (Franchised or Independent) had a superior metric and if there were real differences between them. I was more interested in the direction of the Listing Agent Type variable than in specific parameter coefficients although they are available in the charts below.

More specifically, the general model being tested is as follows:

$$Y_{ij} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_{ij}$$

The four models that were specifically tested in SPSS include:

$$\text{Ratio Index} = \alpha + \beta_1(\text{Ln OP}) + \beta_2(\text{Ln DOM}) + \beta_3(\text{Comm Rate}) + \beta_4(\text{LA Type}) \quad (1)$$

$$\text{DOM} = \alpha + \beta_1(\text{Ln Op}) + \beta_2(\text{Ratio Index}) + \beta_3(\text{Comm Rate}) + \beta_4(\text{LA Type}) \quad (2)$$

$$\text{Comm Rate} = \alpha + \beta_1(\text{Ln Op}) + \beta_2(\text{Ratio Index}) + \beta_3(\text{Ln DOM}) + \beta_4(\text{LA Type}) \quad (3)$$

$$\text{Ln Op} = \alpha + \beta_1(\text{Ratio Index}) + \beta_2(\text{Ln DOM}) + \beta_3(\text{Comm Rate}) + \beta_4(\text{LA Type}) \quad (4)$$

Finally, using SAS, I tested the four independent variables—Ratio Index, Days on Market, Original Price, and Commission Rate—in a Probit Regression. Probit regressions are used when the dependent variable takes on a binary response as opposed to a continuous value response (Tabachnik and Fidell 2007). In this case, the dependent variable is the type of Listing Agent Brokerage with 1 equaling a Franchise and 0 equaling an Independent firm. The coefficients in a probit regression can be explained as Z-scores or standardized scores. Therefore, the model is measuring the propensity of the dependent variable equaling 1 (Franchised Firm). The general probit model is:

$$P(Y = 1 \text{ given that } X = x) = \Phi(X'\beta)$$

and after manipulating both sides yields:

$$\Phi^{-1}P(Y = 1 \text{ given that } X = x) = (X'\beta)$$

In this case, I am modeling the propensity, or probability, that the dependent variable (Y) is equal to 1 (1=Franchise), given that we have certain independent variables (X). Additionally, probit analysis is based on the central density function ( $\Phi$ ) which is shown in the equation below.  $(X'\beta)$  represents a vector of both independent variables and Beta coefficients. The cumulative central density function (CDF) is represented by:

$$\int_{-\infty}^Z \frac{1}{\sqrt{2\pi}} \exp\left(-\frac{1}{2}Z^2\right) dz$$

The specific model used in this analysis is:

$$Y = \beta_0 + \beta_1(\text{Ln Op}) + \beta_2(\text{Ratio Index}) + \beta_3(\text{Ln DOM}) + \beta_4(\text{Comm Rate}) \quad (5)$$

## RESULTS AND DISCUSSION

Using T-Tests, I failed to reject the null Hypothesis that there are no differences between groups (Table not included in this version). However, T-Tests only measure certain characteristics related to group means and, therefore, their robustness is often questioned.

Table1-Regression Result				
	Model 1	Model 2	Model 3	Model 4
Full Model:				
F-Stat	13.111	12.674	5.467	9.59
Significance	0	0	0	0
Levene's Test	0.032	0.991	0.032	0.352
R-Squared	0.257	0.25	0.126	0.202
Variables:				
Intercept	101.851	-206.456	10.812	10.93
Ratio_Index		-3.105	-0.036	0.005
Ln_Op	0.91	50.053	-0.321	
Ln_DOM	-4.313		-0.08	0.282
DOM				
Comm_Rate	-2.016	-7.537		-0.101
LA_Type	-2.133	10.383	0.224	-0.212

Table 1 includes the regression results which were run in the General Linear Model (GLM) in SPSS. Four models were tested which correspond to Equations 1 to 4 in the Methodology section. In each iteration, one of the four continuous variables was used as the dependent variable and regressed against the remaining ones. All four models are significant yet the Listing\_Agent\_Type variable is insignificant in each model. This finding leads to failing to reject all four hypotheses

listed in Section 4 because the one measure that can give both a magnitude and direction of difference between franchised firms and independent firms is not significantly different than zero.

To further test the groups, I computed a probit regression using SAS where I modeled the Listing Agent Type variable as the dependent variable. The specific model is Equation 5 in the Methodology section. If the model is significant, this would mean that the four independent variables predict the propensity for the franchised group to be the listing agent over the independent group. However, the model is insignificant (Chi-Sq=6.15, p-value=0.1882) which leads to the conclusion that these groups cannot be distinguished using the performance metrics in the model. Therefore, all three tests pointed to the same conclusion which is that the groups are not different.

Table 2-Probit Analysis Results			
	Estimate	Chi- Square	P Value
Likelihood Ratio		6.15	0.1882
Variables:			
Intercept	-2.3339	2.0122	0.156
LN Op	0.1696	2.0509	0.1521
Ratio Index	0.0095	1.1522	0.2831
Ln DOM	-0.0061	0.0047	0.9453
Commission Rate	-0.0676	0.8597	0.3538

In this paper, I have shown that in a sample of property sale data from the Philadelphia Multiple Listing Service (MLS), there are no significant differences between franchised firms and independent firms in terms of how long their listings stay on the market, the commission that is charged, the original sale price that is chosen, and the ratio of final sale price to original asking price. This is important in the choice that entrepreneurs must make when choosing franchises because of the cost involved. If these results are validated in other studies, then the use of a franchise as a strategic marketing plan could be considered a sub-optimal choice.

This study has several shortcomings. First, the data is taken in one area of the country during one week. Although there is no reason to believe that the results would differ due to location and the time of year, this should be investigated. Secondly, the sample is small (N=158) and, therefore, a larger study using multiple regions would be recommended.

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# **SO YOU WANT TO START A SPORTS AGENCY?: CHALLENGES OF ATHLETE REPRESENTATION IN THE 21ST CENTURY**

**Brent C. Estes, Sam Houston State University  
N. Anna Shaheen, Sam Houston State University  
Dana E. Krebs, Sam Houston State University**

## **ABSTRACT**

*Money, fame and sports. What could be more appealing about a career? The business of athlete representation is far more convoluted than recent Hollywood portrayals of this often misunderstood profession. From Jerry MaGuire to Arliss, the public has had a long-standing fascination with what appears to be such a glamorous and financially lucrative career. Media often portrays sports agents as greedy, money hungry individuals who do little more than attend sporting events and demand 5-10% of a players' salaries for minimal effort. In actuality, however, the business of athlete representation is much more multi-dimensional with many more challenges often not highlighted by the media and Hollywood. The present research will focus on three distinct areas of responsibility for sports agents: contract negotiations including sabermetrics analysis of player performance, compliance issues including multi-state jurisdictional tax compliance, and financial advisory services including debt management in order to avoid financial pandemics that are commonplace among young high net worth athletes. This study outlines the challenges of starting and maintaining a successful sports agency business in today's competitive athlete representation market and offers solutions to entrepreneurs who desire to enter the saturated marketplace.*

# **NONCOMPETE AGREEMENTS: AN IMPORTANT TOPIC FOR DISCUSSION IN ENTREPRENEURSHIP STUDIES**

**Patrick R. Geho, Middle Tennessee State University**  
**Stephen D. Lewis, Middle Tennessee State University**

## **ABSTRACT**

*The potential for economic harm as a result of the misappropriation of a business's proprietary information by a former employee should be a part of the discussion in the entrepreneurship classroom. Much emphasis is placed on teaching the elements of business planning, yet the fundamental aspects of contracts law (especially noncompete agreements), do not appear to be a topic for discussion in entrepreneurship studies curriculum. Students need to be exposed to this aspect of business development from an approach that does not overwhelm with too much legalese. The objective should be to impart an understanding of the critical importance noncompete agreements play in relation to the wellbeing of the enterprise.*

*Business owners have much to contend with, not the least of which is the matter of hiring, training, and managing employees who may one day become competitors. The entrepreneur's recourse is to utilize a noncompete contract to protect the firm's interests. In addition, entrepreneurs engaged in a franchise contract many times find themselves compelled to enter into a noncompete agreement with their franchisor. A buyer of an existing business also has a compelling interest in securing a noncompete agreement with the seller to ensure that the newly acquired business interest is protected from possible competing interests of the seller.*

## **INTRODUCTION**

Business owners have much to contend with, not the least of which is the matter of hiring, training, and managing employees who may one day become competitors. The entrepreneur's recourse is to utilize a noncompete contract to protect the firm's proprietary interests. For economic harm as a result of the misappropriation of a firm's proprietary information by an employee or former employee should be an integral part of the discussion in entrepreneurship courses. Student exposure to this facet of business operation should occur from an approach that does not overwhelm with too much legalese. The objective should be to impart an understanding of the critical importance noncompete agreements play in relation to the wellbeing of the enterprise. Various scenarios and actual legal cases will be cited throughout the following sections to illustrate this importance.

## NONCOMPETE CONTRACTS

It is important to understand the elements that make up an enforceable agreement. There must be competent parties, subject matter, a legal consideration, mutuality of agreement, and mutuality of obligation. When entrepreneurs perceive a need to prevent misuse of proprietary information, they may require employees to sign a *noncompete contract*, sometimes called a *noncompetition covenant*. A noncompetition covenant is “a promise, usually in a sale-of-business, partnership, or employment contract, not to engage in the same type of business for a stated time in the same market as the buyer, partner, or employer” (Garner, 2004, p.392).

## ENFORCING NONCOMPETE CONTRACTS

Suing former employees over a noncompete agreement is seldom easy. Because entrepreneurship studies students are typically not exposed to noncompete agreements in their entrepreneurial studies curriculum, it is important to first explain that within the four corners of a noncompete agreement, there is much to be taken into account to draft an enforceable contract. Enforceability is based upon the prevention of “unfair” competition. “In brief, at common law a restraint against competition was valid to the extent it reasonably provided for the protection of a valid interest of the covenantee” (*Monogram Indus., Inc. v. Sar Indus., Inc.*, 1976). Common law is defined as “the body of law derived from judicial decisions, rather than from statutes or constitution” (Garner, 2004, p. 293). However, a number of states are moving away from the common law in relation to the enforceability of covenants not to compete, which is disconcerting to business owners.

With the lack of a uniform federal statute concerning noncompete agreements in general, states have crafted legislation of their own. Some states look at noncompete agreements as creating an undue restraint of trade, and therefore against public policy. Other states consider noncompete agreements enforceable in relation to a condition of employment and where limited in scope, typically referring to time and geography language in the agreement.

Although courts recognize that enforcing a restrictive covenant may result in the loss of an individual's livelihood, most courts across the country today will enforce the agreement if it meets certain tests. California and a dozen or so other states generally do not uphold restrictive covenants (Shapiro, 1993).

One aspect most state courts have in common when weighing the rights of the parties under a noncompete agreement is placing the higher burden of proof of economic loss or the potential for same on the plaintiff business owner in favor of the employee.

## PUBLIC POLICY

Public policy may be considered as a basis for not enforcing or limiting the enforceability of noncompete agreements. The California Supreme Court has held that provisions in employment contracts prohibiting employees from working for a competitor after completion of their

employment or imposing a penalty if they do so is to that extent void, unless those provisions are necessary to protect the employer's trade secrets (*Muggill v. Reuben H. Donnelley Corp.*, 1965).

The general rule in Arizona is that restrictive covenants restraining competition or commerce are unenforceable. However, such a restraint can be enforced if it is reasonable and is not against public policy (*Valley Medical Specialists v. Farber*, 1999). To be valid and enforceable and not in violation of public policy, a noncompetition covenant must be reasonable from both the employer and employee's standpoints. Further, the courts look for narrowly tailored terms in noncompetition agreements which are intended to protect the plaintiffs' legitimate business interests while not prohibiting the defendant from competing in the chosen field (*Market Access Intern. Inc. v. KMD Media LLC*, 2006).

### THE BLUE-PENCIL DOCTRINE

The Blue Pencil Doctrine is a legal concept in common law that enables amending a contract. This doctrine is defined as

a judicial standard for deciding whether to invalidate the whole contract or only the offending words. Under this standard, only the offending words are invalidated if it would be possible to delete them simply by running a blue pencil through them, as opposed to changing, adding, or rearranging words, (Garner, 2004, p. 183).

Courts in states that recognize the blue pencil doctrine may attempt to reform the noncompete agreement to create an enforceable agreement from what otherwise would violate the law in that state. Where severability was the original intent and the agreement was not against public policy, "Arizona courts will 'blue-pencil' restrictive covenants, eliminating grammatically severable, unreasonable provisions" (*Valley Medical Specialists v. Farber*). States are less inclined to apply the blue pencil doctrine approach to modifying a noncompete agreement when it appears that employers are over-reaching in the "terms and conditions language" of the noncompete agreement and when employers use the agreement's broad language as a firewall and a deterrent to employees competing.

In Indiana the courts adopt the "strict" interpretation of the blue pencil doctrine which permits a court to strike out only the overbroad language. "Apart from the 'blue pencil' doctrine . . . , if the agreement as drafted is unreasonably broad, it cannot be enforced in part on the theory that the parties could have agreed to some more reasonable terms" (*Product Action Intern'l, Inc. v. Mero*, 2003).

### REASONABLENESS OF THE AGREEMENT

Many states apply a test of reasonableness in determining whether to enforce a noncompete agreement. In employment cases, reasonableness breaks down into three issues:

1. Is the restraint reasonable in the sense that it is no greater than necessary to protect the employer in some legitimate interest?

2. Is the restraint reasonable in the sense that it is not unduly harsh and oppressive on the employee?
3. Is the restraint reasonable in the sense that it is not injurious to the public?

Standard contract law governs the enforceability of a noncompete agreement. South Dakota statutes state that an employee may agree with an employer at the time of employment or at any time during his employment not to engage directly or indirectly in the same business or profession as that of his employer “as long as the noncompetition agreements comport with the statutory language” (*American Rim & Brake, Inc. v. Zoellner*, 1986).

### **CONCLUSION**

When teaching entrepreneurship, consideration should be given in curriculum development to aspects of contract law and more specifically noncompete agreements that could have an impact on nascent enterprises. Students need to be made aware of the possible need for a noncompete agreement in developing a business plan, the essential elements to create a legally enforceable agreement, and the potential pitfalls inherent in enforceability from one state to another. As students assimilate into the work force, they may find themselves on either end of a noncompete contract. As employees, they should be acutely aware of what limitations might be imposed by their signature on a contract. Likewise, their familiarity with noncompete contracts may mitigate future anguish when they hire staff for their own businesses.

Although there are a few states that hold noncompete agreements as prima facie void, most state courts will rule for partial enforcement. Thus, a promise in a noncompete agreement should be enforceable by and large when public policy issues are not in conflict and where the agreement is in severable terms. There is much case law on the subject of noncompete agreements, and while it is not easy to reconcile because the law is far from being settled, entrepreneurship students should be exposed to the subject matter since there is a high probability that they will be faced with the issue sometime during their business careers.

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# **SATISFACTION, STRESS, AND ENTREPRENEURIAL INTENTIONS**

**Paula J. Haynes, University of Tennessee at Chattanooga**  
**Beverly K. Brockman, University of Tennessee at Chattanooga**

## **ABSTRACT**

*The role of satisfaction in initiating and sustaining an entrepreneurial venture has long been of interest, yet past studies often indicate conflicting findings. The purpose of this study is to provide a deeper understanding of entrepreneurial intentions by comparing multiple types of work satisfaction, life satisfaction, and perceived work stress among three distinct groups: nascent entrepreneurs who plan to initiate a new venture but are still organizationally employed, organizational employees who do not wish to initiate a new venture, and current entrepreneurs. Thus, satisfaction and stress for those respondents who intend to leave their organization but have not yet done so, versus actual entrepreneurs and organizational employees with no intention of pursuing entrepreneurial activity, is reflected in the data. Findings suggest changes in the source of satisfaction as the individual moves from nascent to practicing entrepreneur. The intentions of nascent entrepreneurs appeared to be driven by a combination of lower extrinsic work satisfaction and higher non-work satisfaction. On-going entrepreneurs, in contrast, had the highest levels of general and intrinsic work satisfaction compared to both the nascent and organizationally employed groups. Satisfaction as a stimulus for entrepreneurial intention was examined at a deeper level in this study with the use of a three-level comparison group, and with the examination of multiple types of satisfaction. In particular, a more comprehensive evaluation of work satisfaction was conducted than in previous studies with the inclusion of both extrinsic and intrinsic, along with general job satisfaction. The limited literature base on entrepreneurial and nascent entrepreneurial life and work satisfaction, concurrent with stress, was expanded through the emphasis on these factors in this study, along with the inclusion of organizational employees who have no entrepreneurial intentions.*

# IT WASN'T AN OPTION: ENTREPRENEURIAL CHOICE THROUGH THE LENS OF IMAGE THEORY

**Kermit W. Kuehn, University of Arkansas – Fort Smith**

## ABSTRACT

*Why do so few people choose the entrepreneurial career? After reviewing the basic principles and concepts of Image Theory, the author discusses possible explanations for the observed low self-employment rates. The theory proposes that a pre-choice screening mechanism is used by a decision maker that is separate and distinct from the actual decision event. Research to date supports the theory's claim that this mechanism determines the final decision pool of alternatives.*

*The author argues that most people not only don't choose entrepreneurship but that entrepreneurship is not even an option in their decision pool of alternatives. Reasons for this are discussed. The paper concludes with a discussion of some ways to address these cognitive hurdles as well as recommendations for future applications of the theory in entrepreneurship research.*

# INTERNATIONAL ENTREPRENEURSHIP AND STRATEGIC RISK

**Ashish Kumar Pathak, Cameron University.**  
**Shawn M. Carraher, Cameron University**  
**Samuel Lane, Lane Import**

## ABSTRACT

*Globalization has redefined small business and has been studied by small firms and international firms alike. International entrepreneurship involves a combination of innovative, proactive, and risk-seeking behaviors that crosses country borders, and is supposed to create value in organizations. International entrepreneurship uses technological and regulatory advances to improve the flow of information, transportation and resources across global borders. International entrepreneurship may involve the discovery, enactment, evaluation, and exploitation of opportunities- across country borders- in order to create goods and services.*

## INTRODUCTION/CONCLUSIONS

A copy of the full paper is available from the first author.

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# **DOING BUSINESS WITH THE U.S. FEDERAL GOVERNMENT: A SURVEY OF SMALL BUSINESSES ON GUAM**

**Maria Claret M. Ruane, University of Guam**  
**Annette Taijeron Santos, University of Guam**  
**Anita Borja Enriquez, University of Guam**

## **ABSTRACT**

*This paper discusses the importance to small businesses in the small, undiversified, island economy of Guam of doing business with the U.S. Federal Government. In essence, this business opportunity creates an equivalent of an industry or economic sector that is between 6% to 9% of the local economy. Moreover, this business opportunity will assist the island economy in its pursuit of renewed economic growth and sustainable and participatory (broad-based) economic development. With this background and through our survey, this paper examines the disconnect between the interests of small businesses on Guam to do business with the U.S. Federal Government (equivalently, to engage in Federal Contracting) and their ability and experience to pursue U.S. Federal Government contracts.*

*This paper is the first publicly available study of Federal Contracting by small businesses on Guam. As such, it not only contributes to the academic literature but that it also presents some thoughtful content for policymakers and those entities providing support to small businesses and how they may enhance their processes to increase the capacity and capability of their clients to successfully pursue business opportunities with the U.S. Federal Government.*

## **INTRODUCTION**

Doing business with the U.S. Federal Government, hereafter referred to as "Federal Contracting" is considered to be an attractive opportunity for many businesses. This is particularly true for businesses on Guam, a U.S. territory in the Western Pacific region. Guam is a small island economy that is undiversified and relies heavily on three sectors: tourism, military and the local economy. Like in many other economies, the majority of businesses on Guam are small businesses.

Data on U.S. Federal Contracts show that, in the aggregate, the amount of contracts awarded by the U.S. Federal Government to all contractors ranged from \$258 billion in fiscal year 2002 to \$528 billion in fiscal year 2008. Of these amounts, 0.12% on average was spent on projects on Guam, a figure that is so small and perhaps seemingly insignificant from the U.S. Federal Government's perspective.

However, the view is different from the perspective of a small economy like Guam whose local businesses and community seek opportunities for renewed economic growth and sustainable and participatory development. U.S. Federal contracts for work performed on projects on Guam

make up an equivalent of an economic sector or industry that is between 6% to 9% of the Guam economy, depending on which year the local economy is measured.

Annual surveys by the Guam Small Business Development Center (SBDC) have shown that small businesses on Guam are interested in Federal Contracting. In the 2008 survey, 46.3% of the 60 respondents identified "Government Contracting" as an area of counseling interest. From the same survey, 48.2% of the 60 respondents identified "Federal Contracting" as a workshop topic that they would be most interested in.

Despite the level of interest suggested by the above survey, only a minority of Guam small businesses have actually pursued Federal Contracting opportunities as primary or sub-contractors. Relatedly, in a recent Naval Facilities Engineering Command (NAVFAC) Marianas survey of Guam small businesses, only a very small number of these businesses responded to the survey. In addition, data from [USASpending.gov](http://USASpending.gov) show that, on average during the period 2002-2008, Guam businesses received 52% of all U.S. Federal contracts awarded for projects on Guam. This implies that 48% are "lost" by local businesses to non-Guam contractors. This concept of "lost" business represents a mix of opportunities to do business with the U.S. Federal Government which were pursued, though unsuccessfully, by local businesses, as well as those that were not pursued or remained untapped. In the first case, it will be interesting to know why local small businesses' attempt at Federal Contracting was unsuccessful and to explore measures that will improve their success in future attempts. In the second case, the question becomes why local businesses, although perhaps interested in Federal Contracting, chose not to pursue or tap these opportunities and what measures will encourage them to do so in the future.

From the above points, there appears to be a disconnect between Guam small businesses' interest in Federal Contracting opportunities and their ability and actual experience in pursuing Federal Contracting opportunities. This study is based on a survey designed to find explanations for the above disconnect. The survey results, analyzed later in this report, will be useful in developing policies and/or approaches to increase the capacity and confidence of small businesses on Guam to pursue Federal Contracting opportunities. This report will be shared with relevant government agencies and small business support agencies on Guam and at the U.S. Federal level.

## **THE SURVEY**

### **Background**

The survey instrument was designed in early August 2009. Feedback was received from Guam SBDC and Guam PTAC. Prior to conducting the survey, this study sought the approval of the Committee on Human Research Subjects (CHRS). The application packet was submitted on August 10, 2009 and was approved on August 24, 2009 as CHRS# 09-45. While waiting for the CHRS approval, the survey was set up online at <http://www.keysurvey.com/survey/269397/1533>. After the survey was approved by CHRS, prospective survey participants were contacted by email. Assistance was received from Guam SBDC, which also facilitated contact with US-SBA, as well as from Guam PTAC, Guam Contractors' Association, and Guam Chamber of Commerce. In addition, an announcement was posted in the University of Guam website, as well as sent out to local media such as the Pacific News Center and the Pacific Daily News.

## Results

As illustrated in Table 1, a little over half (56.63%) of the participants in the survey indicated they conduct business with the federal government, whereas 43.37% have never done business with the federal government.

Small businesses that had experience conducting business with the federal government were asked to rate their level of satisfaction using the following responses: highly satisfied, okay, somewhat satisfied, and not at all satisfied. Most respondents (34.69%) reflect a positive business experience with the federal government reporting they were highly satisfied and 44.9% indicating their experience was okay. The results are shown in Table 2. [Note that 47 respondents indicated having experience doing business with the federal government and 49 responses were received in the follow-up question. It is possible that participants may have provided multiple responses.]

**Table 1**

Have you done business with the U.S. Federal Government/Have you engaged in Federal Contracting?

Yes	47	56.63%
No	36	43.37%
<b>TOTAL RESPONSES</b>	<b>83</b>	

**Table 2**

If your business had engaged in Federal Contracting, what is your level of satisfaction doing business with the U.S. Federal Government?

Highly satisfied	17	34.69%
Highly satisfied	17	34.69%
Okay	22	44.90%
Somewhat satisfied	8	16.33%
Not at all satisfied	2	4.08%
<b>TOTAL RESPONSES</b>	<b>49</b>	

Participants who responded "somewhat satisfied" or "not satisfied" with federal government business were asked to indicate reasons for their responses. Participants' responses were spread almost equally among length of time to become eligible as a federal contractor, length of time to receive payment, and poor communication between federal government and one's business. Other reasons provided by participants are included in the table below (see Table 3). Note that only 10 respondents indicated they were somewhat or not satisfied with their business experience with the

federal government (see Table 12), however, a total of 21 responses were received (in Table 3). It is possible, in this case as well, that participants provided multiple reasons.

The survey asked participants to identify what factors may encourage them to pursue federal contracts. Participants offered multiple responses highlighting the following top factors: user-friendly federal government website, followed by easier access to federal government representative assistance, then assistance in applying for certification or registration to conduct business with the federal government and then ease in applying to get certification or registration to do business with the federal government. Other factors recommended by participants are included in Table 4.

### DISCUSSION OF SURVEY RESULTS

The goal of this study was to examine what factors may be contributing to the disconnect between the level of interest of small businesses on Guam in pursuing federal contracting opportunities and their ability and actual experience in pursuing federal contracting opportunities. The survey results offer some meaningful information for small business support agencies (such as the Guam PTAC, GEDA, U.S. SBA, SBDC, Guam Chamber of Commerce, and Guam Contractors' Association) and federal government representatives who interact with small businesses.

**Table 3**

If you are somewhat or not satisfied with your experience of doing business with the U.S. Federal Government, why?

Length of time to become eligible as a federal contractor.	5	23.81%
Length of time to receive payment.	4	19.05%
Poor communication between federal government agency and your business.	4	19.05%
ANY OTHERS		
Not primary contractor/worked as sub-contractor	1	4.76%
Would like more interaction between commissaries and local distributors	1	4.76%
Difficult to become 8a certified	1	4.76%
Requirement are sometimes too stiff for some small businesses	1	4.76%
Too much bureaucracy, concern over government employees' performance	2	9.52%
Did not specify	1	4.76%
Not given fair treatment	1	4.76%
<b>TOTAL RESPONSES</b>	<b>21</b>	

**Table 4**

What might encourage your business to pursue business opportunities with the U.S. Federal Government?

User-friendly federal government website.	36	25.00%
Easier access to federal government representative to assist with questions or problems.	35	24.31%
Assistance in applying to get certified or registered to do business with the federal government.	32	22.22%
Ease in applying to get certified or registered to do business with the federal government.	30	20.83%
<b>ANY OTHERS</b>		
Federal government pays unlike the Government of Guam	2	1.39%
Unfair competition with Alaska Native Corporations	1	0.69%
Should expand business with wholesalers who are the locally appointed distributor for U.S. brands	1	0.69%
Need more time to respond to bids and better access to base to survey job site	1	0.69%
Bonding issues/requirements	1	0.69%
User-friendly government	1	0.69%
Improved communication such as on Request for Proposals and available opportunities	1	0.69%
Better information on package rating and recourse	1	0.69%
Concerned that off-island vendors may takeover local opportunity	1	0.69%
Did not specify	1	0.69%
<b>TOTAL RESPONSES</b>	<b>144</b>	

Among the 84 businesses who responded to our survey, 47 indicated that they had done business with the U.S. Federal Government. The profile of these 47 businesses support the following observations:

- They are diverse in business size defined by annual sales or revenue: 24% represent businesses with high annual sales or revenue of \$10 million dollars or higher, 15% have low annual sales or revenue of less than \$100,000, and almost half have mid-range annual sales or revenue between \$500,000 and \$5 million.
- They are also diverse in the length of their business experience on Guam. Although 42% of these businesses have been operating on Guam for more than 10 years, 21% have only been in operation between 1 and 3 years, and another 21% have been operation between 5 and 10 years.
- For us and other advocates of small businesses, we are pleased to see that almost half (45%) of the 47 businesses who had Federal Contracting experience have 1-10 employees and 75% have 1-100 employees.
- They represent several industries or economic sectors. Although 19% are in the construction business, other sectors making up significant shares of 16% and 14% are "Professional/Scientific/Technical Services" and Retail Trade, respectively. This debunks the view that only construction businesses have an opportunity or experience to pursue Federal Contracting.

It is important to highlight that of the 84 participants only 56.63% indicated they had ever done business with the federal government with 34.69% indicating a highly satisfied experience and 44.9% reporting their experience was okay. Considering the 43.37% who never conducted business with the federal government, it is recommended that small business support agencies recognize the following implications resulting from this study:

- Federal contracting opportunities are not limited to construction and engineering projects as perceived with the planned military buildup.
- Federal contracting opportunities are not limited to Department of Defense needs.
- As provided by the Fleet Industrial Supply Center, small businesses can provide an array of support services and goods to just about all federal government agencies, similar to what any community would need

These points imply a new market development opportunity for small businesses that have never even attempted to engage in federal contracts and may be seeking ways to expand their respective business.

The reasons offered by the survey participants who reported levels of dissatisfaction provide meaningful feedback for federal government representatives and more importantly, for small business support agencies who interact directly with small businesses. The factors to encourage small businesses to pursue federal contracts provide a basis for addressing potential underlying reasons why small businesses may demonstrate reluctance to do business with the federal government and address potential issues that often lead to levels of dissatisfaction.

Findings imply the following:

- Small business support groups should identify more robust ways to reach small businesses to address their need for assistance in registering or applying for certification to do business with the federal government as well as training on how to access and use the federal government website.
- Need for easier access to a federal government representative and ease in registering or applying for certification to do business with the federal government (or assistance with such) may be an issue arising from only 43.37% of participants doing business online. Future research is suggested to identify reasons why more small businesses are not utilizing online technology.
- Issues of unfair competition with Alaska Native Corporations, federal government not working to expand businesses with local wholesale distributors of U.S. brands, and concern that off-island vendors may takeover local opportunity suggest the need for more fluid communication and transparency among small businesses, local entities that provide support to small businesses and the federal government.

## **CONCLUSION**

Overall, this study provided some meaningful information that paints a different view of the situation on Guam in regards to small businesses - who they are, the industries they represent, their concerns, and their needs. The survey results present some thoughtful content for those entities providing support to small businesses and how they may enhance their processes to meet the needs

of their clients. The survey results also highlight areas that the federal government may address to continue enhancing customer satisfaction in the areas of responsiveness, accessibility, timeliness, and convenience. In addition, this survey provides a good indication that most small businesses have had a positive experience with the federal government and those who have not yet engaged should pursue the opportunities offered to them.

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# **WHAT MOTIVATES ENTREPRENEURS? A STUDY OF THE VALUE SYSTEM OF FILIPINO ENTREPRENEURS**

**Arnel Onesimo O. Uy, De La Salle University**

## **ABSTRACT**

*Given the pivotal role of the entrepreneur in nation building and economic development, the key to unleashing his full potential for economic growth is to identify and understand his values and value system which affects his attitude and subsequently his behavior. While there are studies on what are the character traits of Filipino entrepreneur, a few have explored the personal value system that affects these attributes and characteristic traits. This study identified the value system of Filipino entrepreneurs using the universally accepted Rokeach Value Survey (RVS) and in the process provided an explanation to underlying the findings of other studies about the characteristics and styles of Filipino entrepreneurs following the VALUES-ATTITUDE-BEHAVIOR framework. Furthermore, the study tested whether the value systems are homogeneous and concludes by discussing the implications to economic policies of the country.*

# **ENTREPRENEUR BEWARE**

**Brian Winrow, Winona State University**

## **ABSTRACT**

*The risks associated with entrepreneurship have been well documented. It is widely accepted that the majority of newly formed small businesses will eventually fail within the first seven years of operation. What is not well documented, however, is that many of these entrepreneurs seek to reorganize their debt by filing for Chapter 11 bankruptcy. Small Businesses account for eighty-five percent of all Chapter 11 bankruptcy filing. While most Chapter 11 filings are entered into by small business entrepreneurs, most of those are involuntarily converted to Chapter 7, resulting in the liquidation and termination of the business. In 2005, a revised version of the bankruptcy code was enacted, significantly augmenting the small business reporting provisions, and increasing the grounds in which a Chapter 11 filing can be converted into a Chapter 7 liquidation. In order to survive a Chapter 11 filing, the entrepreneur should observe the four critical success factors.*

# **INTERNATIONAL ENTREPRENEURS: FINDING A PROFILE**

**Janet Lavender, Texas A&M University Texarkana**

## **ABSTRACT**

*The purpose of this study was to determine the profile of founders or entrepreneurs of businesses that transacted international business within the first year of the start of the business. Since the 1990's and the early years of the 21st century, many individuals have succeeded in entering international business without first growing a company domestically. This phenomenon of instant and accelerated internationalization should be understood in order to guide entrepreneurs who desire to enter international business. In this research study, thirty entrepreneurs were interviewed, and all were willing to cross international borders to complete business deals. The researcher selected these entrepreneurs as a result of personal acquaintance or due to a contact who was known by the researcher and interviewee. It is hoped that the information gathered from these interviews will promote entrepreneurship courses that will prepare individuals for starting an international business and that the information will also encourage investors to support and mentor entrepreneurs who are willing to quickly move into international business.*

## **INTRODUCTION**

*The recent phenomenon of "born global" companies is evident in today's business environment. Stage-theory models of internationalization do not apply to these companies that have experienced instant internationalization from inception of the business. Determining a common body of knowledge, personality traits, and experiences of the founders of instantly internationalized companies may reveal a profile of founders of "born global" companies. In an attempt to understand this phenomenon of accelerated internationalization, the results of this study may cause college business educators to take into consideration the education needed by international entrepreneurs as they become involved in windows of opportunity. Governments are learning to work with international entrepreneurs in order to reap the benefits of rapid international business growth.*

## **LITERATURE REVIEW**

Oviatt and McDougall (1994) posited a theory of international new ventures, which explains ventures that began as an international entity, not following the usual progression of developing from a local, single country firm, to exporting and subsequent growth into a multinational business. There are many key pieces of business research literature which point to the desired personality traits of the entrepreneur (Crant, 1996), the marketing mind-set or orientation (Stokes, 2000; Knight & Cavusgil, 2004), and the ability to build trusting relationships (Child, 2001; Griffith & Harvey,

2001) and accomplish global sourcing and networking (Coviello & Munro 1995; Achrol, 1997; Holm, Eriksson, & Johansen, 1996). Stokes (2000) believes that in-depth interviews and open-ended questions allow the researcher to explore beliefs and views of the entrepreneur who initiates international business.

## RESEARCH QUESTIONS

The research questions that were the basis for this study included asking about the profile of founders who had succeeded in a startup of a business engaged in international business; asking if international experience is a requirement; asking if the international entrepreneur saw a window of opportunity; about team member selection; why the founder selected a foreign market as opposed to a domestic market; and what is the importance of technology in the production and distribution of services or products and in other business processes. These research questions formed a foundation for the interview questions and subsequent discussions about the companies.

## METHODOLOGY

This study employed face-to-face interviews with thirty individuals who had each either founded or managed a business, which was involved in international transactions within the first year of the inception of the business. The researcher took necessary steps to gain access to potential interviewees who were willing to share stories of international entrepreneurship. Most of the interviewees were located within 200 miles of the researcher's home town in east Texas. Those who were not within travel distance by car were interviewed by phone. The purpose of the study was to determine if there is a profile of founders or managers of companies that experienced accelerated internationalization. Questions were asked by the researcher to obtain information unique to each interviewee about the process of starting a company with international leanings. A qualitative study is possibly the only way to understand how an individual was able to instantly internationalize a company or accelerate the internationalization process so that it takes place within one year of the formation of the company.

The responses to the interview questions were recorded through note taking and then were transcribed and coded into categories. After several steps of coding, the information was grouped into categories and analyzed for determinants and characteristics of leaders of instant or rapid internationalization. The marketing orientation, personality traits, and characteristics of each interviewee were analyzed to find similarities among the entrepreneurs.

## FINDINGS

The majority of the interviewees exhibited the ability to initiate international business with limited resources, grow the business through tireless commitment, and manage the business so that they were able to retain ownership even if it meant slow growth. Very few reported a trade of ownership and only two reported difficulty in acquiring financial support. Many of the interviewees did not seek financial support but operated the business with personal savings or company profits. All interviewees had traveled or lived outside of his or her home country. The profile of the

international entrepreneur includes propensity for risk, willingness to achieve a goal of international business regardless of resources, and a willingness to travel outside of the home country. All interviewees completed high school, but not all had completed college degrees. All participants realized a window of opportunity in international business and acted on it. This profile also included the ability to share a vision with team members, to recruit translators and hire individuals experienced in international business if necessary. The international entrepreneur takes advantage of available technology for marketing and sales, production, communication, and accounting.

## RECOMMENDATIONS

This study will add to the available research of international new ventures and the individuals responsible for the start of such a venture. Interest in international entrepreneurship will increase as the phenomenon spreads throughout the world. High school and college curricula planners could provide courses in international entrepreneurship to help students learn about the startup process. A mentoring program and internships with successful international startups could provide great insight into marketing strategies for international markets, management expertise, and financial guidance for growth of new international companies. Low rate interest funds could provide for needed capitalization of new startups with international sales potential.

Replication of this study in countries that are experiencing the creation of new international ventures would add to the profile of the international entrepreneur. Analyzing the similarities and differences of international entrepreneurs would give insight into selected marketing and business management strategies. The continuation of case studies and business articles about founders of instantly internationalized firms would add to the findings of this phenomenon of global startups.

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