

ACADEMY OF ENTREPRENEURSHIP JOURNAL

CONTENTS

LETTER FROM THE EDITORS v
THE ACADEMY OF ENTREPRENEURSHIP
SUBMISSION OF MANUSCRIPTS
THE 1996 CONFERENCE

CHARTER MEMBERS OF THE ACADEMY vii

A PROPOSED IDIOGRAPHIC APPROACH
TO THE STUDY OF ENTREPRENEURS 1
Fred Luthans, University of Nebraska-Lincoln
Brooke R. Envick, University of Nebraska-Lincoln
Robin D. Anderson, University of Nebraska-Lincoln

THAI ENTREPRENEURS: AN EMPIRICAL INVESTIGATION
OF INDIVIDUAL DIFFERENCES, BACKGROUND AND
SCANNING BEHAVIOR 18
Thomas M. Box, Pittsburg State University
John L. Beisel, Pittsburg State University
Larry R. Watts, Stephen F. Austin State University

GROWTH SCENARIOS FOR ECONOMIC DEVELOPMENT
OF SMALL BUSINESS IN THE REPUBLIC OF SOUTH AFRICA 26
P. F. Venter, Vista University, Republic of South Africa

EXAMINING THE IMPACT OF CULTURE ON ENTREPRENEURIAL
PROPENSITY: AN EMPIRICAL STUDY OF PROSPECTIVE
AMERICAN AND EGYPTIAN ENTREPRENEURS 39
John A. Parnell, North Carolina Central University
William “Rick” Crandall, Concord College
Michael Menefee, Purdue University

**AN INVESTIGATION OF THE PSYCHODYNAMICS
ASSOCIATED WITH ETHNIC ENTREPRENEURSHIP 53**
 Kellye Jones, The University of Texas at San Antonio

**THE PROCESS OF SMALL FIRM INTERNATIONALIZATION
IN IRELAND: AN EXPLORATION OF HUMAN RESOURCE ISSUES 65**
 James S. Walsh, University College Cork, Ireland

CALL FOR PAPERS 82

LETTER FROM THE EDITORS

Welcome to the first issue of the *Academy of Entrepreneurship Journal*. As you know, the Academy of Entrepreneurship is off to a successful start. We held the first Conference for the Academy in Nassau, last October, and more than 80 people came. The papers in this issue were all award winning papers from the Conference. They represent outstanding work in the discipline and we are extremely pleased to be able to bring them to you.

THE ACADEMY OF ENTREPRENEURSHIP

The AoE is a non profit association of scholars and practitioners in entrepreneurship whose purpose is to encourage and support the advancement of knowledge, understanding and teaching in entrepreneurship throughout the world. The *AEJ* is the principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to publish empirical and theoretical manuscripts which advance the entrepreneurship discipline. The Academy is also publishing a practitioner's journal, the *Entrepreneurial Executive*, whose mission is to publish manuscripts which advance the practice of entrepreneurship. Both of these journals have been made possible by the Charter Members of the Academy who have generously supported the organization and by the conference participants who attended the first association meeting. We look forward to a long and successful career in publishing articles which will be of value to the many entrepreneurship scholars and practitioners around the world.

As editors of the *AEJ*, we intend to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. Too often differing views are never heard because of a particular bias of the editors. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

Just as small business is the backbone of the economies of nations, the transmission of knowledge about this field is worthy of the most intensive campaigns for teaching, researching and learning. We embrace this challenge and we intend for the Academy and its journals to become proactive in making the case for the future of entrepreneurship throughout the world. Equally important to our mission is that the people involved will enjoy the process of sharing ideas with each other.

SUBMISSION OF MANUSCRIPTS

We invite direct submissions to both *Journals*. We plan to offer publication priority to members who attend the conference. However, we expect conference papers to consume one or two issues each year. Accordingly, we need direct submissions to maintain a flow of high level manuscripts. The *AEJ* is interested in publishing theoretical and empirical studies in any area of entrepreneurship or entrepreneurship education. The sole criterion for acceptance is that the manuscript extends the discipline. The Editorial Board will expect the paper to include a thorough literature review and will expect statistical analyses to be methodologically sound.

Manuscripts which have significance for application to entrepreneurial firms, entrepreneurship education, or which are of value to practitioners should be sent to the *EE*. The sole criterion for acceptance of those papers will be whether the Editorial Board considers the content to be of value to the practice of entrepreneurship.

There is no required format for submission. Send four copies of the manuscript to the Editors at the address indicated for the Academy inside the front cover. This is the same address for submission of papers to the conference. All authors of papers published in the *Journals* are expected to be members of the Academy.

THE 1996 CONFERENCE

We invite you to submit manuscripts and to plan to attend the 1996 Conference which is scheduled for October 9 through 12 on the island of Maui in Hawaii! The Conference will be held concurrently with the meetings of the Allied Academy which encompasses accounting, business education, case studies, management, and marketing. We look forward to receiving your work and to meeting you at the Conference.

Aloha!

JoAnn and Jim Carland

ARTICLES

A PROPOSED IDIOGRAPHIC APPROACH TO THE STUDY OF ENTREPRENEURS

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ABSTRACT

In recent years, as the field of entrepreneurship has matured and become a widely recognized academic discipline, the traditional methods of study and research are being questioned and reassessed. For example, Gartner, Bird and Starr (1992) call for the study of individual behaviors of entrepreneurs within organizations in the same manner that leaders and managers have been studied. This article proposes an idiographic approach as an alternative research methodology for the better understanding of entrepreneurs in today's organizations. After exploring traditional methods versus an idiographic approach, attention is focused on a prototype idiographic study of entrepreneurs in their natural setting and a multi behavior-multi rater method for measuring identified behaviors and assessing reliability and validity.

INTRODUCTION

Although an idiographic approach to research methodology has a long history in the behavioral sciences (Allport, 1937), has been suggested for the study of organizational behavior (Luthans & Davis, 1982), and has been applied to the study of leaders and managers (Hemphill, 1959; Mintzberg, 1973; Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988), its application to the study of entrepreneurs has been absent. Allport (1937) broadly stated that the idiographic approach attempts to understand a particular event in nature or society. As a research method, the idiographic approach is characterized by individual-centered and naturalistic environmental contexts, and by qualitatively-based direct observation data gathering techniques (Luthans & Martinko, 1987). The idiographic approach also takes an emic (an insider's, subject's definition of the research situation) perspective (Morey & Luthans, 1984). By contrast, the more popular nomothetic approach is almost a completely opposite methodology. Nomothetic research is characterized by group-centered and controlled environmental contexts and by quantitatively-based indirect measures such as questionnaires and interviews (Luthans & Martinko, 1987). Importantly, under the

nomothetic approach, an etic perspective is taken whereby the researcher defines the situation and develops the research questions (Morey & Luthans, 1984). The focus is on indirect measurement and sophisticated statistical analysis that are testing predetermined hypotheses.

The nomothetic approach has by far been the most popular research methodology in the fields of organizational behavior, management, and most recently, entrepreneurship. This is because no other methodology is even considered or known about, and pragmatically it provides the most objective and convenient way of collecting and analyzing data. A nomothesis research perspective is based on the starting assumption that individuals are more similar than different (Marceil, 1977; Luthans & Davis, 1982). In other words, the goal of nomothesis is to find the “average person.” This is scientifically appealing to researchers because error and variability can be accounted for in a group of subjects. However, this dominant nomothetic approach is not without some limitations. For example, one problem with a nomothetic approach is the overdependence on questionnaire gathered data. Over the years, questionnaires used in organizationally-based studies have been heavily criticized in terms of design, usability (Van Maanen, Dabbs & Faulkner, 1982), and, especially, reliability and validity (Schriesheim & Kerr, 1977; Schriesheim, Bannister & Money, 1979).

To date, research in entrepreneurship has been done almost entirely from the nomothetic approach. Yet, especially for better understanding the nature of entrepreneurs’ behavior in today’s organizations, the idiographic approach may be a viable alternative methodology. One of the main problems with the field of entrepreneurship has been the varying definitions. For example, Gartner (1988) stated the view that entrepreneurship was nothing more than the creation of organizations. This suggested that growing and managing the business were not a part of what an entrepreneur is all about. However, another definitional view is that an entrepreneur may start new ventures, but is also the major owner and manager of a business not employed elsewhere (Brockhaus, 1980). This definition does acknowledge the act of creating the venture, but also the importance of sustaining or managing the business. Other scholars have used similar comprehensive definitions that describe entrepreneurship as a process of creating or seizing a venture, and then instituting activities intended to ensure survival (Carland, Hoy, Boulton & Carland, 1984; Sexton & Bowman, 1985; Sandberg, 1986; Johnson, 1990). The importance of this latter definition is that it recognizes entrepreneurship as an interactive process, and that it takes place within existing organizations. The implication is that entrepreneurial activities do not end after a venture has been initiated. The entrepreneur must engage in behaviors beyond creating or seizing the venture in order for it to be successful. When this more comprehensive definition of the entrepreneur is assumed, then the ideographic approach to studying the behavior of entrepreneurs in their naturalistic(organizational) setting becomes particularly relevant.

In order for entrepreneurs to create or seize ventures, and then institute activities to ensure success and even survival, they must *interact* with their internal and external

environment, both manipulating it and deriving some kind of meaning from it. This interactionist perspective is not new. Mischel (1973), a noted personality theorist, asserts that researchers should not focus on situation-free environments, but examine person-situation interactions in naturalistic settings. He further states that we should not only generalize about how different individuals are alike, but also identify and understand what they do behaviorally on an individual basis. Widely recognized social learning theorist Albert Bandura has argued for research that takes an interactionist perspective. He suggested that there is a dynamic, reciprocal interaction between the person, the environment, and the behavior itself (Bandura, 1977). Applying social learning theory to entrepreneurship, the person is the entrepreneur, the environment is both external and internal to the organization, and the behavior is that of the yet to be reliably and validly identified and measured behavior of entrepreneurs.

The dominant nomothetic approach may not be the most appropriate methodology for reliably and validly identifying entrepreneurial behaviors and activities in the interactionist, naturalistic setting in which today's entrepreneurs operate. What is proposed here is an alternative idiographic approach and multi behavior-multi rater (MBMR) method to the study of the behaviors and activities of entrepreneurs in today's organizations. After a brief review of the past and present nomothetically-based research methodologies commonly used, the background and specific details of an idiographic approach and MBMR method are presented.

THE DOMINANT NOMOTHEIC APPROACH

There are two major methods associated with the nomothetic approach to research in organizational behavior, management and entrepreneurship -- trait-surveys and behavioral-surveys. The following briefly presents the background, characteristics and critique of these two widely used methods of data collection.

THE TRAIT-SURVEY METHOD

The earliest studies in leadership research attempted to identify specific traits that clearly distinguished leaders from nonleaders. This trait approach examined such things as personality, intelligence, height, weight, age, and social characteristics. However, Stogdill (1974) reviewed over two hundred of these studies and found that no set of such traits clearly predicts leaders from nonleaders. Yet, a trait-survey method has persisted through the years. For example, recently, the Constructive Thinking Inventory was developed which measures traits and emotional stability and uses regression analyses to predict academic performance and leadership ratings of undergraduates at a military academy. Similar to earlier work, this study found that personality traits were not related to leadership (Atwater, 1992). However, Kirkpatrick and Locke (1991) suggest that although research shows that the possession of

certain traits alone does not guarantee leadership success, there is evidence that effective leaders differ from other people in certain key respects.

In the 1800s, John Stuart Mill is most often credited with being the first to distinguish the entrepreneur from the manager. He claimed that the main difference was the disposition of entrepreneurs to take risks. Pioneering economic theorist Joseph Schumpeter (1934) was also one of the first to recognize that entrepreneurs were distinct individuals worthy of study. Until the mid-1950s, the most prevalent view of successful entrepreneurs was that they had specific traits such as stamina, ambition, willingness to make sacrifices, and an interest in risk-taking versus an interest in security (Ginzberg, 1955).

In addition to this early emphasis on entrepreneurial traits, through the years other characteristics of entrepreneurs also began receiving attention. For example, McClelland (1961) introduced the need for achievement as being an essential entrepreneurial characteristic. Glennon, Albright, and Owens (1966) proposed that the entrepreneur's background (e.g., family, education, experience) was of central importance in determining success. They also introduced 21 personality characteristics in the form of a questionnaire survey. The characteristics included such things as creativity, energy level, and tolerance for uncertainty, along with several others. Even more entrepreneurial traits were added to the literature in the 1970s and 1980s. For example, Borland (1974) suggested that internal locus of control was relatively important in determining entrepreneurial success.

Unfortunately, parallel to the leadership field, as this list of entrepreneurial traits grows and grows, there is no consensus among researchers as to which traits clearly distinguish entrepreneurs from nonentrepreneurs. For example, Gartner (1988) argued that a startling number of traits and characteristics have been attributed to the entrepreneur, and a "psychological profile" of the entrepreneur assembled from these studies would portray someone larger than life, full of contradictions, and conversely, someone so full of traits that he/she would have to be a sort of generic "Everyman". This statement depicts the deficiencies of the trait approach to entrepreneurship and the nomothetic approach to the study of traits.

The main advantage of the trait-survey method is that it acknowledges the importance of predispositions, which for understanding can not be ignored in the study of any individual, including entrepreneurs. The main disadvantage is the inconsistencies in finding a set of traits that distinguishes a particular group of people from other individuals. Simply repeating what has been done in the past may only add to the inconsistencies instead of adding value to what we already know. Therefore, alternative methodologies seem needed to further our knowledge of particular individuals such as entrepreneurs. This is especially true as we move to the study of entrepreneurs' behaviors instead of traits.

THE BEHAVIORAL-SURVEY METHOD

The other popular nomothetic method is the behavioral-survey which attempts to indirectly measure and identify behaviors. Questionnaires and interviews are used to gather the data on individuals or about others. For example, the widely recognized questionnaire called the Leader Behavior Description Questionnaire (LBDQ) was constructed by Ohio State researchers to measure leaders' behavior described by their subordinates (Hemphill & Coons, 1957). However, as Campbell (1977) and others point out, there is a considerable reliance upon recall and the perceptions of the respondents on such questionnaires. In other words, the perceptions of behavior and actual behavior may not be the same. Questionnaires have all types of limitations and bias (e.g., recency, primacy, halo, stereotyping) affecting their reliability and validity.

Another well known leadership behavior questionnaire was developed at the University of Michigan called the Survey of Organizations (Katz, Maccoby, & Morse, 1950). This behavioral survey, like the Ohio State LBDQ, is once again reliant upon the perceptions of only one source (subordinates) completing the questionnaire. Although these questionnaires did turn attention towards leadership behaviors rather than solely traits, they depend on indirect measurement and have questionable reliability and validity. They do not make a direct systematic observation of behaviors, nor do they take situational variables into account. An approach which does take the situation into account is the path-goal theory which attempts to explain the effects of four styles of leader behavior (supportive, directive, participative, and achievement-oriented) on subordinate satisfaction, acceptance of leadership, and effort-reward expectancies. The measures for the path-goal approach are borrowed from the LBDQ and again rely upon perception. Wofford and Liske (1993) recently conducted a meta-analysis on path-goal theory and found that potential situational and artifactual moderators exist. The results suggest that much of the research testing path-goal theory has been flawed because of the measures that have been used.

Similar to the leadership field, entrepreneurial research has almost solely depended upon indirect measures from questionnaires and interviews. Entrepreneurs' behaviors such as being innovative, aggressive, energetic, and goal oriented have been measured and identified through questionnaires and interviews. However, in recent years there has been increasing concern and attention given to the need to study the interactive nature of entrepreneurs in the natural settings. For example, Starr and Fondas (1992) applied organizational sociology to the work setting of entrepreneurs, specifically studying aspiring entrepreneurs. Their model addresses the aspiring entrepreneur's journey to becoming the company founder and identifies factors that may influence the transition from a preorganization to the formation of a new organization. Gartner, Bird, and Starr (1992) differentiate entrepreneurial from organizational behavior, defining entrepreneurial behavior as the creation of the firm. They further state that generating entrepreneurial theory will lie in deriving an understanding of both entrepreneurial and organizational behavior and on probing how connections between

the two can be made. Reynolds (1991) showed how sociology can contribute to understanding entrepreneurs by looking at the interactive effects of the organization on the entrepreneur. Amit, Glosten, and Mullen (1990) specifically studied how decision-making and skills of entrepreneurs affected how they started their ventures.

This increased recognition of the complexity of entrepreneurs in organizations calls for multiple measures and alternative methodologies. The proposal made here is not that the trait and behavioral surveys be eliminated. Perceptions can and should continue to play an important role in the understanding of entrepreneurs. However, depending only on perceptions gained through questionnaires and interviews, especially when measuring entrepreneurs' behavior, is no longer sufficient. As Sechrest (1969) noted many years ago, surveys relying on perception provide the greatest amount of information regarding how people feel about various real-life phenomena and situations, but they are often poor predictors of actual behavior. The time is right in the development and research of the field of entrepreneurship for other measures, such as direct observation, and other methodologies and perspectives, such as an idiographic approach, to be used.

THE USE OF THE IDIOGRAPHIC METHOD IN MANAGEMENT RESEARCH

As an alternative to traditional nomothetic research and its dependence on trait and behavioral survey methods, the idiographic approach uses direct behavioral observation from single and multiple sources in the natural setting. The background of this idiographic approach as applied to the management field is summarized in the following sections.

THE BEHAVIORAL OBSERVATION METHOD (SINGLE SOURCE)

Direct observation-single source is one data gathering method under the idiographic approach. An example would be observational or diary studies of managers in order to determine classifications of how managers spend their time (see Mintzberg, 1973; McCall, Morrison, & Hannan, 1978; Yukl, 1981) or the frequency of their activities (Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988). Mintzberg (1973) used unstructured observational methods to derive five characteristics and ten managerial roles. One distinction to Mintzberg's study is that the managerial activities were derived during and after the data collection, as opposed to the predetermined categories used in nomothetic research. However, a limitation for external validity to the Mintzberg study was that he used only five CEOs. Another well known observational study of managerial activities was done by Kotter (1982). He subjectively observed, supplemented with questionnaires and interviews, fifteen general managers to derive six job demands on managers. Like the Mintzberg study, these six job demands were developed after the data collection. The Kotter study was not as

rigorous as the Mintzberg study and once again the sample of managers was quite small to make any generalizations. To date, such observational studies of entrepreneurial behaviors have not been conducted.

THE MULTI BEHAVIOR-MULTI RATER (MBMR) METHOD

The multitrait-multimethod (MTMM) approach to data gathering and analysis is most closely associated with Campbell and Fiske (1959). Because the focus of the proposed research approach is on directly observable entrepreneurial behaviors, as opposed to traits, the term multi behavior is substituted for the better known multi trait terminology associated with Campbell and Fiske. Such a *multi behavior-multimethod* approach has been used by Luthans and colleagues (Luthans & Lockwood 1984; Luthans, Hodgetts & Rosenkrantz, 1988) in their study of “Real Managers”. Also, the term multi rater is substituted for multi method here, because the focus is on identifying behaviors through the direct observation conducted by more than one rater. The intent of MBMR is not to combine data collection methods. Researchers who have used the *multi trait-multi rater* method include Campbell and Fiske (1959), Bescoe and Lawshe (1959) and Lawler (1967). The idiographic approach proposed here for research on entrepreneurs’ behaviors is a combination of the two, the *multi behavior-multi rater* method or what we call MBMR.

Similar to Campbell and Fiske’s MTMM, the basic logic behind the MBMR method deals mainly with convergent and discriminant validity.

The MBMR method is a validation process utilizing a matrix of intercorrelations among tests representing at least two behaviors, each measured by at least two raters. Measures of the same behavior should correlate higher with each other than they do with measures of different behaviors involving separate raters. Ideally, these validity values should also be higher than the correlations among different behaviors measured by the same rater (Campbell & Fiske, 1959).

Such an idiographic approach using an MBMR method has not been widely used among researchers due mainly to time and cost constraints. It is much easier to administer a questionnaire or conduct interviews than it is to directly observe and record behaviors in the natural setting. However, some researchers have used a MBMR method. The multi trait-multi rater method has been used by Lawler (1967) to measure managerial job performance. He states that his primary gain from using this approach was to develop a more sophisticated understanding of his criteria. He asserts that management jobs are often multidimensional and hard to define; thus, performance in such complex jobs are difficult to quantify and make objective. This description that Lawler used for managers would certainly apply to entrepreneurs even more. Kavanagh, MacKinney, and Wolins (1971) also used the multi trait-

multi rater approach for measuring managerial performance. They obtained performance-trait ratings on individuals from raters at different organizational levels.

The prototype for the proposed research in this article comes from the earlier Real Managers study (Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988). This Real Managers study used an idiographic approach and the multi behavior-multi rater approach to measure and analyze observable behavioral activities of managers. Specifically, the study used multiple observers and multiple categories of behaviors. Many managers were observed over the phases of the four-year study. The subjects were real managers in real organizations (thus the title of the study Real Managers). The driving research question of this study was, "What do managers really do?" Twelve categories of behavior were derived from free observation and then were reduced into four types of broad managerial activities -- routine communication, traditional management, networking, and human resource management. It was further determined that the managers studied spent 29% of their time in routine communication, 32% in traditional management activities, 19% networking, and 20% conducting human resource management activities (Luthans, Hodgetts, & Rosenkrantz, 1988). Pinder (1988) noted that this study provided the most solid empirical underpinnings for our understanding of managerial behavior to date.

This comprehensive Real Managers study of directly observable behavioral activities of managers in their natural setting can serve as a prototype for how entrepreneurs can be studied. The idiographic approach and MBMR method can lead to the better understanding of what entrepreneurs really do in their day-to-day activities. This alternative idiographic methodology is not suggesting that the traditional nomothetic approach is wrong and no longer needed, but at this point the entrepreneurial field needs an in-depth analysis of what entrepreneurs really do through directly observable behaviors in the natural setting.

APPLYING THE IDIOGRAPHIC APPROACH AND METHODS TO THE STUDY OF ENTREPRENEURS

A number of years ago Brandt (1981) noted that there has been a lack of carefully conducted, rigorously designed, empirical studies of human functioning in natural settings. Unfortunately, this observation still holds true today for research in entrepreneurship. There are to date no studies that systematically, rigorously, and empirically identify and measure the observable behaviors of entrepreneurs in their natural settings. Since the first step to any basic science is naturalistic observation, there should be emphasis placed on the systematic observation of entrepreneurial behaviors.

The work of the Barker group in the 1960s, stands out as one of the most complete overall attempts at describing the full range of behaviors of people in small towns and in the institutions of those towns. He addressed the need for purely descriptive details about human

behavioral patterns in all walks of life (Barker, 1968). Without such sufficient descriptive information, the wrong research questions are developed, inappropriate hypotheses are tested, and erroneous assumptions are made (Klein, 1968).

Traits, characteristics, or human qualities are relatively meaningless unless they can be anchored to some kind of denotable behavior (Brandt, 1981). As Ackerman (1954) points out, only describing someone as intelligent helps us little unless we know how the intelligence manifests itself in behavior. For example, one common trait assumed among entrepreneurs is creativity. This term really has little meaning unless specific behaviors can be tied to it. If you write the word creativity on a sheet of paper and have two researchers write down examples of entrepreneurial creativity, you will very likely end up with very different descriptions and meanings. One may also conclude that the two researchers are actually perceiving different traits. However, if you take the same two researchers and have them observe one entrepreneur over a period of time, they are very likely to end up with the same responses. This is because behaviors can be directly observed and measured. The researchers are not relying on perceptions and subjective interpretations, only on their ability to directly observe and reliably record.

SPECIFIC PROCEDURES TO FOLLOW

Following the Luthans et al. (1984, 1988) Real Managers study, the specific procedures in an idiographic study of entrepreneurs would include: (1) free, unstructured observation, (2) post-log interviews, (3) the Delphi technique, in order to determine the categories of entrepreneurs' behavior, and (4) structured observation to determine the frequencies of the entrepreneurs' behavior in the natural setting.

PHASE I: FREE, UNSTRUCTURED OBSERVATION. Trained student observers could be used to observe and record the behaviors of target entrepreneurs. Students of entrepreneurship can be used because as Nunnally (1978) has pointed out, observations will be more accurate if the observer has an understanding of the person and context of the situation. The observers would keep an observational log of the activities exhibited by the entrepreneurs during the observation period. To avoid errors and biases, the students should be given formal training on the systematic errors commonly encountered in observations (Campbell, 1958; Thornton & Zorich, 1980). The trainer would thoroughly discuss each error in particular and provide detailed, relevant examples of each. The trainees would also receive an example of what an observational log should look like, as well as an example of a representative observation schedule. Observation schedules should be representative of each day of the week and each hour of the day.

After training, the students could observe and record the behaviors of the target entrepreneurs one varied hour per day over a two-week period. Thus, each entrepreneur would be observed a total of ten hours. The sample of entrepreneurs used would be selected as randomly as possible. However, as Brandt (1981) points out, although subjects can be drawn randomly in laboratory studies, the real world is generally made up of individuals who have already been preselected into groups and activities on the basis of the characteristics the researcher is interested in studying. Although the researcher does not define the research situation (an emic perspective), general criteria for inclusion in the study can be set by the researcher. For example, the criterion for selection in this study might be that the entrepreneur has been the one to create or seize the venture, and must still be actively involved in the business operations. No other criteria need be set in order to capture the most representative group of entrepreneurs as possible. However, the researchers could ensure that the entrepreneurs come from a wide variety of entrepreneurial ventures, so that they are not all retailers, manufacturers, service oriented, and so forth. The ventures could also differ in size and sales volume. The entrepreneurs themselves could be diverse in terms of gender, age, and education. This diversity would increase the generalizability of the entrepreneurs' behavioral categories.

PHASE II: POST-LOG INTERVIEWS. The second phase of the idiographic study of entrepreneurs' behaviors could be conducted after the observational logs are complete. Each entrepreneur could be given the opportunity to rate how well the observational logs are typical of his/her normal daily activities. The target entrepreneurs could also be asked to describe and give examples of any behaviors they commonly engage in that were not captured by the observational logs. This phase would help ensure representativeness of the entrepreneurs' behavior, ensure that no important behaviors are left out, and also make certain that the observational logs had at least face validity for the entrepreneurs themselves.

PHASE III: DELPHI TECHNIQUE. The third phase in identifying the behavioral categories could be the use of the Delphi technique (Delbecq, Van de Ven & Gustafson, 1975; Helmer, 1983). The goal of this procedure would be to condense the multitude of behaviors observed and logged during the free observation into a comprehensive, yet conceptually sound set of entrepreneur behavioral categories. While Kerlinger (1979) does not address the Delphi technique specifically, he states that the analysis of observational data involves the categorizing, ordering, manipulating, and summarizing of data, with the purpose of reducing large quantities of raw data into a manageable and interpretable form. The members of the Delphi panel may best include researchers actively involved in the study as well as "naive" members with respect to the study and the entrepreneurship literature. No attempt is made to distinguish between any of the members of the panel during the process.

The Delphi process involves successive rounds of anonymous input, composite feedback, and iterations. All members of the Delphi panel would receive a copy of the complete unstructured behavioral logs obtained in phase one. For the first round, no set number of categories would be specified. In subsequent rounds based on the feedback, the panel members would collapse the categories to ensure comprehensive, mutually exclusive, but conceptually sound, categories. Final editing of the categories could be conducted by the researchers actively involved in the study.

PHASE IV: STRUCTURED OBSERVATION. The final phase of the idiographic approach to entrepreneurial research could be structured observation. The purpose of this phase would be to measure the identified entrepreneur behaviors through frequency counts. Specifically, the observers would receive a checklist with all of the behaviors that were identified by the Delphi panel from the unstructured observations. A check mark could simply be placed next to the behavior each time it occurs, or left blank if it does not occur. Each target entrepreneur in this stage could be observed at a random time each hour over a two week period for a total of 80 times. The actual number of observations may be lower depending on whether or not the entrepreneur was available to be observed.

Observers used in this measurement stage of the study would have maximum visual and audible contact with the entrepreneur, and also have a good understanding of the functions and nature of the activities of the entrepreneur. It is likely that secretaries or key subordinates would best serve as insider, participant observer sources. Students of entrepreneurship would be good candidates to serve as external, outside observer sources. The observers would be trained in the same manner as observers in phase one. The training could include role playing to ensure that the trainees know and understand each of the identified categories of behaviors.

Thornton and Zorich (1980) demonstrated that observer training significantly improved observer accuracy. All observers (regardless of source type) would be trained in the same manner, by the same trainers, and for the same amount of time. Observers would first be given a general explanation of the study. The observational checklist would then be distributed for a detailed explanation of each category of behavior. The trainees would be instructed on how to deal with various practical problems. Finally, role playing could be used in order for the observer trainees to practice and demonstrate that they are able to recognize each behavioral category accurately. Bandura (1977) contends that modeling, rehearsal, and repetition can increase observer accuracy; the intention of the role playing exercise.

USE OF THE MULTI BEHAVIOR-MULTI RATER (MBMR) METHOD

The use of any measurement should undergo reliability and validity analysis. The MBMR method can analyze both reliability and validity. Interrater agreement (Bijou,

Peterson, & Ault, 1968) can be assessed to determine reliability. The agreement between raters should only differ minimally in order for the measure used to be considered reliable (Nunnally, 1978). Interrater reliability can be assessed by analyzing the behaviors observed by two or more raters of one entrepreneur during the same time frame. Cohen's (1960) kappa statistic could be calculated. This kappa statistic represents the proportions of joint judgments in which there is agreement, after chance agreement has been excluded.

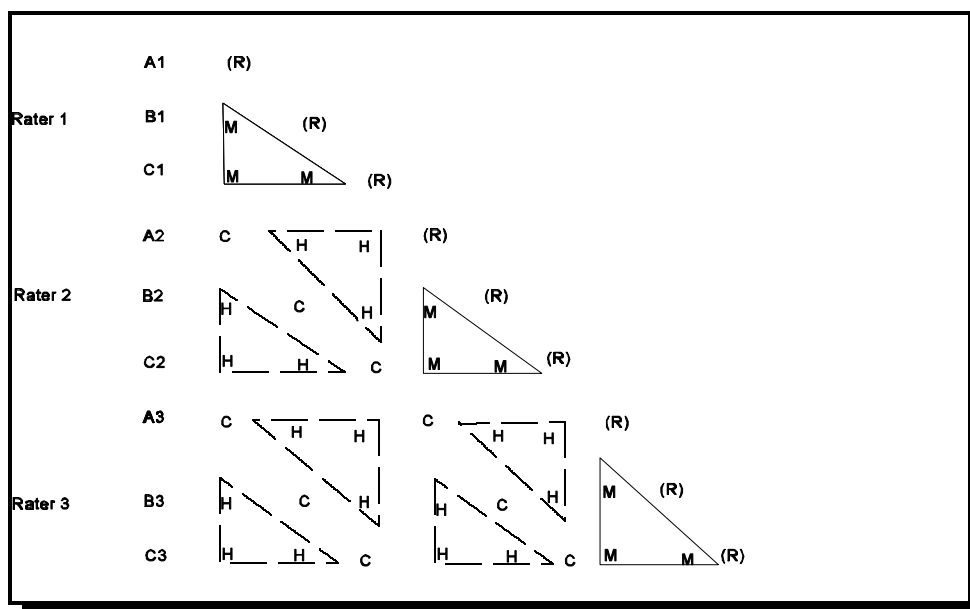
The validity analysis would focus on whether the behavioral checklist is measuring what it is supposed to be measuring. The two major dimensions of the MBMR validity assessment would be convergent and discriminant validities. Convergent validity is the correlation between two different raters measuring the same behavior. Discriminant validity is the extent to which raters differentiate between different behaviors, as well as converge when observing the same behaviors.

Further understanding of the MBMR validity analysis can be illustrated in Table 1. As shown, this MBMR matrix has three different behaviors measured by three different raters. The "R"s represent correlations between the same behavior measured by the same rater. The "R"s set the upper limit for the matrix, because a rater of a behavior must correlate at least as highly with him/herself as he/she does with any other rater. The "C"s represent the degree of convergent validity. These "C"s measure the correlations of using different raters to measure the same behavior. The "M"s represent the degree to which correlations among the raters in the matrix are errors made by a particular rater. Therefore, the difference between the "C"s and the "M"s represents divergent validity. This is the extent to which raters differentiate between different behaviors, as well as converge when measuring the same behavior. And finally, the "H"s represent the correlations of one behavior with a different rater of another behavior. In other words, they have neither a common rater nor behavior. Therefore, the "H"s should be approximately zero.

Campbell and Fiske (1959) suggest that the entire matrix must be evaluated in order to assess construct validity. The "R"s determine reliability. The "C"s represent convergent validity, which is not enough to establish construct validity. Discriminant validity must also be determined. This is done in three ways. First the "C"s should be higher than the "H"s. Second, the "C"s should be higher than the "M"s. And finally, the extent of discriminant validity is indicated where similar patterns of behavior intercorrelations ("M"s) are found across raters.

RUNKEL AND MCGRATH MULTIBEHAVIOR-MULTIRATER MATRIX ANALYSIS

Behaviors	Rater 1			Rater 2			Rater 3		
	A1	B1	C1	A2	B2	C2	A3	B3	C3



- R** = Reliability (same rater, same behavior)
M = Method variance (same rater, different behaviors or “monorater-heterobehavioral triangles”)
C = Behavior convergence (same behavior, different raters or “validity diagonals”)
H = Heterobehavior-heteromethod (different behaviors, different raters)

CONCLUSION

This article proposes that an idiographic approach using a multi behavior-multi rater method is a badly needed alternative methodology for researching the behaviors of entrepreneurs in their natural settings. Currently, the study of entrepreneurship depends almost solely on nomothetic approaches such as trait-survey and behavioral-survey methods. These methods generally assume group-centered, standardized, and controlled environmental contexts, and the use of quantitative analyses. This nomothetic approach is more appropriate under the assumption that people are more similar than different. However, assuming a more realistic interactionist perspective of practicing entrepreneurs in today’s organizations would suggest the need for an idiographic approach with a multi behavior-multi rater (MBMR) method of measurement and analysis. This idiographic methodology would seem to be a desirable alternative to nomothetic methodology because entrepreneurs realistically interact with their environment and tend to be more individually than group centered.

The few idiographic studies in leadership and management can serve as an important prototype for researching entrepreneurs' behavior in the natural setting. Specifically, the previous Real Managers study conducted by Luthans et al. (1984, 1988) can provide specific procedures for identifying and directly measuring entrepreneurs' behavior. Some key steps might include: (1) unstructured observation, to qualitatively gather data on entrepreneurs' behavior through direct observation; (2) post-log interviews, to ensure all behaviors were observed, are representative, and have face validity; (3) the Delphi technique, to systematically determine categories of behaviors; and (4) structured observation to measure the frequency of the identified behaviors. Overall, we suggest that such an idiographic approach and the MBMR method may not only be overlooked, but is a badly needed alternative (not substitute) methodology for the better understanding of entrepreneurs in today's organizations.

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THAI ENTREPRENEURS: AN EMPIRICAL INVESTIGATION OF INDIVIDUAL DIFFERENCES, BACKGROUND AND SCANNING BEHAVIOR

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ABSTRACT

This study, conducted during the Summer and Fall of 1994 in Bangkok, was designed to develop an understanding of various aspects of Thai entrepreneur's backgrounds, individual differences and scanning behavior and how those might be related to firm performance. One hundred and eighty seven useable questionnaire were collected by M.B.A. students at Assumption (ABAC) University, working under the guidance of an American Professor of Marketing.

Background characteristics investigated included industry experience (before founding the firm), years of formal education, age at founding and number of previous start-ups. Individual differences were measured on the basis of Locus of Control and Need for Achievement. Scanning behavior was assessed utilizing an instrument developed by Miller, Kets de Vries and Toulouse. Firm performance was judged on the basis of average annual employment growth, average annual increase in revenue and average annual increase in profits.

Performance was found to be significantly correlated with previous experience as a member of an entrepreneurial management team, the number of previous start-ups, industry experience and scanning behavior.

INTRODUCTION

Thailand, a country of approximately 60 million people, is roughly the size of the state of Texas. It is properly classified as a newly industrialized country (NIC) with significant natural resources. Thailand's economy is dynamic with a Gross Domestic Product of \$323 billion and a 7.8% growth rate in 1993. The trade and current account deficits have fallen and the bulk of recent imports has been capital equipment - suggesting an economy poised for further growth (National Trade Data Bank, 1994).

The economic "jewel" in Thailand's crown is the capital city of Bangkok with a population of more than 6 million. Although traffic and air pollution problems abound and the government is still recovering from a military coup four years ago, Bangkok is home to a

large and growing number of very successful entrepreneurs. This concentration of entrepreneurs is undoubtedly a factor in the recent rapid growth of the economy (Janssen, 1993; National Trade Data Bank, 1994).

The purpose of this study, perhaps one of the first on-site studies of Thai entrepreneurs, was to attempt to understand how individual differences, background characteristics and scanning behaviors of the entrepreneurs might be related to the performance of their firms. The potential correlates of firm performance were those that have been found to be related to entrepreneurial firm performance in the United States and Canada (Box, Watts, & Hisrich, 1994; Blake and Box, 1994).

BACKGROUND

Need for Achievement (NACH) (McClelland, 1961) and Locus of Control (LoC) (Rotter, 1966) are both individual difference measures that have been frequently used in the studies of entrepreneurial activity (Vesper, 1990). McClelland (1961) found that successful entrepreneurs, in India, had higher NACH scores than less successful entrepreneurs. Box, White and Barr (1993) determined that NACH of the entrepreneur correlated positively, but not significantly, with firm performance. Miller and Droege (1986) found that a CEO's NACH was significantly related to various measures of firm structure, and thereby perhaps related indirectly to firm performance.

Entrepreneurs' and CEOs' LOC has been shown to be related to firm performance (Box, White & Barr, 1993; Govindarajan, 1988; Miller & Toulouse, 1986; Miller, Kets de Vries & Toulouse, 1982). An individual with a "low" LOC score is one who attributes personal success to his or her own efforts and performance. The low LOC individual is described by Rotter (1966) as an "internal." On the other hand, an individual with a "high" LOC score is deemed to be an "external." Externals are those individuals who attribute success and failure to extrinsic events and luck. Successful entrepreneurs tend to score low on the LOC instruments and are thus internals.

Entrepreneurial backgrounds have been extensively studied. The essential thesis in most of this research is that successful entrepreneurs may have common backgrounds with regard to such things as previous start-ups, industry experience levels, experience as part of an entrepreneurial firm's top management team, age, and education. For example, Ronstadt (1988) discovered that entrepreneurs who had previous start-up experience were more satisfied and successful than those in their first venture. Box, Watts and Hisrich (1994) and Box, White and Barr (1993) found that the entrepreneur's years of prior experience in the industry was positively correlated with firm performance. Age and years of formal education have also been shown to correlate positively with entrepreneurial firm performance (Birley & Norburn, 1987; Hisrich & Brush, 1984; Hoad & Rosko, 1964). Finally, environmental scanning intensity has

been found to positively correlate with firm performance (Daft, Sormunen & Park, 1988; Watts & Ormsby, 1990).

The literature suggests that NACH and LOC (of the entrepreneur) may be related to firm performance. NACH would be positively correlated and LOC would be negatively correlated if LOC was measured so that "internals" scored low on the instrument. Number of previous start-ups, number of years as a member of an entrepreneurial firm's top management team, prior industry experience, age at founding, years of formal education and intensity of environmental scanning should all be positively correlated with entrepreneurial firm performance.

- H1:** The entrepreneur's NACH is positively correlated with firm performance.
- H2:** The entrepreneur's LOC is negatively correlated with firm performance when LOC is measured such that an internal orientation is "low".
- H3:** The entrepreneur's number of years as a member of an entrepreneurial firm's top management team is positively correlated with firm performance.
- H4:** The entrepreneur's number of previous start-ups is positively correlated with firm performance.
- H5:** The entrepreneur's years of prior experience in the firm's industry is positively correlated with firm performance.
- H6:** The entrepreneur's age at founding is positively correlated with firm performance.
- H7:** The entrepreneur's years of formal education is positively correlated with firm performance.
- H8:** The entrepreneur's environmental scanning intensity is positively correlated with firm performance.

RESEARCH METHODOLOGY

The research methodology will be discussed in terms of sample design, variables tested and data analysis employed. Data were collected from a sample of 191 entrepreneurs in Bangkok, Thailand during the Fall of 1994. Entrepreneurs were defined as founders of independently-owned firms that had been in business ten years or less. The survey form, translated and back-translated in Thai, was based on a survey used in two previous studies of American entrepreneurs (Box, Watts & Hisrich, 1994; Box, White & Barr, 1993). The survey forms were distributed and administered by M.B.A. students at Assumption University in Bangkok under the direction of one of the authors. Of the 191 survey forms collected, 187

were usable, a ninety-eight percent response rate. This extraordinarily high response rate was as a result of the fact that the entrepreneurs surveyed were family members or close personal friends of the students conducting the survey.

The entrepreneurs responding to the survey represented a wide sample of SIC code industries and divisions (Standard Industrial Classification Manual, 1988). Of the business divisions listed in the Standard Industrial Classification code, only Business Division B (Mining) was not represented in the sample. The largest percentage (72%) of firms were involved in manufacturing (134 out of 187). A complete breakdown of classifications is shown in Table 1.

As Cameron and Whetten (1983) note, the construct space for organizational effectiveness is unbounded. There is "no single, unambiguous meaning of the construct...". In this research, it was decided to use three related, but not multicollinear,

definitions of effectiveness as dependent variables: average annual increase in employment (EMPGRO), average annual increase in revenue (REVGRO) and average annual increase in profit (PROFGRO). EMPGRO was calculated by subtracting the number of employees on the payroll in the first year of operations from the number on the payroll in 1994 and dividing by the number of years of operations. REVGRO and PROFGRO were calculated in similar fashion for growth in revenue and growth in profit.

Independent variables, as previously noted, included Need for Achievement (NACH), Locus of Control (LOC), the entrepreneur's years as a member of an entrepreneurial firm's top management team (PREEXPR), entrepreneur's number of previous start-ups (PRESTRTS), entrepreneur's years of industry experience before start-up (INDEXP), entrepreneur's age at founding (AGE), entrepreneur's years of formal education (EDUC), and the entrepreneur's environmental scanning intensity (SCAN). Need for Achievement (NACH) was operationalized using Steers and Braunstein's (1981) Manifest Needs Questionnaire. This instrument is Likert-scaled with a theoretical range of one (1) to seven (7). LOC was measured using Lumpkin's (1985) abbreviated LOC questionnaire. This instrument is also a seven-point Likert scale.

TABLE 1
INDUSTRY DIVISIONS

DIVISION	DESCRIPTION	NUMBER OF FIRMS
A	Agriculture, Forestry and Fishing	4
C	Construction	4
D	Manufacturing	138
E	Transportation	2
F	Wholesale Trade	5
G	Retail Trade	7
H	Finance, Insurance & Real Estate	10
I	Services	21

P R E E X P R , PRESTRTS, INDEXP, AGE, and EDUC were self-report measures. Environmental scanning (SCAN) was assessed using an instrument devised by Miller, Kets de Vries, and Toulouse (1982) with a seven-point Likert scale. Descriptive statistics, including means, standard deviations and ranges for all variables are shown here in Table 2.

TABLE 2
VARIABLES AND SELECTED VARIABLE VALUES

VARIABLE	MEAN	STANDARD DEVIATION	RANGE
EMPGRO (1)	18.46	36.78	-32.5 to 260
REVGRO (2)	685	1610	-267 to 11,040
PROFGRO (2)	105.6	322.2	-80 to 3,150
PRESTRTS	2.433	6.427	0 to 45
PREEXPR (3)	4.706	6.707	0 to 34
AGE (3)	38.267	9.729	21 to 78
EDUC (3)	13.888	3.359	1 to 18
INDEXP (3)	7.47	7.732	0 to 50
NACH	5.646	0.821	3.4 to 7.0
LOC	3.349	0.780	1.7 to 6.0
SCAN	4.275	1.291	1.0 to 7.0

(1) Number of employees/year

(2) \$1000/year (Thai Bahts converted to American Dollars)

(3) Years

Reflecting the difficulties involved with single measures of performance, it was decided to use the following scheme for testing the proposed hypotheses. If an independent variable correlated significantly with all three dependent variables, that hypothesis would be considered to have "strong support." With two variables significantly correlated, the hypothesis would be "supported." With one variable significantly correlated, the hypothesis would be "weakly supported." Correlations, shown in Table 3, were calculated using Pearson product moment correlations.

RESULTS

Based on the correlations (Table 3) we see that neither NACH nor LOC correlate significantly with any of the three measures of performance. Thus we reject both H1 and H2. Despite some prior evidence that INDEXP and EDUC (Box, Watts,

TABLE 3
PEARSON CORRELATIONS

Hypothesis	Variable	EMPGRO	REVGRO	PROFGRO
H1	NACH	.078	.006	.021
H2	LOC	-.050	-.039	.016
H3	PREEXPR	.194 ***	.245 ***	.102
H4	PRESTRTS	.120	.141 *	.082
H5	INDEXP	.011	-.012	.033
H6	AGE	.186 **	.174 **	.093
H7	EDUC	.015	.000	-.110
H8	SCAN	.080	.213 ***	.175 ***

* = p < .10

** = p < .05

*** = p < .01

& Hisrich, 1994) correlate with entrepreneurial firm performance, such was not the case in this research . Thus H5 and H7 are rejected.

Previous experience as a member of an entrepreneurial management team (PREEXPR) correlated positively with EMPGRO ($r=.195$, $p=.01$) and REVGRO ($r=.245$, $p=.003$). H3 is supported. H4 is weakly supported as PRESTRTS is positively correlated with REVGRO ($r=.141$, $p=.091$). AGE was positively correlated with EMPGRO ($r=.186$, $P=.014$) and REVGRO ($r=.174$, $p=.037$), while SCAN was positively correlated with REVGRO ($r=.213$, $p=.010$) and PROFGRO ($r=.175$, $p=.041$) thus we have confirmation that H6 and H8 are supported.

DISCUSSION

In summary, we see that Thai entrepreneurs are similar, but certainly not identical to American and Canadian entrepreneurs. One of the more interesting findings, in the negative sense, was that there appeared to be no correlation between firm performance and the individual differences of Thai entrepreneurs. Granted, research findings in the area of LOC and NACH have been mixed (Box, Watts, & Hisrich, 1994; Brockhaus, 1982; Gartner, 1985). Nonetheless, in this study it is possible that the lack of significance, despite the fact that the signs are in the hypothesized direction, may simply be the result of range restriction (in that the standard deviations are relatively small compared to the means). An alternative explanation is that Thais are very homogenous (culturally) whether or not they are involved in entrepreneurial activities.

Previous experience as a member of an entrepreneurial management team, number of previous starts, age and scanning intensity are positively correlated with firm performance and these findings are consistent with a number of previous studies of American and Canadian entrepreneurs. This study has achieved its initial purpose of beginning to understand the Thai entrepreneur. The importance of this understanding is a reflection of the growing economic importance of Thailand in Southeast Asia. Thailand has the potential to eventually become one of the Asian "Baby Tigers." We believe that future research in this area might profitably consider other elements of the Thai entrepreneur's psychological make-up (i.e. his/her individual differences). Also studies that controlled for industry and were more longitudinal in nature would be useful enhancements.

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Academy of Entrepreneurship Journal, Volume 1, Number 1, Fall 1995

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GROWTH SCENARIOS FOR ECONOMIC DEVELOPMENT OF SMALL BUSINESS IN THE REPUBLIC OF SOUTH AFRICA

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ABSTRACT

Vista University, the Vaal Triangle and Northern Free State Regional Services Councils (RSCs) initiated the formulation of Business Economic, Land use and Transportation plans with a view to the future development of the study area. The study area includes the Vaal Triangle and Northern Free State in the Republic of South Africa.

In order to formulate the Business Economic, Land-use and Transportation plans, a consortium was formed of Vista University (Economic Research and Structure Plan), Van der Schyff, Bayliss & Druce (Urban Structure Plan) and Vaalgro (Transport and Passenger Plan). Vista University handled the project co-ordination. The purpose of this study was to outline the elements of the Business Economic Plan and to provide a summary of the background and analysis that gave rise to the different economic guidelines.

INTRODUCTION

Urban development and transportation of goods and services are directly related to the extent of economic development. The Business Economic plan should address the development potential of the different economic activities and make predictions for future growth. This implies that the objectives of the Business Economic Research Plan are:

**To place Business Economic development in perspective;
To interpret the growth potential of the different Business Economic sectors;
To generate inputs as required for land-use and transport planning; and,
To address important development aspects, growth potential and development guidelines.**

The research was based on the information and planning parameters available during the study period. Utmost care has been taken to access the most relevant up-to-date

information. The information used in the analysis of the Business Economic status of the study area was obtained from various sources. A list of these sources is provided in the references.

RESULTS OF THE STUDY

The time frame adopted for the Business Economic and Urban Structure Plan was seventeen years, stretching from 1993 to the year 2010. The ages of potential members of the labor force in the Vaal Triangle and Northern Free State average between 15 and 64 years. It represents 66,6% of the total population in the study area. Table 1 displays a breakdown of the population labor force.

TABLE 1 LABOR FORCE				
ACTIVITY	NUMBER	PERCENTAGE DISTRIBUTION		
		POPULATION	ECONOMICALLY ACTIVE	NATIONAL POPULATION
Population	1,106,187	100.0		100.0
Pre-school/school/pensioned	369,466	33.4		38.9
Economically Active	458,161	41.4	100.0	37.5
Employed in study area	205,401	18.6	44.8	30.7
Employed outside study area	47,566	4.3	10.4	
Other employed (informal/part-time)	55,869	5.0	12.2	
Unemployed	149,335	13.6	32.6	6.8
DEPENDENCY RATIO	1.4	-	-	2.0
PARTICIPATION RATE	62.2%	-	-	68.7%

Compared with the national average of 66.1%, it is clear that the study area compares favorably in this respect. Of these, 458,161 are economically active and represent the labor supply of the study area. The term economically active in this instance refers to all workers in the study area, whether employers, employees, self-employed or unemployed, and commuters residing in the area (Central Statistical Services, 1993).

Estimates show that unemployment in the study area is 149,335 (13.5%) of the total population (see Table 1) or 32.6% of the economically active population. According to Table 1, the labor supply can be categorized as follows:

Employed in the formal economy of study area:	44.8%
Employed in informal activities of study area:	12.2%
Employed outside the study area:	10.4%
Unemployed:	32.5%

The Vaal Triangle and Northern Free State has a specialized economy which is dominated by a few large industrial enterprises employing 38% of the active labor force. A more diversified Business Economic base would reduce the study area's dependence on the strong influence of the chemical, iron, steel and related industries and would spread the risk over a broader economic base. The lack of economic development in these areas is a major constraining factor, for large markets exist without supportive economic development (Development Bank of Southern Africa, 1991).

SECTOR	EMPLOYMENT		NUMBER OF FIRMS		WORKERS PER FIRM
	NUMBER	%	NUMBER	%	
Agriculture	4,948	2.4	318	4.3	15.6
Mining	3,417	1.7	7	0.1	488.2
Manufacturing	77,726	37.8	676	0.2	115.1
Electricity/gas/water	5,650	2.9	12	0.2	470.8
Construction	11,725	6.7	561	7.7	20.9
Trade	46,330	22.1	3,416	46.7	13.3
Transport	6,707	3.3	242	3.3	27.7
Financing	8,486	4.1	111	1.6	76.5
Services	41,410	20.2	1,972	27.0	21.0
Active Inside Study Area Average	205,401	100.0	7,313	100.0	28.1

BUSINESS PROFILE

There are 7,313 formal businesses in the study area with a total employment of 205,401 (Table 2). Most of these employment opportunities (77,726) are created by industrial enterprises representing 92% of all the formal businesses in the study area (Vanderbijlpark Town Council, 1993). The second largest demand for employment is created by the wholesale and retail trade sector. This sector offers 45,330 employment opportunities and it represents 46.7% of the businesses in the study area. Together these two sectors are responsible for more than 59% of all the formal job opportunities by almost 56% of the enterprises.

FUNCTIONAL SPECIALISATION

The functional specialisation in the study area refers to those urban functions and economic activities in which a particular urban area specialises. In terms of all urban functions in the Vaal Triangle and Northern Free State, each urban area provides for the lower order needs of its inhabitants but also specialises in the provision of a particular higher order function, such as specific services, business economic activities, recreation or accommodation (Vaal Triangle Regional Services Council, 1993). The functional specialisation of the urban areas is shown in Table 3.

FUTURE DEVELOPMENT - GROWTH SCENARIOS

By taking the anticipated business development into account, the future planning needs for the study area can be estimated. Table 4 shows the expected additional population and employment needs for the year 2010, based on the different scenarios (average growth $\pm 3.1\%$ Low; average growth 4.0% High) for population and employment.

TABLE 3
FUNCTIONAL SPECIALIZATION IN DIFFERENT URBAN AREAS

Randvaal	Industrial Land, Paper Processing, Light Engineering Workshops	Small And Relatively Balanced
Meyerton	Metal/ceramic Industries	Medium Sized But Show Signs Of Specialization In Manufacturing
Vereeniging	Heavy Metal, Ceramics, Engineering Workshops, Recreation/tourism, Government Services and Regional Shopping Center	Large, Relative More Diversified But Specialized In Manufacturing
Vanderbijlpark	Basic Iron And Steel, Heavy Metal, Engineering Workshops, Tertiary Education, Recreation/tourism, Regional Shopping	Large But Smaller Than Vereeniging. The Economic Base Is Less Diversified And Specialized In Basic Iron And Steel Manufacturing
Sasolburg	Petro-chemical/chemical Industries, Light Engineering, Mining, Electricity, And Recreation/tourism	Medium To Large And Highly Specialized In Chemical Related Manufacturing Activities
Sebokeng	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Evaton	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Sharpville	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Boipatong	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Bophelong	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Tshepiso	Dormitory Development, Formal Low Cost Housing And Informal Activities	Undeveloped
Zamdela	Dormitory Development, Formal Low Cost Housing And Informal Activities	Very Small And Undeveloped
Refengkgotso	Dormitory Development, Formal Low Cost Housing And Informal Activities	Small And Undeveloped
Deneysville	Small Rural Nodal Point, Water, Recreation/tourism	Small But Relatively Balanced
Oranjeville	Waterfront Recreation/tourism	Very Small And Undeveloped
Tpa Areas	Dormitory Low Cost Informal Housing	Undeveloped
Rural Areas	Agricultural Development	Comparatively Small & Specialized

TABLE 4			
REGIONAL PLANNING INDICATORS			
INDICATOR	2000	SCENARIOS 2010	
		LOW	HIGH
POPULATION GROWTH	3.6%	3.1%	4.0%
ECONOMIC GROWTH (GGP)		1.2%	4.8%
ADDITIONAL NEEDS (Population)			
Population	314,600	768,600	1042,000
Pre-school (-1 to 4 years)	31,600	76,000	104,000
School going (5 - 14 years)	60,500	146,600	201,000
Potentially Economically Active (15 to 64 years)	210,000	606,600	696,000
Aged/pensioned (above 64 years)	12,500	29,500	41,000
Housing units (excluding backlog)	79,000	190,600	261,800
ADDITIONAL NEEDS (Economic):			
Economically active	130,000	314,000	431,000
Local employment	14,600	24,500	89,000
Employment outside study area	32,600	81,000	97,000
Other employment (Informal)	38,000	95,000	102,500
Unemployed	45,000	113,500	152,000
LOCAL EMPLOYMENT BREAKDOWN:			
Agriculture	-	500	1,000
Mining	-	300	600
Manufacturing	-	4,200	31,500
Electricity/gas/water	-	200	800
Construction	-	7,100	14,400
Trade	-	6,200	21,400
Transport	-	1,800	3,800
Financing	-	700	1,000
Services	-	3,500	14,400
TOTAL	-	24,500	89,000
LOCAL EMPLOYMENT (Land use categories):			
Industrial	-	11,800	47,300
Business	-	8,500	28,000
Education	-	1,500	5,300
Medical	-	650	2,600
Other	-	2,050	5,800
TOTAL	-	24,500	89,000

THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

In the study area and in the whole of the RSA, the RDP programme and its implementation is a priority. The RDP is an integrated, coherent, socio-economic policy framework that seeks to mobilise people and resources towards the eradication of apartheid and the building of a democratic, non-racial, non-repressive and non-sexist future (ANC, 1994)

The objective of the RDP is to improve the quality of life of all South Africans through a process of empowerment and effective training. Specific structures are necessary to implement the RDP, such as, to determine spending priorities within a strategic perspective, to co-ordinate management resources and action, to ensure adequate funding and to facilitate the management of potential conflict. The RDP should be regarded as the present RSA development policy within which all other planning and development actions must take place.

BUSINESS AND ENTREPRENEURIAL DEVELOPMENT

Business development in the study area depends on existing and growing markets. Indications are that the population has increased at a relatively high rate ($\pm 3,3\%$ p.a.) over the past three years (Central Statistical Services, 1992). Unfortunately a large section of this market is characterized by high unemployment and a relatively low affordability level, implying that the private consumers' expenditure potential has not increased at the same rate as that of the population. The large leakage in disposable income should also be interpreted as a factor further constraining the potential of the existing markets.

There are also capacities in both production and business floor space that are not being utilized. Following normal market factors these capacities are expected to be taken up by future growth before large-scale investment in new business capacities will be experienced.

Indications are that the existing potential of all economic activities, including those in the informal sector, has not been fully developed (Venter, 1994). Information, discrimination, co-operation between the various business sectors and the community (including authorities), administration and legislation, together with the low national economic performance, all have an impact on growth in the study area.

Based on the above, the following objectives have been identified to address business and entrepreneurial development in the study area:

To strengthen and support the development of formal businesses to their full potential;
To take full advantage of local and regional development opportunities in job creation;
To support and create opportunities for the development of the informal business sector;
To encourage entrepreneurial development;
To promote entrepreneurial skills and technical training for all sectors in the economy (Govender, 1994); and,
To promote a positive job creation and investment climate.

HUMAN RESOURCE DEVELOPMENT

The educational profile of the population in the Vaal Triangle and Northern Free State is characterized by a relatively small number of highly educated people and a large number who have a relatively low education. This situation has a negative impact on the demand and supply of labor, especially in the strong formal and industrialized Business Economy of the study area (Development Bank of Southern Africa, 1991).

Based on the above, the following objectives have been identified to address human resources development in the Vaal Triangle and Northern Free State:

To improve the education, training, skills and levels of experience of communities;
To develop a more productive labor force; and,
To promote job creation amongst communities.

GROWTH SCENARIOS AND GUIDELINES FOR BUSINESS DEVELOPMENT

The aim of the following guidelines and growth scenarios is to address the entrepreneurial and problem areas in the study area and to create employment opportunities.

GUIDELINE ONE: SUSTAINED FUTURE GROWTH

Balanced future economic development is essential for sustained growth and for the creation of employment opportunities. This implies the broadening of the study area's

economic base through the establishment of new business sectors (especially manufacturing) and the expansion of existing activities to produce new product ranges.

ACTIONS FOR GUIDELINE ONE

Develop industries that process agricultural products such as meat, poultry products, vegetables, milk and field crops.

Develop chemical products that leave the study area as final products, for example:

Waxes, Plastic, Rubber, Petrol, Agricultural chemicals

Ensure that adequate quantities of land for business economic development is available at realistic process.

Promote aggressive marketing for: Chemical production, Iron and steel production, Agricultural products.

Promote the production of final goods for export markets.

Develop industries that manufacture boats and water-sport products.

GUIDELINE TWO: STIMULATE HIGH PRIORITY GROWTH SECTORS

Support the development of the growth sectors as a high priority in the study areas. The future growth sectors are: Agriculture, manufacturing, construction, trade (business), services and the informal sector.

ACTIONS FOR GUIDELINE TWO

Identify national and international markets and investors.

Identify unproductive agricultural land.

Identify local agricultural training programmes.

Plan and promote the development of business centers.

GUIDELINE THREE: STRATEGIC SECTORS

The electricity/gas, and water sectors have been identified as strategic business economic activities because they are of major importance for future industrialization in the study area, as well as for sustained economic growth.

ACTIONS FOR GUIDELINE THREE

Monitor economic performance continuously.

GUIDELINE FOUR: EFFICIENT URBAN DEVELOPMENT

Future economic development should ensure efficient urban forms in order to ensure cost-effective urbanization and the utilization of scarce public financial resources.

ACTIONS FOR GUIDELINE FOUR

**Earmark sufficient land for the development of new economic centers.
Concentrate economic development in existing centers wherever possible.**

GUIDELINE FIVE: CONSERVE NATURAL ASSETS

The conservation of the natural environment must be a priority and should be an important criteria in any economic development action. The natural environment also provides water as a strategic economic factor that can influence the business.

ACTIONS FOR GUIDELINE FIVE

Support the proper location and planning of urban areas and the provision of adequate infrastructures to ensure the effective protection of natural water resources.

Concentrate on the electrification of low-income townships to reduce air pollution in the study area. This will increase the retail market (small business) for fresh food, household appliances and consumption.

Night life, accommodation and business tourism/recreation facilities must be developed in urban areas.

GUIDELINE SIX: DEVELOP HUMAN AND ENTREPRENEURIAL RESOURCES

The development of the study area's resources must be seen as important building blocks for future economic development. Emphasis must be placed on improved skills training, education emphasizing the need for entrepreneurial skills and affordable facilities for such training. Improved opportunities for entrepreneurial development must be created to generate additional and higher personal income.

ACTIONS FOR GUIDELINE SIX

- Improve entrepreneurial skills, training, education.**
- Improve opportunities for entrepreneurial development.**
- Improve management styles.**
- Increase emphasis and funding from the central government for training and education purposes.**
- Increase private sector involvement in the development of human resources.**

IMPLEMENTATION OF THE ACTIONS

All the actions should be implemented concurrently and as a priority. This is necessary to prevent the economy from further stagnation and to ensure that all business development opportunities are utilized to their full potential.

Economic development should be supported by an effective institutional framework and organizational infrastructure. This will ensure that proper support and a climate of investment for business development be created (Ulrich & Arlow, 1980). For the implementation of the actions, it is necessary to:

- Develop an institution to take responsibility for the future economic development of the study area (in co-operation with local authorities);**
- Utilize existing structures and urban management forums to improve co-ordination between different local authorities, provincial and the government authorities to promote economic development; and,**
- Involve all communities in the business development process.**

CONCLUSION

The above guidelines and growth scenarios took the full development potential of the study area into account and address all the objectives identified by the communities involved. The implementation of these guidelines is a positive step that will not only create employment opportunities, but will also lead to sustained and balanced regional development to benefit all communities.

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EXAMINING THE IMPACT OF CULTURE ON ENTREPRENEURIAL PROPENSITY: AN EMPIRICAL STUDY OF PROSPECTIVE AMERICAN AND EGYPTIAN ENTREPRENEURS

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ABSTRACT

Questions as to why some people become entrepreneurs have interested researchers for decades. Entrepreneurial propensity (EP) measures one's proclivity for choosing an entrepreneurial career. Because of cultural and geographical differences, one's EP varies among individuals from different nations. This study compares and contrasts levels of entrepreneurial propensity (EP) among American and Egyptian upper division university students. Results demonstrate that American students reported greater levels of EP along each of its three dimensions: (1) perceived level of entrepreneurial education, (2) beliefs concerning entrepreneurial opportunities in the economy, (3) and one's confidence in one's ability to access the available opportunities. Reasons for the differences are suggested, and prospects for additional research are outlined.

INTRODUCTION

Over the past decade, the academic and popular literatures have experienced a resurgence in entrepreneurship-related issues. Researchers have begun to critically address the processes surrounding venture creation, small business development, innovation, creativity, and intrapreneurship--entrepreneurship within large organizations. Of particular interest to practitioners has been the means through which entrepreneurship is cultivated and its historically uneven distribution throughout demographic segments of society. Specifically, questions as to why some college-educated business professionals choose entrepreneurial careers and others do not remain largely unanswered.

With recent gains by women and minorities in entrepreneurial ranks and the recognition that a growing number of new American jobs created in the next decade will be self-generated, academics have begun to emphasize the critical nature of America's

entrepreneurial climate. In a similar vein, many leaders in developing countries in regions such as Eastern Europe, the Middle East, and Africa have begun to emphasize the type of social climate conducive to new venture creation. However, one's proclivity for an entrepreneurial career is not only a function of the economic environment, but also of personal (Johnson, 1990) and cultural factors (Brodsky, 1993). In an effort to identify cultural and other factors that impact the likelihood of entrepreneurial career selection, the present study compares and contrasts prospective entrepreneurs (i.e., upper division undergraduates) in American and Egyptian universities.

This study employs a scale to measure entrepreneurial propensity--a prospective entrepreneur's proclivity for choosing an entrepreneurial career--utilizing the EP scale developed by Parnell, Crandall, and Carden (1995). Parnell, et al. identified three factors associated with EP: (1) one's perceived level of entrepreneurial education, knowledge and competence concerning new venture operation, (2) one's beliefs concerning entrepreneurial opportunities in the economy, and, (3) one's confidence in one's ability to access the available opportunities. It is believed that each of these three factors is associated with cultural influences to some extent.

Following an overview of the relevant literature, the Egyptian business environment will be outlined. Scale development issues and research methodology will be presented. Findings, implications, and directions for future research will follow.

BACKGROUND

The literature is replete with differing perspectives on entrepreneurship. Rumelt (1987) defined the term as the creation of new businesses with some element of novelty. Mintzberg (1973) viewed the entrepreneur as one who seeks to improve the organization through change initiation. Vesper (1983) provided the economists' perspective; an entrepreneur is one who coordinates resources to create profits. Entrepreneurship has also been viewed as the identification of market opportunities and the recombination and allocation of resources to pursue them (Kirzner, 1973; Schumpeter, 1934; see also Chamberlin, 1933). Indeed, much of the present entrepreneurship literature has rested on the assumption that the entrepreneur is a risk-taker (Balkin & Logan, 1988; Corman, Perles, & Yancini, 1988; Dunphy, 1990; Flamholtz, 1986; Johnson, 1990).

The economic importance of entrepreneurship is well established in the literature (Ireland & Van Auken, 1987; Krueger & Brazeal, 1994; Stumpf, 1992). According to government labor statistics, approximately 20 percent of all new jobs in the U.S. economy were created by individuals who put themselves to work. The rate of increase for this segment of new jobs is presently twice that of overall job growth (Malone & Jenster, 1991). Much of this

growth in new venture creation may be due to middle management layoffs and a frustration with career plateaus.

However, the entrepreneurship paradigm is one of the youngest in the management sciences and has not yet developed distinctive methods and theories of its own. Much of the research has been exploratory in nature, and is not well grounded in theory (Dolinsky, Caputo & Pasumarty, 1994; Gartner, Shaver, Gatewood & Katz, 1994; Low & MacMillan, 1988). Bygrave (1989) argued that this may result in entrepreneurial research being driven by other fields. Thus, research has suffered from problems of focus and disjointment (Bygrave, 1989; Cooper & Dunkelberg, 1987; Schendel, 1990).

The earliest work in the field of entrepreneurship focused on personal characteristics that distinguished entrepreneurs from non-entrepreneurs (Brockhaus, 1982; Naffziger, Hornsby & Kuratko, 1994). For example, numerous studies have found consistent relationships between individual factors, namely achievement locus of control, motivation (McClelland, 1961), and entrepreneurship (Brockhaus, 1982; Gartner, 1985, 1988; Johnson, 1990). McClelland (1961, 1962) identified three behavioral traits associated with high need for achievement (nAch): (1) taking personal responsibility for finding solutions to problems, (2) setting moderate achievement goals and taking calculated risks to achieve them, and (3) desiring concrete feedback concerning performance. McClelland later reported a series of studies linking high nAch with entrepreneurship (McClelland, 1965a, 1965b; McClelland & Winter, 1969). Later studies reinforced McClelland's motivation-entrepreneurship linkage (Klavans, Shanley, & Evan, 1985; Moore, 1986).

Miner, Smith and Bracker (1989) provided additional insight into the motivation-entrepreneurship association. Their research concluded that positive relationships exist between managerial motivation, firm expansion, and firm growth. However, the level of motivation of entrepreneurial type managers was found to be lower than that of corporate managers. In a similar vein, Brodsky (1993) found that female corporate managers tended to be more trusting and comfortable in organizations, while female entrepreneurs perceived the organization as confining and limiting.

A distinctive stream of research has begun to focus on the entrepreneurship process and de-emphasize distinctive characteristics of the entrepreneur (Gartner, 1988; Katz, 1992; *SAM Advanced Management Journal*, 1994; Sexton & Bowman, 1986). Indeed, there is little conclusive evidence of differences between founders and non-founding managers or between successful and unsuccessful founders (Begley & Boyd, 1987; Chandler & Hanks, 1994; Low & MacMillan, 1988; Stuart & Albeti, 1990). Nonetheless, much of the literature remains primarily concerned with the uniqueness of the individuals behind the ventures (Krueger & Brazeal, 1994). As Shaver and Scott (1991, p. 39) noted, separating the entrepreneurship from the venture is analogous to separating the "dancer from the dance" (see also Carland, Hoy & Carland, 1988).

There is a general agreement throughout the field that women and minorities have been historically under-represented among successful ventures. Problems include discrimination ranging from the "glass ceiling" phenomenon (Godfrey, 1993) to financing difficulties (Buttner & Rosen, 1992; Fay & Williams, 1993). However, new reports suggest that women and minorities' opportunities and success have improved considerably in recent decades, both in the U.S. and in other countries (Buttner, 1993; Rosa, Hamilton, Carter & Burns, 1994; Zellner, 1994). Several recent research efforts have noted differences between male and female entrepreneurs. For example, Olson and Currie (1992) found that the strategies of male entrepreneurs tended to mirror their personal values, whereas female entrepreneurs were more likely to pursue strategies that highlighted the organization's need to conform to its environment.

THE EGYPTIAN MANAGEMENT ENVIRONMENT

Despite a growing interest in international comparative management, cross-cultural, empirical studies have been lacking to date (Atiyyah, 1993; Kozan, 1993). Specifically, a recent extensive study of such literature relevant to Arab countries produced little empirical work (Atiyyah, 1992). However, one study found Arab managers to prefer consultative decision making styles (Ali, 1993).

The impact of culture on a variety of management processes is well documented. Kozan (1993) highlighted the cultural influence on participative management techniques and individual initiative. Head and Sorenson (1993) found that the effectiveness of organizational development (OD) interventions is directly linked to the congruency between the values of OD and the culture in which the organization operates. However, not all studies have found differences attributable to culture (Ghosh, 1994; Terpstra, Ralston, & Bazen, 1993).

There are a variety of differences in the management environments in the U.S. and Egypt. Consider Yehia Ali Hassan, who operates a small grocery store in Cairo (El-Dabaa, 1995). He opens his store at 10:00 a.m. and closes late in the evening after all of his regular late customers have come, typically after midnight. Thirty percent of Hassan's sales are on credit for customers who would otherwise not be able to shop there.

According to Hassan, a grocer must have patience, discretion, and discrimination. First, a grocer must discern good credit risks from poor ones--without the assistance of credit reports. Second, a grocer must quickly identify the fastidious type of customer who asks "for dozens of things and is hardly ever satisfied with anything." Such customers inspect all of the merchandise for as much as half an hour, only to purchase little or nothing.

The Egyptian healthcare industry illustrates the application of business practices to an area not traditionally subject to such practices. For example, some private hospitals in Egypt have resorted to advertising discounts on surgery fees (*Egyptian Gazette*, 1995). Since

numerous doctors graduate from Egyptian medical schools each year, many must find employment at private hospitals for low wages. The private clinics use these physicians to perform medical check-ups and low-price surgeries. Private hospital owners defend the practice, suggesting that people assume that such clinics are more expensive than public hospitals. They claim that the hospitals abide by these advertised fees, 150-180 Egyptian pounds plus a twelve percent tax (totaling about \$50) for tonsillitis surgery.

Although such practice is a violation of Egyptian law, authorities have recently begun to promote privatization of the economy through decreased interference in private businesses (Tesche & Tohamy, 1994), including the regulations that have been responsible for severe limits in foreign investment (Heges, 1994). In 1993, Egypt announced plans to privatize its steel industry (Abu-Fadil, 1993). In sum, although Egypt presents economic opportunities for new venture creation, government restrictions and low income levels likely dampen the aspirations of many qualified entrepreneurs.

THE ENTREPRENEURIAL PROPENSITY (EP) SCALE

Entrepreneurial propensity is a function of three factors, each associated with one of the three relationships (Parnell, Crandall, & Carden, 1995): (1) one's perceived level of entrepreneurial education, knowledge and competence concerning new venture operation, (2) one's beliefs concerning entrepreneurial opportunities in the economy (i.e., financial rewards, employment, etc.), and, (3) one's confidence in one's ability to access the available opportunities (i.e., self-employment, risk, etc.). The final instrument consisting of these three factors addressing entrepreneurial intentions, and a variety of demographic items (see appendix) was administered to 204 students at two American universities and 147 students at one Egyptian university.

PROPOSITIONS

Five propositions were tested in the present study. They are displayed in the following exhibit.

RESEARCH PROPOSITIONS

1. American students will report greater intentions to open their own businesses than will their Egyptian counterparts.
2. American students will report greater perceived levels of entrepreneurial training than their Egyptian counterparts.
3. American students will report greater perceived levels of entrepreneurial opportunity than their Egyptian counterparts.
4. American students will report greater confidence in their abilities to successfully operate their own businesses than their Egyptian counterparts.
5. American students will possess greater entrepreneurial propensity than their Egyptian counterparts.

FINDINGS

The first step in the data analysis stage concerned the validation of the scale used to measure entrepreneurial propensity. The eleven EP scale items were factor analyzed and results provided moderate support for the existence of one construct consisting of the three hypothesized factors. The factor analysis is displayed in Table 1. Factor loadings varied from .31 to .69 for the one-factor model. Loadings varied from .54 to .79 on the items on their appropriate subscales. The first column in Table 1 lists the factor loading of each item on the EP scale. The next three columns provide the loadings on the three subscales following an oblique minimum rotation of the scale. The final column consists of loadings of the items when three one-factor models were generated (i.e., one for EDU items, one for SLF items, and one for OPP items). Regression factor scores were calculated for these three one-factor models as well as for the overall scale and utilized to represent the three EP dimensions in the analysis.

As shown in Table 1, coefficient alpha for the EP scale was calculated at .71; alphas for the EDU, SLF, and OPP subscales were .61, .67, and .63, values which lend moderate support to the internal consistency of the subscales considering the small number of items on each one.

Table 2 displays a correlation matrix for all of the variables collected in the survey. As the table shows, there were a number of significant relationships.

TABLE 1
THE ENTREPRENEURIAL PROPENSITY SCALE

Item	EP Scale Loading	EP Factor Loadings			Subscale*		% Var
		EDU	SLF	OPP	Loading	Eigenvalue	
EDU1	.39	.78			.75	3.13	28.4
EDU2	.69	.54			.68	1.60	43.0
EDU3	.68	.66			.73	1.54	57.0
EDU4	.30	.75			.72	.83	64.5
SLF1	.60		.61		.65	.77	71.5
SLF2	.31		.66		.64	.66	77.5
SLF3	.69		.72		.77	.59	82.9
SLF4	.55		.68		.70	.55	87.9
OPP1	.60			.66	.66	.51	92.6
OPP2	.43			.76	.71	.45	96.6
OPP3	.47			.79	.78	.37	100.0
Coeff Alpha	.71	.61	.67	.63			

TABLE 2
CORRELATIONS**

	PLAN1	PLAN2	PLAN3	GPA	AGE	FTEMP	PTEMP	SLFX1	OPPX1	EDUX1	
ENTXI											
PLAN1	1.0000										
PLAN2	.2768*	1.0000									
PLAN3	.2045*	.3608*	1.0000								
GPA	-.0285	-.0138	.0197	1.0000							
AGE	.0381	.0507	.1872*	.1804*	1.0000						
FTEMP	.0282	-.0344	.1292*	.0594	.7888*	1.0000					
PTEMP	-.0239	.1121*	.1159*	-.0715	-.0521	-.2492*	1.0000				
SLFX1	.2113*	.4032*	.0620	.0253	-.0808	-.1002*	-.0438	1.0000			
OPPX1	-.0391	.1917*	-.1302*	-.0406	-.1204*	-.1217*	-.0874	.2707*	1.0000		
EDUX1	.3028*	.2671*	.0670	-.0393	-.1273*	-.2142*	.0724	.3327*	.2775	1.000	
ENTXI	.2318*	.4061*	.0277	-.0190	-.1204*	-.1850*	.0006	.7651	.6571	.7401	1.000

* Significant at the .05 level.

** SLFX1, OPPIX1 and EDUX1 are factor scores for the three one-factor scales.

ENTXI is the factor score for the overall one-factor EP scale.

The first proposition was partially supported. American students expressed greater intentions to open their own businesses both immediately after graduation (PLAN1) and within five to ten years following graduation (PLAN2). However, no differences were found in intentions to open businesses ten or more years following graduation (see Table 3).

TABLE 3
T-TESTS OF SIGNIFICANCE

Variable	Americans (n=204)		Egyptians (n=147)		T-Value	Significance Level
	Mean	Std Dev	Mean	Std Dev		
PLAN1	3.70	1.27	4.12	0.99	3.47	.001
PLAN2	3.00	1.33	3.58	1.22	3.95	.000
PLAN3	3.19	1.25	3.30	1.26	0.82	.411
SLFX	-.12	1.02	.17	.95	2.66	.008
OPPX1	-.23	.88	.32	1.07	5.16	.000
EDUX1	-.14	1.05	.19	.91	3.14	.002
ENTX1	-.22	1.00	.32	.92	5.01	.000
AGE	23.0	5.19	21.9	2.85	2.46	.015
FTEMP	2.87	4.82	1.08	1.24	5.07	.000
PTEMP	3.30	2.24	3.14	1.96	0.71	.475

The remaining propositions were fully supported. American students reported greater levels of each of the three dimensions of entrepreneurial capacity--education (EDUX1), perceptions of entrepreneurial opportunity (OPPX1), and self-confidence (SLFX1)--as well as the overall measure (ENTX1). In addition, American students were more likely to plan to operate their own businesses both immediately after graduation (PLAN1) and within ten years after graduation (PLAN2). However, there were no significant differences in long term plans for new venture creation.

There appear to be several viable explanations for the differences found between the two samples. The American educational establishment--and particularly business schools--provides a balance between careers in "the corporation" and careers as entrepreneurs. Although improvements in the American system are needed, it nonetheless offers solid exposure to the opportunities that exist as an independent player in the business community.

The greater perceived entrepreneurial opportunities among American students were probably justified for several reasons. Although complaints about government bureaucracy have almost become an American pastime, they do compare to similar woes in the Egyptian environment. Egyptians complain that any requests for government services result in waits of at least several days. Once a man went to the Egyptian Society for Insurance and Pensions

to secure the proper pension for his ill, retired father. The office worker demanded that papers be produced to prove the man is alive. Two weeks later the appropriate papers were delivered to the same employee, who then asked that papers be provided proving that the father is not dead (Hosni & Shams, 1995).

A second justification for the greater perceived opportunities is the difference in per capita income. Egyptian estimates vary, but most economists agree that the mean per capita income in Egypt is well under \$1000. Although living costs and other variables suggest that direct comparisons of income are not appropriate, the availability of disposable income is clearly limited in the Egyptian economy and concentrated in the hands of a much smaller segment of the population than in the U.S. Hence, the identification of profitable and sizable markets, even where accurate economic data exists, is difficult.

The difference in self confidence may be attributable to the lack of a strong, independent business heritage in Egypt. Government ownership and partial ownership of key enterprises is common in Egypt. On the contrary, U.S. governmental agencies control few industries, and stories of average, hard working Americans finding success in private business ownership abound. Hence, it is not surprising that Americans preparing to enter the work force are less intimidated about the prospects for failure than are their Egyptian counterparts.

The differences in plans for new venture creation also require elaboration. Perhaps the most interesting finding in this area is that Egyptian students are not as likely to pursue entrepreneurial careers within ten years of graduation, their *long term* plans for business ownership are similar to those of the American students. Perhaps this reflects a feeling of confidence about the direction in which the country is headed over the long haul, juxtaposed with a realization that present opportunities are limited.

CONCLUSIONS AND FUTURE RESEARCH

The present study provided insight into factors associated with college students and their plans to pursue new venture creations. Variances of entrepreneurial propensity and direct plans for starting one's own business varied significantly between American and Egyptian college students.

Several avenues for future research have been identified. First, although the EP scale represents a solid step in the assessment of entrepreneurial intentions, additional modifications are needed. Several factor loadings were below the desired .70 level and may be improved by modifications in wording, the addition of items, or elaboration of the EP construct. Such development is germane. Further, comparisons of loadings among samples from more institutions may also be insightful.

Second, research has considered EP levels in only a few countries. With the recent opening of Eastern European nations, as well as the developing regions of Africa and the

Middle East, studies examining a greater number of countries and cultures would be useful. Findings would help identify why EP levels may vary among similarly developed nations.

Finally, the link between education programs--particularly those in business schools--and EP needs to be assessed. The present study does not address how entrepreneurial training or course work influences the individual's career choice. Such research could aid in the development of more effective curricula for preparation to enter independent business careers.

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APPENDIX

SURVEY ITEMS*

Education (EDU) items

1. If I decided to go into business for myself, I wouldn't know where to start.
2. I am developing the skills necessary to successfully operate my own business.
3. Going into business for myself is too risky.

4. I'm not sure how I would keep up with all aspects of running my own business.

Personal Confidence (SLF) items

1. Starting one's own business is a great opportunity for success.
2. I do not like working for someone else.
3. I believe I could operate a successful small business.
4. I would rather operate a small business than be a middle manager with a larger organization.

Entrepreneurial Opportunity (OPP) items

1. It is possible for small business owners to be successful in today's economy.
2. I have a lot of respect for successful small business owners.
3. With all of the regulation and red tape today, it is simply too difficult to run a profitable business.

Intentions items (PLAN)

1. I plan to operate my own business immediately after graduation.
2. I plan to operate my own business within five or ten years after graduation.
3. I plan to operate my own business, but not after ten or more years of other experience.

Demographic items

1. What is your class? (freshman, sophomore, junior, senior, graduate) (AGE)
2. What is your overall GPA (A=4.0)? (GPA)
3. What is your gender? (GENDER)
4. What is your age? (AGE)
5. How many years of full-time employment experience do you have? (FTEMP)
6. How many years of part-time employment experience do you have? (PTEMP)

* Non-demographic items were scrambled and accompanied by a five-point Likert scale (1=strongly agree, 5=strongly disagree).

AN INVESTIGATION OF THE PSYCHODYNAMICS ASSOCIATED WITH ETHNIC ENTREPRENEURSHIP

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ABSTRACT

Fratoe's (1986) work on ethnic business participation rates in the U.S. suggests that while those of Greek, Lebanese, and Jewish, ancestry have above average participation rates and Asian immigrants have above or near average participation rates, the participation rates among Hispanic and African Americans is far below the national average. The American Southwest, most notably Texas, Arizona, and California, is quickly becoming a major area for ethnics and immigrants to settle. Faced with various barriers that limited full economic participation during the industrial growth period in the U.S., African Americans and Hispanic Americans have focused on cultivating their entrepreneurial skills primarily for financial independence and security. In shifting the focus solely to San Antonio, Texas, there is a limited body of research that describes the nature of ethnic entrepreneurship. These studies indicate that there is a significant number of ethnic owned enterprises and these entities vary in nature, size, and economic impact (Chapa, 1991; Report on Needs Assessment of Minority Owned Business, 1994). Additionally, while some enterprises are viable, most are adversely affected by the modest shift in demand and they experience extreme difficulties during periods of economic recession.

INTRODUCTION

Entrepreneurial activity in San Antonio has been characterized as an ethnic enclave in that there are pockets of enterprises that are Hispanic or African American in nature. Moreover, businesses in this region experience a failure rate which is much higher than the national average. Given the absence of a wealth of scholarly work from which to draw, little is known about the nature of self employment and the psychological determinants associated with entrepreneurial activity from these groups in this region.

While intervention attempts to reduce the high failure rate of ethnic owned enterprises in San Antonio have been limited, studies have been conducted to examine the state of affairs. Most notably, research has investigated the needs of minority owned businesses and economic policy research has been generated. However, there has been no systematic study exploring the psychodynamics associated with the ethnic entrepreneur in San Antonio.

This study is most concerned with identifying the psychodynamic factors which have an impact on ethnic entrepreneurship. In identifying the psychodynamic profile of ethnic

entrepreneurs, their dispositions will be assessed by using two approaches. First, dispositions centering around needs will be identified. Second, wants in a business opportunity will be distinguished. The research questions guiding this study include: (1) Are there differences in dispositions based on biological sex?; (2) Are there differences in the dispositions of ethnic groups?; (3) Are there differences in opportunity wants in a business based on disposition?; (4) Are there differences in opportunity wants in a business based on biological sex and ethnicity?; (5) Are there differences in opportunity wants in a business based on biological sex, ethnicity, and disposition?

Research indicates that there are psychological elements associated with ethnic entrepreneurship (Aldrich, 1984; Waldinger, Aldrich, & Ward, 1990). Psychological components under study for this investigation will be examined through the lens of McClelland's (1975) needs theory. More specifically, the investigation of the psychodynamics of these entrepreneurs begins with exploring their desires associated with starting a business. This process examines their dispositions and continues by identifying their wants in a business opportunity.

THEORETICAL FRAMEWORK AND DEFINITIONS

Entrepreneurship has been defined as: creativity of innovators (Schumpeter, 1934); the activity of a person who starts a business where there previously had been none (Gartner, 1985); and the identification and exploitation of an opportunity (Peterson, 1985). The definition of entrepreneur used in this study is consistent with the definition advanced by Cunningham and Lischeron (1991). These researchers associate entrepreneurship with an individual who has control over the means of production in an enterprise. For the purposes of this study, ethnicity is defined as self-identification with a group that has a shared common national background. This definition is consistent with the work of Waldinger, Aldrich, and Ward (1990).

Selecting an entrepreneurial model to guide an investigation is based on what the researcher intends to emphasize (Cunningham & Lischeron, 1991). Kuratko and Welsh (1994) illustrate a multidimensional set of predictors that assist in explaining why people chose entrepreneurship. The model identifies factors that suggest a tendency toward entrepreneurship. The model illustrates how personality factors, demographic factors, educational and situational factors impact the tendency toward entrepreneurship. Two of the four factors in the model are being explored in this study: the personality and demographic factors.

LITERATURE REVIEW

In attempts to examine, and in some cases predict, entrepreneurial behavior, individual attributes such as attitudes and personality traits have been the focus of many studies. Industry experience, role in social networks, and lifecourse stage are other personal attributes that aid in the understanding of entrepreneurial behavior (Reynolds, 1991).

Some of the studies which have been conducted to identify and describe the nature of entrepreneurial motivations and characteristics include: Kuriloff & Schollhammer, 1979; Welch & White, 1981; Ronstadt, 1981; Cantano, Chamard & Howell, 1983; Carland, Hoy, Boulton & Carland, 1984; and Miner & Smith, 1984. These studies provide additional insight into the nature of entrepreneurship and the motivation and characteristics of entrepreneurs. There are, however, limitations associated with the design of some of these studies. For example, some studies use college students as respondents while other studies solely include Anglo males, and still others neglect to reveal the biological sex and ethnic composition of the sample.

In addition to the aforementioned limitations, the literature captures very little about the process of becoming an entrepreneur through self employment (Carroll & Mosakowski, 1987). There is an abundance of research exploring the attributes of entrepreneurship and many studies have examined the characteristics of successful entrepreneurs. Yet, relatively few studies have examined the initial stages of entrepreneurial intent prior to actual start-up. In the absence of a wealth of studies exploring ethnic male and female entrepreneurial orientations, this study aims to inquire about the process of self employment by examining the intentions of members from these groups.

ETHNIC ENTREPRENEURS

The population of Hispanic and African American males and females undertaking self employment is steadily increasing. The U.S. Bureau of Census (1987) reports an 80% increase in Hispanic owned businesses. The city of San Antonio, Texas has the third largest number of Hispanic owned businesses in the U.S. In 1987, the U.S. Bureau of Census reported a 38% increase from 1982 in the number of African American owned businesses.

While limited, some studies have explored the nature of native, U.S. bound, ethnic entrepreneurship. Some of the research has focused on the impact of government assistance programs (Bates & Bradford 1979; Bates, 1981). Studies have also been generated to examine traits and trends associated with ethnic entrepreneurship. In his exploration of traits, Bates (1987) reports that minority entrepreneurs were no more likely to be low income earners than their non-minority counterparts. In their examination of trends, Dolinsky, Caupito and Pasumarty (1994) assess the entrepreneurial patterns of Anglo and African American females. Their results suggest that African American females are less likely to become entrepreneurs;

however, if they decide to become entrepreneurs they are slightly less likely to remain with the entrepreneurial venture as compared to their Anglo counterparts.

Additional studies have attempted to characterize ethnic entrepreneurs by demographic variables. In their study Hisrich and Brush (1986) examined motivations for starting a business, entrepreneurial characteristics, and psychological characteristics. The results of the study indicate that achievement, opportunity, and job satisfaction were the motivations for self employment. These entrepreneurs considered themselves skilled in the areas of dealing with people, idea generation, and product innovation. The personality characteristics explored in the study were found to be consistent with the typical profile of the entrepreneur. The adjectives describing the participants include: independent, competitive, social, confident, and goal oriented.

A few studies have investigated the psychological dispositions of ethnic entrepreneurs. One of the first studies to examine ethnic entrepreneurs identified the characteristics of successful ones (Aboud & Hornaday, 1971). The study was conducted with Anglo and African American male business owners. The findings illustrate that Anglo males were in business longer, and had more innovative ideas than African American males. These differences were however, attributed to socioeconomic factors.

Gomolka (1977) examined characteristics of ethnic entrepreneurs and the nature of the business enterprise. No significant relationships were found between sex and status of the firm, the industry in which the firm was positioned, size, or age of firm.

DeCarlo and Lyons (1979) examined the characteristics of Anglo, African American, Hispanic American, and Native American female entrepreneurs. Variables under study in this investigation include: achievement, autonomy, aggression, conformity, independence, and benevolence. The results indicate that Anglo women scored higher on achievement and independence and minority women scored higher on conformity and benevolence.

One of the more recent investigations was conducted by Smith (1992) and he examined race, gender, and entrepreneurial orientation. The results of the study indicate that there were no racial differences in undertaking entrepreneurship. His findings reveal that both White and Black females are more likely to become self employed as compared to their male counterparts.

BIOLOGICAL SEX AND ENTREPRENEURSHIP

Research exploring psychological dispositions of entrepreneurs has been undertaken (Brockhaus, 1982; Begley & Boyd, 1987). Additional studies have also been conducted to determine if entrepreneurial males and females differ in their psychological dispositions. Sexton and Bowman-Upton (1990) examined autonomy, conformity, change, interpersonal affect, and risk taking in their study. These researchers report that men scored lower on

autonomy and change, and higher on risk-taking. While these differences were present, the authors conclude that male and female entrepreneurs demonstrate more similarities in their characteristics. Kalleberg and Leicht (1991) explored internal locus of control and self confidence of male and female entrepreneurs. These researchers found no difference in either characteristic.

Values of male and female entrepreneurs has been a fruitful area of research. In her 1990 study, Fagenson examined male and female entrepreneurs and organizational employees and found no differences in terminal values nor instrumental values. In 1993, Fagenson examined the values of male and female entrepreneurs and managers. The results indicate that women valued equality more than men and men valued family security more than women. The author concludes that knowing one's occupation rather than sex is a better indicator of one's values.

As of 1987, women represented 30% of the self employed population (U.S. Department of Commerce, 1987). Researchers suggest that since the number of women are increasing in the entrepreneurial population, periodical assessment of their psychological dispositions as compared to men is essential (Carland, Hoy, & Carland, 1988; Sexton & Bowman-Upton, 1990; State of Small Business, 1990). Kanter (1977) asserts that women are no longer marginally undertaking entrepreneurial activities; subsequently, studies need to be conducted in order to assess how their traits evolve.

Given the reported findings in the literature regarding ethnicity and biological sex, and the existing knowledge gaps with respect to the relationship among biological sex, ethnicity, dispositions, and business opportunity wants, this study is designed to investigate: (1) Whether there are differences in the dispositions of males and females?; (2) Whether there are differences in the dispositions of ethnic groups?; (3) Whether there are differences in opportunity wants in a business based on disposition?; (4) Whether there are differences in opportunity wants in a business based on biological sex and ethnicity?; (5) Whether there are differences in opportunity wants in a business based on biological sex, ethnicity, and disposition?

METHODOLOGY

Participants for the study include Anglo, African American, and Hispanic American males and females who have recently completed the self-employment training program sponsored by the Minority Business Development Center in San Antonio, Texas. Altogether, 159 respondents participated in the study. Of the 159, 64 were males and 52 were females. Forty three respondents participated yet, did not reveal their identify. Thirty one percent of the respondents were Anglo, 13 % African American, and 29% were Hispanic. Participants

completed a survey instrument comprised of demographic and Likert scale items. Participants also completed a desirability instrument.

The survey instrument used to measure the dispositional variables is consistent with needs measurements listed in the literature (McClelland, 1965, 1969). These variables include: need for achievement, need for affiliation, need for esteem, need for independence, need for power, and need for security. Each variable has a subscale of 6 items which measure the particular construct.

In order to assess the respondent's intentions for a business opportunity, they identified their wants for a business opportunity. The respondents also attached an importance score, ranging from 1 (low importance) to 10 (high importance) to their identified wants. The listed items were content analyzed and categorized. Reliability of the resulting categories was assessed and confirmed by an external judge. Six variables emerged as categories and were used to assess opportunity wants.

The six wants in a business opportunity as well as their definition is as follows: FIN captures financial responses such as risk and capital concerns associated with self employment; INT addresses the intrinsic related wants such as security, satisfaction, and a feeling of accomplishment. LIFE addresses lifestyle concerns such as flexible hours, travel, and pace of work; IND captures independence which includes being one's own boss, having a one person operation, and having control over the operation; SKILL refers to using skills currently possessed; SERV entails providing quality work/product, having a reputation for good service, and being customer oriented; WORK captures having a good relationship with co-workers, having a professional environment, and having a clean work-space; PROFIT entails having a return on investment, and increased income; ENT captures enterprising aspects of self employment such as having a good location, growth, and acquiring proper supplies and equipment.

The analysis of the data yields a descriptive picture of the respondents. The ANOVA technique is used to analyze all of the research questions.

RESULTS

The results of the ANOVA tests which are significant at the .05 level are shown in Tables 1-3. In examining RQ1, males and females were not different in their dispositions. Whether ethnic groups differed in their dispositions was posed in RQ2. Anglos, African Americans, and Hispanics were not found to differ in their dispositions.

RQ3, concerning differences in opportunity wants based on disposition, yielded statistical support. As Table 1 indicates, ENT was positively associated with security, INT was positively associated with affiliation, SKILL was positively associated with achievement, and WORK was positively associated by both security and ethnicity.

TABLE 1

	Source of Var	Sum of Sqs	DF	Mean Sq	F	Significance
Ent by Security	Main Effects	84.217	15	5.614	2.265	.025
	Security	84.217	15	5.614	2.265	.025
Int by Affiliation	Main Effects	41.056	13	3.158	2.272	.043
	Affiliation	41.056	13	3.158	2.272	.043
Skill by Achievement	Main Effects	93.855	12	7.821	2.636	.016
	Achievement	93.855	12	7.821	2.636	.016
Work by Security	Main Effects	109.737	17	6.455	2.233	.026
	Security	109.737	17	6.455	2.233	.026
Work by Ethnicity	Main Effects	27.152	2	13.576	3.529	.038
	Ethnicity	27.152	2	13.576	3.529	.038

In examining RQ4, whether opportunity wants differ based on biological sex and ethnicity, a significant main effect was found for ethnicity on WORK. These results are illustrated in Table 2.

TABLE 2

	Source of Var	Sum of Sqs	DF	Mean Sq	F	Significance
Work by Sex, Ethnicity	Main Effects	34.368	3	11.456	3.032	.040
	Sex	7.215	1	7.215	1.910	.174
	Ethnicity	29.684	2	14.842	3.928	.027

The results for RQ5, whether opportunity wants differ based on biological sex, ethnicity, and disposition are illustrated in Table 3. Several main effects are present. When controlling for affiliation, there was a main effect for both biological sex and ethnicity for WORK. Achievement and esteem were main effects for SKILL when controlling for biological sex and ethnicity. Security was a main effect for ENT when controlling for biological sex and ethnicity.

TABLE 3

	Source of Var	Sum of Sqs	DF	Mean Sq	F	Significance
Work by Sex, Ethnicity, Affiliation	Main Effects	111.966	17	6.586	2.261	.026
	Sex	13.917	1	13.917	4.779	.037
	Ethnicity	32.959	2	16.480	5.658	.008
	Affiliation	77.599	14	5.543	1.903	.070
Skill by Sex, Ethnicity, Achievement	Main Effects	83.136	15	5.542	2.517	.020
	Sex	.000	1	.000	.000	1.000
	Ethnicity	.873	2	.437	.198	.821
	Achievement	78.861	12	6.572	2.984	.010
Skill by Sex, Ethnicity, Esteem	Main Effects	89.899	19	4.732	2.063	.058
	Sex	3.164	1	3.164	1.379	.254
	Ethnicity	4.062	2	2.031	.885	.428
	Esteem	84.329	16	5.271	2.298	.040
Ent by Sex, Ethnicity, Security Sex	Main Effects	90.564	17	5.327	2.206	.028
	Sex	7.266	1	7.266	3.009	.093
	Ethnicity	1.283	2	.642	.266	.768
	Security	82.039	14	5.860	2.427	.020

DISCUSSION

The results of this study yield a clearer psychodynamic profile of entrepreneurs. The results indicate that male and female entrepreneurs have similar dispositions. The findings of the study also reveal a relationship between dispositions and wants in a business opportunity. A strong relationship exists for ENT and security. It appears that desire for an appropriate location, supplies, as well as the potential for growth has a relationship with security. The association is explainable since as a business owner it is critical to be mindful of the various aspects that relate to the business enterprises' functioning and this probably facilitates a sense of security. The INT want in a business opportunity was associated with affiliation. Having a desire for accomplishment and satisfaction suggests that the entrepreneur is focusing on personal needs which don't necessarily incorporate others. The relationship between SKILL and achievement may exist as a result of the entrepreneurs' desire to use various skills and training that have been acquired. A sense of achievement may be linked with the abilities one has and the resulting fulfillment associated with exercising one's skills. The WORK want in a business opportunity was related to security. This relationship may be present since WORK centers around the nature of interpersonal interactions. WORK wants include having positive relationships with others and conducting business in a professional manner. This may be related to security in that a work environment characterized with positive interactions may facilitate a sense of closeness and belonging

making one feel safe. Likewise, the relationship between WORK and ethnicity may exist since Anglos, African Americans, and Hispanics may each have preferences about the nature of the work environment as well as the nature of interpersonal interactions which may be rooted in specific cultural traditions, practices, and behaviors.

Overall, the results of this study offer a more comprehensive profile of Anglo and ethnic entrepreneurs. The outcomes of the analyses have several implications. First, male and female entrepreneurs do not differ in their dispositions. Further, dispositional differences between ethnic groups were also not present. Third, insight is provided about the nature of the dispositions of entrepreneurs and how they relate to wants in a business opportunity. Several wants were strongly related to specific dispositions. Additional results identify specific differences in opportunity wants based on ethnicity. An engaging finding about the relationship between WORK and ethnicity was revealed in that a strong relationship exists between these variables. The findings also illustrate how opportunity wants are distinguished by biological sex, ethnicity, and disposition.

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THE PROCESS OF SMALL FIRM INTERNATIONALIZATION IN IRELAND: AN EXPLORATION OF HUMAN RESOURCE ISSUES

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ABSTRACT

An exploration of human resource issues with regard to the internationalization of the indigenous small firm in Ireland is the focus of this research. Special attention is given to education, recruitment and development.

INTRODUCTION

Government policy in Ireland is now according to indigenous enterprise the central role in revitalizing the economy. A number of recent studies commissioned by Government to assess national industrial policy have highlighted the contribution which the indigenous sector could have in providing employment growth in the economy. This focus is in contrast to that previously ascribed to foreign-owned firms (Harrison and Leitch, 1995; Industrial Policy Review Group, 1992: 22-23; National Economic and Social Council, 1982: 26).

The indigenous firm sector in Ireland, however, has historically displayed weak performance in terms of profitability and employment (O'Malley, 1989). Its performance has not been sufficient to provide an overall net increase in non-agricultural employment (Department of Industry and Commerce, 1990). Internationally, small firms have accounted for a large share of total employment in industrialized countries (Sengenberger, et al., 1990). Firms with fewer than 100 employees provide nearly one-half of all employment in the United States, France and Germany. In Japan, over 50 percent of total employment is in firms with fewer than 100 employees (Sengenberger, et al., 1990). Not only have small firms historically represented a large share of total employment in industrialized countries, but also the employment share of small firms has been increasing (Sengenberger, et al., 1990). Further, studies have shown that in the United States the majority of net new jobs since 1976 have been created by small enterprises (Birch, 1987). In policy thinking in both the United States and the European Community, there is greater emphasis being placed on the small-medium enterprise (SME) as the vehicle of growth. Not surprisingly, given the serious employment challenge, the long tradition of active government promotion of industrial development and

the national and international trends just noted, interest in the ability of the indigenous small firm in Ireland to provide economic growth has intensified.

THE SMALL FIRM: A POLICY PRIORITY FOR IRELAND

As outlined above, the development of a strong indigenous small firm sector has become an increasingly important priority of industrial policy in Ireland, as in other industrialized and industrializing countries (Industrial Policy Review Group, 1992; Birley and Westhead, 1990). Such a policy priority has a particular importance in Ireland. The strategy of developing the indigenous firm sector through greater integration with the foreign-owned sector has provided the foundation of Irish industrial policy since the 1960's (O'Malley, 1989). Notwithstanding the limited success of this strategy, particularly where medium and large-sized indigenous firms are concerned, small indigenous firms account for significant shares of employment and output in Ireland. As a result of (a) a partially successful prior strategy, (b) a resilient, if smaller, indigenous firm sector than previously planned for, and © high growth of the overall labor force, the growth of the indigenous small firm - especially in employment terms - has recently been re-emphasized (Department of Industry and Commerce, 1990; Industrial Policy Review Group, 1992). Specific objectives of the national small firm development programme in the 1990's include employment growth and wealth creation in the regions (Department of Industry and Commerce, 1990).

THE SMALL FIRM IN IRELAND

In Ireland, the government uses 50 employees and fixed assets of not more than £ .8 million as the conjoint measure to distinguish small firms from medium and large-sized firms, engaged in manufacturing (Department of Industry and Commerce, 1990). This differs from the OECD use of 100 employees as the upper limit to define the small firm. Such disparity makes it difficult to compare the small firm sector in Ireland with that in other economies. Even if the figures cannot be compared directly with those of other countries, because of the different definitions, some comparisons are useful to put the Irish experience in a wider context. Table 1.1 shows the share of manufacturing employment in manufacturing industry in Ireland in 1990.

Table 1.1 Industry Ownership, Size, Employment and Employment Shares, Manufacturing Industry, Ireland, 1990.		
Industry Ownership and Size	Numbers Employed	Percent Share
INDIGENOUS		
Small Industry (up to 50 people)	60,000	28%
Medium - Large (more than 50 people)	68,000	31%
FOREIGN OWNED		
All Sizes	90,000	41%
Totals	218,000	100%
Source: Department of Industry and Commerce, Review of Industrial Performance, 1990: 51, 70, 80		

The international trend of most net job-creation being accounted for by small firms has also been reflected in Ireland in the period 1983-89. Indigenous small industrial (i.e. manufacturing) firms provided a net gain of 9,234 jobs during the period. This compares with a net loss of 31,881 jobs in indigenous medium and large-sized industrial firms. The foreign-owned industrial sector (all-sized firms), while suffering an overall net loss of 521 jobs during the same time period, had a net gain of 7,328 jobs during 1988 and 1989.

The relatively poor employment performance of indigenous medium and large firms, coupled with the mixed performance of foreign-owned firms, has served to increase the Government's dependence on the indigenous small firm as a key element in its approach to economic development. The Government has assessed the role of the small firm sector as being as follows:

The significance of the small industry sector to Ireland's economic development lies mainly in its contribution to balanced regional and rural development but it also has a role to play in: building a seedbed of industrial enterprises from which larger internationally trading enterprises can develop; fostering an industrial tradition in an economy that is, by European standards, still heavily dependent on agriculture as a source of employment; and developing an industrial infrastructure that can link with, and provide services for, larger industrial enterprises (Department of Industry and Commerce, 1990: 76-77).

Recent studies have suggested, however, that substantial differences exist between the dynamism and productivity of foreign-owned multinational subsidiaries and the low growth or decline of much indigenous industry in Ireland (Industrial Policy Review Group, 1992). Such differences would make the development of a strong indigenous firm sector more difficult. A number of comparisons bear out this distinction between the indigenous firm sector and the foreign-owned sector of the Irish economy. The profitability of Irish-owned industry, as measured by profit before tax as a percentage of sales, was 3.9% in 1989, compared with 23.9% for foreign-owned firms (Department of Industry and Commerce, 1990). Total direct employment in all manufacturing industry in Ireland was 218,000 in 1990. Of this total, approximately 59% were employed in indigenous firms. However, the traditional component (e.g. textiles, footwear, food) of the indigenous manufacturing sector has been in decline, shedding 37,000 jobs over the period 1980-86 (Department of Industry and Commerce, 1990).

The employment growth record of indigenous Irish industry overall has, however, been historically weak. Since 1973, only 1% of new enterprises in Ireland have grown to employ more than 50 people and most new ventures established in Ireland have not grown beyond 30 employees. These figures suggest that the national priority of growing indigenous firms, particularly indigenous firms which grow to a size employing more than 50 employees, is faced with significant obstacles.

More recently the employment performance of indigenous industry has shown improvement. There has been net employment creation in small indigenous firms and a considerable reduction in job loss in the indigenous medium/large firm sector. The small indigenous firm sector showed increases in net employment from 481 jobs in 1983 to 3,687 jobs in 1989. During the same time period, job losses in the indigenous medium/large firm sector decreased from 8,014 to 1,525. This net gain of 2,161 jobs (3,687-1,525) in indigenous firms in 1989 compares with a net employment increase of 4,487 in the foreign-owned sector in the same year (Review of Industrial Performance, 1990: 80).

Analysis also indicates that small firms appeared to survive reasonably well the turbulent economic conditions that began in the early 1970's (Stanworth and Gray, 1991). Studies have shown that the majority of net new jobs in the United States were created by small firms (Birch, 1979; United States Small Business Administration, 1985). For the period 1969-76, Birch found that 82 per cent of net job growth in the United States was contributed by small enterprises (Birch, 1979). The Small Business Administration established that small enterprises were responsible for 39 per cent and 53 per cent of net job creation in the periods 1978-80, and 1976-82, respectively. Armington and Odle (1982), using the same database as Birch, found that small enterprises were responsible for 39 per cent and 53 per cent of net job creation in the U.S.A. for the periods 1979-80 and 1976-82, respectively. Later results by Birch (1987) confirmed his earlier findings. Data for the United States for the period 1981-85

revealed that 88 per cent of net job creation was in enterprises with fewer than 20 employees. Small enterprises with fewer than 100 employees accounted for essentially all net job creation over that period.

Storey and Johnson (1987), in their evaluation of the employment creation performance of small and medium-sized enterprises in the United Kingdom, France and the Federal Republic of Germany, found that despite a strong performance by small firms, the jobs lost by larger enterprises dominated aggregate employment performance. Despite employment gains among small and medium-sized firms in these countries, total employment fell. The literature suggests, therefore, that not only has the small firm sector played a key role in national economies over the long term, but the strength of that sector's employment creation performance is currently increasing. The consistent strength of the small firm sector in recent years, and the employment growth it has provided, signifies its importance for research on national economic development and public policy in Ireland.

RESEARCH ON THE SMALL FIRM

Loveman and Sengenberger (1990) offer two broad explanations for the increasing employment share of small firms in industrialized economies. The first is that the logic of technical-organizational efficiency has altered in favor of smaller firms. The break-up of standardized production has begun to occur as extremely large manufacturing organizations respond to differentiated customer demand and technological diffusion (Day and Wensley, 1988). Markets have become, in many cases, simultaneously more diverse and more global. The parallel and widespread availability of technological know-how means flexible and cost-effective manufacturing strategies which are available to more firms located in many different countries (Yip, 1989).

The second argument offered by Loveman and Sengenberger (1990) is that strategic decisions related to the organization of production, employment and work are changing. Previously accepted notions of the division of ownership and organized labor, of continuous employment with one employer in one location, and of centralized production have changed. They are being replaced by strategies founded on sub-contracting, flexible engineering and manufacturing processes, and increases in part-time and contract employment (Kanter and Buck, 1985; Porter, 1990). This suggests that:

the victory of the mass production paradigm over the craft system earlier in this century was by no means inevitable.... The period starting in the 1970s could be seen as one of a "second industrial divide", in which reorientation and transformation of industrial organization took place (Loveman and Sengenberger, 1990: 5).

From a review of the literature, it would appear that management research on small firm growth has been concentrated in three primary areas:

1. **External environmental issues:** These include issues such as the effects of price imperfections in wages, taxes, the product/market structure, access to technology and the location of the firm (Woo & Cooper, 1981; McGee, 1989; Hughes, 1989; Rothwell & Beesley, 1989; Loveman & Sengenberger, 1990);
2. **Internal structural dynamics of the firm:** These involve issues such as the firm's management structure, control and reporting situation (Cyert & March, 1963; Filley & Aldag, 1978; Scase & Goffee, 1980; Sandberg & Hofer, 1987; Bosworth & Jacobs, 1989); and,
3. **Characteristics of the owner-manager:** The characteristics examined include age, socio-economic background, sex, education, prior work history, and personality traits (Kets de Vries, 1977; Brockhaus, 1982; Begley & Boyd, 1986; O'Farrell & Hitchins, 1988b; Lorrain & Dussault, 1988; Hebert & Link, 1988; Chell, et. al., 1991).

Much of the research within these areas has concentrated on the start-up phase of the firm and on single characteristics of either the firm founder or of the small firm itself (Davidsson, 1989; Stanworth and Gray, 1991). Further, the majority of this research has been conducted in isolation from measures of enterprise growth or decline (Barber et al., 1989; Chell, et al., 1991). More recent research attention devoted to the small enterprise has begun to reflect concern with the narrow focus of the traditional areas of research interest. Increasingly, management research attention is being directed to factors influencing the established small firm. Thus, the emphasis has begun to shift from analysis of the process of starting a small business to concentration on the process of growing a small firm (Birley, 1987; Woo, Dunkelberg and Cooper, 1988; Davidsson, 1989; Birley and Westhead, 1990; Gibb, 1991).

Recent studies indicate that internal managerial issues are the most significant obstacles to growth in the small firm (McGee, 1989). Maintaining growth (1) often strains the internal marketing and innovative resources of the firm and (2) is largely dependent upon the continuous development of product and cost advantages (Barber, et al., 1989). Further, most small firms grow by moving from operating in relatively narrow market niches to serving a larger number of market segments. This requires a broadening of the internal skill and knowledge bases of the enterprise in order to match the demands of a changing environment (Stasch and Ward, 1985).

McGee (1989) has argued that this process of continual realignment with the two primary environments of the firm (external and internal) puts particular pressure on the firm

in its early growth stages. In particular, the early growth of the enterprise may reflect the general growth of the firm's market, rather than any specific advantages of the firm. This may mask longer-term strategic weaknesses. McGee (1989) further contends that those firms which overcome these problems at the initial stages of growth will display better strategic resource allocation decisions. They will have overcome what he considers to be the most fundamental potential barrier to small firm growth, namely, the internal management of the firm. Central to this growth orientation in the small firm is the owner-manager (O'Farrell and Hitchins, 1989; Davidsson, 1989; Gibb and Davies, 1990). The owner-manager has been deemed to be a critical provider of the internal management in the small firm, even though not all small firms are run by owner-managers (Boswell, 1973; Child, et al., 1975; Deeks, 1976; Carland et al., 1984; O'Farrell and Hitchins, 1989).

In summary, the indigenous small firm sector of the economy has been assigned a critical role by the Irish government in terms of the implementation of its economic development strategy. A critical element in determining the ability of the Irish small firm to begin to fulfil this role, and thereby continue its recent strong employment generation performance, is the small firm owner-manager. As yet, however, management research which has examined the role of the owner-manager in relation to the growth of the small firm has not yielded satisfactory results.

This is the case, notwithstanding the significant body of research which has followed Adam Smith in examining the issue of the "anxious vigilance" required of the managers of other people's money. The issue of the separation of ownership and control in "quasi-public" and professionally managed corporations has been extensively researched, especially given the rise of the latter during the twentieth century (Berle and Means, 1932; Coase, 1937; Baumol, 1959; Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Green and Berry, 1991).

This research has focused on the ownership-control debate almost exclusively in larger firms where the manager's role as an agent of the owner is a common feature of the large, diversified organization. In small firms ownership and control are more likely to be vested in the same individual, i.e. the owner-manager, and where this occurs, the issue of an agent operating on the owner's behalf does not arise (Stanworth and Curran, 1977; Birley, 1989). This has led to the contention that many of the findings of research pertaining to large firms, as in the case of agency theory, may not be entirely relevant to the small firm (Birley, 1989; Mintzberg, 1989). This may be of particular import in a country such as Ireland, where the 1994 Government Task Force on Small Business found that 98% of non-farm businesses had sales turnover of less than IR £ 3 million (c. \$5 million) and employed fewer than 50 people each.

GROWING THE SMALL FIRM THROUGH INTERNATIONALIZATION

As outlined above, the management processes inherent in growing the small firm have only recently become the focus of extensive empirical research in management. Allied to this, the importance of the small firm in the Irish context has been identified. Given the small size of Ireland's domestic market (3.5 million people in the Republic of Ireland and 1.5 million in Northern Ireland), it is no surprise that the Dublin government has exhorted Irish firms to consider exporting to international markets in order to grow. This strategy has had some success. The value of exports from indigenous industry in the Republic of Ireland grew 17% in 1994 to a record IR £ 4.6 billion (c. \$7.6 billion). Total exports from the country were valued at IR £ 22.4 billion (c. \$36 billion) in 1994, up 14% from the previous year. The Irish Trade Board, the state agency charged with development of Ireland's external trade, predicts another strong year of growth in the indigenous sector in 1995, and its forecasts are for a near doubling of present export values by indigenous firms, to IR £ 6 billion, by 1999 (Irish Trade Board Annual Review, 1994). This strong performance is reflected across virtually all sectors of native industry, built on a vigorous recent growth record which has seen indigenous exports increase by 46 per cent over the past five years and more than double since 1987. The 17 per cent growth achieved by indigenously-owned firms in 1994 was more than double that of the growth rate in total world markets (7%). This strong performance in value-added was also reflected in employment, with indigenous exporters creating an additional 1,200 jobs in 1994 (Irish Trade Board Annual Review, 1994).

Embedded in this fine performance, however, lie a number of recently highlighted concerns for Irish exporting industry (International Trade Digest, 1995). These concern both macro-economic factors (such as the maintenance of a favorable exchange rate and the volatility of the British market, which accounted for 43% of indigenous exports in 1994), and more micro or firm-based issues, particularly in terms of human resource strategy (HRS) in the areas of education, recruitment, development and international staffing (Business and Exporting, 1995). This paper reports, from an on-going study, on how these HRS concerns are perceived to affect growth-oriented indigenous small firms engaged in internationalization. Data is being generated from in-depth interviews in eight internationally-trading small firms. In all cases, the managing director or the senior manager responsible for exporting strategy is interviewed. Interviews range in length from 2 hours to 3 ½ hours and firms are chosen so as to reflect a broad base of industry sectors, locations and sizes. All firms in the sample have fewer than 100 employees and none has a turnover exceeding IR £ 5 million (c. \$8 million).

EDUCATION

An international perception of the excellence of Ireland's educational systems appears to be well established (World Competitiveness Report, 1992). Such a view is also shared by many involved in the Irish export industry. Referring to how Irish exporters might achieve

more profitable positions in international markets, especially in the United Kingdom, Irwin and MacDonnell (1995) argue that:

The big single difference that exists between the neighboring islands, however, presents real opportunities for us to supply services; our human resources (Irwin & MacDonnell, 1995: 5).

They further suggest that two critical factors here include the relatively high investment in education in Ireland and the age structure of both countries - Ireland having one-third of its population under the age of 25 while Britain's population structure shows a steady increase in the over 50's age bracket.

The Irish population explosion - now slowing down - complements the British demographic implosion, and the opportunities thus revealed cry out to the observant marketeer. Services that require educated and well-trained personnel, a good command of English, good interpersonal skills and a younger age profile than the purchaser of services, are those that we can supply in some depth and that the (U.K) market is going to need and be willing to pay for" (Op cit: 5) .

A favorable view of the throughput of the national education system is also apparent from the executives interviewed for this study. All eight interviewees expressed themselves satisfied or very satisfied with their perception of the educational standards achieved by their employees prior to joining, with the issues of language skills and flexibility being of greatest concern. Three of the interviewees suggested that language training should begin in more primary schools. According to one interviewee:

...and we should also be encouraging students to study abroad if possible and learn about other cultures more...this understanding is extremely important when you are selling abroad, in my opinion...after all, if I sell in French and German, why shouldn't I speak the language? (Patrick MacNeilly, Export and Operations Manager, Greengrow Food Products).

RECRUITMENT

The availability of a historically plentiful supply of labor in Ireland should ensure a ready flow of talent to exporting firms, no less than domestically-focused enterprises. Firms interviewed were of the view that only two areas gave cause for concern - the skilled apprentice and the multi-lingual graduate. First, concern with the national apprenticeship system appears to be gathering momentum and such perceptions are not confined to exporting firms. Indeed, as one exporter points out:

The people we need are generally flexible people with a general education rather than a narrow specialization in any one field - any other particular skill can be bought in as we need it. The days of one job and one skill lasting a lifetime are over (Mildred Bowater, MD, B & W Clothing Ltd.).

In terms of graduates, firms in the sample consider that the situation is improving and that as courses at university level increasingly include more continental European languages and Japanese in their curricula, the hiring of talented young, multi-lingual graduates will increase. Some exporters see the increasing numbers of European students who spend a semester or year studying at Irish universities as potential assets:

What I would like to see is small Irish exporters using more foreign students during their time here. A resource is available in universities which could make the difference in selling to a customer in Spain or Austria or wherever - they could translate letters of introduction, make phone calls or even act as an agent for us, whatever, it's up to us to use their expertise more (Jeremy Gallagher, Export Manager, Endemic Chemicals Ltd.).

Firms in the sample had plans to increase their staffing levels in the year ahead, with a majority indicating that recent strong sales growth was responsible. Six of the firms referred to the increase as likely to come largely in their production functions, whereas only two enterprises had plans to hire management staff in the rest of 1995.

I think what we will do is boot up on the production front first and meet the demand - makes sense to do that first... Only after seeing how things pan out would I make a move on managers... with 67 people here I can look after a lot of the extra stuff myself, at least for the moment, anyhow (Seamus O'Kelly, Managing Director, Universal Fabricators Ltd.).

DEVELOPMENT

The issue of employee development has gained in importance recently, in part fueled by increasing interest in resource-based strategies as important drivers of competitive advantage (Hendry et al., 1995). In the indigenous Irish firm, there has been growth in the provision of development opportunities, whether on-the-job, of an applied industry or craft nature or in more formal off-site training and education programmes (Heraty and Morley, 1994). Smaller Irish-owned enterprises, while less likely to engage in formal human resource development needs analysis than their larger counterparts, have been found to provide an average of four days of training at the managerial level and three days per annum at other levels (Walsh, 1994), a figure which contrasts with the development opportunities provided by larger firms, where managers receive 5-10 days training per annum (Heraty and Morley, 1994).

Two critical development issues emerge from the data generated by this study. First, firms are concerned that much development opportunity happens in two discrete stages - before the employee joins the enterprise (usually in university or other third-level institution) and strictly on-the-job thereafter, whilst employed:

There seems to be very little chance of developing new skills except here or to get somebody good when you are hiring. What I think should happen is more of an ongoing thing - where I could send my good staff on a course or something - but it would have to be related to our business - I'm not interested unless we benefit here directly (Michelle MacCarthy, General Manager, MMC Software Services).

Clearly there exists an opportunity for educational institutions to provide courses and degree programmes to begin to address this development need - at present, for instance, the only programme which concentrates on international trade specifically is at the part-time diploma level, a course which the Irish Exporters Association has developed itself. This course is offered throughout the country, typically at Regional Technical Colleges. Whilst this programme is a welcome development, the opportunity to develop higher-level strategic skills is not being addressed. No degree specialty in international business exists in any Irish university and no advanced courses focusing entirely on international business at masters levels, for instance M.Sc. programmes by research or in taught format, are offered; an extraordinary lacuna for an economy as open as that of the Republic of Ireland.

STRATEGIC STAFFING: THE INTERNATIONALIZATION EXPERIENCE

Finally, firms in the sample were unanimous that the staffing of their international operations was of crucial importance to their success and especially critical to the success or failure of their growth strategies. Overall, they pointed to four concerns in this regard: (1) language competency, (2) the costs of maintaining overseas operations, (3) maintaining growth so as to keep employment, especially in their marketing function, stable, and (4) design abilities in production.

My experience is probably typical - I have strong sales overseas now and need bright people with languages who will bring in even more business in our European markets But I must be careful with my costs - it may suit me better to use an agent than my own person in the long term. And what we must do is get new products out - all the time, new designs, better quality, just a better product all the time...That's what doing business abroad is about today (William Herlihy, Marketing Director, Island Trading House Ltd.).

There has not been a concerted effort by the indigenous small exporter in Ireland in the development of inter-firm linkages in overseas markets. Apart from a short-lived hook-up between a toothpaste manufacturer, a biscuit maker and a soap manufacturer some years ago

in an attempt to share the costs of overseas marketing, the only substantial linkage existing is in the textiles industry, where the Irish Knitters Guild - a consortium of some 25 indigenous sweater and woollens firms - shares the cost of selling overseas among its member companies. As one exporter pointed out, many Irish firms are going to the same buyers: "and you'd think we would be able to share more - I don't know why we don't do more, now that you mention it." Perhaps the individual nature of the Irish economy, in to contrast European models such as the Scandinavian model, where consensus and entrepreneurial networking are strong features, bears some responsibility in this regard.

CONCLUSIONS

This paper has examined the important role which the indigenous small firm plays in the Irish economy, has highlighted the strategic importance of growth through internationalization in this sector and has examined from an ongoing study some of the human resource strategy issues facing small exporting firms choosing to grow through exporting. It is evident from the data that a consensus is emerging among indigenous small enterprises in relation to the most important HRS issues which they face. These center on education, development and staffing costs. Opportunities for addressing these gaps have been identified - these appear to provide some new product development potential at the institutional level in particular. The ongoing struggle by indigenous small firms for market share overseas has been appropriately summarized by Colum MacDonnell, Chief Executive of the Irish Exporters Association, and perhaps its apposite at this juncture is to leave the final word to a practitioner rather than to an academic researcher:

One of the facts of life for all businesses in Ireland is the small size of the domestic market. Mr. William McCarter of Fruit of the Loom, recently declared it would take his company only two weeks to manufacture one garment for every man, woman and child in our tiny domestic market. So the development of an export dimension is inescapable if the small company is to survive and prosper...If government does not take decisive and rapid action, markets will be lost, production will move out and jobs will be lost in serious numbers (Irish Times, 10/7/1995: 13).

The task of growing the indigenous small firm in Ireland appears set fair, then, to be focused on a strategy of more and better exporting to an ever increasing number of international markets - a difficult, demanding management task and yet potentially a most fruitful, albeit relatively underexplored, research arena in the Irish management context.

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