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LETTER FROM THE EDITOR

We are extremely pleased to present Volume 5, Number 1, 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.

This issue marks a change in Editorship. This change will not impact the mission of the *AEJ*. The Academy intends to continue 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.

The Editorial Policy, background and history of the organization, addresses and calls for conferences are published on our web site. In addition, we keep the web site updated with the latest activities of the organization. Please visit our site and know that we welcome hearing from you at any time.

Please feel free to contact me at any time regarding journal submissions, editorial board membership, or conference papers. I may be reached by mail at the Department of Management, Kelce School of Business, Pittsburg State University, Pittsburg, KS 66762; by voice at 316-235-4582; by fax at 316-235-4513; or by e-mail at tbox@pittstate.edu. I look forward to a successful year and an outstanding relationship with the Academy and I welcome your submissions and your comments.

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

James J. Chrisman, University of Calgary, Canada

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 1 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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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	**72.4**	107.4	42.0
Individual	40.97	48.79	24.00	44.0	67.5	25.0
Group	16.93	30.22	2.50	28.4	51.5	8.0
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	**196.6**	132.6	154.0	5,608	8,195	1,618

Table 2 includes the descriptive statistics by industry. As in the population, a significant difference exists 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. However, retail was under represented by industry percentage of the population. These same industries were used by the BLS study.

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 1 and for industry see Table 2.

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	**85.4**	72.2	71.0	**59.1**	90.96	48.00	**60.24**	82.14	40.00	**54.17**	84.60	17.00
Individual	53.1	56.9	35.0	38.72	49.34	24.00	38.14	53.12	25.00	49.08	84.58	14.00
Group	32.4	37.7	20.0	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 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, .138. 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: 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		1.05	.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 deviation of the number of hours of training within small and large firms (Table 1) and within industries (Table 2). Therefore, managers should not simply look at the mean number of hours of training in orientation, skills, and culture. As discussed, training benefits have strong support in the literature. However, the training must be tailored to the individual organization and 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 the individual or 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 the individual or group level.

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MODEL OF CORPORATE ENTREPRENEURSHIP: INTRAPRENEURSHIP AND EXOPRENEURSHIP

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ABSTRACT

This article extends the model of corporate entrepreneurship designed by Covin and Slevin (1991) into intrapreneurship and exopreneurship. Intrapreneurship is closely related to corporate entrepreneurship which is the creation of new products within the large organization using existing employees. On the other hand exopreneurship is the generation of innovation outside the boundary of the organization using external agents known as exopreneurs. The modes to intrapreneurship have been in the dispersed and focused forms (Birkinshaw, 1996). The exopreneurship process can be attained through franchising, external venture capital, subcontracting and strategic alliance (Siti Maimon & Chang, 1995). This article reviews the different conditions that trigger intrapreneurship and exopreneurship and established propositions to identify the dissimilarity of both processes that build up corporate entrepreneurship in large organizations.

INTRODUCTION

There is a number of leading research journals and published articles that present the exploratory work on corporate entrepreneurship. The research has developed a number of models of corporate entrepreneurship that focused on internally generated innovations within the organizations also known as intrapreneurship. The models are domain models of corporate entrepreneurship (Guth & Ginsberg, 1990), a conceptual model of firm behavior (Covin & Slevin, 1991), an organizational model for internally developed ventures (Brazeal, 1993) and an interactive model of corporate entrepreneuring (Hornsby, Naffziger, Kuratko & Montagno, 1993). These models are centered on innovations that are generated within the organizations to revitalize largely established and bureaucratized organizations into strategically entrepreneurial performers.

Siti-Maimon (1993) coined "exopreneurship" as part of the process of corporate entrepreneurship to revitalize large organization by acquiring ideas or innovation from external sources. The term, exopreneurship, is viewed as acquiring innovations that are outside the organization into the firm. The external innovation can be acquired through franchising, strategic alliance, external capital venture, and subcontracting (Siti-Maimon & Chang, 1995). This paper proposes to differentiate the domain of corporate entrepreneurship into intrapreneurship and exopreneurship. The proposed model (figure 1) intends to identify the differences in the antecedent factors that trigger intrapreneurship and exopreneurship.

This paper starts with an explanation of the development of sourcing innovation internally (intrapreneurship) then moves to the divergence in sourcing innovations externally (exopreneurship). Based on the model of corporate entrepreneurship designed by Covin and Slevin (1990) with the several propositions made, the later section of the article discusses the differences in the antecedents that trigger intrapreneurship and exopreneurship

INTERNALLY SOURCED INNOVATIONS: INTRAPRENEURSHIP

Corporate entrepreneurship universally known as intrapreneurship employs internally generated innovations from employees. Corporate venture groups such as 3M and DuPont were sources of innovations chronicled with business renewal in the early 1960s despite Pinchot (1985) who made intrapreneurship popular in the mid 1980s. Scientific research by Burgelman (1983a, 1983b, 1984) revealed how corporate entrepreneurship should be synergized into the overall corporate strategy of any organizations that desire to diversify their innovations. He showed how traditional research and development should be transformed into new business through internal corporate venturing that grew in stages from the conceptual, pre-venture, entrepreneurial and organizational. Kanter and Richardson (1991) identified four approaches to the process of corporate entrepreneurship that include pure venture capital, the new venture development incubator, the idea creation centre and employee project model. They discovered that the internal employee program yielded a higher frequency of innovations

Kanter (1984) discovered that large organizations involved in internal venturing began to sponsor or became equity partners to innovative employees in the formations of new venture creations. These became the new venture companies. Burgelman (1985) suggested that new venture divisions exploit employees' expertise to achieve corporate growth through acquisition. This became another popular strategy for corporate growth but this approach considered entrepreneurship to be controversial. The study of corporate entrepreneurship as internally sourced innovations became popular among strategic management researchers throughout the 1980s and early 1990s (Hubbard, 1986; Kanter, Ingols, Morgan & Seggerman, 1987; Wood, 1988; Morris, Davis & Ewing; 1988; Sathe, 1988; Jennings & Lumpkin, 1989; Morris & Trotter, 1990; Fulop, 1991; Carlisle & Gravelle, 1992; Hornsby et. al 1993). Morris, Davis and Allen (1994), Ginsberg and Hay (1994) and Bryon (1994) studies also supported the same idea.

Byron (1994) found that product innovation depends on the type of internal ventures. His research revealed that the innovative ideas conceived from research and development departments have the fewest successful ventures, even though they represented the greatest degree of technical diversification. Byron's work inferred that those sources of ideas for innovation affect the success of new ventures. Studies by Farrel and Doutriaux (1994) showed that corporate growth did not have to depend on internal development. However, external strategy such as collaboration strategies based on franchising, external venture capital, subcontracting and strategic alliance can diversify product innovation. Their findings found that external agreements had a positive impact on sales and technology competency.

DIVERGENCE IN SOURCING INNOVATION: EXOPRENEURSHIP

Aldrich and Auster (1986) recommended strategies for large and aged organizations such as subcontracting and franchising to smaller companies as corporate entrepreneurs to make them young and viable. Starr and MacMillan (1990) examined social contracting as an approach to resource acquisition. External strategies adopted by organizations to gain competitive advantage, exploited the weaknesses of the other organizations. Therefore, corporate entrepreneurship should envelop both intrapreneurship and exopreneurship which is externally sourced ideas as proposed by Siti-. Maimon and Chang (1995).

Internally sourced innovations may take a long time to develop and involves higher risk of failure as invented by Lengnick-Hall (1991). She suggested that other modes toward the process of corporate entrepreneurship such as joint venture and acquisition involves externally sourced relationship. This pushes the idea of internally sourced idea of corporate entrepreneurship to vie for an external relationship. Perhaps factors such as the speed of innovations to meet market demands and the leverage of failure has caused corporate strategists to look into other designs for the process of corporate entrepreneurship.

Recent research has recommended the use of externally sourced innovations of products or services (Jones & Butler, 1992). Cowan (1993) indicated that the mode of corporate entrepreneuring would depend on the result of market research. This implies that not all intrapreneurship programs would provide the diversity for organizations on which to build their competitive edge. Schumann, Prestwood, Tong and Vanston (1994) emphatically stressed that the creation of innovative organizations must include the elemental infrastructure containing both internally and externally sourced innovations. However, they did not specifically define this idea as corporate entrepreneurship.

Rice, Wilkinson and Wickham (1994) tried to link the performance of the incubator program (a form of exopreneurship to new product development) with companies that sponsored the research. The survival rate is higher than start up programs with the success rate for breakout at about nine years. This suggests that exopreneurship can speed up diversity in large established organizations into the market and provide a higher success rate. The study by Daniels and Hofer (1994) revealed that the success rate of university-based new venture development has an 80 per cent success rate of survival.

Exopreneurship as strategic alliance plays a very important linkage to the Asian market. Western multinationals are finding it difficult to move into Asian markets because the host country makes more demands. The demands include types of technology transfer, local content and are getting less accommodating in selling natural resources at cheap prices. Consequently, many opportunities were closed to Western companies. Therefore, large multinationals must be smart to use business relationships to achieve superior growth when dealing with strategic alliances.

In short, compared with intrapreneurship, exopreneurship creates diversity in large companies in a speedier route to corporate entrepreneurship. For instance, DuPont found that intrapreneurship may take up to 15 years to commercialize certain products. Schumann et al (1994) have suggested some form of exopreneurship such as the use of contract research and development; universities; consultants or government supported centers. The external venture center focuses on the product or business that includes acquisition and establishment of joint ventures. They (Schumann et al., 1994) specified licensing as a form of subcontracting because it shortens the time to market and maintains technical dynamism of an industry. Gee (1994) coined the term, corporate entrepreneurial activities, which are both internally and externally sourced as corporate business renewal which includes strategic alliances. However, Siti-Maimon and Chang (1995) have proposed the creation of new ventures in large organizations through franchising, subcontracting, strategic alliances and venture capital. Table 1 gives a summary of the differences in the intrapreneurship and exopreneurship.

MODEL BUILDING FOR EXOPRENEURSHIP AND INTRAPRENEURSHIP

This section outlines a conceptual model of corporate entrepreneurship as a result of exopreneurship or intrapreneurship or both phenomena. The model intends to depict the differences in the antecedents for exopreneurship and intrapreneurship at the organizational level. The proposed models delineate the antecedents and the types of venture creation of a corporate entrepreneurial posture and firm performance. The proposed model is based on the model conceived by Covin and Slevin (1991) which consists of the original component. However certain components are altered for the purpose of this paper.

COMPONENTS OF THE MODEL AND THEIR INTERRELATIONSHIPS

Figure 1 depicts the proposed model of corporate entrepreneurship based on organizational behavior depending on the use of internally sourced (intrapreneurship) or externally sourced (exopreneurship) innovations. The model shows the antecedents to intrapreneurship and its consequential intrapreneurial posture and the antecedents to exopreneurial posture. The three main variables comprising external variables, strategic variables and internal variables in the model and their interrelationship are discussed below.

CORPORATE ENTREPRENEURIAL POSTURE AND ACTIVITIES.

The entrepreneurial posture reflected by Covin and Slevin (1991) are risk taking, product innovation and proactiveness with similar descriptions upheld by Miller and Friesen (1982); Jennings and Lumpkin (1989) and Guth and Ginsberg (1990). Yeoh and Jeong (1995) argued that innovativeness involves seeking creative or unusual solutions to problems and needs. This includes product innovation, development of new markets, and new processes and technologies for performing organizational functions. Risk taking refers to the willingness of management to commit significant resources to opportunities in the face of uncertainty. Proactivenes is defined as the firm's propensity to know the what their competitive rivals are doing.

However, Kao (1991) and Churchill and Muzyka (1994) believed entrepreneurial organizations are opportunity seeking with a built-in imperative to continually renew their businesses. In the opinion of the author, it is the opportunity seeking that pushes an organization to be risk-taking, innovative and proactive. Yeoh and Jeong (1995) argued that the opportunistic capability of entrepreneurial organizations which is an element of proactiveness drives a firm to take advantage of the hostile environment. This opportunistic outlook of entrepreneurial organizations drives them to seek innovation outside the corporations. In short, the corporate entrepreneurial posture stems from the opportunity seeking capability which is manifested in two forms which involves intrapreneurial and exopreneurial behaviors.

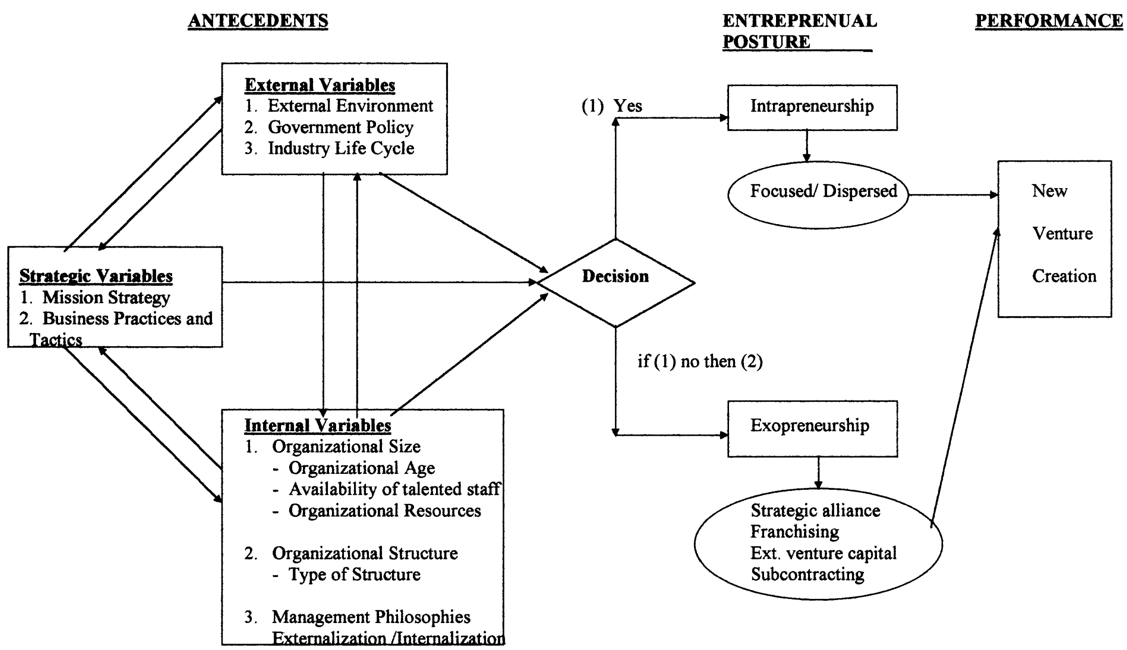

Figure 1. Intrapreneurship and exopreneurship. Model by Jane Chang

Intrapreneurial activities which are focused include internal corporate venturing also known as new venture division and formal research and development group. The dispersed intrapreneurial activities include an idea creation centre and an employee project model (Kanter & Richardson, 1991). Exopreneurship typifies the use of outside entrepreneurs for new venture creation such as franchisees, subcontractors, strategic alliance partners and external corporate venturing.

DIFFERENCES IN ANTECEDENTS TO INTRAPRENEURSHIP AND EXOPRENEURSHIP

Numerous research explored the antecedents that trigger intrapreneurship. However, this list does not differentiate the different conditions that cause intrapreneurship or exopreneurship. This section attempts to distinguish the differences in the antecedents that trigger intrapreneurship and exopreneurship. The proposed model is to dispute the differences in the antecedents of both seemingly entrepreneurial behaviors based on the Covin and Slevin model (1991). The antecedents are categorized into three areas known as external environment, strategic, and internal variables.

The external variables include the external environment, the industry's life cycle and government intervention. The strategic variables include mission strategy, the firm's business practices and its competitive tactics. The antecedents that comprise the internal variables are organizational size; age; competency, structure, and management philosophies. Having argued the differences in antecedents between exopreneurship and intrapreneurship, a set of propositions are postulated for the creation of a model for both entrepreneurial behaviors. The antecedents to exopreneurship and intrapreneurship are shown in Table 1.

EXTERNAL VARIABLES

The dimensions of external variables incorporate external environment, the industry's life cycle and the type of government intervention. These dimensions include environmental technology sophistication, the state of the industry life cycle and the type of government intervention.

External Environment

Cowan (1983) stressed that corporations must understand the external environment through market research to find the "nugget" in the environment. Understanding the environment will result in entrepreneurial ideas. Indeed, environmental characteristics elicit entrepreneurial behaviour on the part of organizations. High tech industries are composed of disproportionate numbers of entrepreneurial firms (Maidique & Hayes, 1984). Firms operating in uncertain environment show higher levels of innovation (Karagoszoglu & Brown, 1988; Walters & Samiee, 1990). A dynamic environment challenges organizations to take risks, be innovative and exhibit proactive behaviors (Johnston & Czinkota, 1985; Reid, 1987; Miller, Droge & Toulouse, 1988).

Hostile and Benign Environment and Industry Life cycle

The dynamism of the environment includes escalating cost of technology, globalization, information revolution, product life contraction, greenism which have shifted the organization into an entrepreneurial paradigm of seizing opportunities from the enveloped surrounding. The level of hostility, heterogeneity and dynamism (Miller & Friesen, 1982, 1983; Miller, 1983), turbulence

(Davis, Morris & Allen, 1991) or volatility (McKee, Varadarajan & Pride, 1989) influence the external environment. The scale on the external environment ranges from hostile to benign (Covin & Slevin, 1989; Covin, 1990). Precarious industry setting, intense and fierce competition, harsh and overwhelming business climate and the relative lack of exploitable opportunities represent hostile environments. Benign environments provide a safe setting for business operations due to the richness in investments and marketing opportunities.

Table 1
A Summary of the Difference between Intrapreneurship and Exopreneurship

Area	Intrpareneurship	Exopreneurship
1. Origin	*synergised internal creativity to create new innovations *internal employees who are willing to run the risk of commercialising new products	*synergised outside creativity to create new innovations detected by sponsoring companies or independent entrepreneurs or orgaanization search for opportunities from large companies.
2. Activities	Sponsoring organization source innovation from product champion, employee program, new venture team , new venture division, research and department	Sponsoring organization request or map out the right partner in sourcing new innovation then the commercialization process depend on the type of exopreneurial mechanisim.
3. Investment	Sponsoring organization gives seed money (budget) to source innovation internally until the new product is commercialize	The investment is dependent on the types of entrepreneurial mechanism
4. Involvement	Involved only internal employees from idea to commerciliazation of product. Depending on the types of intrapreneurship program.	Working with outside partners involvement of large organization may be minimal because it becomes a separate function of the large organization.
5 Control	Monitoring the success of intrapreneurial program depends on the procedure of organization. Easy to control because inside the organization	difficult to control because involved at least two different cultured organization of different systems in running organization
6. Culture of Organization	easy to implement change because within similar organziation	exopreneurship results in changes therefore difficult to change the attitude of other "partner". Need to form a new culture in the process of the new venture creation
7. Mission Strategy	holistic mission for the whole organization.	Need to input part of the "partners" vision into own vision
8. Risk	The risk is dependent on the success of project	risk involves lose of goodwill besides financial risk.
9. Cost Reduction	cost effectiveness in management because communication within on e organization	cost reduction in terms of sharing and using the comparative advantage of organizations involved.

Several studies indicate that the relationship between entrepreneurial posture and firm performance is moderated by environmental conditions. Firms operating in a hostile environment are entrepreneurially inclined and promote a higher level of firm performance (Covin & Slevin, 1989, 1994; Dean et. al, 1993; Jansen & VanWee, 1994; Stopford & Fuller, 1994; Zahra, 1991, 1993; Zahra & Covin, 1995). Empirical studies by Dean et. al (1993) and Zahra and Covin (1995) revealed that firms operating in a hostile environment yielded higher performance levels. However, there is no empirical evidence as to the level of hostility to internal or external mechanisms of corporate entrepreneurship.

Baden- Fuller and Volberda (1997) discovered that strategic renewals depend on the technology of the organizations. They suggested that firms operating in a benign competitive environment adopt to technology variations through internal corporate venturing. This mechanism supports the firm in diffusing knowledge and technology throughout the firm which reorders the organizations' core competencies, thus increasing the survival rate (Fast, 1979; Block, 1982; Block & MacMillan, 1993). Organizations faced with a resource rich environment undertake core competence renewal projects at lower risks by organizing change in specialized parts of the firm such as new business developments. This implies that intrapreneurship prevails in organizations operating in benign environments. Fuller-Baden and Volberda (1997) viewed that both corporate venturing and specialized innovations are slow to promote strategic renewal and are at the expense of speed. For instance, the intrapreneurship project in DuPont took up to 15 years to commercialize certain products. 3M searches for innovative approaches to reduce the time frame of commercializing products in its intrapreneurship projects (Strategic Direction, 1996). This suggests that internally generated innovations are sluggish to react in environments with high levels of hostility where speed is required as a competitive edge over a firms' rivals. Therefore, intrapreneurship is not an appropriate mechanism to corporate entrepreneurship under this hostile environment.

Firms functioning within high levels of competition and emerging industries faced with instability and uncertainty require speed as a weapon to surpass their rivals. Firms operating in intense competition, market saturation and new emerging industries tend to use franchising, strategic alliance, external corporate venturing and subcontracting to enhance their competitive position. Studies on franchising (Anonymous, 1982, 1984, 1995; Sanghavi, 1991; Sadi, 1994; Kedia, Ackerman & Bush, 1994) used this strategic means to enhance competitive position. Similarly subcontracting (Florida & Kenny, 1990; Goe, 1991; Scott, 1991) becomes a popular strategy under hostile conditions to improve efficiency and the quality of the product in the shorter time spent as a tool to a competitive edge. Strategic alliance in the form of equity and non equity partnerships (Vyas, Shelburn & Roger, 1995; Glaister & Buckley, 1996) and external corporate venturing (Roberts, 1991; Hurry, Miller & Bowman, 1992; Thayer, 1993; Gersick, 1994; McNally, 1995; Rotman, 1996) are popular means of product or service innovation for firms of converging technology in new emerging industries. Under these conditions, exopreneurship becomes a prevalent mechanism to corporate entrepreneurship to outwit the competitive rivals in terms of speed to deliver products or services to the target market.

From the preceding arguments, it can be concluded that the organizations operating in benign environments with rich resources with ample opportunities of investments have the propensity to use intrapreneurship because speed does not play a crucial role in the competitive advantage. On the other hand, organizations performing in hostile environments require speed to compete with their rivals; thus, they choose a faster route to innovation by acquiring it externally. Organizations with knowledge about their competition (Chaharbaghi & Nugent, 1996) and the level of hostility can create and exploit opportunities either through intrapreneurship or exopreneurship. The author speculates the following propositions:

Proposition 1: Intrapreneurship is prevalent in benign environments while exopreneurship is prevalent in hostile environments.

Proposition 2: Intrapreneurship is prevalent in growth and mature industries while exopreneurship is prevalent in the early stage of an industry.

Government Policy

Studies revealed that governmental, fiscal and regulatory environments have an impact on entrepreneurial activity (Kilby, 1971; Kent, 1984). The regulatory environment depends on the macroeconomic objective of government which has indirectly favoured exopreneurial activities. In developed countries, there is a growing application of government regulation to all facets of business activities which increase the demand for service functions such as accounting, legal services and insurance (Stanback, 1979; Daniels, 1985; Orchel & Wegner, 1987). These requirements caused organizations to externalize these functions. The developing countries and former Soviet block insist foreign investment must contain a local market partner (Beamish, 1988; Ghazali, 1994). For instance, the Malaysian government induced the business environment into an exopreneurial one. The various new form of foreign investment include joint ventures (equity strategic alliance), technology, know-how and management agreements and licensing and patent agreement (non-equity strategic alliance), franchising and subcontracting. The regulatory policy in Malaysia forces multinationals to exopreneurialize (externalize). In doing so, the locals have opportunities to gain access to modern technology and export markets. The author speculates that government policy plays a vital role in exopreneurial activities.

Proposition 3: Exopreneurship is prevalent in government policy that encourages agency theory while intrapreneurship is prevalent in corporate innovation policy.

STRATEGIC VARIABLES

The strategic variables in the Covin-Slevin model include mission strategy and the firm's business practices and competitive tactics.

Mission Strategy

The development of mission strategy has evolved with the progress of strategic management. The Covin-Slevin model is based upon the strategies of build, hold, harvest and divest. Scholarly research such as Gupta and Govindarajan (1982), Burgelman (1985); Hubbard (1986); Morris and Trotter (1990), Zahra (1991, 1993); Dean (1993) has affirmed the Covin-Slevin model in that entrepreneurial postures are manifested in the build and hold strategies for growth; however, they did not specify which kind of entrepreneurial posture.

To delineate the types of mission strategy as antecedents to exopreneurial and intrapreneurial activities, four strategies are classified. Integration strategies allow firms to gain control over distributors, suppliers and competitors. Intensive strategies require intensive efforts to improve a firm's competitive position with existing new products and diversification strategies to diversify a portfolio of products. Finally, defensive strategies include joint venture, retrenchments, divestiture or liquidation.

Integration strategies include forward integration, backward integration and horizontal integration. Forward integration involves gaining ownership or increased control over distributors or retailers. An effective means of implementing forward integration for growth is franchising (Caves & Murphy, 1976; Brickley & Dark, 1987; Martin, 1988; Carney & Gedajlovic, 1991; Hoffman & Preble, 1991; Sanghavi, 1991; Huszagh, Huszagh & McIntyre, 1992) because businesses can expand rapidly as costs and opportunities are spread among many external participants.

Backward integration is a strategy for seeking ownership or increased control of a firm's suppliers. Horizontal integration is seeking to gain control over the firm's competitors. Vertical integration consisting of forward, backward, and horizontal integration is reducing the competition. The cooperation with suppliers, customers and competitors in the form of subcontracting, outsourcing and strategic alliances is gaining popularity in order to improve the competitive position of the organization (Carney & Gedajlovic, 1991; Goe, 1991; Scott, 1991; Fearne, 1994; Harrison, 1994; Mattysesens & Van den Bulte, 1994; Brown & Butler, 1995; Varamaki, 1996; Stearns, 1996).

Defensive strategies in the form of joint ventures are part of the strategic alliance in terms of equity sharing. Studies on mission strategy connected to joint ventures have been numerous (Harrigan & Newman, 1990; Butler & Sohod, 1995; Das & Bing, 1996; Glaister & Buckley, 1996; Stearns, 1996). The nature of this strategy requires external partnerships to achieve the corporate objectives of growth.

Integration strategies and defensive strategies in the form of joint ventures have the propensity to use external agencies to achieve its mission strategy. The preceding dialectic suggests that the higher propensity of a firm's mission strategy to integration and joint venture, the more exopreneurial the firm's strategic posture is to facilitate the achievement of growth goals. This expectation is supported by Carney and Gejadlovic's studies (1991) in franchising; Goe (1991) and

Scott's (1991) in subcontracting; Fearne's (1994) in strategic alliance and Brown and Butler's (1995) in competitive strategic alliance.

Intrapreneurial behavior is expected in firms that use strategies related to the internal strength of organizations. Intensive and diversification strategies require a high input of resources to improve the firm's existing competitive position. Market penetration demands higher levels of marketing activities to increase market share especially in intrapreneurially-behaved organizations (Nielsen, Peters & Hisrich, 1985; Dougherty, 1990, 1992, 1995; Foxall & Minkes, 1996).

The existence of internal corporate venturing and new venture division within large corporations aim to diversify the existing product portfolios (Burgelman, 1983a, 1983b; Gee, 1994; Holt, 1995). According to Gee (1994) most related diversifications cost less and are more efficient because necessary resources are available within the corporation and are easily understood by top management (Mandell, 1971; Fast, 1978; Sykes, 1986). For instance, according to Holt (1995) horizontal diversification does not disrupt other operations by setting up a divisionalized structure. In short, the intrapreneurial and exopreneurial activities may be contingent upon the mission strategy exercised by organizations. The following proposition postulates how corporate entrepreneurial activities may respond to the types of mission strategy variables.

Proposition 4: Intrapreneurship is prevalent in organizations exercising an intensive diversification strategy while exopreneurship is prevalent in organizations exercising integration and defensive strategies.

Business Practices and Competitive Tactics

The primary element of business strategy is always to make the organization entrepreneurially and competitively effective in the market place (Thompson & Strickland, 1987). The business strategy is the managerial action plan for directing and running a particular business unit. It is defined in terms of a collection of business practices and competitive tactics. These decisions include reduction of risk, reduction of transaction cost and increasing the speed of sales to market. These expected strategies keep the organizations abreast with innovations.

Profiles of business practices and competitive tactics associated with entrepreneurial posture have been cited in Miller and Camp (1985), MacMillan and Day (1987) and Robinson and Pearce (1988). Organizations that are market (Nielsen, Peters & Hisrich, 1985; Jennings & Lumpkin, 1989; Cram, 1996) and technologically (Zahra, 1993; Zahra & Ellor, 1993; Zahra, Nash & Bickford, 1995; Zahra, 1996) driven have shown an entrepreneurial posture by producing high quality products. These studies confirmed Covin and Slevin's (1991) propositions.

Competitive strategy such as risk reduction, increase in the speed of sales and reduced transaction costs are domains leading to exopreneurial activities in franchising, subcontracting, strategic alliance and external corporate venture capital.

The most common antecedent factor which leads organizations to externalization is cost minimization. Organizations often franchise their businesses to reduce the cost of capital. Studies by Martin (1988) Carney and Gedajlovic (1991),Thompson (1994) Birkland (1995), Michael (1996), Elango and Fried (1997) confirm this. Birkland (1995) found that organizations capitalize on the ideology of entrepreneurship (agency) while Michael (1996) stressed that franchising is a form of minimization in conditions of low levels of human capital and business.

Generally, subcontracting lowers production costs and increases producers' profit (Kamien & Li, 1990; Rao & Young, 1994; Shenas & Derakshan, 1994; Downey, 1995; New & Payne, 1995). Large established organizations move into externalization to focus on reduction of production costs and to increase their core competencies to get closer to their customer (Belotti, 1995). Subcontracting becomes a popular strategy to reduce administrative burden and escape from the restriction of industrial disputes (Friedman, 1977). Sharing costs with partners is the prime motivator of strategic alliances in the form of joint ventures (Bijlani, 1994; Glaister & Buckley, 1994; Cauley, 1995). On the other hand, the external corporate venturing by large organizations does not depend on this factor.

Another latent factor that drives large organizations to obtain outside innovation is risk reduction. Capital and business risks are transferred to the exopreneurs and, therefore, the large organization and the exopreneurs share lower risks. Numerous studies (Shelton, 1967; Walsh, 1983; Castrogiovanni, Justis & Julian, 1993) on franchising revealed higher rate of success than independent business start ups. Franchising provides large corporation the nimbleness to react because of its stability and low failure rate. It has the ability to achieve an individual's desire to become an entrepreneur (Mathewson & Winter, 1985; Brickley & Dark, 1987). Thus, franchising reduces risk (Combs & Castrogiovanni, 1994) as the capital cost is spread among the franchisor and franchisees. For instance, the Quizno Franchise encouraged its general manager to invest in its franchise after working four to six years tapping the entrepreneurial spirit of middle managers (Ruggles, 1995).

Similarly subcontracting is a popular form of exopreneurial activity of transferring risk to exopreneurs. Studies of the Japanese industrial systems (Sako, 1991; Smitka, 1992; Easton & Aroujo, 1994) provide examples of secondary investments in technological capabilities of Japanese subcontractors. The kereitsu system lowers the risk of business integrated systems. Rao and Young's (1994) research affirmed that risk transference and high quality products are part of the driving force to subcontract physical distribution in a risk reduction exercise. Campbell (1995) noted that large organizations reduce risk by subcontracting their specialized projects or risky maintenance projects not within the capability of the organization. At the same time, liability can be avoided through subcontracts (Downey, 1995; Baker, 1995).

Strategic alliance in the form of equity or non-equity collaboration aims to reduce risk and to leverage uncertainties and reduction of escalated costs (Carnavale, 1996). A study by Glaister and Buckley (1996) showed that strategic alliance is an attractive mechanism for hedging risk because neither partner bears the full risk or the cost of the alliance (Mariti & Smiley, 1983; Porter & Fuller, 1986; Contractor & Lorange, 1988). Risk reduction includes spreading the risk of a large project over more than one firm; enabling product diversification reducing market risk; enabling quicker sales to market and lower investment costs.

The common antecedent that leads organizations to exopreneurial activity is to expedite the sales to market. Franchising is one of the fastest mechanisms for global expansion (Hoffman &

Preble, 1991) characterized by intense competition and rapidly changing customer taste. Subcontracting is a popular alternative to hasten products or services to market (Blois, 1994; Baker, 1995; New & Payne, 1995). Similarly strategic alliances decrease time to market and access to international markets at a greater pace of time (Takac & Singh, 1992; Cauley, 1995; Glaister & Buckley, 1996; Carnavale, 1996) while external corporate ventures speed up the sales through the expertise of technology of the exopreneur (Shrader & Simon, 1997).

In short, the types of competitive business tactics have a contingent influence over the type of corporate entrepreneurial activities. Propositions 5 and 6 are speculated as follows:

Proposition 5: Organizations which pursue externalization (exopreneurship) reduce risk through transfer of risk to partners, an increase in speed of sales, and work on economies of scale.

Proposition 6: Organizations which pursue internalization (intrapreneurship) reduce risk by diversification of related products/customers, an increase in the speed of technology/product into market through teamwork , and reduce costs by increasing productivity through internal creativity.

INTERNAL VARIABLES

Following the Covin-Slevin (1991) entrepreneurial model, only three out of four internal variables are included as antecedents to entrepreneurial behavior. They are top management values and philosophies, organizational resources and competencies, and organizational structure. Corporate culture is excluded because it is seen as similar to top management values.

Organizational Resources and Competence

Organizational resources and competencies variables are defined in the broadest sense which include resources, capabilities and culture (Collis, 1991; Leonard-Barton, 1992). The organizational resources refer to the specific knowledge and the specialized assets (Lippman & Rumelt, 1982; Wernerfelt, 1984; Barney, 1991; Grant, 1991; Tvorik & McGivern, 1996). Resources range from patents, brand names to knowledge of particular processes. Capabilities relate to the ability of making use of resources (Bartlett & Ghoshal, 1990; Amit & Schoemaker, 1993; Whitney, 1996). Dougherty (1995) argued that culture is the cognitive decision which connects resources and capabilities.

Entrepreneurially inclined organizations are resource-consuming in nature (Romanelli, 1987). Intrapreneurial activities such as internal corporate venturing and specialized innovation to a certain extent depend on the resource capacity of organizations (Covin & Slevin, 1991; Baden-Fuller & Volberda, 1997). A majority of organizations involved in intrapreneurial activities are large and established which reflect their high level of resources and competencies. Though organizations with abundant resources and competencies engaged in entrepreneurial activities, this does not prevent lower resources and competent firms from being innovative. The latter externalizes via restructuring to improve its resources and competencies thus strengthening its competitive position.

In delineating the antecedents of the exopreneurial and intrapreneurial behavior of the firm, the operational definitions included in the organizational resources and competencies are organizational size, organizational age, technology driven, market driven and the level of corporate governance.

Organizational Size

Organizational size is a liability to innovation (Aldrich & Auster, 1986; Jones & Butler, 1992). Growing in size in terms of employees, expansion of buildings and equity would cause organizations to be less flexible to respond to opportunities (Abernathy, Clark, & Kantrow, 1983; Ettlie, 1983; Dougherty, 1990). This scenario was seen in the United States during the early 1980s where there were huge numbers of innovative employees who left large organizations to start their ventures (Hisrich & Peters, 1995). The operational definitions of organizational size are numbers of employee, sales turnover, and equity.

Evidently research (Romanelli, 1987; Laforge & Miller, 1987; Zahra, 1993) revealed that entrepreneurial strategies are influenced by company size. Therefore, an organizational aptness for corporate entrepreneurial posture is to some extent limited by its resource base. Bloodgood, Sapienza and Almeida (1995) found that organizations with more employees tend to innovate through internationalization than smaller firms. Harrison (1994) and Gertz (1997) viewed that no company is too big to grow as a correlation between company size and its growth is weak. This implies that organizations which are rich in size are abundant in resources, thus have the propensity to use intrapreneurship to produce new creations.

Conversely, smaller organizations which are low in resources tend to externalize for appropriate alliances in search of opportunities. This is one of the driving forces to exopreneurship. Empirical studies revealed firms franchise their businesses as a result of resource scarcity (Oxenfelt & Kelly, 1968,1969; Hunt, 1973; Carney & Gedajlovic, 1991). The notion of resource constraints is evidenced by studies completed by Thompson (1992) whereby company ownership is less likely to occur when units require high capital investment. Charging high royalties by franchisors at an early stage of business also shows the low resources (Sen, 1993). Other motives that drive organizations to seek exopreneurs related to resource constraints are transfer of complementary technology and access to specialized knowledge which firms do not possess (Contractor & Lorange, 1988, Coffey & Bailey, 1990). This exopreneuring is due to the organization's lack of financial resources necessary to produce innovations internally at the time they are needed or at the level of efficiency or quality which is required.

The level of research and development and market specialization moderated the influence of the entrepreneurial posture (Covin & Slevin, 1991). The extent of these variables also depends on the financial status of organizations. Studies by Shrader and Simon (1997) confirmed that the success of intrapreneurship depends on internal capital resources, proprietary knowledge and marketing knowledge compared to independent ventures which require external capital resources.

Undoubtedly, large entrepreneurial organizations exhibited higher levels of R & D and marketing expenditure on internal corporate ventures (Zahra, 1996) because of their posture of innovations, risk taking and proactiveness. However, this does not imply that the low levels of R &D and market specialization are less entrepreneurial. Smaller resource organizations have a lower capacity for research expenditure; therefore, they adopt externalization as an outlook for product development.

Organizational Age

The life cycle of the organization is another yardstick by which to measure corporate entrepreneurial activities. Large sized aging organizations become less innovative at the later stages of their evolution (Chandler, 1962, 1977; Mintzberg & Waters, 1982; Adizes, 1988). Mature businesses show signs of aging (Goold, 1996) with slow growth, more stable technologies, resource self sufficiency and tend not to anticipate changes (Kanter, 1983). Zahra (1993) defined established companies as being a minimum of eight years old. The resource of self sufficiency becomes an added advantage to large corporations to introduce intrapreneurial activities to achieve variations of technologies upon the existing ones. There has been numerous intrapreneurial studies (Burgelman, 1984; Harrel & Murray, 1986; Schaffhouser, 1986; Grove, 1987; Kiley, 1987; Rutigliano, 1987; Kapp, 1988; Pla, 1989; Shatzer & Schwartz, 1991; Denton, 1993; Weaver & Henderson, 1995; Birkinshaw, 1995, 1997) on large, mature and established organizations.

On the other hand, young independent organizations that are resource deficient synergize their internal competencies to complement external sources for growth strategies. This combination leads to exopreneurship among young entrepreneurial organizations with large organizations with scarce technology (Contractor & Lorange, 1988). Empirical research (Ettington & Bentel, 1994) found that organizations less than ten years old are involved in strategic alliances. However, mature industries (Davis, 1976; Harrigan, 1983; Killing, 1983; Morone, 1993) are moving into joint venture activities to reduce the opportunities of merger or acquisitions because of fear of losing talented employees as a result of acquisition.

The Availability of the Corporate Entrepreneurs

Brazeal's findings (1993b; 1996) show that organizations may have potential intrapreneurs even if they do not display any overt intentions to start a corporate venture. Large established organizations have the managerial, technical specialization and financial economies of scale to nurture the employees' entrepreneurial talents into commercialized products. An example of dispersed intrapreneurship is "Enterprize programme at Ohio Bells (Kanter, 1991). Other methods of acquiring new innovations internally are through research and development (administrative entrepreneurship) and the set up of new venture development units (incubative entrepreneurship). Both methods are known as focused corporate entrepreneurship.

Organizations involved in exopreneurship lack talented or specialized personnel to build their competencies. It is evident that the franchise system capitalizes on the agency theory of using external entrepreneurs as agents for expanding businesses (Combs & Castrogiovanni, 1994). Studies found that strategic alliances (Bijlani, 1994; Ingham & Thompson, 1994; Vyas et. al, 1995), external corporate venture and subcontracting (Goe, 1991) are means to increase skills without having to develop competencies in house. The complementary role synergized through the combination of subcontracting, strategic alliance and external corporate venture between two or more organizations suggest that exopreneurship is a mechanism to seek talented expertise for new innovations.

One point worth noting is that exopreneurs can only be identified by innovative and established intrapreneurs before moving into exopreneurship. The availability of corporate entrepreneurs is also determined by the level of education. White (1995) found that intrapreneurs have higher levels of education compared to independent entrepreneurs. Studies by Burenitz and Barney (1997) found that independent entrepreneurs who could be exopreneurs are bad managers because the latter has a higher level of overconfidence.

Having argued in the preceding paragraph the extent to which organizational size, age and human resources may have contingent influence over the entrepreneurial activities of an organization, the following proposition summarizes the argument presented earlier.

Preposition 7:	Exopreneurship is prevalent in organizations which are young, small and lack human and financial resources while intrapreneurship is prevalent in large, mature organizations with sufficient resources.

Organizational Structure

Increase in growth, inadvertently, increases complexity (Butler & Jones, 1992). Complex organizational structure makes the flow of communication difficult which consequently brings death to an organization (Adizes, 1988). Studies found that organizational structure and form have an impact on strategy through its impact on the strategic decision making process on the growth and survival of firms (Frederickson, 1986; Priem, 1994; Rowlinson, 1995; Shane, 1996). It was shown that structure and form have domain over corporate entrepreneurship (Russell & Russell, 1992; Gielser, 1993; Mueller, 1994; Jennings & Seaman, 1994; Chesbrough & Teece, 1996). This implies that structure moderates the entrepreneurial postures of firm behavior.

Scholars found that entrepreneurial activities are positively related to firm performance with appropriate organizational structure. Burgelman and Sayles (1986) stressed the importance of fit between an organization's strategic orientations and its organizational structure. The organic structure encourages entrepreneurial activities (Khandwalla, 1977; Miller & Friesen, 1982; Miller, 1983) which was empirically supported by Slevin and Covin (1990). Further empirical evidence show that attributes of organicity outperform mechanistic structures in terms of team participation and shared decision making (Nasi, Nasi, Banks & Ensley, 1994).

The attributes of organicity studies focused on the internally generated innovations. There may be deviation in the structure of organizations that practice exopreneurship. Baden-Fuller and Volberda (1997) speculated that organizations that externalize tend to inter-reorder their competencies across multiple industries. This involves restructuring of organizational business.

Baden-Fuller and Volberda (1997) suggested that ease of restructuring is positively related to the size of organization whereby the flow of communication tends to be top down (Prahalad & Hamel, 1990). Therefore, the author speculates that organizations which externalize may have a simple structure so that the strategic intent of the organization is easily related to the entrepreneurial employees as restructuring poses a higher risk to large and complex organizations.

Proposition 8: Exopreneurship is prevalent in organization with simple centralized structures while intrapreneurship is prevalent in complex and decentralized structures.

Proposition 9: Organizations that practice intrapreneurship have a higher level of organicity compared to organizations that practice exopreneurship.

Management Philosophies

Studies have shown that management philosophies moderate competitive strategy choices (Andrew, 1980). The choice of intrapreneurial or exopreneurial behavior depends on the decision of management's beliefs. The choice adopted by top management must fit with the strategic intent (Khandwalla, 1987). Top management values and philosophies that may affect this choice are identified in the following proposition:

Proposition 10: Exopreneurship is positively related to the value top management places on externalization which brings competitive advantage to the organization while intrapreneurship is positively related to internalization values.

DISCUSSION

This proposed model of corporate entrepreneurship has a number of limitations. First, is there any difference between internally generated innovations and externally generated innovations?. Looking at performance, there seems to be no difference as both strategies aimed to revitalize corporate growth in diversifying the product portfolio. Ultimately both the process of acquiring innovation converges to increase organizational performance. In theory, the origin of innovation is different, which requires a specific ambient environment to conceive the idea and commercialization of the innovation. Intrapreneurship and exopreneurship processes require different types of contextual influences to trigger them and need different modes to achieve the new venture creation.

Another limitation of this model is that organizations appear to use both processes simultaneously, thus making the differentiation of the two processes more tedious. Theoretically, intrapreneurship precedes exopreneurship to give organization the uniqueness of the competitive advantage which earns monopolistic market while exopreneurship works on comparative advantage with other organizations to achieve organizational performance.

This proposed model assumes that organizations are ready to use either intrapreneurship or exopreneurship to cope with the changes of any kind. This means that organizations have strategic intent to change by being innovative. However, this may be an erroneous assumption as there are firms that are not entrepreneurial yet still perform well. Although corporate entrepreneurship has been applicable to large firms, this model can be applied to small firms, perhaps with some different degree of contextual differences influencing intrapreneurship and exopreneurship.

Finally this model has to be empirically tested. Do the conditions for exopreneurship and intrapreneurship differ from each other? To explore this issue the data needed must cover both time series and cross sections. The data has to be pooled and regressed to recognize the differences in the conditions that trigger intrapreneurship and exopreneurship. The differences tested, hopefully would make a positive contribution to management decisions with regards to corporate entrepreneurship.

CONCLUSION

Corporate entrepreneurship has been closely linked to intrapreneurship; the creation of innovation within the organization by existing employees. Exopreneurship is a new term that extends the paradigm of corporate entrepreneurship by acquiring innovation invented beyond the boundary of the organization. The modes to achieve the process of exopreneurship are franchising, external corporate venture capital, strategic alliance and subcontracting. It is not the intent of this article to discuss whether these modes achieve the means of corporate entrepreneurship. In conclusion, the process of exopreneurship is part of corporate entrepreneurship which requires different conditions to trigger it than that of intrapreneurship.

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LONG TERM CULTURAL AND STRATEGIC IMPLICATIONS OF THE HISTORY OF FOUNDERS: A FINNISH CASE STUDY

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ABSTRACT

This paper examines managerial beliefs and values related to founding and original culture in the context of organizational renewal. The paper suggests that original culture and founders have long term implications on the current culture and strategy of the organization. Implications are based on a longitudinal Finnish case study that was conducted in two family-owned companies. The history of founder has effect on the way the continuous pursuit of renewal is kept up in the organizations. In the organizations studied the actual founder's or successor's beliefs about the necessity of continuous quality improvement strive the organizations to develop sustainable competitive advantages. Managerial beliefs related to original culture remain relatively stable for decades.

INTRODUCTION

This paper suggests that "the history is not just an event in the past but is alive in the present and may shape the future" (Pettigrew 1990:270). The paper focuses on how the successors or actual founders hold on to the beliefs that have worked in the company's history and have remained relatively stable for several decades affecting the current managerial decision making processes. Implications are made in the context of how the organization is renewed by embedding a new managerial ideology, more specifically, total quality ideology (Savolainen 1997). Empirical findings from two Finnish family-owned companies provide needed empirical evidence on the long term effects of managerial values on current managerial practices.

Ideologies and their component systems of beliefs can play a significant role in the processes of organizational creation and renewal because they have a potential to link attitude and action (Pettigrew 1979; Savolainen 1997). The potency of organizational ideologies depends on how they are maintained and kept alive, and transferred. Successful ideological change is more deeply associated with organizational culture and values that favor change. It is more commonly found in the entrepreneurial firm which is characterized by developmental orientation, openness to new ideas, and proactiveness in competition (Kanter 1983). Founders' impact on the maintenance and change of ideologies is not very well understood and we need further empirical research to gain a deeper understanding of this matter.

HISTORY OF ORGANIZATION AND MANAGERIAL BELIEFS

The founders' personal belief systems lay at the heart of the organizational and managerial belief systems that direct and facilitate managerial decision making. The personal values of the founding "fathers" may form an integral part of the present-day belief systems (Donaldson and Lorsch 1983). The current ideologies can be traced back to the founders' beliefs because they lay down the foundation (Schein, 1985). In the course of time the underlying values lead successors (and managers) to make choices and commitments that confirm the founders' belief system and make it effective in the current managerial practices. The basic fabric of the belief system may endure for a long time because managers are emotionally committed to the fundamental principles. But we can ask why managers become so committed to the existing belief system. One of the fundamental reasons is that it works which strengthens managers' emotional commitment to the principles that have worked for the organization in the past.

Then another question arises, how willing are managers to alter practices that have been successful in the past? As long as no major external changes occur in the business environment the decision making within the existing belief systems tend to go forward. But these beliefs are not unchangeable. As the company undergoes changes, the experiences of the founders and their successors lead them to modify the belief system (Fritzsche 1997). In this process the earlier history of the company plays a role. Managerial belief systems change incrementally as a result of successes and failures. The history of the organization leads and sometimes compel managers to act in a certain, history-bound way, and depending on the situation, this turns out to be advantageous or disadvantageous. This view implies that the past may become a powerful force in the present and, therefore, the legacy of the past is worth preserving. This concerns, in particular, cultural beliefs, assumptions, and moral values.

CREATION AND RENEWAL OF ORGANIZATIONAL IDEOLOGIES

The purpose of the organization is generated through the feelings and actions of its founder who develops and maintains organizational culture (Pettigrew 1979; Fritzsche 1997; Schein 1985). Ideologies play a significant role in the creation and renewal of the organization. An ideology can be defined as a systematic cluster of ideas organized by the underlying principles of these ideas (Boas 1972; Borg 1965). The system of ideas comprises beliefs, attitudes, and insights which are related to each other. In other words, they are not a mere incidental cluster of human expressions and statements. The term ideology is a broad one. It may refer to an individual, a social group or a class, to societies or epochs. Ideology can describe the whole set of values and attitudes of an individual or of a broader philosophical system that forms the mental basis of human life. In the field of management research, paradigm and world view are parallel terms for ideology. In generating the purpose for the organization founders create beliefs, symbols, languages, rituals, etc. They formulate organizational ideology through which the socialization of organization members takes place. In the entrepreneurial firm, an entrepreneur translates the individual drive into collective purpose and commitment forming the ideology that "pulls the entity together" (Mintzberg 1989).

Organizational renewal is outlined by Tichy and Devanna (1986) as follows: The new way of thinking becomes day-to-day practice. New realities, actions and practices are shared in a way that changes become institutionalized. At a deeper level this requires shaping and reinforcing a new culture that fits with the revitalized organization. It is an incremental adjustment process which Kanter (1983) defines as an *innovation*: "to bring new learning or capacity to the organization, involving change, a *redirection* of organizational energies...that may result in new strategies, market opportunities, work methods, technical processes, or structures". Organizational renewal involves processes of *learning* and takes into account how the organization's *past affects* the future capability of change. Organizational renewal and learning reinforce each other (Dixon 1994).

In organizational renewal, the change of ideologies is the most abstract and encompassing level of organizational change, pertaining to the dimensions of values and beliefs. In general, ideological organizational change is about the organization's *adaptive* behavior in a changing environment (Anderson et al. 1994; Reger et al. 1994). It involves innovative, learning-oriented behavior focusing on the reform of thinking and renewal of management practices.

Organization theories suggest that the organizational type affects the kind of processes an organization undergoes and experiences. Distinct organizational types are successful in different environments (Burns and Stalker 1961). In other words, success depends on how well "the organization rests in a fit between organization and environment". Innovativeness characterizes the entrepreneurial organizations (Kanter, 1983). *The entrepreneurial spirit*, as the basic source for producing innovations (Schumpeter 1950), more likely exists in small enterprises. Innovative organizations tend to have an organic methodology for approaching issues and problems which means openness to new ideas and "the willingness to move beyond received wisdom" (Kanter 1983).

IMPLANTATION OF IDEOLOGY

In management, ideology has a particular instrumental function. Ideas are used to influence people. They function as political, social, and institutional means for changing the thoughts, attitudes, opinions (and, as last resort, the behavior) of individuals and groups. Based on this tendency to influence, quality ideology can be defined as a set of directions/norms for attitudes and behavior, whose purpose is to direct thinking about quality and to change and improve quality practices. The role of ideology is to act as a mental instrument of managerial influence. Therefore, in ideological terms, quality is a means to exert managerial influence.

Organizational *culture* mediates the implantation of ideas encompassing a force for "pulling together" (Mintzberg 1989). Before ideas can be implanted, there must be collective faith in an idea, at least “the acceptance of some critical group” (Tichy and Devanna 1986). In other words, a sufficient number of *supporters* is needed. When a new ideology is adopted applications must be somehow *explicated*. This means discussions about the fundamental principles, and argumentations. The ideology becomes *materialized* in various forms, such as speeches, writings, activity, agendas, symbols, etc. The advocates of the ideology present arguments, turn the principles into programs and create concrete strategies and plans of action. This happens first in the core group, within the management. After that the support of the organization members must be secured.

The implantation of ideology requires *"strong power of penetration"* (Hynynen 1989), and it demands *popularization, simplification and concretization* of the ideology. A *good sounding board* is needed for the ideas: a susceptible spiritual soil at the level of people's everyday speech and activity (Ehrnrooth 1992). An ideology can function if it is real on two levels: 1) at the level of common sense and 2) at the abstract, philosophical level of the (original) thinkers (cf. Reger et al. 1994).

ROLE OF MANAGEMENT IN THE IMPLANTATION OF IDEOLOGY

Although an ideology is a collective phenomenon, it can ultimately be traced to an individual level. Individuals produce ideas, and spread and implant them. Management is the agent that directs developmental actions in the ideological change process (Mezias and Glynn 1993). As Beer et al. (1990:179) contend: "corporate renewal is not an impersonal process unfolding of its own accord. It is possible only when individual managers have sufficient commitment and skills." It is believed that the management takes an initiative in seeking and adopting new ideas. Management is a "natural", active part of the dynamics of the organizational innovation process. Management functions as a catalyst, promoter, in bringing about a change in thinking and actions. But management is the *object of change* at the same time as it catalyzes and influences change. The interaction is bidirectional (cf. e.g. Schein 1985). As the organization undergoes ideological change and renewal, the prevailing management paradigm - the logic of managerial actions - is undergoing change.

In a business organization the concept of paradigm concerns the prevailing logic of managerial actions based on fundamental values, norms and principles that guide "doing business". The implanting of total quality ideology, which is conceptualized as organizational ideological renewal in this paper, ideally pursues the infusion of a continuous improvement philosophy organization-wide. This ideological change process may gradually affect the logic of "doing business", in other words, business policies and values.

Since the last decade, management *practices* have called for the reform of management thinking and the need to dislodge established paradigms has surfaced (Bushnell 1994). Major environmental transformation has prompted the need to search for and adopt new and more *holistic* ideas for renewing organizational management to better align with more demanding challenges. Since the 1980s, Total Quality Management has been suggested for a timely ideological framework for management: a holistic, participative and systemic process (Roth 1993). As Roth contends: "if we view the quality movement from a historical perspective, what was evolving, was, of course, a fleshed out version of the systems approach to management... incorporating the wisdom of earlier pioneers from both the "hard" and the "soft".

The implantation of new ideology is suggested to take place through vision and communication (Bennis and Nanus 1986). Nadler and Tushman (1990:86-87) suggest that "mundane behaviors" can serve as a powerful determinant of behavior. In other words, managers can bring about a change through "relatively unobtrusive acts, the accumulation of less dramatic, day-to-day activities". This kind of behavior is more visible in smaller enterprises in which the hands-on type of management is more inherent in managerial processes; this is to say, deep involvement in "the myriad of details that make up organizational life" (Nadler and Tushman 1990:86).

To sum up, ideological change requires advocates and supporters including the impact of original or actual founders. Ideological change also assumes the loyalty of successors (new generation, current managers) to the existing values. The cycle in Figure 1 summarizes an ideological change encompassing the five *antecedents of change*. First, the *materialization of ideas*; they are transformed into spoken or written text. Second, *influential supporters;* ideas should find quantitatively and/or qualitatively influential *promoters*. Third, *a plan of action* is needed*;* ideas are converted into policies, strategies and directions. Fourth, *activity and actions*; emotional commitment is a force that leads to actions. Fifth, *a 'mediating actor'*, a change agent, is required in ideological change.

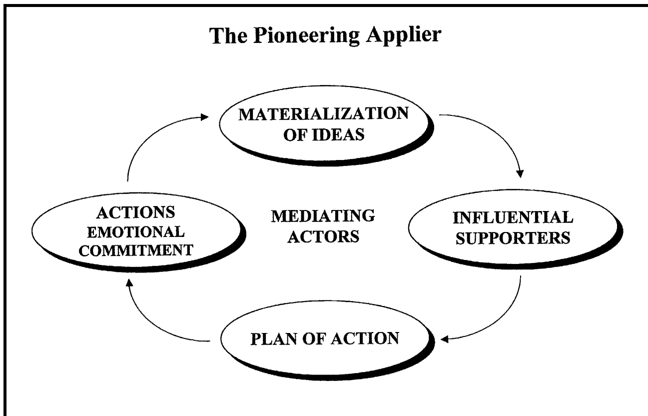

FIGURE 1. Antecedents of Ideological Change

FINNISH CASE STUDY

Empirical, qualitative data was gathered from two Finnish family-owned, manufacturing companies, a medium-sized company in the metal industry and another, larger group in the construction and concrete industry. The construction concern employs around 1,000 people including subsidiaries and its net annual sales were 800 million FIM in 1997. The metal company employs around 120 people and its net sales were around 150 million FIM in 1997. The metal company has been managed by the founder, and the concern has been led by the founder's son for over 20 years. The concern structure (several businesses) in the larger company and the divisional organization in the smaller one provided several units of analysis in this case study. The reason to focus on the manufacturing sector was the longer history of quality and improvement activity in the manufacturing sector. Unique histories, distinct cultures, sizes and businesses of the companies was a fertile foundation for the analyses and comparisons of the implantation processes of quality ideology.

Basically, the case study involves three main units of analysis: two major businesses in the concern, construction and concrete products industries, ran by separate companies, and the metal company as a single unit. The time period of the empirical study comprises about 15 years, from the beginning of the 1980s up to the mid-1990s.

RESEARCH QUESTIONS AND METHODOLOGY

The following questions were addressed: How is the organization renewed through the embedding of quality management ideology? How does the history and original culture of the organization relate to ideological renewal? The case study is exploratory in nature, and an interpretive method was chosen (cf. Spencer 1994:466-467), due to the empirically unresearched area. This approach attempts to understand human intentions and actions, in their broader and historical context (Näsi 1980). Intensive data collection and analysis justifies concentrating on just a few cases. Longitudinal field studies on organizational and managerial change processes offer methodological guidelines for in-depth descriptions and analyses of data (Pettigrew 1987, 1990; Van de Ven & Huber 1990) as well as case study research methodology (Yin 1989). Furthermore, this study applies a *cross-disciplinary approach*, drawing on the study of the history of ideas (Boas 1972) and ideologies (Borg 1965; Ehrnrooth 1992). The approach is both *dynamic and historical* at the same time. Data was gathered mainly by in-depth interviews; 29 interviews were made in all. They were all recorded and transcribed. Multiple written documents on the companies and their industries were also used.

OVERVIEW OF THE INDUSTRY CONTEXT OF THE CASE COMPANIES

The internationalized metal industry plays a significant role in the Finnish economy in general and has been a kind of pioneer in quality development issues at the national level. In Finland, the metal industry seemed to be the first one to awaken to quality, to a greater extent in the 1970s. The construction and construction products industry, represents a mature, mostly domestic-oriented sector. It has not paid quality issues more explicit attention at the industry level until very recently, although quality has been an issue and quality control an inherent activity in the field for a long time. There have been quality improvement activities in the construction field, however, among the industry's few 'forerunners', even though the industry's comparative quality profile still ranks poorly.

The external environment of the case companies was undergoing major changes in Finland during the 1980s and early 1990s. The struggle for market shares between companies and consequent price competition sharpened substantially toward the end of the 1980s. The severe national recession faced businesses with an urgent need for adaptation, both financially and operationally, after the turning of the present decade, as the domestic demand dropped drastically. The metal industry company is internationalized and thus dependent on the forces in the international markets. This environment did not remain stable either.

In the longer term development of *the metal, construction and concrete industries*, a change of demand pattern of the industry have occurred generating adaptive needs for organizations. In the sharpening domestic competition within the construction industry, the growth strategy has been focused on geographic expansion of the markets while in the metal business internationalization has taken place. Both have presented a more demanding challenge to the companies during the the previous and present decades. External forces mostly manifest themselves in growing customer demands and consequent changes in industry-level production structures. The latter have gradually shifted demand patterns and have stimulated companies to adapt with specific reforms in order to better align themselves to the voice of the markets.

BRIEF BUSINESS HISTORIES OF THE CASE COMPANIES

The construction and concrete group currently represents a significant company in the industry in Finland. The group that began as a small concrete foundry in 1953 has developed into a nationwide concrete products and housing & construction company operating throughout Finland. The housing construction business constitutes about 2/3 of the total sales.

The company culture is crystallized in the core values. The foundation of the culture was laid by the founder of the company in the first decades of the company's life. The fundamental values take shape in the following four principles: 1) great risks and debts must be avoided, 2) business activity must be effective and profitable, 3) achieved market share must not decrease, 4) *new ideas* must be invented and implemented continuously.

The founder of the company did not have any training in the field. However, he had *entrepreneurial "passion" and courage to apply and carry out new ideas*. He studied the business, its problems and opportunities on his own and sought to solve creatively many technological problems of the field with the assistance of appropriate expertise available. He had a powerful vision: "to be the first or among the first in the concrete industry" (Rissanen & Isotalo 1993:18). He had "a good nose for business", which in the current management would be called strategic ability. The founder searched for opportunities, traveling around the world on his *study tours* - not even his lack of foreign language skills could prevent the observation and collection of *novel ideas*; these were accumulated by making observations (Rissanen & Isotalo 1993:23). The founder was also involved in the institutional level activities (Central Federation of Finnish Concrete Industries, among others).

The successor has *chosen to build on the same foundation* as the founding father, having found the tried and tested principles solid and functional during the recent, turbulent decades in business. The company's transfer to the next generation has meant stronger orientation toward growth and organizational renewals in many areas, for example, in management systems which have gradually *changed management* toward a more participative style. Stakeholder management has been even more visible during the successor's period of management.

The entrepreneurial spirit, characteristic of the founding generation, is still embedded in the current company culture. This manifests itself in a kind of *innovation logic* (Kanter 1983), which is shown by the value placed on inventing and continuously implementing new ideas. In management practice it appears as developmental orientation. The development of products and production technology has played an important role throughout the company history. The leading idea of the founder was to develop technology that would allow manufacturing *high quality products*. Overall compatibility, product development, and quality and technology, have supported each other and developed intertwined with each other. *Innovativeness* has been a unifying thread in the company's business logic: some sort of organizational renewal has been the ongoing issue, realized in various types of programs, most visibly in quality improvement. In the second generation of managers, innovative logic has been even more explicitly based on the founder's belief that there exist real opportunities in business to continually improve operations to a certain extent.

The metal industry company was established in the early 1970s by four shareholders. Quite soon one of the original founders with his family became the only shareholder. He acted as a managing director until the end of 1995 and since then as CEO. The company has two major *business areas*: tube and sink divisions that produce stainless and acid-resistant steel tubes and hollow sections for different industrial construction purposes. The company is internationalized operating mostly in the European markets. Exports account for about 85 percent of the company's total sales. On the global scale, the company is a little below the average size in tube manufacturing but because of its specialization, it is one of the world leaders in certain product types. In the domestic tube markets the company is the market leader.

The core *values* are basically created by the founder. They are the organizational cornerstones which characterize company culture and form concrete guidelines to success in business. The following points are appreciated in the company: know-how, diligence, serviceability, success, honesty, social skills and harmony with the environment and nature. These values are backed by the founder's prior experiences in a large mechanistic work organization which have affected his beliefs about the superiority of a more human leadership to traditional management. This is manifested in managerial practices, for example, as a cliche: "leading with the guys" and in "anti-Tayloristic" beliefs of disapproving work studies and division of tasks and preferring participation and cooperation. The environmental values imply the recent changes in managerial thinking, which has led to the development of environmental products as well as EMS.

The company's efforts for improving quality have been publicly noted in Finland in the 1990s. Two recognitions made the company a *'Double Quality Winner'*: first, the Quality Prize of the Finnish Society for Quality in 1990, and second, the first Finnish Quality Award in the small and medium-sized company division in 1991. Lately the goal of achieving the European Championship in the Quality Award contest has been set. This, in a way, suggests the company's basic orientation toward new ideas and pursuit of quality, in particular. Openness to new ideas and a tendency for manageable risk taking are characteristic of the entrepreneurial owner-founder.

IMPLANTATION OF QUALITY IDEOLOGY IN THE CASE COMPANIES

First, the processes of embedding quality ideology are briefly described company by company. The discussion follows the description, and, finally, conclusions and implications are made.

CONSTRUCTION COMPANY

In *the construction company* quality ideas were originally gathered from abroad, which was stimulated by the change in the management. But the applications were specifically tailored for the organization. With the combined efforts of the organization, the goal was to create "*The company's* *way of doing things*". No separate quality organization was formed at any stage. As a result of ten years of systematic and a kind of *pioneering* quality improvement efforts in the field, the quality ideology has developed into the ideology called Solid Measures which reflects a new emerging company culture. The entering and introduction of the ideology centered on the quality-circle thinking, but in the course of years it has evolved "endemically", into various operation-specific forms.

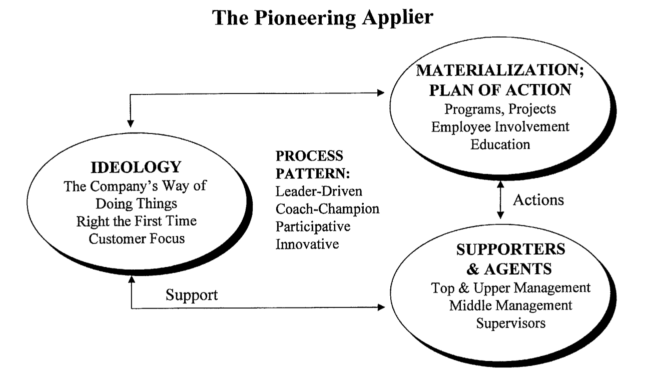

FIGURE 2. Implantation of Quality Ideology in the Construction Company

The construction company's process pattern can be called as the '*Pioneering Applier*' (Figure 2). The strategy of implanting the continuous improvement philosophy reflects an embedded tendency for *innovation orientation.* This is profoundly tied to the founder's values which imply the *logic of innovation* (Kanter, 1983). It is best characterized by the entrepreneurial spirit and manifested in the orientation to continuously developing new ideas. The ideas of quality were gradually spread more widely in the organization, first proceeding functionally from marketing department to production and then organization-wide.

A manager at the *upper management* level undoubtedly played a role of a key supporter. He introduced and spread new ideology most forcefully and can be called "a champion who pushes the idea to fruition and inspires others making it happen" (Hunt 1992:46). Conveying ideas into the organization and winning the support of the different organizational levels required persistent coaching and unyielding persistence with occasional application of coercive power. The role of the successor (owner-manager at the top management level) is quite central in the process. Its faith in quality (London, 1988:51) as a step-by-step cultural change, rather than an isolated fashion, created a *value base* that made it possible for quality ideology to gain a foothold, spread and be assimilated into the company's business policies and values.

Besides upper and top management, *the middle management* played a role in the renewal process (London, 1988:54). Getting ideas accepted required the support of the middle management that acted as *popularizer, simplifier and concretizer* toward the receiving supervisor level, and further on toward the foreman and worker levels. The middle management also seems to be in the position of an intermediary for maturation of strong worker mentality. Endeavors to create cooperative spirit led middle managers to handling counter forces at the supervisor, foreman and worker levels in the process of gaining support of these levels. External experts acted along the way as temporary suppliers and conveyors of the ideas and experiences, and contact creators.

The fruits of the implantation of quality ideology ripened during the years of economic recession in the early 1990s. In the grip of the difficult business decline, quality thinking, as far as it was rooted by then, provided an *uplifting force*. It functioned as a mental weapon during the worst period of depression and facilitated the company's *survival* by providing beliefs and practices which had been sufficiently embedded before the economically difficult years. The shaping *ideology had mentally integrated the organization* to better encounter the painful and rapid adaptation necessitated by the poor economic situation. As stated by an interviewee: "*The point is, it's a competitive advantage that cannot be copied or stolen, it must be accomplished and earned through your own efforts, it's not the kind of knowledge that you can steal from someone*."

CONCRETE PRODUCTS COMPANY

The concrete business started conscious quality efforts in the late 1980s soon after the business manager of the concrete business changed. As the construction business already actively was carrying out quality programs, the new manager began to look for ideas and experiences in that direction. The first joint event arranged for the introduction of quality ideas for the company's business management and office personnel took place. This caused certain antagonism and even irritation, and the ideas would not catch on. Nevertheless, the seeds were sown to germinate in people's minds.

After a while, quality improvement was attempted through the 'first trial' by an internal professional which was not successful and the 'second trial on a wide front' (in the main factories) followed a few years later Again, an internal quality engineer took up this undertake which was organized so thoroughly that it had to succeed this time... But it didn't go through on such a wide front. The development work made promising progress until it was wrecked by organizational change in the department, as key persons changed. Structural change caused repercussions in the priorities and quality was no longer found to be as central as before. The counter forces rose from the middle management. Antagonism also appeared in the factories. As a result, the development work in its initial form was abandoned.

The quality ideology was crystallized in the pursuit of cost savings through quality. Quality ideology was promoted by *quality system orientation* and by means of *internal professionals* recruited from external sources. This method of promotion created counter forces within the line management. Resistance was more broadly embedded in the structures of the labor union system.

A separate organization for the coordinating and directing of quality efforts also supported quality improvement efforts The process proceeded oscillating, and can be called '*the mode of trial and error*' (Figure 3). The whole undertake ultimately fragmented after the second, wide-front test. An internal quality professional and counter forces turned out to be an important part of the renewal process in this case, affecting the *oscillating* nature of the process. The business manager level (upper management) took an active and positive stand on quality issues but counter forces that rose from the middle management level hindered him. The successor (top management), acting in the quality council, did not express any specific insights into disseminating quality ideology in the concrete company. He basically let the fundamental company value of striving for continuous development of ideas lead the process on. But top management also accepted the impact of specific industry-related factors and company-specific forces on the change process. It is also worth noticing that although counter forces slowed down the promotion of quality ideology, they could not wreck the whole process: it nevertheless strove persistently (and fragmented) ahead even after the second 'trial'.

METAL INDUSTRY COMPANY

In the metal industry company, more systematic quality development efforts started in the mid-1980s. The spreading of quality ideology mostly proceeded by introducing a new quality-related theme annually to be worked on in the organization. The quality council represented the structure that was involved in the organization-wide operational efforts of spreading quality ideas. Quality training was the most important behavioral means in the company and quality education was implemented organization-wide in the beginning of the systematic development phase. Education played an important role in the involvement of human resources and the enabling of participation. Quality education was supported by organizing teams in production departments. Production cells were organized. Management systems were developed more widely at the same time. Pay systems were reformed in the manufacturing departments: no payments were made any more for repairing products.

The renewal process features the roles of the actors at different levels. The founder-manager (top management) played a significant role that was at least twofold: authoritative conveyer and supporter. He created a drive for transmission which can best be described as "*gentle persuasion*" in the organization. The top management periodically participated in the promotion of the ideology with hands-on effort. A prominent role of an external quality expert in the company is evident. This person conveyed "theory" from outside across the boundary of the organization, introducing concepts, operationalizing and communicating them (cf. London 1988:60). His role can best be characterized as the supplier of quality wisdom. The board of directors turned out to be significant as well. Furthermore, the line management - production managers in the first place acted as persuaders, popularizating, simplifying, and concretizing 'quality theory'. The internal quality professional assisted the line organization with his expertise but did not, as auxiliary personnel, played as visible a role as the line supervisors. His role seemed to rather be that of an educated applier than of a popularizer or simplifier.

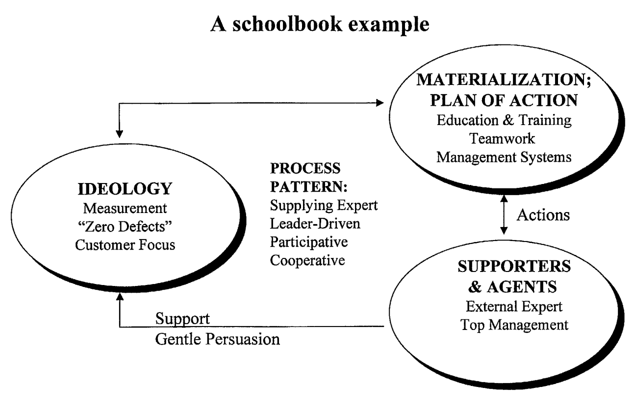

FIGURE 4. Implantation of Quality Ideology in the Metal Industry Company

Overall, the process proceeded, in essence, '*by the book*', due to the visible role of the expert (Figure 4). But it seemed important that the cooperation between the top management and the expert worked in the process, and additionally, that the top management had *confidence* in the external expert. In brief, this case represents a '*schoolbook example'* and the most significant factors in the process seemed to be: top management commitment, the role of external expert, participation of organization members, and the tactic of gradual implementation with persistent, 'gentle' persuasion.

DISCUSSION

The empirical investigation of the implantation of quality management ideology primarily leads the discussion to *the acting agents, their beliefs and organizational culture* in the process because the main *mediating agents* emerge from management. The actual founder and successor took a crucial stand on adopting a new thinking for managing quality (cf. Beer et al. 1990, Beer & Walton 1987). Their role was supportive in initiating the development process and carrying it out, even though an external source of expertise and internal professionals acted as contributors and implementors. The beliefs of these managerial agents formed the foundation which determined the attitude toward renewal, and the influence of these managerial actors turned out to be crucial in integrating the organization (Mintzberg 1989; Beer & Walton 1987).

ORIGINAL CULTURE AND FOUNDER’S BELIEFS IN IDEOLOGICAL CHANGE

These findings show that managerial beliefs of the original or actual founder laid the foundation for the embedding of quality ideology. Managerial influence of the actual founder or successor, who represented authoritative key supporters in these cases, seems to render the ideology effective in the course of time (cf. Beer & Walton 1987; Kimberly 1981). Without their support the conveyance of new ideas would probably have remained in the rhetorical phase. In the construction company, it was a person from the *upper management* that was personally more involved in functioning as a change agent. This ’coaching champion’ showed the loyalty to these values which affected the success of the ideological renewal in this case. The owner-manager’s beliefs about the strategic role of quality in business and consequent resource allocation supported the champion’s efforts. This strategic insight of the successor reflected the beliefs that had existed in the company for several decades. The role of organizational culture as a force for ’pulling together’ became evident in the period of the difficult business decline.

In the concern, the strong developmental orientation implies the entrepreneurial spirit which stems from the founder's values. Kanter (1983) terms this spirit as "a logic of innovation". In current practices, this logic is embedded in shared cultural values. It becomes visible in the dominant managerial logic of the post-founder manager appearing as a strategic insight on quality improvement (cf. Beer et al., 1990; London, 1988; Mintzberg and Westley, 1992).

In the founder-managed metal company, the link between organizational culture and managerial logic may not seem to be so obvious. However, cultural values are closely bound to the actual founder, given the life cycle of the organization (Schein, 1985). Openness to new ideas is characteristic of the organization. The continuous use of external expert when carrying out several developmental undertakings in contract-based cooperation shows this most clearly. It is the entrepreneurial spirit that seems to be the ultimate catalyst for persistent, gentle persuasion in supporting quality improvement processes in the metal company.

In conclusion, the findings confirm prior results on the stronger commitment and influence of founder-managers on organizational innovations. The findings also allow us to propose that commitment originates in the history of the organization and is established through shared cultural values (Schein, 1985; cf. Savolainen, 1998; Beer et.al, 1990).

CULTURAL AND STRATEGIC IMPLICATIONS OF THE HISTORY OF FOUNDERS

The transferring of managerial beliefs seems to function *through* organizational *culture*, which forms a 'binding force' for the implantation. It is what Beer et al. (1990:179-180) have termed as "the climate that encourages renewal". The cases studied show that it is the founder, in the first place, that creates, keeps and transfers managerial beliefs (Donaldson and Lorsch 1983; Schein 1985). These beliefs become real in current strategic decisions and may result in gaining an inimitable competitive advantage through continuous quality improvement.

Of the cases studied, The Pioneering Applier (Figure 2) shows the greatest degree of intensity in implanting new ideas. This is related to the major influence of the manager who showed the loyalty to the existing belief system of the company. Moreover, it is connected to the 'indigenous', implantation strategy. A schoolbook example (Figure 4) implies more wisdom in implanting quality ideology which makes the process progress more smoothly. But the actual founder's strong influence was crucial for the process. The mode of trial and error (Figure 3), on the other hand, indicates stronger persistence in endeavors reflecting the embedded cultural value of the pursuit of continuous searching for new ideas. The oscillating nature of the process is explained by organizational factors and the visible role of internal, non-managerial professionals.

CONCLUSION

This paper proposes that managerial beliefs and values which stem from the founding and original culture have an influence on the current processes of organizational renewal.The founders' beliefs are transferred through education and culture and become effective in the current managerial decision making. In present managerial practices, beliefs and values are embedded in the dominant managerial logic. In the cases studied, they are manifested in the logic of innovation which reflects the strategic insight into continuous search and applications of new ideas. The founders' beliefs seem to function here-and-now affecting managerial strategic decision making about the competitiveness and survival of the organization (Donaldson and Lorsch 1983). The attachment the successor hold on to the founders' beliefs may be strong and may remain relatively stable for decades contributing to the processes of renewal over time.

Although the major mediating agent seems to be the actual founder or successor the professional managers, who have adopted the belief system through culture, play an important role. There are s*everal types of actors, managerial and non-managerial with different combinations and with distinct degrees of influence* in the process of renewing the organization. For these actors the original cultural values form the foundation for building their current managerial actions.

The dynamics of the organizational renewal process is connected with tacit organizational resources: in the family-owned companies studied, managerial influence is backed by the spirit of entrepreneurship which proves the ultimate catalyst for keeping up a continuous pursuit of organizational renewal. Further research is needed for gaining a deeper understanding of the dynamics of these processes of transferring and changing belief systems. This paper may well serve as a useful piece of knowledge but suggests that further empirical evidence is needed on the long-term effects of the founders in family-owned firms, in particular.

These findings imply for managers that in the process of renewing the organization tacit resources generated by the earlier history of the organization may be a strength for the current managerial practices. Further research would benefit organizations to more effectively build on the strength that the history of the organization and the founders, in particular, may generate for the present through realizing competitive advantages.

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