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LETTER FROM THE EDITOR

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

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

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

The Editorial Policy, background and history of the organization, 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, so feel free to contact us at the address below.

This edition of the *Journal* includes an invited article by a highly successful entrepreneur. Gene Bicknell is the founder and Chairman of the Board of NPC International, Pitt Plastics, and Zouire. He has developed motels, shopping centers, oil and gas properties and a radio station. He is one of the most successful entrepreneurs in the nation and has an exciting new book, *Never Fry Bacon in the Nude.*

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MANUSCRIPTS

A BUSINESS OF YOUR OWN

O. Gene Bicknell, NPC International and Pitt Plastics

ABSTRACT

We are delighted to begin this issue of AEJ with a chapter from Gene Bicknell's book, Never Fry Bacon in the Nude. Gene Bicknell is the founder and Chairman of the Board of NPC International, Pitt Plastics, and Zouire. He has developed motels, shopping centers, oil and gas properties and a radio station. He sits on the board of SIFE (Students in Free Enterprise), the Kansas City Board of Trade and other organizations. He is one of the most successful entrepreneurs in the nation and lives in Pittsburg, Kansas, with his wife, Rita - an attorney with the Phalen and Bicknell law firm. Gene has five grown children and eighteen grandchildren.

PICTURE YOUR BUSINESS

Many people dream of owning their own business. They are motivated by a number of things-money, management over their time, building their community. While many people have this dream, it is amazing how few people know how to make the dream a reality.

Starting a business is like building a house; you work from the ground up and the first thing you must have is a good foundation. The foundation of a business begins with a business plan.

The business plan is a snapshot of your business and how you intend to conduct it. This snapshot has five essential parts. First, you must have an idea of the service or product you want to provide. Second, you must have a plan to create sales of your product or service. Third you must know what kind of personnel you will need. Fourth, you need to know what kind of physical facilities you'll need and, last but certainly not least, you must know how you will finance your business. Distinguish between capital investment and operating capital.

NUMBER ONE: IT ALL STARTS WITH A GOOD IDEA!

To come up with that good idea for a business, you have to be creative and optimistic. Be alert. Train yourself to look for ways of improving products and services. Be aware of people's interests and likes. Most importantly, be aware of change. Our society is constantly changing, and each change provides a wealth of opportunity! Continually ask yourself, "Is there a better way to do this?" or, "How could this product work better?" It may be a service or product you could improve. It doesn't have to be exotic or new; there are simple opportunities everywhere. For example, as I'm sitting in my office, I might turn on a lamp. If I have trained myself to always be looking for improvement, I may notice that the lamp doesn't throw off good light and I'm going to start considering ways to improve that lamp.

Throughout the day, difficulties may arise with common everyday tasks. Once again, a trained mind begins looking for an easier, more efficient way. Perhaps you will find a better way to brush your teeth, prepare a meal or even shine your shoes. How many times do you suppose someone looked for their eyeglasses before they came up with the idea of putting a chain on them so they can hang around their neck? If it's a common situation, then many people could gain from your solution, and more importantly, pay for it.

Train yourself to review current businesses and services for improvements. Someone came up with the idea for a pizza. I'm told, contrary to popular belief, that pizza originated in the United States. Look at all the different types of restaurants and food items. There is always room for another kind of food.

Be aware of people's interests. Look for novelty items that may interest people. The Chia Pet, a popular novelty item, is simply a way to grow grass in different shapes. What about the pet rock craze of a few years ago? Figurines of sport figures, celebrity likenesses, autographs, replicas of uniforms or wearing apparel are all huge businesses. A ballcap without a bill might be in line since so many young people are wearing their ball caps backwards! The opportunities are limitless. You can find it where things are changing, (remember intuition?) and things are always changing.

Investment opportunities that look the least promising are often where real opportunities exist. This is particularly true in retail and service industries. Wal-Mart and other big discount houses sometimes seem unbeatable to small-town rural stores. But, the big discount centers do have weaknesses. They lack the personal service and a thorough knowledge of their products. And, they are usually crowded. Small businesses must seek ways to capitalize on those weaknesses in order to compete and be profitable. I have a friend who purchases her favorite perfume from a small retailer. Just before a business trip, she realized she didn't have enough to get her through the trip. When she went to purchase a refill, the small retailer hadn't been able to get any from the manufacturer and gave my friend her tester bottle to take on the trip. She just asked her to return what was left when she got back. No charge! That's the kind of extra service that a larger department or discount store simply can't and won't provide.

Trends and fashions keep changing. Once upon a time, people only wore lace-up shoes. A smart entrepreneur foresaw the fashion change and made a bundle off slip-on shoes. Who would have believed, back in the 1950's, that people in the '90's would be wearing undershirts as outerwear? Now the T-shirt industry is enormous. In the restaurant business, someone came up with the salad bar and the buffet line. Just 20 years ago, only full-service cafeterias offered those items. Now, almost everyone offers a buffet line or all-you-can eat bar. Watch how things are changing and find ways to capitalize on that change.

Opportunities exist in technologies and business that are just getting off the ground. When I got into the Pizza Hut business, I found that a lot of the people had no more experience with pizza than I did. As a matter of fact, many people had never tried pizza in the communities where we were developing Pizza Huts. We became pioneers, so to speak. Sometimes when you are pioneering and breaking ground, you can get into a business that you could not otherwise afford to get into.

KNOW THE BUSINESS YOU INTEND TO START
DO YOUR HOMEWORK!

An important factor in coming up with a business idea is that you should know something about that business before you start. Never start a business you know nothing about!

Acquire all the knowledge you can about a business. Never work on preconceived ideas. Most of the time they will prove to be false. Do your homework. Study a similar business. You have to do research and analysis. You need to find out where the market place is. Is it a thriving community, is it a blue collar community, low income, high income? These are all crucial questions you need to research and analyze.

Know who your customers will be and your potential share of those customers. Is your market on premise or off premise? You have to look beyond your own world to find those answers. Before going into the plastic business, I went around the country visiting plants that manufactured plastic bags. Some let me see their plants, some didn't, but I learned from the conversations. Next, I went to different equipment manufacturers and tried to learn about equipment. In selecting equipment we made some deals which were poor choices and that made our job harder and more difficult. Thanks to the expertise of people like Ron Black and Craig Currier, we survived and have done well.

When Pitt Plastics first went into business, we relied heavily on one person's knowledge of how to manufacture plastic bags. We hired a plant manager even before we had finished construction of the plant. We sent him to another plant in Ohio to train for six months. We were depending solely on the expertise this one man was accumulating. This was a dangerous position to put ourselves in. And sure enough, a crisis developed. Marv Ackerson had learned well and developed the knowledge and expertise we needed. Unfortunately for him and us, just before we were to begin production, our plastics expert was in a very serious automobile accident. Another car ran him off the road into a bridge railing. He ended up with 13 feet of three-inch pipe through his lower abdomen and him. His sciatic nerve was damaged and it was uncertain whether or not he would survive. After a few days of worry and vigilance, we were relieved to learn that he would pull through. Today he is strong and healthy, he has a slight limp, but can fall off roofs onto concrete and only get bruised. Marv is a fighter and would have been a tremendous asset to our company.

In this time of crisis, we all pulled together and learned how to operate the plant, but it took us a long time to produce our first plastic bag. We learned a valuable lesson. It is important to have know-how and depth in your business. Don't rely too much on the knowledge of others and never have only one individual with all the key knowledge.

SECOND: HAVE A PLAN TO GENERATE SALES

Okay, now you know what kind of business you want to start. How are you going to get people to buy your service or product? There are three phases to generating sales: Marketing, Advertising and Quality (and service).

Marketing consists of identifying who your potential customers might be and then devising a plan to get those customers to buy your product or service (or come to your store).

There are a number of ways to identify potential customers. You need to do some research on the age group, gender, financial status and other identifying factors of your target market. You need to know the number of potential customers to determine how lucrative your business might be. For example, at National Mills, we produce thousands of dozens of T-shirts a week. That's a lot of T-shirts isn't it? But guess what? We only have to produce a very small percent of the T-shirt industry in order to be successful. We have to have less than 2% of the entire industry because this industry is a billion upon billion-dollar business.

Your marketing must determine the spread as to where your sales will come from. The broader your market and the less market share you need the greater your chance of having a profitable business.

Marketing is an art, not a science. Just because you do this research and devise a plan one time doesn't mean it will be valid forever. As I have said many times before and will say many times again, things change. The best thing you can hope for is to beat the percentages. The way you beat the percentages is by trying lots of different things in different ways. Many people in marketing research will disagree with me on this. They'll say, "We can tell you if you do this and you do that it's going to work." But demographics change constantly. People's emotions change. New inventions bring change in demand of products (intuition again). Be on the lookout for new ideas in marketing your products and keep tabs on your customers' needs. The best marketing tool is a good (hopefully outstanding) product or service. If your customers thoroughly enjoy your product or service and are happy with it, they'll tell their friends and word of mouth takes over.

In addition to all of this, once you have identified your target market, you must devise a plan to get those people to buy your product. You have to find a way to let people know your product or service exists. You need to advertise.

Many people fail to see the importance of advertising. Actually, we know only 50% of all advertising works. The only difficulty is that we don't know which 50% of the total 100% is the part that works. Therefore, we can't eliminate any of the program without taking a chance of destroying its effectiveness. In fact, when businesses are in trouble, they often cut their advertising budget, thinking that it is a luxury. Advertising is a necessity, and it doesn't have to be expensive.

Most people equate advertising with only one medium...television. Television is the most expensive form of advertising and the best way to reach the masses. Most small businesses don't need to reach the masses! They need to reach a smaller target market. Today, even television comes in so many forms that the forms that can afford to use it must approach it in a broader spectrum.

Advertising may be as simple as putting a sign in front of your business. Advertising may involve telemarketing, calling your potential customers. It may be using a direct mail piece. Your business may be the kind that could benefit from advertising in the yellow pages of your local phone book.

You can find a number of ways to get exposure for your business. Get involved in your local Chamber of Commerce. Attend Chamber events and get to know those people. Find ways to promote your business through Chamber services – hosting a coffee or reception at your business or attending a trade show. Even large firms or businesses should do the same thing on a local basis in every community they are in. If you are a good corporate community citizen, your customers will feel good about doing business with you.

Once you build a customer base and your customers have an idea of the quality and reliability of your service or product, word-of-mouth advertising will take place. That's why I put the third factor in the formula for generating sales...quality and along with it, customer service.

It doesn't matter how much money you spend on marketing and advertising, if you don't have a quality product, sales will not happen. You might get Sale Number One, but if your product is no good, you won't have repeat business. It is hard to get the customer the first time. If you get that first customer and fail to impress him with your quality and service, it's darn near impossible to get him back and you can be sure you won't get any of his friends either!

That's why customer service is so critical. Anyone can walk into any big discount house and buy furniture, a major appliance, window coverings, you name it. The big discount houses can offer these products at a lower price because they can buy in volume. But what happens if the product breaks, or doesn't work properly? Who will make it right? They may replace the product, but what about the labor involved in re-installation and time wasted trying to find the problem?

Companies who specialize in certain products and, therefore may have to offer them at a higher price than the discount houses, must be able to sell the consumer on their product's quality and their customer service. If a consumer is not treated well by the business, he won't be back. Quality and service must be ingrained in your mind and in the minds of your employees from the get-go!

Pizza Hut is a good example of how a business can still dominate the market, even with a little higher price. When it comes to price, many other pizza places sell for less. The service in those other places is okay. But when it comes to quality, many have shortcomings. Our ingredients are fresh and real. We don't use imitation anything! Our large pies are bigger than most other pizza places. We strive to provide the best service possible to our customers.

Have you ever considered what percentage of people don't complain? Ninety-six percent of the people who are dissatisfied with your product or service won't complain. Let's say you get one unsatisfactory comment card from one person, that means there are probably 96 other people sitting out there thinking the same thing!

As I said, getting sales is no easy task. It's rare that a business starts out and has an easy time of it. It happens occasionally, like a software company or computer company with a unique product that everyone wants (Windows '95). Or a new restaurant opens in a small town and everyone eats there, at least once. Maybe the restaurant will go gang-busters for a while, but eventually, they have to find ways to remind their target market about their product or service.

Your plan on how to create sales should include some kind of budgeted amount you think it will take to do the necessary marketing and advertising. You should research the media you intend to use and include costs for advertising with that media.

It is important to analyze every promotion you run. Like I said before, you may have to try many different things to find the right approach to sales for your particular product or service. Don't be too discouraged if one of your "great ideas" for a promotion doesn't work. It may work at some later time. The secret is to communicate with your customers. Analyze and review each promotion from their perspective. Try to find out why the results were what they were, good or bad.

THIRD: PERSONNEL AND TRAINING

What kind of people will be needed to operate your business? Are you the only employee? Do you have the necessary skills to produce the product or service? If you are not the only employee, how many employees will you need? What kind of skills will these other employees need to have? What will you have to pay them? What kind of benefits can you afford to provide for them? Does your service or product require a lot of training or re-training of personnel? How often will this re-training need to take place?

Once you have answered all these questions and hired your personnel, you should ask each worker to write out their understanding of their job description. They should include their job responsibilities and goal's for the next 30, 60 and 90 days. Periodically go back and review these written goals to see if they are being accomplished. This will help show you their productivity levels and put the onus on them to judge and grade themselves. This will provide them with their own incentive and motivation to succeed instead of being driven by their supervisors. It should also include their philosophy and why it's important to them and why it's good for you. It should also include how productivity, profitability and a pleasant environment are important. It is our people skills and our own ability to interact and develop respect, admiration and loyalty that can make a difference. If we want loyalty we have to be loyal and compassionate. Respect, Dignity, Cordiality, Kindness, these are key words for any business.

FOURTH: PHYSICAL LOCATION

You've picked the business you want to pursue. You've hired your people. Where are you going to put them? One of the important factors to any business plan is the location of the actual facility and the physical requirements of your business. Let's assume your business requires a physical location outside your home.

You've got to find a location you can afford that will fit within the framework of your business. You must choose whether to build, rent or purchase a building. You must care-fully consider the site on which you will locate your business. You must also consider what you can afford. Will your business require a lot of traffic? Do you need a large parking lot? What kind of handicapped accessibility will your particular business require?

These are all things that you must consider and think out before you actually go into business. Remember, that in some businesses, location is critical. So is zoning. You must be aware of your city's zoning laws. You should make contact with your city's building officials at the beginning of the project. Your building will be required to meet certain codes, so you need to know what those codes are and what kinds of cost will be incurred in meeting them.

You should also check to see if you qualify for any tax abatements, enterprise zone incentives or low-interest loans. Many cities have set aside funds to help businesses which meet certain economic development requirements.

Again, research, analysis, homework. These challenges need to be met and resolved before you ever open the doors for your business.

FIFTH: WHERE WILL YOU GET THE MONEY?

We've put money as the fifth phase of the business plan, but it could really be considered the first. To start a business, you must have capital. If you don't have your own money, you'll have to find sources (investors) who are willing to put up the money.

It's a good idea to have your own money in your business. If you have to rely on too many investors, you could end up in a power struggle and find yourself completely out of the business that was your dream and creation. Remember the money you get from investors is a cost.

A few years ago I had an option to buy a major league baseball club. The cost of borrowing the money was 20-21%. I felt that was too much. Besides, the baseball club's corporate structure was sub-chapter S under the Revenue Codes, and that offered problems in paying for the investment. Sub-Chapter S corporations are taxed as individuals. This means that you pay taxes on earnings whether you take them out or not. In a regular corporation you pay corporate tax but you don't pay personal tax until you take funds out. It is double taxation if you take out some of your earnings from a regular corporation, but you can pay off debt or grow your company and only pay a smaller tax (corporate) instead of personal rates if you don't take any personal money out. Buying the baseball club would have been easier if it had been a regular corporation. If it costs too much to borrow the money, maybe you don't want to go into the business. The cost of the money may run all your profits out the back door. Your capital must be figured into the cost of operating your business and subtracted before profits are realized.

The most difficult thing in developing a company is getting the financing. Banks are unwilling to finance dreams or ideas. They only look at hard assets! My first loan was secured out of town because none of the local banks would make a loan to me.

One of the challenges is finding a way to start a business with as little investment as possible. Most likely, you will have to borrow some of the money to begin your business. Be assured, you will need a detailed, written business plan in order to borrow from a credible lender.

Lenders have certain guidelines they consider when they decide to loan or invest in a business. Below is a list of the characteristics of the ideal small business borrower:

1.	Good capitalization or retained earnings in business
2.	Good management skills
3.	Knowledge and experience in business area
4.	Good character
5.	Good credit history
6.	Growth potential
7.	Good collateral
8.	Good planning and product
9.	Liquidity
10.	Personal equity invested in the business

If you are already in business, but looking to expand or begin an offshoot business, you need to add the following to the above list:

11.	Good profit history
12.	Good accounting methods and financial statements
13.	Increasing sales or market share
14.	Keeps lenders informed of status of business

The major reasons for rejecting a small business loan application include:

1.	Undercapitalization or too much debt
2.	Lack of collateral
3.	Inability to demonstrate source of repayment
4.	Poor credit history
5.	Inadequate financial information
6.	Weak management
7.	Applicant lacks experience in his field of business
8.	Poor track record or poor profitability
9.	Unprofessional financial statements
10.	Unreliable records
11.	Poor planning
12.	Bank services not used to full advantage

There are a number of sources to help you with finding the financing for your business. You should contact the Small Business Administration for information. If you live near a university, you should check with them to see if they offer assistance to entrepreneurs looking to start a new business.

LOOK AHEAD

There is another factor to your business snapshot. You must think about the long-range outlook for your business. It is a very methodical, logical, slow-moving process to build a business. Once you've managed to open your business, you must operate it conservatively and preserve funds. Some people look at conservatism as miserly, but a miser is overly zealous and foolish about conservatism, hoarding money when it makes more sense to spend it. Being conservative isn't being miserly, it's being smart!

A conservative approach is something on which you must constantly work. You must train and retrain yourself to look for unnecessary spending.

Start small, keep spending down and keep reinvesting. As your business grows and you enjoy some success, don't lose focus of the bottom line. Remember, as times change, so could your business. Things happen quickly in today's economy, so be on guard.

I am reminded of the story of the Pony Express rider whose horse gave out on him. He stopped at the farm of a minister who lived in the middle of nowhere. The rider asked the minister for a horse. After some negotiations, the minister gave the rider his only horse. The rider jumped on the horse and said, "Giddy up" but the horse didn't move. He said it again, and still the horse didn't move.

"You have to say 'Praise the Lord' to get him to go," explained the minister. "And, you have to say 'Amen' for him to stop."

So, the rider said, "Praise the Lord." Sure enough, the horse took off like a shot. The horse was running wildly, and it was all the rider could do to stay in the saddle. Suddenly he saw a cliff ahead of him, and in his terror, he couldn't remember what the minister told him to say to stop the horse.

"Whoa," the rider yelled. "WHOA! WHOA!" but the horse wouldn't stop.

Finally, the rider remembered to say, "AMEN," and the horse came to an abrupt halt right at the edge of the cliff. The rider leaned uneasily over and looked at the gaping hole below him. He leaned back in the saddle, took off his hat, dusted his brow and said, "Whew! Praise the Lord!"

Don't operate your business the way the Pony Express rider operated his horse!

SEE THE WHOLE PICTURE

One other thing to keep in mind. John Tigrett is a man whom I admire greatly and listen to carefully when he says anything, His business expertise and knowledge came from doing business deals all over the world with some of the most famous business leaders of this century. He is a good friend and wise counsel of mine and once told me that if you have a business, store or investment that is not doing well and hasn't done well, and you don't see immediate improvement happening, then don't stay with it. Cut your losses, take your hit and go on.

If you do the type of planning I've outlined, you should be able to start your business and judge the success of it as you go along. You should see opportunity to eliminate your losses or provide additional profits.

Few people in the business world understand the whole spectrum of what business is and how to make a bottom line profitable. People get caught up in the glamour of doing a high sales volume. They don't realize that it doesn't matter how much you sell if you don't apply the money to the bottom line so you can pay off debts, increase the size of your business or give dividends and bonuses.

If you follow this general guideline in starting and running your business, success and accomplishment are only a matter of time. A few people and only a few have the ability to start and be successful in more than one business. Mr. Tigrett's son Isaac has done that. After starting Hard

Rock Cafe and subsequently selling it he has now started The House of Blues, another success. Incidentally, he took his profits from the sale, of Hard Rock Cafe and built a great humanitarian hospital in India. Isaac and his partners are true entrepreneurs.

Great Ideas, Big Dreams and Great Planning.
Create your dream or be a valuable part of a team!
That may be more simple than it seems,
Since no I appears in team!
It is I who will dream and find a team.
Success takes "all together" effort and can't be singular in nature.

THE CONTINUING SEARCH FOR RELEVANCE IN SMALL BUSINESS AND ENTREPRENEURSHIP RESEARCH

David Schauer, University of Texas at El Paso
Frank Hoy, University of Texas at El Paso

ABSTRACT

The relevance of scholarly research has often been questioned both in and outside academia. Some researchers have demonstrated empirically that published entrepreneurship research studies do not correspond with the concerns of business owners. The study described in this paper was initiated by a very public debate regarding the access that small business owners have to capital in one urban community. The investigation examined the reality of capital access versus the perception. One aspect of the study focused on the importance of capital access to the small business sector. Results indicated that a minority of firms had problems obtaining capital and that the respondents ranked other issues as more important, with taxes at the top of the list.

THE QUESTION OF RELEVANCE

The Academy of Management was founded over sixty years ago, providing a forum for those dedicated to the study of management theory and practice to exchange views for the advancement of their field. Despite thousands of research investigations, millions of words printed in management textbooks, and the occasional trade bestseller by a university-based scholar, there are critics who question whether the practice of management has actually improved over the decades. If managers were asked to list the breakthrough concepts that management professors have contributed, how many could they name. In the speech by the president of the Academy at the annual meeting, there is typically some expression of concern about whether or not the work being produced is making a difference.

Entrepreneurship is a younger discipline, but the same concern is raised. One of the earliest compendiums of the research to date (Kent, Sexton & Vesper, 1982) called for scholars to concentrate on research that could impact public policy toward venture creation. Subsequent empirical investigations, however, concluded that few published studies could be categorized as applicable to the foremost concerns of business owners (Brockhaus, 1987; Hoy, 1997).

Brockhaus proposed using the top issues emerging from the 1986 White House Conference on Small Business as representative of topics relevant to small business owners generally, given that the delegates to the conference were elected by their peers at regional conferences. The delegates identified eleven issues as the major concerns of small business owners in the United States. Brockhaus compared those with the articles published in three entrepreneurship/small business academic journals and with papers presented at three small business/entrepreneurship classes over the prior three years. He found only three articles and three papers to be directly convergent with the eleven topics.

Nearly a decade later, Hoy replicated Brockhaus' study. He observed that four priorities were selected by delegates to the 1995 White House Conference on Small Business: tax relief, regulatory relief, access to capital, and access to information. He used the same three domestic journals, substituted the Academy of Management's Entrepreneurship Division for the Small Business Director's Institute but retained the other two conferences, and added three foreign-based journals for an international comparison. Hoy found seven directly convergent articles in the domestic journals, six of which addressed capital access. Among the international journals, eleven articles were classified as convergent. There were twenty-nine directly convergent papers published in the proceedings of the conferences over a three-year period. Thus, there is evidence that academics may be giving greater attention to relevant topics, though the frequency count is still relatively low in comparison to the number of studies published. The above counts are increased when including partial convergence.

As mentioned above, access to capital was one of the top four priorities set by the attendees at the 1995 White House Conference. In this paper, we explain how a study was designed to investigate small business access to capital in response to widespread interest generated by the attention of media and public officials. In addition to determining the obstacles to and strategies for accessing capital, the researchers assessed the level of importance attached to the issue by business owners. The research began with an assumption of relevance, but also sought to confirm relevance.

FIRE IN THE DESERT

El Paso, Texas, situated in the Chihuahuan Desert on the U.S.-Mexico border, is the 17th largest city in population in the United States, but 150th in per capita income. Three years ago, a not-for-profit organization was formed to examine the quality of life in the city. The Community Scholars program selects recent high school graduates, provides stipends, and funds research on issues of concern in El Paso. In the summer of 1999, the Scholars investigated bank-lending practices. Based on comparisons of data obtained via the Internet and anecdotal evidence from a small sample of interviews, the Scholars concluded that the three largest banks, all branches of large, national groups, were exporting capital from El Paso rather than making the loans to small businesses that would build the local economy.

The findings were widely reported in the media, generating heated public debate. Some questioned the motivation of the study and the quality of the students' methodology, but most criticism was directed toward the banks and their role as community citizens. One outcome was a call by civic leaders for an access-to-capital summit to devise strategies for channeling more financing toward the small business sector. Faculty at the University of Texas at El Paso were called upon to conduct a thorough investigation of capital access in preparation for the summit.

Finding themselves in the midst of a well-publicized firestorm, the researchers sought to conduct a transparent investigation with as broad and representative set of inputs as practicable. The study was designed to provide answers to the following questions:

1	*How important is capital access to the El Paso small business sector?*
2	*How does El Paso compare to other markets in small business lending practices?*
3	*What obstacles do small business owners face in obtaining financing?*
4	*What alternatives are available for expanding capital access by small businesses?*

This paper concentrates on answering the first question in an effort to assess the relevance of university-based research.

RESEARCH DESIGN UNDER A MICROSCOPE

Because of controversy surrounding the access-to-capital issue, the investigators anticipated there would be objections to whatever results the study uncovered. It was expected that there would be attacks on the research design as a means of repudiating findings. Therefore, elaborate steps were taken to ensure the soundness of the design.

The development of a sound research design is influenced by factors including:

Critical issues to be investigated.
Population to be studied and pre-existing knowledge of this universe.
The specific information to be collected and analyzed.
Time and cost constraints

Realizing these factors, it was determined that a mail survey would be the appropriate vehicle to achieve the objective of understanding the business environment and how financial services are being utilized in El Paso. More specifically, a survey instrument was designed and mailed to companies in El Paso in order to obtain a representative sample of firms. The intent was to obtain a sample that would reflect the experiences and opinions of the local business community. To achieve these goals, an inventory of El Paso business firms was compiled. A variety of vendors offering business mail lists were invited to submit bids concerning the quantity, quality, cost and availability of their databases. Given the proposals, the R. L. Polk business database was acquired, providing an inventory of over 16, 900 firms (16,945) in the region. The information was compiled by R. L. Polk during the fourth quarter of 1999 and was made available in January 2000. This mailing list of firms within the database was refined by:

Eliminating firms that were listed twice for a variety of reasons.[1] *Eliminating firms located outside El Paso.* *Removing banks and other depository institutions, government and public administration units, churches, and other not-for-profit organizations.*

After these adjustments 13,646 firms remained and provided our compilation of non-government, for-profit firms in El Paso; firms which traditionally require debt capital from financial institutions. Each firm file in the adjusted database contains the name of the business, address, zip code telephone number and Standard Industrial Classification (SIC) category, and 83.4 percent provide a "contract" name for the firm.

A survey instrument was designed to develop information consistent with the objectives listed earlier. As noted, issues surrounding business firms' ability to access capital is not a new concern nor is it unique to El Paso. Critical to the design of specialized surveys is assessing data needs, and placing the survey within the context of local need, as well as providing a relation to the broader issue. In this regard, the survey was designed using previous research in El Paso (Schauer and Sullivan, 1996) and the broader research conducted by the Federal Reserve through its 1993 Small Business Survey and its present efforts to replicate that survey within the next year (See www.federalreserve.gov). This fact allowed the research team to rely upon previous survey instruments developed by the Board of Governors of the Federal Reserve System along with additional surveys conducted at the state and local levels. After minor revisions, the English and Spanish version of the cover letter and instrument were pre-tested by a small group of randomly selected firms. Every effort was made to make the questions as clear as possible, realizing that even under the best circumstances, a lengthy survey about a complicated issue can become difficult for respondents. The final version of the questionnaire includes three sections.

Section I	*Questions seeking basic information about the firm. Specifically, data concerning firm size, age, legal structure, ownership (minority, gender, family), nature of record keeping/accounting system, and involvement in international trade is requested.*
Section II	*Questions asking firms to identify the financial services and products they utilize along with the providers of these services/products. In addition, data were collected concerning the number of firms applying for loans over the past three years along with acceptance and denial rates.*
Section III	*This portion of the survey seeks the opinion or concern of firms with respect to a variety of market, regulatory and financing issues. Further, respondent opinions are developed concerning possible "barriers" to obtaining financing in El Paso, as well as possible "strategies" to improve firms' access to capital.*

Given the importance of the capital access issue, several stakeholders raised the issues of whether or not every business in El Paso should be able to participate as opposed to doing a sample. This debate is also not new, and highlighted much of the research concern over the U.S. Census. Subsequently, it was determined that all firms in the region should be given the opportunity to express their views, requiring that a questionnaire be mailed to each of the 13,600 – plus firms in the El Paso inventory list. In addition, a follow-up or second wave mailing was conducted by sending the instrument to 4,096 randomly selected firms who did not respond to the first wave mail-out. The second wave survey improves the respresentativeness of the overall response group, but more importantly, provides insight concerning non-response bias inherent in the data gathered from the original mailing. Responses to the survey were coded and checked for accuracy prior to data base entry. After the database was compiled, each file was re-checked for accuracy before any analysis was conducted.

The decision was made to undertake a mail survey for this study in order to access as many firms as possible in El Paso. Critical to our task was a survey that could be done at the convenience of the business owner or manager, inasmuch as business owners are time constrained and it was felt providing convenience was of great value. In addition, it is well-known that face-to-face or phone interviews with business owners and managers are difficult because setting up appointments is time consuming and thus costly, and small businesses, in particular, must respond to the situation before them and subsequently many appointments are not kept because of the priority of the enterprise. Additionally, training interviewers is time-consuming and requires experienced bi-lingual interviewers that are not always readily available at the technical level of the survey at-hand. The disadvantages relate to the longer time frame required by most mail surveys because of the time to mail and post returns. However, the time necessary to contact and conduct interviews at the sample size we targeted (1,000+ cases) undoubtedly would have been greater than what we experienced. Lower responses rates are also generally associated with mail surveys, and these response rates continue to decline as individuals have become overwhelmed by the combination of mail and telephone surveys, interlinked with tele-marketing and mass mail. Added to this, business-owners are not expected to be a high response group because of the host of demands on their time.

The number of usable responses to wave 1 of the survey totaled 1398; a response rate of 10.3 percent. The follow-up, or second wave, generated an additional 233 responses to the questionnaire for a total of 1631 responding firms, and an overall response rate of 12.1 percent. In our experience, mail surveys of this nature generate a 10 to 20 percent response rate, and, under the right conditions, up to 50 percent (James H. Frey, *Survey Research by Telephone*, 2d. edition, Sage Publications, 1990, p. 50). The actual level achieved is a function of:

the length and detail of the instrument;
the perceived importance of the issues being addressed;
the respondent's belief that their opinions will have an impact; and/or,
the individual's need to express their concerns.

WHO RESPONDED?

This section describes the respondents in greater detail than typically contained in a conference paper. Representation was a major topic of debate during this investigation, however. The information is included to offer readers a full context for interpreting the findings.

To begin, Table 1 presents a comparison of the geographical distribution of the 13,600 – plus business firm inventory versus that of the respondent group. Clearly, a very strong correlation is present, such that there is no statistically significant difference in the distributions at the 99 percent confidence level,[2] or put in lay terms, the respondent sample closely matches the Polk Directory from which the mailing list was generated and no significant statistical differences exist between the two.

Table 2 details the 12 industry categories employed in the study compared to the Standard Industrial Codes (SIC) two-digit codes and compares the industry distribution of the response group with that of the population developed from the R. L. Polk information. An additional comparison is provided using the Census Bureau's County Business Pattern data; another commonly used source for measuring a business firm population. In both cases, the industry distribution of the firms sampled shows no statistically significant difference with either population measure.

Table 1
Response Group: Geographical Distribution Relative to Business Firm Population
(Wilcoxon Matched Pair Signed Rank Test of Differences:
No Significant Difference in Distributions at the 99% Confidence Level)

Area	Population (%)	Response Group (%)
North East	9.3	7.8
North Central	16.1	19.6
West	16.0	17.4
South Central	13.1	13.8
Riverside	16.3	14.5
East	29.1	26.9

Additional characteristics of the respondent group are presented in charts 1 through 8. These findings indicate that sample is dominated by sole proprietorships, partnerships, and S corporations, that are, in general, relatively small firms. Over 25 percent of the responding firms report having revenues below $100 thousand per year, with roughly 60 percent under $500 thousand annually, and 90 percent with less than $5 million in annual sales. The small business character is also demonstrated in the nearly 70 percent of the responding firms having fewer than 10 employees and 94 percent with fewer than 100 employees. Over 98 percent of the businesses have less than 500 employees; the threshold commonly used by the Small Business Administration to define a small business.

The respondent sample has an age distribution for the firm that represents all groupings. Relatively new or "young" firms of less than ten years in age make up approximately one-third, while "middle-aged" enterprises between 10 and 15 years of age account for one-fifth, and the remaining well-established or "mature" businesses, having been established for more than 15 years, make up about one-half. Added to this, and matching the demographics of the community overall, well over one-half of the sample consists of minority-owned firms and two-thirds of the responding business are family-owned.

In summary, the findings reported here reflect a representative sample of the El Paso business population by geographical/planning area and by industry category. Furthermore, the characteristics of the respondent group are consistent with current data and perceptions concerning the nature of and structure of the El Paso business community. Finally, the sample is dominated by firms with "perceived" problems and issues with obtaining debt financing, in general, and financing from commercial banks, in particular.

Table 2
Industrial Categories for Respondents Based on Two-Digit Standard Industrial Classifications (SIC)
Percentage

Industrial Category	Population	County Business Patterns	Respondent's SIC Code
Agriculture	1.4	1.0	3.4
Business Services	9.6	8.4	5.2
Distribution/Transportation	6.6	9.3	8.2
Construction	8.5	7.5	9.6
Finance, Insurance, Real Estate	6.4	9.1	10.7
Health	5.8	7.4	6.9
Other Services	10.7	8.2	4.8
Manufacturing	10.0	4.6	18.6
Retail-Other	19.5	14.2	11.5
Retail-Food	7.3	10.7	5.3
Wholesale Trade	6.5	9.1	2.8
All Other	7.7	10.6	12.9

* No Significant Difference in Distributions at the 99% Confidence Level
Source: County Business Patterns are based on data from County Business Patterns Economic Profile, Washington, D.C., U.S. Bureau of the Census, 1997, and U.S.A. Counties General Profile, Washington, D.C., U.S. Bureau of the Census, 1996

The statistical validity of this sample is also based, in part, on non-response bias. While there is no definitive test(s) for assessing a non-response bias hypothesis, we believe the data generated by the survey and reported here is representative of the El Paso business population in all probability.

Our opinion is, that if there is a bias, it would be that the opinions/concerns expressed by the firms sampled are somewhat over-stated.

WHAT ARE THE "REAL" ISSUES?

According to the findings reported above, financing and interest rates were rated last among the eight choices of general issues offered to the El Paso respondents. As explained earlier, access to capital was one of the four top categories of concerns at the 1995 White House Conference on Small Business. Has there been a change in attitude in the past five years, or is El Paso an aberration.

Chart 1: Response Group Characteristics

Legal Form of Business	
Proprietorship	44.0%
Corporation	28.3%
Subchapter S Corporation	20.0%
Partnership	7.7%
Size Based on Revenues	
Under $100,000	27%
$100,000 to $500,000	32%
$500,000 to $2,500,000	25%
$2,500,000 to $5,000,000	6%
$5,000,000 or more	10%
Size Based on Number of Employees	
9 or less	70%
10 to 99	26%
100 to 499	3%
500 or more	1%
Age of Firm Since Inception	
3 years or less	12%
4 to 9 years	21%
10 to 15 years	18%
15 years or more	49%
Years Under Current Ownership	
3 years or less	18%
4 to 9 years	24%
10 to 15 years	19%
15 years or more	39%
Minority Ownership	
50% or More	56%
Less than 50%	44%
Gender of Majority Owner	
Male	75%
Female	25%
Majority Ownership in One Family	
Yes	68%
No	32%

Two national surveys of note were reported in 2000. The National Federation of Independent Business surveyed a random sample of 16,000 of its members regarding small business problems and priorities and received 4,044 usable responses (Dennis, 2000). The top ten problems were identified and listed in the following order:

1.	Cost of health insurance
2.	Federal taxes on business income
3.	Locating qualified employees
4.	Unreasonable government regulations
5.	FICA (Social Security) taxes
6.	State taxes on business income
7.	Workers' Compensation costs
8.	Federal paperwork
9.	Cash flow
10.	Cost of natural gas, gasoline, fuel oil

In this list, the ninth item, cash flow appears the closest approximation to an access to capital problem. The interpretation given by NFIB economists, however, emphasized the federal tax code as the primary underlying cause of cash flow problems. It becomes a financing problem in much the same way that other items on the list might, by draining resources and forcing businesses to borrow. The second survey was conducted by National Small Business United at its 2000 Small Business Congress Weaver, 2000). Again, there were a set of top ten business concerns:

1.	Installment tax plan repeal
2.	Health care reform
3.	Pension reforms and benefits parity
4.	Ergonomics standard repeal
5.	Support for the SBA Office of Advocacy
6.	Bankruptcy reform
7.	Estate tax repeal
8.	Regulatory reform and paperwork reduction
9.	Internet taxation debate
10.	Support for a White House Conference on Small Business

It is not difficult to recognize that both the NFIB and NSBU have advocacy and lobbying missions. Their member/respondents may have felt that capital access is a local market issue rather than a concern for federal legislation or regulation. Nevertheless, the same could have been argued in 1995 when access to capital emerged as one of the top four categories at the White House Conference. It is more likely that the current economic prosperity reduces the attention to financing and brings other topics to the fore.

Is El Paso, then, different from the national economy due to its border location and low per capita income? It does not appear to be so, given the ratings assigned by the respondents to the survey described in this paper. Easily the top issue was taxes, followed by concerns about sales and costs. Although sales was not identified as a problem in either of the two national surveys, costs of doing business were reflected in several items on both lists.

SUMMARY OF FINDINGS

The study described in this paper was conducted to seek answers to four questions:

1.	How important is access to capital by small businesses in El Paso?
2.	How does El Paso compare with other cities?
3.	What obstacles do El Paso businesses face in obtaining capital?
4.	What alternatives are available?

This paper has reported the results applicable to the first question. In summary, access to capital was not identified by business owners as among their primary concerns. This comports to current national attitudes. Does this suggest that research into the availability of capital for small business owners is not relevant? Given the importance of this subject to specific businesses and over the business cycle, it can be argued that this is a permanently relevant topic for research.

Briefly, in regard to the other questions, which were not the subject of this paper, it can be reported that lending practices in El Paso are similar to other metropolitan areas with comparable demographic characteristics. Barriers to obtaining capital took on a dual appearance. From the perspective of business owners, banks raised barriers by lacking a competitive attitude and failing to provide information. From the perspective of the bankers, the barriers were insufficient financial documentation and lack of collateral. The study identified multiple alternative sources to the banks as suppliers of capital.

Are the El Paso findings unique to that community, or do they have broader application? A logical contention could be offered that the relative economic deprivation of this urban setting may make it a bell weather for other cities. Negative perceptions regarding lending policies and practices might be expected to be exaggerated in this environment. That other issues have risen to the top of business owner concerns may be an important message to policymakers, especially those with responsibility for taxation. There is also an obvious burden on the part of the small business owner to be prepared when seeking external capital for survival or growth.

Finally, this study documents the role that academic researchers can play in compiling and presenting useful information for practitioners. University-based scholars have an obligation to conduct objective, third-party investigations into controversial subjects.

ENDNOTES

[1] For example, some firms have multiple listings due to different spelling, abbreviations and/or using initials versus full names, or because of multiple locations. In the case of the latter, as feasible, regional office or corporate offices, if local, were used.

[2] All statistics reported in this report were generated using the Statistical Package for the Social Sciences (SPSS), which automatically determines significance levels based on established statistical theory.

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AN EXPLORATORY STUDY OF THE MANAGEMENT OF SUPPLIER RELATIONSHIPS IN RAPIDLY GROWING ENTREPRENEURIAL FIRMS

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ABSTRACT

This study examined the nature of supplier relationships between 91 rapidly growing small pharmaceutical companies and the key suppliers of products, services, or capital. The study included a survey and in-depth follow-up interviews with a subset of these companies. The study found these firms narrowing the number of suppliers they use; choosing a supplier first based on its meeting strategic priorities for its operations; and placing significant but secondary importance on the communication and working relationship. Rapidly growing firms stayed with suppliers meeting their strategic criteria, even if the working relationship was poor, unless an alternate source that provided both was patiently available. Firms experiencing stagnate or negative growth was more likely to change suppliers. Suggestions for suppliers are offered.

INTRODUCTION

The increasing globalization of markets and technology has changed the way companies compete. Firms are under pressure to quickly and accurately identify opportunities to sustain success. Just as importantly as identifying opportunities, however, companies must be poised to take advantage of opportunities as well as manage the growth that results from the successful pursuit of those opportunities. Although the issue of how to manage growth is important to all firms, the issue is particularly important in entrepreneurial ventures. For many entrepreneurial firms, growth is the essence of the firm (Carland, Hoy, & Carland, 1988). Further, entrepreneurial ventures are critical to the economic fabric of American business and have significant job creation capacity (Kirchhoff & Phillips, 1987). Consequently, examining the growth process in new ventures is crucial.

While sales growth is the ultimate goal of all companies, rapid sales growth can present a host of problems as well. For example, in a study of 30 companies, Hambrick and Crozier (1985) focus on critical issues for rapidly growing firms. The authors cite four key problems: 1) instant size, which creates problems of inadequate employee skills and organizational systems, 2) a sense of infallibility because of past success, 3) an increasing level of internal turmoil and frenzy that arises from the hectic pace that accompanies growth, and 4) extraordinary financial resource needs to fund growth. A company's inability to effectively deal with these issues does not bode well for the firm's continuing success. Other research also highlighting high-growth firms has addressed the relationship between growth and the strategy making process (cf. Shuman, Shaw, & Sussman, 1985;

Shuman & Seegar, 1986), strategy content (cf. Dsouza, 1990; Cooper, Willard, & Woo, 1986) or the link between environmental variables and strategy process and/or content in high-growth firms (cf. Bourgeois & Eisenhardt, 1988; Dsouza, 1990).

Although research has focused on the internal problems created by a firm's growth, the impact of growth on relationships external to the firm has not been as well investigated. For example, clearly relationships with key suppliers are critical to the organization’s ability to meet demand but how should these supplier relationships be managed. Should the organization that has undergone a period of rapid growth institute relationships with new suppliers and buyers to take advantage of opportunities that growth can create, or do firms retain established relationships with which they are familiar to facilitate the growth process?

Evidence suggests that firms are increasingly engaging in long-term collaborative strategies with suppliers as well as other firms to improve their competitive position (Harrigan, 1988). Neilsen (1988) defines cooperative strategies as voluntary or contractual relationships where mutual collaboration results in risks or gains. While these strategies can range from value-chain partnerships with suppliers and buyers to equity joint ventures, the use of collaboration in general is viewed as a continuing trend (Smith, Carroll, & Ashford, 1995; Kanter, 1994).

Hudson and McArthur (1994) suggest that both entrepreneurial firms and established firms seek to establish collaborative strategies but that entrepreneurial firms have different reasons for pursuing these strategies. For example, because new ventures have no established ties or track record of success, these firms have a liability of newness that contributes to a high failure rate. According to Aldrich and Auster (1986), the use of long term contracts with other organizations increases the chances of small firm survival. Larson (1988) suggests that entrepreneurs who establish relationships with key suppliers and buyers realize a competitive advantage that facilitates the ability of a small firm to compete with a larger firm. Jarillo (1989) and Stevenson and Jarillo (1990) argue that the essence of entrepreneurship is the use of external resources, acquired through long-term relationships, to generate growth and pursue opportunities.

Most of this research implies that the successful partnerships are those that are long-term in nature. This further suggests that firms maintain these relationships even during periods of high growth. Research on high-growth entrepreneurial firms by Beekman and Robinson (1999) found that high-growth firms tend to retain and in fact expand these long-term relationships with key suppliers in periods of growth.

The obvious question suggested by these findings, and the focus of this paper, is why high-growth firms stay with suppliers. Is it just the familiarity of the supplier or is it the effectiveness of the relationship that is positively related to percentage purchased? Is a strong working relationship with a key supplier the reason why the relationships survive periods of growth or can this be explained by looking exclusively at strategic factors like price, quality and availability?

In order to successfully seize opportunities, firms must understand the basis to establish and evaluate relationships with key suppliers. To that end, this paper will present two contrasting theoretical perspectives, a strategic management rational perspective and a social exchange theoretical framework, to propose and test hypotheses. The results of the tests will then be presented and discussed. The paper will conclude with the implications of the research and directions for future research.

CONCEPTUAL PERSPECTIVES AND HYPOTHESES

In evaluating why high-growth firms expand relationships with key suppliers in periods of growth, two contrasting theoretical perspectives suggest radically different rationalizations for this behavior. From a strategic management perspective, the decision to stay with an established supplier is based on rational factors like performance. From a social exchange perspective, however, this behavior is rooted in the strength of the relationship. Each perspective will be considered separately.

The Strategic Management Model of Exchange

The strategic management perspective on exchange posits that the decision to engage in continuing exchange is based primarily on performance factors like price, availability, and product quality. For example, based on Larson's (1988) and Hendrick and Ellram's (1993) research, supplier relationships are continued or expanded not because of the strength of the working relationship but because partnerships were established with the future in mind. That is, an implicit assumption in supplier partnerships may be that firms form relationships based on the perceived ability of the supplier or customer to grow with them. Consequently, where current partners are perceived as continuing to be effective in accordance with the new strategic orientation, partnerships will continue or be expanded. Further, because of the time, money, and energy invested in developing a value-chain partnership, critical supply relationships are either continued or expanded in periods of growth. Dwyer et al. (1987) note that the already established relationships also offer benefits, such as certainty and efficiency, all of which create an incentive to adjust and continue rather than terminate partnerships.

Consequently, based on the strategic management perspective that firms establish strategic plans and effective strategic relationships to implement those plans, supplier relationships will be expanded in periods of high growth because they are perceived as effective, and not just because firms have a close working relationship with the supplier. This perspective represents a proactive approach to supplier relationships which high-growth firms are likely to have.

Hypothesis 1:	*In high-growth firms, the perceived effectiveness of the supplier relationship is positively related to the percentage purchased from that critical supplier.*

Supplier Relationships as a Social Exchange

In contrast to the strategic management model of exchange is the social exchange model. From this perspective, factors other than price and delivery terms contribute to the "closeness" or the strength of the partnership. As Gulati (1995) found in exploring the motivations for entering alliances, the social context of firms must be considered in addition to economic factors in explaining firm behavior.

The role of well-developed social relationships is particularly important in entrepreneurial ventures. As previously discussed, because entrepreneurs often have limited resources, cooperative strategies are often employed (Larson, 1988; Stevenson & Jarillo, 1990). A key feature of these entrepreneurial cooperative strategies is the use of social transactions to acquire resources to achieve goals (Coleman, 1988). Social transactions are defined as social contracts where goods and services are obtained at the same time social commitments are developed.

The concept that noneconomic characteristics of relationships affect economic exchange is recognized in a multitude of disciplines. In fact, the theoretical foundations for incorporating affective dimensions into economic exchange derive from social exchange theory (Homans, 1950, 1974; Gouldner, 1960; Blau, 1964) and relational contracting (Macneil, 1978, 1980). Central to both perspectives is the idea that mere economic exchange becomes relational exchange in which personal, noneconomic goals are realized in conjunction with economic goals.

In other research, Ben-Porath (1980) incorporates ideas from anthropology, economics, and sociology to illustrate the effect of various forms of social organization (families, friends and firms) on economic exchange. Granovetter (1985, 1992) relies primarily on sociology to argue that economic exchange is not purely a function of economic analysis but can be understood only in context of social organization and social relations.

In earlier work, Granovetter (1973) describes strong relations between firms or individuals as strong ties. Ties may be examined between firms in pairs (dyads) or among several firms (a network); their strength ranges from strong to weak. Granovetter (1973) states that tie strength is a function of time, reciprocity, emotional intensity and intimacy. Frequency of contact also contributes to strong ties (Aldrich & Zimmer, 1986). Further, tie strength is similar to the concept of friendship. Indeed, Granovetter (1973) suggests that strong ties represent social friends whereas weak ties are more akin to acquaintances. In a similar vein, Krackhardt (1992) characterizes strong ties as "philos", the Greek word for friend.

Strong ties create stability and facilitate cooperation between organizations. Strong interpersonal ties develop between firm members such that "continuing economic relations often become overlaid with social content that carries strong expectations of trust and abstention from opportunism" (Granovetter, 1985: 490). These themes are consistent with those found in the entrepreneurship literature.

Several authors have noted the importance of relationship strength to the success of the partnership. Dwyer Schurr, and Oh (1987) discuss the comparison between marriage and relational exchange. Like successful marriages, successful supplier partnerships have an element of "closeness". Strong relationships build trust, which reduces opportunism (Granovetter, 1985; Heide & Miner, 1992; Provan, 1993), and improve the efficiency of exchange and operations because firms share information in a detailed and timely manner (Hendrick & Ellram, 1993; Hill, 1990; Larson, 1988).

What has not been addressed, however, is whether the strength of the relationship also affects the strategic action a firm pursues with respect to a supplier in periods of change, specifically in periods of high growth. Although strength can be measured in a multitutde of measures, for the purposes of this paper, this “noneconomic” or relationship strength dimension consists of two components, behavior and attitude. Mohr and Spekman (1994) found that noneconomic factors or attributes of the partnership, such as the level of trust and commitment between the partners, as well as partnership behaviors, such as communication behavior, affect the partnership's success. Thus, the behavior that is proposed to have an impact on strategic action is the degree to which firms exchange quality information. An important attitude that is proposed to affect strategic action is interorganizational trust.

Quality Information Exchange

As indicated, value-chain partnerships develop over time and are reinforced through repeated interaction (Gulati, 1993; Larson, 1988, 1992; Ring & Van de Ven, 1992, 1994). Although many types of interactions or behaviors may affect partnership development, the development of extensive and frequently used communication channels is critical in the development of value-chain partnerships (Dwyer et al., 1987; Larson, 1988; Ring & Van de Ven, 1994). An important indicator that reflects the development of communication channels and the strength of the relationship is the exchange of quality information between a value-chain partner and a focal firm (Mohr & Spekman, 1994). The quality of information is determined by such factors as accuracy, timeliness, adequacy and credibility (Daft & Lengel, 1986).

The exchange of quality information can contribute to the strength of the VCP in two ways. First, the exchange of quality information creates confidence in the continuity of the relationship and reduces dysfunctional conflict (Anderson & Weitz, 1989; Anderson & Narus, 1990). Second, the exchange of quality information is often cited as an antecedent of trust where trust reflects the strength of the relationship between firms. In studies of the development of interorganizational relations, well-developed channels of communication lay the foundation for the development of trust in value-chain partnerships (Anderson, Lodish, and Weitz, 1987; Larson, 1988).

The procedural justice literature also supports the idea that communication quality leads to trust. Sapienza and Korsgaard (1996), for example, found that frequent and timely feedback increases trust between entrepreneurs and venture capital investors. Folger and Konovsky (1989) found that timely feedback in employee performance evaluations increases trust.

Research on groups provides a final basis of support for the positive relationship between the exchange of quality information and the strength of the relationship. Group research suggests that effective communication is related to social integration which reflects strong relationships between group members (cf. Smith, Smith, Olian, Sims, O'Bannon, & Scully, 1994).

Thus, either directly through the exchange of quality information or indirectly via the development of trust, exchange quality suggests that a strong relationship exists between the value-chain partners.

Interorganizational trust

As previously discussed, authors have different labels for the stages of partnership development but the processes of increasing interaction and interdependence are similar. Another aspect in common among different models is the behavioral attitudes that develop as a result of this process. For example, frequently mentioned VCP attitudes include loyalty, commitment, friendship, trust and norms of reciprocity.

While some variance exists on which of these attitudes various authors recognize as developing in VCPs, virtually all authors agree that one attitude that develops as a result of repeated exchange is trust (cf. Larson, 1992; Lorenz, 1988; Mariotti, 1996; Ring & Van de Ven, 1994). Zucker (1986) refers to this as process-based trust. Although firms may not have trust at the beginning of a relationship and may initially rely on functional complements to trust such as contractual provisions which provide for monitoring, communication and experience with a specific firm breeds trust (Barber, 1983). Consequently, trust reflects a strong relationship.

A problem with the use of the term trust is that, although it is used frequently, it is employed inconsistently. Much of this confusion may be attributed to the differences among disciplines in their approaches to trust. Zaheer, McEvily, and Perrone (1995) attempt to clarify this confusion by identifying three components of trust important in interorganizational relations. The three elements of trust include the "belief that an actor: 1) can be relied upon to fulfill obligations (reliability), 2) will behave in a predictable manner (predictability), and 3) will act and negotiate fairly when the possibility for opportunism exists (fairness)" (Zaheer et al., 1995:5,6) . In studying trust as it relates to interorganizational relations, trust can exist on two levels: 1) interorganizational trust, which describes the extent to which organizational members have a "collectively held trust orientation" (Zaheer et al., 1995:6) toward another firm, and 2) interpersonal trust, which encompasses trust between two individuals representing separate companies. In addition to the reliability, predictability, and fairness elements of interorganizational trust, interpersonal trust includes an emotional component which may result in a sense of betrayal if broken.

This research will look exclusively at interorganizational trust using the three components of reliability, predictability, and fairness (defined above). Several studies support this focus on interorganizational trust. For example, Zaheer et al. (1995) found that although interpersonal trust plays a role in relational exchange, interorganizational trust has a more profound affect on relations in a continuing relationship. Lorenz (1988) also found that interpersonal trust is possible but not necessary for interorganizational trust to develop. Thus, this study will focus on the effect of the level of interorganizational trust on strategic action.

Where partnerships are successful, firms likely want to preserve the relationship. Consequently, the exchange of quality information and a high level of trust may increase the likelihood of continuing a critical supplier relationship in periods of high growth. Does Hypothesis 1 imply that good working relationships are not important? No, it just suggests that good working relationships are of a secondary concern to strategic factors such as costs, availability and on time delivery. Nevertheless, close working relationships do play an important secondary role. Consequently, it is further proposed that a strong working relationship is a bonus that further strengthens the relationship between perceived effectiveness and the percent purchased.

Hypothesis 2:	*The impact of effectiveness on the percentage purchased is moderated by the strength of the working relationship such that:*
	when the quality of communication is high, the impact of effectiveness on the percentage purchased is stronger than when the quality of communication is low;
	when the level of interorganizational trust is high, the impact of effectiveness on the percentage purchased is stronger than when trust is low.

METHODS

Sample

The sample consisted of small firms, high-growth firms in SIC 283. This included SICs 2833 (Medicinals and Botanicals), 2834 (Pharmaceutical Preparations), 2835 (Diagnostic Substances), and 2836 (Biological Products Except Diagnostics). Most of the firms in SIC 283 are pharmaceutical or pharmaceutical-related companies. Small is defined based on the SBA definition for these industries of less than 500 employees. This definition is also consistent with the definitions of small firms adopted in previous research (cf. Covin, et al., 1990; Malekzedah & Nahavandi, 1985). High-growth firms are those companies where annual sales growth have averaged 15% or greater per year for a three-year period (Hambrick and Crozier, 1985; Dsouza, 1990).

The pharmaceutical industry was selected for two reasons. First, the industry was attractive because of the likelihood of firms in this industry to use partnerships. Recent editions of industry publications such as *Chemical and Engineering News* indicate that the use of partnering agreements between firms is on the rise throughout the chemical industry. The cost of raw materials for this industry has been increasing since mid-1994 and the use of partnerships to contain those costs and guarantee access to materials is helpful (Standard & Poor's *Industry Surveys*, 1995). Interviews with industry experts confirmed that partnering is a common practice in the chemical manufacturing industry in general and in the pharmaceutical industry specifically.

Second, the industry's above-average growth indicates that some high-growth firms exist. Based on the 1996 *U.S. Chemical Industry Statistical Handbook*, annual sales growth rates for SIC 283 averaged 10.6% from 1984 to 1994. For ten major drug companies, sales increases averaged 19% from 1994 to 1995. Although a few large firms are dominant players in the industry, a large number of small firms also compete. Both the sales growth figures and the existence of numerous small firms were confirmed by chemical industry experts, several of who were directly involved in the pharmaceutical industry.

Data Collection

Potential respondents were identified through Dun & Bradsteet's (D&B) Dun's Market Identifiers database**.** Firms were selected based on three criteria: 1) the firm had to be in one of the four previously identified SICs, 2) sales growth must have averaged 15% or greater per year for the past three years, and 3) the company had to have less than 500 employees.

D&B identified 211 U.S.-based firms that had 500 or fewer 500 employees and fell into SIC 283. Through telephone calls to these 211 firms, 45 firms were screened out as potential respondents - mostly because the firm was a R&D facility only and had no sales. Consequently, 166 eligible firms were identified. The data for hypothesis testing were collected using surveys. Interviews on a small subset of these firms collected supplementary information. The survey format and measures will be discussed first.

Following survey procedures suggested by Dillman (1978), each of the 166 firms were contacted by telephone prior to mailing out the questionnaire. Either the purchasing manager or the manager in charge of operations was the targeted contact. In the screening call, the firm verified that it was a small manufacturing firm in SIC 2833, 2834, 2835, 2836 and that it had a relationship with a company as of 1994 that supplied a critical good essential to creating or assembling products that generate the firm's revenue and that this relationship could be characterized as continuing and having a long-term orientation. If the firm met these two criteria, it was asked to participate in the survey and given the opportunity to obtain a copy of the findings. It was stressed to the potential respondent that the company did not have to be doing business with the selected supplier now.

Although information on as many supply partnerships as possible would be interesting, each firm was asked about one relationship to limit the time and effort required to fill out surveys on the part of respondents as well as to facilitate analysis and interpretation of the data. In order to assess the reliability of the key informant's responses, both a primary and secondary respondent were sought (Phillips, 1981). The primary respondent was sent the full survey and the secondary respondent was sent an abbreviated version of that survey.

Assuming the primary respondent was suitable and agreed to participate, a cover letter explaining the nature of the study was sent out with the questionnaire. Further, respondents were assured confidentiality and the opportunity to obtain a copy of the results was reiterated. Approximately 2-3 weeks after the first mailing, respondents were sent a reminder postcard. Two to 3 weeks after the postcards were sent, respondents were again contacted by phone to ascertain their intention of responding. Three weeks after those calls, a final letter was sent to all potential respondents who indicated that they planned on returning the survey.

Based on the initial and follow-up mailings and calls, 91 firms responded to the survey for a response rate of 55%. Of these 91 firms, 78 firms responded that sales growth averaged 15% or higher for the last three years. This represents a 47% response rate from high growth firms. Secondary surveys were returned by 54 firms (59% of responding firms). Of these, 46 firms (58%) had a secondary respondent.

Nonresponse bias was examined based on secondary data gathered for both responding and non-responding firms. Respondents did not differ significantly from nonrespondents on the following characteristics: year of incorporation, number of employees, aggregate sales levels, SIC, region within the U.S., whether the company was public or private and whether the firm was a subsidiary.

For responding firms, the mean year of incorporation was 1980. These firms averaged $15,024,000 in sales and had on average 85 employees. Most of the responding firms (75%) were private and not subsidiaries of another firm (89%). The SIC most heavily represented was 2834 (52.7%), which was pharmaceutical preparations. All regions of the U.S. were represented in the sample but two areas of concentration were in the Pacific region (27.5%) and the Middle Atlantic region (26.4%).

The Survey Instrument

The survey instrument collected data on the relationship between sales growth the amount purchased and the effectiveness of the partnership in high-growth firms. The survey incorporated previously validated measures as well as some developed expressly for this study. In order to increase the content validity of measures, preexisting measures were used as much as possible. Specific measures are discussed in the next section.

Industry experts reviewed a preliminary draft of the questionnaire and had other members of their firms, usually in the purchasing department, pretest the survey. The survey was subsequently revised to incorporate their suggestions and eliminate ambiguity in the instructions or in the questions. The review by senior managers of large chemical manufacturing firms provides further support of content and face validity. Two forms of the survey were developed, a 5-page primary respondent questionnaire and a 2-page secondary respondent version.

Measures

Sales Growth. Data were collected from the focal manufacturing firm, via self reports, on sales growth, the independent variable. Additionally, sales growth data were obtained from D&B. Data from both primary and secondary sources allowed an assessment of the convergence of the data (Venkatraman & Ramanujam, 1986). The self-report figures from 1993 to 1995 could be substantiated by the data provided by D&B, but the D&B sales figures did not incorporate 1996 performance. Further, because most the companies in the survey were small, privately held firms, other secondary data were not available. In cases like these, self-report data on 1996 financial performance are regarded as superior to other measures of performance such as subjective measures of satisfaction with performance or comparisons of firm performance with competitors (Chandler & Hanks, 1993).

Percentage Purchased. The dependent variable was the difference in the percentage purchased from this supplier from 1994 to 1997.

Effectiveness. Based on Ellram and Cooper's (1990) study, supplier relationships have three broad categories of benefits to buyers/suppliers: economic, managerial, and strategic. Consequently, information on the extent to which these benefits have been realized by manufacturers was collected in the survey. Focal firms were asked the extent to which they agree (strongly agree to strongly disagree) on a seven-point scale with the following statements: "Because of our relationship with this supplier today, our firm has been able to: 1) transfer financial risk to the supplier, 2) lower production costs, 3) improve the quality of input materials, 4) routinize the supply function, 5) share development costs, 6) concentrate more on its core business, 7) reduce the number of supplier relationships to manage, 8) improve our manufacturing flexibility, 9) better meet deadlines and fulfill customer-service objectives, 10) achieve stability in pricing, 11) spend less time negotiating and renegotiating supplier contracts." The reliability analysis for effectiveness indicated that the reliability was enhanced when the first item in the scale, transfer financial risk, was eliminated from the scale. The coefficient alpha for the remaining 10 items was .83.

Information Exchange Quality. This variable reflects the extent to which quality information is exchanged between the focal firm and the key supplier. The scale consisted of four items adapted from a scale developed by Mohr and Spekman (1994). Responses to the following questions were based on a four item 7-point scale (strongly disagree to strongly agree): 1) this supplier typically provided us with any information we requested in a timely manner, 2) the information provided to us by this supplier was very accurate, 3) the level of communication between our firm and this supplier was adequate to effectively conduct business between our firms, and 4) this supplier usually provided us with complete information. The coefficient alpha for the quality of information exchanged scale was .88.

Interorganizational Trust. This variable evaluates the perceived degree of interorganizational trust between the focal firm and the critical supplier. Four items were adapted from a scale developed by Zaheer, McEvily, and Perrone (1995). Using a seven-point scale, respondents were asked the extent to which they agreed or disagreed (strongly agree to strongly disagree) with the following four statements: 1) this supplier was always evenhanded in its negotiations with us, 2) this supplier may have used opportunities that arose to profit at our expense (reverse scored), 3) based on our past experience, we could rely with complete confidence on this supplier to keep promises made to us, 4) this supplier was trustworthy. The interorganizational trust scale produced an alpha coefficient of .78.

Control Variables

Industry differences. The rate of change in an industry, the level of uncertainty, and the need for transaction-specific assets are just a few things that may affect strategic action. By focusing on one industry, the amount of variability can be controlled (McDougall & Robinson, 1990). Although this reduces the generalizability of the findings, this may increase the internal validity (Cook and Campbell, 1979).

Age of the firm. The more established a firm, the more likely that the firm is subject to inertial pressures. Further, the older a firm is, the more likely that long-term , strong relationships exist, which may contribute to the tendency to continue or expand supplier relationships.

Sales. Firms with high sales levels, as opposed to high sales growth rates, may be more likely to purchase more in periods of high growth because they just buy more in general and not because of a strong relationship with a supplier. Further, larger firms may be more likely to realize the benefits of a partnership than a smaller firm because they purchase a larger volume from a supplier.

Size of the supplier. The decision to expand a relationship may be explained by the large size of the supplier. For example, large national companies like Westinghouse, Milliken, or Smith Kline Beecham, those suppliers may be more price competitive which explains why firms continue relationships. In the survey, respondents were asked: "What size company is the supplier about which you completed this survey relative to your company?" Responses were based on the following categories: 1="much larger", 2= "larger", 3= "about the same size", 4= "a little smaller", 5="much smaller".

Secondary Respondents

To evaluate the reliability of the primary respondent, multiple survey respondents were utilized for perceptual measures of the extent to which the focal firm was realizing the potential VCP benefits, and strategic action with regard to the actual amount purchased from the VCP in 1997 vs. 1994. The overall level of interrater agreement was assessed using within-group interrater reliability as proposed by James, Demaree and Wolf (1984). Within-group interrater reliability is an appropriate estimate of the level of agreement between K judges on a single item or set of items which measure the same construct. The only criteria are that the items must have the same psychometric properties and the alternative responses must be based on an interval response scale. Since both of these requirements were met, an interrater reliability (IRR) estimate for each variable on which there were two or more responses was calculated.

As the secondary responses were gathered only to gauge the reliability of the primary respondent, secondary respondents were asked to respond to an abbreviated version of the questionnaire which contained a representative number of questions. The primary area where agreement was assessed was on the level of perceived relationship benefits. Six of the ten items on the primary survey were included on the secondary survey. These items included: 1) lower production costs, 2) reduce the number of supplier relationships to manage, 3) improve our manufacturing flexibility, 4) better meet deadlines and fulfill customer-service objectives, 5) achieve stability in pricing, 6) spend less time negotiating and renegotiating supplier contracts. For the scale created with these items (alpha= .77), the IRR estimates ranged from .61 to 1.0. Again, the level of agreement was high, with 76% of the estimates at .90 or higher and the level of agreement in 89% of the firms at .80 or higher.

The second variable in which IRR was evaluated was in the respondent's estimate of the change in amount purchased from the supplier in 1997 compared with 1994. Although this variable was not used in testing the hypotheses (the *percentage* purchased from the supplier is used to test the hypotheses), agreement between raters on this variable is still an accurate reflection of whether the primary respondent is a reliable informant on this issue. Consequently, the fact that 89% of the responses were in perfect agreement (1.0) is a good indication the responses of the primary respondent represent the firm and not just the individual's opinion.

The Interviews

This part of the study was designed to gather richer, anecdotal data on the motivations of strategic action with the goal of evaluating the degree to which variance in the strategic action of high-growth firms is attributable to the strength of the relationship. In addition to providing anecdotes, the interview data were used to identify common themes in the relationships between value-chain partners. The data were not used to test hypotheses but were used only to better evaluate the results of the tests conducted with the survey data. The responses were organized on three dimensions: comments about the supplier referred to in the survey, comments about suppliers in general, and comments about potential suppliers.

Interviews were conducted with the primary informant of 12 focal firms. As the specific aim in the interviews was to develop a better understanding of how the relationship strength of relationships affected strategic action, firms were selected based on the strategic action pursued. Consequently, the interview sample consisted of four firms that expanded relationships, four firms that continued relationships and four firms that decreased the percentage purchased or terminated relationships.

A second basis for firm selection was the sales growth rate. Six high-growth firms and six low-growth firms were selected. High growth was determined based on the sample criteria, firms with sales growth rates that averaged 15% or higher per year for the last three years. Lower-growth firms were those with average sales growth rates of 10% or less.

RESULTS

Test of hypotheses

Both hypotheses were tested using regression analysis. The variables were entered in two steps. The control variables were entered first with the main effects entered in the second step. The zero-order correlation matrix and summary statistics for the variables in the hypotheses are presented in Table 1.

Hypothesis 1 predicted that as the perceived effectiveness of the supplier relationship increased, the percentage purchased from a critical supplier will also increase. As indicated in Table 2, the hypothesis is supported (t=2.192, p=.03). The perceived effectiveness of the relationship is positively related to the percentage purchased from the key supplier.

Hypotheses 2 predicted a relationship between the effectiveness of the supplier relationship and percent purchased as moderated by the strength of the working relationship. That is, when the working relationship is stronger, the positive relationship between effectiveness and percentage purchased will be stronger. The strength of the relationship was measured and tested in terms of the quality of communication (Hypothesis 2a) and the level of interorganizational trust (Hypothesis 2b). As reflected in Table 3, the overall model is supported (F=2.027, p=.05). Looking at the individual hypothesis, Hypothesis 2a is supported (t=2.501, p= .015) but Hypothesis 2b is not supported.

Table 1
Descriptive Statistics and Correlations

	Variables	Mean	s.d.	1	2	3	4	5
1.	Firm Age	19.9	23.58					
2.	Supplier Size	2.03	1.31	.26**				
3.	Sales	14079.59	21959.15	.15	.15			
4.	Effectiveness	4.44	1.0	.07	.05	.09		
5.	Change in % Purchased	-5.43	31.04	.10	.15	.08	.26*	
6.	Info Exchange	5.88	1.07	.08	.05	-.15	.39***	.16
7.	Trust	5.41	1.12	-.03	.09	-.20	.27*	.09

[a] N=91
†p<.10
*p<.05
**p<.01
***p<.001

Table 2
Regression Results for Relationship Between Effectiveness and Percentage Purchased
Hypothesis 1

Variables	B	SE	F	R^2	ΔR^2	F-test for ΔR^2
Firm Age	8.00E	.15				
Sales	6.03E	.00				
Supplier Size	2.79	2.66				
Constant	-13.60	6.59				
			0.69	.02		
Effectiveness	7.29*	3.33				
Constant	-44.63	15.55				
			1.70	.08	.06	4.80*

†p<.10 *p<.05 **p<.01 ***p<.001

Table 3
Moderated Regression Results for Relationship Between Effectiveness and Percentage Purchased
Hypothesis 2

Variables	B	SE	F	R^2	ΔR^2	F-test for ΔR^2
Firm Age	8.005E	.154				
Supplier Size	2.79	2.76				
Sales	6.033E	.000				
Constant	-13.59	6.63				
			0.68	0.02		
Effectiveness	6.42+	3.61				
Info Exchange	2.63	4.33				
Trust	-0.28	4.01				
Constant	-54.70	22.57				
			1.2	.08	.06	1.72
Effectiveness*Info Exchange	10.98**	4.39				
Effectiveness*Trust	-1.37	4.75				
Constant	197.68	105.44				
			2.03*	.18	.09	4.17**

†p<.10 *p<.05 **p<.01 ***p<.001

DISCUSSION AND CONCLUSION

The central thesis of the paper, which was supported by the data, is that the perceived effectiveness of the relationship with the key supplier is positively related to the percentage purchased from a supplier in periods of high growth. Thus, a firm will buy more from a supplier with whom it has an effective relationship. For the purposes of this paper, an effective relationship means that because of this supplier relationship, the focal firm can realize economic, managerial, and strategic benefits. For example, the focal firm can better manage costs, focus on core business issues and meet customer deadlines.

The paper also maintained and supported that even though these strategic factors may drive the purchasing decision, the nature and quality of the working relationship between the two firms also affects decisions making. The frequency and quality of information exchanged moderates the relationship between supplier effectiveness and the amount purchased such that when the quality of information is higher, the relationship between effectiveness and percentage purchased is stronger. Thus, strategic factors are the key consideration is purchasing decisions but a good working relationship plays an important secondary role.

The interview data strongly supported the survey data. Interviews with 12 firms -- 6 high-growth organizations (sales averaged an increase of at least 15% for the last 3 years) and 6 lower-growth companies (sales averaged less than 15% a year for the last 3 years) -- found that all 12 firms indicated that the strength of the relationship, are an important but secondary component of the purchasing decision. The most common factors these companies cited as influencing purchasing decisions were price, quality, availability, and customer service. Six firms ranked price as the most important and 6 ranked quality as the key consideration.

Whichever factors were ranked most important repeatedly dominated decisions regarding future purchasing patterns from a supplier. For example, one small company's most important purchasing factor was quality, and although they had several other rather serious problems with a supplier (the supplier was not meeting delivery deadlines), the company stayed with the supplier because the supplier represented the best alternative in terms of product quality. The firm has tried competing products but has not been as satisfied with the quality level. For this firm, the lack of a good working relationship was not cause enough for the firm to decrease or terminate business with a supplier. It is also interesting to note that this particular company had averaged sales growth increases of 20% per year for the last 3 years. Consequently, even if the delivery delays had caused some headaches for this firm, it does not appear to have decreased its customer base.

The consensus among all 12 firms interviewed was that once the top effectiveness criteria were met, then the strength of the relationship came into the decision process. That is, when alternative suppliers are equal on the key criteria, the strength of the relationship became the deciding factor of whether to expand the supplier relationship. One firm reported a big percentage increase in the amount purchased from a supplier (from 5 to 50%) because a sales representative with whom the purchasing manager had a good relationship transferred from a competing company to that supplier. Because the supplier to which the sales representative switched offered competitive prices (price was the top criterion), the strength of the relationship with that sales rep encouraged the company to increase its business with that supplier.

Two companies reported percentage decreases based on the lack of a strong relationship. In one situation, a company had two suppliers that were competitive with each other on quality and price. The company chose the supplier with which it had the stronger working relationship. Not only did the company reduce the amount it purchased from the other supplier (from 90 to 70%) but it also elected not to expand its business with that supplier in new areas when it could have. Because the company preferred the working relationship it had with a competing supplier, it elected to transfer and expand business with the new supplier.

Another point that emerged in the interviews is that the lack of a good working relationship can exaggerate a supplier's weakness in other areas and encourage the firm to deemphasize relations with a supplier. For example, one firm in the study had been with a supplier for about 4 years and the supplier had always been close to the prices and quality offered by competitors. Over time a poor working relationship developed primarily because the supplier did not respond to customer service requests and only contacted the firm twice a year. Consequently, the focal firm found another supplier that was only slightly better on price but displayed a willingness to work closely with the firm. Subsequently, the firm decreased the percentage purchased from the original supplier from 90 to 20%. So the absence of a good working relationship led this firm to scrutinize a supplier's weakness leading in turn to a change to a new supplier for most purchases.

Overall, this study suggests a new way of looking at growth companies' partnerships that is a contingency theory. A strong relationship between a focal firm and a supply partner is important, but it is likely to explain the continuation or expansion of business between firms only when the firm's top purchasing criteria like price, quality or availability have been satisfied. Once a supplier is competitive on the factors critical to a focal firm, a strong relationship can lead the focal firm to expand its business with the supplier. Similarly, a weak relationship alone is not sufficient cause for a firm to decrease or terminate a supplier. A weak relationship may become a deciding factor if a supplier fails to be competitive on a factor of primary importance to the firm *or* a competing supplier can meet the primary factors and also offer a better working relationship *or* if sales performance is poor.

Thus, both theoretical perspectives received support in this research. The results clearly support the strategic management perspective for explaining supplier relationships in high-growth firms. When high-growth firms perceived a supplier to be effective, they significantly expand their exchange (purchasing) from that supplier demonstrating that the supplier is an integral part of their high-growth strategy.

The social exchange approach also received support, albeit mixed. When the quality of communication is high – you understand what we need, take instructions well, etc. – high-growth firms will stick with a supplier but only if the perceived effectiveness of the relationship is also high. Trusting a supplier, on the other hand, does not seem to be enough to expand a relationship. A high growth firm's choice to expand connections with an existing supplier appear to be driven much more by the quality of the communication- the ability to coordinate and integrate- than it is by simply trusting the supplier.

From a practical perspective, three important implications emerge. First, consistent with the literature addressing the management of buyer-supplier relationships, the results of this study suggest that partnerships have significant benefits for high-growth firms. Some of these benefits include achieving stability in pricing, improving manufacturing flexibility, allowing the focal firm to better meet customer service objectives and reducing the number of supplier relationships to manage. Further, the survey results indicate that these benefits increase as the percentage purchased increases. That is, the greater percentage a firm purchased from a supplier, the more effective the firm perceived the relationship.

This finding implies a second point of practical relevance: firms are establishing fewer, higher quality relationships with suppliers. If a company perceives a higher level of benefits from a supplier as the percentage purchased from that supplier increases, firms will seek to expand that relationship. As a company expands a relationship with one supplier, the percentage they purchase from another supplier of the same good will decrease. Following this pattern, the total number of suppliers with which the firm ultimately deals is reduced. While the survey did not directly address this issue, the survey results suggested it and the interviews sought to confirm the implication. The 12 firms interviewed unanimously stated a preference for establishing relationships with fewer long-term suppliers. Further, the companies in the sample provide some support for this. The proportion of sole source relationships increased from 18% to 23% in the three-year period covered in the survey.

Third, strong relationships do matter. A supplier must be able to be competitive on other factors but a strong relationship may make the difference between a firm's increasing business with a supplier and its switching to another supplier that offers a more compatible working relationship. Further, in light of the fact that interviewees uniformly reported that the trend in vendor relationship management is toward fewer long-term relationships, failure to establish a strong relationship when given the opportunity may preclude a supplier from securing a stable customer.

Two primary limitations of this research can be identified. First, the study of partnerships over a three-year period is a longitudinal study. For the purposes of this paper, however, it was conducted in a cross-sectional manner. Respondents were asked to answer one set of questions about the strength of the relationships as of 1994. While recall can be a problem, two respondents were sought when the questions required information about perceptions from three years ago. The high level of correlations between the two respondents gives some reassurance of the reliability of the primary respondent.

A second limitation is that the survey asked only about a firm's relationship with one of its critical suppliers. Firms may have picked the best or the most unusual relationship about which to answer questions thereby obscuring the overall nature of relationships between focal firms and partner firms. The fact that so few firms reported about terminated relationships created some concern. The interviews helped to ascertain whether the survey results were skewed in such a fashion. Generally, they provided strong support that the survey responses were representative of the set of suppliers. Nevertheless, what was true for 12 firms may not represent all 91 firms in the sample.

Several promising directions for future research exist. First, the extent to which these findings apply to high-growth firms in other industries is a threshold question. Does the secondary nature of close working relationships hold in other industries? A second area of inquiry to explore would be to confirm the insights offered by the interviewees. Are the responses of 12 firms indicative of the pharmaceutical industry? Is the trend toward a fewer, longer-term relationships present throughout the industry? Is the strength of the relationship a "swing vote" for other firms in the industry as well? This inquiry could be expanded to other industries as well. A more rigorous qualitative study or a larger survey study would shed some light on their representativeness.

A longitudinal study of supply partnerships represents a third avenue that would further develop this area of research. Because the data are cross-sectional, causal relationships cannot be inferred. Further, gathering data in year 1 on the strength of the relationship in year 1 would eliminate the need to rely on recollections. The dynamics of partnerships and how they change over time would be also interesting. For example, to what extent does a strong relationship in year 1 predict a strong relationship in year 3? What causes that strength to change? How does the shift in personnel impact the strength of the relationship, i.e., do firms have relationships or do individuals? Altering the measurement of strategic action may be a fourth fruitful area of inquiry. In this study strategic action was measured as the change in the proportion of a good purchased from a particular supplier. While this measure accurately gauges the purchases from a particular supplier as opposed to others, it does not tell whether the purchases from that supplier increased or decreased. For example, a focal firm may report that it purchased 100% of a particular item from a supplier in 1994 and 100% from that supplier in 1997. The difference between these percentages is zero which leads to the conclusion that the relationship has been stable. However, because these are high-growth firms, 100% in 1997 may be a much greater quantity in 1997 compared to 1994. So instead of merely continuing, the relationship has actually expanded. A gauge of the extent to which a change in this measure would affect the relationship between the strength of the relationship and strategic action and the relationship between strategic action and performance-related outcomes may be worth pursuing.

Another suggested direction for future research is to gather data from a more diverse sample. Of the 91 firms included in the study, 86% averaged sales growth increases of 15% or more and 96% averaged sales growth increases of 10% or more for the last three years. If data could be collected from a greater number of firms at the other end of the growth spectrum, insight into whether these factors vary in the decision-making process of higher vs. lower-growth firms.

A final area of inquiry may be to investigate the extent to which strategy changes play a role in purchasing decisions. Perhaps actions regarding a supplier may be explained by whether the focal firm has experienced a change in strategy which affects the items provided by the supplier. For example, using Porter's (1980) framework, a firm may change from a low cost to differentiation strategy. In conjunction with this change in strategy, the quality and the price of the items required from the supplier may change. To the extent that the current supplier cannot provide these items, the focal firm will have to establish new supply relationships. Thus, the current supplier may be terminated or experience a decline in business because of changes in strategy and not due to the effectiveness or the strength of the relationship. By the same token, relationships may be expanded because the high-growth focal firm decides to expand into other market segments and the supplier can meet their increased demand.

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ENTREPRENEURSHIP IN THE QUANTUM AGE: A NEW SET OF SKILLS TO ENHANCE ORGANIZATIONAL DEVELOPMENT

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ABSTRACT

The 21st century could be called The Quantum Age. Computers, the internet, bar code readers and laser surgery represent only a few of the practical outcomes of a theory of physics called quantum mechanics. In this article, quantum theory is used as the foundation of a new paradigm that can increase the effectiveness of entrepreneurial leaders. The traditional management skills of planning, organizing, directing, and controlling are simply inadequate for leading in The Quantum Age. These traditional skills were, in fact, derived from classical, seventeenth-century Newtonian physics; therefore, it is reasonable to use the principles of quantum physics to identify a more contemporary skill set. The seven Quantum Skills overviewed in this article are not only derived from state-of-the-art science, they are also congruent with timeless, universal spiritual principles. These skills are premised on the belief that human organizations are fundamentally unpredictable living systems rather than stable, machine-like entities. Mastering these Quantum Skills will enable entrepreneurs to improve their ability to innovatively lead their organizations in the fast-paced, often chaotic, world of the 21st century.

INTRODUCTION

An entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable and marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement those ideas; and realizes the rewards from those efforts (Kuratko & Hodgetts, 1995, 4). A major challenge is that in order to achieve these purposes, the entrepreneur must typically do so through others functioning in an organizational setting. Skills for successful leadership therefore become of major importance to the achievement of meaningful objectives in entrepreneurship.

The modern era encompasses a period that technologically could be called *The Quantum Age*. Computers, the internet, bar code readers and laser surgery represent only a few of the new and innovative outcomes of a theory of physics called *quantum mechanics.* This term was introduced early in the 20th century to describe the physics of the subatomic realm. The subatomic realm refers to everything in the physical world that is smaller than an atom. The word *quantum* literally means "a quantity of something;" *mechanics* refers to "the study of motion." Quantum mechanics is, therefore, the study of subatomic particles in motion (Shelton, *Quantum* Leaps, 1999, 1-4). However, subatomic particles are not material things; rather, they are probability tendencies---energy with potentiality.

Subatomic particles interact across time and space in unknown and unpredictable ways. This does not mean that the movements of these particles are totally random, but it does mean that they are not brought about by any discernible cause. Due to this phenomenon, until recently quantum concepts have not been applied to human behavior. This perspective and tendency is, however, shifting. Recent research in psychology, biology, and neurophysiology suggests that human beings are, indeed, quantum beings. Even though a person may be viewed primarily as a material being, there is also an invisible, nonmaterial dimension (mind, consciousness or spirit) whose functioning appears to be affected by quantum principles (Dyer, 1995, 1-2).

In this article, quantum theory is used as a new way of thinking about entrepreneurial behavior and, more specifically, as the foundation for a new paradigm that can appreciably impact the effectiveness of entrepreneurial leadership in an organization. The traditional beliefs about leadership, and the nature of organizational workplaces, have been limited by a mechanistic, deterministic, and reductionistic point of view. However, contemporary thought about entrepreneurial leadership necessitates new models and new skills---skills that are more appropriate for meeting the complexities of *The Quantum Age*---skills that will enable entrepreneurs to function more effectively in a world that is changing at warp speed.

To be successful today, entrepreneurs must develop and nurture new expansive leadership skills---skills that are congruent with the perspective of organizations as human-based systems that are fundamentally unpredictable, interactive, living systems, rather than stable, machine-like operations. Since organizational planning, organizing, directing and controlling are derivatives of classical Newtonian physics, perhaps the principles of quantum physics can suggest an updated set of skills---a set that also brings into focus leadership-related qualities that are necessary for success in today's world of business. The basic principles of quantum mechanics provide meaningful insights into an organizational world that is both objective and subjective, logical and irrational, linear and nonlinear, orderly and chaotic; a world in which the process of human observation somehow affects that which is observed (Shelton, *Perspectives*, 1999, 71-72). In short, the principles of quantum mechanics challenge entrepreneurs to turn their view of reality upside down and inside out, and acknowledge that there is much more to effective leadership than has been considered in the past.

QUANTUM SKILLS MODEL

The purpose of this article is to examine quantum concepts (adapted from Shelton, *Quantum Leaps*, 1999) as a new foundation for entrepreneurial leadership---a foundation that provides a new interactive model of skills and paradigm of thinking to enhance effectiveness. These skills are referred to as *Quantum Skills* because they are premised on the assumption that the quantum realm of energy is of primary importance and thereby causal to everything else in the universe, and the material aspects of this universe are consequently of secondary importance. The skills are seven in nature. (1) *Quantum Seeing*: The ability to *see* intentionally. (2) *Quantum Thinking*: The ability to *think* paradoxically. (3) *Quantum Feeling*: The ability to *feel* vitally alive. (4) *Quantum Knowing*: The ability to *know* intuitively. (5) *Quantum Acting*: The ability to *act* responsibly. (6) *Quantum Trusting*: The ability to *trust* life's process. And (7) *Quantum Being*: The ability to *be* in relationship. See Figure 1.

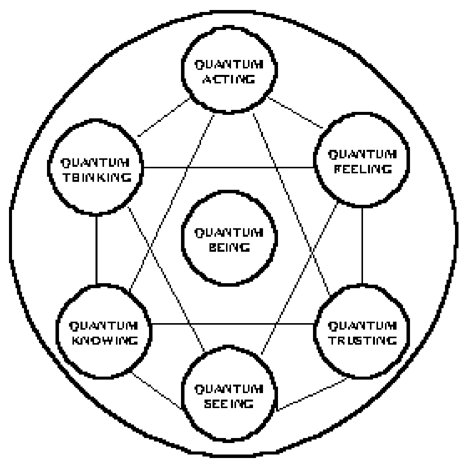

Figure 1. The Quantum Skills Model

The Quantum Skills Model shown in Figure 1 reflects the interrelationships among these seven skills. The three skills represented on the inverted triangle---Quantum Seeing, Quantum Thinking and Quantum Feeling---are primarily *psychological* in nature. They are premised on three widely accepted psychological principles: (1) Human perception is highly subjective (Quantum Seeing); (2) Creative thinking requires the development of the right hemisphere of the brain (Quantum Thinking); and (3) Human feelings are not the result of external events but of internal self talk (Quantum Feeling).

Understanding these basic psychological constructs helps entrepreneurs to create more intentionally and more creatively, but these three skills alone do not necessarily give entrepreneurs a deep sense of meaning and fulfillment. In order to bring more spirit into leadership roles, additional skills are needed by entrepreneurs---skills that shift the focus from narrow self-interest and ego-involvement to concern for the good of the whole. The model labels these skills as *spiritual* skills (Shelton, *Quantum Leaps*, 7). They are grounded in three universal spiritual principles: (1) We live in an intelligent universe (Quantum Knowing); (2) Everything in the universe is interrelated

(Quantum Acting); and (3) The universe uses chaos to create order (Quantum Trusting). These three *spiritual* skills are shown on the model's upright triangle. The seventh skill, Quantum Being, is intricately connected to each of the other Quantum Skills. Its central position in the model reflects this connection, and therefore the focal point in the overall Quantum Skills Model.

These Quantum Skills are ancient and futuristic, scientific and spiritual, simple and difficult, common and uncommon, obvious and not quite so obvious. They help entrepreneurs enhance their effectiveness in the Quantum Age, but they originated in the wisdom of ages past and recorded in the writings of scholars in virtually every generation. Many of civilization's ancient spiritual practices, as well as many state-of-the-art psychological theories of today, are based on concepts that are similar to the quantum mechanical principles from which these skills are derived. These quantum mechanical principles thus become an important focus as well as foundation upon which the Quantum Skills Model is based as a key to successful entrepreneurial leadership and enhancement of organizational development.

PSYCHOLOGICAL QUANTUM SKILLS

Quantum Seeing

The first skill, *Quantum Seeing*, is based on the leadership premise that entrepreneurs function and make decisions within the context of a subjective organizational environment. Both quantum theory and contemporary research in human perception suggest that over eighty percent of what is seen in the external world is a function of internal assumptions and beliefs. Yet entrepreneurs, for the most part, continue to manage themselves and their organizations with little regard for the subjectivity of external reality. Reality, or at least the individual experience thereof, is directly related to those things that individuals think about (Dyer, 1997, 55-57). Zukav (1979, 310) summed it up this way:

> *Reality is what we take to be true. What we take to be true is what we believe. What we believe is based upon our perceptions. What we perceive depends upon what we look for. What we look for depends on what we think. What we think depends on what we perceive. What we perceive determines what we believe. What we believe determines what we take to be true. What we take to be true is our reality.*

Hence, the beliefs of entrepreneurs reinforce their perceptions and their perceptions reinforce their beliefs. Consequently, they often function in a paradigm that is based on a continuous cycle of repetitiveness, seeing the world as they have always seen it and making their decisions within a relatively narrow band of possibilities, not because opportunities are limited, but because perceptions always are. Unfortunately, it is often difficult to change perceptions. These are learned early and they are controlled primarily at an unconscious level of awareness. However, entrepreneurs can learn to become more aware of their intentions, and as they learn to change these intentions, their perceptions shift accordingly and leadership is enhanced.

Csikszentmihalyi (1990, 27) believes that intention is the psychological process with which reality is constructed. Intentions cause entrepreneurs to pay attention to certain stimuli while totally ignoring a plethora of other perceptual possibilities. The skill of *Quantum Seeing* enables entrepreneurs to consciously select their intentions, thus aligning their perceptions with their desires. General Electric's chairman and widely-recognized entrepreneur, Jack Welch, understands the concept of *Quantum Seeing* (Shelton, *Quantum Leaps*, 30). Welch has noted GE's progress in using three principles that he called stretch, speed, and boundarylessness. Welch said that GE is using these principles to build a workforce with an "absolutely infinite capacity to improve everything." Essentially these principles mean using dreams to set business targets---with no real idea of how to achieve these dreams.

Welch believes that all entrepreneurs, and individuals within their organizations, have the capacity to experience *Quantum Seeing* on a daily basis. The primary requirement is clarity of vision. "We can't create what we can't imagine. How big can you dream?," Welch has asked. At the organizational level, this skill is a reminder of the need to have all stakeholders involved in visioning and planning processes (Näsi, 1995, 21-24). If employees are not involved, they are likely to be perceptually incapable of seeing and, hence, of creating new possibilities. Instead, they remain committed to their current mindsets, unable to make the perceptual choices required for successful execution and dream fulfillment.

Quantum Thinking

The second skill, *Quantum Thinking*, is derived from quantum physics research which suggests that the universe functions in illogical, paradoxical ways. The most obvious quantum paradox is that the visible, three-dimensional world, is composed solely of invisible energy. Furthermore, this energy often makes sudden, totally unpredictable quantum leaps, tunneling through barriers in ways that are both illogical and impossible at the macro level of reality. Quantum tunneling is totally illogical; yet because of the highly illogical quantum tunneling effect, physicians can now identify minute abnormalities within the human brain. Illogical processes can therefore result in highly practical applications.

Unfortunately, within their organizations many entrepreneurs still rely primarily on logical, linear, black and white thinking skills. However, there are exceptions. Jack Stack, entrepreneur and President of the much-publicized Springfield Remanufacturing Company, is a Quantum Thinker. He inspires his co-workers to rise above simplistic binary, either-or solutions, and create highly innovative solutions to tough organizational challenges. On one occasion, operations were shut down when truckers went on strike and no steel was being delivered to the plant in Chicago. Stack called his people together and asked them if they had any ideas about how they could get steel into the plant without being shot at by snipers. Someone suggested the use of school buses, and another suggested a nun's habit for the drivers. The problem was solved! School buses, driven by "nuns" brought the badly needed materials to the plant. Stack has commented: "We are always doing crazy stuff like that to keep the lines running. Nothing stops us. We come up with the most outrageous things you ever heard of, and they usually work" (Stack, 1992, 28).

If entrepreneurs are to think "outside of the box," it is apparent that logical, rational, binary thought processes are inadequate. Logical thinking has made little headway in solving the enormous challenges facing business organizations today. After all, many organizational issues are paradoxical, and pose questions that cannot be answered by rational, binary thinking. For example, how can entrepreneurs balance the responsibility to stockholders with responsibility to employees, customers, and the environment? The ability to think paradoxically will no doubt be a key to creating highly innovative solutions to questions like this and addressing a myriad of other organizational challenges in the future (Näsi, 1995, 20-21).

In order to think paradoxically, entrepreneurs must develop, within themselves and others in their organizations, the capacities of the right hemisphere of the brain---the side of the brain that thinks in images not words and is, therefore, not bound by verbal language and logic. The right brain can gather up seemingly unrelated ideas and arrange them into highly creative idea constellations, thereby bypassing the left brain's propensity for binary thinking. The right brain has another important creative advantage. It can process millions of visual images in microseconds, and solve problems exponentially faster than the clock-bound left hemisphere. Each time an entrepreneur chooses to visualize versus think in words, he/she literally disconnects from the linear passage of time. Thus, through the process of imagistic thinking the entrepreneur can escape the tyranny of time and enter a realm where seemingly opposite options can effortlessly superimpose themselves into highly creative solutions. The skill of *Quantum Thinking* provides an on-going stream of highly innovative, often illogical ideas that help the entrepreneur transcend the box of binary thinking. The ability of an organization to thrive, and perhaps even survive, demands that this skill be recognized and developed.

Quantum Feeling

The third skill, *Quantum Feeling*, is based on the premise that human beings are composed of the same energy as the rest of the universe and are, therefore, subject to universal laws of energy excitation. Research at the Institute of HeartMath (*IHM Research Update*, 1993, 3) suggests that the human heart is a primary source of power for the mind-body system. The heart generates the strongest electromagnetic signal in the human body and the power of that signal is primarily a function of thoughts and emotions. Positive emotions (e.g., love, caring, compassion, hope, joy and appreciation) increase coherence, thus increasing energy. Negative emotions (e.g. frustration, fear, anger, conflict, and stress) decrease coherence in the heart's electromagnetic waves, causing the mind-body system to lose energy.

This research confirms what many individuals already know intuitively. Positive emotions energize and negative emotions exhaust. Knowing this to be true does not, however, solve the pervasive epidemic of stress, conflict and burnout that is common throughout the business world today (Nurmi & Darling, 1997, 157-165). Fast-paced schedules drain one's energy. Stress-filled jobs exhaust people. Interpersonal differences create conflict. Individuals desire health and vitality; but, too often experience tiredness and disease. The skill of *Quantum Feeling* enables the entrepreneur to feel good internally, regardless of what happens externally. As this skill is recognized and implemented, the entrepreneur learns how to change the physics of his/her body by changing the feelings of the heart (Dyer, 1998, 211-213). The entrepreneur thereby becomes increasingly aware of the perceptual choice point between an external stimulus and a subsequent internal response; and begins to recognize that one's energy is never depleted by other people or events, but rather by one's perceptual choices and reactions thereto.

The Institute of HeartMath research also suggests that today's entrepreneur can maintain higher levels of energy and vitality simply by choosing to focus on the positive aspects of his/her experiences (Childre, 1996, 70). Focusing on the positive aspects, the heart's electromagnetic waves become coherent and the brain's waves spontaneously follow (physicists call this entrainment). From this more coherent state of mind, one sees opportunities that would have been missed had the individual remained in a state of negativity. The opportunities would have been there all along; but the person's emotionally-induced cognitive incoherence simply made them perceptually unavailable. Herb Kelleher, well-known entrepreneur and CEO of Southwest Airlines, is a Quantum Feeler of the first order. In an industry plagued with passenger discontent and labor troubles, Southwest Airlines has turned a profit every year for the past 28 years. It also has never laid off anyone and, under Kelleher's entrepreneurial leadership, has become an icon of offbeat customer service. For example, its flight attendants sometimes sing the flight safety instructions. Nurturing the entrepreneurial "Southwest spirit" is a key to Kelleher's implementation of *Quantum Feeling* (*Business Week*, January 8, 2001, 73).

When entrepreneurs nurture and develop a high-energy *Quantum Feeling* paradigm, organizational change programs will make a much greater difference in productivity and job satisfaction. Organizational redesign efforts and empowerment processes are necessary but not sufficient. Without an internal shift in consciousness and a new set of emotional choice skills, entrepreneurs keep following the old patterns in their organizations---committed to the old paradigms---regardless of the new opportunities available to them. The skill of *Quantum Feeling* enables entrepreneurial leaders to change the constructs of their minds. This skill will have an enormous impact on issues such as motivation, burnout, stress, and job satisfaction. Organizational life will change significantly when individuals, and particularly those in entrepreneurial roles, release their collective dependence on external rewards and take full personal responsibility for bringing purpose, passion and vitality to their organizations.

SPIRITUAL QUANTUM SKILLS

Quantum Knowing

The fourth skill, *Quantum Knowing*, is derived from quantum field theory. Energy fields are, in the language of physics, the ground state of all that is. Einstein once commented that: "fields are the only reality" (Capra, 1983, 211). The universe is not filled with energy fields; rather, the universe emerges out of an underlying quantum field. This underlying sea of potential appears to be infinite, omnipresent, and omnipotent. It is both indescribable and incalculable. The quantum field is believed to contain Bose-Einstein condensates which are the most highly ordered and highly unified structure yet found in the universe. Zohar (1990, 226) is one of a growing number of physicists who believes that Bose-Einstein processes in the brain may create the neurological structures that are prerequisite to human consciousness. If subsequent research validates a relationship between Bose-Einstein condensates and consciousness, it will lend support to the hypothesis that the quantum field itself is conscious. Consciousness, therefore, may not be a function of evolutionary sophistication, but instead may be the primary substance of physical reality.

The universe is basically a set of signals or a field of information. It is much more like a Great Thought than the Great Machine metaphor of the Newtonian paradigm. *Quantum Knowing* is the ability to connect in non-sensory ways with information in this quantum field of potentiality. William James used the term "radical empiricism" to describe the process of direct knowing---knowing beyond sensory input (Taylor, 1994, 353). In this superconnective state, an individual's ability to access previously unknown information increases appreciably. The entrepreneur thereby discovers a capacity for wisdom that may be infinite. He/she becomes one with the quantum field. It is difficult, yet intriguing, to imagine an organization with an entrepreneurial leader who knows how to intuitively access the cosmic database. Research suggests that many entrepreneurs do acknowledge a strong reliance on intuition, but few make their intuitive abilities public and even fewer attempt to propagate and integrate intuitive knowing into daily organizational development activities and practices. However, the overwhelming amount of available data mandates that entrepreneurs explore and experiment with new ways of knowing. There is simply too much information to process in traditional, analytical ways.

Langer (McCarthy, 1994, 28) has developed a theory of mindful decision-making. Langer's research suggests that gathering information does not necessarily lead to better decisions. In fact, organizations are typically focused on an impossible goal---reducing uncertainty through data collection. This is futile because even the amount of information that could be gathered about the simplest of decisions, such as developing a new product or selecting a supplier, can involve limitless research. Rather than focusing on gathering information, Langer's theory focuses on staying aware (mindfulness). She points out that a belief in *certainty* is actually a huge disadvantage in entrepreneurial leadership. Certainty leads to mindlessness. When one is certain, he/she typically ceases to pay attention. On the other hand, uncertainty keeps individuals attentive both to the external conditions and to one's internal intuitions. Mindfulness keeps the entrepreneur's connection to the quantum field of infinite information open.

Since taking over as CEO of Hewlett-Packard early in 1999, Carleton (Carly) Fiorina has pushed the company to the limit to recapture the form that made it a management icon for six decades, and doing so with a *Quantum Knowing* paradigm. The stakes couldn't be higher---both for Fiorina and for the Silicon Valley pioneer started in a Palo Alto garage in 1938. Just as founders Bill Hewlett and David Packard broke the mold back then by eliminating hierarchies and introducing breakthrough innovations in operations and products, Fiorina is betting on organizational innovations so radical that experts say they have never been tried before at a company of HP's size and complexity. She is transforming all aspects of HP at once---strategy, culture, compensation---everything from how to spark innovation to how to streamline internal processes (*Business Week*, February 19, 2001, 71-73). In doing so, she is accessing not only rational analysis, but also an intuitive process, *Quantum Knowing*.

As entrepreneurial leaders begin to incorporate the space for mindfulness into their daily work routines, they will nurture whole-brain organizations---organizations that fully utilize both sides of the brain, valuing intuitive knowing as much as rational analysis. Someday entrepreneurs will look back at concepts such as empowerment or open book management with amusement. After all, how can one person empower another if everyone has access to the same cosmic database? As more and more entrepreneurs learn to use the skill of *Quantum Knowing*, they will help create true learning organizations---organizations in which all the stakeholders deeply value learning from the inside out, thereby recognizing the importance of intuitive ideas.

Quantum Acting

The fifth skill, *Quantum Acting*, is premised on the quantum mechanical concept of interconnectivity and its byproduct, non-local causation. At the subatomic level, two systems once connected remain connected, even across great distances of time and space. Any change of one of these systems affects the second system instantaneously. These complex "from a distance" interactions are explained by a uniquely quantum principle, the principle of non-separability, which violates the most basic principle of relatively, that nothing can travel faster than the speed of light.

Even though Einstein never accepted the principle of non-separability, today this principle is a fundamental concept in quantum theory. Its technological applications will soon create quantum computers in which all the components respond instantaneously to a change in the state of one component. The potential capacity of quantum computers is truly significant. They will be capable of performing all possible computations simultaneously (quantum parallelism). Strings of hydrogen atoms will hold bits of information rather than arrays of transistors. Atomic encoding will enable a quantum computer to simulate the behavior of any quantum system using quantum processes such as superimposition and non-local correlation. According to a recent *Scientific American* article, "a 40-bit quantum computer could recreate in little more than, say 100 steps, a quantum system that would take a classical computer, having a trillion bits, years to simulate" (Lloyd, 1995, 144). Action at a distance (non-local causation) is about to transform life as it is presently known through astounding technological advances; but more importantly, this same principle has the potential to shift an entrepreneur's view of him/herself, and relationships to other individuals and to the universe.

Everything in the universe is a part of a correlated, complex whole in which each part influences and is influenced by every other part. *Quantum Acting* is the ability to act with concern for the whole---the whole self, the whole organization, the whole society, and the whole planet. This skill can be used to design lives of impeccable action---lives that focus on intentions that are good for both self and for the larger system. Using the skill of *Quantum Acting* leads the entrepreneur to decide to make responsible choices. Each responsible conscious choice that an entrepreneur makes not only influences the probability of future choices; it also, because of interpersonal quantum interconnectedness, affects the future choices of others as well. Thus, organizations and workplaces are designed one choice at a time. When entrepreneurial leaders choose acts of kindness, compassion, or integrity, they are, in the words of Zohar (1990, 184), "loading the quantum dice" and increasing the probability that others inside and outside of the organization will choose to act accordingly. Each individual self is in non-local correlation with every other self, and each decision influences the entire system. Entrepreneurs help to nurture win-win relationships when they lose their sense of *us versus them* and realize that *we are all us* (Dyer, 1995, 69).

Canon Inc.'s entrepreneurial chief executive, Ryuzaburo Kaku, is a well-known proponent of *Quantum Acting* or, as he calls it, "working together for the common good." In this regard, Kaku has found an audience with members of the Caux Round Table (CRT), a twice-yearly meeting in Switzerland of top business leaders from Europe, Japan, and the U.S. who are concerned about the global economy. CRT has recently adopted "working together for the common good" and the Western concept of "human dignity" as the two founding ethical ideals for the organization. Inside the Canon organization, examples of *Quantum Acting* range from the use of solar energy to the recycling of toner cartridges. The Canon organization is also deeply committed to human rights. Canon is the Japanese word for the Buddhist Goddess of Mercy, and this organization is committed to treating employees, customers and its other stakeholders mercifully. Kaku strongly believes that this is not only the right way for business organizations to function; it is the most profitable way as well (Skelly, 1995, 31).

The quantum principle of non-separability puts a new perspective on social responsibility in decision-making. If everything in the universe is intricately interconnected, what a person does must in some way have a reverse affect on that individual, the doer. Therefore, if one wants prosperity in life or in an organization, that individual begins by giving and serving. This is based upon the principle that one's rewards come from the services he/she first gives (Waitley, 1995, 240-241). In a correlated universe, the more that is given, the more one receives. So-called socially responsible behaviors (e.g., treating all stakeholders respectfully or taking good care of environmental resources) are, in actuality, merely common sense. As entrepreneurs begin to use the skill of *Quantum Acting*, they, and the individuals with whom they are associated, discover that organizations can, indeed, do well while also doing good.

Quantum Trusting

The sixth skill, *Quantum Trusting*, is derived from chaos theory. Chaos theory provides a new way of viewing change and the turbulence that accompanies it. This theory demonstrates that chaos is inherent in the evolutionary process. It is the catalyst that creates the disequilibrium necessary for system evolution. Chaos is the progenitor of all progress. Without the chaos, and commensurate conflict brought about by change, life stagnates and entropy ensues (Darling & Fogliasso, 1997, 1-2).

Prigogine discovered the positive role that chaos plays in the universe (Prigogine & Stengers, 1984, 13). He was the first to differentiate between active and passive chaos. Passive chaos occurs when a closed system reaches equilibrium and its elements move around in a random fashion. Active chaos occurs in an open system that is in a state of disequilibrium. In such a system, environmental feedback serves as a catalyst, disrupting the system and moving that system to higher levels of order and coherency. The system's new direction appears to be the result of chance and uncertainty. However, a growing number of scientists believe that an invisible ordering principle is at work. Bohm's concept of subatomic particles with "quantum potential" suggests that directions received from the primary order, the quantum field, influence an electron's behavior (Briggs & Peat, 1989, 183). Bohm acknowledges that this potential has such complexity that any attempts at prediction are futile. However, the inability to make predictions does not mean that a system's evolution is totally random. It simply means that it cannot be explained by scientific calculations.

Chaos theory, based on classical physics and applicable to the macroscopic world, has a similar concept, the strange attractor. This is a term used to trace the evolution of a chaotic system. As chaos theory would predict, a computerized system in chaos behaves in a totally unpredictable manner. However, over time even the most chaotic systems never go beyond certain phase space boundaries, the boundary of the strange attractor. Strange attractors provide visual images of a world in which structure emerges out of chaos. Structured chaos is a remarkable paradox. It suggests that entrepreneurs function in a universe that is both orderly and chaotic, a world that displays structure without clockwork regularity---potentiality without predictability. Wheatley and Kellner-Rogers (1996, 35) reflect on what this might mean for today's entrepreneurial leaders. They write: "If order is for free, we don't have to be the organizers. We don't have to design the world. We don't have to structure existence… Organization wants to happen."

For many, these ideas are deeply appealing. Most entrepreneurs become exhausted from their attempts to predict and control. They suspect that there really is a simpler way. Yet, they continuously find themselves face-to-face with the ego's fears. *Quantum Trusting* is the ability to trust the natural process. This skill enables entrepreneurs to ride the rapids of change, fully participating in the adventure without having to control the course; deeply aware that it is easier to ride a raft in the direction it's headed. As an entrepreneur appropriately uses this skill, he/she begins to focus on the mystery of existence, rather than on mastery over it; becoming less intent on manipulating people and more intent on appreciating them. In other words, he/she helps to free the organization to spontaneously evolve without the excessive interference that is brought on when the entrepreneur's ego becomes unnecessarily involved.

The typical distrust and dislike of chaos is deeply rooted in individual and organizational psyches. This causes individuals to trade freedom for security and adventure for predictability. If the entrepreneur is to create what Dee Hock, the founder of VISA International, refers to as chaordic organizations, organizations that value both chaos and order, they must exorcise their internal demons of fear and dependence and learn to appreciate the creative aspects of chaos (Waldrop, 1996, 75).

Using the skill of *Quantum Trusting* is especially challenging in traditional organizations where enormous value is placed on prediction and control, and doing things the way they have always been done. There are, however, many new organizational processes like Owen's Open Space Technology (Owen, 1997, 32), which demonstrate in quantifiable ways the ability of a group of people to quickly self-organize in meaningful and productive ways. Not only are the outcomes of such processes impressive, participants almost always prefer this open design to more traditionally structured options.

Open Space Technology is only one example of what Hock would call a chaordic organization (Waldrop, 1996, 75). As entrepreneurs individually and collectively begin to use the skill of *Quantum Trusting*, many more examples of self-organizing practices will emerge. Championing these practices requires entrepreneurs to confront their own internal demons of dependency and control. It takes clear intention, strong commitment, and daily practice to take the road less traveled. Such individuals must be willing to step into the chaotic abyss.

FOCAL SKILL OF QUANTUM BEING

The final skill, *Quantum Being*, recognizes the relational nature within organizations. At the subatomic level, matter comes into being only through relationships. Subatomic particles are abstractions. Their properties are definable and observable only through their interactions with other particles. The probabilities associated with particles are probabilities of relationships. Physics has not, however, always been viewed as a science of relationships. Newton saw particles as distinct entities with rigid boundaries---billiard balls moved around by external forces (Zohar, 1990, 129). Newtonian objects can influence each other's external behavior, but they cannot change each other's internal characteristics. This is not what happens in a quantum relationship where two particles can actually merge together, sharing boundaries and identities, and thereby becoming a quantum system that is greater than the sum of the two individual parts.

Metaphorically, quantum relationships are prerequisite to human transformation. It is through relationships that one's potential is released. When a person approaches relationships with openness and vulnerability, a new entity is created that is greater than the sum of the two individuals. As individuals experience the perceptual transformations that are inherent in quantum relationships, they begin to understand that their outer realities are but a projection of their inner beliefs. As Emerson noted: "The ancestor to every action is a thought" (Dyer, 1995, 299-300). Quantum relationships are, therefore, psychological mirrors. In them, individuals can see themselves reflected. When faults are observed in another, those observations are often simply mirroring the individual's own faults, providing feedback about unhealed areas of his/her own psyche.

Quantum Being is the ability to be in relationship---a relationship based on unconditional positive regard. This skill enables an entrepreneur to own his/her feelings rather than project them onto others. As this is done, the entrepreneur discovers that all relationships are extraordinary learning opportunities, and that none of them occur without reason. The successful entrepreneur also discovers that those who have the most to teach him/her are not always the most favored people, but they are the most valuable contributors to his/her psychological and spiritual well-being and, hence, organizational effectiveness.

Ricardo Semler, entrepreneurial CEO of the Semco Corp. in Sao Paulo, Brazil, models the skill of *Quantum Being* (Shelton, *Quantum Leaps*, 157-158). His decision to transform Semco from a traditional, hierarchical, adversarial culture to a participative environment based on trust and cooperation has also changed the foundation of many Sao Paulo families---and perhaps even the whole Brazilian society. Hierarchy and patriarchy have been seriously eroded because of one man's commitment to relationships. Semler describes the Semco culture as "extreme common sense." People practices include factory-floor flextime, self-set salaries, and a rotating CEO-ship. These changes have resulted in profound loyalty, excellent product and organizational quality, and improved sales and profits.

If entrepreneurs are to fully integrate the skill of *Quantum Being* into their organizations, they must turn their organizational priorities upside down, creating the time and space for dialogue, trusting that improved relationships will translate into improved results. In so doing, they will discover that progress is a byproduct of partnership and they will put away their outdated paradigms and become authentic change masters, changing themselves and their organizations from the inside.

SUMMARY AND CONCLUSIONS

The purpose of this article is to introduce *quantum theory* to the realm of entrepreneurial leadership. Quantum theory is a perspective that is based on quantum mechanics and derived from the scientific field of physics. The quantum paradigm presented is used as a metaphor for behavior and provides a new set of skills that can have an appreciable impact on effectiveness in entrepreneurship. These quantum concepts can thereby be translated into a highly practical new skill set for entrepreneurial leaders today.

These skills are referred to as *Quantum Skills* because they are premised on the assumption that the quantum realm of energy is of primary importance and thereby causal to everything else in the universe. These *Quantum Skills* are (1) *Quantum Seeing:* The ability to *see* intentionally. (2) *Quantum Thinking:* The ability to *think* paradoxically. (3) *Quantum Feeling:* The ability to *feel* vitally alive. (4) *Quantum Knowing:* The ability to *know* intuitively. (5) *Quantum Acting:* The ability to *act* responsibly. (6) *Quantum Trusting:* The ability to *trust* life's process. And (7) *Quantum Being:* The ability to *be* in relationship.

As entrepreneurs in the current era of organizational dynamics attempt to effectively fulfill their leadership role, as well as their management role, a new spirit must be borne within them. This spirit will take them beyond the world of mechanistic, reductionistic, deterministic principles and practices to a new skill set that is based on a paradigm that is more congruent with the complexities of *The Quantum Age*. The purpose of this article is to introduce the various dimensions of this new quantum paradigm and the commensurate skills that will result in greater effectiveness in entrepreneurial leadership and enhancement of organizational development. The authors welcome further inquiries and dialogue with interested entrepreneurship researchers and practitioners.

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THE USE OF THE LEGAL PROFESSION IN SMALL BUSINESS

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ABSTRACT

According to the Small Business Association Office of Advocacy, more than ninety nine percent of the employers in the United States are small businesses. Businesses must operate within the legal system of federal, state, local and foreign governments. Legal representation falls into three general areas: in-house counsel, general representation, and counsel retained for specific and/or complex matters. The small business must find the most cost-effective and economically feasible method legal representation. The purpose of this paper is to analyze the legal needs of small businesses and how they can effectively utilize the legal profession in meeting those needs in an efficient manner.

INTRODUCTION

According to the Small Business Association Office of Advocacy as reported in its 1997 report, more than ninety nine percent of the employers in the United States are considered a small business, where it has less than 500 employees (*Characteristics of Small Business Employees and Owners, 1997*). President Clinton states that the development of small businesses is the foundation of the United States economic growth, that virtually all new jobs, 50 percent of employment, 50 percent of private sector output, and a large share of innovation come from small businesses (*The State of the Small Business: A Report of the President, 1998)*

A small business encompasses a wide-range of business types and sizes. A small business can be home-based, sole proprietorship, a partnership, a S-corporation, or a C-corporation. Small businesses can be high-tech venture capital-backed dot-coms, mom and pop retailers, and family-owned manufacturers (Batterson, 2000). There is no standard definition for a small business. It is independently determined from one government agency to another. The Committee for Economic Development created the most practical definition of a small business.

To qualify as a small firm under their definition, a business must have at least two of the following characteristics:

1	Management of the firm is independent. The managers are typically also the owners.
2	Capital is provided by one individual, or a small group of people.
3	The area of operations is mainly local, with workers and owners living in one community. However, the market for the product or service need not be local.
4	The size of the firm is small relative to the industry. This measure can be in terms of employees, sales, volume or assets (Boone and David, 1970, pp. 522-523).

Business law is playing an increasingly important role in the free enterprise and the small business. Businesses must operate within the legal system of federal, state, local and even foreign governments. Laws that affect the small business continually are being enacted.
Small businesses not only have their own unique legal issues, but also have many of the same issues that large corporations face. Most small businesses are in direct competition with large corporations who have large-scale in-house legal departments at their disposal and several outside firms on retainer. Small businesses do not have these costly resources at their disposal. The small business must determine how to effectively utilize the legal profession for its particular business needs in the most cost-efficient manner and yet remain competitive with the large corporations in its industry. The purpose of this paper is to analyze the legal needs of small businesses and how they can effectively utilize the legal profession in meeting these needs in an efficient manner.

LITERATURE REVIEW

A survey of existing literature has many detailed studies into the management of small businesses. Several studies such as Boone and David (1970), Longenecker and Moore (1987), Curtin (1982), Sherman (1997), and Smith (1982) give an overview of small business management and a hands-on perspective of small business management. These studies gave only small synopsis of the legal issues facing small business and the types of legal representation available. On the other end, studies such as (Frese, Gelderen, and Ombach, 2000) are about the dynamics of business planning, which carries over into planning for the legal issues of the business. The U.S. Small Business Administration Office of Advocacy has many studies and publications readily available to help the small business owner in establishing and running the business. They also gave many statistics used in examining the importance of legal issues, such as capitalization and dissolution of the business. *The State of the Small Business: A Report of the President 1997* presents timely issues that small businesses face and how the legislation of laws effect small businesses. There are many articles in literary journals, law journals, and business journals dealing with specific legal issues that small businesses face today, but there was virtually no direct studies on the use of the legal profession. There are seminar materials of the legal profession on how to represent small businesses, but they direct their study to the legal practitioner and not the small business owner. There are no materials found that give an actual step-by-step analysis of how a small business should utilize the legal profession. The most helpful were from Batterson (2000). Cuykendall (2000) describes how a business worked through its legal issues and determined the best solution to utilize the legal profession for that particular business.

TYPES OF LEGAL ISSUES SMALL BUSINESSES FACE

All business decisions must be made with the legality of that decision. Some business decisions are routine, while others involve complex legal issues. Depending on the nature of the small business, it can face legal issues associated with starting the business, capitalization, labor laws, employee crime, agency relationships, government regulations, consumer protection laws, consumer credit laws, international commerce laws, contracts, real property, negotiable instruments, registration of trade marks, application for patents, copyright protection, libelous acts, complex lawsuits, dissolution, and bankruptcy. The officers and owners of the small business should have some knowledge of the laws and regulations that affect their business, but they cannot have knowledge in every area or keep up with the ever-changing legislation. Last year there were thirty-seven new federal and state regulations that affected small businesses. The burden of the various governmental regulations that must be complied with and the forms that must be completed is a financial drain on the small business (Batterson, 2000).

The first legal issue a small business faces is its start up. The owner must determine whether the business will operate as a sole proprietorship, a partnership, or a corporation. The statistics from the Office of Advocacy of the U.S. Small Business Administration in a 1998 report stated that in that year small businesses consisted of 5,199,000 corporations, 1,712,000 partnerships, and 16,754,000 sole proprietorships (SBA Office of Advocacy, *Small Business Answer Card, 1998*).

There are many factors to be considered in determining of the type of business organization to form, including legal ramifications. It can take several different specialized professionals to give an analysis of this issue. It may require an expert in the industry, a banker, a certified public accountant, a tax attorney, and/or an international law attorney. In addition, if the business is a franchise, there will be additional legal organization formation issues. The franchisee, as an independent businessperson, contracting for a franchise business with a large corporation will have additional legal issues regarding the contracts tied to the franchise agreement (Boone and David, 1976).

Capitalization of the business will be the next legal issue for the new business owner. Approximately seventy five percent of small businesses use a supplier of credit. These consist of traditional credit lenders (traditional loans, commercial banks, finance companies, and leasing arrangements) and non-traditional lenders (owner loans, personal credit card, and business credit card) (SBA Office of Advocacy, *Small Business Answer Card, 1998*). The cost of borrowing for a small business owner is high. The small business owner pays two to three points above the prime rate for bank loans and, in fact, the smaller the business, the more it relies on owner capital (SBA Office of Advocacy, *The Facts About Small Business, 1999*). Under- capitalization can be disastrous for small business. A small business that is undercapitalize is much more likely to experience financial difficulty that leads to legal problems (Sherman, 1997). It is important that the business be organized and capitalized so that it maximizes its possibility for success. The counsel of an attorney can fill several important roles assisting a small business owner seeking financing. First, the attorney should examine the legal records of the business to make sure they are in order, up-to-date, and complete so that financing will not be denied on this technicality. Second, the attorney can provide a "sense of the market" interpretation of the lender's loans documents (Hardt, 1989). These documents are usually very burdensome. The attorney will have an understanding of similar loan transactions and be able to help the borrower understand what provisions are negotiable and what provisions are not negotiable. An attorney can also head off many potential mistakes in dealing with venture capitalist. Most disputes between business owners and private investors are concerning unforeseen issues. An attorney experienced in this type of financing can help minimize future problems by raising them during negotiations (Hardt, 1989).

A small business owner that has employees will have labor law issues. According to the report of the SBA Office of Advocacy, small businesses employ fifty two percent of the private workers (SBA Office of Advocacy, *Small Business Answer Card, 1998*). An attorney specializing in business law can help design and structure a sound non-compete contract and confidentiality contracts. Also, depending on the size of the small business and the type of industry it is in, advice from an employment law specialist will be needed regarding employee rights and workplace safety. Employee crime is a growing concern for small businesses where it cost the U.S. economy at least $186 billion annually (Kuratko, Honrsby, Naffziger and Hodgetts, 2000). It is reported by the United States Chamber of Commerce that in 1995, thirty percent of all small business failures resulted from the cost of employee dishonesty and that small businesses are thirty five percent more likely to suffer from business crime than larger firms. The United States Chamber of Commerce further reported that the major areas of employee crime are credit card and check fraud, embezzlement, internal theft, computer fraud, and inventory shrinkage (Kuratko et al, 2000). Legal counsel can be helpful to the business owner in implementing a course of prevention by understanding the legal issues involved in how to legally observe employees, perform background checks, and use other safeguards. In the event of an employee crime, legal counsel can also advise on how to handle the matter from the point of discovery to possible prosecution (Kuratko, et al, 2000).

There may be times when a small business owner requires a representative to act in his or her place. Agents are the employees, partners, directors, corporation officers, and sales personnel of the business. Counsel from an attorney in establishing and forming agency contracts is important because the small business owner is bound by the actions of the agent (Boone, et al, 1978). The small business owner is liable to the agent for abiding by the agency contract, whether written or oral, and to third parties for the performance of contracts made by its agents acting within the scope of the their authority. The small business owner is also liable for fraudulent, negligent, and other wrongful acts of an agent if they are executed within the scope of the agency relationship (Longenecker and Moore, 1987).

Small businesses should consider establishing a legal compliance program. All employees and officers of small businesses must be aware of the legal implications of their actions as representatives of the company. The general business attorney can draft employment agreements and help develop legal compliance programs that include, legal audits, legal compliance manuals, employee seminars, form letters, checklists for routine transactions, established procedures for record keeping, and file management (Sherman, 1997).

Governmental regulations, federal, state, local and international, can be overwhelming to a small business. First, the small business owner must know there are regulations, adhere to those regulations, and complete all the required paperwork (Batterson, 2000). Jere W. Glover, Chief Counsel for Advocacy, U.S. Small Business Administration, and a spokesperson for the small business, testified before the U.S. Senate, Committee on Governmental Affairs: "Paperwork and reporting requirements are a major cost problem for small businesses. Small companies do not have specific staff to complete the myriad of reports required by government. Often it is the owner or the CEO who must take on this task, making it a very high cost activity for small business, diverting a valuable resource from running the business to an activity that does not generate revenue or contribute to the firms output . . . .The proposal [S. 1378] recognizes an implicit truism, namely that small businesses do not have the resources to track all paperwork requirements and are likely to learn of their legal obligations for the first time when an investigator walks in their door" (Glover, 1999, pp. 1-3).

Glover (1999) went on to state how the cost of governmental paperwork never disappears from the books and produces and inequitable cost allocation between small and large firms that give the larger firms a competitive advantage in the market place. The advice of a legal professional familiar with the industry of the small business and the types of governmental regulations that effect it is needed at the startup at the business, at times when the business makes costly changes, and at periodic intervals to ensure compliance of those regulations.

Business owners should familiarize themselves with consumer protection laws, including rules against deceptive advertising and pricing and consumer credit law, if the business extends credit to its customers. There are many laws—federal, state, and local-enacted to protect the consumer (Smith, 1982). The advice of legal counsel may be needed to educate the small business owner in order not to violate the consumer's rights and also to inform the small business owner of his or her rights.

International commerce is the norm rather the exception in this economy today. As President Clinton (1997) stated, his administration has led the nation in the global market with 240 trade agreements that removed foreign barriers to U.S.-made products. This measured was particularly aimed at the small business owner. President Clinton recently took steps to create a task force to help small businesses take advantage of improved trade relations with China, Africa and the Caribbean Basin. Under this recent legislation, the U.S. lowered trade barriers with China and fifty-eight other nations. With international commerce come additional legal issues with the other country's laws and regulations. If difficulties arise in the foreign business dealings the small business owner may need to look for protection of their financial interests through the international legal system. It is important to have the expert skill of an attorney familiar with international commerce to negotiate the numerous, complex aspects of international business transactions and include in such contracts and agreements precautions that can be enforced through the international legal system (McCubbins, 1994).

Almost all-small businesses will at some time enter into a contract. It may be in writing or could be verbal. In the actual operation of the small business, depending on the industry, it will face different types of contracts from leasing building space to agreements with suppliers, distributors and end users to real estate. "Contract law is the legal foundation upon which the normal course of business dealings is constructed" (Boone and David, 1976). A general business attorney who is proficient in drafting contracts can be instrumental in reviewing contracts for their legality, enforceability, and if they accomplish their purpose. If a party breaches the contract there are legal remedies and statutes of limitations that the small business owner needs to be aware (Longenecker, 1987). It is important to contact legal counsel as soon the small business owner is aware of the breach or even a possible breach of the contract to ensure that the statue of limitations does not run out.

Negotiable instruments are a common part of business. Negotiable instruments are credit instruments that can be transferred from one party to another in place of money, such as promissory notes, drafts, trade acceptances, and ordinary checks (Longenecker, 1987). Like contracts, some of the more complicated negotiable instruments need to be reviewed by an attorney for their legality, enforceability, and if the accomplish their purpose.

Patents, trademarks and copyrights are business assets that should be carefully guarded by the owner (Boone, p. 551). A patent is the registered right of an inventor to make, use, and sell an invention. A trademark is a word, figure, or other symbol used to distinguish a product sold by one manufacturer or merchant. A copyright is the registered right of a creator (author, composer, designer, or artist) to reproduce, publish, and sell the work which is the product of the intelligence and skill of that person. (Longenecker, pp. 246-249). According to the U.S. Small Business Administration, of the 4.5 million workers in high technology occupations (scientists, engineers, computer programmers and analysts), more than thirty nine percent worked in small firms in 1996. Innovations are expected to increase in small high-tech firms because of the Small Business Innovation Research Program (SBA, *The Facts About Small Business, 1999*). The patent, trademark and copyright each have an application and registration process with a governmental agency to ensure their protection. Legal counsel specialized in these areas of law can complete the application and registration process quicker and easier than if the small business took on the task itself.

It is also important to put safeguards and procedures in place that will protect a company's technological resources and assets today and in the future. Creative industries are open to rights disputes because of the workforce turnover, the intangible nature of these assets, and the complexity of the laws. Small companies can rarely afford to fight these disputes because of the high cost both in money and time (Eaglesham, 2000). Legal counsel can be used to draft practices, policies and agreements that assist the company in developing and implementing programs to safeguard the company's "proprietary information, processes and products" and help develop a program to protect technological knowledge and resources from being misused (Gegenheimer and Glaze, 2000).

In most small businesses the time will come when it decides to file a lawsuit, there is a lawsuit filed against it, or arbitration is demanded. In any event, litigation can be very costly to a small business both in time and money. Litigation take the owners and employees away from operating the business to attending meetings with attorneys, gathering documents and information, appearing at depositions, attending arbitration and mediation proceedings and/or attending court proceedings. A trial can last from one day to several months. The small business will also be running up expenses not only for the attorney's billable time, but also for expenses that can be very costly. Finding a competent trial attorney is an important factor when a lawsuit is involved. Equally important is finding a trial attorney that the small business owner can trust and work with (Curtin, 1982). The attorney usually requires a written engagement or representation agreement that sets out the understanding of the matter being handled, the basis of the attorney's fees to be charged, and how payment of the fees and expenses will be handled. A retainer is sometimes required before the representation commences (Burton, 1992).

Continuation of the company after the owner's death is one of the most current issues today. What happens to the business in the event of the owner's death? A small business owner builds a successful company and then upon his or her death the death taxes are so high that family heirs often lose the business (Batterson, 2000). Clausen (1999) recently reported that few family businesses survive into the third generation. According to Claussen (1999), Only thirty percent survive for more than one generation, 15 percent last for two generations, and 1 percent survive for three or more generations. He further reported that the leading causes so many family businesses fail are: unresolved family discord and indifference; bad management, including lack of leadership and training, lack of or inadequate business succession and wealth transfer planning, high taxes (death and income taxes), unforeseen catastrophes, and other problems (environmental liability, natural disasters, labor strife).

It is important for the small business owner to formulate a formal succession plan to ensure the continuation of the business after his or her death, whether to pass it on to the next generation or sell it. Succession planning is a process developed to guide the owner and his or her family in successfully continuing the family business. It includes business management, financial management, stock ownership and family participation planning. The business attorney can assist the family business advisor in planning this process (Clausen, 1999).

Sometimes it is necessary for the small business to come to an end either voluntarily or involuntarily. Terminations, failures, and bankruptcies reported by the Small Business Administration for 1997 were 994,283. Further statistics of the Small Business Administration show that most small businesses fail during the first few years, twenty percent within the first and second year after startup (*State of the Small Business: A Report of the President, 199*8). Careful planning must be done for dissolution just as it was done for the start up.

If a business chooses to file for bankruptcy, it takes many months of planning with professionals, accountants, and attorneys before filing takes place and then the bankruptcy process can take a year or more. The business owners must take into consideration the chapter (liquidation or reorganization) it will file under. Also, if the business is a partnership, personal bankruptcy proceedings are usually initiated simultaneously because as a matter of law the partners are personally liable for the business debts (Campbell, 1997). Only ten to fifteen percent of small companies choosing bankruptcy reorganization emerge with a plan of reorganization and more than half of those, end up liquidating within five year (Campbell, 1997). An important factor to those statistics is the fact that bankruptcy administrative costs averaged more than eight percent of total asset book value of the small business, while large publicly traded firms averaged almost three percent of firm book value (Campbell, 1997).

TYPES OF LEGAL REPRESENTATION

Realizing that the small business owner needs competent legal counsel for many different matters, it can be interpreted that it also needs different types of legal counsel to represent it. Legal representation falls into three general areas: (1) in-house counsel that could be a staff employee or an officer, (2) general representation--legal counsel hired outside of the firm to handle common/routine matters, and (3) counsel hired for specific and/or complex legal matters. The small business must decide the most cost-effective and economically feasible method of legal representation without compromising the integrity of the company. This could result in utilizing one or a combination of any of the three types of legal representation.

In-house counsel is part of the company and can be either an employee or officer. An in-house counsel fills multiple rolls as employee, attorney, and client. As an employee of the company, his or she is a businessperson looking to keep costs down and profits high. Particularly in smaller companies, or those that have a major legal aspect to their business, the in-house attorney is often a part of the important decision making events within the company (Craig, 1991). As an attorney representing the best interest of the client, the company, the in-house counsel must be able to focus on the legal representation of each matter. In-house counsel is also the client, as the representative of the company, when reviewing matters with outside counsel (Craig, 1991).

In-house counsel is usually a salaried employee of the company. This could be very costly depending on the years of experience and the benefits and perks given to professional employees. Depending on the nature of the small business, having the resources of in-house counsel may be essential to the daily or seasonal operation of the small business. It is usual procedure in large corporations for all contacts to be completed through in-house counsel (Craig, 1991). If contracts were a daily operation of the small business, then an in-house counsel would not be an added expense, but an integral part of conducting business. On the other hand, if contracts come up occasionally or only during a certain time of the year, in-house counsel would be an unnecessary added expense for the remainder of the year.

General Counsel for Home Interiors & Gifts, Inc., Tina Simon, says working as an in-house lawyer gives her the opportunity to work not only as a lawyer, but also as a part of the company's business team. In 1999 she spent most of her day working on real estate transactions. Ms. Simon says the challenge for 2000 is helping the company move into cyberspace. "My job is to make sure there aren't any pitfalls." Because Ms Simon is the only in-house lawyer at Home Interiors, she sees herself working as a solo practitioner in some ways, but in other ways as part of a team with outside counsel working with her (Jeffreys, 2000a).

In-house counsel for Taco Cabana, Becky Rainey, says she sees her role as making it easier for the other employees to do their jobs. Ms. Rainey considers her function as support and the other department heads has internal clients. Ms. Rainey says she leaves business decisions up to other executives at the company, although she makes recommendations on the best course to take under the law. Though she hires outside counsel to defend Taco Cabana in litigation, she keeps up with the status of the lawsuits by reviewing all pleadings and documents in the cases (Jeffreys, 2000b).

Although, there are several approaches to keeping in-house counsel costs down. One approach is the professional temporary staffing. The temporary help industry has moved from clerical help to the professional help of certified public accountants and attorneys. The downside is that these professionals are usually in the first years of their career and gaining experience.

Another alternative where legal proceedings are a common part of the business is where in-house counsel works as co-counsel with outside counsel. From this alternative, the relationship of in-house counsel and outside counsel is a team, working together for the good of their common client, the company (Craig, 1991). This practice would keep costs down by hiring an inexperienced in-house counsel to do most of the legwork and the more experience outside counsel handling the more complex areas.

A small business owner needs to have competent and compatible general business legal counsel for those legal issues in its business that come up routinely. Most of the attorney's contribution is to provide information for specific questions, review contracts or other documents, and for legal counseling. This attorney-client relationship should be a continuing one (Longenecker, et al, 1987). The attorney will not only be providing legal counsel but also business advice, "and it is rarely clear when the advice crosses over from one to the other" (Craig, 1991).

There is no easy way to choose an attorney. Once an attorney receives a license to practice law he or she is considered competent to practice in all areas of law, with a few exceptions (Curtin, 1982). Some attorneys obtain specialized certification, which gives the client some assurance that the attorney is specially competent in that area, but other attorneys who are not certified can be equally or even more competent in that area of law. When choosing an attorney, the small business owner should look for someone whom he or she believes can do the job. The small business owner also wants and attorney he or she can work with and whose fees are reasonable (Curtin, 1982).

It is wise for the small business owner to develop a long-standing and on-going relationship with a business lawyer. The business attorney being familiar with the business will make him or her more efficient and effective in handling its matters (Smith, 1982). Once an attorney-client relationship is established, the client should utilize the attorney's services promptly whenever the need arises (Longenecker, et al, 1987).

There are many pitfalls and problems in business that legal counsel is advisable. The small business owner should have a lawyer review any leases or contracts before signing them. If there are problems with creditors or legal documents need to be reviewed, the advice of a competent business lawyer that the small business owner trust is indispensable. Another area that a good business lawyer is valuable is that of objective negotiation. The small business owner will encounter many situations in which he or she cannot be subjective. A good business lawyer can remain emotionally detached from the situation and focus on the objective of the negotiation (Smith, 1982).

A newly innovated ideal that larger firms are using and that can also be utilized by smaller firms is the "convergence" ideal. It is the process of consolidating work with proven cost-effective outside counsel this is believe to achieve a better return on services and prices by competitively bidding requirements for litigation counsel (Cuykendall, 2000). The business sends out requests for proposals to solicit law firms called "primary providers" to represent the company in specific matters or specific areas. The law firms that are interested in this arrangement returns a bid proposal to the company and the company makes the final selections. An example would be if the small business had a lot of collection work it would send out a request for proposal to law firms that it has investigated or done business with in the past. Those law firms that are interested in this relationship would send the company a proposal of how it views the relationship, how it would represent the company in this matter, what it would charge for attorneys fees, what it would charge for its in-house expenses, how it would keep outside costs down, and how it would bill the company. From the receipt of these proposals, the company would then make a choice of which law firms to give the business to (Cuykendall, 2000).

For the small business that has only occasional contracts to review and needs only occasional legal advice concerning the business, a general business counsel hired on an hourly basis would be all that is necessary. When more unusual, specific, complex legal situations arise then general counsel can advise and help in obtaining a legal specialist. An attorney hired for a specialized or complex legal issue will have extensive experience and be highly competent in that area of law. It is important for the small business owner to check out the references, credentials, and history of that attorney (Longenecker, et al, 1987).

As a company grows, there will be an increase in the number of its relationships and chances of business conflicts. Most business owners wish to avoid courtroom battles, they would prefer marketplace battles or boardroom battles. Good planning, understanding of legal issues, a good working relationship with legal counsel, and a well-managed legal compliance program will contribute to reducing the risk of litigation (Sherman, 1997). Whether the small business owner is the plaintiff (files suit) or the defendant (being sued) alternatives such as mediation or arbitration should be considered as opposed to going to trial.

When the small business owner ends up in litigation, the problem at the heart of the matter frequently involves business issues rather than legal issues. The small business owner might want to consider minimizing legal expenses by taking charge and contacting the executive on the other side of the suit and use legal counsel only to put the agreement in appropriate "legalese." The goal is it minimizes any drain on the corporate assets and avoids a trial. The company business attorney can be used in an advisory capacity to map out alternatives and cover the most important issues, probable costs for litigation, and likely outcomes (Clark, 1999).

Litigation is very expensive, especially for complex matters, which usually requires the retainer of expert witnesses. A competent attorney in his or her area of expertise can give an estimated range of the expenses, attorney's billable hours, and time frame involved. He or she will also be familiar with past cases and their outcomes and any legal precedents that have been set. Another concern for the small business owner is what effect this would have on its public relations. Also, the attorney, although not be able to predict the outcome of litigation, he or she can give an educated estimate of the outcome and also give a rundown of alternatives to trial, such as arbitration or mediation (Sherman, 1997).

THE COST-EFFECTIVE USE OF THE LEGAL COUNSEL

The small business must find the most cost-effective, cost-efficient and economically feasible method of legal representation without compromising the integrity of the company. This could result in utilizing one or a combination of any of the three types of legal representation. The business owner's goal is to minimizing the legal expenses without jeopardizing the desired result.

Preplanning the formation of the company, its capitalization, operation, and the unexpected problems of the business are essential to being able to utilize legal counsel in the most cost-efficient and efficient manner.

To reach any goal in business, including legal representation, an action strategy process is necessary. Strategy is a plan of action that is a sequence of means to achieve a goal and the function of that strategy is to determine the appropriate action to uncertain situations. (Frese, p. 2). According to the study by Frese, et al (2000), of the five different strategy approaches to business, the optimal combination of strategies for small businesses are the Critical Point and Opportunistic Strategies.

Critical Point Strategy concentrates on the most difficult, unclear, and important point. Only after solving the first critical point are further steps planned. There is a clear goal in mind and the concentration is on the relevant task. Critical Point Strategy requires being highly focused on the goal (Fres*e*, et al, 2000). Small business owners who can concentrate on the most important or difficult part of a situation will do best in their business (Fres*e*, et al, 2000). Opportunistic Strategy involves some degree of planning but deviates from the plan when opportunities arise (Fres*e*, et al, 2000). While there is a certain amount of local planning in the Opportunistic Strategy, it offers the risk of losing sight of goals or letting goals be determined by the opportunities. On the other hand, the Opportunistic Strategy is much more practical .The small business owner needs to be highly responsive to situations that arise and be ready with a plan. This can be achieved by using the opportunities at hand. The best way to plan for legal issues is the combination of Critical Point and Opportunistic Strategies-- planning with a clear concept of what is important, combined with a quick reaction to the opportunities (Fres*e*, et al, 2000).

Developing these strategy characteristics to plan the small business and to carry them over to planning for the legal issues the business will face will create a smooth operation of the company in routine matters and head off problems during a crisis. It will also help in achieving the goal of being cost-efficient and cost-effective.

CONCLUSION

The United States is in an economic growth period with small businesses being the foundation of that growth. There are many legal issues facing the small business owner today. All small businesses need the counsel of a general business law attorney, whom the owner believes to be competent, that he or she can work with, and the fees are reasonable. The small business must find the most cost-efficient method and efficient methods of utilizing the legal profession to meet these legal issues. The three basic types of legal representation, in-house counsel, general business counsel, and outside counsel for specific and complex matters, can be utilized in a combination unique for a particular business. The small business must find the optimal combination of these types of representation in order to meet its goal of utilizing legal counsel in a cost-efficient and effective manner. This is accomplished through planning its legal strategies in the same manner that it plans the rest of the business needs.

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TOWARD A TYPOLOGY OF ENTREPRENEURIAL ACTIVITIES

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ABSTRACT

This paper suggests a new approach to classification in the field of Entrepreneurship. Prior efforts have attempted to classify types of entrepreneurs or types of entrepreneurial ventures. This paper suggests that classifying types of entrepreneurial activities offers some significant advantages to the other two alternatives. This paper then presents a hierarchial Typology of Entrepreneurial Activities. It identifies several "classification factors" or attributes on which entrepreneurial activities can be classified into archetypes, and identifies ten classes of archetypical entrepreneurial activities.

This typology can help empirical researchers include in studies only those entrepreneurial activities they wish to examine. It is also a useful teaching tool, helping students understand the different types of "entrepreneurship."

INTRODUCTION

Carland, Hoy, Boulton, and Carland (1987) attempted to differentiate between the small business manager and the entrepreneur. Gartner (1989), in response, suggested that rather than trying to define the entrepreneur, we should, instead, be trying to define types of entrepreneurship.

Gartner, Mitchell, & Vesper (1989) used cluster analysis to develop a taxonomy of types of new business ventures. Their analysis developed eight new business venture gestalts, or types of new business ventures, based upon the answers by entrepreneurs to nineteen questions concerning their background, organization structures and strategies of their ventures, the competitive environments in which the ventures were created, and the process used to create the venture. The eight gestalts are: 1) Escaping to something new; 2) Putting the deal together; 3) Roll-over skills/contacts; 4) Purchasing a firm; 5) Leveraging expertise; 6) Aggressive service; 7) Pursuing a unique idea; and 8) Methodical organizing.

Although the taxonomy developed by Gartner, et. al (1989), shed light on why and how entrepreneurs set about founding new ventures, it made no attempt to classify types of entrepreneurial activities, including entrepreneurial activities undertaken within existing organizations, sometimes called Corporate Entrepreneurship. Meanwhile, a special issue of the Strategic Management Journal edited by Guth and Ginsberg (1990) left no question that some activities that are carried on within the confines of existing organizations should be considered entrepreneurial activities.

One problem with classifying types of entrepreneurs is that a given individual may undertake many different types of entrepreneurial activities and form many different types of ventures during a career. Classifying individuals into classes implies that any individual will utilize the same approach to all ventures over time and will use the same approach to all ventures he/she is founding at any given time. Classifying an individual as a certain type of entrepreneur also implies that he/she is engaged in entrepreneurial activity throughout his/her life – i.e., "once an entrepreneur always an entrepreneur." In actuality, many "entrepreneurs" found businesses and shortly thereafter settle into managerial roles, running their ongoing organizations. Others undertake a series of entrepreneurial ventures, each with different goals and a different approach, based on the learning that took place in earlier spurts of entrepreneurial activity. Still others found a venture, run that business for several years, and then found another venture. In other words, entrepreneurial activity may be undertaken in spurts, with periods of low entrepreneurial activity between them.

In the same way, classifying entrepreneurial ventures into classes ignores the fact that a given organization may undergo several types of entrepreneurial activities and rebirth during its organizational life interspersed with periods of low entrepreneurial activity and stability.

CLASSIFYING ENTREPRENEURIAL ACTIVITIES INSTEAD OF TYPES OF VENTURES OR TYPES OF ENTREPRENEURS

This papers suggests a new approach to entrepreneurship classification. Instead of classifying types of entrepreneurial ventures or types of entrepreneurs, as has been attempted in the past, this paper suggests an alternative approach, classifying types of "entrepreneurial activities."

The classification of types of entrepreneurial activities instead of types of entrepreneurs has the advantage of acknowledging that an "entrepreneur" may undertake several different types of entrepreneurial activities at different times in his/her career, or even simultaneously in different organizations or ventures. This approach also recognizes that "entrepreneurs" are not engaged in entrepreneurial activities at all times during their careers.

The classification of types of entrepreneurial activities instead of types of ventures has the advantage of acknowledging that a particular organization may experience several different types of entrepreneurial activities over its life and organizations that are undergoing the transformational influence of entrepreneurial activities at some points in time may not be under the influence of entrepreneurial activities at other points in time. As an example, Apple computer experienced one type of entrepreneurial activity under Steve Jobs and a completely different type of entrepreneurial activity under John Scully.

Many studies have explicitly or implicitly acknowledged the fact that there are different types of entrepreneurial activities and that these different types should not all be lumped together in empirical research (Sandberg, 1984-86; McDougall, 1987; Birch, 1987; Kunkel, 1991, to name but a few). These studies actually classified types of entrepreneurial ventures based on the types of entrepreneurial activities that were taking place in the organizations at a particular time, ignoring the fact that those same ventures might undergo different types of entrepreneurial activity at different times in their existence.

Nonetheless, the above studies acknowledged that, because of the different environments within which entrepreneurial activities can take place and the different motivations of the entrepreneurs, the goals and performance of organizations influenced by entrepreneurship will be significantly different between diverse classes of entrepreneurial activities. Organizations behave differently when acted upon by different types of entrepreneurial activity. For example, Birch (1987) has shown that there are significant differences between the motivations, performance, and economic impact of new ventures that are founded with the goal of "income substitution" and those that are high growth-potential ventures.

When building data bases for empirical research, it is important for researchers to control for differences in the characteristics of the organizations they study which result from differences in the type of entrepreneurial activity being undertaken within them. For example, a study using a data base which included both income substitution ("mom ‘n' pop") and high growth-potential independent new ventures could find that the differences between these two types of organizations confuse, dilute, and mask the significance of the findings that such a study would have produced had the researchers controlled for type of entrepreneurial activity.

The development of a typology of entrepreneurial activity archetypes can provide empirical researchers with a tool to ensure that only activities and ventures from the classes of entrepreneurial activities they wish to examine have been included. In addition, by using such a typology, studies will be able to clearly specify to which classes of entrepreneurial activities their findings can be generalized.

The existence of such a typology of entrepreneurial activities would also improve the teaching of entrepreneurship. Many entrepreneurship courses are taught as if there were only one type of entrepreneurial activity – the founding of growth-oriented, independent new ventures. Such a limited view distorts the presentation of material to students and decreases the instructor's ability to show students that there are many different types of entrepreneurial activity, that each type of entrepreneurial activity requires different resources and skills of the entrepreneur (the performer of the entrepreneurial activity), and that the risks and the rewards of different types of entrepreneurial activity may be different.

BUILDING A TYPOLOGY OF ENTREPRENEURIAL ACTIVITIES

There are a number of different definitions of the terms entrepreneurship and entrepreneur. Some definitions insist that all entrepreneurship must result in the founding of a new venture; other definitions allow entrepreneurship to take place within the context of an existing organization. Guth & Ginsberg (1990) provided a broad and flexible definition of corporate entrepreneurship that can be extended to include independent entrepreneurship. They stated that:

The topic of corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them: (1) the birth of new businesses within existing organizations, i.e. internal innovation or venturing; and (2) the transformation of organizations through renewal of the key ideas on which they are built, i.e. strategic renewal (p. 5). Add a third class of activity, i.e. "(3) the birth of new businesses formed outside the auspices of existing organizations," and this definition adequately covers both corporate and independent entrepreneurship.

A hierarchial classification system, using different classification factors or attributes at each level of the hierarchy, makes it possible to build a Typology of Entrepreneurial Activities that includes both the founding of new business enterprises and entrepreneurial activities that take place within existing organizations. Table 1 presents a Typology of Entrepreneurial Activities.

THE FIRST CLASSIFICATION FACTOR: CONTEXT OF THE ENTREPRENEURIAL ACTIVITIES

The first level of analysis in this typology classifies entrepreneurial activity on whether it is undertaken within the structure and context of an existing organization (Corporate Entrepreneurship) or by an individual or team of individuals independent of an existing organization (Independent Entrepreneurship). Weiss (1981) pointed out some significant differences between independent new ventures and new ventures founded by corporations.

The data show a distinctly different performance after the second year. By the eighth year, businesses started by individuals (ISU herein) enjoy a performance advantage over corporate ventures (CSU herein). . . On average, ISU businesses have reached profitability in half the time that CSU businesses have: 3.5 years versus 7 years (p. 38).

Vesper (1983) noted:

> there are also data indicating that when individuals or small groups undertake new ventures they are more successful than when established companies try it. Venture (June, 1980, 42) reported that independent entrepreneurial start-ups on the average reached breakeven sooner, achieved higher ultimate profits and return on investment, and produced higher sales than corporate internal start-ups, particularly after two years (pp. 31-32).

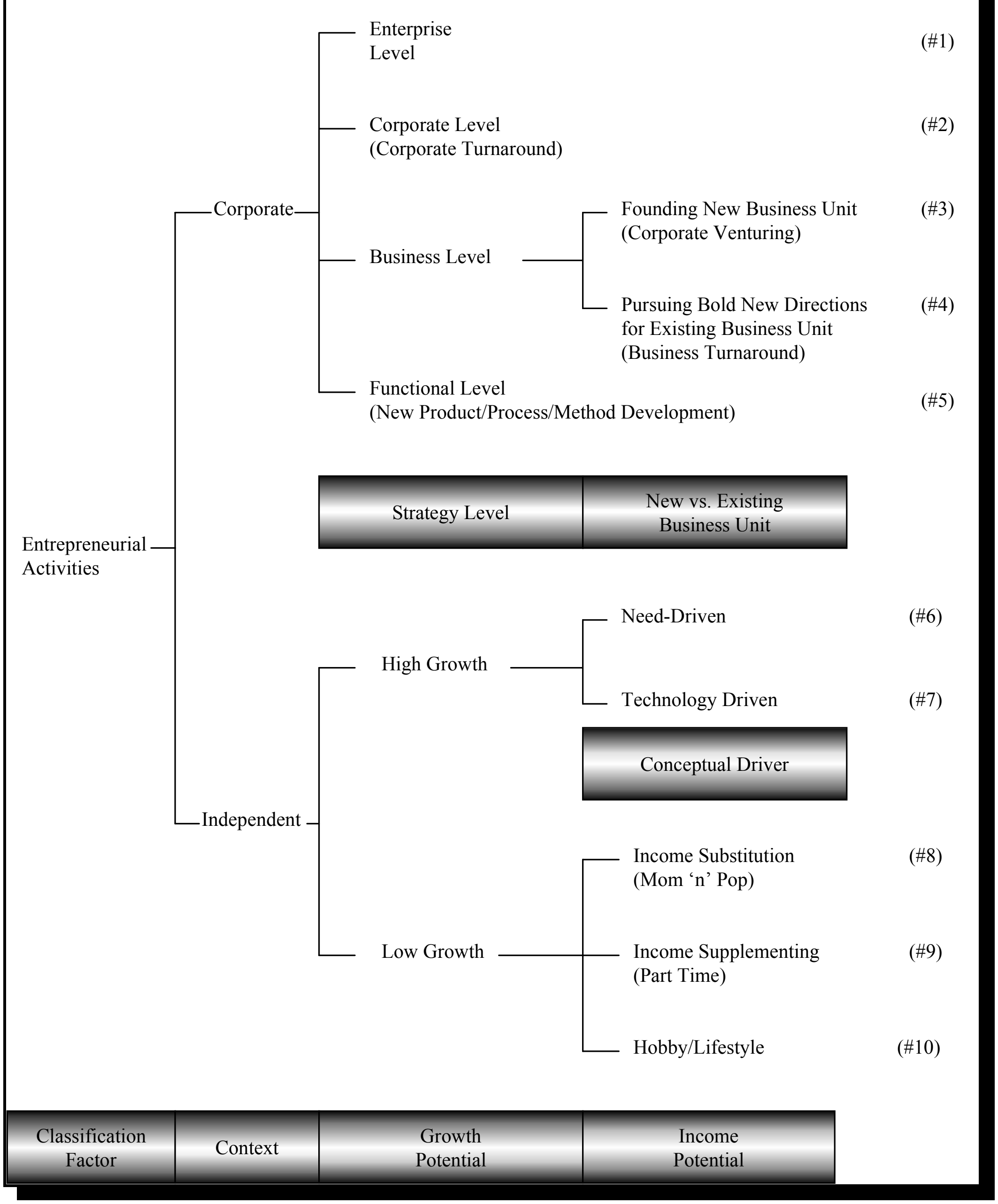
Hofer & Sandberg (1987) speculated as to why independent new ventures may achieve profitability much sooner than corporate start-ups. First, "established organizations tend to go ‘first-class' in their new ventures to a far greater degree than do independent startups," and second, "established organizations tend to enter larger markets that have stronger, more established competitors than do independent startups" (p. 18).

Another explanation for the differences in performance between independent and corporate startups may lie in the differences in the motivations, incentives, and risk/reward attitudes between independent startup entrepreneurs and corporate managers. Independent venture owners generally have a greater equity interest in their ventures than corporate venture managers; they have more to gain by a large success, whereas bankruptcy limits the downside risk of failure.

Corporate cultures, compensation systems, and evaluation systems may restrict a corporate-startup manager's ability and propensity to "go for broke," decreasing the incentive for a big success and increasing the disincentive of a big failure versus a small failure. The systematic

Table 1

A Hierarchial Typology of Entrepreneurial Activities



differences in motivations of independent entrepreneurs and corporate new venture managers have yet to be empirically documented.

Regardless of the reasons, there appear to be significant differences between entrepreneurial activity undertaken within an existing organization and entrepreneurial activity undertaken free of the influence of an existing organization. Therefore, the first level of differentiation of entrepreneurial activities is the context of the entrepreneurial activity, Corporate versus Independent.

Since entrepreneurial activities that take place within the corporate and independent contexts are so different, it is only reasonable that different classification factors or attributes should be used to further subdivide each of these classes.

SUBDIVIDING CORPORATE ENTREPRENEURSHIP

The field of Strategic Management has long used "strategy level" to subdivide the strategy setting task of management into classes, i.e., enterprise level strategy, corporate level strategy, business level strategy, and functional level strategy. Since the "entrepreneurial role" is one of the key roles of strategic managers (Mintzberg, 1973), and "strategic renewal" is part of the definition of corporate entrepreneurship presented by Guth & Ginsberg (1990), it is reasonable to subdivide corporate entrepreneurial activity into four levels, corresponding to the four levels of strategy making: Enterprise-Level Entrepreneurial Activity, Corporate-Level Entrepreneurial Activity , Business-Level Entrepreneurial Activity, and Functional-Level Entrepreneurial Activity.

This typology borrows the terms "enterprise-level," "corporate-level," "business-level," and "functional-level" from the field of Strategic Management. For clarification of the differences, "enterprise-level" decisions deal with the raison d'etre for the existence of the organization, the mission and value system which identify the propose for which the organization exists. "Corporate-level" decisions deal with the issues of deciding what businesses or activities the organization wishes to engage in and how these business units should be organized, related to one another, and evaluated. "Business-level" decisions deal with the issues of how each business unit chooses to compete in the industry in which it competes. "Functional-level" decisions look within the business unit and deal with how each functional skill (marketing, operations, finance, human resources, R&D, etc.) can contribute to the accomplishment of the "business-level" strategy.

Enterprise-Level Entrepreneuring

Enterprise-level entrepreneuring is the total redefining of the purposes for which the organization exists, the raison d'etre for the existence of the organization. Enterprise-level entrepreneurial activity is called for when the purposes for which the organization exists become recognized as either being unattainable or obsolete.

An example of enterprise-level entrepreneurial activity is shown in the way in which the March of Dimes redefined its organizational purpose and reason for being after the Salk polio vaccine made it's identity with finding a cure for polio obsolete. Had the organizational leadership not been able to find a new reason for being that was acceptable to their stakeholders, the organization could easily have become obsolete itself and ceased to exist since its purpose had become obsolete (fulfilled). However, finding a new definition of the reason for the organization's existence in the fight against birth defects created a new life and a new identity for the organization.

Corporate-Level Entrepreneuring

Building on the definition provided by Guth and Ginsberg (1990), at the corporate level entrepreneurial activity can be defined as the radical restructuring of the portfolio of business units that make up the corporation, or the transformation of the organization through renewal of the key ideas on which it is built. This type of entrepreneurial activity can be called "Corporate Turnaround."

Keep in mind that it is not necessary for a corporation to be suffering losses or even to be diagnosed as having a problem for a corporate turnaround to be initiated. For example, Jack Welch undertook a total restructuring of General Electric at a time when many analysts believed that GE was healthy and not in need of major change.

A Corporate Turnaround is any radical restructuring of the types or mix of business units or how those business units are organized within the corporation's portfolio of businesses. Jack Welch's recreation of GE, Percy Barnevik's remaking of ABB in Europe, and Ben Lytle's restructuring of the lumbering Blue Cross/ Blue Shield of Indiana into the nimble Acordia Group would all qualify as Corporate Turnarounds, one form of Corporate Entrepreneurship.

Business-Level Entrepreneuring

At the business level, it is possible to further subdivide entrepreneurial activity based on whether the entrepreneurial activity takes place within an existing business-level unit or the entrepreneurial activity is designed to bring about the founding of a new business unit.

New business unit ("Corporate Venturing"). Founding a new business unit, sometimes called "Corporate Venturing," is the first form of business-level entrepreneurial activity. This is, perhaps, the most widely recognized form of corporate entrepreneuring. Even scholars who insist on "new venturing" as the only acceptable definition of entrepreneurship accept Corporate Venturing as a form of entrepreneurial activity.

As an example of Corporate Venturing, 3M regularly establishes new business units to house the new products the firm develops. Some corporations have specialized and centralized the Corporate Venturing role by developing new venture divisions whose sole purpose is to develop new business units for the corporation based on the innovations produced by their corporate R&D divisions and/or innovations from the corporation's supplier's.

Existing business unit ("Business Turnaround"). Bringing about the strategic renewal of an existing business unit, sometimes called a "Business Turnaround," is the second form of business level entrepreneurial activity. Transformation of a business unit through the process of Business Turnaround is a form of entrepreneurial activity whether the business unit is one of many in a corporation's portfolio or is the only business unit within a single-business organization.

As in the case of Corporate Turnaround, it is not necessary for a business to be diagnosed as being in trouble in order for a Business Turnaround to be accomplished, although this may be more typically the case. It is also not necessary for the radical restructuring of the organization to be successful for this activity to be considered an entrepreneurial activity, any more than it is necessary for a new venture founding to be successful for the founding attempt to be considered an entrepreneurial activity. Radical restructuring of the product / market / technology mix or the strategic thrust for a business unit would qualify as entrepreneurial activity of the Business Turnaround type. John Sculley's remaking of Apple computer is an example of a Business Turnaround.

Functional-Level Entrepreneuring

Development of new products, new processes, new technologies (either product technologies or process technologies), that result in a strategic renewal of a function or group within an organization, i.e. finding new ways for the unit to do business, are Functional-Level Entrepreneuring. The accounting manager who radically refocuses a stodgy bookkeeping department into an aggressive, service-oriented, customer-driven information group, serving inside customers and outside customers alike, has engaged in Functional-Level Entrepreneuring as much as the champion responsible for the commercialization of a new product.

SUBDIVIDING INDEPENDENT ENTREPRENEURSHIP

Since independent entrepreneurship takes place outside the context of an existing organization, it is logical to assume that independent entrepreneurial activity is, by definition, aimed at forming a new organization – at new venture formation. Therefore, in this section, independent entrepreneurship and new venture formation are treated as synonymous.

The most significant characteristic for subdividing Independent Entrepreneurship is the growth potential of the new venture. Numerous studies on new venture performance have explicitly or implicitly differentiated between "High Growth-Potential" new ventures and "Income Substitution" (or "mom ‘n' pop") new ventures. Some have made this differentiation by simply excluding "mom ‘n' pop" new ventures from their samples. Weiss (1981) specifically excluded "‘mom and pop' shops, purely local businesses, etc." from his sample of independent startups in order to concentrate on "firms which were sufficiently similar in broad business objectives to the [corporate startup] sample to make comparison more meaningful" (p. 52). Sandberg's (1984, 1986) study was designed to intentionally exclude "the founder of an intendedly marginal firm" (p. 34).

One of the most obvious distinctions is between large and small companies, and they certainly behave differently -- General Motors operates on a set of principles unlike those governing the neighborhood delicatessen. We also recognize that [high growth-potential] entrepreneurial firms (as a group) behave differently from income substitutors (Birch, 1987, p. 116).

McDougall (1987) intentionally left small, "income substitution" firms out of her sample, as did Kunkel (1991). Because of the differences in goals and strategic outlooks, and the performance differences recorded in these works, it is apparent that these are significantly different populations that need to be separated for analysis. Therefore, the first classification factor used for subdividing independent entrepreneurship is growth potential.

High Growth-Potential New Venturing

Birch (1987), in commenting on the significant contributions of new and small businesses to the economy, attributes most of these contributions to what he calls "entrepreneurial" (or "high growth-potential") firms, as opposed to "income substitution" firms. However, there are two types of high growth-potential new venture activities, and they can be differentiated by the conceptual driver that motivates the entrepreneurial activity, be it a market need or a new technology.

Need-Driven New Venturing. The first type of high growth-potential new venturing is "Need-Driven New Venturing." The Need-Driven New Venture finds its raison d'etre in the marketplace. An entrepreneur or entrepreneurial team notices an unfulfilled need in the marketplace and sets out to fill it. The entrepreneur may know little about the technology or the product, but he/she can see the need. This fixation on the need frequently leads practitioners of Need-Driven New Venturing to find new and unique ways of satisfying that need, breaking or rewriting the preestablished "rules of the game."

An example of a Need-Driven New Venture is Devon Stores Corporation, based in Carle Place, NY. Incorporated in July, 1979, Devon went public with an Initial Public Offering (IPO) in April, 1983. Devon operates a chain of 33 retail stores specializing in selling consumer durables on credit to U.S. military personnel near military bases in 12 states. They carry only merchandise that the Military Post Exchanges are not permitted to carry such as furniture and appliances and sell on credit to enlisted personnel who often find it difficult to get credit elsewhere because of their youth and lack of credit experience. This venture was founded because the entrepreneurs believed that they saw a need that was going unfulfilled – a need that they could profitably fill.

Technology-Driven New Venturing. The second type of high growth-potential entrepreneurial activity is "Technology-Driven New Venturing." The Technology-Driven New Venture comes into being because of the entrepreneur's desire to make the technology accessible. Many of the high-flyers in the leading-edge technologies are Technology-Driven New Ventures. Rather than seeing a need and looking for a way to fulfill that need, the founders of Technology-Driven New Ventures begin with the technology and then find a way to make the technology need-fulfilling in the marketplace.

For example, when Steve Jobs founded Apple Computer, it was his espoused dream to make computing accessible to everyone, thereby changing the world. California Biotechnology, Inc., of Mountain View, CA., incorporated in December, 1981, IPO in October, 1983, is in the business of biotechnology and genetic engineering. It was founded to bring the technology of genetic engineering to the market and is actively engaged in trying to find need-fulfilling products that can be produced using its gene-splicing technology. When founded, California Biotechnology was an example of Technology-Driven New Venturing.

Low Growth-Potential New Venturing

Low growth-potential new ventures are not as glamorous as high growth-potential new ventures, nor are they credited with the enormous impact on the growth of employment and the economy attributed to high growth-potential new ventures (Birch, 1987). Nonetheless, small businesses, the great majority of which are low growth-potential ("mom ‘n' pop") businesses, "employ 57% of the workforce, produce 45% of the Gross National Product, and create 67% of the new jobs" (Ibrahim & Goodwin, 1986, p. 41). These businesses form the backbone of the U.S. economy.

In Low Growth-Potential New Venturing, the goal is income, not growth. Low growth-potential new venture activities can be classified based on the income potential of the venture into three types, Income Substitution ("mom ‘n' pop"), Income Supplementing (part time), and Hobby/Lifestyle New Venturing.

Income Substitution ("mom ‘n' pop") New Venturing. The first type of Low Growth-Potential New Venturing is Income Substitution ("mom ‘n' pop") New Venturing. An Income Substitution New Venture is founded with the intent of replacing the income of an individual or family. The intent of the founders of Income Substitution New Ventures is not to create an organization that will rapidly grow to major corporate status. Their primary intent is, instead, to generate an income comparable with what the individuals involved in the business could make working for someone else. Not all Income Substitution firms are successful at generating an income comparable with what the individuals could earn from employment with someone else, but that is the reason for creation of the business. Most small family businesses are Income Substitution businesses.

Sometimes negative life events drive an individual or couple to found an Income Substitution firm. Loss of a job, immigration to a new land, etc., can lead individuals, couples, or partners to form ventures which provide an income for their families. Sometimes these ventures are successful enough that they grow into sizeable organizations (the grocery chain or restaurant chain that started with one unit and grew to several units over years). In the Income Substitution venture, however, the reason for the growth is to increase the income and livelihood of the founding owners.

As an example, when the McDonald brothers founded McDonald's Hamburgers, it was an Income Substitution entrepreneurial venture, and since it was a successful venture it grew to be a good sized operation. However, when Ray Kroc bought the franchising rights to the McDonald's formula, the McDonald's Corporation that he built was a High Growth-Potential entrepreneurial venture from the outset, founded with rapid growth and coast-to-coast coverage as primary goals of the organization.

Income Supplementing (Part Time) New Venturing. The second type of Low Growth-Potential New Venturing is Income Supplementing (part time) New Venturing. A classic example of the Income Supplementing New Venture is a consulting business started by a business professor. Most professors who start consulting businesses have no intention of giving up their faculty positions to consult full-time. This desire to keep the consulting business on a part-time basis severely limits the growth potential of the business and impacts the strategies that can be used for marketing and managing the firm. The fact of its being an Income Supplementing venture has a major impact on the entire spectrum of strategies that the firm has available to it.

Hobby or Lifestyle New Venturing. The third type of low growth-potential new venturing is Hobby or Lifestyle New Venturing. Hobby or Lifestyle Ventures are started with the intent of helping the founder to pay some of the expenses of the hobby or activity itself. The venture is not really intended to make a profit, but rather, to decrease the cost of the hobby.

As an example, in many port cities along the Pacific and Atlantic coasts there are numerous sail boat enthusiasts who could not afford their 30 to 40 foot sailboats plus mooring without the income they earn by taking tourists sailing on the weekends for a fee. They spend every weekend on the water, which is their goal, and allow the tourists to help pay for the expenses of upkeep for the boat.

TEN CLASSES OF ENTREPRENEURIAL ACTIVITIES

The above typology produces a set of ten distinct types of entrepreneurial activities, five types of corporate entrepreneuring and five types of independent entrepreneuring. By helping to more clearly define some commonly used terms, this typology helps to tie together and relate terms that have been used disjointedly to describe specific types of entrepreneurial activity without relating them to other types of entrepreneurial activity.

The ten classes of entrepreneurial activity are:

(#1)	*Enterprise Turnaround* – changing the basic value system, rationale, or raison d' etre for the existence of an organization.
(#2)	*Corporate Turnaround* – transformation and strategic renewal of an organization through the radical restructuring of the organization's portfolio of businesses units.
(#3)	*Corporate Venturing* – forming new ventures from within an existing organization.
(#4)	*Business Turnaround* – transforming an existing business unit through the radically restructuring of the business unit's strategic direction and way of competing in its industry.
(#5)	*Product/Process Development* – transforming or radically restructuring a functional unit within an existing business unit through the development of new products, processes or modes of doing business.
(#6)	*Need-Driven Independent New Venturing* – founding a high growth-potential, independent new venture started for the purpose of fulfilling a perceived market need.
(#7)	*Technology-Driven Independent New Venturing* – founding a high growth-potential, independent new venture started for the purpose of commercializing or capitalizing on a particular technology.
(#8)	*Income Substitution New Venturing* – founding a "mom ‘n' pop," low growth-potential, independent new venture intended to replace the income that one or more individuals could have earned from gainful employment.
(#9)	*Income Supplementing New Venturing* – founding a new business started to create extra income on a part-time basis.

(#10)	*Hobby / Lifestyle New Venturing* – founding a venture for which making a profit is not a primary motive in the founding but that is, instead, founded for the purpose of allowing the entrepreneur to pursue a hobby or lifestyle that would not be possible or economically feasible without some contribution from the venture.

UNRESOLVED QUESTIONS

Although the Typology of Entrepreneurial Activities clarifies many points and begins a process of identification of archetypes of entrepreneurial activity, there are still several questions that remain unresolved by the typology. These questions will need to be resolved by entrepreneurship scholars as they continue to research and study the entrepreneurial process.

The first question applies to entrepreneurial activity in general. At what point in the venture founding process does the entrepreneurial activity end and the process of managing an ongoing business begin? Certainly managing a business, large or small, that has not changed in years does not fall within most definitions of entrepreneurial activity. Unless we accept the notion of "once an entrepreneur, always an entrepreneur," then we must establish how we determine at what point the entrepreneurial activity has changed to managerial activity. The question remains unresolved in entrepreneurship literature whether the differences between entrepreneurial activity and managerial activity are differences in kind or differences only in degree.

Mintzberg (1973) suggests that entrepreneurship is one of the primary roles of management. This statement could have one of two different alternative meanings: (1) entrepreneurial activity is a part of the daily, on-going process of managing an organization; or (2) managers must be prepared to use periodic episodes of entrepreneurial activity in order to revitalize their organizations and change the direction of their organizations to keep them competitive in a changing marketplace. Meaning (1) would imply that entrepreneurial activities are merely a subset of managerial activities and that differences in the use of entrepreneurial activities during highly turbulent times versus more stable times may be only a matter of degree. On the other hand, meaning (2) would imply that entrepreneurial activities are different in kind, separate and distinct from the normal daily activities of management, and that the undertaking of those entrepreneurial activities could be classified as episodes of entrepreneurial activity, separable from less turbulent periods of managerial activities.

The Typology of Entrepreneurial Activities provided in this paper is based on the assumption that entrepreneurial activities are different in kind from other, non-entrepreneurial managerial activities, and that managers of existing organization may undertake such entrepreneurial activities periodically within their managerial roles, but that these entrepreneurial activities are identifiable as separate and apart from the normal, day-to-day activities of running an on-going organization. However, this issue has not yet been proven empirically in entrepreneurship literature. This may partly be a function of the emphasis on classifying entrepreneurs and ventures rather than entrepreneurial activities.

Another important point is that the Typology of Entrepreneurial Activities does not attempt to classify types of ventures into classes, nor to classify types of entrepreneurs into classes but, instead, classifies entrepreneurial activities into classes. The implication of this is that it is distinctly possible for a particular venture or organization to undergo several different types of entrepreneurial activity at different times in its life. It is equally possible for an individual to undertake different types of entrepreneurial activities at different times within the same organization or to undertake multiple types of entrepreneurial activity simultaneously within different organizations or ventures.

Hofer (1989) described twelve criteria for judging a typology, and among these is the fact that a strong typology will have taxa (or classification categories) that are mutually exclusive. What makes the taxa of this typology mutually exclusive is the fact that any single entrepreneurial activity can be classified into only one category even though an entrepreneur can undertake many different types of entrepreneurial activities during his/her career (or even at one time) and an organization can experience several different types of entrepreneurial activities over its life.

The major question involving corporate entrepreneurship is: What is the line of demarcation for declaring that one manager of an existing organizational entity has undertaken a "strategic renewal" and another has not? How do we define "strategic renewal"? If we say entrepreneurship is the management of "discontinuity," or "discontinuous change," we then need to define discontinuity.

As yet there are no definitions of entrepreneurship and entrepreneurial activity in the literature of the field of entrepreneurship that clearly lay down lines of demarcation for deciding what is and what is not entrepreneurship. By breaking down entrepreneurial activities into distinct classes with more specific definitions, this Typology of Entrepreneurial Activities take a step in the direction of clarifying such definitions. Nonetheless, these definitions are not yet fully operationalized.

There are several questions that arise concerning independent entrepreneurship. At what point in the founding of an independent business entity does the entrepreneurial activity cease and small business management begin? Since it is possible for a business to change over time from a hobby business to income supplementing to income substitution, even to a high growth-potential business, it seems logical that the process of making such changes in an existing organization be considered episodes of Corporate Entrepreneurship, since they take place within the context of an existing organization. Are such changes entrepreneurial activity at all? Does every such change in the goals and purpose of a business indicate another episode of entrepreneurial activity?

To indicate the difficulties inherent in any classification system of entrepreneurial activities, look at Wal-Mart, the world's largest retailer. Did Sam Walton found Wall-Mart as a high growth-potential new venture, or was it originally a single store, income substitution venture? Did it just do what it did so well that it grew far beyond anyone's expectations? Was the process of all that growth simply good business management without entrepreneurial activity after the original episode of entrepreneurial activity that resulted in the founding of the first store, an income substitution venture? Were there other periods in the growth of Wal-Mart that would be considered episodes of entrepreneurial activity? It is true that Sam himself never claimed to be an entrepreneur – he called himself a merchant.

All of the above questions are difficulties inherent in the process of classifying entrepreneurship, entrepreneurs, or entrepreneurial activities into classes -- they are not specific to the Typology of Entrepreneurial Activities presented in this paper. One question is directly related to the ten classes of the Typology of Entrepreneurial Activities, however. Are these ten types really all significantly different or can several be lumped together for testing and generalizing? This is an empirical question, which can only be answered through empirical investigation and classification.

SUMMARY

This paper first suggests a new way of looking at classification systems in the field of Entrepreneurship. It suggests that a more fruitful approach might be classifying types of entrepreneurial activities rather than classifying types of ventures or types of entrepreneurs.

This paper then presented a Typology of Entrepreneurial Activities. This typology uses terminology that has long been in use in the fields of Entrepreneurship and Strategic Management and fits these terms into an overall classification system of ten classes of entrepreneurial activities derived from six classification factors or attributes of entrepreneurial activity. This paper then presented an analysis of the effectiveness of the Typology of Entrepreneurial Activities using Hofer's (1989) criteria for effective classification systems.

The primary purpose of the Typology of Entrepreneurial Activities is to permit scholars and researchers to include in particular studies only those entrepreneurial activities that fall into the class or classes of entrepreneurial activities they wish to examine and to exclude entrepreneurial activities that belong to other classes which might dilute or confuse the findings. In addition, the existence of the Typology of Entrepreneurial Activities will allow researchers to clearly specify to which classes of entrepreneurial activities the findings of their research can be generalized.

A second purpose for the Typology of Entrepreneurial Activities is as a teaching tool. By discussing these different classes of entrepreneurial activity in entrepreneurship classes, the instructor can help students to understand that there are several different types of entrepreneurship, each calling for different skills and investments from the entrepreneur, and each presenting different risks and rewards. Such an understanding can help students to reconcile what they observe in the many small, "mom ‘n' pop" businesses with which they deal in their everyday lives, and the growth-oriented new ventures they study and read about in the popular business press and in their entrepreneurship classes.

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DETERMINANTS OF TRUST BETWEEN MINORITY SUPPLIERS AND GOVERNMENTAL PURCHASING MANAGERS

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ABSTRACT

The development and conceptualization of the literature on trust have been central issues in determining how exchange relationships are built. A review of this literature reveals that it is important to determine what role trust plays in the selection of a minority supplier. The nature of exchange relationships has taken a new focus due to the growth of a global economy, the development of strategic partnerships, the reduction of supplier bases, the repeal of affirmative action laws, and the emphasis on diversity in the workplace. Since internal as well as external business environments are changing, it is important that minority-owned firms devise business strategies that will enhance trusting exchange relationships with purchasing personnel.

The first objective of this research was to determine the variables that influence trust in salesperson, trust in product/service, and company trust of a governmental purchasing manager's selection of a minority supplier or a non-minority supplier as the preferred vendor. The second objective was to determine whether there is a difference in the amount of trust a minority supplier has to establish to be chosen as the preferred supplier versus a non-minority supplier.

This researcher hypothesized that greater perceived trust would influence the likelihood of a minority or non-minority supplier receiving government business. It was further hypothesized that the minority supplier would have to develop a greater degree of trust than the non-minority supplier to receive government business.

A random sample of 500 purchasing agents was selected from the National Institute of Governmental Purchasing Managers. The sampling criterion required that the respondent be employed in a purchasing capacity for a governmental agency within the State of Florida. These governmental entities included respondents employed by the state, school boards, county, and city governments.

These hypotheses were tested using a one-way analysis of variance, using a .05 alpha level. A 15-item trust scale was used to measure trust in the salesperson, trust in the company, and trust in the product/service.

It was found that trust does appear to be a significant factor in determining whether a minority or non-minority supplier receives business. There appeared to be no difference between the amounts of trust a minority versus a non-minority supplier had to establish to receive contracting opportunities.

INTRODUCTION

The development and conceptualization of trust has been a central issue in supplier relationships. In addition, changes have occurred in the business environment due to the growth of the global economy, diversity issues, supplier reductions, changes in affirmative action programs, and on-line purchasing. These forces are driving governmental agencies to become more efficient in purchasing goods and services in order to meet strategic organizational objectives. Since affirmative action laws are being repealed, compulsory programs are being phased out by many governmental agencies as well as by companies. As a result of the changing business environment, minority owned businesses are encountering a competitive landscape that has changed. Further, these businesses are finding that future reliance on set asides would not be in their best interests. These businesses will need to concentrate on building purchasing relationships with both corporate America and governmental agencies.

The purpose of this study is to make a contribution to the existing literature by exploring the role trust plays in the development of marketing relationships. One of the primary reasons this study is important is because there has been a lack of academic research that examines exchange relationships between minority businesses and suppliers. Marketing literature has also shifted from discrete transactions to a more relational point of view (Webster, 1992). However, a search of the literature revealed that to date no research has established what factors contribute to building trust between a minority business and the governmental purchasing manager. This research hypothesizes that minority businesses will have to work harder at establishing a trusting exchange relationship with the governmental purchasing manager. This premise is based upon the review of a minority business study by Enz, Dollinger & Daily (1990), and a study by the National Association of Purchasing Managers and the University of Arizona (1990). These studies examined factors that contribute to successful corporate business relationships, and an underlying factor was that minority businesses do not meet supplier expectations.

The State of Florida defines a minority business as a company that possesses at least a 51% ownership by a minority person or persons, and the owner(s) must be permanent Florida residents. A minority person is defined as an African American, Hispanic American, Asian American, Native American, or American Woman. These businesses must be independently owned and not have a net worth of more than $3 million. The business cannot have a net income of more than $2 million (averaged over a two-year period). In order to prevent fraud and system abuse, the companies applying for minority status must demonstrate through rigid guidelines and documentation that the business was not acquired by transfer from a non-minority spouse, relative, or employee within a two-year period (Minority Business and Advocacy Office, 1998).

In 1999, Governor Jeb Bush, Florida, instituted the "One Florida Initiative" that addressed diversity issues regarding race and ethnicity in university admissions and contracting opportunities. This initiative eliminated racial preferences, contracting set-asides, pricing preferences, held purchasing personnel accountable for contacting decisions, simplified the minority business certification process, and offer financial and technical assistance to developing minority business growth. Agencies under other administrative controls would continue to operate under previously passed legislative law (Office of the Governor, 1999).

According to a survey, 42.5% of the 500 largest corporations have a minority business program (Morgan, 1995). The National Minority Suppliers Development Council found that 75% of the largest corporations in America contract with minority businesses (New Initiatives, 1994). Foreign automobile manufactures such as Honda, Mitsubishi, BMW, and Mercedes are also buying from minority suppliers (Minahan, 1997). A Conning & Company study found that minority businesses have contributed $475 billion in sales and employed approximately 3.8 million employees (Anonymous, 1998). In 1997, there were approximately 7.7 million women-owned firms (Brooks, 1997). Approximately 621,000 African Americans owned businesses in 1992, and that figure continues to grow (Wendy, 1997). In a 1997 demographic survey, Asian, Pacific Islanders, American Indians, and Alaskan Natives comprised approximately 705,675 of the minority-owned businesses (Measures of Success, 1996).

Some companies have been hesitant to purchase from minority businesses due to a perception that these businesses are unable to acquire a sufficient amount of commercial insurance, sell inferior products, and hire poorly trained employees. These companies may not establish diversity programs due to downsizing of supplier bases and added capital costs. This mindset has contributed to perpetuating a negative image regarding the minority supplier's credibility, business skills, and the ability to participate as a supplier (Minority Supplier Development, 1995).

Marketing theory is shifting to a more relational concept that examines trust, commitment, communication, conflict, reciprocity, relationship longevity, satisfaction, and other key variables. According to Webster (1992), marketing is shifting from transactional exchanges to relational exchanges through strategic partnering. Webster says "In focusing on relationships-though we are still talking about buying and selling, the fundamental activities of marketing-we are now considering the phenomena that have traditionally been the subject of study by psychologists, organizational behaviorists, political economists and sociologists. The focus shifts from products and firms as units of analysis to people, organizations and the social processes that bind actors together in ongoing relationships" (p. 1).

MINORITY BUSINESS LITERATURE

A review of the minority business literature revealed a collection of articles and studies that related to purchasing programs and minority business enterprises. These studies and articles support the hypothesis that minority businesses have to work harder at creating a trusting environment. These programs were initiated by Executive Order 11458 under the Nixon Administration. One of the earliest studies was Guinipero's (1980) doctoral dissertation. The study examined how successful corporate minority business programs are formulated. The findings revealed the programs could be improved by reducing transaction costs, improving negotiation processes, enhancing communication, and setting up timely payment schedules.

The National Association of Purchasing Management and Arizona State University's Center for Advanced Purchasing Studies (1990) examined variables that inhibit exchange between woman-owned businesses and purchasing personnel. Findings revealed undercapitalization, a hostile working environment, poor communication, and high transaction costs inhibited the growth of these relationships. Other findings were corporate purchasing personnel had a lack of confidence in the owner's managerial skills and ability to provide technical support. The woman-owned businesses perceived corporate purchasing personnel as uncooperative in scheduling meetings regarding purchasing opportunities.

In a study by Ketchum, Olson, Campbell & Aquayo (1990), the corporate purchasing programs could be improved by implementing educational programs, certification guidelines, a disclosure of bids, and furnishing a materials list.

Auskalnis, Ketchum and Carter (1995) examined factors that contribute to successful corporate purchasing programs. The most important factor for building a successful program was corporate culture. Other factors that contributed to program success were tracking purchases, attending trade fairs, having an in-house minority business coordinator, and offering supplier counseling services.

In 1996, Swearingen and Plank reviewed the minority business literature regarding the future of minority business programs. It was recommended that minority businesses determine how buying decisions are made. The researchers found that in order for these programs to be successful, it must add value to the purchasing process.

A study by Carter, Auskalnis and Ketchum (1999) examined key success factors that contribute to successful purchasing from minority suppliers. The researchers utilized 12 case studies, focus groups, and mail questionnaires. According to the findings, top management's support was most important. Other important factors were communication, monitoring of minority purchasing, and rewarding purchasing personnel for their efforts in seeking out minority businesses. Set-aside programs did not appear to influence the success of these programs. This study supports the findings of Auskalnis, Ketchum and Carter (1995) and Guinipero (1980). These studies continue to support the finding that these programs will be more successful if top management believes it should be part of the corporate culture and not legislatively mandated.

Most of the previous research has focused on the factors that contribute to successful minority business supplier programs. However, to date, no studies were found that has examined the role trust plays in minority businesses being awarded the supplier contract. The next section will examine the evolution of the trust literature from the psychological, management, and marketing literature.

BEHAVIORAL DEVELOPMENT OF TRUST

The behavioral literature is rooted in the field of psychology. Deutsch (1958) is one of the first researchers to examine the underpinnings of mutual trust between parties. He distinguished malevolent and benevolent trust as well as examining the effects of mutual versus unilateral trust. Hypotheses were developed using a two-person, non-zero sum game to test individual trust in the context of objectives, strengths, communication, and trust. Models for operative, individualistic, and competitive behaviors were examined to differentiate trust and suspicion. The study reinforced the theory that trust is a key ingredient in cooperative relationships.

In 1960, Deutsch continued to examine trust in the context of perceived intentions. Deutsch stated that "…if two individuals are individualistically motivated, and each perceives that the other person is so motivated, they will be more likely to make their contributions to the exchange to the extent that they commit themselves and see the other person committed to offering a contribution to the exchange" (p. 128). Commitment forms a social bond; however, uncooperative intentions will foster a relationship that is not mutually beneficial to the parties.

Solomon (1960) examined relative power and its association to cooperation. It was found that proportional power of the parties foster an environment of trust. Fourteen bi-polar dimensions were identified by Loor and Youniss (1973). Trust and mistrust were identified as one bi-polar dimension. According to Pearce (1974), a trusting relationship is engendered by a positive cognitive state.

Giffin (1967) examined source credibility and defined trust as "…a reliance upon the characteristics of an object, or the occurrence of an event, or the behavior of a person in order to achieve a desired but uncertain objective in a risky situation" (p. 105). Source credibility was defined by five dimensions that relate to a speaker's ethos. These dimensions are expertness, reliability, intentions, dynamism, and personal attractiveness. A scale to measure interpersonal trust was developed by Rotter (1967). Interpersonal trust was defined as "…an expectancy held by an individual or group that the word, promise, verbal, or written statement of another individual or group can be relied upon" (p. 444). According to the findings, high trustors tend to be happier, well adjusted to their environment, and are less like to act in a dishonest manner.

Larzelere and Houston (1980) analyzed interpersonal relationships and trust. The integrity of the scale was analyzed using a sample of dating, divorced, and married couples. It was found that trust is a necessary element of intimacy before self-disclosure and commitment could become a part of the relationship.

These studies are rooted in the psychological literature. It was not until the 1970's that researchers began to examine how trust is related to organizations and its employees.

ORGANIZATIONAL DEVELOPMENT OF TRUST

Researchers began to examine organizational trust, how it relates to employees, and how it could improve the working environment within the organization. The bureaucratic organization was beginning to evolve into a business environment that encouraged employee trust and satisfaction.

Zand (1973) examined conflict resolution and trust. The sample included a low trust group and a high trust group. The conclusions to the study were the high trust group developed communication skills, exchanged information, had a commitment to problem solving, and developed an atmosphere of cooperation. Whereas, the low trust group exhibited suspicion of the leader's motives and withheld information.

Intercultural conflict and trust between American and Japanese firms was examined by Sullivan, Peterson, Kameda and Shimada (1981). The objective of the study was to determine if there were differences in perceived trust using conferral or binding arbitration. It was found that Americans prefer legal contracts, and Japanese prefer having an option of using either method to settle conflicts. It was hypothesized that the Japanese would prefer to use conferral rather than binding arbitration. Another aspect of the study examined cultural differences in making decisions. Americans prefer to use the decision making model of defining the problem, gathering information, examining alternatives, and then choosing the best solution to solve the problem. Japanese prefer to use a group that frames the question and then comes to a group consensus to solve the problem.

Mayer, Davis and Schoorman (1995) developed a model based upon trust and perceived risk-taking. The authors argue that past research has found that cooperation, confidence, and predictability has been associated with trust. They take issue that cooperation may not be a necessary element in a trusting relationship because individuals might choose to cooperate for some beneficial end.

Trust can be influenced by the relative bargaining power of the parties according to Bonoma (1976). Three power systems were developed that included unilateral power, mixed power, and bilateral power. It was found that bilateral power is the most beneficial for productive relationships. It was also found that relative bargaining power is useful in conflict resolution if applied in different social situations.

The organizational literature examines how individuals and groups build relational bonds within the organization. In analyzing the existing literature, it can be inferred that evolving theoretical models are refining the elements of trust. This examination also reveals that trust is not only an important component in individual relationships, but important in an organizational environment as well.

EXCHANGE RELATIONSHIPS AND TRUST

In the late 1970's, the literature evolved once again and trust was examined from the perspective of the buyer/seller dyad. In the 1990's relational marketing was developed due to changes and trends in the business environment. According to Trent and Monczka (1998) trends have evolved and focused on performance and its relationship to costs, quality, time, and delivery. Purchasing is becoming more cross-functional in nature and organizations are plugging in suppliers via the Internet. Another trend is the buyer will measure supplier's performance, and a reduction in supplier bases will become the norm. A review of the relational marketing literature has evolved from being a discrete transaction to building long-term buyer/seller relationships.

This researcher defined salesperson trust as the belief that the salesperson is knowledgeable, dependable, and understands the needs and wants of the buyer. Product/service trust will be defined as the belief that the product/service will meet the company's needs, be dependable, and provide a satisfactory performance. Company trust will be defined as the belief that the company will stand behind the product and have quality salespeople employed by the firm.

Hankansson and Wootz (1979) developed a communication model that examined buyer/seller expectations. From the seller's perspective, communication could be enhanced by an increase in buying choices that would encourage interactive exchanges between the buyer and sellers. This interaction would reinforce the importance of communication that would in turn foster trust, commitment, cooperation, and satisfaction.

Trust was explored in the buyer's perception of the seller's trustworthiness and its influence on concession making processes (Schurr and Ozanne, 1985). A sample of 103 MBA students was utilized by using cooperative and distributive behaviors. Some key findings were seller's trustworthiness enhanced bargaining concessions, increased productive exchange relationships, and source loyalty.

According to Dwyer, Schurr and Oh (1987), exchange relationships develop by using a five-step process that includes: awareness, exploration, expansion, commitment, and dissolution. This model is useful in monitoring the performance and expectations of relational bonding.

Swan and Nolan (1985) contended that trust had not been adequately explored in the sales literature and held past research was rooted in psychological theory. An earlier study by Swan, Trawick and Silva (1985), found that trust included the elements of reliability, commitment, attributes or promises, feelings, beliefs, intentions, and behaviors. These elements of trust are influenced by both internal and external factors. The researchers theorized that past experiences with salespeople would influence the buyer's perception of the salesperson/firm. This attribution by the buyer encourages the seller to be aware of the importance of trust in the relationship. The seller should begin building trust when it is determined that the buyer is open to a relationship with the salesperson/firm.

Trust was examined by Swan, Trawick, Rink and Roberts (1988). Trust was conceptualized by a feeling of trust, a cognitive belief, underlying motives of the salesperson, and the exhibition of trustworthy behavior. Using a two-group sample from the National Association of Purchasing Management, trust was related to dependability, honesty, competence, customer orientation, and likability. Dependability was found to be one of the most important factors in a trusting relationship. The dimensions of honesty were not clear from the study. This was, however, one of the pioneering studies that addressed customer trust of the salesperson.

In 1989, Hawes, Mast and Swan examined the elements of relationship cohesiveness and trust. The objectives of the study were to measure trust by examining the salesperson's perception of buyer's impression of the transaction. Five trust earning components were tested: competence, customer orientation, dependability, honesty, and likability. Using samples from the Manufacturers' Agents National Association, and the National Association of Purchasing Management, it was found that manufacturer representatives put more importance on likability, dependability, and competence. Purchasing managers, however, did not put as much emphasis on likability, dependability, and competence. There were no differences in the group's perception of customer orientation and honesty. This study demonstrated the importance of a salesperson's need to assess the components that foster a successful buyer/seller relationship.

A sales performance model was proposed by Plank and Reid (1994). The researchers contended that salesperson performance was influenced by the relationship with the buyer. This relationship would have an impact on salesperson, product/service, and company trust. According to the researchers, the salesperson performs three types of selling tasks: getting information, using information to create the sales offering, and giving information back to the buyer. According to the findings, using information was the most important driver in sales performance. This research reinforced the importance of listening behavior in the buyer/seller relationships.

Dion, Easterling and Miller (1995) hypothesized that personality factors contribute to salesperson performance. A sample of purchasing agents and salespeople was used in this study. It was found that the salesperson's personality was not related to salesperson performance. Trust was linked to salesperson performance and buyer/seller similarity.

A qualitative study by Smeltzer (1997) examined trust from a literature perspective and a purchasing agent's perspective. Trust was defined when " . . . a trustworthy buyer or seller discloses relevant information when requested, does not change supply specifications and generally acts in an ethical manner" (p. 40). An interview of 19 purchasing agents revealed some of the more important factors in an exchange relationship included consistency, mutual respect, ethical values, and communication. The purchasing agents also said trust was closely related to identity, image, and the firm's reputation due to the growth of buyer/seller partnerships.

The relational marketing literature was further developed by Doney and Cannon (1997). These researchers theorized that selling relationships had not been adequately explored. They found only two studies that had been performed on sales force and supplier strategy. Trust was conceptualized as supplier credibility and benevolence. Five processes were set out: calculative, predictive, capability, intentionality, and transference. Findings related to supplier trust were supplier size and supplier's willingness to customize. Salesperson trust was related to personal character and expertise. Relationship characteristics (i.e., buying firm and salesperson) revealed likability, buyer/seller similarity, and frequency of sales calls had a positive impact on buyer trust. It was also found that buyer's trust in supplier firm also influenced buyer's trust in salesperson.

A ten item, three factor scale to measure business-to-business selling was developed by Plank, Reid, and Bolman-Pullins (1999). The scale measured trust in the salesperson, trust in the company, and trust in the product/service. Trust was defined as " . . . the belief that the salesperson will fulfill his/her obligations as understood by the buyer" (p. 62). Product trust was defined as "… the belief that the product/service will fulfill its functions as understood by the buyer" (p. 62). Company trust was defined as "…the belief that the company will fulfill all its obligations as understood by the buyer" (p. 62). A sample of 2324 purchasing managers from the National Association of Purchasing Management received a questionnaire and was asked to rate a salesperson that did or did not receive the business. After analysis of the questionnaire, the scale demonstrated internal consistency and was significantly related to salesperson trust, company trust and product/service trust.

Macintosh and Lockshin (1996) examined customer commitment, salesperson trust, store satisfaction, and purchase intention. In a sample of 118 Australian wine customers, it was found that salesperson trust influences store satisfaction. Findings also supported positive store experiences with salesperson leads to customer commitment.

A model that contained commitment and trust was tested against a model that did not have commitment and trust as the primary constructs (Morgan and Hunt 1994). Relational marketing was defined as "…all marketing activities directed toward establishing, developing, and maintaining successful relational exchange" (p. 22). Trust was defined "…as existing when one party has confidence in an exchange partner's reliability and integrity" (p. 23). Commitment and trust were central mediating variables in the model. Five antecedents were said to influence trust: termination costs, relationship benefits, shared values, communication, and opportunistic behavior. Five relationship outcomes were hypothesized: acquiescence, propensity to leave, cooperation, functional conflict, and decision making uncertainty. All hypothesized paths, as well as antecedents to commitment and trust were found to be significant. Cooperation also explained about one-half of the variance and underscored its importance in buyer/seller relationships.

Channel relationships and levels of dependence are said to influence trust (Andaleeb, 1996). A sample of purchasing managers with negotiation experience was used in the study. It was found that in a highly dependent relationship, trust is influenced by the parties' commitment. However, if the buyer is highly dependent on the supplier, and if trust is not present, the relationship will be undermined. Also, if a buyer is less dependent on the seller, and a trusting relationship exists, the buyer would be more committed to the supplier.

The relational marketing literature has made an important contribution to marketing theory. The literature supports the role trust plays in supplier/salesperson relationships, product/service trust, and company trust. The literature has evolved from a theoretical standpoint of discrete transactions to on-going relational transactions. It can be gleaned from the literature that the salesperson's job is to engender a trusting environment that bridges the supplier firm with the buyer. Minority firms are faced with a changing business environment. These firms need to create a positive image and chart a business strategy that generates a competitive advantage.

SAMPLE

The sample was composed of 500 purchasing managers who are members of the National Association of Purchasing Managers and employed by a governmental agency within the State of Florida. Each purchasing manager received one of four color-coded questionnaires. Questionnaire 1 (Cell 1) was entitled Minority Supplier To Whom You Gave The Business; Questionnaire 2 (Cell 2) was entitled Minority Supplier To Whom You Did Not Give The Business; Questionnaire 3 (Cell 3) was entitled Non-Minority Supplier To Whom You Gave The Business; and Questionnaire 4 (Cell 4) was entitled Non-Minority Supplier To Whom You Did Not Give The Business. The questionnaires ask the purchasing managers to answer questions regarding purchasing practices from minority and non-minority suppliers. Each respondent evaluated one of the above situational variables. Each cell consisted of 125 potential respondents.

QUESTIONNAIRE

The color-coded questionnaires were mailed by first class postage, along with a self-addressed return envelope. All color-coded questionnaires were identical except for the different cell designations. The cell designations were included in two places in the questionnaire. The cell designation was included the instructions and in question one. All other parts of the questionnaires were identical. The measures for trust were in Part II of the questionnaire and consisted of the same items used by Plank, Reid, and Bolman-Pullins (1999).

DATA COLLECTION

Five hundred purchasing managers were asked to assess his/her most recent purchasing experience with either a minority or a non-minority business. A minority business was defined as a business venture that has a 51% ownership by a minority individual. A minority individual was classified as an African American, Hispanic American, Asian American, Native American, or American Woman (Minority Business Advocacy and Assistance Office 1998).

The research design consisted of a stratified random sample cross-sectional study. The four situational variables evaluated included: Cell 1: The minority supplier that received the business (Questionnaire 1); Cell 2: The minority supplier that did not receive the business (Questionnaire 2); Cell 3: The non-minority supplier that received the business (Questionnaire 3); and Cell 4: The non-minority supplier that did not receive the business (Questionnaire 4).

HYPOTHESES TESTING

Ho1	*Greater perceived trust will decrease or not affect the likelihood of a supplier receiving government contracts.*
Ha1	*Greater perceived trust will increase the likelihood of a supplier receiving government contract.*

This research has not been undertaken in governmental markets; however, research has revealed in business-to-business markets that buyers prefer to purchase from businesses that are trustworthy (Swan, et al., 1985; Macintosh, et al., 1995; Smeltzer, 1997; Doney et al., 1997). Therefore, it is reasonable that trust would be an important variable in governmental selling.

Ho2	*Minority suppliers will have to develop an equal or lesser degree of perceived trust in order to receive government contracts.*
Ha2	*Minority suppliers have to develop a greater degree of perceived trust in order to receive government contracts.*

An examination of the minority business literature suggests that the minority firms need to prove more than the non-minority owned firms in being the preferred supplier (Dollinger, et al., 1989, Pearson, et al., 1993; Carter, et al., 1999). Therefore, if the minority business is chosen as a potential supplier, it will be because the firm generates a higher level of trust than the non-minority owned firm.

CONSTRUCT MEASUREMENT

Trust was measured on a multi-item scale consisting of three sub-constructs. Each sub-construct consisted of five items. The scales were measured for construct validity using the framework of Plank, et al., (1999). The scales were purified by using an exploratory factor analysis. The scree test affirmed the three-factor model was appropriate. A second confirmatory factor analysis was used to determine the goodness of fit (GFI), comparative fit index (CFI), the non-normed fit index (NNFI), standard residuals, and chi-square. Indicator reliability of the measures was examined by the square of the factor loading. The framework of Fornell and Larcker

(1981) was used to examine the composite reliability. Convergent validity was determined by using a t-test (Anderson & Gerbing, 1988). Three methods were used to examine discriminate validity: the chi-square difference test, the confidence interval test, and the variance extract (Hatcher, 1994). The above-mentioned analyses provided a framework to test the hypotheses.

HYPOTHESES TESTING AND ANALYSIS

The sample was divided into two groups to test Ho1: the salesperson/company that received the order and the salesperson/company that did not receive the order. Four trust scores were used: trust in salesperson, trust in product/service, trust in company, and an overall trust score for each cell. Four separate one-way analysis of variance was conducted between Cell 1 and Cell 3 (minority and non-minority that received the business) and four separate one-way analysis of variance was conducted between Cell 2 and Cell 4 (minority and non-minority that did not receive the business). In order to reject the null hypothesis, it was expected that the mean trust scores for Cell l and Cell 3 would be greater than the mean trust scores of Cell 2 and Cell 4.

Ho2 was tested by using a one-way analysis of variance and examined the relationship between the minority and non-minority supplier that received the business. It was hypothesized that there would be an equal or a smaller trust score between the minority and non-minority salesperson/business that received the business. In order for the null hypothesis to be rejected, the mean trust score for Cell 1 would have to be statistically greater than the mean trust score for Cell 3. A one-way analysis of variance was used to test the hypotheses at the .05 level.

ANALYSIS AND PRESENTATION OF FINDINGS

The following will present a discussion about the data collection and the establishment of construct validity and reliability. The sample consisted of members from the National Association of Governmental Purchasing Managers. The first mailing did not yield a sufficient response rate. The responses revealed that 8 were returned as "addressee unknown" and 12 respondents were unable to answer the color-coded questionnaire due the their job being unrelated to actual purchasing. Ninety-six percent of the questionnaires were delivered to the sample. A total of 145 questionnaires were returned for an overall 30% response rate. Missing values consisted of under .2% of the total response rate.

Analyzing the returned questionnaires by the purchasing managers revealed 45 (31%) responded regarding the minority supplier that received the business, 35 (24%) responded to the minority supplier that did not receive the business, 24 (17%) responded regarding the non-minority supplier that received the business, and 38 (28%) responded regarding the non-minority supplier that did not receive the business.

DEMOGRAPHICS

An examination of the demographics revealed that over one-half of the purchasing managers were male. Most purchasing managers had over 5.7 years experience with the company. The descriptive buying approaches of the questionnaire found that 37.2% were simple rebuys. The majority of the minority salespeople were classified as African American or American Woman. This supports the data regarding the number of businesses owned by women as well as African Americans (Brooks, 1997; Wendy, 1997). It could also be inferred that these business owners are fulfilling a dual role of owner and salesperson. Most purchases were not put out for formal bid and were routine buys. This finding might encourage these business owners to realize the value of a formal sales training program that concentrates on building salesperson, product/service and company trust with buyers. The purchasing managers had an average of 14.74 years of experience. The purchasing managers also disclosed that 48.3% saw fewer than 3 salespersons a week. Another finding was that 42.8% saw 4-10 salespersons a week. These findings suggest that minority and non-minority suppliers might want to consider a more aggressive schedule of calling on these buyers.

ANALYSIS AND PRESENTATION OF CONSTRUCT VALIDITY AND RELIABILITY

Tests were run to determine the construct validity and reliability measures before testing the hypotheses. Trust was a multiple indicator variable. The remaining portions of the questionnaire, receiving the contract or not and minority supplier status were categorical in nature and previously defined by the research design.

This study utilized the trust measures of Plank, et al., (1999). The research design began with a 15-item indicator scale that measured trust in the salesperson, trust in the product/service, and trust in the company. A purification of the 15-item scale yielded 10 trust indicators. The purification process consisted of an exploratory factor analysis. The scree test indicated that the three-factor model was appropriate. Using maximum likelihood with an oblique rotation, 12 indicators loaded on three factors, five on trust in the salesperson, three on trust in the product/service, and four on trust in the company. The factors were highly correlated ranging from .37 to .60 with a .05 level of significance. The second step was to run a confirmatory factor analysis on the three-factor 12-item scale, which followed the procedure used in the study by Plank, et al., (1999).

The beginning analysis provided a goodness of fit index (GFI) of .85, a comparative fit index (CFI) of .95, a non-normed fit index (NNFI) of .94, and a weighted chi-square of 1.90. All indexes indicated a good fit except for the GFI that was below the standard .90. There were five standardized residuals that were over 2.58. According to Hair, et al. (1998), a maximum of 5% of should not be over 2.58, with zero being the preferred result. It was determined that the model could be improved by removing trust of the salesperson (SPTR4) and trust of the company (COTR4).

The secondary model provided a GFI of .91, a CFI of .99, a NNFI of .98, and a chi-square significance of .11, which is greater than the .05 threshold. The weighted chi-square was 1.24, which was significantly lower than the 2.0 threshold and none of the standardized residuals were over 2.58. These indicators suggested an excellent fit to the model. The same fit was achieved by Plank, et al., (1999).

An examination of the square of the factor loadings for indicator reliability ranged from .51 to .74. Using the framework of Fornell and Larcker (1981), composite reliability was computed for the three elements of trust. Composite reliability is said to be a superior measure over coefficient alpha. Salesperson trust was .88, product/service trust was .81, and company trust was .87. The coefficient alphas were .88, .80, and .87 respectively. The variance extract was computed. An estimate over .50 is said to be acceptable; this test has been said to be conservative and lower estimates can be acceptable. The variance extract for salesperson trust was .69, for product/service trust was .64, and for company trust was .73. These variances were considered acceptable according to Fornell and Larcker (1981).

Convergent validity was examined using the framework of Anderson and Gerbing (1988). All t-values were greater than 3.29 at a .001 significance. Discriminant validity was assessed by the chi-square difference, the confidence interval, and variance extract (Hatcher, 1994). A review of the results supported the discriminant validity of the model. It was concluded that the trust measures showed validity and reliability. The next step was to test the hypotheses.

ANALYSIS AND FINDINGS OF HYPOTHESES

The first null hypothesis was:

Ho1	*Greater perceived trust will decrease or not affect the likelihood of a supplier receiving government contracts.*

In order to reject the null hypothesis, the perceived trust of the rater that gave the minority/non-minority supplier business should be greater than the minority/non-minority supplier that did not receive the business. In order to test the hypothesis, the sample was divided into two groups, the salesperson/company that received the order and the salesperson/company that did not receive the order. Trust was a summed scale of ten indicators, with a scale range from 1 to 5 and theoretically ranged from the summed measure of 10 to 50. The actual results revealed a range from 10 to 45, and the lower the trust score was to 10, the higher the level of trust in the salesperson/company. According to the 80 respondents who rated a salesperson/company that received the business, the mean trust score was 19.21 (SD=6.90). The 65 respondents that rated the salesperson/company that did not receive the business revealed a mean trust score of 24.51 (SD=7.78). A one-way analysis of variance was used to test the statistical significance. The one-way analysis of variance revealed an F value of 18.94 ($P<.000$). After examining the F value, it was concluded that the salesperson/company that received the business had a higher rating of trust than the salesperson/company that did not receive the business and the null hypothesis could be rejected.

The findings in Ho1 support the work of Deutsch, (1960). Deutsch found that mutual trust plays an important role in building trust. Hawes, et al., (1989) found that trust cements successful buyer/seller relationships. This study could bolster the conclusion that a trusted salesperson/company would be more likely to receive the government contract. The importance of costs, quality, time and delivery schedules were discussed by Monczka, et al., (1998). The longevity of exchange relationships were characterized by Dwyer, et al., (1987). The findings also support

Ramsey and Sohi (1997) regarding the importance of listening behaviors and its positive impact on the salesperson's ability to be awarded the contract. Also, the findings support Plank and Reid's (1994) work that the salesperson's behavior moderates the buying relationship and impacts the salesperson/ product/service and company trust.

The second null hypothesis was:

Ho2	*Minority suppliers will have to develop an equal or lesser degree of perceived trust in order to receive government contracts.*

In order to reject the null hypothesis, the perceived trust of the raters that gave the minority supplier the business would need to be higher than the trust of the non-minority supplier that received the business. It was found that the mean trust score for the minority suppliers was 19.47 (SD=8.00), and the mean trust score for the non-minority suppliers were 18.89 (SD 5.24). A one-way analysis of variance showed a computed F value of .138 ($P<.711$). Therefore, it was concluded there was no difference between the groups. An interested finding between these groups was that the values ranged between 10 to 45 for the minority suppliers and the values ranged from 10 to 30 for the non-minority suppliers that received the business. If the scale is examined, theoretically the mid-point for trust would be 30, and no non-minority supplier was rated over 30, but 4 respondents rated trust over 30, and the minority supplier still received the contract.

This finding is contrary to the current minority business literature. Past studies have discussed the difficulty a minority business experiences in establishing productive business relationships with purchasing personnel (Pearson, Fawcett & Cooper, 1993). Dollinger and Daily (1989), discuss the difficult bid process for minority businesses; and the need for purchasing managers to be more proactive about communicating business opportunities (Ketchum, et al., 1990; Krause, Ragatz & Hughley, 1999). According to Moore, (1994) these findings would support the premise that governmental purchasing managers are trying to build positive exchange relationships by communication, establishing trust, and sharing information.

A further examination was made with a one-way analysis of variance between the minority and the non-minority businesses that did not receive the contract. The 26 respondents for the minority salesperson/supplier that did not receive the business had a mean trust score of 26.96 (SD=8.24). The 39 respondents that rated the non-minority salesperson/company that did not receive the business had a mean trust score of 22.87 (SD=7.10). The computed F value was 4.55 ($p<.037$). It was found that the non-minority firm that did not receive the business had a higher trust rating than the minority firm that did not receive the business.

This finding was of interest because it does support the minority business literature (Dollinger & Daily, 1989; Enz, et al., 1990; Pearson, et al., 1993, Auskalnis, et al., 1995; Carter, et al.,1999 & Krause, et al.,1999). The explanation for this finding could be either that the transactional costs are higher with a minority firm (Dollinger & Daily, 1989), or the firm could be undercapitalized (Pearson, et al., 1993). The unsuccessful minority salesperson might want to attend minority business trade fairs, or establish contact with the agency's minority business coordinator or purchasing manager (Auskalnis, et al., 1995). The minority salesperson/company might also want to consider a more aggressive selling, bidding, or communication strategy for the company in order to gain future contracts.

SUMMARY AND CONCLUSIONS

The first objective of the research was to determine if the minority supplier and non-minority supplier that received government contracts had a higher trust score than the minority and non-minority supplier that did not receive the government contracts. The second objective was to determine if the minority supplier had to establish a higher level of trust than the non-minority supplier that received the business.

The study utilized a 15-item scale that measured trust in the salesperson, trust in the product/service, and trust in the company. It was hypothesized that trust would significantly decrease or not effect the likelihood of a minority/non-minority supplier receiving the government contract. In the second hypothesis, it was hypothesized that a minority supplier would have to develop an equal or greater degree of perceived trust in order to gain the contracting opportunities.

The sample consisted of 500 randomly selected governmental purchasing managers. The sample was divided into four cells: (Cell 1: Minority Supplier that Received Business; Cell 2: Minority Supplier that did not Receive Business; Cell 3: Non-Minority Supplier that Received Business; and Cell 4: None-Minority Supplier that Did not Receive Business).

An examination of the demographics found that 84 (58.9%) male and 60 (41.4%) female respondents answered the questionnaires. It was also found that the majority of the minority businesses rated were either classified as African American or American Woman. The purchasing managers had an average of 14.74 professional years of experience, and 48.3% saw less than three salespeople a week.

The research utilized a 15-item scale and was tested in several stages (see Appendix A). Construct validity was measured using the framework of Plank, et al., (1999). An exploratory factor analysis was performed in order to discover if the variables fit the three-factor model. The scree test confirmed that the three-factor model was appropriate for the research. A confirmatory factor analysis was then run to determine if the data fit the model. Indicator reliability and convergent validity supported the items in the scale that were used to test the hypotheses.

SUMMARY AND CONCLUSIONS OF HYPOTHESES TEST

Ho1	*Greater perceived trust will decrease or not affect the likelihood of a supplier receiving government contracts.*

The purpose of Ho1 and Ha1 was to determine if trust influenced the ability of the minority supplier and the non-minority supplier in gaining contracting opportunities versus the minority supplier and non-minority supplier that did not receive the government contract. It was found that trust played a significant role in the minority and non-minority salesperson/company gaining contracting opportunities. This finding could play a large role in how companies approach government contracting opportunities, especially in how a salesperson's behavior can influence the buyer/seller relationship. Further, companies might want to incorporate a sales training program that includes listening behaviors, communication skills, the importance of reliability and credibility in building salesperson, product/service and company trust. It was also reported in this research that a large portion of business was routine purchases which underscores the importance of the company being considered as a potential supplier especially in a no-bid situation. The minority and non-minority suppliers would also want to consider the importance of competitive bidding, quality products, and delivery schedules. Performance plays an important role in buyer satisfaction and should encourage companies to identify and measure performance standards. Overall, whether a company is a minority or a non-minority business, this finding should demonstrate the value of building salesperson, product/service, and company trust in order to receive governmental contracting opportunities.

Ho2	*Minority suppliers will have to develop an equal or lesser degree of perceived trust in order to receive government contracts.*

It was found that there was no difference in the amount of trust that a minority supplier versus a non-minority supplier had to establish in order to receive contracting opportunities. The null hypothesis could not be rejected. It was interesting that the range of answers were greater for minority versus non-minority suppliers. The range of answers for minority suppliers were from (10-45) and for non-minority suppliers, the range of answers were from 10-30. The likert scale was from a 1-5 range, with 3 being the mid-point. The difference in the range could be because the purchasing manager may not be cognitively aware that he/she is making an allowance for the amount of trust afforded a minority supplier versus a non-minority supplier.

Since this finding is contrary to the minority business literature, this researcher could conclude that purchasing mangers are using diversity in the purchasing process. Another reason for the finding could be that purchasing managers are becoming more proactive in communicating with both minority and non-minority suppliers. In addition, minority suppliers might also realize that the affirmative action laws are changing, and in order to stay competitive, they must educate themselves about the importance of training salespeople, offering quality products, building the company's reputation, customer satisfaction, and after-service assistance.

In addressing the difference in the trust scores between the minority and non-minority supplier that did not receive the business, it is possible that the businesses may be undercapitalized in order to compete for government contracts. These businesses may also lack the managerial resources and may not have adequately trained sales personnel. The companies may also be unable to market their businesses, increase market share, compete, and adjust to the external business environment. These companies might want to consider being paired with a successful business in a mentoring capacity, become more familiar with the governmental purchasing process and the importance of bidding competitively, or contact the departmental minority business coordinator in order to explore possible contracting opportunities.

LIMITATIONS OF RESEARCH

The following are suggested limitations for the research:

1.	The findings are based on one sample within one state.
2.	The sample may not represent the overall population of governmental purchasing managers.
3.	The sample was basing their answers on memory and certain recall issues may not have been included in the study.
4.	No specific behaviors could be linked to the differences in minority and non-minority trust.
5.	The purchasing manager was asked to think of a most recent purchasing transaction and not a series of relational exchanges.

SUGGESTIONS FOR FUTURE RESEARCH

This research represents a pioneering effort in exploring relational trust between the minority/non-minority supplier. Research has been sparse on governmental purchasing opportunities and minority businesses. The majority of research has examined why these programs are successful or unsuccessful. Some suggestions for future research include:

1.	A longitudinal study might be useful to determine if future findings prove to be consistent. The results might promote further investigation and additional findings.
2.	A study might be performed in corporate America that examines salesperson trust, product/service trust, and company trust for minority and non-minority owned businesses to see if the findings are consistent.
3.	Studies regarding product/service type might be useful in ascertaining whether the conceptualization of trust is different in these types of purchase situations.
4.	Surveys of minority and non-minority owned businesses partnered with purchasing managers might help researchers gain a better understanding of how trust is viewed by each party.
5.	A study could be performed to determine if there is a difference in how trust is rated on companies that call on the purchasing manager versus companies that do not regularly call on the purchasing manager.
6.	The study could be replicated in states other than Florida.

SUMMARY STATEMENT

In summarizing the findings of this study, trust plays an important role based on salesperson, product/service, and company marketing relationships. The findings contribute to the research on minority business and offer a supposition that purchasing managers are aware of the importance of diversity in the purchasing process. One final caveat is that both minority and non-minority suppliers should establish a business strategy that includes product/service positioning, company image, employing competent salespeople, marketing the business, implementation, and a measurement for the results of the company's objectives and strategies.

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APPENDIX A **Measures of Trust**		
**1	This salesperson did everything possible for our agency.	(SPTR1)
2	The product/service will meet our needs without question.	(PSTR1)
**3	The company this salesperson works for will stand behind us.	(COTR1)
**4	This salesperson will always use good judgment.	(SPTR2)
**5	This product/service has the technical attributes necessary to do the job.	(PSTR 2)
**6	The company can be counted upon to treat us right.	(COTR2)
**7	The salesperson is a real expert.	(SPTR3)
**8	The product/service will give us little trouble in use.	(PSTR3)
9	This salesperson's company has quality people working for them.	(COTR3)
*10	This salesperson is like a good friend.	(SPTR4)
*11	The salesperson's company has a good reputation.	(COTR4)
**12	The product/service will please all those in our agency who use it or are responsible for it.	(PSTR4)
**13	The company will do what it takes to make us happy.	(COTR5)
**14	When the salesperson tells me something it must be true.	(SPTR5)
15	This product/service will please all those in our agency who use it or are responsible for it.	(PSTR5)
	*Original 12-item scale **Final 10-item scale	

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There are two approaches to submitting a manuscript to the double blind, peer refereed journal review process. First, one may submit a manuscript which has never been presented or published to an Allied Academies Conference as an awards consideration paper. Please note that the Internet Division option ensures that physical attendance at a conference is not required. The second approach, which is required if a manuscript has been presented at a previous conference, is to submit a paper for direct consideration. Both approaches are described below.

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Column 1	Column 2	Column 3 *
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More Descriptive Information	Data	Data

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Column 1	Co lu m n 2	Co lu m n 3	Co lu m n 4	Co lu m n 5	Co lu m n 6	Co lu m n 7	Co lu m n 8	Co lu m n 9	Co lu m n 10	Co lu m n 11	Co lu m n 12	Co lu m n 13	Co lu m n 14	Co lu m n 15
Descriptive Information	1. 0	3. 0	5. 0	7. 0	9. 0	11 .0	13 .0	15 .0	17 .0	19 .0	21 .0	23 .0	25 .0	27 .0
More Descriptive Information	2	4	6	8	10	12	14	16	18	20	22	24	26	28
Source of Data or Explanation of Data														

When we find a table like the preceding, we will convert it as follows into a more attractive mode and clearer interpretation. However, if you attempt to do the same thing, the formatting which you introduce in your efforts will make our job much more difficult.

Table 2: Title of the Table

Column 1	**Column 2**	**Column 3**	**Column 4**	**Column 5**	**Column 6**	**Column 7**	**Column 8**	**Column 9**	**Column 10**	**Column 11**	**Column 12**	**Column 13**	**Column 14**	**Column 15**
Descriptive Information	1.0	3.0	5.0	7.0	9.0	11.0	13.0	15.0	17.0	19.0	21.0	23.0	25.0	27.0
More Descriptive Information	2	4	6	8	10	12	14	16	18	20	22	24	26	28
Source of Data or Explanation of Data														

If the table is long, you should place it at the end of the text. In that case, insert a line like the following so we know where you would prefer the table to appear and we will place it as near to that point as we can, given the need to layout the pages.

Insert Table 2 about here

If the table is so large that it cannot be displayed in portrait mode, then prepare it in landscape, and let us know in the cover letter that you have such a table. Place it at the end of the text and we will see if we can adapt it to our publication needs. If we continue to have trouble with the table, we will contact you by e-mail to resolve the issue. One solution might be to submit us a good quality hardcopy on bright white paper (brightness level of 96 or higher), and we could use that to scan in the table, then shrink it to fit. As these factors affect few people, we will address them on a one to one basis.

Finally, if you prepare tables with different column widths in Word, then translate that table into Word Perfect, the result will be a SERIES of tables, displayed one above the other. As you might expect, that creates serious problems during the publishing process. If you have complex tables, we would prefer to receive them in Quattro or in Excel, as separate files.

FIGURES AND ILLUSTRATIONS

Figures can be extremely difficult not only because they do not translate well across platforms, but they tend to slip badly in appearance from computer to computer. For example, some authors like to draw pictures or prepare illustrations in PowerPoint or one of the presentation software packages. These were never intended to fold seamlessly into a word processor.

Please be sure that any figures or illustrations that you incorporate into your manuscript are ABSOLUTELY ESSENTIAL to the reader. If you can omit something without sacrificing understanding, then please do so. If you require a graphic, then please prepare it as a single graphic, NOT as a collection of graphics. Place them at the END of the manuscript and indicate where they should go in the body of your text, as we illustrated for tables, above.

Finally, you MUST SEND A HARD COPY OF THE ILLUSTRATION by mail. This copy should be prepared to appear just the way you would like for it to look. You MUST print it on bright, white paper, with a brightness factor of at least 96 (ordinary paper has a brightness level of 87 and looks dull or yellow to a scanner). Use a high quality printer of at least 1,200 dots per inch to produce the image and print it in BLACK AND WHITE, only. The hard copy of the image will help us to understand what the figure should look like, as well as allow us to use the hard copy to scan the image, if we are unable to read and translate the file.

REFERENCES

References should be prepared in general accordance with the APA (American Psychological Association). We do deviate from APA style with respect to underlines. These do not reproduce well, consequently, we ask that you use italics in place of underlines. Double space between references and do NOT indent in any way. For example:

Citing a Journal Article

Carland, J.W., F. Hoy, W.R. Boulton & J.A. Carland (1984). Differentiating entrepreneurs from small business owners. *Academy of Management Review, 9*(2), 354-359.

Citing an Online Journal Article

Fredrickson, B.L. (2000). Cultivating positive emotions to optimize health and well-being. *Prevention & Treatment, 3,* Article 0001a. Retrieved November 20, 2000, from http://journals.apa.org/prevention/volume3/pre0030001a.html

Citing a Book

Carland, J.W. & J.A. Carland (1999). *Small business management: Tools for success (Second Edition)*. Houston, TX: Dame Publishing.

Citing an Article in a Magazine

G. Gendron & B. Burlingham (1989, April). The entrepreneur of the decade: An interview with Steve Jobs, *Inc.,* 114-128.

Citing a Proceedings

Carland, J.A., J.W. Carland & W.H. Stewart (2000). The indefatigable entrepreneur. *Proceedings of the Association of Small Business and Entrepreneurship*, 168-180.

Citing a Presentation

Ensley, M.E., J.A. Carland & J.W. Carland (May, 1998). The lead entrepreneur. Presented to the *Babson College Entrepreneurship Conference*, Gent, Belgium.

Citing an Article in a Book

Brockhaus, R. H. (1982). The psychology of the entrepreneur. In C. Kent, D. Sexton, & K. Vesper (Eds.), *Encyclopedia of Entrepreneurship* (pp. 39-57). Englewood Cliffs: Prentice-Hall.

Citing an Internet Source

GVU's 8th WWW user survey. (n.d.) Retrieved August 8, 2000, from http://www.cc.gatech.edu/gvu/usersurveys/survey1997-10/

Citing a Dissertation

Carland, J. W. (1982). *Entrepreneurship in a small business setting: An exploratory study.* Unpublished doctoral dissertation, University of Georgia.

Citing a Film

R. LaPointe & H. Glazer (Executive Producers) (1992). *H. Ross Perot: A vision for success in the '90s.* Boston, MA: Goldhirish Group, Inc.

GUIDELINES FOR CASES

Prepare cases as described above with these exceptions. First, instead of an abstract, begin the case with a case description and a case synopsis, both in italics and illustrated below. Technical information is in the description, while the synopsis should gain the reader's interest. The body of the case should follow the synopsis, separated by a heading. Prepare the Instructors' Note, described more fully below, in accordance with these instructions and place it in a separate file.

CASE DESCRIPTION

The primary subject matter of this case concerns (describe the subject, i.e., entrepreneurship). Secondary issues examined include (list as many as the case contains). The case has a difficulty level of (choose one of the following: one, appropriate for freshman level courses; two, appropriate for sophomore level; three, appropriate for junior level; four, appropriate for senior level; five, appropriate for first year graduate level; six, appropriate for second year graduate level; seven, appropriate for doctoral level). The case is designed to be taught in (indicate how many) class hours and is expected to require (indicate how many) hours of outside preparation by students.

CASE SYNOPSIS

In this section, present a brief overview (a maximum of 300 words). Be creative. This section will be the primary selling point of your case. Potential case users are more apt to choose cases for adoption which catch their fancy.

BODY OF THE CASE

The body of the case should follow the Case Synopsis. The body should be prepared in accordance with the preceding instructions.

INSTRUCTORS' NOTES

Instructors' Notes are an important part of the referee process and must be included with all cases submitted for review or for publication in any form. However, notes will not be published in *Proceedings* or in regular *Journal* issues in order to protect the case. For cases accepted for *journal* publication, Instructors' Notes will be published in a special issue devoted solely to notes and that issue will be made available only to authors and to members who request a copy. Notes should be prepared in accordance with these publication guidelines and included as a separate file.

Prepare Instructors' Notes for use by instructors who are not familiar with the case issues. The note should allow the instructor to teach the case without additional research. Begin the note with a REPEAT of the Case Description and Case Synopsis. Follow the Case Synopsis with Recommendations for Teaching Approaches. Specific questions, assignments or teaching methodologies should follow. Be sure to INCLUDE ANSWERS for all questions or assignments. The answers should immediately follow the questions. Epilogues, if appropriate, should close the note. If your case is from library research, include the references for all material used in a REFERENCES section.

PROCEEDINGS PUBLICATIONS

Generally, the Editors view proceedings versions of manuscripts as early representations of the final work. This is a view which is held by most academics and is used by most tenure, promotion and reappointment committees in evaluating research activity.

As an early version of a work in process, proceedings manuscripts should generally be shorter and a reader of the proceedings who later reads a journal publication in final form should be able to note the added work in the expanded version. The Editors recommend that authors employ titles for proceedings versions which will be different from titles used for journal versions of manuscripts and ensure that any reader of both will clearly see the difference in the versions.

If an author does not intend to pursue journal publication of a manuscript, then the complete manuscript, in final form, with final title, can and should be published in the *Proceedings*. However, if an author intends to expand the work for ultimate journal publication, the Editors strongly advise that attention be paid to distinguishing the proceedings version.

LENGTH REQUIREMENTS

In general, we limit *Proceedings* manuscripts to five, single-spaced pages in length. As described in the foregoing paragraph, we find that this is not generally a problem. However, if authors wish longer *Proceedings* versions, we can accommodate them for an additional fee.

In general, we limit *Journal* articles to twenty-five, single-spaced pages, including all references and exhibits. We find that this is generally not a problem, but if authors wish longer versions of manuscripts, we can accommodate them for an additional fee.

CONCLUSION

In closing, we appreciate the assistance of our authors in preparing manuscripts. The process of publication is time consuming and expensive. Clean manuscripts make it much faster, and efficient, and let us devote more resources to serving our membership. If there are any questions, or if any problems occur during the preparation of a manuscript, please e-mail us, and we will make every effort to assist you.

Further information may be found on the Allied Academies' web site. Please feel free to direct inquiries and questions to the Executive Director at info@alliedacademies.org. We promise to reply promptly and to strive to answer all of your questions fully.

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