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LETTER FROM THE EDITORS

We are extremely pleased to present Volume 4, Number 2, of the *AEJ*. The Academy of Entrepreneurship is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *AEJ* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to advance the knowledge, understanding, and teaching of entrepreneurship throughout the world. To that end, the journal publishes high quality, theoretical and empirical manuscripts, which advance the entrepreneurship discipline.

The manuscripts contained in this volume have been double blind refereed. The acceptance rate for manuscripts in this issue, 25%, conforms to our editorial policies.

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

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Beginning with the next volume of the Journal, we are announcing a new Editor, Dr. Thomas M. Box, Department of Management, Kelce School of Business, Pittsburg State University, Pittsburg, KS 66762 316-235-4582; Fax 316-235-4513; tbox@pittstate.edu. Please feel free to contact Dr. Box with journal submissions. Also, if you wish to serve on the editorial board of this journal, please contact him and let him know. We look forward to a successful year and an outstanding relationship with Dr. Box.

JoAnn and Jim Carland
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A COMPARATIVE EVALUATION OF THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM IN THE UNITED STATES: THE 1990 AND 1992 STUDIES

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ABSTRACT

This article compares the results of two studies designed to assess the economic impact of the long term consulting activities of the Small Business Development Center (SBDC) program in the United States. Comparisons show that the SBDC program delivers consistent value to small business and entrepreneurial clients and contributes to the economic development of the nation as a whole.

INTRODUCTION

The Small Business Development Center (SBDC) provides management assistance, at no charge, to small business managers and aspiring entrepreneurs who are unable to afford the cost of a private consultant. Over its nearly 20 years of existence in the United States, the Program has expanded to include Centers in all fifty states (with four independent Centers in Texas), the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. The 57 SBDCs operate with an annual combined budget from federal funds and matching state grants of over $100 million per year.

The SBDC Program is somewhat unique in the sense that, throughout its history it has been subject to periodic evaluations to assess whether it services are beneficial to clients and whether the expense is justified from the perspective of society in general. Thus, there have been a number of prior studies of individual state programs (Chrisman, Nelson, Hoy, & Robinson, 1985; Nahavandi & Chesteen, 1988; Pelham, 1985; Robinson, 1982). These studies have provided affirmation of the effectiveness of those programs. Other studies have suggested that these results apply regardless of gender or ethnic background (Chrisman, Carsrud, DeCastro, & Herron, 1990; Chrisman & Carsrud, 1991). More recently, evidence has been furnished that the findings of studies with more restricted samples apply to the national program as a whole (Chrisman & Katrishen, 1994). The only question that appears to remain at this point is whether the national program adds value consistently over time.

The purpose of this study is to do just that. By comparing the results of the SBDC program at two separate points in time (the 1990 and 1992 national impact studies), we hope to determine if the findings of previous studies represent a pattern of performance or simply an artifact of chance. This exercise is useful for entrepreneurs who may be unaware or unconvinced of the benefits the SBDC offers and to policy makers charged with the task of allocating limited public resources to economic development programs. It should also be useful for SBDC directors as a means of assessing performance and determining where improvements are warranted. The remainder of this article outlines the methods used to conduct and compare the studies, the findings of the comparative investigation, and the implications of the integrated results.

THE NATIONAL IMPACT STUDIES' METHODOLOGY

The national impact studies of the SBDC program used a mail questionnaire to collect data. In the 1990 study the questionnaire was sent to a random sample of over 10,000 long term clients, in the 1992 the questionnaire was sent to the entire population of approximately 43,000 long term clients. The questionnaire asked clients to evaluate the benefit of the SBDC's services and provide their sales revenues and employment levels for the year in which counseling was received and for the subsequent year.

In both studies tests were conducted to determine if the number of responding clients were sufficient to obtain a reliable and valid estimation of their sales and employment. The results of these tests suggested an acceptable level of sampling error.

Although the 1990 study included a large random sample of clients and the 1992 study included the entire population, a mail survey seldom, if ever, results in 100 percent participation. Therefore, it was necessary to conduct statistical tests to ensure that respondents were representative of the population, there was a minimum likelihood of response bias, and that the data were reliable. The following procedures were used.

To test for representativeness, the respondents and the population were compared on the gender and ethnic background of the clients and the industry in which the business competes. For both studies chi-square goodness-of-fit tests indicated that respondents were generally representative of the population along these dimensions. To test for response bias, early and late respondents were compared with respect to their sales, employment, and evaluation of the SBDC's services. T-tests and ANOVAs found statistically significant differences. Since later responders could be expected to be more similar to nonrespondents than earlier responders are (Oppenheim, 1966), we concluded that there was no reason to suspect bias along any of the key variables analyzed in either study. Finally, the reliability of the questionnaire was assessed by a point biserial correlation comparing clients' perception of whether the SBDC's services were beneficial and their evaluations of both the quality of their consultants and their willingness to recommend the SBDC to others. The results of the analyses indicated strong statistically significant relationships between these questions in both studies.

To estimate the economic impact of SBDC consulting services the following procedures were used for established businesses and pre-venture clients. For established businesses who received at least five hours of assistance, the changes in sales and employment between the year in which consulting was received and the year after consulting was received was calculated. Two part-time employees were considered equivalent to one full-time employee.

Rates of sales and employment growth for the established clients were compared with the weighted average growth rates in the home states of the participating centers on each measure. Statewide averages were weighted according to the number of clients served by each center as a proportion of the total number of clients served by the participating centers.

The difference between the growth rate of clients and weighted average growth rates for all businesses was used to estimate the incremental changes in sales and employment growth of the sample. Only those clients who indicated that the SBDC's services were beneficial were used to calculate the incremental growth rates. The incremental growth rates were multiplied by the average sales and employment of the respondents for the base year in which consulting was received.

The average incremental improvements in sales was then multiplied by the weighted average sales tax rates and the average incremental employment improvements were multiplied by weighted average federal and state income taxes paid per return by median income filers. These numbers were then multiplied by the total number of established business clients after adjusting for the proportion of the respondents who indicated the SBDC's services were beneficial. The end result was an estimate of the benefits of the SBDC's services in monetary terms.

Weighted averages of each tax figure used in the studies were calculated based on the proportion of clients served by each state compared to the total number of clients served by the participating SBDCs to guard against potential bias that might exist if response rates to the survey differ by state. The weighted average sales tax rate was reduced by 25 percent to reflect the fact that not all businesses pay sales taxes even though some of their sales may eventually "pass through" to the final consumer. A weighted average of the federal income taxes paid per return for median income tax filers clients was calculated. Average state income taxes paid per return were also adjusted to estimate the median of taxes paid per return. Medians were used for the analysis rather than averages to better reflect the types of employment opportunities offered by SBDC clients.

Similar procedures were used for pre-venture clients who received at least five hours of assistance, with the following exceptions. First, as pre-ventures had no previous sales or employees from which to calculate growth, the raw averages were used to assess economic impact. Second, this average was adjusted to account for the total number of pre-venture clients who failed or did not start a business.

Once this adjustment was made, the average performance of the pre-venture respondents was multiplied by the corresponding tax rates, the proportion of pre-ventures who judged the SBDC's services to be beneficial, and the total estimated number of pre-venture clients.
The tax revenue generated by the SBDC was divided by the total cost of providing the services to arrive at a benefit to cost ratio. The total operating budget of the participating SBDCs was used for this calculation. Since the SBDC program is financed by federal and state taxes, the comparison of this cost with the incremental taxes paid by clients provides an analysis of costs and benefits on a consistent scale of measurement.

RESULTS

Although the purpose of this analysis was to make comparisons of the results of two studies, these comparisons must be done with caution because of differences in results that are beyond the control of the SBDCS. Although the results are presented on consistent scales of measurement, no attempt was made to control for inflation, differences in tax rates, or the types of clients served during the years examined (pre-ventures versus established businesses and short term versus long term). Bearing this in mind, a comparison of the performance of the SBDC in 1990 and 1992 still yields meaningful insights.

Table I provides comparative overall data for the 1990 and 1992 studies. As this Table shows, the performance of the SBDC program has been remarkably consistent over time. Thus, from the top half of the Table, we find that the number of clients served, jobs created, and tax benefits remained relatively constant. However, total allocated costs increased. This may be a consequence of the start up of new subcenters within some states or a change in client mix from long term to short term. Nevertheless, this result suggests that the SBDCs should monitor costs more closely.

TABLE 1
COMPARISON OF SBDC PERFORMANCE IN COUNSELING ALL LONG TERM CLIENTS: 1990 AND 1992 STUDIES

	1990	1992	% Change
Participating states	47	47	0.0%
Number of clients	43,636	43,461	-0.4%
Jobs created	64,933	68,467	+5.4%
Tax benefits (in $ millions)	$288.55	$290.80	+0.8%
Total allocated costs (in $ millions)	$ 98.38	$115.82	+17.7%
Clients per state	928	925	-0.3%
Cost per client	$2,255	$2,665	+18.2%
Jobs per client	1.49	1.58	+ 6.0%
Cost per job	$1,515	$1,692	+11.7%
Benefit to cost ratio	2.93/1.00	2.51/1.00	-14.3%
Proportion of clients satisfied with service	80.1%	83.1%	+ 3.7%

The bottom half of Table 1 provides the various performance ratios of the SBDCs for the two years examined. Again, there is evidence of a decrease in efficiency as the cost per client and cost per job generated increased over the two year period. Furthermore, the benefit to cost ratio declined by 14 percent. Given the increase in jobs generated per client and the proportion of clients who were satisfied with the service, it is apparent that the decline in the benefit to cost ratio came as a consequence of a drop in efficiency rather than a loss of effectiveness. Nevertheless, the cost per job generated in 1992 of less than $1700 and the benefit to cost ratio in excess of 2.5 still indicate superior performance on the part of the SBDC program.

Table 2 provides similar information with respect to the SBDC's performance in counseling established businesses. This Table suggests that the SBDC has began to place more emphasis on established business clients as evidenced by the increase in both the numbers of these clients and the budget dollars allocated to serve them. The bottom portion of this Table indicates that the emphasis on established business clients has paid off. Thus, while costs per client have risen by 13 percent, the number of jobs generated per client increased by over 50 percent. This resulted in a 25 percent decrease in the cost per job and a 14 percent increase in the benefit to cost ratio. Client satisfaction also appears to have increased slightly. All these numbers indicate that the SBDC became more effective, and more efficient in counseling long term small business clients between 1990 and 1992. It also suggests that there may be economies of scale involved in the provision of services to these clients.

TABLE 2
COMPARISON OF SBDC PERFORMANCE IN COUNSELING ESTABLISHED BUSINESS CLIENTS: 1990 AND 1992 STUDIES

	1990	1992	% Change
Number of clients	24,654	27,987	+13.5%
Jobs created	16,370	28,124	+71.8%
Tax benefits (in $ millions)	$ 85.33	$125.27	+46.8%
Total allocated costs (in $ millions)	$ 62.57	$ 80.84	+29.2%
Clients per state	525	595	+13.3%
Cost per client	$2,538	$2,888	+13.8%
Jobs per client	0.66	1.00	+51.5%
Cost per job	$3,822	$2,874	-24.80/.
Benefit to cost ratio	1.36/1.00	**1.55/1.00**	+14.0%
Proportion of clients satisfied with service	80.0%	81.7%	+ 2.1%

By contrast, Table 3 seems to indicate that pre-venture clients, those who had planned to start a business when contacting the SBDC, received relatively less attention in 1992 than in 1990. Thus, the number of clients, the number of jobs created, and the tax benefits generated, all declined. Interestingly, total allocated costs remained relatively constant. The bottom half of this Table shows that the decline in benefits (-18.5%), and hence the decline in the benefit to cost ratio (-16.6%), came entirely from declines in the number of clients served (-18.6%). Since costs remained relatively stable, it is rather obvious that it was declining efficiency rather than declining effectiveness that was the fault for the lower performance. This is supported by the similar increases in the cost of counseling each client (+19.8%) and the cost of generating each job (+17.6%). On the other hand, this inefficiency did appear to lead to a higher proportion of satisfied clients. Therefore, the future attention to efficiency should be done with caution lest client satisfaction suffer.

What is also worth noting is the substantially higher benefit to cost ratio for pre-venture clients as opposed to established business clients. Although the SBDC's performance declined with respect to the former and improved with respect to the latter, the payoff from counseling pre-venture clients remained over three times higher than the payoff from counseling established business clients. In fact, the SBDC assistance to pre-venture clients is more effective and efficient on all measures compared to its assistance to established business clients. The greater payoff from counseling new businesses as opposed to growing businesses is food for thought for SBDC directors and public policy makers.

TABLE 3
COMPARISON OF SBDC PERFORMANCE IN COUNSELING PRE-VENTURE CLIENTS: 1990 AND 1992 STUDIES

	1990	1992	% Change
Number of clients	18,982	15,474	-18.5%
Jobs created	48,563	40,343	-16.9%
Tax benefits (in $ millions)	$203.22	$165.53	-18.5%
Total allocated costs (in $ millions)	$ 35.81	$ 34.98	- 2.3%
Clients per state	404	329	-18.6%
Cost per client	$1,887	$2,261	+19.8%
Jobs per client	2.56	2.61	+ *2.0%*
Cost per job	$737	$867	+17.6%
Benefit to cost ratio	5.67/1.00	4.73/1.00	-16.6%
Proportion of clients satisfied with service	80.2%	85.2%	+ 6.2%

SUMMARY AND CONCLUSIONS

Results indicate that the SBDC contributes significantly to economic development in the United States, generating thousands of new jobs and returning more to society than the cost of its operation. Although not all small business managers or would be entrepreneurs will necessarily benefit from what the SBDC has to offer, the growth in sales revenue and employment and the high level of satisfaction experienced by previous clients strongly suggest that many can obtain assistance that will improve their businesses. Furthermore, the consistency in the results over time reinforce this conclusion.

While some changes in performance were noted between 1990 and 1992, and not all of these for the better, the results for the two years examined were strikingly similar, as well as impressive. Although it must be emphasized that the numbers presented in this report are only estimates, their magnitude suggests that even if they were in error, our overall conclusions would remain the same.

For public policy makers, the primary implication of this study is that it is possible to design a government program to assist entrepreneurs and small business managers in a manner that makes a demonstrable contribution to society in terms of job creation and actually recovers, albeit indirectly, its costs. Given the results obtained in this study, and the host of previous studies conducted in the past, it appears that providing information and training to entrepreneurs will lead to better business decisions and a healthier small business sector. It is our belief that programs that accomplish these ends are preferable to those which provide financial aid to entrepreneurs with ideas that have been deemed unattractive by lenders and investors. In other words, perhaps government should invest in creating and disseminating business knowledge rather than invest in the businesses themselves.

From the perspective of the SBDC, this comparative study highlights two key points. First, the greatest payoff comes from assisting new businesses not growing businesses. Furthermore, all the evidence shows that this is what the SBDC does best and this is what it should be emphasizing. Second, the analysis suggests that more attention should be given to improving the efficiency of the SBDC's operations. Although there are may be explanations why the efficiency measures used should have declined -- e.g., the establishment of new sub-centers to handle previously underserved regions with the associated start up costs, more time spent per long term client, or more short term clients who are counted on the cost side but not the benefit side -- this is an area that deserves greater managerial attention and control in the future.

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STRATEGIC ANALYSIS AND POSITIONING IN ENTREPRENEURIAL AND SMALL FIRMS: A MARKET DRIVEN MODEL*

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ABSTRACT

Customer satisfaction is the key to survival and success of small businesses in today's highly competitive marketplace. Improving customer satisfaction, however, is a function of effectively and efficiently matching the firm's product and service offerings with the needs and expectations of customers. The purpose of this article is to demonstrate the utility of Importance-Performance-Awareness (IPA) analysis, a highly pragmatic, inexpensive, and easy to apply strategic analysis and resource allocation tool, designed to accomplish the above objective.

INTRODUCTION

Empirical research has demonstrated that satisfaction with a product/service is a function of both, the buyer's expectations related to salient product/service attributes, as well as his/her judgment about the firm's performance on those attributes (Martilla & James, 1977; Parasuraman, Zeithaml, & Berry, 1988). Although many businesses recognize the need to emphasize customer satisfaction, they often mistakenly assume that they know what is important to their customers (Smith, 1991). The analysis framework advocated and illustrated in this article, IPA analysis, overcomes that shortcoming by using the customer as the source of judgment on both of these issues.

Specifically, this analytic mapping technique allows a small firm, using a questionnaire survey of its customers, to (a) gauge the degree of awareness that its customers have regarding the salient attributes of its product/service offering, (b) gain a clear understanding of its customers' needs and expectations regarding those products/service attributes, and (c) assess its customers' perceptions concerning its performance relative to those attributes. The resulting information is then plotted and graphically displayed in a series of perceptual maps which are then analyzed to determine the firms' current strategic strengths and weaknesses. Furthermore,

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such a diagnostic and strategic analysis enables the firm to become both more effective and more efficient by identifying and prioritizing areas that are potentially more problematic, merit the greatest amount of attention, and to which the largest proportion of scarce resources should be devoted.

IPA analysis has been successfully applied in a variety of organizations. For instance, it has been used to analyze the effectiveness of health care organizations in serving their customers (Hemmasi, Strong, & Taylor, 1994; Graf, Hemmasi, & Strong, 1995). Efficacy of similar frameworks also have been demonstrated in the restaurant (Burns, 1986), automobile dealership (Martilla & James, 1977), and tourism (Crompton & Duray, 1985) industries. In this article, the utility of the IPA mapping technique for small businesses will be illustrated using its recent application in strategic analysis for a landscaping and gardening products/services business, hereafter referred to as the ABC Company.

IPA ANALYSIS AT ABC COMPANY

ABC Company is a family owned business located in a Midwestern community of approximately 140,000 inhabitants. Its business involves landscape design, landscape construction, landscape maintenance, nursery production, and a retail operation. The growing popularity of landscaping and gardening as a leisure pass-time recently has pitted ABC Company and other similar small firms against such giant retail competitors as K-Mart and Wal-Mart (Cook, 1990). This increased level of competition recently prompted ABC Company to undertake a strategic analysis aimed at assessing its competitive position and crafting necessary action plans to improve its customer satisfaction and market standing.

The first step in conducting IPA analysis for ABC Company involved generating a fairly comprehensive list of salient attributes (e.g., price, return policy, personalized service, competent employees, breadth of product line, product warranty, etc.) for the firm's products and services. Trade publications, company literature, and informal conversations with employees and customers were used to identify the following six groups of attributes related to the main aspects of the firm’s business: general attributes, employee attributes, nursery operation attributes, landscape design service attributes, attributes of the landscape installation and maintenance service, and attributes of the gardening gift/specialty store. For products and services, both summative (i.e., product/service outcomes) and formative (i.e., process of product/service delivery) evaluation items were included (Patten, 1998, pp. 50-51). For services, care also was taken to assure representation of all five dimensions of service quality--i.e., assurance, empathy, reliability, responsiveness, and tangibles--as identified by the stream-research utilizing the SERVQUAL methodology (e.g., Parasuraman, Zeithaml, & Berry, 1988; Berry, Parasuraman, & Zeithaml; 1994). Next, feedback and comments from management and employees were used to revise and complete the initial list. This was important because if evaluative factors important to customers are left out of the list, the usefulness of the analysis could be severely limited. The final list consisted of 47 potentially salient attributes (see Table 1) and was limited only to factors over which management had at least some degree of control. This would ensure that the necessary interventions and strategic changes suggested by the analysis results would be both realistic and implementable.

TABLE 1. LIST OF SALIENT PRODUCT/SERVICE ATTRIBUTES

GENERAL ATTRIBUTES:
1. Location convenience and accessibility
2. Convenience of operating hours
3. Convenience and accessibility of parking
4. Attractiveness of physical facilities
5. Firm's size
6. Product/service quality
7. Price competitiveness
8. Product/service variety
9. Offering seminars, workshops, etc.
10. Providing educational literature
11. Product/service warranties
12. Hassle-free return policy
13. Being environmentally friendly
14. Philanthropic involvement in community

EMPLOYEE ATTRIBUTES:
15. Providing caring, personalized service
16. Giving assistance and advice
17. Providing prompt service
18. Being knowledgeable and competent
19. Well dressed/neat appearance
20. Well trained and experienced

ATTRIBUTES OF NURSERY:
21. Price competitiveness
22. Wide selection of plants
23. Offering unique and rare plants
24. Availability of locally grown plants
25. Providing plant-care instructions
26. Offering organically-grown plants

LANDSCAPE DESIGN SERVICE ATTRIBUTES:
27. Price competitiveness
28. Offering unique and creative designs
29. Offering modern and innovative designs
30. Valuing customer's ideas and suggestions
31. Working within customer's budget

ATTRIBUTES OF LANDSCAPE INSTALLATION AND MAINTENANCE SERVICE:
32. Price competitiveness
33. High quality service
34. Working at customer's convenience
35. Not being bothersome or disruptive
36. Cleaning property after service

ATTRIBUTES OF GARDENING GIFT/ SPECIALTY STORE:
37. Store attractiveness and visual appeal
38. Store size
39. Offering a large selection of products
40. Offering special and unique products
41. Price competitiveness of products
42. Offering brand-name products
43. Selling American-made products
44. Offering seasonal and holiday items
45. Offering special services (e.g., gift wrapping)
46. Offering free product samples
47. Having a cafe/coffee shop in the store

The list of attributes was used to construct a questionnaire. The first section of the questionnaire was designed to assess the degree of importance (1 = Not Important, 7 = Extremely Important) that customers attach to each of the 47 product/service attributes on the list when shopping for gardening and/or landscaping products and services. The second part of the questionnaire asked respondents to rate ABC Company's actual performance (1 = Not at all satisfactory, 7 = Extremely Satisfactory) in meeting their expectations relative to each of the same attributes. Also, respondents were given the opportunity to opt out of rating ABC's performance on those specific attributes for which they did not have the necessary information to make a judgement. They did so by picking the response option indicating a lack of awareness about such factors. Finally, information on such demographic characteristics as gender, age, type of residence, and value of residence also were obtained.

Questionnaires were mailed to approximately 500 non-commercial customers on ABC's mailing list. These were customers who had consented to be contacted through mail (to receive sale ads, etc.) by the Company. Also, since they all were patrons with prior purchasing experience with ABC, they would be familiar with at least some of the operations and attributes of the organization. Of the 500 surveys mailed, 87 completed and useable questionnaires were received and were included in the IPA analysis.

Conducting IPA analysis requires constructing two perceptual maps or action grids. To do this, the percentage of respondents who were aware/unaware of each attribute, as well as the mean values for each attribute's importance and performance ratings, were first computed. These values were then plotted on two two-dimensional action grids/maps: an Importance-Awareness grid (see GRID 1) and an Importance-Performance grid (see GRID 2). In each of these grids, high and low importance level represented the vertical axis and high and low levels of the other dimension (i.e., awareness or performance) represented the horizontal axis. Of course, the grand means for importance, awareness, and performance scores across all attributes were depicted as the low versus high cut-off points to establish the four quadrants of each grid. The grand means were used as the dividing points since the focus of the analysis is on the relative, rather than absolute, levels of importance, awareness, and performance.

The quadrant of the grid which included each attribute indicated the appropriate strategy for that attribute. For the Importance-Awareness grid, the four alternative strategies included “increase promotion,” “maintain promotion,” “monitor promotion,” and “reduce promotion” (Graf, Hemmasi, & Strong, 1996). The strategies to be applied to the product/service attributes located in the resulting quadrants of the Importance-Performance map, on the other hand, were “concentrate here,” “keep up the good work,” “low priority,” or “possible overkill” (Martilla & James, 1977). As is implied, the above quadrant labels not only reflect the firm's areas of strategic strength/weakness and opportunity/threat, but also the recommended market communication strategies and resource allocation priorities applicable to each attribute.

STRATEGIC IMPLICATIONS OF IMPORTANCE-AWARENESS ANALYSIS

An examination of the Importance-Awareness map in GRID 1 suggests that the firm’s product/service characteristics that are both judged to be most important and associated with the highest degree of customer awareness were virtually all employee attributes (5 out of 6), all focusing on level of experience, professionalism, and helpfulness; followed by general attributes (5 out of 14) related to product/service price, quality, variety, operating hours, and warranties; attributes of nursery (3 out of 6) related to price, selection, and plant-care instruction; and uniqueness and innovativeness of landscape design (2 out of 5). The above characteristics, therefore, call for a maintenance posture regarding marketing/promotional activities (MAINTAIN PROMOTION). In other words, not only did the clientele value these attributes, the gardening and landscaping firm’s current promotional strategies were effective in increasing an awareness of these strategically important facets of the firm's offerings. Therefore, no major promotional changes are called for in these areas.

The bulk of promotional resources and efforts for publicizing the company's product/service characteristics should be expended on those service areas that are considered to be more important to the community but have achieved relatively low awareness within that community. These characteristics are predominantly related to cost/budget, quality, convenience, customer orientation and after-service clean up of landscape design, installation, and maintenance services. These could be viewed as areas of untapped market opportunity. Because these product/service dimensions are considered important by potential customers, the company should elevate awareness of its competitiveness with respect to these attributes within the community (INCREASE PROMOTION). Thus, the company's strength relative to these characteristics should take on a greater focus in future promotional campaigns. If one wished to increase promotional activities aimed at bolstering community awareness of these issues, needed funds may be found through internal reallocation of promotional budgets.

Among all high-awareness attributes of the ABC Company, such general attributes as firm size, convenience of location and parking, attractiveness of facilities, and availability of gardening/landscaping training and related literature, as well as gift and specialty store attributes including store size, product variety, and availability of unique/special and seasonal items appear to stand out as relatively less important to prospective company clients. As ABC Company faces restricted resources, it may find it necessary to increasingly utilize internal budget reallocations to fund strategically imperative programs. As such, promotional dollars may be shifted away from campaigns focusing on the above low importance-high awareness items and into campaigns emphasizing high importance-low awareness items. That is, the items in the REDUCE PROMOTION quadrant may be the areas that can be closely scrutinized and that may potentially offer the budgetary flexibility for redirecting future promotional efforts into those attributes included in the "Increase Promotion" quadrant described earlier.

Those product/service attributes which are perceived to be less important and with which potential customers have relatively less awareness are primarily dominated by gift/specialty store and nursery attributes. Specifically, these include availability of American-made and brand-name gift items, special services (e.g., gift wrapping), free samples, in-store cafe/coffee shop; and rare, locally-, and organically-grown plants. Promotional emphasis on these characteristics should be closely monitored and prudently rationalized before significant additional resources or energy are expended (MONITOR PROMOTION). These may entail support-related functions which may be necessary in a full-service landscaping and gardening business, but which are not of central importance to the community being served. There appears to be little strategic advantage associated with promoting these types of functions in isolation. Also, periodic monitoring of community needs and preferences may be needed to determine if items in this quadrant are increasing in importance to the company's target market. The results may warrant a corresponding need to heighten awareness of the firm's capabilities in the above areas. Until community needs and expectations change, however, services in this quadrant, as compared to items in other categories, should continue to maintain a low profile from a promotional perspective.

STRATEGIC IMPLICATIONS OF IMPORTANCE-PERFORMANCE ANALYSIS

An examination of the Importance-Performance map in GRID 2 suggests that almost one-half of all attributes examined in the IPA analysis are positioned in the KEEP UP THE GOOD WORK quadrant and are perceived by customers to be both highly important and highly satisfactory. All attributes related to employees, landscape design services, and landscape installation/maintenance services, with the exception of employee appearance and price competitiveness, are positioned in this quadrant. Additional characteristics in this quadrant are selected general and nursery attributes including product/service quality and variety (e.g., a wide selection of plants), as well as warranties, a hassle-free return policy, environmentally friendly practices, and providing plant-care instructions. All items included in this cell of the grid are considered as both important value adding features and features performed/delivered in a highly satisfactory fashion by ABC Company. These represent areas of strategic strength for the company. The company has evidently done a good job of providing high quality service with respect to this group of important characteristics. These are, therefore, the areas that simply call for a maintenance posture to preserve the positive emphasis that currently exists.

GRID 2 also indicates that while customers viewed six product/service attributes as highly satisfactory, they perceived them as relatively less important. The majority of these, i.e., availability of gardening/landscaping training, educational literature, attractiveness of facilities, and convenience of parking, relate to general attributes. The remaining two items reflect employee appearance and availability of seasonal items in the gift/specialty store. These, therefore, may point to misplaced priorities or even misused resources (POSSIBLE OVERKILL). In fact, the significance that the firm currently places on these services could be selectively decreased unless other good reasons (e.g., as a defensive competitive measure, negligible cost, strategic synergy with other services) exists for continuing that level of emphasis.

While customers surveyed were less satisfied with fourteen features of the product/service offering (8 gift/specialty store, 3 nursery, and 3 general attributes), they also perceived these features to be of relatively low importance. The most significant finding here is that the vast majority of the gift/specialty store attributes (8 out of 11) and all nursery attributes related to availability of unique and specialty plants (e.g., rare and/or organically- and locally-grown specimens) fall into this category. Unless other compelling reasons exist, this would suggest scaling back/downsizing the scope of activities in these areas or possibly even discontinuing some product/service offerings altogether. That is, as far as resource allocation is concerned, these items generally should receive LOW PRIORITY. The data provided regarding this quadrant can be especially useful in that they could help management to avoid the common mistake of expending scarce resources on change activities (e.g., expanding services) in areas not associated with high customer expectation.

Finally, a combination of six attributes spread among five of the six categories can be considered operational features that reflect the firm's areas of strategic weakness. These include convenience of operating hours and lack of price competitiveness in general as well as in every specific component of the operation (i.e., nursery, landscape design, landscape installation and maintenance, and gift/specialty store). These, therefore, tend to offer the highest level of opportunity for improving performance and customer satisfaction. To gain maximum benefit from expenditure of resources and/or managerial attention, these attributes should be given top priority in any intervention/change effort (CONCENTRATE HERE).

CONCLUSIONS

The framework presented in this article is a practical, inexpensive, and easy-to-use diagnostic and decision making tool that incorporates into the strategic planning process both external customer orientation as well as internal efficiency considerations in resource deployment. These features of the IPA framework, along with the model's versatility and adaptability to various business settings, make it uniquely useful and beneficial for application in small and entrepreneurial firms. Application of IPA methodology will help such firms gain a greater understanding of the specific change activities which can improve their market performance. It also will minimize the likelihood of haphazardly and wastefully expending their scarce resources in areas in which the firm has no distinctive competencies and/or where market opportunities are lacking.

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NOT ALL SMALL BUSINESS OWNERS ARE ENTREPRENEURS

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ABSTRACT

Studies of entrepreneurship often assume that being a business owner-manager is sufficient by itself to categorize one as an entrepreneur. In this study, of those who had owned and managed one or more businesses (n = 148), 27 individuals (18.2%) stated they were not entrepreneurs. Four tests (EQ, EAO, MBTI, and HBDI) were used to measure the psychological characteristics of those classified as entrepreneur (owner-managers of one or more businesses who said they were an entrepreneur), owner-manager (owner-managers of one or more businesses who said they were not an entrepreneur), and non-entrepreneur (never owner-managers who said they were not an entrepreneur) groups. Subsequent analysis found the 27 owner-managers to be much more similar to non-entrepreneurs than they were to entrepreneurs. This confirmed the individual's judgement that they were not an entrepreneur. A significant sex effect for self-esteem appeared for owner-managers who said they were not entrepreneurs. Implications for entrepreneurship research are discussed.

INTRODUCTION

Entrepreneurship research often bases its definition of entrepreneurship in whole or in part on the criterion of small business ownership (Chaganti, Chaganti, & Mahajan, 1989; Dunkelberg, Cooper, Woo, & Dennis, 1987; Hisrich & O'Cinneide, 1986; Kalleberg & Leicht, 1991; Krasner, 1986; McCarthy, Krueger, & Schoenecker, 1989; Ray, 1986; Robinson, Huefner, & Hunt; 1991; Sexton & Bowman, 1986; Sexton, & Bowman-Upton, 1991; Smeltz, 1990). Sometimes this was the intentional operationalization of entrepreneurship, sometimes it appears that owner-managers were simply a convenient sample, and sometimes they were included as part of a larger group (such as clients of a Small Business Development Center or a mailing list for the National Federation of Independent Business).

Research on owner-managers and entrepreneurs often presumes that these two are the same (Dunkelberg, et. al., 1987; Kalleberg and Leicht, 1991; Robinson, Stimpson, Huefner,

& Hunt, 1991). Gartner's (1990) research using a delphi analysis of entrepreneurship researchers identified owner-managers as one of the eight important themes in the definition of entrepreneur. Brockhaus & Horwitz (1986) state that there are "few psychological characteristics that distinguish the entrepreneur from business managers" (p. 34).

Not everyone agrees with this position. Carland and Hoy have for years maintained that there is a difference between entrepreneurs and owner-managers and have found statistically significant differences between the two groups (Carland, Hoy, Boulton, & Carland, 1984; Hoy & Carland, 1983). Other researchers have also found differences between owner-managers and entrepreneurs (Begley & Boyd, 1987; Duffy & Stevenson, 1984).

One study (Robinson, et. al., 1991), defined entrepreneurs as individuals who had started one or more businesses, the last within the past five years, using some form of innovation. The current study, based on Robinson's earlier work, also started with the expectation that business owner-managership would be the basis for the operationalization of entrepreneurship. However, of 148 business owner-managers, 27 individuals (18.2%), explicitly stated that they did not consider themselves to be entrepreneurs. If entrepreneurship is equivalent to small business owner-managership, these 27 exceptions should not exist. This led to a reevaluation of how entrepreneurship should be operationally defined.

The 2 by 2 matrix in Figure 1 was conceptualized to illustrate the notion that there may be small business owner-managers who are not also entrepreneurs. The first dimension is whether they currently owned and managed or previously owned and managed businesses or other ventures (none versus 1 or more). The second dimension is how the subject answered "Are you an entrepreneur?" (yes or no). The number who qualified for each category is given in each cell.

FIGURE 1: CLASSIFICATION OF GROUPS AND NUMBER OF SUBJECTS IN GROUPS

Number of Businesses Owned

		None	1 or More
Entrepreneur	"No"	Non-entrepreneurs (n=174)	Owner-Managers (n=27)
	"Yes"	Potential Entrepreneurs	Entrepreneurs (n=121)

(n=13)	

Using the classification grid in Figure 1, non-entrepreneurs were those who said they were not entrepreneurs and had never owned and managed a business. Owner-managers were those who said they were not entrepreneurs but had owned and managed one or more businesses. Entrepreneurs were those who said they were entrepreneurs *and* who had owned and managed one or more businesses. Potential entrepreneurs were those who said they were entrepreneurs but had never owned and managed a business. Potential entrepreneurs, while the fourth cell in the two by two grid, are not conceptually a part of this study because we are focusing on those who have owned and managed one or more businesses but do not think of themselves as entrepreneurs. With no longitudinal component in its design, this study can not follow these 13 individuals, or any other individual respondents, to observe their future behavior.

As can be seen, the majority of small business owner-managers considered themselves to be entrepreneurs. The question arose as to whether these 27 small business owner-managers who felt they were not entrepreneurs were really different from the 121 small business owner-managers who felt they were entrepreneurs. Are there legitimate exceptions to the "entrepreneurship equals small business ownership" definition?

Statement of Hypothesis

In a set of small business owner-managers, some identified themselves as entrepreneurs and some identified themselves as not entrepreneurs. The expectation was that, on a variety of psychological scales, those small business owner-managers who identified themselves as entrepreneurs would significantly differ from those who identified themselves as non-entrepreneurs. That is, in Figure 1, owner-managers would be significantly different from entrepreneurs.

Some respondents in the study were not small business owner-managers and said they were not entrepreneurs. The expectation was that, on the same psychological scales, small business owner-managers who said they were not entrepreneurs would be more similar to non-owner-managers than they would be to owner-managers who said they were entrepreneurs. That is, in Figure 1, owner-managers would be more similar to non-entrepreneurs than to entrepreneurs.

A serendipitous check for any effect of the sex independent variable uncovered an unsuspected sex effect in owner-managers that is discussed in the findings section.

METHOD

Subjects

This study involved the completion of four psychological scales and two demographic questionnaires which took about two hours to complete. Given the time and effort required, it seemed highly unlikely that random sampling techniques would produce a sufficient response rate. Because of this, the help of one-hundred seventy-three graduate and undergraduate entrepreneurship students was enlisted in collecting the data as part of their class project. These students asked student and non-student friends and family, in the local community and elsewhere, to complete the questionnaire packet. Students received class project credit for completed, returned questionnaire sets. Three-hundred thirty-five subjects returned complete questionnaire sets (approximately 67% return rate). The age range for the sample was 16 to 72 years old ($\underline{M}$ = 32.6, $\underline{s}$ = 10.8). The education range was 8 to 20 years ($\underline{M}$ = 16, $\underline{s}$ = 2.2). Thus, the average respondent was a college graduate who had been out of school for about 8 years.

Instrument

A packet containing an instruction sheet, four scales and two demographic questionnaires was given to each subject. Four scales are used in this study: the Entrepreneurial Quotient (EQ), the Entrepreneurial Attitude Orientation (EAO), the Myers-Briggs Type Indicator (MBTI) and the Herrmann Brain Dominance Instrument (HBDI). Each of these scales was selected because it had either been developed or used for entrepreneurship research. Each of these will be briefly discussed in the following sections.

The **Entrepreneurial Quotient** (EQ) was developed by the Northwestern Mutual Life Insurance Company (1985), which felt it was to its advantage to hire agents who were "entrepreneurial." The EQ consists of 22 forced choice items and produces a single score that is supposed to be an indicator of entrepreneurial success. The EQ items are based on many common beliefs regarding entrepreneurship, such as having immigrant parents and having started enterprises in childhood. Calls to the developer at NMLIC confirmed that the EQ met reliability and validity standards; however, this information has not been published.

The **Entrepreneurial Attitude Orientation** (EAO) consists of four subscales and was developed specifically to predict entrepreneurship (Robinson, 1987). The EAO consists of 75 items that are rated on a 10-point strongly disagree to strongly agree scale, and consists of four subscales: Achievement in Business (ACH) refers to concrete results associated with the start-up and growth of a business venture; Innovation in Business (INN) refers to perceiving and acting upon business activities in new and unique ways; Personal Control of Business Outcomes (PC) refers to an individual's perception of control and influence over his or her business; and Self-Esteem in Business (SE) refers to the self-confidence and perceived competency of an individual in conjunction with his or her business affairs (Robinson, Stimpson, Huefner & Hunt, 1991). The EAO has demonstrated both reliability (test-retest correlations from .71 to .85 and Cronbach's alphas ranging from .70 to .90) and validity (discriminant analysis using known groups with a 77% classification accuracy) in the prediction of entrepreneurship (Robinson, Stimpson, Huefner & Hunt, 1991).

The **Myers-Briggs Type Inventory** (MBTI) consists of 166 forced choice items and four bipolar subscales: Extravert-Introvert, Sensing-Intuition, Thinking-Feeling, and Judging-Perceiving.

Extravert-Introvert (E-I) is a measure of the way in which an individual interacts with people and things in the environment. Extraverts are focused on the people and objects around them. Introverts are focused on the inner world of concepts and ideas.

Sensing-Intuition (S-N) is a measure of an individual's preferred way of perceiving. A sensing orientation focuses on the moment and the information coming through the five senses. An intuiting orientation focuses more on insight coming from meanings, relationships, and possibilities.

Thinking-Feeling (T-F) is a measure of an individual's preferred way of judgment. A thinking orientation indicates inferences based on logic and analysis. A feeling orientation indicates inferences bases on values and feelings of others.

Judging-Perceiving (J-P) is a measure of an individual's preferred way of dealing with the environment. A judgement orientation indicates a desire for planning, order, and structure. A perception orientation indicates flexibility and a sensitivity to new information.

The MBTI has demonstrated both reliability (test-retest correlations ranging from .71 to .78) and validity in various contexts (Myers & McCaulley, 1989; Wiggins, 1989).

The **Herrmann Brain Dominance Instrument** (HBDI) consists of 120 forced choice items and four subscales that are labeled Quadrants A-D. Quadrant A, upper left, is typified by activities that are logical, analytical, and mathematical. Quadrant B, lower left, is typified by activities that are controlled, planned, and sequential. Quadrant C, lower right, is typified by activities that deal with emotion, are people oriented, or are spiritual in nature. Quadrant

D, upper right, is typified by those activities that are imaginative, holistic, and require synthesis (Ho, 1988).

The HBDI has demonstrated both reliability (test-retest correlations from .73 to .97) and validity in various contexts using both factor analysis to support the internal structure of the instrument and measures of predictive validity (Ho, 1988).

There were two **Demographic Questionnaires**. The first demographic questionnaire consisted of 13 questions about such things as birth order, family background and economic status, education, and previous business experience. The second demographic questionnaire consisted of 9 questions dealing with previous, current, and expected future entrepreneur experience. The term "entrepreneur" was not explicitly defined in any of the questionnaires. All references to entrepreneurship relied on each individual's general understanding of the term.

The demographic questions were answered on the questionnaire while the scales were answered on machine scorable answer sheets. While the order of the questionnaires was the same for every packet, they were not connected, so subjects may have completed them in any possible order. When asked, most subjects reported it took between 1.5 and 2.5 hours to complete all the questionnaires in the packet.

Procedure

The packets were distributed by undergraduate and graduate students who were enrolled in entrepreneurship courses at Brigham Young University. Students were invited to fill out a packet themselves. Students were told that they should try to give packets to people they thought definitely were or were not entrepreneurs.

The instructions given to all subjects were that they were to go through the material quickly giving their first response. It was suggested that they not do all the questionnaires in one sitting and that they could even do them over a period of days if they wanted. Subjects were told that the purpose of the project was to find family background, personal characteristics, brain dominance, and experience factors related to entrepreneurship. Included in the packet was an addressed, postage paid envelope for subjects to mail back their completed questionnaire packets.

Analysis

The output of the EQ and EAO is interval data. The output of the MBTI and HBDI is interval data and categorizations based solely on that interval data. In every case the interval scores were used in this data analysis. While the express purpose of the MBTI and HBDI is to classify individuals into a type, there cannot be any information in the categorical data that isn't more fully expressed in the interval data in the subscales because the categorical information was derived from the interval data. The use of interval data is also a minimal requirement for MultiGraph and MANOVA which were both used in this study.

A MultiGraph statistical procedure was run using the mean values for subject groups. A Multigraph is a principle components factor analysis using stabilized data in which groups are plotted as factor scores in the resulting factor space (Brown, Icke, & Linker, 1990; Echo Data, 1991). A MultiGraph is a way of taking advantage of the redundancy in a data set and shows in a two dimensional plotting the combined results on all the questions simultaneously (Echo Data, 1991; Brown, Giles, & Thakerar, 1985). Each point that is labeled in the MultiGraph represents the end point on a vector from the center of the circle to that point. The closer the points are to the perimeter of the circle, the more of that item's variance is accounted for by the two dimensional space. Conversely, the closer the points are to the center of the circle the less of that item is accounted for by the two dimensional space. If a line is drawn from one end of the vector to the other, lines drawn at right angles from that line to the group scores reproduce the distribution of the means for the groups on that score. A MultiGraph is nothing more than a plotting of the factor scores of the subject groups superimposed upon the factor pattern (the plotting of the vectors) for the questions in the two factor space (Brown, Williams, & Barlow, 1984).

RESULTS

A 2 by 3 (sex by group) MANOVA was run on the data. The MANOVA results showed a statistically significant effect for both sex ($F(13, 304) = 5.91$, $p < .0001$) and group ($F(26, 608) = 2.86$, $p < .0001$). There was not an overall effect for the sex by group interaction ($F(26, 608) = 1.16$, $p = .26$).

There were statistically significant univariate *F*s for the sex variable for the EQ ($F(1, 316) = 9.35$, $p = .0024$), and the EAO-SE ($F(1, 316) = 5.69$, $p = .0176$), the EAO-INN ($F(1, 316) = 6.28$, $p = .0127$), the HBDI-Quadrant A ($F(1, 316) = 33.64$, $p = .0001$), and the HBDI-Quadrant C ($F(1, 316) = 32.76$, $p = .0001$) subscales. Males were higher than females on the EQ ($\underline{M} = 11.03$ vs. $\underline{M} = .65$), and the EAO-SE ($\underline{M} = 75.68$ vs. $\underline{M} = 74.02$), the EAO-INN ($\underline{M} = 70.80$ vs. $\underline{M} = 67.11$), and the HBDI-Quadrant A ($\underline{M} = 73.89$ vs. $\underline{M} = 54.97$) subscales. Females were higher than males on the HBDI-Quadrant C subscale ($\underline{M} = 76.60$ vs. $\underline{M} = 60.13$).

The means, standard deviations, and F-values for the group variable are presented in Table 1. There were statistically significant univariate *F*s for the group variable for the EQ, and the EAO-SE, the EAO-PC, the EAO-INN, the MBTI-SN, the MBTI-JP, and the HBDI-Quadrant D subscales. Sheffe's S showed that the entrepreneurs were significantly higher than both owner-managers and non-entrepreneurs on the MBTI-SN, the MBTI-JP, the

HBDI-Quadrant D, and the EAO-INN subscales. Sheffe's S showed that the entrepreneurs were significantly higher than the non-entrepreneurs but not higher than the owner-managers on the EAO-SE and the EAO-PC subscales. There were no significant differences between the owner-managers and non-entrepreneurs on any of the subscales.

TABLE 1: MEANS, STANDARD DEVIATIONS, AND F-VALUES
FOR THE ENTREPRENEUR, OWNER-MANAGER, AND NON-ENTREPRENEUR GROUPS
FOR THE EQ, AND THE EAO, MBTI, AND HBDI SUBSCALES

	Entrepreneur		Business owner		Non-entrepreneur			
	Mean	SD	Mean	SD	Mean	SD	F (1, 316)	P
EQ	18.24	13.23	-.63	14.96	1.81	15.28	32.83	.0001
EAO - SE	77.39	7.81	74.20	10.00	73.76	8.19	3.36	.0359
EAO - PC	71.67	8.82	69.16	8.68	68.17	10.08	3.55	.0298
EAO - INN	73.56	8.11	68.06	8.53	67.16	8.46	9.69	.0001
EAO - ACH	79.82	7.42	79.95	6.87	78.20	8.75	1.05	.3523
MBTI - EI	-8.16	27.28	.11	28.95	.43	27.22	2.85	.0595
MBTI - SN	5.05	27.12	-11.07	25.38	-9.28	27.37	9.28	.0001
MBTI - TF	-.01	23.58	3.52	23.93	6.21	22.54	1.23	.2945
MBTI - JP	2.82	28.01	-18.63	22.54	-8.61	26.31	4.48	.0120
HBDI - Quadrant A	69.82	25.28	68.26	24.68	66.61	23.04	.56	.5705
HBDI - Quadrant B	68.79	18.38	76.30	15.04	77.25	18.78	1.95	.1434
HBDI - Quadrant C	62.93	21.01	67.26	21.80	66.64	22.18	.07	.9356
HBDI - Quadrant D	74.08	25.88	59.44	17.88	59.41	21.27	7.92	.0004

TABLE 2: SEX BY GROUP MEANS AND STANDARD DEVIATIONS
FOR THOSE VARIABLES THAT WERE STATISTICALLY SIGNIFICANT
(AND THE EI) FOR THE GROUP EFFECT

		Entrepreneur		Business owner		Non-entrepreneur	
		Mean	SD	Mean	SD	Mean	SD
EQ	Males	19.17	12.30	3.43	13.29	4.56	15.25
	Females	14.05	16.49	-5.00	15.92	-2.70	14.34
EAO - SE	Males	77.73	7.44	78.11	9.20	73.49	7.44
	Females	75.86	9.35	69.98	9.37	74.20	9.33
EAO - PC	Males	71.52	8.87	68.89	8.95	67.65	9.63
	Females	72.32	8.78	69.44	8.74	69.02	10.79
EAO - INN	Males	74.36	8.20	70.13	4.50	67.61	8.04
	Females	69.94	6.78	65.84	11.20	66.42	9.11
MBTI - EI	Males	-7.61	27.85	-3.23	23.60	2.15	28.30
	Females	-10.64	24.98	3.92	34.38	-2.39	25.30
MBTI - SN	Males	4.48	27.27	-9.14	26.11	-7.20	26.36

	Females	7.64	26.94	−13.15	25.46	−12.67	28.83
MBTI − JP	Males	5.14	27.46	−19.86	19.18	−8.30	26.23
	Females	−7.64	28.70	−17.31	26.43	−9.12	26.64
HBDI − Quadrant D	Males	75.06	26.29	57.79	21.09	58.17	20.87
	Females	69.68	24.02	61.23	14.29	61.44	21.92

Table 2 shows the means and standard deviations for the sex by group interaction for those variables that were statistically significant for the group effect (and for the MBTI − EI subscale which was significant at the .0595 level). These means were used in producing the MultiGraph. Variables that were either not significant or significant only for the sex variable were not included in the MultiGraph, since neither were directly relevant to this study. The MultiGraph is in Figure 2.

The first factor (the vertical dimension) accounts for 75.2% of the variance and is highly correlated with most of the subscales traditionally associated with entrepreneurship . The second factor (the horizontal dimension) accounts for 11.8% of the variance and is associated with business self-esteem more than anything else. The first two factors account

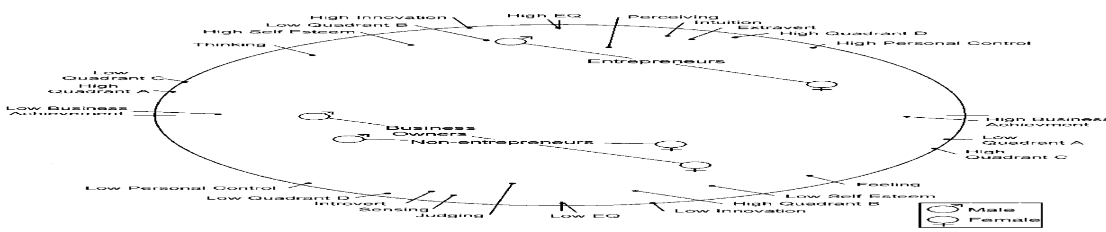

FIGURE 2: MULTIGRAPH ILLUSTRATING THE MANOVA RESULTS

for 87% of the total variance in the data set, but with 75.2% of the variance accounted for by the first factor, the data set used in the MultiGraph is basically unidimensional.

The MultiGraph (Figure 2) clearly illustrates the MANOVA results. On the first factor (the vertical dimension), owner-managers and non-entrepreneurs are quite similar, and both are substantially different from entrepreneurs. The only other relationship of note involves the business self-esteem subscale and the difference between male and female owner-managers. On this subscale the male owner-managers were the highest score (even higher than the entrepreneur groups) and female owner-managers were the lowest score, and can been seen in the right-left split. The male and female groups for entrepreneurs and non-entrepreneurs are quite similar (Figure 3).

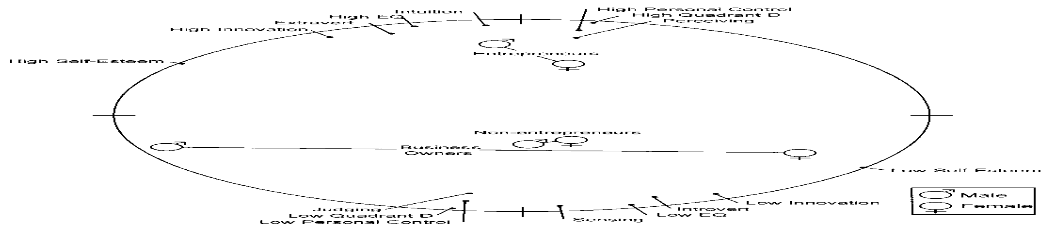

FIGURE 3: MULTIGRAPH ILLUSTRATING SEX DIFFERENCES IN SELF ESTEEM

DISCUSSION

In terms of the psychological measures used in this study, owner-managers (owner-managers who said they were not entrepreneurs) were substantially different from entrepreneurs (owner-managers who said they were entrepreneurs). This supports the first hypothesis. In contrast to the Brockhaus and Horwitz (1986) statement that there are “few psychological characteristics that distinguish the entrepreneur from business managers” (p. 34), over half of the psychological measures used here distinguished entrepreneurs from owner-managers. Based on these findings it is questionable whether entrepreneurship researchers should continue to equate all owner-managers with entrepreneurs. Just being an owner-manager of a business does not seem sufficient for defining an entrepreneur.

Additionally, on the subscales that discriminated entrepreneurs from non-entrepreneurs, owner-managers were virtually the same as non-entrepreneurs. This finding was totally unexpected. It was hypothesized that owner-managers would probably fall somewhere between entrepreneurs and non-entrepreneurs, and would perhaps be more similar to entrepreneurs than non-entrepreneurs. This was not the case at all, and further supports the inappropriateness of combining just any owner-managers with entrepreneurs.

Given the admiration and respect conferred upon entrepreneurs in America, it was amazing that there was a group of owner-managers in this study who met a behavioral criterion for entrepreneurship (they have owned one or more businesses, the last within the past five years) but classified themselves as being non-entrepreneurs. It was clear to this group of owner-managers, despite the demands of social desirability, that they were not entrepreneurs. Their appraisal that they were different than entrepreneurs was statistically confirmed.

This research has shown that owner-managers are different from entrepreneurs in several ways. Entrepreneurs are:

1) more flexible and sensitive to new information (MBTI - JP).
2) more imaginative and holistic (HBDI - Quadrant D).

3)	higher in their perception of their control and influence on their business (EAO - PC).
4)	more focused on insights coming from relationships, meanings, and possibilities (MBTI - SN).
5)	higher on a purported measure of potential for entrepreneurial success (EQ).
6)	more extravert (MBTI - EI; although not significantly so).
7)	higher on perceiving and acting upon business activities in new and unique ways (EAO - INN).

On the other hand, male owner-managers are similar to entrepreneurs in terms of self-confidence and perceived competency in business affairs (EAO - SE), while female owner-managers are much lower on this subscale than entrepreneurs. Surely there are other characteristics that will lend insight into the relationship between entrepreneurs and owner-managers. And, of course, the substantial sex differences found in this study beg for further research.

The most important implication here is that when researchers in the area of entrepreneurship simply equate small business owners with entrepreneurs, they are potentially including a significant percent (18.2% in this study) of individuals who are in fact much more like non-entrepreneurs on measures mentioned above. The inclusion in an entrepreneur group of those small business owner-managers who are not entrepreneurs, when they are so much more similar to non-entrepreneurs, contributes significant error variance to the statistical analysis and increases the probability of committing a Type II error (finding no difference when there really is one).

It is not the intention of this paper to denigrate owner-managers and non-entrepreneurs. On the MultiGraphs their proximity to low innovation and low self-esteem, for example, is purely a relative, not an absolute, evaluation.

Gartner (1988) argues that the characteristics of those involved in starting new businesses are not relevant; it is the behavior that is important and not the characteristics. Carland, Hoy and Carland (1988), on the other hand, feel that the personal characteristics of entrepreneurs play a role in how entrepreneurial behavior is enacted. This research shows that there is a class of owner-manager who does not consider himself or herself to be an entrepreneur, and that the characteristics of this group are different from those owner-managers who do describe themselves as entrepreneurs. Personal characteristics do make a difference.

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SMALL BUSINESS SUCCESS: A REVIEW OF THE LITERATURE

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ABSTRACT

Much has been written in the literature regarding reasons for small business failure, leading to confusion about those studies, as it is often difficult to define failure. There are fewer studies citing reasons for small firm success. Factors citing reasons for failure may also appear as factors affecting success according to Gaskill, VanAuken, and Manning (1993). Therefore, this review of the literature will concentrate on reasons for small business success, which can in turn also infer reasons for failure for those who are interested in that topic. Three categories for success emerge in this review. They are strategic issues, demographics, and owner characteristics; however, there appears to be no one set of reliable variables that will always consistently promote success, because of the differences that exist within each individual small firm, including owner/manager differences.

INTRODUCTION

Rather than dwelling on the mountain of confusing data that has been compiled, as to why small businesses fail, this article seeks to look at the research that has been placed before us regarding what it takes to succeed in the small business arena. Granted the two different perspectives, failure and success, are related, but a positive perspective is chosen for this review, so that current businesses and their owners can prevent failure by correcting problems, or new businesses can be made aware of what must be done before they enter the market. Therefore, this article seeks to review positive ways to encourage success as the focus of this paper. The review of the literature covers the past fifteen years to concentrate on the most recent data that would seem relevant to the economy of today.

There have been several studies, which seek to identify the critical success factors for small businesses. However, according to Castragiovanni (1996), there appears to be little research which has specifically looked at factors dealing with small business survival. It is important to define these factors for any new business, as the owner should be concerned about the chances for success (Lussier, 1996). Our country depends upon information relative to the success or failure of businesses for maintaining a stable economy. (Gaskill, Van Auken, & Manning, 1993).

This paper is not focused upon the failure of small businesses, however, failure data must be mentioned to indicate how this data can be translated into survival information, and to discuss discrepancies in the existing data. It is a fact that failure and success are somewhat bound together, even though at opposite ends of a continuum. Since researchers have argued that failure rates tend to be confusing and possibly overrated because of factors such as differences in definitions regarding failure and demographics concerning small businesses, as well as methodology used in the collection of data (Justis & Chan, 1993), it may not be possible to accurately report data concerning failures. However, using the data compiled by the Census Bureau (the Characteristics of Business Owners), Bates (1995) reports that of the 90,000 small businesses surveyed (formed between 1984-1987), approximately 65% of the franchise firms were still in operation in 1991, while 72% of independent small firms were still operational. That indicates that over 28% of young firms went out of business. Dun and Bradstreet reported that 51.8% of firms fail during the first five years, with 9.5% failing per year (Dun & Bradstreet, 1989). If the positive aspects of these figures are considered, a large portion of firms are still in business, rather than the erroneous failure numbers that are often reported.

REVIEW OF THE LITERATURE

According to Ponthieu and Insley (1996), " small businesses constitute 97% of all businesses in the United States and employ more than 58% of the labor force" (p. 35). The small business sector is growing at a very impressive rate, with small businesses making up more than 50% of the sales and products in the private sector (U.S. SBA, 1994). The importance of small businesses to the economy is quite evident.

Why are some firms successful while other firms appearing to follow the same paths not successful? It has been said that specific success strategies used in one business may not work for another; as all businesses, like people, are different (Hand, Sineath, & Howle, 1987). There are so many variables to sift through. It would appear that the majority of studies in this area have found that most businesses that demonstrated success were found to have characteristics or to use tools in three separate areas. These are characteristics of the owners/entrepreneurs, demographic char-acteristics of the business, or strategic tools used by the business.

A study by Beckman and Marks (1996) found that business experience was a factor in the success of small firms. Another study by Costa (1994) indicated that strategic planning contributes to long-running success for businesses. Other factors for success include quality, customer focus, innovative marketing practices, flexibility and employee empowerment (Zetlin, 1994). Filley and Pricer (1991) defined several tools for small business success. These included good management techniques, such as appropriate operating strategies, leadership and time management. Other tools were good financial management and pricing strategies, motivational strategies for employees, and ensuring only those persons with ability are hired.

There have been several studies conducted that have looked at appropriate management and financial planning and skill development of managers (Ibrahim & Goodwin, 1986; Montagno, Kuratko, & Scarcella, 1986; Hofer & Sandberg, 1987; Lumpkin & Ireland, 1988; Susbauer & Baker, 1989). These studies also looked at environmental factors and entrepreneurial characteristics as factors in business success. Ibrahim and Goodwin (1986) stated that "success in business is defined in terms of rate of return on sales, and age or longevity of the firm" (p. 42). Cuba, Decenzo, and Anish (1983) and Khan and Rocha (1982) also found that sales, profit, and longevity were important to success. Hofer and Sandberg (1987) noted that high quality services or production was the key to success for firms and was directly related to effective management and planning, which relied upon effective management decisions.

According to Lussier (1996), "there is no generally accepted list of variables distinguishing business success from failure" (p.10). The two most commonly stated variables, however, that seem to make the difference are capital and management experience. Steiner and Solem (1988) reported key success factors in small manufacturing businesses would include an owner/manager with experience in the business or prior experience; adequate financial resources; a competitive advantage based upon customer and product specialization; and strategic planning. Dyke, Fischer, and Reuben (1992) found that management experience may be a significant factor in achieving success or successful performance in the small business environment. It stated that "would-be business owners should be concerned to gain related industry, management, and start-up experience...regardless of the type of industry in which they plan to operate" (p.86). It was also noted, however, that while experience was a significant factor, it could vary by industry in importance. This would support Cochran (1981), who suggested that research for specific industries in specific regions might prove more useful than national studies. This study was referring to research regarding failures of small businesses, however, this may apply to successes also.

Hand, Sineath, and Howle (1987) discussed variable thought to be related to business performance, such as characteristics of the entrepreneur (age, education, experience, willingness to work, and ability to deal with customers and employees). Also discussed were the planning abilities of the entrepreneur. Chaganti and Chaganti (1983) indicated that key success factors were innovation, creativity, and managerial competence, which are characteristics found in owners/
entrepreneurs. Keats and Bracker (1988) found that success factors are a part of an organization's general environment, task environment, or characteristics of the business owner.

Chawla, Pullig, and Alexander (1997) found that "owner experience and industry trend are not critical to the success of a manufacturing/construction firm in the early stages of the life cycle. Comparing retail firms to manufacturing/construction firms in the same stage of the life cycle, differences were found in the importance of the owner's experience, market knowledge, industry trend, location issues, and purchasing/inventory control" (p.47). Location issues were more critical to success for retail firms both during early and late stages of the life cycle. Purchasing/inventory control also was critical for retail firms in both the early and later stages.

According to Zetlin (1994), small business owners feel that having a good product is most important, however, other means of achieving success include a commitment to quality and to the customer, innovation in marketing, being flexible when change is needed, maintaining good supplier/customer relationships, and hiring good people that can be empowered. Bird (1989) stated that firms where owners showed innovation, risk-taking, and had previous training were most successful. Another study dealing with characteristics of the owner was by

Duchesneau and Gartner (1990). They found that the characteristics of the owner/manager, the strategy of the firm, and the way the business approached start-up were most important to success. Prior experience, long
working hours, god communication skills, customer service, planning, flexible management, and risk reduction were other factors cited. Hills and Narayana (1990) also found a myriad of factors that were possible contributors to success. These included customer treatment, good products, management practices, good treatment of employees, and a good reputation for the company. O'Neill and Duker (1986) indicated that small businesses that were successful had higher quality products, lower levels of debt, and lower capital intensity, as well as, relied on the good advice of their accountants

Cooper, Dunkleberg, and Woo (1989) looked at demographic factors, such as age, gender, and race, and found that older, nonminority, male entrepreneurs with four or more years of college were usually associated with successful firms. A study by Bates and Nucci (1989) confirmed that the age and size of the firm had an impact upon survival. The older the firm, the more likely it was to remain in business, and the larger the firm, the more likely it was to be successful. Boyle and Desai (1991) also pointed out that statistics have shown that the longer a small business has been in operation, the better the chance that it will stay in business. Success breeds success.

Mintzberg (1994) stated that small business owners must be able to define the required strategies to find success as they continue to change within their organizations. Castrogiovanni (1996) explored the impact that planning has on the survival or success of firms. Pre-planning was specifically investigated using three environmental conditions, which were uncertainty, munificence, and industry maturity. He also investigated two founding conditions, knowledge and capital. Findings included a negative relationship between uncertainty and the survival of new businesses. Munificence (abundance of demand) was positively related to survival, while industry maturity had mixed effects on the degree of planning and survival. Pre-existing founder knowledge was found to be positively related to survival, while capital reduced incentives to plan and, thus, was likely to negatively impact planning.

Bates (1995) conducted a study of survival rates among franchise and independent small firms, and found that for the period 1984-1987, the survival rate was much higher for independent firms, as opposed to franchise businesses. The study alsostated that while existing studies identifying traits leading to long-term success of small businesses are not incorrect, small firms should not enter markets that are saturated; which would lead to the assumption that a knowledge of the market is most important. In 1990, Bates indicated that a firm's likelihood for success was increased if owners were educated, and if an adequate resource investment was made at start-up.

In a study by Lussier and Corman (1995), it was noted that successful firms used better professional advisors than did unsuccessful ones, and it made a significant difference if their parents owned a business. However, the authors were unable to find a reliable set of variables to firmly distinguish success from failure. Variables used in the study included capital, recordkeeping and financial control, industry experience, planning, professional advisors, education, staffing, product/service timing, economic timing, age, partners, parents, minority owners, and marketing. Various other studies have used one or several of these to identify critical success factors.

IMPLICATIONS FOR FUTURE RESEARCH

As has been mentioned, Cochran (1981) suggested that research on business failure would be better served by studying specific industries by region, rather than national studies. The same would seem to apply for research into success factors. It is often difficult to infer accurate results when studies are too broad, especially when there are so many variables to research. Ibrahim and Goodwin (1986) also concluded that no one study could address the entire population, and thus, smaller studies covering different industries would be more appropriate to obtain accurate data.

Future research is also needed to determine whether differences in previous business experience by the small business owner is essential or can affect success. In addition, research should look at how the differences in owner management styles can affect success rates. Management styles can be changed over the course of business ownership and the number of years experience should be explored as well.

One last area for future research that might be explored would include a study of the effects that outside help would have on the success or survival of the small business. Some owners would be more willing to ask for help or assistance than others. A study of the differences between men and women owners of small firms would seem logical to see if those who asked for help is greater for one group than the other.

This paper contributes to the literature relative to small business by offering a timely summary of success factors that are concentrated on the more recent studies of the past fifteen years. The need to concentrate on the more recent data is important to determine whether success factors are changing in recent years, and whether the knowledge of these factors by educators and small business owners/entrepreneurs will make a difference in the numbers of successful firms in the future. A study to determine whether owners are influenced by the more recent data concerning variables for success should be conducted citing the three areas. These are demographics, characteristics of owners/entrepreneurs, and strategic planning/decision issues. Studies researching data in only one or two categories cannot cover the array of possibilities.

Perhaps the major implication for small business owners is that while there are many variables that can be used to help develop a successful business, it is wise to consider the individual business and develop those that will work best for that one firm based upon demographics, characteristics of the owners, and strategic planning.

CONCLUSIONS

This review summarized much of the literature of the last fifteen years to determine whether new information has emerged over time regarding criteria leading to success. It was also written as an aid for new and experienced small business owners, would-be small business owners, lenders, policy makers, educators, and researchers. It is important to look at the literature from time to time, especially if there is contradictory data, to assess what has been said and to explore future needs for more research. While there have been many studies conducted concerning failure rates, few summaries exist concerning success factors in recent years. This review of the literature should be a more positive aid to business owners and others, and it is hoped that a knowledge of these various factors for success will assist in helping to turn businesses around if problems arise.

While it is certain that all of these various factors will not work for every organization, each one should be able to assess their weaknesses relative to the suggested factors, and be able to devise a plan to correct problems as needed. It is also realized that across the various industries, small businesses differ greatly. Certain of these factors may make a substantial difference for some and be of no consequence for others. However, the factors provided in this summary should allow business owners and others to become aware of the many options available for success in a small business environment.

It is apparent that many misconceptions about failure rates of small businesses have developed over the years. In some cases it is the interpretation of data, due to differences in definitions of failures and what constitutes a small business, and in others it is simply the lack of good data. However, from the perspective of those who wish to continue in business or start a new business, realizing that there are misconceptions, it appears to be more positive and proactive to look at the success factors as a more vital way to approach the problems encountered by small firms. The information gathered by studying success factors may result in better decision making by owners.

It was suggested by O'Neill and Duker (1986) that small business educators need to develop a body of knowledge focusing on strategic behaviors or on decisions made in small business, rather than the characteristics or personalities of owners. While a body of knowledge is being developed in the area of small business success, a large number of studies do not exist, as with failures. According to Ponthieu and Insley (1996), the major focus of research has been on failure of small businesses, because of the terrible effect that failure can have on all concerned. The major reason for research in this area is to find successful approaches and avoid the unsuccessful approaches. It would appear that while there has been much written concerning strategic issues, there is still an abundance of data relative to demographics and characteristics of owners. The literature seems to indicate that the three success categories are equally important to study to understand the process toward successful management of a small business. In developing the body of knowledge it would seem remiss not to consider all possibilities.

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A COMPARISON OF EMPLOYMENT TRAINING BY FIRM SIZE AND INDUSTRY

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ABSTRACT

General beliefs have it that small businesses do less training than large firms and that certain industries do more and less training. However, these common beliefs areas based on opinion, observation, and descriptive statistics rather than empirical inferential statistical testing. The researchers statistically tested these common beliefs using MANOVA with the dependent variables: number of training hours in the areas of orientation, skills job, and cultural theory during the first six months of employment. The independent variables were size of business and industry. 7-he findings contradict these common beliefs. There were no significant differences in the number of hours of employee training in any of the three areas by small or large size businesses or by industry in retailing, services, manufacturing, and finance. Implications are discussed.

INTRODUCTION

Within the context of human resources management, employment training is a popular topic with entire journals devoted to training. Various researchers have found that effective training can decrease turnover (Leibowitz, Scholssberg, & Shore, 1991) and lead to increased productivity and profitability (Benabou, 1996; Black & Lynch, 1996; Overmyer-Day & Benson, 1996). A variety of ways to measure training effectiveness exist (Cannell, 1996; Williams, 1996: Yang, Sackett, & Arvey, 1996) including return on investment (Parry, 1996). However, according to surveyed adults aged 23 to 35 rather than employers, although workers gain substantial benefits from training, only a small minority actually receive any training (Lengermann, 1996).

Training is generally considered an investment (Wright & Belcourt, 1995). However, costs are still associated with the training investment, and a variety of ways exist to determine the costs of training. The American Society for Training and Development recommended that human resource professionals budget around 2% of payroll costs for training and plan a long term increase to 4% (Caudron, 1992). The U.S. Bureau of Labor Statistics estimated that the direct cost of training was $55.3 billion in 1995, however, this is only part of the total cost picture (Benson, 1996).

Although many variables will influence the future of the workplace, a critical few are likely to have make-or-break consequences in the current trends on the future of training. The key variables are: smart products--placing information services in products and in distribution channels for products and services, connectivity--ability of people to connect, and intellectual capital--ability to attract hard capital for investment and development influencing the future of many industries (Galagan, 1996; Plott, & Humphrey, 1996).

TYPES OF EMPLOYEE TRAINING

The three primary types of training include orientation, job/skill, and theory/culture. There are other types of training including management development. Around $21 0 billion are spent on training annually. Further, around $120 billion is spent on orientation and skill training, $30 billion on culture training, and the rest in other areas, such as management training and development (Hom & Griffeth, 1995). London (1989) indicated that skill/job and theory/culture training may be combined. Depending on the training session topic and goals, both theory and skills may need to be presented and learned by the trainees.

Jackson and Mathis (1997) stated that employee orientation training should create a favorable impression of the organization, enhance interpersonal acceptance, and reduce employee turnover. Welcoming new employees is important to their success (Kliem, 1987). Mackinnon (1996) recommended an intensive induction period for new small business employees

Skills/job training is the process by which a physical skill is presented and learned in order to accomplish a task or goal (Ferman, Hoyman, Cuther-Gershenfeld, & Savoie, 1990). Employees learn to do their job through skills training (Carnevale, Gainer, & Villet, 1990).

Theory/corporate culture training is the process of stressing ideas not skills. As defined by Ferman et al. (1990), theory/corporate culture training is the process by which information, facts, knowledge and principles are presented and learned in order to accomplish a task or goal. Corporate culture training is projected to continue to increase though the 1990s (Hom & Griffeth, 1995).

SMALL BUSINESS EMPLOYEE TRAINING

Much research focuses on training in large organizations (Lee & Mitchell, 1994; Wanous, Poland, Premack, & Davis, 1992), with less research in small organizations (Barclays, 1995; Curran, Blackburn, Kitching, & North, 1996). Barclays (1995) recommended that to survive small businesses should implement training programs. Lussier (1995; 1997) and Sonfield and Lussier (1997) recognized the value of training for small business. In small businesses, training employees can control and reduce loss (Gilligan, 1996). During the 1990s there has been growth in the number of small firms recognizing the importance of training and have increased their training (McGill, 1994). Training is so important to small businesses that in Canada the Ontario government requires every applicant for a guaranteed loan to complete a 10-hour small-business training course called "Running Start" (Green, 1995).

The key to training within small businesses is the ability to target training needs, establish clear objectives, customize, enlist the support of suppliers and local colleges, and evaluate the program (Szabo, 1994). Zenger, president of the largest management-training company in the world, stated that small business, as well as large, should train to ensure technical competency (employees need to learn how to do their jobs), interpersonal skills (employees need to learn how to work with others), management thinking (employees need to learn to think like owners and see the macro-view of the company), adaptive technologies (continuously learn to use new technologies), and leadership (Kinni, 1994). Small businesses are increasingly using videos and computer-based training (Field, 1997; McCollum, 1997).

TRAINING DIFFERENCES BY SIZE OF FIRM AND INDUSTRY

Small businesses find training hard to provide for their managers. Also, small businesses are reluctant to invest in management training and development because benefits are not easy to quantify in financial terms Having more managers, large businesses do more management training than small businesses. This is logical and has strong support in the literature (Wong, Marshall, Alderman, & Thwaites, 1997). Thus, management training is not addressed in this current investigation.

Franklin (1993) and Franklin, Gresham, Clawson, and Qin (1995) focused on basic skills deficiencies between large and small business. Basic skills deficiencies is a much different focus than this study. Also, small business was defined as less than 15 employees and large as 15 or more employees. This definition of small business is not commonly used and is not the definition used by the Small Business Administration (SBA), which is used in this study. In reality, all the businesses in the samples of Franklin (1993; 1995) and Washburn and Franklin (1993) might be considered small, the mean number of employees for the two sample groups were not given.

The U.S. Bureau of Labor Statistics (BLS) conducted a major descriptive statistical study to determine training differences by size and industry. Unlike the SBA, the BLS defined small business as 50 to 99 employees and larger businesses as 100 or more employees. Findings included that small businesses spent less money and time per employee than larger businesses. Nearly 98% of all large firms had formal training programs, compared with 69% of small firms. Industries that provided the most hours of formal training per employee were: transportation, communication, and public utilities- finance, insurance, and real estate- and mining. Industries that provided the fewest hours were retail trade and construction. Job/skill training accounted for 67% of the total hours of training, 72% of companies surveyed offered orientation training, and 67% of all companies reported offering management training, which was the most prevalent type of job/skill training (Benson, 1996).

Lynch and Black (1996), using descriptive statistics, reported that manufacturers train a higher proportion of employees than non-manufacturers, and small firms are less likely to offer computer, teamwork, and basic education training. However, Lynch and Black (1996) and the BLS do not report empirical inferential statistical testing results. Therefore, the pertinent question is: are the differences significant?

Training is generally believed to be closely linked to the size of the firm and industry. Large firms and some industries are believed to spend more time training and developing their employees (Benson, 1996; Curran, et al., 1996; Lynch & Black, 1996; Oosterbeek, 1996). However, no empirical studies were found by the current researchers utilizing inferential statistics comparing large and small business training by industry focusing on orientation, culture, and skills training. Therefore, this study extends existing literature by testing the common belief about training differences by firm size and industry.

HYPOTHESES

The purpose of the researchers was to determine the number of hours businesses spend training their employees, and more importantly, to determine if differences exist between large and small businesses and by industry (finance, manufacturing, services, and retail).

Support exist for the hypothesis that large businesses spend more time training employees in the areas of orientation, skills, and culture. However, no empirical inferential statistical research was found to support, this claim. Thus,

> H 1: Large and small businesses spent the same number of hours training employees in orientation, skills, and culture.

Support also exists for the hypothesis that the number of hours spent on training is different by industry. Based on the lack of prior empirical inferential research,

> H 2: Different industries spend the same number of hours training employees in orientation, skills, and culture.

The third hypothesis simply combines Hypotheses I and 2 and increases the power of statistical testing. Thus,

> H 3: The number of hours spent training employees in orientation, skills, and culture are the same by size of business and industry.

METHOD

Participants

The target population for this study was the 757 members of the Society for Human Resource Management in the Massachusetts and Connecticut area. Franklin et al. (1995) and Washburn and Franklin (1993) studied a Texas sample. The original target size firm was 50 or more employees. Most businesses with less than 100 employees do not have a person with the title training officer/manager. Small businesses more commonly have a human resource officer/manager, even when the person has multiple roles/titles and may conduct training. Thus, the American Society for Training and Development membership list was not selected to ensure that there would be a large number of small businesses in the sample; thus, the Society for Human Resource Management membership was selected as the sample frame.

From the list, 400 human resource directors in the four industries (finance, manufacturing, services, and retail) were randomly selected to receive questionnaires through the mail. The response rate was approximately 27%, or 106 completed questionnaires were returned, which is consistent with other mail surveys (Cianni & Bussard, 1994). Franklin et al. (I 995) had a response rate of under 20%. Two questionnaires with outliner data were eliminated from the survey.

Measures

The dependent variable was number of hours of training. The number of hours was broken into three dependent variables: orientation, skill, culture. The human resource manager was simply asked to state the number of training hours employees received in each of the three training areas during their first six months of employment.

As stated, the U.S. BLS did not use the common definition used by the SBA. Companies with 100 or more employees are not generally considered to be a large businesses. Therefore, differences found by the BLS may be misleading because of the requirement of 50 to 99 employees to be considered a small business. Thus, in this study, the first independent variable was based on the commonly used SBA definition of firm size. A business had to have fewer than 500 employees to be classified as small and 500 or more employees to be a large business (Corman & Lussier, 1996). The second independent variable was industry with finance, manufacturing, services, and retail sectors.

Statistical Analysis

The three hypotheses were each tested with a multivariate analysis of variance (MANOVA). MANOVA results may be different than multiple tests of mean differences for hour of training due to multiple interaction comparison procedures. However, MANOVA also provides univariate test results. Running multiple univariate test of differences increases the probability of finding differences that do not exist, thus making a Type I error. Or MANOVA decreases Type I errors and was thus the appropriate statistical test for each hypothesis.

Hypothesis 1, hours by size,. was tested using a simple MANOVA, rather than three t-tests. *Hypothesis 2, hours by industry,* was tested using a simple MANOVA, rather than three one-way ANOVAS. *Hypotheses 3, combines both 1 and 2,* was tested using a factorial MANOVA to combine the two independent variables. Hypothesis 3 has the lowest probability of committing a Type I error, reporting differences that do not exist. However, univariate test results are also provided for each type of training. As a further MANOVA test of mean employee training hour differences, the three types of training were separated into individual and group resulting in six dependent variables with the same size by industry independent variables.

RESULTS

Descriptive Statistics by Firm Size and Industry

Table I contains the descriptive statistics by size of firm. Because the standard deviations are large, the medians are also reported. There were 63 (61%) small businesses and 41 (39%) large businesses, with a variety of sizes. Significantly more small businesses are in the sample (Chi-square p = .03 1) than large businesses, as is true in the population. Within the small business category, 8 (13%) had less than 50 employees, 9 (14%) had between 50-100, 20 (32%) had between 101-200, 9 had between 201-300, 9 had between 301-400, and 8 had between 401-499 employees. Within the large business category, 16 (39%) had between 500-860 employees, 13 (32%) had between 1,000-4,800, 4 (10%) had between 6,637-7,500, and 8 (20%) had between 12,000-36,000 employees.

TABLE 1: HOURS OF TRAINING BY SIZE

	Small < 500			Large > 500		
Training Type	M	SD	Median	M	SD	Median
Orientation	**4.71**	5.28	3.00	**7.40**	9.01	4.00
Individual	3.08	4.13	2.00	3.59	7.78	2.00
Group	1.63	2.65	0.00	3.81	3.73	3.00
Job/Skills	**57.90**	62.16	40.00	**72.35**	107.45	42.00
Individual	40.97	48.79	24.00	43.96	67.45	25.00
Group	16.93	30.22	2.50	28.39	51.51	8.00
Culture/Theory	**4.10**	13.13	.50	***5.10***	10.78	1.00
Individual	1.90	6.80	0.00	.94	2.29	0.00
Group	2.21	6.76	0.00	4.16	9.67	1.00
No. Employees	**196.56**	132.62	154.00	5,608.17	8,195.27	1,618.00

Table 2 includes the descriptive statistics by industry. As in the population, a significant difference exist in industry representation (Chi-square p = .000). Finance, insurance, real estate included 18 (17.3%) participants of which 11 (61%) were small and 7 (39%) were large-manufacturing included 29 (27.9%) of which 21 (72%) were small and 8 (28%) were large- retail included 12 (17.3%) of which 4 (33%) were small and 8 (67%) were large; and services 45 (43.3%) of which 27 (60%) were small and 18 (40%) were large firms. However, retail was under represented by industry percentage of the population. These same industries were used by the BLS study, plus others.

TABLE 2: HOURS OF TRAINING BY INDUSTRY

	Finance			Manufacturing			Services			Retail		
	M	SD	MD	M	SD	MD	M	SD	MD	M	SD	MD
Orientation	**6.25**	5.21	3.25	**3.79**	2.93	3.00	**7.49**	9.66	3.00	**3.42**	1.62	3.50
Individual	3.06	3.70	2.00	2.2	2.02	2.00	4.38	8.24	2.00	1.92	1.98	1.00
Group	3.19	3.24	2.00	1.52	2.20	0.00	3.11	3.99	1.00	1.50	1.62	1.00
Job/Skills	**85.45**	72.19	71.00	**59.14**	90.96	48.00	**60.24**	82.14	40.00	**54.17**	84.60	17.00
Individual	53.06	56.90	35.00	38.72	49.34	24.00	38.14	53.12	25.00	49.08	84.58	14.00
Group	32.39	37.69	20.00	20.42	47.19	2.50	22.10	40.91	2.00	5.09	6.17	2.00
Culture	**3.56**	4.49	1.50	**4.55**	10.09	1.00	4.79	15.14	0.00	**4.67**	13.67	1.00
Individual	1.03	1.97	0.00	1.86	4.14	0.00	1.83	7.56	0.00	.25	.45	0.00
Group	2.53	3.67	1.00	2.69	7.54	0.00	2.96	7.90	0.00	4.42	13.74	0.00

Hypothesis Analysis

The three MANOVA test results indicated no differences in the number of training hours in orientation, skills, and culture between size of businesses and industry. The results of all four MANOVAs are reported. However, due to not finding significant differences, only the results of Hypotheses 3, which combines I and 2, are presented in Table 3. To compare means, standard deviations, and medians based on size see Table I and for industry see Table 2.

Hypothesis 1, the difference in the number of hours spent training employees in orientation, skills, and culture between large and small businesses is not significant, was supported by the MANOVA results. The multivariate tests of significance (not shown in Table 3) for the Wilk's lambda was p = .533, and the univariate p-values were orientation .196, skills .510, and culture .374. When breaking down the number of hours by individual and group (not shown in Table 3), the multivariate tests of significance was p = .172, and the univariate p-values were orientation individual .876 and group .012 skills individual .964 and group .1 96, and culture individual .83 9 and group .1 3 8. Although the total number of hours of training orientations were not significantly different between large and small firms, the number of hours of group orientation was significantly higher in large firms than small firms, mean 1.64 and 3.82 respectively. Based on firm size, this result is logical.

Hypothesis 2, the difference in the number of hours spent training employees in orientation, skills, and culture by industry is not significant, was supported by the MANOVA results. The multivariate tests of significance (not shown in Table 3) Wilk's lambda had a p .5 26, and the univariate p-values were orientation .1 13, skills .73 8, and culture .942. When breaking down the number of hours by individual and group, (not shown in Table 3) the multivariate tests of significance was p = .482, and the univariate p-values were orientation individual .429 and group .097, skills individual .829 and group .313, and culture individual .865 and group .952. Thus, no significant differences were found at the .05 level.

Hypothesis 3, the differences in the number of hours spent training employees in orientation, skills, and culture by size of business and industry are not significant, was supported by the MANOVA results. The multivariate tests of significance (shown in Table 3) Wilk's lambda was p = .643, and the univariate p-values were orientation .73 8, skills .3 75, and culture .5 0 8. When breaking down the number of hours by individual and group (not shown in Table 3), the multivariate tests of significance Wilk's was p = .864 and the univariate p-values were orientation individual .906 and group .629, skills individual .620 and group .371, and culture individual .706 and group .368. Thus, based on the sample, no significant differences were found at the .05 level.

TABLE 3: MANOVA--MULTIVARIATE AND UNIVARIATE SIGNIFICANCE TESTS OF TRAINING HOURS				
	Size by Industry			
Test	Value	F	p-value	
Multivariate				
Wilk's lambda	.930	.771	.643	
Pillais	.071	.779	.636	
Hotellings T	.074	.763	.651	
Univariate				
Orientation		.422	.738	
Skills/job			1.048	.375
Culture/theory		.779	.508	

DISCUSSION

This research extends the existing literature because although the wide spread belief that large businesses do more training than small businesses, and differences exist (Table 1), the differences are not significant. Also, the wide spread belief is that certain industries do more training than others. Again, although differences exist (Table 2), these differences were not significant. The common practice of researchers is not to report differences unless they are significant. Therefore, the current literature, which is not based on inferential statistics, is misleading because it reports differences.

One explanation of why small businesses tend to do more training than believed is because it is easier for them to measure the return on investment (ROI). Many small businesses can see the benefits of training almost immediately. On the other hand, in large companies it is much more difficult to pinpoint direct training effects or ROI. Furthermore, with the lack of ability to measure ROI, budgeted dollars may not be allocated to training departments (Benabou, 1996).

Another contribution of this research is the descriptive reporting of the number of hours that both large and small businesses devote to training (Table 1) and the number of hours of training in the services, retail, manufacturing, and finance industries (Table 2). Organizations can use the number of hours of training by size and industry as a general guide to determine if they do more or less training than the means of other firms of their size and industry.

Many large corporations have been outsourcing work to small businesses because they are more effective. Within large businesses, the proportion of managers to nonmanagers and professional to nonprofessional employees is generally small. However, many corporate training budgets allocate disproportionately large proportions of training dollars to managers. Large businesses are not devoting significantly more hours of training in the areas of orientation, skills, and culture than small businesses. Ability to compete may rest more directly with training of nonmanagement and nonprofessional employees, or those who have direct responsibility for delivering quality goods and services to customers (Cianni & Bussard, 1994). Therefore, if large businesses devote more resources to training their nonmanagement and nonprofessionals, they may be able to compete more effectively and have less need to outsource to smaller more effective businesses.

Limitations and Further Research

The results are more valid for size of organizations than for industry. Although the sample had good representation of size of businesses, one limitation of this study is the small sample size delimited to two states, Massachusetts and Connecticut. The results may not be generalizable to other areas of the country. Also, when the sample is broken into four industries the samples are small. Retail and finance with small samples may not be representative of these industries. Plus, this study only included four industries: retailing, finance, manufacturing, and services. A recommendation would be to conduct similar studies with larger samples in other parts of the country and in other industries.

The data focused on nonmanagement training, and training within the first six months of employment. The training findings in the areas of orientation, skills, and culture cannot be generalized to management training by size and industry. Also, management training is often conducted over many years in large companies, rather than in the first six months.

One last point is the fact that there was a wide standard deviations of the number of hours of training within small and large firms (Table 1) and within industries (Table 2). Therefore, managers should do not simply look at the mean number of hours of training in orientation, skills, and culture and simply say we need more or less training to meet the mean number of hours of training. As discussed, training benefits have strong support in the literature. However, the training must be tailored to the individual organization and be based on an assessment of training needs regardless of firm size and industry.

In conclusion, no differences were found in large and small business training in the areas of orientation, skills/job, and theory/culture at both the individual and group level. Also, no differences in training were found in the areas of orientation, skills/job, and theory/culture in the industries of services, retail, manufacturing, and finance at both the individual and group level.

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ENTREPRENEURIAL FREEDOM - JUST A MYTH?: AN ANALYSIS OF FINNISH OWNER-MANAGERS' PERCEPTIONS

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ABSTRACT

Being an owner-manager implies freedom in many respects and in different meanings. Above all, conventional wisdom suggests that owner-managers' work contains plenty of freedom. This paper brings up this unexplored topic and addresses different aspects of the persistent myth. It focuses on how entrepreneurial freedom, its constraints and conditions are experienced in owner-managers' managerial work. The background of this interdisciplinary study originates in the inductively oriented management research. The context is supported by conceptual tools derived from the resource dependency perspective, the stakeholder approach, and, most importantly, from philosophy. The most important common denominator integrating the views is the concept of 'choice'. The qualitative data collected by written essays and conversational life world interviews aims to further the understanding of the phenomenon. The empirical emphasis is on the Finnish owner-managers' perceptions, which imply the multidimensional and processual nature of negative and positive freedom experienced and highlight the importance of profitability, in particular.

INTRODUCTION

Research on managerial work, jobs and behaviour has a long history but the present provides still plenty of challenges. Extensive though the body of knowledge it remains ambiguous and incomplete. In part the 'variation of variation' retarding the progress of this field derives from conceptual confusion and atheoretical, decontextual research settings (see Hales 1986). One of the clearly unmapped areas deals with owner-managers, for the majority of the numerous, mainly Anglo-American studies conducted since Carlson (1951) have focused on employed managers. This neglect is somewhat surprising especially now that the global quest for more autonomous entrepreneurial managers and intrapreneurs is strongest. In addition, at the moment it is widely argued that during the next millenium the impact of owner-managed firms on world economy will increase tremendously. Both trends speak for the relevance and actuality of this focus. Further, although the demands of 'new managerial work' have been advocated during the last decade (cf. Kanter 1989, Handy 1993), the resulting effort is inconspicuous. Meanwhile, the interest as a whole has been diminishing alarmingly. Therefore all attempts at moving the body of knowledge forward by mapping unexplored contemporary areas are valuable, due to their implications for management education and practitioners in addition to theoretical contribution.

This attempt concentrates on self-employed owner-managers' managerial work and 'entrepreneurial freedom' experienced in it. Indeed, this is not a study of entrepreneurship per se, but entrepreneurial freedom is examined in the context of owner-managers' managerial work with a special orientation to external social environment. This is important for those who see relevant conceptual and empirical differences between entrepreneurs and owner-managers (cf. Carland et al. 1984). The philosophical focus originates from conventional wisdom, which holds a persistent view that being an owner-manager implies freedom in many respects. To capture this multifaceted issue with various meanings, freedom is here defined following Sartre (1943/1957), who perceives that the ultimate freedom of a human being is *the opportunity to choose*.

The *implicit* evidence for owner-managers' – i.e. entrepreneurial - freedom is contradictory. One the one hand, according to conventional wisdom and numerous studies opportunity to be one's own master is crucial in choosing an entrepreneurial career (see e.g. Kets de Vries 1977, 1985, Brockhaus 1982). Owner-managers' authority, power and control based on their position provide outstanding theoretical options for individual autonomy, for proactive managerial behaviour and for enacting a suitable environment (Weick 1969/1979). Further, managerial work contains many choices, for owner-managers the options seem profound (cf. Stewart 1982, Koiranen and Tuunanen 1996). On the other hand, every manager operates in an environment consisting of constraining interdependencies - more or less under external control. Above all, the resource dependency perspective (Pfeffer and Salancik 1978) and the stakeholder approach (see e.g. Rhenman 1964) speak for limited managerial discretion. Also scholars of managerial work stress the various constraints and demands embedded in managers' social environment (see e.g. Sayles 1964, Stewart 1976). The stances arouse suspicions about the amount and nature of entrepreneurial freedom; at worst, they evoke images of solitary actors trying to survive in their invisible cages. But still, major personal ownership and the absence of superiors are supposed to bring some relief and extend freedom.

Starting from these inconsistent premises the paper challenges the prevailing myth about entrepreneurial freedom in highlighting phenomenologically the subjective realities of four Finnish owner-managers. The research questions guiding the process are: *1) how is entrepreneurial freedom experienced in the owner-manager´s managerial work?* and *2) what does the manager perceive as determining and constraining freedom in his or her position?* The phenomenological emphasis has two main implications. First, it infers that the important reality is what the subjects imagine it to be (see Bogdan and Taylor 1975, 2). Second, the empirical findings cannot be generalized, instead, the aim is to *understand* the essential nature of entrepreneurial freedom, its constraints, and conditions. In what follows, the interdisciplinary background linked by the concept of 'choice' is presented in more detail. Thereafter the research setting and the rationale for the methodological choices are explicated. Next, the owner-managers' realities are illustrated and analyzed through qualitative data obtained from intensive interviews and written essays. The paper concludes with four propositions and their implications.

THEORETICAL BACKGROUND

Managerial Work

The study builds on the contribution of the inductively oriented management research aiming to better relate managerial work to reality (see e.g. Carlson 1951, Sayles 1964, Mintzberg 1973, Stewart 1982, Kotter 1982). In the first place, Stewart's (see e.g. 1967, 1976, 1982, Fondas and Stewart 1994) seminal work is easy to integrate with freedom. Especially her model for approaching managerial jobs, which consists of factual and perceptual demands, constraints and choices, is relevant. Demands or expectation*s* form the core of a job, while different internal or external constraints draw the outermost frame and limit to what can be done. By intelligent choices of what and how the manager is able to adapt the job, to widen his or her domain, and to enact a suitable environment (cf. Weick 1969/1979). The choices may increase discretion, but the opposite outcome is also possible. Sometimes the jobholder perceives no choice, at other instances the demands seem too compelling or the constraints too restricting to offer meaningful options (cf. Marshall and Stewart 1981).

As regards the contribution of other scholars, there are some aspects worth mentioning here. Carlson's (1951) puppet-metaphor illustrates how the influence of the social context is reflected in the reactive, hectic, and fragmentary nature of CEOs' work. Mintzberg (1973, 1975) confirms this but perceives that the characteristics result, in part, from the jobholders' own choices. As a whole, he highlights the options for personal emphasis in enacting the interpersonal, informational, and decisional roles connected with the managerial positions. Sayles (1964) and Kotter (1982) bring up the cruciality of social relationships and other political aspects of managerial behaviour. Basically, networks and politicking are a necessity, but they also contain a lot of possibilities. All emphasize the options managerial work provides, some explicate that managers try to change the content of their jobs by making them less dependent on external demands towards a state in which they may shape it (see Sayles 1964, Hales 1986, Watson 1994).

Arguments against free choice in managerial work can also be presented. Most of all, rational choices are not feasible in work which is essentially interactional, full of daily fire-fighting and problem-solving, and mostly initiated by others (March and Simon 1958, Sayles 1964, Winograd and Flores 1986). The ever-changing situations compel managers to approach the interactions more pragmatically by relying on their every-day principles. If the amount of choices is too wide, then the only choice is to flow with the situation. Sometimes managers even prefer a "stimulus response milieu" (Mintzberg 1973). However, neither rationality nor managerial action per se are in focus here, the emphasis is on the *perceived* opportunity to choose. In addition, one more specification: in this study managerial work includes all activities, whether nominalistically "managerial" or not. It is even presumed that owner-managers' work contains a choice of some sort of specialist, non-managerial expertise.

Constraining External Environment

To understand entrepreneurial freedom we have to understand its external contraints. Within an open system the interdependence between a firm and its environment is unavoidable. It originates from different resource exchanges with stakeholders, individuals or groups "who can affect or is affected by the achievement of organizational objectives" (Freeman 1984, 46). Still, the theoretical conceptions of the amount and nature of environmental impact on managerial options vary. The objective stance (Hannan and Freeman 1977, Aldrich 1979) is too deterministic here, whereas the views emphasizing perceived (Lawrence and Lorsch 1965, Pfeffer et al. 1978) and enacted environments (Weick 1969, Perrow 1986, cf. Fondas et al. 1994) are consistent with the focal phenomenon.

This study integrates conceptual ideas from resource dependency and stakeholder approaches with entrepreneurial freedom, but their theoretical potential is not utilized due to the inductive stance taken. Rhenman and Stymne's (1965, Rhenman 1964) interest group model is a theory of the firm in which action between intentional actors and the social nature of action are highlighted (cf. Näsi 1995). Mutuality and consensus are central for interaction, but occasionally sanctions and coercion are used to further self-interests. Further, by recombining stakeholders managers can enact their external environments. Pfeffer and Salancik's (1978) resource dependency perspective stresses the external control of organizations, meanwhile managerial options to cope with the conflicting constraints and demands of the stakeholders are also presented. As a whole, both views basically indicate that owner-managers are responsible for things over which they have no control. Recently, the circle of relevant, primary, stakeholders has widened and the nature of the stakes expected become more diverse as the new demands for the social responsibility of the firms have been successfully advocated (cf. Carroll 1989/1993). Ethics and its reflections on freedom are intertwined with this claim, because for owner-managers business and personal issues often mix. Thanks to networks and partnership, options open for all managers have increased as well.

Freedom in Managerial Work: A Philosophical Perspective

Conceptual tools derived from outside management research are needed for studying freedom in managerial work. Fortunately, psychology and philosophy provide alternatives consistent with the research setting. Apart from the one-sided stance of radical behaviourists there are interesting psychological aspects to consider. Most of all, the views presented by humanistic psychologists (see e.g. Kelly 1958, Rogers 1974), neo-Freudians (see e.g. Fromm 1941) and social cognitive theorists (see e.g. Bandura 1986, Cantor 1990), in which individuals build their own lives as choosing, free and responsible agents, are significant. Still, the optimistic weighting of self-influence is incoherent with the external orientation. In this respect, philosophy offers better means. The notion of freedom is crucial in the fields which deal with human and social action, above all, in action theory, ethics, and political science. Further, freedom of action is connected with the discussion about determinism vs. indeterminism, and thus to theoretical philosophy.

Human freedom basically implies that the choices of an agent are determined by his or her will, not by any external cause over which he or she has no control. Indeed, according to Moore (1912/1965) "I could have chosen otherwise" crystallizes its core and sets the conditions under which the term free can be linked to one's actions. However, freedom contains various dimensions. One of them is the ability/inability to perform different acts, which implies that the generic ability defines the scope of freedom. In this sense it may be called potential, whereas freedom to do or not to do a specific act is actual, both different aspects of another dimension (von Wright 1986). The nature of choices provides a third dimension for exploring the levels of freedom. The range extends from the existential choices concerning life projects to trivial choices in day-to-day situations (Heidegger 1930, Jaspers 1956). Finally, freedom can be studied with the focus on either personal or social liberty, and from the *positive* and *negative* facets, which is the view adapted here.

The political philosopher, Isaiah Berlin (1969) rejects determinism, distinguishes between freedom and its conditions, and presents the positive and the negative concepts of liberty. For him freedom is "the opportunity to act, not action itself" (1969, xlii). The negative sense of freedom - *freedom from* – entails the absence of obstacles to possible choices and activities. The positive sense of freedom - *freedom to* - derives from the individual's wish to be one's own master, from the wish to be the subject, the doer, the decision maker, the goal-setter and the policy-maker, and the wish for bearing responsibility for one's choices. The degree of freedom experienced can be used as a measure of positive freedom, but to estimate negative freedom – its conditions - is complicated. Indeed, the absence of obstacles neither entails a sufficient nor a necessary condition for positive freedom. An agent is free only if he determines his own life, sets his own goals, controls his circumstances and can do what he chooses to do (Patoluoto 1986, 86). This argument has important implications for human responsibility as the complementary facet of freedom.

The constraints of freedom are either external or internal in nature. The former are divided into physical and normative, the latter into psychological and normative ones. Constraints may also be internalized, and many of these duties or rules accepted have an external origin. Berlin (1969) considers internalizing false, and uses Epictetus, the slave freer than his master, as an example of such spiritual freedom. Nevertheless, following von Wright (1980) the less an agent internalizes constraints, the greater is the perceived coercion or normative pressure. In addition, the more arguments an agent has for and against potential actions, the more extensive is the scope of freedom of choice. But, the consequences may be problematic: a greater degree of freedom may complicate decision-making and eventually constrain action.

Integration and Limitations

To sum up, Stewart's (1982) framework of demands, constraints and choices has been chosen for studying entrepreneurial freedom in managerial work. To understand freedom it is necessary to understand the constraints faced. Here external social environment is considered a significant source of dependency. The external constraints originate in resource exchanges and restrict owner-managers' options to some extent. Not all of them are harmful, and can even be turned into facilitators. By enactment, intelligent choices, and internalizing owner-managers can reduce obstacles. The question is, how entrepreneurial freedom, its conditions, and constraints are experienced. To make an explicit distinction between the freedom of will and freedom of action is beyond the scope of the study, like the eternal issue of causal determinism. Finally, even though the notions of power and expectations are closely related to freedom, they are touched only in passing here.

RESEARCH JOURNEY

The present study resembles a journey with plenty of possible routes, most of all at the theoretical, empirical and methodological crossroads, but thereafter at minor crossings as well. Next, the methodological choices made are explicated bearing the issues of validity and reliability in mind. To begin with, the interest in the phenomenon dates back to the author's previous studies (cf. Wahlgrén 1995, 1997) and long-lasting every-day experience as the spouse of an owner-manager. Both starting points have been important for preunderstanding and sensitivity. Further, they enabled communication in a language shared by those studied and helped in getting the subjects' permission and confidence. For the same reasons, the original position may be considered biased and subjective. Nevertheless, every view is a view from some perspective; by critical and perspectival subjectivity the researcher has aimed to turn her stance into a strength for the inquiry (see Reason 1988, Gummesson 1991, Kvale 1996).

Qualitative Route Together with Four Companions

Careful reflection on the topic limited the methodological alternatives, as the quantitative avenue with the objective and quantifiable ideals of the positivist philosophy of science seemed unsuitable in this context (cf. Martinko and Gardner 1990). Instead, the qualitative avenue originating in hermeneutics and phenomenology, and aiming at understanding was chosen. The rationale is evident. The ambiguous phenomenon insists a holistic and open approach which can be refined and modified if necessary. Moreover, the qualitative route permits subjectivity, highlights life worlds and meaning, and enables interaction between the researcher and the subjects all elementary within this research setting.

Two qualitative methods, written essays and conversational life world interviews, have been used sequentially. In the first stage, between February and March 1997, written data was collected from 24 Finnish owner-managers. As a defined assignment of the management class the author's students contacted owner-managers willing to write an essay on the title "I, my work and entrepreneurial freedom". The heterogenous group included representatives of both sexes, from many industries, firms of different sizes, of varying tenure, from all over the country. The diverse stories were difficult to analyze, but the richness of realities presented surpassed expectations. This data has been used for many purposes. First, it confirmed the initial research questions and helped to determine the target group to consist of owner-managers in charge of industrially medium-sized businesses. Second, along with deepening understanding it revealed relevant criteria for selecting the subjects. Third, in the final analysis the patterns emerging from the written data provided checking points for validity threats in addition to triangulation (see Denzin 1978).

Entrepreneurial freedom is here approached from four subjective realities. This attempt to explicate human experience presumes that a larger number of subjects does not necessarily yield more information, it is the quality of data that is crucial. Hence the basic criterion for choosing subjects was accessibility. Further, owner-managers from different industries were sought. In the first case the tradition and tenure of the family business were emphasized and a manufacturing firm established at the beginning of the century was selected. The managing director, F, has been in his position ever since the early nineties. For the second case the aim was to find an owner-manager with two businesses. The choice was economical, as a female entrepreneur, H, a subject of a previous study was asked to participate. Although this founder of a travel agency, and the head of a hotel appeared sceptical about the topic, she agreed. The criterion for the third subject insisted previous experience as an employed CEO. M was found through a chance meeting, when it came up that he had established a firm after working as a professional CEO for 25 years. Finally, as the data spoke for an extreme case, a well-known ex-entrepreneur from the service sector was selected for the fourth subject. When consenting E remarked that now, four years after his total burn-out, he felt "able to discuss his experiences of entrepreneurial freedom, earlier it would have been too painful a topic".

Life World Interviews and Interpretation

The semistructured interviews were conducted from April to August 1997. The tape-recordered interviews lasted for two hours on average and began by questions providing background information (e.g. ownership structure, organization, competition, personal history). Next, freedom was approached at a conceptual level and from a general stance through questions such as "What does freedom mean to you?" and "What do you think of entrepreneurial freedom in general?". The meanings given in these answers offered a challenging point of reference during the analysis. The lived world part covered the following themes: (1) entrepreneurial freedom from, (2) and freedom to, (3) the choices, (4) constraints (5), and control experienced in managerial work. The order of the themes was altered flexibly to ensure a natural discussion.

Many tools were used in the analysis. It started by the open coding of the essays (see Strauss & Corbin 1990). All dimensions of the categories could not be discovered in the first stage, although a few initial propositions were created by combining consistent themes emerging from the written data, theoretical perspectives, and tacit knowledge. After each interview, the researcher wrote down her impressions, and thereafter listened to the tapes again. During the transcription the discussions were approached from other angles and everything too obvious was questioned. The laborious process of interpreting began at the interview stage, but each interview presented new insights to be challenged during the next ones. Contradictions in the comments were bewildering. Mostly they reflected 'self-presentation' or attempts to pad out certain aspects, but they may also highlight the internal confusion of the reality experienced. In one case (F), when such incoherence was discussed, it appeared that his understanding of freedom's internal constraints was changed during the interview.

This paper as a whole attempts to provide evidence for the *trustworthiness* of the findings (cf. Lincoln and Guba 1985). As to validity, the quality of the researcher's craftmanship is perceived crucial. Checking, questioning and theorizing – as reported above – are the primary means used. Triangulation of data has been useful in all these stages. Further, the subjects accepted their accounts. Although respondent validation is occasionally questioned (cf. e.g. Silverman 1993), in evaluating truth-value of human experience it has to be considered. In the end, the creditability of the propositions presented can be used as a measure of how the attempt has succeeded. As regards reliability, defined as the consistency of the findings, there is little to add. The issue has been carefully carried through the process: in interviewing, word by word transcribing and analyzing, which were all done by the researcher herself. Finally, considering generalizability or rather applicability the conceptual framework integrated can be analytically applied in other contexts and with others managers, whereas the personal accounts are inherently idiosyncratic and, as such, not generalizable.

OWNER-MANAGERS' LIFE WORLDS

The empirical part begins with an illustration of entrepreneurial freedom revealed to Martti (M). The aim is to present a more detailed view into one reality instead of "atomistic quotes and isolated variables" butchered during analysis (cf. Kvale 1996, 254), and at the same provide evidence for judging the creditability of the propositions. Martti's account was chosen for two reasons. First, as the researcher did not know him, this discussion offers a relevant example for the reader to follow along, while his potential to make comparisons provides the second argument. Thereafter, brief summaries and visualized formulations of entrepreneurial freedom and its constraints, experienced by F, H and E, are presented.

One for All - Martti's Optimistic Account

Martti, in his early fifties, has a technical education and 30 years' experience in his industry. Together with his son, who started to work with him some time ago, their share of ownership exceeds 90%. When this company, operating in the area of cutting edge technology, was established a few years ago, during the period of severe recession, there were other important shareholders as well. The idea of a family-owned business with centralized control is increasingly important to Martti nowadays, in particular when he looks back to the previous 25 years as the employed CEO of a nationally prominent manufacturing company.

> *"Perhaps it is due to my age or my previous experience, but I don't want to have more shareholders, not under any circumstances. I can't stand it! I want to do what I want... despite any potential investors. We have interesting projects going on, and I would surely get investors, but I don't want any. It may be stupid, because by their output our financial structure would improve. In a way, it's a value...and this whole idea of a family-business is attractive. It takes a lot to make me change my mind..."*

His choice of an entrepreneurial career dates back to changes in the ownership structure of his previous employer. The opportunity to a management-buy-out did not attract him, because the situation seemed too complex, especially for personal relationships. In such an arrangement his degree of freedom would also have been restricted. Nevertheless, the quest for independence was not his main motive for entrepreneurship, but rather a sort of weariness of being an employed CEO; "a feeling of having been through it all already". As regards ability as a condition of free choice, the modest owner-manager points out the significance of experience, and incidentally refers to the fundamental issue of self-efficacy (Bandura 1986, Gist and Mitchell 1992):

> *"This is a good point, because I have wondered why I didn't leave 15 years ago. And where would I be now? But then I have to admit that perhaps I would lack the experience on which I depend now. Experience means credibility, you achieve it over the years, from different deals, investments, and networks... then you have it all. And you must have it.*

But it took so many years. When I was 50, I felt ready to start as an entrepreneur. In a way it never occured me before... perhaps it's a question of self-esteem."

As a whole, Martti perceives that experience brings more security and increases the freedom "to search for solutions". From this view, the scope of his potential freedom seems extensive. And thanks to his healthy self-esteem, he has the courage to actively to ask for advice from his wide network, which extends his potential freedom further.

For Martti the essence of freedom implies personal autonomy: "freedom to decide on the things which influence your own life". This value is crucial and reflected in work; to experience freedom means to be free from the yoke of work, which consequently creates a totally different terrain for working. When entrepreneurial freedom is approached generally, he starts with the negative facet. Simple though, the essence is most absolute in nature:

"In essence freedom is only profitable business...To be frank, we are always slaves of the financiers. In other words, freedom originates in ... gross margin is the master. Indeed, it is the only master, you've got to get gross margin, otherwise you can't survive!"

Personally, profitability is also crucial for him. At present the external control of the financiers is constraining, but not oppressive. Still, to ensure more favourable future conditions he tries to keep strictly to his financial objectives in repaying his loans.

Further, entrepreneurial freedom originates from the absence of a controlling board and superiors. The lack of external interference means that you need not explain your decisions and choices.

"Of course this frees me from extra bossing, from this kind of a hierarchy. It's a great challenge! Even if you are a smart guy, but you have the wrong kind of boss or board, it is complicated: you collide with them all the time. This is at least what I seem to be free from. It's great, it makes me free from that."

Seen from this stance Martti's decision to invite new members to his board is inconsistent. He admits he is consciously relinquishing part of his freedom. This stakeholder inclusion is proactive and it aims to increase partnership, although the external members also reframe part of his work by demanding more discipline.

Martti perceives his holistic approach to managerial work to reflect his own *choice*. He divides his work into four functional clusters: marketing, production, finance and external stakeholder relationships. Customers are by far the highest priority. Some activities, such as price setting and the daily checking of cashflows, represent a new dimension full of operational, routine tasks. Although he nowadays regards this extra work as richness, he admits that learning to like it called for a change in attitude. As a whole, these various time-consuming tasks are problematic.

"I'm sure I do a lot of work of the wrong kind. Especially these routines are the ones which I should give up, because of my son. He is able to do them and he is with me all the time... But it's so difficult. When you have started everything by yourself, to give up is... You should be able to give up! You should be able to be...not to become the manager...but to give up certain tasks."

Martti's obsession to have all the operations in the firm under his control is evident. In part, this is a residue of the start-up phase, when the expenses had to be controlled constantly, partially it indicates his meticulous personality. Anyway, "being afraid of letting it go" constitutes a significant internal constraint.

Martti believes that, generally speaking, entrepreneurial freedom – as freedom to - culminates in two things. First, owner-managers are able to choose the working hours, and second, use money the way they prefer. Yet, the former often results in a paradox:

"You have the freedom to work for 24 hours a day, it's the direction where freedom takes you, and then you may not be free any more."

Personally, neither choosing the hours of work, an average of 10 hours a day, nor the timing of holidays is important for Martti. This liberty existed already in his previous position. Instead, the most relevant aspect of positive freedom is embedded "in real, concrete responsibility". Hence the responsibility for taking risks is not a constraint for him, but entails a condition needed for experiencing positive freedom, the success that follows and the joy inherent in them.

Martti's entrepreneurial work is somewhat opportunistic. The options for experiencing entrepreneurial freedom in its positive sense and utilizing its rewards are remarkably extended by his second venture, which was established six months after the first. The business idea is defined loosely enough to sustain flexibility needed to take advantage of emerging opportunities. The 100% ownership of this "miniventure in the back pocket" creates a fruitful basis for investment choices, in particular.

"Well, it's an amazing feeling - all the time - to consider the options: which is the one I'll grasp. It's great, something you are never able to experience as an employed manager! You have the freedom to, when you see an opportunity - because it's you and only you who has responsibility - to say that I'll go and take it. You don't have to ask anybody! The only problem in this freedom is that the amount of the supply is so extensive: you will find fascinating opportunities...visions arise, they are evolving all the time... Even if you had not so much money, the wings of thought will soar."

For Martti, positive freedom as a whole reflects a mind game revealed in feelings to be able to dream, seize opportunities, and to use creativity. Some of the ideas are implemented, others do not pass into risk-taking. Related with this, the CEO reminds that he would have enormous freedom to influence the lives of his employees and their families, an option which represents the exacting and challenging part of freedom. The remark brings the ethical dimension with the dilemma of means/ends into the discussion. Martti, unlike all others, does not perceive labor legislation as constraining his choices, but by reversing the issue insists having plenty of opportunities for improvements, e.g. for finding new ways for participation.

In Martti's view, the present frame of his work is mainly self-imposed and reflects his own choices, but still part of it originates in external sources. Some of his choices have turned into significant internal constraints of freedom (cf. figure 1). Above all, the prominent need to control and the constant want to keep up with "the daily rhythm of work" represent striking examples. If unfulfilled, they may lead to physical symptoms of deprivation.

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-Insert Figure 1 About Here-

The main constraints to Martti are the external ones deriving from the financiers and the unions, both of which limit his work more than in his previous position. Competitors, thanks to partnership are not restricting at the moment. Further, he mentions his own capabilities and energy in telling about days and moments, when sudden physical exhaustion becomes an evident constraint. Finally, Martti turns to success, a most influential constraint for every owner-manager studied:

M: "These ethical questions, they represent an important issue; responsibility for others, not solely for the firm's money. The increase in financial responsibility and the ecstasy embedded in the work blur your morals to some extent. When you're in drive, you may forget some important ethical point, it just gets drowned in the surge. As an employed manager you never experience that surge of emotions, and the ecstasy. It's not so total!"

R: "Is it a question of your own money and your own success you are referring to?"

M: "I guess money is after all the wrong thing, it's more about your creativity. Let's put it like this: when you establish a firm of your own and it succeeds, it's a question about much more than just money. It's about this person who succeeds. I made this succeed! Millions are secondary, it's more about the quality of the person who did it - the mental achievement".

In the prison of success owner-managers are in the limelights, for success reflects, most of all, their competence (cf. Morgan 1986). In Martti's personal success, many dreams of poor childhood have come true. Materially, this all was realized a long time ago, but mentally, the rewards are most meaningful - if not merely positive – at present, as he indicates in the following deliberation, partially personal and partially more general in nature.

"I had neighbours with houses of their own and thought I would never get one... it was so incredible to have an apple-tree and a house of your own. And the day you suddenly get it, the day when it starts to come true...everything is not necessarily healthy. You might get confused... Success is not without risks."

To perceive these embedded risks is the first step, but to get out of the prison completely is far more complicated. Indeed, "it is not even possible, because of taxation and other things", which all make demands on you to be more and more successful. Still, his choice to refuse the offer initiated by a buyer some time ago, speaks for different conclusions, and indicates of a voluntary captivity.

Martti sees entrepreneurship as being similar to art, and a few times he refers to himself as an artist. He sees creativity as one of his most essential skills. Typical of creativity, as for freedom in essence is its fluctuating nature. Occasionally he feels to have run out of them both:

"The worst I experience in my work is the feeling that creativity is zero, when your state of mind goes blank for some reason. It's like death, when you realize that you have no air! An outsider cannot see it, but you get no air and wonder, if you will ever rise again! My character is like a roller-coaster: sometimes I wonder if I have ever achieved anything! Then you just continue, knowing that you will rise again."

Martti feels he is his own master. Many tentative interpretations are confirmed, when at the end of the interview, he humbly confides that primarily he is responsible to his Creator and to his co-workers, his employees - but no mention about himself. Though profitability provides the conditions for Martti's entrepreneurial freedom, his dialogue with his conscience seems to be equally meaningful in relation to both his personal and social freedom.

Mixed Perceptions of a Controller and Two Sceptical Visionaries

F's view about the essence of freedom, "freedom to work, freedom to exist" is well in accordance with his orientation to work. This choice representing a life project is also reflected in all his other choices and the constraints of his entrepreneurial freedom. In F's case freedom to choose is most meaningful in the hows of managerial work, though he considers decision-making a significant aspect. Actually, the core of F's entrepreneurial freedom culminates in his unquestionable opportunity to control. By means of control and decision-making, F feels he is able to reach the primary, maintainance-oriented goals of the firm, and also to retain the freedom in life. The firm's established position in a declining industry, the traditional status of the owner-manager, and above all, the total financial independence of the firm enable him to focus on management. Customers are the salt of his life and the main source of the pleasure in his work. On the other hand, the two co-owners, customers, the habits created by 30 years' experience, and F's meticulous personality reflected in the obsessional, all-inclusive control and in his self-control are the elements most significantly framing his entrepreneurial freedom (cf. figure 2).

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- Insert Figure 2 About Here -

As a public preacher for personal growth, H stresses the cruciality of self-mastery, and defines freedom as "an internal feeling of well-being". According to her, entrepreneurial freedom generally represents a pitfall and a cliché. This sceptical, contradictory view proves to indicate personal experience, the fluctuating, even decreasing trend of entrepreneurial freedom revealed to her. H suggests that a background, where you start from nothing provides an important shelter against the financial threats of success. H’s options to experience and extend entrepreneurial freedom are restricted: because of financial constraints she is not able to focus on such whats of managerial work as creativity and visions (cf. figure 3). This deprivation of satisfaction creates recognizable "symptoms of stress behaviour". The hows of managerial work are not insignificant either, especially now that she feels to be lacking them, while working hard to compensate the personnel shortage deriving from various maternity leaves. All in all, the existing financial dependency and the heavy social obligations as an employer together with the moral responsibility for her employees are turning into a mental prison, in which she cannot even choose the moment for closing down her businesses.

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- Insert Figure 3 About Here -

Meaning is always retrospective, but in E's account retrospection plays the main role. During a period of 12 years, his career which was initiated by an exceptional need for independence progressed from the experience of entrepreneurial freedom as "opportunity to choose one's work, the freedom to create and to work without hierarchies" to a total external dependency. The firm's vision was to be the best in its fast-growing industry, and in six years this pioneering company with the three owners and a ROI reaching to 70% was regarded as an attractive object for acquisitions. The owner-manager turned down the first offer made by a large group, because he perceived it as a "deprivation of freedom". However, soon after that the decision to be listed was made, and thereafter E concentrated on the essence, on visions and on innovations while creating "the aggressive growth strategy". The visionary CEO loosened up his control, and delegated authority to new managers. Ten years after starting the firm he felt his creativity declining, and decided to take more time for himself, gave up his formal position, and left for Stanford to study (cf. figure 4). His final doom was caused by devaluation which increased the loans taken in foreign currency by 40%. This resulted in that the financiers took control of the company, which was intolerable for E's personality (cf. Kets de Vries 1977).

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- Insert Figure 4 About Here -

DISCUSSION AND CONCLUSIONS

Entrepreneurial freedom and its constraints in owner-managers’ managerial work is a new topic, theoretically and methodologically challenging and important for practitioners. This study is an inductive analysis, although it utilized and integrated the interdisciplinary conceptual ideas presented (cf. Strauss et al. 1990). The status of this phenomenological analysis has been interpretative: building on the essays and the interviews the reseacher has detected patterns of *consistent experience*. The main findings are here presented and discussed in the form of four propositions and a model (see fig.5), which crystallize conceptions and definitions emerging from the data. As the findings reflect the experiences, perceptions, and interpretations of the owner-managers studied, there may be gaps between the understandings construed and the factual dependencies. Accordingly, they cannot be generalized, which might be considered the main limitation of the present study. However, for the aim to increase understanding about the phenomenon this is irrelevant.

Proposition 1:	Entrepreneurial freedom in managerial work is a multidimensional and interactive perceptual process in which negative freedom provides the conditions for experiencing positive freedom, and its overlapping consequences.

Entrepreneurial freedom in managerial work is condensed as a process visualized in figures 1-5. The process consists of four parts, which interact constantly. The outer frame (1) sets the limits for entrepreneurial freedom perceived in the negative sense (2) and further for positive freedom (3) and its consequences (4). The outer frame is composed of dependencies. Some of them are external, others are self-imposed and encompass internal constraints, like habits or obsessions, and constraints internalized and transformed into duty-like managerial priorities, such as dependence on customers (cf. von Wright 1980). In negative freedom the most meaningful constraints are reversed into positional, financial and personal conditions for experiencing positive freedom. The conditions culminate in profitability, which besides protecting against financial dependency helps to maintain the owner-manager's autonomous position by keeping additional external board members absent (Pfeffer et al.1978, Stewart 1982). Further, profitability may facilitate recruitment and delegation, through which the owner-managers may complement their abilities and hence widen the scope of potential freedom.

*****	- Insert Figure 5 About Here -

Proposition 2:	The scope and degree of entrepreneurial freedom experienced reflect a function of dissatisfaction perceived in negative freedom and of satisfaction experienced in positive freedom.

In essence, entrepreneurial freedom in the positive sense reflects satisfaction. Joy or pleasure deriving from self-mastery and self-realization give an experience of satisfaction (cf. Brockhaus 1982). Success in all its forms is often crucial, while creativity backed by spiritual freedom and unquestioned control seems to bring out most joy. The other sources of satisfaction vary according to individual abilities, ambitions, aims and preferences (Stewart 1982, Kotter 1982). Responsibility, which is perceived to differ totally from that of the employed managers, is central: it obviously belongs to the positional conditions, but, most importantly, sets the main *standard* for the whole process. Indeed, the negative and positive facets are mutually shaped through responsibility. If the conditions seem dissatisfactory, when compared with personal responsibility, neither positive freedom nor its overlapping consequences will be experienced in full. This view is consistent with Herzberg's (1959) two-factor theory. In contrast, a manager feeling prevented from using his or her potential may gradually lose sight of options still open and start working with and within areas of managerial work which do not provide any experience of satisfaction. Unfortunately, dependencies tend to accumulate mentally: if financial dependency increases, employees, unions, and the society impose additional costs (cf. Kets de Vries 1985, Morgan 1986). At worst, deprivation may lead either to feelings of anxiety, depression or to a willingness to give up the business.

Proposition 3:	Profitability is a necessity for experiencing entrepreneurial freedom, and the degree of financial independence is reflected in the priorities of the owner-manager's managerial work.

The expressions of positive freedom in the empirical data on managerial work are revealing as to the goals of the owner-managers and their firms. The orientation to work reflects one's life style and is closely related with the whats and hows of managerial work, either of which is emphasized in the satisfying choices (cf. Stanworth and Curran 1976). As regards the whats of managerial work, the focus on creativity, visions, dreams or risk-taking evident in three of the accounts and most essays indicates that the emphasis is on growth and refers to entrepreneurship or a leadership orientation (cf. Mintzberg 1973, Carland et al. 1984). Indeed, for H, M, and E, all founders of their firms, creativity is the most valuable but vulnerable asset to success and at the same time to increased financial independence (see e.g. Scherer 1984). Respectively, F's choices, like some of the essays, speak more for management and stress the hows; freedom to control, in particular. For F, both the goals and conditions of self-mastery are different: survival and chance to work in the chosen way bring him the satisfaction needed at present (cf. Bolton 1971, Watson 1994).

Proposition 4:	By choosing owner-managers irrevocably constrain their future choosing.

Owner-managers define entrepreneurial freedom through their own choices. Most of all, this freedom in choosing to reject future choosing illustrates the paradox inherent in the whole phenomenon. Further, it is obvious that owner-managers are not fundamentally free to choose in managerial work, for due to external dependencies they are by no means free to want what they want (Moore 1965, Pfeffer et al.1978, von Wright 1986). Related to this classical dilemma of freedom is success, which is the most meaningful if paradoxical consequence of entrepreneurial freedom: success decreases financial dependency but over time becomes an internal constraint. In addition, there are many other contradictory features in support of this final proposition: freedom if taken to extremes, may result in exhaustion, obsession to control, and to self-imposed external constraints to get support in one's solitude.

This paper contributes in increasing our understanding of entrepreneurial freedom. First, it explicates a relevant conceptual alternative for studying owner-managers', here entrepreneurial, freedom, its constraints, and conditions in managerial work. Second, by using this interdisciplinary explication it illustrates entrepreneurial freedom experienced by four Finnish owner-managers, whereas the empirical illustrations facilitate the understanding of entrepreneurial freedom and its essence. Finally, by proposing the inductive processual model it has furthered the understanding of the phenomenon as a whole.

Although the study originates in the inductive management research, its implications are of equal interest to scholars of entrepreneurship. Educators and practitioners might use the accounts and the processual model in analyzing managerial work. For the latter, realizing the dangers of self-imposed constraints is important. Further, such findings as the fluctuating nature of entrepreneurial freedom may be reassuring or the idea of a second venture for stabilizing dependencies and providing satisfaction inspiring. Scholars might prefer to consider the propositions as hypotheses, anyway, they present new insights worth to be addressed in further studies. For example, an explicit focus on the *meanings* given to responsibility or profitability seems challenging. Finally, although human experience is difficult to grasp, it is vital for research in this field. The life world interviews proved promising and some of the essays also offered skillful in-depth analyses of personal experience, which supports their further use.

To conclude, this study presents no final answers but rather addresses new questions. The reasons are many, but most importantly this is consistent with the philosophical stance adopted. However, the paper explicates the myth about entrepreneurial freedom. The evidence neither supports conventional wisdom, nor even less fulfils the strict theoretical claims for free choice (Berlin 1969, Patoluoto 1986). Being an owner-manager entails framing one's work and possessing liberties, but freedoms are nothing without the power to implement them. For such an experience the extensive amount and total quality of responsibility perceived by owner-managers is crucial. In the end, financial dependency narrows the scope of potential freedom by limiting the arguments for and against various choices, whereas profitability determines actually which of the two categories owner-managers fall into: the masters experiencing a wide zone of free choice in their work or the prisoners feeling to be deprivated of it. Indeed, even if entrepreneurship originally represented a voluntary captivity, the *perceived* unability to choose the day of getting out of this prison implies that entrepreneurial freedom in managerial work is largely illusory for many.

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COMPETITIVE CONTEXT AND ADAPTATION: AN INVESTIGATION OF SPECIALISTS IN SMALL BUSINESSES

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ABSTRACT

This study explores the relationships between competitive context, the use of specialists and the adaptation activity in 94 small businesses in a midwestern state. Results indicate significant relationships between competitiveness and environmental uncertainty and the presence of specialists in small businesses. The relationships, however, are in opposite directions. While competition is related to more specialists, environmental uncertainty is associated with fewer. Intensity of competition is the only variable in the study found to be related significantly to innovative activity.

INTRODUCTION

The reality of rapid and dynamic technological changes, changing consumer expectations, and the intensification of competition in a global marketplace have been reflected in both practitioner and theoretical literature. Intense external forces for change require management to move their organizations from being traditional to being more entrepreneurial (Cornwall & Perlman, 1991; Jelinek & Litterer, 1996). Entrepreneurial behavior "is characterized by a preference for creating activity, manifested by some innovative combination of resources for profit" (Carland, Hoy, Boulton, & Carland, 1984: 357).

Under conditions of change, one key to survival, profitability, and growth used by entrepreneurial organizations is adaptation. Adaptation is operationally defined as innovation, or the creation of new products and processes (Carrier, 1996; Chaganti & Chaganti, 1983; Varadarajan, 1986). Clearly, innovation must be accepted as a way of organizational life. Schumpeter (1942), however, suggested that only large enterprises can afford the cost of R&D, absorb innovation failures, and exert enough market control to benefit from the implementation of innovations. Because small businesses lack the resources of large businesses, it is critical that they come to understand better which factors are related to their ability to innovate and compete.

Small businesses are assumed to be energized by the entrepreneurial drive of their strategic managers (Drucker, 1985). Top management controls the flow of resources and the reward system of the organization. This is particularly true in small businesses. Conditions of change often create situations that are well beyond the domain of experiences of top management in a small business. To successfully adapt, therefore, top management must find alternative methods to secure the necessary information and expertise they lack. A common method is to use outside specialists to supplement the knowledge and expertise base of top management.

This study investigates the impact of top management decisions to use specialists on the generation of ideas by all members of a sample of small businesses. Specifically, this paper addresses the following questions: (1) Is the intensity of competition associated with the use of resource specialists? (2) Is top management's ability to predict changes in firm context linked to the use of resource specialists? and (3) Does the use of specialists affect overall firm innovative activity in small businesses?

RESEARCH CONTEXT

King (1990) and Damanpour (1988) provide recent reviews of the literature on innovation. These reviews reveal that the relationship between competitive context and innovation has not been fully explored and call for investigation of this relationship. Each of these authors provides an insight into (1) the basic questions asked about innovation, (2) the methods used to answer these questions, and (3) areas that require further study. King's (1990) review, for example, suggests that there is a need to position studies into general research perspectives. This author identifies three general streams: research on the diffusion of innovations between organizations, research on creativity and creative problem solving, and research on innovation as a phenomenon of the work environment. It is from the perspective of innovation in the workplace that this study was conducted.

Research on innovation in the workplace may be further classified by level of analysis and predominant research methodology. Most research has been conducted at individual and organizational levels of analysis with little at the group level. Research at the individual level focuses on the individual as the main unit of production or adoption of innovation. Antecedent research at the individual level has correlated a number of trait (e.g., tolerance for ambiguity and risk-taking) and situational variables (discretion and leadership) with innovation. Process research has been greatly outnumbered by antecedent research, but there does appear to be consensus that innovation in individuals occurs in a series of stages. While there is little agreement on the number or the internal ordering of the stages, almost all proposed models begin with some problem recognition and end with a confirmation of a change.

At the organizational level, antecedent research has focused on member behavior factors (e.g., idea champions and resistance to change), organizational characteristics (e.g., size, strategy, and structure), and extra-organizational (e.g., competition and environmental complexity) that facilitate or inhibit innovation. As is the case at the individual level, there is a consensus that innovation at the organization level also involves a series of stages. There is less agreement, however, on when or why the process actual begins and when or how the end occurs. Generally, these models address issues concerned with initiation of the process (or what leads up to adoption) and its conclusion (or how the innovation is implemented successfully). According to King (1990), research on innovation at the organizational level has been faced with some consistent problems: 1) a lack of clarity and sophistication in operationalizing variables; (2) a bias toward exclusive reliance on reports of innovation by management; and (3) a tendency for process models to be conceptual and derived or borrowed from elsewhere (e.g., decision-making or planning).

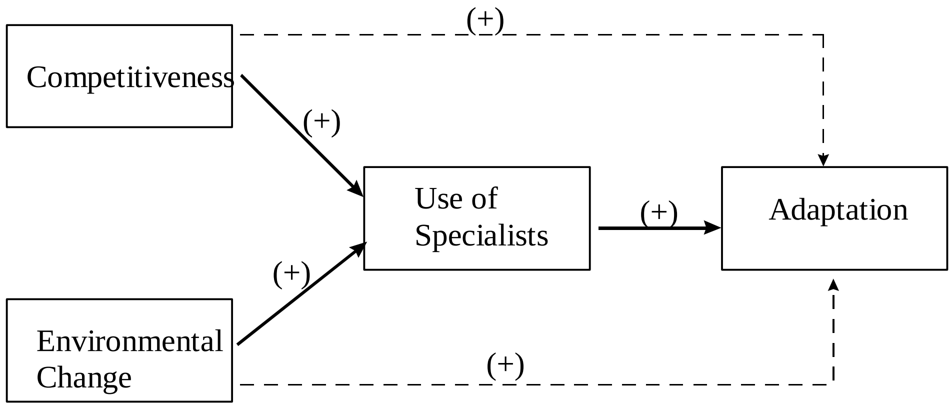
In its exploration of how innovation activity in small businesses reflects response to the environmental contexts of organizations, this study fits within the stream of research concerned with innovation at the organizational level. It responds to the call for research on the relationship between organizational context and adaptation.

HYPOTHESES

Researchers have consistently maintained the critical interdependence between the environmental context of organizations and organizational innovation for more than thirty years. Thompson (1967) was one of the earliest theorists to identify ways by which organizations respond to their environments. More than twenty years ago, Cummings and O'Connell (1978: 46) noted that "there are different stimulants to organizational innovation, which need not direct the organization along the same innovative path? ." Mintzberg (1987) recognized that firms develop streams of actions and specific competitive postures that reflect their attempts to cope with their external context. More recently, Van de Ven and Poole (1990: 317) noted that "The process of innovation consists of motivating and coordinating people to develop and implement new ideas by engaging in transactions (or relationships) with others and making the adaptations needed to achieve desired outcomes within changing institutional and organizational contexts."

Exactly what dimensions of the environment are most influential for innovation in small businesses remains a subject of empirical investigation. As a starting point, we begin with an exploration of the concepts of competition and dynamism. These two elements are among the most commonly cited dimensions in research on organizational environments (see, for example, Castrogiovanni, 1991; Dess and Beard, 1984). In addition, these two elements suggest different decisions may be made about the use of specialists. Figure 1 provides an overview of the model to be tested in this study.

Figure 1
Basic Research Model



COMPETITION AND THE USE OF SPECIALISTS AND PROFESSIONALS

Organizational strategy indicates that a firm's actions are tied to its ability to fit its internal activities with its external markets (Hofer & Schendel, 1978). Sustaining matches between internal activities and external opportunities calls for an interactive fit between organizations and their environments (Van de Ven & Drazin, 1985). Competitive context influences how organizations view their markets, configure their products and innovate in response (Sebora, Hartman, & Tower, 1994). It can be expected that at least some organizational activities reflect differences in the understanding of, and decisions about, external opportunities and internal resource allocation (Lengnick-Hall, 1992). Innovation is an important organizational activity in small businesses likely to reveal response differences due to competitive context.

It can be expected that, as competition intensifies, firms will seek out resources and capabilities that will allow them to establish some competitive advantage (Day, 1994). From a resource based view of the firm (Barney, 1997), this search for competitive advantage should encourage firms to invest in specific, value, and hard to imitate assets and the human capital necessary to maximize these assets. From the perspective of hypercompetition (D'Aveni, 1994), when sustainable advantages are not possible, reliance on innovation becomes more critical. Therefore, under conditions of intense competition, it can be expected that small firms will be more willing to commit to specialists and professionals as sources of relative advantage. Because of the increased need to define competitive differences, it is suggested that

H1:	The number of specialists and professionals employed by small businesses is directly associated with competitive intensity as perceived by top managers.

Similarly, many authors (e.g., Chakravarthy, 1997; Duncan, 1972; Galbraith, 1977) have indicated that perceived environmental turbulence affects top management decisions differently than competition. While competition focuses on top management's ability to allocate firm resources for advantage, environment turbulence concerns those elements of change perceived to be outside the control of current management. These authors suggest that decision-makers tend to develop decision rules and processes that enable them to confront the uncertainty systematically. For example, environmental dynamism has been linked to planning (Child, 1972), buffering (Thompson, 1967), formal contracting (Williamson, 1975), and cooptation through interlocking directorates (Pfeffer & Salancik, 1978) mechanisms for reducing perceived uncertainty. It is likely that uncertainty-reducing rules will influence top management's decision to use specialists.

When top management perceives its environment to be stable, many organizations may determine that innovation is not critical. The organization will focus on internal controls. On the other hand, when the environment is perceived to be changing rapidly and in ways that could be threatening to a firm's very survival, it is likely that the firm will make decisions that will allow it both to reduce its uncertainty about the environment and increase its chances of adapting to change. As such, under conditions of turbulence, it will make the decision to employ a greater number of specialists and professionals. Top managers are likely to see the expertise and insight specialists and professionals can bring to decision making as a way to reduce uncertainty in the face of a dynamic environment suggesting the following:

H2:	The number of specialists and professionals employed by small businesses is directly associated with environmental turbulence as perceived by top managers.

Innovation is critical to competitiveness (Braden, DeWeaver, & Gillespie, 1991; Zahra, Nash, & Bickford, 1995). Previous research has suggested organizations that have a wide range of specialists and professionals are more innovative. For example, Raffa and Zollo (1996) found professional to be crucial to sustaining innovative capabilities in small firms. In a cross-cultural investigation of innovation in organization, Kim (1980) found that professional training and profession activity correlated significantly with innovation. Moreover, Damanpour's (1991) meta-analysis appears to confirm the positive impact of specialization and professionalism on innovation. According to this view, specialists and professionals have a greater depth of knowledge and the mixture of their expertise provides opportunities for distinct cross-fertilization (Kimberly & Evanisko, 1981) and can facilitate changes in firms' core technical systems (Damanpour, 1987). Since small businesses have limited resources, their decision to dedicate resources to specialists and professionals represents a significant choice. Of interest is what might occasion such a decision.

When small businesses commit a significant portion of their resources to specialization, they expect to improve overall organizational innovative activity. As noted in Damanpour's (1991) meta-analysis of innovation research, the relationship between specialists and professionals and innovation appears robust. It appears to make sense for small businesses to employee specialists and professionals in highly competitive and turbulent contexts, suggesting the following:

> H3: The number of specialists and professionals employed by small businesses is associated with overall organizational innovative activity.

METHOD

Sample Selection and Data Collection

Organizations were selected using directories of manufacturing and service organizations within a midwestern state. Selection of organizations entailed a four-stage process. First, all organizations that reported having fewer than 250 employees, but more than 25 employees, were sent a letter requesting participation in the research project. (The term "small business" has been operationalized in a variety of ways. Therefore, we believed it was critical to specify what we considered small businesses before we began the sample selection. Because we sought to investigate innovation based on the thoughts and actions of individuals in small businesses, we believed number of employees rather than sales provided a more valid measure of size. We believed that a minimum of 25 employees would increase likelihood that multiple levels were present in the sample firms and a maximum of 250 would increase the probability that all members of the organization would reflect the same innovation culture.) Second, a follow-up telephone call was made to discuss possible participation. Third, meetings were held with all CEOs/Owners who were willing to consider participation. Fourth, if they agreed to participate, the logistics of questionnaire distribution and return were agreed upon.

In most organizations, questionnaires were distributed by company mail, with completed questionnaires returned to the researchers by U.S. mail to ensure confidentiality. Using this procedure, data were obtained from employees in 94 small business organizations, resulting in 4878 total respondents. The number of respondents per firm ranged from 4 to 161, with a mean of 46.99 respondents per organization. The average response rate was over 85% across all organizations.

Dependent Variables

Previous researchers questioned the validity of the practice of a priori specification of a select list of innovations and suggested that researchers attempt to include all innovations in an organization for a specified period of time (e.g., Damanpour, 1988). It should be noted that this study did not distinguish among inventions in product, process, or structure. Following Damanpour (1992: 376), who viewed innovative activity as encompassing an "idea or behavior, whether a system, policy, program, device, process, product, or service, that is new....", innovative activity was defined in the introduction to the questionnaire as any "entirely new product, service or process." Attempts to define innovation more precisely, we believed, would result in respondents using our definition rather than the common understanding of what constituted innovation in their firms. Moreover, we found distinctions among product, process, and structure to become fuzzier as we investigated service and product based firms. Discussions tended to suggest that for service providers often the process was the product. In addition, King (1990: 50) suggests examination of innovation from the perceptions "of all those involved, not just those initiating and managing the process." Therefore, we surveyed all organization members and asked them to consider: "Approximately how many new ideas for products or services have you discussed with co-workers or supervisors in or outside your work unit?" and labeled their responses to this broad stimulus "adaptation", which involved the initiation of innovation.

Responses to the idea generation question should provide a valid measure of perceived differences in the value of innovative activity among the members in the small businesses within our sample. Hartman, Tower and Sebora (1994) found the test-retest reliability of these measures to be .92, while Tower, Sebora, Hartman and Cornwall (1993) found significant inter-organizational differences on this measure. These findings support the reliability and validity of the measure, especially when it is viewed as a function of the shared meaning of the value of innovation within organizations. Employee reports of innovative activity are likely to reflect this underlying shared meaning consistently, even if they may not provide an absolute count of the number of specific innovations. In addition, we attached the phrase "discussed with co-workers or supervisors" to add a dimension of "formality" to the innovative activity. Only those ideas shared with another organizational member were to be considered. Finally, we see no reason why members in the different organizational categories would systematically interpret the questions differently.

In an effort to reduce the effects of common method variance, we measured innovative activity using the responses of all organization members, thereby reflecting an aggregate measure of organizational innovation. Measures of the use of specialists, competition, and turbulence were based on responses of management personnel who had been designated by the CEO as likely to possess information about these issues. The study, therefore, allows us to measure the impact of top management decisions on aggregate organization activity.

A review of frequency distributions indicated two characteristics of responses to the dependent variable required additional attention. First, some respondents provided answers that were extreme when compared to other respondents (e.g., 1000 ideas). This was addressed by testing for outliers (Barnett & Lewis, 1984) and excluding from further analysis data from respondents failing this test. As a result of this process, of the original sample of 4878 respondents, data from 4396 remained for analysis. The second characteristic was skewness. This problem was addressed by adding "1" to the values and taking the natural log of the result. This transformation preserved the distinction between zero and one (Cohen & Cohen, 1975) and reduced the amount of skewness.

The use of specialists and professionals served as a second dependent variable for a portion of this study. As reported in Table 1, this variable was a composite of two items. The first measured reliance on technically trained specialists rather than personnel with common sense and experience and the second captured the number of professionals, such as engineers, scientists and accountants, in the management of the sample businesses. Both were measured using five point likert scales.

TABLE 1
DESCRIPTION OF VARIABLES

Dependent Variable:	**Initiation of Innovation (INNOV)**	**Approximately how many new ideas for products or services have you discussed with co-workers or supervisors in or outside your work unit?**
Independent Variables:	**Competitiveness (COMP) (Three measures; alpha = .62)**	**Price competition**
		Product/service quality or uniqueness competition
		Competition for markets for products or services
	Environmental Change (CHNG) (Four measures; alpha = .72)	**Rate of product/service obsolescence**
		Competitor predictability
		Customer preference predictability
		Degree of change in product/service technology
		Threat of environmental change to firm survival
	Use of Specialists (SPEC) (Two Measures; alpha = .45)	**Degree of reliance on specialized technically trained personnel**
		Relative number of professionals, such as engineers, scientists, and accountants, employed

Independent Variables

In addition to the use of specialists, two other independent variables were measured. As indicated in Table 1, the first, competitiveness, was a composite measure of three dimensions of competition. Management respondents were asked to evaluate the severity (No Threat to Very Substantial Threat) of price, product, and market position competition. The second, turbulence, measured five aspects of change that we believed would affect top management's decisions to hire specialists and professions. In each case, these variables were measured using five-point likert scales by which managers were asked to assess how rapid or intense each factor was.

TABLE 2
CORRELATION ANALYSIS

Variable	Mean	Std Dev	INNOV	COMP	CHNG	SPEC
INNOV	10.62	153.12				
COMP	3.45	.33	.11			
CHNG	3.18	.30	.00	.38**		
SPEC	2.67	.67	-.07	-.12	.24*	

*   = p < .05
** = p < .01

Data Analyses

The relationships among the variables were assessed through correlation and regression analyses. The descriptive statistics of the composite variables and their correlations are reported in Table 2. Table 3 reports the results of tests of two models. The first regression analysis tests the relationship between competition and turbulence and the use of specialists and professionals. The second regression analysis tests the effects of the use of specialists on overall innovative activity, controlling for direct effects of competition and turbulence and possible interactions between these variables and the use of specialists.

RESULTS

The results of the analysis of Model 1 indicate that H1 (The number of specialists and professionals employed by small businesses is directly associated with competitive intensity as perceived by top managers) must be rejected. While there is a significant relationship between competition and the use of specialists and professionals (p = .02), this relationship is opposite of that hypothesized. Greater competition is associated with the presence of fewer specialists and professionals. This same analysis indicates that H2 (The number of specialists and professionals employed by small businesses is directly associated with environmental turbulence as perceived by top managers) cannot be rejected. This is a significant (p = .03) direct relationship between perceived turbulence and the number of specialists and professionals.

The analysis of Model 2, as reported in Table 3, indicates that H3 (The number of specialists and professionals employed by small businesses is associated with overall organizational innovative activity) is rejected. The relationship is opposite of that hypothesized and is not significant (p = .41). As indicated, only intensity of competition is significantly (p = .02) related to overall innovative activity. When one considers that the overall model is not significant (f = .37) and that the adjusted R^2 of the model indicates an explained variance of only .01, it cannot be concluded that any of these context factors affect the overall adaptation in these organizations.

DISCUSSION

This study attempts to provide additional information for entrepreneurs concerning how their decisions may affect their organizations' abilities to innovate and adapt. As indicated in its introduction, it addresses three questions: (1) Is the intensity of competition associated with the use of resource specialists? (2) Is top management's ability to predict changes in firm context linked to the use of resource specialists? and (3) Does the use of specialists affect overall firm innovative activity in small businesses? The answers to these questions provide a mixed picture of the use of specialists and professionals.

When the managers of small businesses perceive that their firms are in highly competitive contexts, they tend to have fewer specialists and professionals in the managerial ranks. This finding is contrary to what was anticipated. Perhaps, this finding lends support to those who believe that the flexibility that may be associated with managers who are generalists is more critical in highly competitive situations that any specific human capital that technical specialists and professionals can bring. This is consistent with what D'Aveni (1994) seems to suggest. If assets and/or capabilities can serve as sources of advantage, perhaps they must reside in the organization as a whole rather than in a few individuals (Quinn, Anderson, & Finklestein, 1997). So, the answer to our first question appears to be yes -- and no. Yes, there is an association between specialists and competition; but, no, not as our question implied. There are fewer specialists and professionals in small businesses whose managers perceive their contexts to be highly competitive.

As expected, small business managers do appear to see the use of specialists and professionals as a means to reduce the uncertainty associated with turbulent contexts. The results also indicate no relationship between the number of specialists and professionals and overall organization innovation. Perhaps the use of these resources serves to reduce management's uncertainty in the inaccurate belief that their personal confidence in decisions somehow reduces the real uncertainty in their environments. The answer to our second question is yes. There are more professionals and specialists in the management teams of small businesses whose managers perceive that they are in highly turbulent contexts.

The answer to our final question is no. The results that indicate a relationship between competitive context and overall adaptation is consistent with previous research. Although the lack of variance explained would suggest that innovative activities are pursued to reasons unrelated to the current competitive condition. The failure of the data to support a relationship between the presence of specialists and professionals and innovation or between turbulence and innovation is interesting. At least two explanations are possible.

First, we measured specialists and professionals at the management level. Perhaps, there is a gap between the decisions that top managers make and the effect of those decisions on the entire organization. In this study, it appears that top management understands the use of specialists and professionals as a means to reduce uncertainty. Whatever these resources add, however, is not transferred across the organization. While the research cited above evaluated the roles of specialists and professionals in innovations in their particular areas of expertise, these specialized innovations may not excite the rest of the organization to act. They may not contribute to a culture of innovation.

Second, expecting a few to carry the many may be unrealistic. If innovation is able to be a critical activity for small business survival, it must be part of the culture of the entire organization. Innovation in small businesses, as in large businesses, is likely to be a complex process that involves a combination of individual, task, and organizational factors. Personal characteristics such as attitudes related to risk taking and adaptability to change have been found to impact innovation. Similarly, factors related to task and organizational support have been found to play a role in innovation activity. Clearly, this study suggests that additional research into the relationships among all these factors is called for.

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TABLE 3
REGRESSION ANALYSES

Model 1: DV = Use of Specialists (SPEC)					Model 2: DV = Initiation of Innovation (INNOV)				
Variable	Beta	SE Beta	t	Sig t	Variable	Beta	SE Beta	t	Sig t
CONSTANT	2.07	.84	2.48	.02	CONSTANT	-79.43	46.46	-1.71	.09
COMP	-0.49	.21	-2.27	.03	SPEC	27.17	32.90	.83	.41
CHNG	.72	.24	3.047	.003	COMP	29.11	12.68	2.30	.02
					CHNG	-2.29	12.80	-.18	.86
					SPEC*COMP	-8.64	10.57	-2.25	.42
					SPEC*CHNG	1.25	9.39	.13	.89
					SPEC*COMP*CHNG	-.24	2.83	-.08	.93
R^2	.11				R^2	.07			
Adj R^2	.09				Adj R^2	.01			
F	5.38				F	1.10			
Sig F	.01				Sig F	.37			