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Proceedings of the Academy of Entrepreneurship

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THE DETERMINANTS OF NEW VENTURE SUCCESS: STRATEGY, INDUSTRY STRUCTURE, AND THE FOUNDING ENTREPRENEURIAL TEAM

Elisabeth Jane Teal, Baylor University

1999 Winner of the
Carland Award for Excellence in Entrepreneurship Research

The research question that was examined in this dissertation was: In what ways and to what extent do Venture Strategy, Industry Structure, and the Founding Entrepreneurial Team influence New Venture Performance for very rapidly growing new ventures? This dissertation extends current research in entrepreneurship through the examination of the determinants of success of rapidly-growing, publicly held new ventures, such as those represented by the Inc. 100 listing of America's fastest-growing small public companies. A database which consists of one hundred twenty-six new ventures that were included in the 1992, 1993, and 1994 Inc. 100 listing of America's fastest growing small public companies was developed for this research. The database was used to test an extended model of New Venture Performance, both in whole and in part, through the use of both nonparametric and parametric statistical procedures. Current empirical research had identified Venture Strategy (VS = Venture Strategy) and Industry Structure (IS = Industry Structure) and the interaction of these measures as important determinants of New Venture Performance (NVP). Thus, the current model of New Venture Performance was: NVP = f(VS x IS, VS, IS). This research has empirically identified the importance of the Founding Entrepreneurial Team (ET) and also confirmed the importance of Venture Strategy and Industry Structure to New Venture Performance. This dissertation has extended the current model of New Venture Performance to include the Founding Entrepreneurial Team (ET). This finding suggests a revised model of New Venture Performance which is: NVP = f (VS, IS, ET).

(Dissertation completed at the University of Georgia under the Direction of Charles W. Hofer)

SMALL BUSINESSES AND INTERNET: SHOULD EVERYBODY BE ON-LINE?

Sharad Maheshwari, Hampton University
sharad.maheshwari@hamptonu.edu

ABSTRACT

Internet bandwagon is fast changing the landscape of business, as we know it. The commercialization of Internet and development of World Wide Web (WWW) have largely been responsible for this change. It was only in 1993 that first browser, Mosiac, was made available for WWW. In less than six years, the commerce on the web has sky rocketed to multi-billion dollars and every market prediction suggests a multi-fold increase in the future. Virtually every product and service is available on the Internet. However, it is not yet clear if every small business can be benefited from this new information and marketing medium.

The Internet commerce has many unique characteristics, which are vastly different from the traditional business practices. Internet businesses have transformed certain basic business, marketing and operational strategies. Traditional businesses are also realizing the power these changes. For example, the Internet has the potential of lowering entry barriers, changing traditional distribution channels and increasing and diversifying the customer base. Therefore, traditional business wisdom may not be directly applicable in building Internet commerce strategies.

The available business literature typically agrees with the changes Internet is bringing to business, however, there is a lack of research literature, which is focused on the relationship between typical small business and Internet commerce. Small business persons, who are trying to develop Internet strategies, often are faced with challenges due to lack of understanding of technology, type and extent of presence on the Internet and the value of the Internet commerce to their business. The answer to these questions may be difficult without much of supporting data or research. This paper is an effort to shade some light on one of the challenges faced by small businesses in Internet commerce. The paper would focus on the question of value of Internet commerce for small businesses. To achieve this research objective, we would develop a statistical model, which can identify certain business parameters to predict the value of Internet commerce to a small business. The model would include factors such as size and type of business, type of product, size and type of customer base and location/s of business. The data will be collected using a survey of small businesses as well consumers.

DISPOSITION OF CONTROL AMONG MANAGERS AND ENTREPRENEURS: GENDER AND JOB ROLE COMPARISONS

Brooke R. Envick, St. Mary's University
benvick@stmarytx.edu

ABSTRACT

This study analyzes the differences between entrepreneurs and managers, as well as male and females, regarding disposition of control (DOC). DOC is the combination of internal locus of control (Rotter, 1966) and need for power (McClelland, 1965). Results indicate that, overall, entrepreneurs possess a stronger disposition of control than managers. Interestingly, female entrepreneurs have a stronger DOC than male entrepreneurs, however, male managers have a stronger DOC than their female counterparts.

INTRODUCTION

As entrepreneurship becomes more mainstream academics and practitioners alike continue in their efforts to further identify and define characteristics that differentiate entrepreneurs from managers. Only a handful of these traits appear to be consistent. Some include need for achievement (McClelland, 1961; Glemon, 1966; Robinson, Stimpson, Huefner, & Hunt, 1991), risk-taking, (Glennon, 1966; Timmons, 1978; Brockhaus, 1982), need for power (McClelland, 1965; Winter, 1973; Robinson et al., 1991), and internal locus of control (Rotter, 1966; Timmons, 1978; Robinson et al. 1 99 1).

The current paper focuses on two of these well-known traits, need for power and internal locus of control. The author combines them into one psychological construct called disposition of control (DOC), defined as one's desire to be in control and the belief that he/she <u>is</u> in control of situations and outcomes. In light of DOC, this study explores similarities among and differences between female entrepreneurs, female managers, male entrepreneurs, and male managers.

LITERATURE REVIEW

Two well-researched psychological constructs are locus of control (Rotter, 1966) and need for power (McClelland, 1965). Locus of control is explained by how people perceive their situations and outcomes are controlled. Several studies have shown that it is important for entrepreneurs to have an internal locus of control (Borland, 1974; Brockhaus, 1982; Timmons, 1978; Robinson, et al., 1991). The need for power is one's overwhelming desire for superiority (Pfeffer, 1992). Empirical evidence suggests that entrepreneurs, in general, have a relatively high need for power (McClelland, 1965; Glennon, 1966).

One purpose of this paper is to combine the two constructs of internal locus of control and need for power into one measure called *disposition of control (DOC)*. DOC is measured on a continuum. The three broad levels are: (1) Strong - high need for power and internal locus of control; (2) Moderate - a mixed score where one may have a high need for power and an external locus of control or a low need for power and an internal locus of control or some combination of the two; and (3) Weak - low need for power and external locus of control.

The second purpose of this paper is to study four groups in light of disposition of control. The four groups include female managers, female entrepreneurs, male managers, and male entrepreneurs. The reason these groups are included in the current study is because previous empirical research uncovered an interesting phenomenon regarding the behavior of control. Envick & Langford (I 998) and found that female entrepreneurs exhibit behaviors of control significantly more often than male entrepreneurs do. While female entrepreneurs engage in controlling behaviors more often than their male counterparts, the opposite is true for managers. Several scholars determined that male leaders are assertive and controlling (Rosener, 1990; Offermann & Befl, 1992; Eagly, Makhijani, & Klonsky, 1992).

HYPOTHESES

Based upon the aforementioned literature findings, the following hypotheses are:

H1: Entrepreneurs will have a stronger disposition of control than managers do.

By the very nature of their job roles, it is logical to assume entrepreneurs will have a stronger disposition of control than managers do. Entrepreneurs choose to have more control within their job roles. They own their businesses, and therefore, have more influence in regard to all decisions and events when compared to managers, who may only have authority over certain functions of an organization.

H2: Female entrepreneurs will have a stronger disposition of control than male entrepreneurs.

Based upon the behavioral research (Envick & Langford, 1998), female entrepreneurs exhibit behaviors of control more often than their male counterparts. Since behavior is a direct reflection of personality, attitudes, and beliefs, it is hypothesized that females will also have a stronger disposition of control than male entrepreneurs.

H3: Male managers will have a stronger disposition of control than female managers.

Management and leadership studies indicate that males demonstrate behaviors of control more than female managers (Rosener, 1990; Eagly et al., 1992; Offermann & Beil, 1992). Therefore, it is hypothesized that male managers will have a stronger disposition of control than their female counterparts.

METHODOLOGY

Two hundred and twenty-two subjects represent the findings, 101 managers and 121 entrepreneurs. The Chamber of Commerce in a large Southwestern city generated a list of 2,500 entrepreneurs and managers. Twelve hundred were randomly selected from this list to receive the survey. With a response rate of 19.75%, 237 surveys were returned, and 222 were usable with a good representation of all groups. There are 87 male entrepreneurs (39%), 34 female entrepreneurs (15%), 59 male managers (27%), and 42 female managers (19%).

A survey was sent to target participants. Locus of control was tested using the survey developed by (Rotter, 1966). The need for power was tested using the survey developed by (Steers & Braunstein, 1976; Lussier, 1990). The scores from the two surveys are combined to obtain the disposition of control score. The lowest score possible is a 5, and 35 is the highest possible score.

RESULTS

ANOVA was used to test all three hypotheses. The first hypothesis stating that entrepreneurs will have a stronger disposition of control score than managers is supported. Entrepreneurs (M=24.372) have a significantly [$F(1,220) = 5.081$; $p<.05$] stronger disposition of control than managers (M=23.337). Hypotheses two and three consider gender and job role. Table I illustrates all comparisons based on gender and job role.

Table 1. Disposition of Control: Gender and Job Role Comparisons

Comparisons	**Mean Difference**	**Critical Difference**	p-value
FE, ME	.055	1.361	.9361
FE, FM	1.507	1.552	.0570*
FE, MM	.768	1.449	.2975
ME, FM	1.452	1.264	.0246**
ME, MM	.712	1.135	.2174
MM, FM	.739	1.359	.2847

*Significant at .10 **Significant at .05

The second and third hypotheses were not supported, per se. However, the general direction provides some merit. All combinations of the three hypotheses suggest that the group with the strongest DOC should be female entrepreneurs, followed by male entrepreneurs, male managers and female managers respectively. The mean scores for each group do support this notion: FE = 24.412 > ME = 24.356 > MM = 23.644 > FM 22.905. Two significant findings are present in the comprehensive comparisons presented in Table 1. Female entrepreneurs (M=24.412) and male entrepreneurs (M=24.356) have a significantly stronger DOC than female managers (M=22.905).

DISCUSSION

This paper contributes to the literature by helping academics and practitioners gain a better understanding of differences between and similarities among male and female entrepreneurs and male and female managers. Overall, entrepreneurs have a stronger disposition of control than managers do, which means they have a stronger desire to be in control and believe they are in control of situations and outcomes.

Female entrepreneurs have a stronger DOC than male entrepreneurs, however, male managers have a stronger DOC than female managers. While not all comparisons resulted in significant differences, the general trend helps answer the basic research question of this study.

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THE IMPACT OF THE EURO ON SMALL AND MEDIUM-SIZE ENTERPRISES

Jack L. Sterrett, Southeast Missouri State University
jsterrett @semovm.semo.edu
Peter J. Gordon, Southeast Missouri State University
pgordon @semovm.semo.edu
Nadege Leberriais, Southeast Missouri State University

ABSTRACT

Small or Medium size Enterprises (SMEs) are a vital part of the European Economy. The smaller firms more particularly represent the most notable source of employment. SMEs provide over two thirds of total employment in Europe. The health and development of SMEs is therefore strategic for wealth creation in Europe. SMEs preparation for the advent of the new common currency, the Euro, will constitute one of the keys to success of economic and monetary union. It is important for SMEs to be ready and aware of the challenges and opportunities of the introduction of the Euro and its impact on Small Business (Annexel – Infeuro). The Grant Thornton 1999 European Business Survey indicates that Europe's SMEs have adopted a wait and see strategy. Although they are broadly positive about it, the majority of SMEs within the Euro zone have not taken action in preparing for the Euro introduction.

SMEs must understand how important it is to be ready to operate in Euro. The new European currency will have a dramatic impact on how business is conducted in Europe. The single currency will require executives to rethink many of their assumptions about doing business in Europe (Carr, 1999). Some industries or categories of businesses will be more or less affected and will therefore require a faster or slower adjustment The planning will require different approaches depending on these factors SMEs must pay attention to these factors. SMEs need to measure how traction costs and cost comparison will affect their day-to-day business in order to quickly respond and adapt to the new customer expectations. The introduction of the new currency will also tremendously affect accounting practices in different ways. Therefore, small and medium size enterprises must carefully assess how they will adapt processes, systems, and people. These are the types of issues that SMEs should consider and will be discussed in this paper.

DEFINITION AND STATISTICS ON SME

The definition of a Small or Medium-size Enterprise (SME) differs in each country, based on the number of employees. The definition used by the European Community (EC) commission and the European Investment Bank is a firm with a workforce not exceeding 500 employees with net fixed assets of less than 75 million European Currency Units (Euro), and with not more than one-third of the firm's capital held by a larger company. In 1986, 99.9% of European firms had fewer than 500 employees. SMEs play and will continue to play a predominant role (Lyberaki, 1994; Anonymous, Europe, 1988).

By 1993, there were 17 million enterprises in the private and non-primary sector of the European Union, of which 99.9% were SMEs (ENSI 1994). Of these, 93.3% were micro-firms, 6.2% were small, and 0.5% were medium size. Only 0.1% was defined as large firms. Firms with 0-9 employees are defined as micro, 10-99 as small, and 100-499 as medium size. Businesses with 500 and more employees are defined as large. In general, European businesses tend to be smaller than those in the United States (Mulhern, 1995).

European SMEs employ 68 million people. Within the SME sector, there are approximately 18 million self-employed and 50 million employees. SMEs dominate mostly in construction, distribution and service sectors. Ninety percent of the self-employed belong to the micro sector (Mulhern, 1995).

INTRODUCTION TO THE EURO

Some Historical Background

The SME is the result of a long historical chain of events that started at the end of World War II (Billoud, 1998). The origins of the Euro start with the Treaty of Rome. The Treaty of Rome established the European Economic Community (EEC) including France, Germany, Italy, Belgium, Luxembourg, and the Netherlands. Over the years, other countries joined the EEC. It now includes 15 members. The objective of the community was to harmonize and simplify the laws, regulations, and policies. In 1993 the EEC became the European Union aiming at accomplishing free circulation of goods, services, people and capital within the boundaries of the 15 participating countries (Agami, 1998).

In January 1999, 11 European Countries adopted the Euro. For three years, they will use the common currency instead of their existing national currencies for large-scale trade and payments. In 2002, Euro coins and notes will replace the national currencies that will then be eliminated from the circulation. European citizens and businesses will have to adapt to the new Euro currency (Frieden, 1998).

The Participants

In accordance with the Maastricht Treaty, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain replaced their National currencies with the Euro on January 1, 1999, based on conversion rates irrevocably fixed on December 12, 1999. To become members, the 11 countries had implemented policies enabling them to achieve a high degree of economic convergence (Otmar, 1999; Modigliani & Hossein, 1997).

THE IMPACT

The effect of the Euro conversion will depend on the nature of the business conducted, and various other factors. In many cases, the Euro conversion will create technical challenges to adapt information systems and Euro transactions. For companies with significant markets in Europe, the Euro conversion will be challenging (Staff Legal Bulletin No. 6).

An expert group was formed by the European Commission to discuss small businesses and the Euro. This group was represented by professional organizations, SMEs and retail industrial sectors. The group first identified two different categories of SMEs which are impacted differently. Subcontractors to large companies, for example, will have to quickly adopt the Euro, while small businesses in direct contact with customers will have to continue using the national currency with their respective customers until 2002. The expert group suggested that any SMEs should consider the impact of the changeover to the Euro on their activities, even if it is not necessary for the business to adopt the Euro immediately. This analysis will provide the small business with information on their suppliers and customers' changeover to the Euro.

The need to plan for the single currency will require different approaches depending on the size of the company. Larger companies may have options as to when they want to adopt the Euro compared to small businesses. SMEs will have to meet customers' requirements. If their main customers are already invoicing and dealing in Euro, the small business will have to meet this request or eventually lose the customer. Therefore, small businesses need to plan ahead and identify the risks and opportunities involved with the Euro environment (O'Boyle, l997).

TRANSACTION COSTS

One of the most notable impacts of the introduction of the Euro will be the alleviation of exchange risks within the Euro area. This appears to be a tremendous opportunity for small businesses because they currently lack the financial infrastructure to deal with currency risks and foreign exchange management (Billoud, 1998).

Indeed, a common currency eliminates the exchange risk associated with international transactions. The need to hedge against exchange risks disappears. In 1992, the European Commission estimated that the cost of converting European national currencies was roughly 20 million European Currency units, or 0.5% of GDP. Transaction costs hit small firms because of their inability to obtain business discounts from banks for their foreign currency trade. Large companies usually have internal treasuries handling foreign administrative work in bulk at low cost, which small companies cannot afford. With the Euro, small businesses involved in cross-border trade would not need to maintain foreign exchange balances. They will directly receive cash from their foreign trading partners without incurring currency conversion costs. In addition, cross-border transactions will be completed faster (Bennett, 1996; Currie, 1997).

Christos Papoutsis, who is the European Commissioner responsible for Energy, SMEs, and Tourism, believes that the Euro will provide an opportunity for small businesses to implement a European strategy, and to enter new markets. Indeed, small businesses unlike larger companies do not have the resources to hedge against exchange risks and limit their commercial contacts to national boundaries. With the introduction of the Euro, they will have the opportunity to analyze and conquer new markets (Annex III, Inteuro).

HIGHER COMPETITION

Greater price transparency and the elimination of currency risks and costs will create a higher competitive European market. Competition from foreign companies will increase (Bennett, 1996). Therefore, the introduction of the Euro will create tremendous challenges for small businesses. They must be prepared and ready to enlarge their vision in order to survive their competition. They must be willing to take initiative. SMEs will have to consider extending their national boundaries across Europe to respond to their customer needs and address the wider European Market. As large companies will adapt their strategies to the European Market, they will need SME suppliers to support their own core skills. And, SMEs must be willing to provide excellent support to assist larger businesses with their expansion programs. Therefore, small businesses able to be responsive, customer-oriented and innovative will succeed in highly competitive markets (Macey, 1999).

COST COMPARISONS

The introduction of the single currency will have serious implications for the profitability and operations of small businesses. All prices will be quoted in Euro terms. The consumers will be able to compare prices across European countries and markets in the same currency. They will have the option to buy identical items at competitive prices on different national markets (Bennett, 1996).

Not only individual consumers will be able to compare prices, but also businesses will no longer be limited to compare national suppliers' rates. The comparison of input costs will become more credible and accurate (Bennett, 1996). Consumers will be able to easily compare prices across Europe, therefore it will be much more difficult to have different product positioning and pricing strategies from country to country (Carr, 1999).

ACCOUNTING

Businesses will be required to adapt their accounting practices to the introduction of the Euro. Only 65% of the SMEs surveyed in the Euro zone expect to be invoicing in Euro by the end of the year 2000. Small businesses will need to estimate how much the transfer from the national currency to the common currency will affect their bookkeeping during and after the transition. This will require developing specific budgets to monitor software adaptation as well as people training (Management Accounting, 1999).

Indeed these changes will imply installing new software packages and training of employees on correct usage. Companies will obviously encounter expenses. Small business must make an effort to plan for these extra costs in order not to delay the introduction of the Euro inside their companies (Staff Legal Bulletin No. 6).

Companies may also decide to invest in converter software. This software enables the selection of inputs or outputs in denominations without having to maintain sets of data. The converter allows for the maintenance of records and books in one-currency and the production of appropriate financial statements. Companies will also have to decide on how to account for gains and losses resulting from changing to the Euro. They will also need to know how to account for the cost of equipment, consulting fees required for the conversion to the Euro (Agami, 1998).

INFORMATION AVAILABLE SMEs

There are different ways SMEs can collect information to prepare for the introduction of the Euro. Accountants, Banks, Chambers of Commerce are of great support for small business matters. Also, a network of 250 Euro Info Centres (EIC) was established across Europe to provide information on the Euro to SMEs (Crossick, 1990).

The EIC's, established by the European Commission in 1989, offer targeted information and access to expertise on European matters. It advises businesses trading abroad by providing assistance with project development and follow up. In addition, these Centres facilitate and promote exchanges within the network by extracting information on laws and business practices in other member states (Blake, 1998).

It is also recommended to SMEs to develop agendas and methods to approach the changes to the Euro. The Small Company European Analysis Technique (SCEAT) is the approach used for market opportunity analysis. The application of the process is designed to assist managers of small enterprises with thinking through how they should respond to the challenges of the European market. It involves a series of steps. The process is intended to provide a diagnostic aid (Paton, 1991).

CONCLUSION: ARE SMALL BUSINESSES READY FOR THE EURO?

Not many small companies are ready for the Euro. The long-term preparation that should have been given priority to date has not been given much attention by many companies, which seem to be busier with day-to-day business issues. In February 1997, only 15 percent of the companies in the EU had a preparation project in place (Billoud, 1998). Businesses may also be unsure of what is required from them. It was found that 65% of smaller firms have made no plans to deal with EMU. According to another source, 61% of exporting businesses with sales up to $1 million and 59% of those with sales of $1-$10 million, have made no plans to deal with the EMU (Cooper, Nyborg, 1998).

Compared to large companies, small businesses are slowly Starting to feel concerned with the changes needed for the advent of the Euro. Christos Papoutsis (European Commissioner responsible for energy, SMEs, and tourism) explains that SMEs need to consider the strategic importance of the introduction to the Euro, because most of their operations will be directly or indirectly affected by the change.

Small businesses that do not consider the strategic impact of the Euro will certainly be more or less affected due to a lack of preparation They must consider that the Euro will not only affect trade, and international trade, but also day-to-day business with their customers and suppliers. Indeed, SMEs will be required to assist their customers with adapting to the new currency. To exploit new single market opportunities, and defend themselves against threats, SMEs must indeed prepare themselves.

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FRANCHISING IN FINLAND - AN EMPIRICAL OVERVIEW OF ITS CURRENT STATE AND VOLUME

Mika Tuunanen, University of Jyväskylä, Finland
mptuunan@tase.jyu.fi
Antti Karjaluoto, University of Jyväskylä, Finland
anjukarj@tase.jyu.fi

ABSTRACT

The paper focuses on the creation of a new statistical base for Finnish business format franchising. Since 1991 the Finnish Franchising Association (FFA) has collected data pertaining to the volume of franchising. These figures have been published annually in the FFA's yearbook. In January 1999, the FFA and the Franchise Center of University of Jyväskylä agreed to initiate a nationwide academic research project to renew statistical procedures of franchising. The purpose of the study is to generate a valid, comprehensive and reliable framework for screening business format franchising and to compile present franchising statistics. To create a pattern to identify business format franchises, past literature was examined to review theories dealing with existence and growth of franchising, and practical and legal franchising definitions were investigated. Moreover, six in-depth interviews were performed with three attorneys and three business consultants with long-term experience and specialization in franchising. As a result, a set of criteria to serve as a screening frame of business format franchises was developed.

The sample comprised three groups. Two, listed in the FFA's 1998 catalogue consisted of 34 member franchises and 52 non-member franchises. The third group was potential franchises. These were sought with the assistance of a media intelligence company from press articles published between 1994-99. In total, 1,093 articles including the search word(s) 'franchising' and/or 'franchise' were found. Subsequently, the group of potential franchises and non-member franchises were screened to confirm that they met the business format franchising criteria. Finally, quantitative data from qualified franchises were gathered by mailed questionnaires and phone interviews.

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INTRODUCTION

Franchising has became an effective strategy for providing new products and services, creating jobs and opportunities for aspiring entrepreneurs, for growing businesses, and for exporting and importing. In the past three decades, franchising has became an extensive business form in western economies. In the US, franchising boomed in the early 1960s. Fifteen years later, it started to prosper in Europe. Presently, the pace of franchising is slowing to be compatible with the growth of the economy (Lafontaine, 1993, 23). However, franchising accounts for half of the retail sales and one-fifth of the GNP in the US (Julian & Castrogiovanni, 1995), and in 1990, 530,000 franchises employed 7.7 million and generated sales of $700 billion in the US (Chan & Justis, 1992, 83).

It has been forecasted that saturating domestic and Canadian franchising markets will drive more U.S. based franchisors to internationalize their businesses by establishing new outlets particularly in Europe. This will take place with greater speed after the integration and harmonization of EC markets and with economic growth and lowering trade barriers in former Eastern block countries. While the rest of Europe, with the exception of the Eastern European countries, has experienced several franchising growth waves and will face the slower growth phase of franchising and partial saturation, Finland seems to be "slow on the runway but rapid on the take off" in regard to its franchising development. This observation stands even when Finland is compared to other Nordic countries. The relatively small size of its markets, 5.2 million people and its distant location in Northern Europe may partly explain past slack evolvement. Franchising culture in Finland is young in many aspects. The penetration of Finnish franchising is running far behind the European and Scandinavian average. Finland, as a newborn franchising country, can expect its franchising growth to endure into the near future (Tuunanen & Koiranen, 1998). The 1998 statistic indicates that there are 84 franchises, some 1,700 franchisees' outlets, and 950 franchisor-owned outlets currently operating in Finland (Finnish Franchising Association, 1998).

In Europe only the *Business Format Franchising* is regarded as franchising. Contrarily, in the US, the Trade Name Franchising, (e.g. soft drink bottlers, many automobile dealers, and gasoline service stations), is included in the franchising statistics. That form accounts for roughly 70% of total franchising sales in the USA (Dandridge & Falbe, 1994, 40). Therefore, when discussing franchising, only the Business Format Franchising is considered.

The purpose of this paper is: (1) to create a framework for identify business format franchises; and (2) to analyze the current volume and state of Finnish franchising by compiling 1999 franchising statistics. Given the situation in Finland, where no public business authorities do not keep separate records for franchising, this research has particular interest.

BACKGROUND

By and large, there is common agreement concerning the general trends which may promote franchising. These developments include for example: a growing participation rate of women in the work force, as well as booming interest among women in entrepreneurship; the rise of disposable incomes; the increasing demand for goods and services; increasing urbanization and mobility; service-dominance and the decline of manufacturing in economies; the higher rate of unemployment and the growing popularity of self-employment; the accelerating deregulation in industries; and the lowering of trade and entry barriers in integrating markets. As a matter of fact, these trends in developed countries seem to be largely similar to those that made franchising so successful in the USA (Ayling, 1989). Franchising is particularly well suited to the service industry, in which the whole people-intensive value chain is manageable by standardization, and in which there is a need for a large number of geographically dispersed outlets serving fragmented local markets (see e.g. Stern & Stanworth, 1994; Koiranen & Hyrsky, 1996). The nature of franchising is the successful replication of business from one geographical market to another (Julian & Gastrogiovanni, 1995, 1).

In a franchising relationship, the franchisor seizes the capital and unique intangible resources of local franchise owners, and in this sense, it significantly enchances its capability for a rapid and broad expansion (Carney & Gedajlovic, 1991). Subsequently, Julian & Castrogiovanni (1995, 2) identified two competing views on franchising expansion; the *unconstrained expansion* and the *constrained expansion*. These views were later tested by Julian & Castrogiovanni (1995, 9). They concluded that the truth is somewhere between these two competing views as both received empirical support.

Dant (1995, 11-14) researched "Why do successful businesses choose to grow and expand through franchising as compared to other competing alternatives?". From the past literature, he found three primary motives for franchising. First, the *resource constraints perspective* of franchising suggests that franchising is an efficient way to collect the three critical resources that growing businesses require but typically lack to realize growth: financial capital, market knowledge and human capital. Second, the *efficiency perspective* emphasizes that via franchising, it is possible to achieve a variety of scale economies, especially in production, promotion and co-ordination. Finally, *agency theory*, perceives franchising as an effective answer to the classical principal-agent problem, how to avoid the shirking problem in the principal-agent relationship. Dant concluded his analysis by summarizing seven primary reasons for franchising: access to capital, access to managerial talent, access to local market knowledge, economies of production, economies of promotion, economies of co-ordination and in-built disincentives to agent-shirking. Rubin (1978, 225-226) disagreed with the capital market explanation for franchising. According to him, a risk averse franchisee would prefer to invest in a portfolio of shares in all franchise outlets, rather than investing in a single store. Rubin stressed that it is evident that capital market arguments do not explain franchising and franchising is an inefficient method of raising capital.

Oxenfeldt & Kelly (1968-1969, 74) applied organizational life-cycle theory in a franchising context. They suggested that when a franchise system is successfully launched, the franchisor is forecasted to buy the franchisee-operated units back and convert them into company-owned units. Thus, franchising would be only a temporary method to reach resources needed for a rapid growth. Contradictorily, Martin (1988, 965) emphasized that franchising should not be a temporary stage of development on the way toward complete company ownership. A life-cycle study conducted by Martin showed that the proportion of company-owned outlets declined in the long run.

Not unlike Dant, Combs & Castrogiovanni (1994, 38) reported three theories of franchisor strategy from the literature: *resource scarcity, agency theory and risk spreading asserts*. Among the risk spreading assert theory, franchisors attempt to shed riskier locations to franchisees while maintaining less riskier locations as company-owned. The expected profitability and franchisee´s risk aversion will limit the franchisor´s ability to shift the risk to the franchisee. Franchisees will accept a higher risk level if they are rewarded with higher expected returns (Martin 1988, 954). Garney & Gedajlovic (1991) tried to combine the two theoretical explanations, the resource scarcity and the agency theory. Their results suggest that both these competing perspectives offer substantial wisdom, but ignore critical factors included in the other framework. Franchising is useful because it has efficiency advantages over vertical integration. Moreover, it can be seen as an answer to the resource constraint problem. Likewise, Bronson & Morgan (1998, 34-35) identified four popular explanations for the growth of the franchise form of organization in the travel industry: raising of scarce capital, monitoring of managerial incentives, optimal market coverage and the attainment of economies of scale. According to them, these different explanations are not in conflict. Rather they are different aspects of the same phenomenon.

In addition, Rubin (1978, 230) investigated the reasons a franchisee seeks a franchise rather than operating an independent business. He found four reasons: First, the trademark of the franchise appears to be valuable and the franchisee is willing to pay to sell these commodities. Second, the franchisee often receives some managerial advice from the franchisor. Third, the franchisor usually makes capital available for the franchisee. Finally, the franchisee may lack human capital to open a business without assistance from the franchisor. From the franchisor point of view, Rubin suggested that a main reason to franchise is the information it provides to customers. The service and products should be the same, no matter where the outlet is located. The literature review is summarized in Table 1.

Evidently, the motivations for franchising have been viewed mainly from the franchisor's perspective. Although these motivations are well researched, no single theory seems to be predominant.

METHODOLOGY

The sample comprised three different groups (see Table 2). Two of these were listed in the Finnish Franchising Association´s (FFA) annual catalogue, *"Franchising in Finland 1998"*. The first group included 41 FFA member franchises. The latter group consisted of 50 non-member franchises.

The third group is named here as potential franchisors. These were previously unknown as franchises. They were sought with the help of *Observer Finland* media intelligence company, which provides highly qualified media monitoring services covering press, radio, TV, news agencies, databases and the Internet. *Observer Finland* covers approximately 1,500 domestic media publications, including daily, regional and national newspapers as well as trade, business and popular newspapers and periodicals, four news agencies and b-to-b World Wide Web publications. In this study, the search was limited to the printed media. Within the observing period, 1994-1999, in total 1,093 press articles which included the search words "*franchising*" and/or "*franchise*" were found. By examining the articles thoroughly, it was possible to trace franchises which were not necessarily included in the former statistics. The contact information of potential franchise companies was sought from various sources, e.g. from the official enterprise register, online telephone directories and *The Bluebook* which is a private leading business contact and marketing information provider in Finland. Its database offers coverage across the Finnish business community with more than 170,000 companies and some 260,000 decision makers.

To create a screening pattern for identification of business format franchises, past literature was examined to review the theories and the legal and practical franchising definitions. Moreover, six-in-depth, semi-structured interviews were performed. Three attorneys and three business consultants with long-term experience and specialization in franchising were interviewed to verify the relevance and validity of the screening criteria.

Later, the non-member franchises and the potential franchises traced from the press articles were screened to confirm that they met the business format franchising criteria. The member franchises of the Finnish Franchising Association were not screened because they had met the criteria when they were accepted as members. The data from the non-members were collected by mailing questionnaires and telephone interviews. CEOs and franchise managers and marketing/sales directors were used as respondents. Rather surprisingly, all companies of the sample were reached - even those companies which were mentioned in five year old articles were still in the operation and reachable. No one of the respondents declined to correspond to the mailed questionnaire or give an interview - i.e. response rate achieved was 100%.

RESULTS AND DISCUSSION

In total 140 different franchises were mentioned in 1,093 press articles. Fifty-seven or 41% of those firms were already established franchises and listed in the FFA 1998 catalogue. The rest, 83 companies were previously unknown potential franchisors. Two groups of the sample, 83 potential franchises and 53 non-members were subsequently screened to make sure that they met the Business Format Franchising criteria. The central screening criteria are concise in table 3.

The screening frame is based on the EEC Commission Regulation No 4087/88 (so-called Block Exemption concerning franchise agreements). The core of the regulation is given in the next table (see Table 4). Additionally, the code of ethics of the European Franchise Federation, the Finnish Franchising Association's rules, and interviews of franchise experts were used as references when formulating the criteria.

Particular attention was paid to ensure that screening criteria fulfill juridical requirements. The critical point of the regulation is the communication by the franchisor to the franchisee of knowhow. Knowhow means a package of non-patented practical information, resulting from experience and testing by the franchisor, which is secret, substantial and identified. When the knowhow, as a body or in the precise configuration and assembly of its components, is not generally known or easily accessible is considered to be secret. Moreover, when the knowhow includes information which is of importance for the sale of goods or the provision of services to end users, and in particular for presentation of goods for sale, the processing of goods in connection with provision of services, methods of dealing with customers, and administration and financial management; and when the knowhow is useful for the franchisee by being capable, at the date of conclusion of the agreement, of improving the competitive position of the franchisee, in particular by improving the franchisee's performance or helping it to enter a new market, is regarded as substantial. The last requirement, identified knowhow, means that the knowhow must be described in a sufficiently comprehensive manner so as to make it possible to verify that it fulfils the criteria of secrecy and substantiality. The description of the knowhow can either be set out in the franchise agreement or in a separate document (i.e. operational manual).

In total, 108 businesses met the screening criteria: 32 companies from the potential franchisor's group, 35 non-members and 41 members (see Table 5).

The number of disqualified chains was significantly high. In total, 65 companies were discarded in the screening. These companies did not pass the screening because they did not meet all or part of the crucial criteria. Other reasons for not qualifying included giving up the franchise system development or converting the franchise system to an other method of distribution. Surprisingly, many businesses were using the franchising as their operational method, but did not recognize it themselves. In most of those instances terms other than franchising was used to describe their distribution, e.g. marketing cooperation. Correspondingly, in some cases, franchising was clearly acknowledged by the company executives, albeit it turned out in the screening that requisites were not fulfilled. Franchising is not a well known method of conducting business in Finland.

The development of Finnish Franchising in 1990s is summarized in Table 6. In previous years the data have been gathered by the Finnish Franchising Association. For that purpose, mailed questionnaires were used. The given figures should be taken with some restraints. Missing data in Table 6 is partly explained due to changed statistical procedure since 1995. Moreover, the first four-year data were analyzed differently. Also, there is no information of the response rates attained in these surveys. The figures of 1999 are a result of this study.

The given figures are biased because it was discovered that many of the "new" franchisors found in this study had been in franchised operation for several years. Nevertheless, they were not included in the former franchising statistics until now. Consequently, the extensive growth in the 1999 statistic is partly explained according to the changed statistical procedures. However, statistics provide some insights of the direction of the development.

The franchising statistic is divided into three businesses: retail, cafe & restaurant and service. The most growth-oriented businesses were the retail- and service sectors. The number of franchisors in the retail sector has grown by 15% and by 60% respectively in the service sector since last year. Furthermore, the number of franchisees´ outlets in the retail sector has grown by over 60% and in the service sector by more than 40% in comparison. In the cafe & restaurant sector, the number of franchisors has stabilized, while the total amount of outlets has grown significantly. The amount of franchisors´outlets has grown by 25% and correspondingly by over 30% of franchisees´ outlets. The largest franchise chains are operating in the cafe & restaurant business. The sector accounts for almost half of all jobs in franchising.

Judging from the figures, franchising is growing at high rates in Finland. Twenty-four new franchisors and over 1,000 new outlets indicate a whopping growth. Presently, franchising employs more than 21,000 people. The total amount of outlets is some 3,700. One third of those are operated by the franchisors and two third by the franchisees. The proportion of franchisee operated outlets has grown steadily during the whole decade. In comparison, in the early 1990s, over half of all outlets were run as company-owned.

At least the following issues may be discussed as implications of this study: (1) the validity and reliability of Finnish franchising statistics has significantly improved due to the comprehensive screening framework established. Franchises which did not meet the requirements and characteristics set in the screening were erased from the statistics in which they were earlier falsely included. Similarly, recently and formerly set up eligible franchises were added into statistics. Even thought, the efforts for better coverage of statistics were made, they still are incomplete. Thus, the actual figures of franchising volume remain unknown. Apparently, the volume is greater than shown here. (2) Tracing potential franchises from the press articles turned out to be very effective and applicable method. Evidently, newborn franchisors intensely need publicity to attract potential franchisees. Press surveillance is worth continuing when compiling statistics in the future. (3) Very likely, the current renewal of the EU regulation for franchise contracts will cause a need to review the legal elements used in the screening. The new regulation will be valid from January, 1, 2000. It may cause major changes to franchise agreements.

When interpreting these statistics, one should remember that they merely uncover the surface of franchising growth dynamics. Franchising growth can occur through various ways, e.g. importing, exporting, and converting existing businesses into franchising (Tuunanen & Koiranen, 1998). Presumably, the future research should look into rationales of demand for franchises, and furthermore, why do customers prefer franchises when making their buying decisions. It seems that so far only motivations for supplying franchises are known. A supply-demand approach may be a fruitful avenue to a better understanding of why franchising exists and prospers.

TABLES AND REFERENCES ARE AVAILABLE FROM THE AUTHORS.

THE EFFECT OF THE EXTERNAL ENVIRONMENT ON THE PERFORMANCE OF ENTREPRENEURIAL VENTURES

William R. Bullard, University of North Alabama

ABSTRACT

This study focuses on the importance of the external environment to the performance of entrepreneurial organizations. The study reviews the current literature to determine the status of research into various components of the external environment of the markets and primary target markets of entrepreneurial firms.

A model is proposed that utilizes five components of the external environment. Various measures of the external environment and perceived performance are utilized in the development of the model. Results of a survey of approximately 350 entrepreneurial firms are used in the analysis of the model. Confirmatory factor analysis using the LISREL 8 computer software program is used to measure the model. The model uses five component of the external environment and each component is measured by multiple items. In order to determine the effect of the external environment upon the perceived performance of entrepreneurial firms, eight items are used to measure the perceived performance.

The results are reviewed and the impact of the model on entrepreneurial ventures is discussed.

EXAMINING FAMILY BUSINESS ATTITUDINAL DIFFERENCES ACROSS EDUCATIONAL LEVEL AND GENDER

Nancy Rossiter, Providence College
Nrossite@Providence.edu

ABSTRACT

Family-owned businesses represent 90-98 percent of all businesses in the United States, but these businesses have trouble recruiting qualified candidates. This paper looks at this problem and empirical research was conducted to examine if the negative perceptions are prevalent at a private catholic college and community college in the northeast. Differences in perceptions between males and females as well as traditional and non-traditional students were examined.

A review of the literature pertaining to student attitudes of family businesses was conducted. This literature pointed out some negative attitudes, particularly with graduate students' perceptions of family business. These negative perceptions included lack of formal policies and favoritism between family members.

The current study was conducted to determine if these biases were prevalent in nontraditional students and if a difference existed between male and female students. Descriptive statistics and analysis of variance (ANOVA) tests were run to examine the data. Conclusions were drawn from the results and recommendations for future research are presented.

THE FIVE-FACTOR MODEL OF PERSONALITY: ASSESSING ENTREPRENEURS AND MANAGERS

Brooke R. Envick, St. Mary's University
benvick@stmarytx.edu
Margaret Langford, St. Mary's University

ABSTRACT

This study differentiates entrepreneurs from managers using the Five-Factor Model of personality. The five factors include adjustment, sociability, conscientiousness, agreeableness, and intellectual openness. Results indicate that managers are significantly more conscientious and agreeable than entrepreneurs. They are also more social than entrepreneurs, but not to a significant degree. Entrepreneurs are more adjusted and open than managers, however results are not significant.

INTRODUCTION

Entrepreneurship scholars still attempt to discover personality characteristics and behaviors that distinguish entrepreneurs from other people, most typically managers. A few personality traits that recur in the entrepreneurship literature more often than others traits include the need for achievement (e.g. McClelland, 1961), the propensity to take risks (Ginzberg, 1955), and internal locus of control (Brockhaus, 1982).

The purpose of this paper is to continue the study of entrepreneurs' personality traits. However, attention is shifted from the commonly studied aforementioned traits to the Five-Factor Model of personality (Goldberg, 1990; Goldberg, 1992; Goldberg, Sweeney, Merenda, & Hughes, 1998), which has recently emerged from the field of psychology into business applications. The paper compares entrepreneurs to managers on each of the five factors.

LITERATURE REVIEW

The Five-Factor Model (also referred to as the Big Five) emerged in recent years as a "robust model" or "Great Theory" of personality (Goldberg, 1990, 1992; Goldberg, et al., 1998). The five factors include (1) adjustment (on a continuum from stable to neurotic), (2) sociability (from extroverted to introverted), (3) intellectual openness (from imaginative and interested in many things to practical and narrowly focused), (4) agreeableness (from benevolent to belligerent), and (5) conscientiousness (from dependable and goal-oriented to undependable and impulsive).

Recently, researchers have reported Five-Factor Model results contain implications for the workplace. Morrison (1997) examined the relationships between the Five-Factor Model and other psychological constructs. Results indicate that franchise owners tend to be Type A persons who are more sociable and conscientious than not. They are relatively more agreeable than not, slightly less open to new experiences than average. As a group, franchise owners tend to have an internal locus of control, which is also strongly associated with adjustment. Other workplace-related studies utilized the Five-Factor Model include those involving employee absence (Judge, Martocchio, & Thoresen, 1997), teamwork (Neuman, Wagner, & Christiansen, 1999), and job search strategies (Caldwell & Burger, 1998).

Managers and entrepreneurs are perceived as two groups of individuals, each having unique distinctions. For example, Stevenson and Jarillo (1990) compare key components of entrepreneurial management and traditional management, where entrepreneurial management is characterized by the detection of and willingness to pursue opportunity. Carland, Hoy, Boulton, and Carland (1984) assert that the most critical factor distinguishing entrepreneurs from non-entrepreneurs is innovation. Brandstatter (1997) surveyed business founders, business heirs, and managers. Founders were reported to be more stable emotionally, more independent, and more open to new experiences than heirs as well as managers.

HYPOTHESES

The hypotheses are generated based upon empirical findings regarding the Five Factor Model, previous research regarding entrepreneurs compared to managers, and the nature of the job roles themselves. There is one hypothesis for each of the five factors.

H1: Entrepreneurs will score higher than managers on the *adjustment factor*.

By the nature of their job roles, it is logical to assume that entrepreneurs will score higher on the adjustment factor, which is characterized by resilience, confidence, and stability. Brandstatter (1997) reports founders to be more emotionally stable than heirs or managers.

H2: Managers will score higher than entrepreneurs on the sociability factor.

Entrepreneurs have an inherent desire to be independent (Brandstatter, 1997) and do not mind working alone. A 1991 survey reveals that 83% of small business owners left corporate jobs because they wanted to be on their own (Viraelli, 1991). Managers must work with several people, subordinates, supervisors, and other managers.

H3: Managers will score higher than entrepreneurs on the conscientiousness factor.

Managers must be planful, organized, and cautious, and are accountable to superiors regarding results. Entrepreneurs, by the nature of their job role, can and must take more risks make decisions on impulse. Hisrich (1990) states that entrepreneurs are moderate risk takers, whereas, managers are more cautious and risk-adverse.

H4: Managers will score higher than entrepreneurs on the agreeableness factor.

Entrepreneurs are the CEOs and presidents of their organizations. They make the ultimate decisions in many cases. Their independent nature does not provide the propensity to score high on the agreeableness factor, which characterizes someone who is more of a team player, attempting to satisfy others in many situations.

H5: Entrepreneurs will score higher than managers on the openness factor.

Entrepreneurs are more open to new experiences (Brandstatter, 1997). While managers can be open to new ideas and originality, much of their job role requires practicality and conservatism. As Hisrich (1990) contends, managers tend to avoid mistakes and failures and are risk-adverse.

METHODOLOGY

Two hundred and eighteen subjects represent the findings, 99 managers and 119 entrepreneurs. The Chamber of Commerce in a large Southwestern city generated a Est of 2,500 entrepreneurs and managers. Twelve hundred were randomly selected from this list to receive the survey. With a response rate of over 19%, 237 surveys were returned, and 218 were usable. The Five-Factor Model was tested using the questionnaire developed by Howard, Medina, and Howard (1996). The survey included twenty-five sets of descriptive words on opposite ends of a continuum. Respondents were asked to circle the number on the continuum that most closely describes their personality.

RESULTS

ANOVA was used to test all five hypotheses in order to compare entrepreneurs to managers on each personality factor. The first hypothesis tests adjustment. The second tests sociability. The third hypothesis tests conscientiousness. The fourth one tests agreeableness. And the fifth hypothesis tests intellectual openness. Table 1 presents the all means, standard deviations, and p-values.

Table 1: The Five Factor Model: Means, Standard Deviations, and p-Values

Factor	Group	Mean	SD	p-value
Adjustment	Managers	13.152	2.701	.3517
	Entrepreneurs	13.496	2.721	
Sociability	Managers	17.596	3.490	.4896
	Entrepreneurs	17.277	3.293	
Conscientiousness	Managers	19.667	3.493	.0520*
	Entrepreneurs	18.639	4.153	
Agreeableness	Managers	20.081	3.383	.0428**
	Entrepreneurs	19.101	3.658	
Intellectual Openness	Managers	14.515	3.253	.3931
	Entrepreneurs	14.941	3.967	

*Significant @ .10 **Significant @ .05

With the first hypothesis, regarding adjustment, no significant findings are present. However, the general direction of the hypothesis holds true with entrepreneurs scoring higher (M= 13.496) than managers (M=13.152). No significant findings are present with the second hypothesis regarding sociability. However, managers are more sociable (M=17.596) than entrepreneurs (M=17.277). The third hypothesis is supported. Managers (M=19.667) are significantly more conscientious [F(1,216)=3.817; p<.10] than entrepreneurs (M=18.639). The fourth hypothesis is also supported. Managers (M=20.081) are significantly more agreeable [F(1,216) = 4.152; p<.05] than entrepreneurs (M=19.101). The fifth hypothesis is not significant regarding intellectual openness. But, entrepreneurs are more open (M=14.94 1) than managers (M=14.515).

DISCUSSION

This paper makes a contribution by further identifying psychological traits that differentiate entrepreneurs from managers. While several psychological characteristics have been analyzed in order to define entrepreneurs and managers, the Five-Factor Model provides another avenue to differentiate and define each group.

Two of the five hypotheses are supported. Managers are significantly more conscientious and agreeable than entrepreneurs. While the other three hypotheses did not result in significant differences, the general direction of each has some merit.

Entrepreneurs scored higher on adjustment and openness, while managers scored higher on sociability. The increasingly accepted and robust Five Factor Model of personality would be valuable tool to include in any questionnaire that guides people toward a corporate versus entrepreneurial career choice, with conscientiousness and agreeableness being especially important to consider in order to avoid a misfit between personality and profession.

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A PRELIMINARY STUDY OF THE IMPACT OF HIV/AIDS ON MICRO AND SMALL BUSINESS SURVIVAL IN MALAWI

John Masten, Tennessee State University
Masten@home.com
Precious Givah, Malawi Institute of Management
Faculty@malawi.net

ABSTRACT

Malawi was ranked as one of 'the poorest countries in the world in 1992. The HIV/AIDS infection rate way projected to reach 50% by the year 2005. Micro and small businesses employed over 20 percent of the labor force. This paper reports the results from interviews of all the major small business assistance organizations in Malawi about the effect on business survival, employment and household income hy the premature death of the owner. The paper concludes that premature deaths of micro and small business owners are rising and very few firms, survived after the owner's death.

INTRODUCTION

Malawi, a Southern African country located between Mozambique, Zambia, and Tanzania, was ranked as one of the poorest countries in the world (GNP per capita in 1992 was $200). Forth-three percent of the people did not have enough income to acquire basic needs and 30 percent had insufficient income to simply meet minimum calorie requirements. Overall, more than half the population of 11 million lived below the absolute poverty line of $250.

Malawi was also one of the African countries south of the Sahara that was experiencing a high rate of HIV/AIDS infection. The rate of infection varied from place to place with the highest differential being between the urban metropolitan cities and the backward rural areas. According to available estimates, in 1995 the infection rate for the population 15 years and over in the urban areas ranged from 18 to 33%; semi-urban from 10-29%; and rural from 7-18%. Some experts projected that by the year 2005 about 50% of young Malawians would die of AIDS. There were few doctors to care for the sick in Malawi and, in 1984, the population per physician was one doctor per 1,340. Due to the low per capita income in the country, AZT and other medicines used to treat AIDS in the West to prolong life were not available.

This paper reviews findings from interviews with representatives from various small business assistance agencies and associations on their perceptions of the impact of HIV/AIDS on the Micro, Small and Medium Enterprise (MSME) in Malawi. Like many developing countries, the micro, small, medium enterprise sector (MSMES) was the leading creator of jobs. The average size of a MSME was 1.8 employees, including the owner and 97 per cent had only one to three workers. One-fifth of the population over 15 years old was engaged in the sector and about two-thirds of these firms contributed 50 per cent to household income (Daniels & Ngvfira, 1993).

The large number of MSME and their important contribution of profits to household income gave urgency to examining the impact of AIDS on their survival. The business and household costs associated with premature death of an owner should be substantial (Masten & Givah, 1998). A review of the loan status from a sample of borrowers from a government supported lending agency found only 7% of the firms survived when the borrower prematurely died between 1993-1995 (Givah & Masten, 1997). Little was known about the characteristics of the non-surviving and surviving firms and the corresponding household survival strategies during illness and after death.

REVIEW OF THE LITERATURE

There have been numerous papers and reports written about various aspects of the AIDS crises in Malawi. Most of the research has been focused on the medical aspects of the disease rather than on economic and social issues (Lodh, 1995) (Taha & et all, 1995). It is less obvious that there is an awareness of the diseases' impact on the household and community. Given the number of people already believed to be infected, there is need for a strategy to deal with the adverse income and employment effects caused by the disease and in the case of small business owners, the survival of the firm.

Even when there is a specific concern with the potential and actual impact of AIDS, this concern is usually limited in scope. For example, the national AIDS control strategy in Malawi does specifically mention strategies to cope with the effect of AIDS. But these strategies are almost entirely concerned with two possible impacts - the psychological impact on sufferers and their families, and the impact in ten-ns of the high costs of medical treatment (Lodh, 1995; Reid, 1997). While these demands are substantial and cannot be ignored, there are other economic and social costs which are equally devastating and that have to be addressed. These costs are somewhat unique to AIDS because of the unique profile of AIDS sufferers - predominantly of working age, educated, higher income and having a high proportion of economic, social and emotional dependents.

Attempt worldwide is being made to estimate some of the economic costs of the AIDS epidemic on the state and on different sectors of the economy. Studies of the cost effects of AIDS in the private sector in Malawi (Jones, 1996) focused only on large firms. The costs identified included funeral expenses, absence from work, loss of productivity, training, and medical expenses. In these studies, the impact of HIV costs on profits was estimated to be growing but small. These studies have mostly ignored the MSME sector (Lodh, 1995). Because of the large number, the costs attributable to HIV infection and premature death in small businesses may far exceed those identified in larger firms. (Nganda, 1996).

METHODOLOGY

A model depicting the possible factors that affect profit/loss of the business as the owner's illness progresses would include both the short and long term costs. Different costs would be incurred during illness since decisions made during illness can have immediate and long term impact on firm survival. After death there are also immediate and long-term cost consequences on firm survival. Most studies dealing with the impact of HIV on business do not separate the two periods and concentrate only on the immediate cost effects. Cost /profit/income changes in the business, both during illness and after death, cause income changes and outcomes for the immediate and extended family.

A questionnaire was developed to assist interview staff of small business support organizations, non-governmental organizations, and business associations. These groups have close daily contact with small business owners. The cost implications during illness and after death for both the business and household were incorporated as part of the questionnaire. In Malawi there was a reluctance to discuss AIDS so questions were developed which probed the extent and trend in premature deaths of business owner client/members. Premature death was defined as death before the age of 50. Questions were also asked about the extent of business failure resulting from the owner's death and the actions (if any) that their organization was taking.

Interviews were conducted with key business support organizations both in Blantyre, the largest city in Malawi, and Lilongwe, the capital. The organizations represented government supported small business assistance agencies, nongovernmental organizations, individual donor funded projects and MSME focused business associations. These organizations represented the major MSME affiliated institutions in Malawi. The organizations interviewed are listed with brief program descriptions in Table 1.

FINDINGS

All the organizations indicated that the disease was having a serious and growing impact on not only the small business sector but their organizations as well. Except for INDEFUND and SEDOM most of the institutions were offering either individual or micro group loans. Regardless of the type of loan, premature deaths of borrowers/members were increasing. FINCA, a women orientated group lending NGO, noted that 4 borrowers were dying each month out of client base of 5 thousand and the number was rising. Other micro group lending agencies indicated similar death rates. Generally, the organizations estimated that 2 percent of the borrowers were dying prematurely and they expected the percentage to keep rising. The organizations lending to larger business indicated a similar death rate. None of the organizations had detailed information about the impact on employment or household income either during the illness or after death phases as described in the model. NAHIBA noted that in many cases, when the women trader prematurely died, family income would fall below subsistence and the children would become orphans. Because the organization had no transportation and used a manual records system, they were not able to keep track of members so a considerable time would elapse before the association became aware of a member' death. INDEFUND indicated that funds that could go to repay loans were usually diverted to pay medical expenses when the owner became ill.

Usually when the borrower died the business failed and the loan was not repaid. In fact only rarely would a loan be repaid after the borrower died. SEDOM experienced 7 defaults out of 8 individual loans in 1995-96 from premature death just in one of the three regions of the country (about 2% of the loan portfolio for that region). The loan that was paid involved the purchase of a building to be used as a rest house. The Malawi Rural Finance Company during 1994-95 experienced

10 premature deaths of large borrowers (representing a large percentage of the loan portfolio value) and the heirs repaid only one of the loans. Group loans and loans to corporations were the most likely to be paid. The group guaranteeing the loan was required to pay debts of members and corporations had professional managers so even if the owner died, the business continued. However unlike the corporation when the group paid the debt of a deceased member, the business, usually petty trading, would still close. The interviews indicated that loan default and business closure rates were not associated with the type of borrower. Loans to women, men, rural, and urban were equally affected.

Table 1: Organisations Interviewed

Parastatals Small Enterprise Development Organization of Malawi (SEDOM *Provides credit, loan guarantees, premises, and networking services for about 3, 000 MSME borrowers.*	**Non-governmental Organisations** Foundations for International Community Assistance (FINCA) *An organisation that extends micro loans through groups organised in villages Presently 10,000 clients.*
Development of Malawi Traders Trust (DEMATT) *Provides loans and business advisory services to MSME. In 1997 trained 10,367 and listed 2,000 borrowers.*	**Business Associations** Malawi Chamber of Commerce and Industry (MCCI) *Provides co-ordination, networking and Policy formulation services.*
Investment and Development Bank (INDEFUND) *Provides loans mainly to medium sized businesses. In 1997 the organisation had .funded 47 projects.*	National Association of Business Women (NABW) *Provides credit, advisory and training to about 15,000 members.*
Malawi Export Promotion Council (MEPC) Provides export training, trade fairs, and extension services. *Provides seasonal agricultural loans to clubs, estates, and micro and small business. The main clientele live in rural areas. Presently MRDC has 164,630 clients.*	National Association of Hawkers and Informal Businesses (NAHIBA) *Provides training and other services to informal businesses. Membership not known..* **Donor Projects** United State Agency for International Development Small Shareholders (USAID/STAPH) *Provides loans and co-ordination services to small land-holders to grow cash crops.*

The impact on employment however could vary with the type of loan. The micro loans received by women (mainly) through FINCA and NABW are mostly used to start petty trading activities. The income from this activity goes to supplement the family's subsistence income and children might be used as part time employees. Others can easily start trading business so the aggregate impact on employment could be minimal. The failure of micro and small manufacturing businesses can not be as easily duplicated and thus may have longer lasting employment effects. The organizations interviewed in this study did not have records on the type of business, trading or manufacturing, but they indicated that most of the failures were in trading.

The constraints affecting business failure at death were numerous. The organizations suggested that Malawi laws on inheritance were weak and needed revision. In Malawi, it is customary for the husband's brothers to inherit his assets. Recently Malawi passed an inheritance law that allows for spouses to inherit the husband's estate. But actual enforcement of this law may be difficult. In the case of the wife's death, the funds used to reinvest into trading many times are taken by the husband and used for other purposes. Generally, husbands are not committed to petty trading. All the organizations agreed that ways needed to be found to reduce business failure to maintain household income above subsistence. They noted that the more skill required running the business the least likely the business would survive. In Malawi, an estate might be subject to a probate period and be under the Jurisdiction of an administrator. During this period the business could be closed. Extending micro group loans are one method for the finance agencies to reduce risk. But the groups are not anxious to guarantee sick members loans.

At the time of the study little had been done by the organizations to address the premature death issue. The organizations extending larger loans were considering requiring a medical check-up with the loan application. There is considerable resistance to check-ups in Malawi since most people do not want to talk about the problem and they are afraid to be checked. After a family member dies from AIDS usually other factors are given for cause of death. INDEFUND was considering requiring succession-planning guidelines with loan applications. The MRFC suggested that, rather than a medical check-up, each applicant would be required to pay a 2% insurance fee upon receiving the loan. Some were suggesting that more collateral be required including the addition of two loan guarantors that are able to run the business in an emergency. The organizations involved in micro lending suggested that other members of the family be involved in the business so that, in the event of death, they could continue. Workshops could be offered to business owners on succession planning involving all family members. One association suggested that micro business owners form co-operatives. At death, the owner's assets would have to remain with the co-operative since the group would have owner's assets would have to remain with the co-operative since the group would have ownership. All the organizations thought that laws should be strengthened in Malawi to prevent the practice of "pot snatching."

Even though the organizations could not provide detailed information about the effects of HIV/AIDS on the business and household during the illness and death phases, the message was clear that a serious and growing problem existed. The HIV/AIDS related deaths in Malawi would make it more difficult to alleviate poverty through the development of productive income generating activities. The growing death rate of business owners will offset some of the business creation efforts currently being supported by the government. The failure rate of new business is high without including failures caused by premature death. The diversion of funds away from investment to meet medical and other costs will also adversely affect employment.

Many of the organizations interviewed receive assistance from government and foreign donors. The volume of assistance to address this problem should be increased. Attention should be focused on devising ways to help families cope with the illness and maintain household income. Better information also should be gathered to determine the impact of premature death on both the numbers of fir -ms and employment in the manufacturing and trading sectors. The organizations themselves can assist by providing family succession planning workshops for members and borrowers. These workshops could be offered before there are any signs of illness.

CONCLUSIONS

The development of effective strategies to reduce business failure rates would have a positive long-term effect on economic development of the country. Those infected have to be trained in making decisions about ways of living that minimize the loss of employment and income within both the household and the community. The findings from the interviews of business assistance agencies and associations discussed in this paper suggest broad and growing sector implications from AIDS infected enterprise owners and provide further evidence for the need to persuade both the government and enterprise support organizations to motivate entrepreneurs and clients to practice safe behaviors. The findings also suggest that economic planning both within households and businesses is solely lacking and that the negative economic impact of premature death on income and employment could be substantially reduced if proper planning were to take place. Those infected have to be trained in making intelligent decisions about ways of living that minimize the loss of employment and income within the household and the community.

Specifically, the HIV cost estimates in small business must include the loss of employment when a business fails due to premature death and the resulting loss of income in the household. In developing countries the loss of income has many ramifications including the loss of school places for children. These costs are in addition to the already recognized medical, funeral, and other associated costs. These additional costs will most likely have to be met, in developing countries at least, by the households themselves.

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SCHOOL-BASED ENTERPRISE: THE SCHOOL STORE--A WISCONSIN PROFILE

Richard F. James, University of Wisconsin-Whitewater
Jamesr@mail.uww.edu

ABSTRACT

A study was conducted to determine the extent of how a school-based enterprise called the school store is implemented into the marketing education curriculum at the secondary level in Wisconsin. Marketing educators at 125 high schools in Wisconsin received a survey, which sought to identify how the school store is integrated into the marketing curriculum. In addition, respondents were asked how the school store was managed and specifically what learning outcomes the school store experience offered students. From these data, a profile of school store enterprise was established

INTRODUCTION

While school-based enterprises are not new as an educational strategy, they have been revitalized with the passage of the School-to-Work Opportunities Act. SchoolBased Enterprises (SBE) are offered at thousands of high schools across the United States. Students build houses, publish yearbooks, run restaurants, produce original scientific research, staff child-care centers, and provide other goods and services to the school. This strategy allows more students to learn without being tied to work-based learning that students gain while enrolled in a cooperative education program.

Each year in some secondary schools, students participate in a school-based enterprise called "The School Store." This school store provides a service to the school and a learning opportunity for students under the auspices of the school. The learning opportunity comes from managing and operating a retail-oriented business.

The students perform all types of business functions including selling, market research, promotion, management, finance, accounting, and record control. This learning-by-doing allows students to apply academic subjects such as marketing, accounting, and economics to related activities within the school store operation.

In addition, the school store also develops intellectual skills such as problem solving, conflict resolution, working in teams, career development, and strategic planning. The school store provides a teaching strategy that can create a new relationship between education (current and future) and work (current and future).

RELATED LITERATURE

Even though the use of school-based enterprise has been in existence in schools for years, little has been written looking specifically at the education value of such enterprises. Stem(1994)reported that students who had experience in traditional part-time work believed their jobs in school-based enterprises had stronger connections to their education than non-school jobs. Students reported that they believed there were more frequent opportunities to learn new things and to think through problems in a SBE.

Stem (1994) defined school-based enterprise as any school-sponsored activity that engages a group of students in producing goods or services for sales to or use by people other that the students involved. Most examples of SBE have a direct link to preparing students for specific kinds of work. This living lab provides students with a deeper understanding of academic subject matter through application in a practical context and motivation that comes from problem solving.

Brown (I 995) stated that school-based enterprises are one solution to scarce workplace learning opportunities. Among those cited in his article were student banks, retail stores, building projects, and the development of an entrepreneurship class that rotates student through a small retail business operation within the school.

During the 1970s such enterprises were created for the purpose of training welfare recipients, former drug addicts, unemployed youth, and former prison inmates (Manpower Demonstration Research Corporation, 1980).

Specifically, the merging of the traditional academics and vocational subjects was strengthened by the 1990 Carl Perkins Vocational and Applied Technology Education Act Amendments. Congress stressed that moneys could be spent on programs that blended vocational and academic education. The school store was an example of applied academics.

With the emphasis on applied academics and forms of applied learning, renewed interest has been place on non-traditional forms of learning which include SBE. Where there has been many studies done recently on the benefits on applied learning, little has been written on the specific use of the school store as a learning method.

Stem stated "In contrast to the passive learning typical of many high school classroom, cognitive apprenticeship engages students in active problem solving. Instead of fragmenting knowledge into the unrelated subjects of the conventional curriculum, cognitive apprenticeship gives students whole tasks that require integration of knowledge from various disciplines."

Specifically, school stores had a more recent introduction to secondary education. One of the first school stores of which there is a record was one established in an Oregon high school in 1910 to sell school supplies to the students.(Flood, 1949). Commercial (Business) students assisted in the operation of school stores in the high schools of Gary Indiana in 1922. (Kenhaus, 1922). Others such as the Omaha Technical High School offered a grocery store and a dry goods and notions shop were established. (Peterson, (1950). The use of the school store as an educational strategy was also cited by Eisen (1958), Hecht (1958), and Loven (1956).

Peart (1966) researched the use of school stores and model retailing units in his dissertation titled "Analysis of the Objectives and Practices of Distributive (Marketing) Education Laboratories in High Schools and Junior Colleges of the United States." His study was to determine the objectives and supporting instructional activities which are followed in such school store laboratories. Stem's study surveyed state commissioners or superintendents of education and state vocational directors in all fifty states, the District of Columbia, and U.S. territories.

Stem (1994) reported that requests for nomination of exemplary or innovative SBE programs included several school store programs. One such program was the Classroom on the Mall program which operates in three different shopping malls. This store operates during two six-week selling periods that are aligned with the mall's two busiest seasons. Other examples of the school store are Southington High School, which emphasis cooperation between vocational and academic disciplines.

The school store is much more than simulation. Students develop a marketing plan and business plan, conduct market surveys, learn management and computer skills, improve interpersonal relations, buy stock for the store and determine profit margins. That coupled with the actual operation of a retail store makes for an exciting and dynamic teaching strategy.

PURPOSE OF THE STUDY

The purpose of this study is to determine the profile of school stores in selected high schools in Wisconsin. This profile would include analyzing how schools are utilizing the school store as an educational strategy. A secondary problem was to determine the profile the physical properties of the school store and the location and operation of the school store.

METHODOLOGY

Only Wisconsin schools that offered marketing education were surveyed for this study. The marketing education state consultants directory of marketing programs was used to identify those marketing education programs. Of the 437 school districts in Wisconsin, approximately 125 schools offer marketing education.

The author used several marketing teachers who contributed to the development and revision of the survey. The survey was divided into three sections: demographic data, school store operation, and educational outcomes.

The implications for marketing education is by answering the above questions, marketing educators can either use this study as a comparison to their current school store operation or used by future school store enterprises as a planning and operation guide.

FINDINGS

Of the 125 surveys sent, 50 were returned for a 40 percent response rate. The majority of respondents used the school store as a controlled educational strategy for students to apply concepts learned in a related class. The marketing teacher validate 38 learning outcomes that the school store offered students. The types of learning outcomes specifically dealt with the following type of marketing operations:

a. business operations and planning
b. selling
c. buying

d. promotion
e. store security
f. management and supervision
g. financial records and reports
h. marketing research
i. leadership

The marketing teachers who operated a school store believed that the school store should be an integral component to a comprehensive secondary marketing education program. The school store provides marketing students with a "hand-on" experience in business operations. This real-life business situation helps to develop the necessary skills for success in marketing occupation.

The key benefits of the school store to the student and the school were:

a. An actual business atmosphere to apply marketing theory and principles learned in the classroom.
b. An opportunity to supplement, reinforce, and enhance the knowledge, skills and attitudes required for careers in marketing
c. The development of business-like procedures and attitudes in students.
d. The encouragement and development of student leadership and management skills.
e. Goods and services at reasonable prices for school faculty and the student body.

Specific school store profile was also identified. 35 questions were asked relating to how the school store was operated. From the respondents, a composite school store profile was established.

SUMMARY

The school store, as a school-based enterprise is a popular strategy used by Wisconsin's secondary marketing education teachers. The majority tie the school store operation directly into a related class sometime called Small Business Management or Entrepreneurship.

The marketing teachers were able to identify education outcomes that this type of experience offered and were able to relate those outcomes to current school-to-work initiatives. The major concern voiced by the marketing teachers were the amount of time it took to assist the students in the operation of the school store.

The use of a specially equipped school store for providing an educational experience provides a unique and controlled experience for students as well as a valuable service to the school.

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LIST OF AUTHORS