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ENTREPRENEURIAL EXECUTIVE

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The manuscripts contained in this issue were double blind reviewed by the Editorial Board members. Our acceptance rate in this issue conforms to our editorial policy of less than 25%.

M. Meral Anitsal
Editor
Tennessee Tech University

A GUMBO OF CATASTROPHIC EFFECTS – THE EFFECTS OF THE BP OIL SPILL MEASURED DURING THE OIL SPILL AND SIX MONTHS AFTER THE OIL SPILL ON THREE TOWNS IN SOUTH LOUISIANA

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ABSTRACT

In April 2010, the BP licensed Transocean drilling rig Deepwater Horizon sank in the Gulf of Mexico claiming eleven lives and sending over 200 million gallons of oil into the water. This historic environmental disaster was the worst oil spill in U.S. history having wide-ranging economic consequences in the areas of Texas to Florida including fishing, oyster harvesting, charter fishing, vacation rentals, hotels, and restaurants. Since the oil spill began, BP has paid $5 billion in claims in which Louisiana businesspeople have received $1.5 billion. Two research studies were conducted in June 2010 and March 2011, six months after the oil well was capped, in three cities in south Louisiana: Galliano, Venice, and Grand Isle.

These research studies were conducted to ascertain the following:

Q1. What is the approximate sales revenue per year of the South Louisiana Business people before the BP Oil Spill?

Q2. What percentage of the South Louisiana Businesspeople revenue has decreased today (both June 2010 and March 2011)?

Q3. Are South Louisiana Businesspeople willing to do the same business in Louisiana in the next five years?

When comparing the results of the June 2010 survey to the March 2011 survey, certainly the results show a more positive outcome than at the height of the disaster in June 2010. In particular, the decreased income incurred by the businesspeople was certainly lower in March 2011 as compared to June 2010. The most significant outcome was that south Louisiana stood on the precipice of losing a cherished 'way of life' that has gone-on for generations. With the dispersing of $1.5 billion by the BP Oil Spill Recovery Fund; businesspeople actually calculating their losses to apply for BP compensation; BP continuing to hire fishermen to clean-up the oil spill; and BP sponsored advertising enticing tourist to visit south Louisiana and eat its wonderful 'oil free' seafood, the businesspeople in south Louisiana are more hopeful about the

future and hopefully the businesspeople of south Louisiana will be encouraged to continue its cherished 'way of life' for generations to come.

INTRODUCTION

On April 20, 2010, an explosion and fire occurred on the BP licensed Transocean drilling rig Deepwater Horizon which ultimately sank claiming eleven lives and spewing over 200 million gallons of oil into the Gulf of Mexico (Clifford, 2011). This historic environmental disaster was the worst oil spill in U.S. history having wide-ranging economic consequences in the areas of Florida to Texas. Businesses such as fishing, oyster harvesting and charter fishing boats, were impacted directly by oil in the water. Of course, restaurants, hotels and rental properties that depend on tourism money saw a drop-off in sales, even in cases where there was no oil visible on the beaches (Clifford, 2011).

Currently, BP has paid $5 billion in claims out of the $20 billion set-aside by BP for recovery. The Gulf Coast Claims Facility, headed by Kenneth Feinberg (former administrator of the 9/11 Victims Compensation Fund), which took over the claims process from BP in August 2010, has approved 38% of the 947,892 claims submitted (Clifford, 2011). The fund has received claims from all fifty states and thirty-six countries. The vast majority of the claims paid have gone to five states: Florida residents and businesses have been paid $2 billion; Louisiana recipients have been paid $1.5 Billion; and Recipients from Alabama, Mississippi and Texas round out the top five, respectively (Clifford, 2011).

Mr. Feinberg has taken heat from both BP for being too generous in his payments and from the government for being too stingy in his payments (Clifford, 2011). The U.S. Coast Guard has reviewed over 1,000 claims that have been challenged. The Coast Guard has sided with Mr. Feinberg's decisions.

Of course, no one really knows the long-term effects of having 200 million gallons of oil spilled in the Gulf of Mexico coupled with approximately 1.4 million gallons of dispersant used, 23.5 million gallons of oily water recovered, 80,806 miles of federal waters closed to fishing, 6,100 vessels responding to the spill, and 1,360 animals found dead in the spill area (Thomas, 2010).

Along with the environmental disaster is the economic calamity unfolding in South Louisiana where as many as 25,000 jobs could be affected by the six-month ban imposed by President Obama while the investigation into the BP accident is underway. Currently, the ban has been lifted but permits issued are few and far between. It has been projected that the ban could cost the local economies between $3 billion and $5 billion a year (Hargreaves, 2010).

Three south Louisiana towns have been hit very hard due to the BP oil spill: Venice, Grand Isle, and Galliano. This study will look at the effects of the oil spill two months into the spill during June 2010 and six months after the Deepwater Horizon cap was closed in March 2011.

METHODOLOGY

This study was conducted twice in Venice, Galliano, and Grand Isle, Louisiana in June 2010 and March 2011 where Southern University at New Orleans Business Entrepreneurship and Management Information Systems majors was asked to interview approximately 200 South Louisiana Business People. The students were supervised by the writers of this article. The vast majority of the respondents were located on the Venice Fishing Pier in Venice, in Grand Isle, and a big box store in Galliano.

Demographics and Location Diversity

Both Venice and Grand Isle sit on the Gulf of Mexico and Galliano is approximately 36 miles from the Gulf, however, Galliano is on a bayou that leads to the Gulf of Mexico. The most common industry in Venice is fishing representing 13% of the industries located in the area (city-data). The population of Venice is 2,220 with a median household income of $40,523 (Muninetguide). Grand Isle has a population of 1,541 with a median income of $40,205 (Muninetguide). The leading industry in Grand Isle is fishing representing 15% (Sumplyhired). Galliano has a population of 7,356 (US City Home) and a median household income of $31,419 (City Data Galliano). The most common occupations for males is rail and water transportation (16%) and fishing (6%) (City Data Galliano).

Research Issues

The objective of this research is to investigate the effects of the BP Oil Spill during the spill (June 2010) and six months after the oil spill (March 2011). The above objective as expressed in terms of a set of questions which are appropriately reflective of the situation.

Q1. What is the approximate sales revenue per year of the South Louisiana Business people before the BP Oil Spill?

Q2. What percentage of the South Louisiana Businesspeople revenue has decreased today (both June 2010 and March 2011)?

Q3. Are South Louisiana Businesspeople willing to do the same business in Louisiana in the next five years?

Data Collection

The method of data gathering was based on face-to-face interviews from different locations. Approximately 200 questionnaires were obtained in June 2010 and 144 questionnaires were gathered in March 2010 from randomly selected people in the towns of Galliano, Louisiana; Grand Isle, Louisiana; and Venice Louisiana.

OUTCOMES

Question 1:

The following table indicates the results of the first question concerning annual income of the residents before the BP Oil Spill.

Table-1: Approximate Annual Sales Revenue - June 2010				
Revenue	**Galliano**	**Grand Isle**	**Venice**	**Total**
1) Less than $100,000	11	7	76	94
	27.5%	24.1%	58.0%	
2) $100,000 to $249,000	6	4	19	29
	15.0%	13.8%	14.5%	
3) $250,000 to $499,000	9	7	33	49
	22.5%	24.1%	25.2%	
4) More than $500,000	7	5	3	15
	17.5%	17.2%	2.3%	
Total Completed Responses	**33**	**23**	**131**	187
	82.5%	**79.3**	**100%**	
Total Responses	40	29	131	201
Weighted Average	2.36	2.44	1.72	1.92

Table-2: Approximate Annual Sales Revenue – March 2011				
Revenue	**Galliano**	**Grand Isle**	**Venice**	**Total**
1) Less than $100,000	16	12	32	60
	53.3%	50.0%	36.4%	
2) $100,000 to $249,000	11	11	28	50
	36.7%	45.8%	31.8%	
3) $250,000 to $499,000	3	1	28	32
	10.0%	4.2%	31.8%	
4) More than $500,000	0	0	0	0
	0%	0%	0%	
Total Completed Responses	**30**	**24**	**88**	142
	100%	**92.3%**	**100%**	
Total Responses	30	26	88	144
Weighted Average	1.57	1.54	1.96	1.80
P=.05	.32	.09	.23	.26

The Weighted Average located in each table is an average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average. Weightings are the equivalent of having that many like items with the same *value* involved in the average. (Investopedia)

Table 1 reveals that the approximate revenue of the businesspeople (June 2010) before the BP Oil Spill was overall less than $100,000. The respondents in Venice indicated they had the lowest income of less than $100,000, whereas, the people in Galliano and Grand Isle reported incomes of $100,000 to $249,000. This would be as expected since the businesspeople in Venice are engaged in the fishing industry whereas the businesspeople in Galliano and Grand Isle are engaged with businesses dealing with restaurants, rental homes, and own fishing processing plants.

In Table 2, the respondents were asked in March 2011, which was six months after the BP Oil Spill was stopped, the reported revenue were stated lower where all the respondents in all three communities and overall stated their revenue before the oil spill was less than $100,000. However, there was no significant difference with the results reported in June 2010. Certainly, the lower revenue estimates in March 2011 as compared to June 2010 could be due to the loss of income caused by the BP Oil Spill that was calculated since the businesspeople had to have documentation (proof) to obtain compensation from the BP Claims Facility, whereas, the June 2010 calculations were just 'guesstimates.'

Question 2:

The respondents were asked to assume their business revenue was 100% before the BP Oil Spill. What percentage of the respondents' business income has decreased today.

Table 3: Decreased Income Due to BP Oil Spill –June 2010

Percentage	Galliano	Grand Isle	Venice	Total
1) 0%	3	1	25	29
	7.5%	3.4%	19.1%	
2) 1% to 20%	0	0	16	16
	0%	0%	12.2%	
3) 21% to 40%	5	1	27	33
	12.5%	3.4%	20.6%	
4) 41% to 60%	5	8	33	46
	12.5%	27.6%	25.2%	
5) 61% to 80%	13	7	20	40
	32.5%	24.1%	15.3%	
6) 81% to 100%	8	1	10	19
	20.0%	3.4%	7.6%	
Total Completed Responses	34	18	131	183
	85%	62.1%	100.0%	
Total Responses	40	29	131	200
Weighted Average	4.44	4.28	3.29	3.60

Table 4: Decreased Income Due to BP Oil Spill – March 2011				
Percentage	**Galliano**	**Grand Isle**	**Venice**	**Total**
1) 0%	12	5	21	38
	40.0%	19.2%	23.9%	
2) 1% to 20%	5	10	13	28
	16.7%	38.5%	14.8%	
3) 21% to 40%	5	3	17	25
	16.7%	11.5%	19.3%	
4)41% to 60%	4	3	19	26
	13.3%	11.5%	21.6%	
5) 61% to 80%	4	4	11	19
	13.3%	15.4%	12.5%	
6) 81% to 100%	0	0	6	6
	0%	0%	6.8%	
Total Completed Responses	30	25	87	142
	100%	96.2%	98.9%	
Total Responses	30	26	88	144
Weighted Average	2.43	2.64	3.05	2.85

Table 3 indicates that the overall decreased income amounted to 21% to 40% with the businesspeople in Galliano and Grand Isle reporting a decreased income of 41% to 60%, whereas, the businesspeople in Venice reported a decrease in income of 21% to 40%. When the authors visited the three communities in June 2010, the communities appeared to be ghost towns with closed restaurants, closed rental properties, and closed fishing processing plants. It is believed the business people of Venice had a lower decrease in income since they are primarily fisherman and BP hired them immediately to pick-up the oil spread over the bayous of south Louisiana.

Table 4 shows a lower decreased income when compared to June 2010 where the business people in Galliano and Grand Isle loss in March 2011 was 1% to 20%, whereas, the business people in Venice indicated a decreased income of 21% to 40%. When looking at the total respondents the decreased income amounted to 1% to 20%. It is suggested the lower decreased estimates was due to BP hiring south Louisiana people to clean-up the oil spill and by March 2011 the pipeline of BP compensation was flowing to the business people. Also, the state of Louisiana received funding from BP to advertise its ‘clean’ beaches and ‘excellent oil free’ seafood causing tourism to flow again into south Louisiana and in particular Galliano and Grand Isle. Of course, the fisherman of Venice had to contend with the oyster fields still being closed, continuing a reduction in their income.

Question 3:

Table 5 reveals how many businesspeople in South Louisiana will be doing the same business in Louisiana in the next five years.

Table-5: Business Continuity for Next Five Years Business – June 2010				
Revenue	**Galliano**	**Grand Isle**	**Venice**	**Total**
1) Most Likely	9	4	39	52
	22.5%	13.8	29.8%	
2) Likely	7	5	37	49
	17.5%	17.2%	28.2%	
3) Neutral	5	2	25	32
	12.5%	6.9%	19.1%	
4) Unlikely	10	8	15	33
	25.0%	27.6%	11.5%	
5) Most Unlikely	3	4	15	22
	7.5%	13.8%	11.5	
Total Completed Responses	**34**	**23**	**131**	**188**
	85%	**79.3**	**100.0%**	
Total Responses	40	29	131	200
Weighted Average	2.74	3.13	2.47	2.60

Table-6 : Business Continuity for Next Five Years Business – March 2011				
Revenue	**Galliano**	**Grand Isle**	**Venice**	**Total**
1) Most Likely	16	9	25	50
	53.3	34.6	28.4%	
2) Likely	11	8	32	51
	36.7%	30.8%	36.4%	
3) Neutral	3	8	28	39
	10.0%	30.8%	31.8%	
4) Unlikely	0	1	2	3
	0%	3.9%	2.3%	
5) Most Unlikely	0	0	1	1
	%	0%	1.1	
Total Completed Responses	**30**	**26**	**88**	**144**
	100%	**100%**	**100.0%**	
Total Responses	30	26	88	144
Weighted Average	1.57	2.04	2.11	1.99

When the respondents were asked about business continuity for the next five years in June 2010, the majority of the businesspeople indicated they would 'likely' be doing the same business for the next five years. However, twenty-nine percent of the overall population indicated they would not continue in their current business. In Galliano, thirty-two percent of the population indicated they would not continue in their current business; in Grand Isle, forty-one percents of the population would not continue in their current business; and in Venice, twenty-three percent of the population would not continue in their current business. It is suggested the reasons for the high percentages in Galliano and Grand Isle was due to major industries closing in the restaurant, lounge, rental, and fishery businesses. In Venice, the businesspeople are fisherman, which has been passed down from generation to generation. Frankly, this profession is all the businesspeople know in Venice, Louisiana.

In comparing the results obtained in June 2010 to March 2011, the businesspeople indicated they would continue with their businesses for the next five years. In particular, the businesspeople in Galliano, Grand Isle, and Venice stating they would not continue with their businesses over the next five years were reduced to single digit percentages. It is suggested these results occurred since the fisherman in Venice were hired to clean-up the oil spill and the business people of Galliano and Grand Isle were compensated for their losses by BP coupled with the BP sponsored advertising campaign enticing tourist to visit south Louisiana and for the nation to consume Louisiana seafood.

DISCUSSIONS AND CONCLUSIONS

On a beautiful spring day in April 2010, an explosion and fire occurred on the BP licensed Transocean drilling rig Deepwater Horizon which ultimately sank claiming eleven lives and spewing over 200 million gallons of oil into the Gulf of Mexico. This tragedy caused a horrendous environmental disaster which was the worst oil spill in U.S. history having widespread economic consequences from Texas to Florida. A great toll was placed on businesses such as fishing, oyster harvesting and charter fishing boats due to the oil in the water. Of course, other businesses affected included hotels, restaurants, and rental properties that depend on tourism money.

BP has set aside $20 billion for the recovery of damages claimed by people from all fifty states and thirty-six countries. Currently, $5 billion in claims has been paid which represents 38% of the 947,892 claims submitted. The majority of the claims paid have gone to five states: Florida $2 billion; Louisiana $1.5 billion; and Alabama, Mississippi, and Texas rounding out the top five.

In the distribution of funds Kenneth Feinberg, The Gulf Coast Claims Facility Administrator, has taken heat from both BP for being too generous in his payments and from the government for being too stingy in his payments. In the review process, the U.S. Coast Guard has agreed with Mr. Feinberg's decisions.

In the long term, no one really knows the effects of the BP Oil Spill which sent 200 million gallons of oil into the Gulf of Mexico coupled with 1.4 million gallons of dispersant, 80,806 miles of federal waters closed to fishing, and 1,360 animals found dead in the spill area. Of course, consideration also needs to be given to the people that became unemployed due to the oil spill. In particular, the 25,000 people are unemployed due to the ban on deep water drilling plus people working in the fishing and tourism industries.

This research study has looked closely at three towns in south Louisiana that were hit very hard by the oil spill: Venice, Grand Isle, and Galliano, Louisiana. Businesspeople were randomly selected in these towns to be interviewed by students from Southern University at New Orleans two months into the oil spill and six months after the spill closed. In June 2010, the students obtained 200 surveys and in March 2011, the students obtained 144 surveys.

The objective of this research was to investigate the effects of the BP Oil Spill during the spill (June 2010) and six months after the oil spill (March 2011). The above objective as expressed in terms of a set of questions which are appropriately reflective of the situation.

Q1. What is the approximate sales revenue per year of the South Louisiana Business people before the BP Oil Spill?

Q2. What percentage of the South Louisiana Businesspeople revenue has decreased today (both June 2010 and March 2011)?

Q3. Are South Louisiana Businesspeople willing to do the same business in Louisiana in the next five years?

When reviewing the results of the survey, the three Louisiana communities could not be more different. Galliano is 36 miles up the bayou from the Gulf of Mexico having big box companies servicing a large diverse town. Grand Isle is an island community located on the Gulf of Mexico that is composed of fisherman, real estate investors, and companies servicing the tourists during the summer. The vast majority of the businesspeople in Venice, which is located on the Gulf of Mexico, are fisherman.

This paper studied the effects of the BP Oil Spill on South Louisiana businesspeople in June 2010 and March 2011. The timeline of the BP Oil Spill was from April 2010 when the Deepwater Horizon sinks and begins to spew over 200 million gallons of oil plus a variety of other toxic chemicals into the Gulf of Mexico. In August 2010, the oil well was capped. Thus, our research was conducted two months into the height of the oil spill and six months after the oil spill was capped.

During this timeframe significant business decisions were made including hiring of the people of south Louisiana to help in cleaning the oil spill in the bayous of south Louisiana. Also, BP created a $20 billion fund to aid in the recovery of the Gulf Coast of the United States.

When comparing the results of the June 2010 survey to the March 2011 survey, certainly the results show a more positive outcome than at the height of the disaster in June 2010. In particular, the decreased income incurred by the businesspeople was certainly lower in March 2011 as compared to June 2010. The most significant outcome was that south Louisiana stood on the precipice of losing a cherished 'way of life' that has gone-on for generations. With the dispersing of $1.5 billion by the BP Oil Spill Recovery Fund; businesspeople actually calculating their losses to apply for BP compensation; BP continuing to hire fishermen to clean-up the oil spill; and BP sponsored advertising enticing tourist to visit south Louisiana and eat its wonderful 'oil free' seafood, the businesspeople in south Louisiana are more hopeful about the future and hopefully the businesspeople of south Louisiana will be encouraged to continue its cherished 'way of life' for generations to come.

Future research should be conducted on the same parameters of this research study in the short-term every six to ten months to show the effects of the oil spill. The BP Oil Spill is an excellent example of how a major man-made disaster can have a gumbo of catastrophic effects on the 'way of life' of a community; economic effects on the community; the emotional costs on the community; and the environmental cost on the community.

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USING BIOGRAPHY TO TEACH ENTREPRENEURSHIP

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ABSTRACT

This paper details a biographical approach to teaching entrepreneurship. After describing the use of biographies in other fields, we argue for the relevance of using biographies as a pedagogical tool for the entrepreneurship instructor. Using data collected from two semesters of a pilot course on the entrepreneurial life, it is demonstrated that students can both acquire an increased awareness of the necessary non-technical skills needed to recognize and exploit an opportunity and a reinforcement of more traditional technical entrepreneurial skills.

INTRODUCTION

Despite the continued debate about whether entrepreneurs are made or born, there is a continued rise in undergraduate entrepreneurship programs (Finkle, Kuratko, and Goldsby 2004; Honig 2004). Accordingly, an emerging question is how to best teach entrepreneurship. In one review of the research in this area by Bechard and Gregorie (2006:22) it was noted that "A whole corpus of research literature has been developing at the interface of entrepreneurship and education (cf. Greene et al., 2004). This research has been reviewed—and criticized—before." Bechard and Gregorie's (2006) approach to reviewing the literature of entrepreneurship education is distinct from other reviews because of their approach to the analysis. They integrate a framework from education pedagogy into the analysis of the articles they highlighted, addressing not only where the gaps were in the research, but also areas for enhancing the classroom. Specifically, they describe how the "socio-cognitive", "psycho-cognitive" and "ethical" dimensions are under-addressed in the literature of entrepreneurship education which is probably a reflection of the fact that they are not addressed as much in the practice of teaching entrepreneurship. For example, the authors note, "it means that what we know about counterfactual thinking—that is, the extent and kind of regrets that individuals may have about their education or career decisions (cf. Baron, 2000; Markman et al., 2002)—has found few echoes in how entrepreneurship educators approach the teaching of entrepreneurship" (Bechard and Gregorie 2005: 36). This points to the need for new directions that bring these and other aspects into the entrepreneurship classroom.

With few notable exceptions (e.g. Honig 2004), innovative approaches to teaching entrepreneurship have not been well-documented in the literature of entrepreneurship. In this paper, we describe the use of biographies in the entrepreneurship classroom as an approach that addresses some of the shortcomings inherent in the normative approach to entrepreneurship education. We begin by describing the use of biographies in other fields and then present how biographies are used in a unique entrepreneurship course in a four-year university program. Implications and conclusions are presented at the close of this paper.

THE USE OF BIOGRAPHIES

While biographies are not a common tool in either entrepreneurship programs or in business schools generally, there is precedent for the successful use of biographies as a teaching tool. Leckie (2006) argues:

> (Biographies) are superb teachers' aids because as members of humankind we do not simply live out the life of our species. Instead, we display a variety of native abilities, and our personalities are shaped by our consciousness of our gender and race, environmental influences, and the choices we make.

Leckie writes from the perspective of a history professor, yet many of the lessons that she noted in her use of biographies translate well across disciplinary lines. Biographies help deconstruct some of the myths around seminal figures. Biographies enable students become more aware of the social conditions that either facilitated or inhibited their actions. Biographies challenge some of the students' preconceived notions about the appropriate paths to success. This is helpful not only for history students but for entrepreneurship students as well. Leckie (2006) continues, "As our globe becomes smaller and our communities more diverse, biography, which breathes life into dry census data and puts faces on demographic tables, will become the means by which new groups will weave their stories into our national fabric."

Similarly, Nielsen (2009) in her work teaching disability history, argues, "Teachers can take advantage of biography's special appeal to teach students about the interplay between individuals and structural forces in history. Through biography, they discover how individuals both shape, and are shaped by the world around them." Her work focused on the ability of biographies to teach students about the complexities in the world. Biographies enable the teacher to address institutional factors and to place a given topic within a broader context while demonstrating that no one, even the technology start-up, operates in isolation from "social institutions and movements."

Fairweather and Fairweather (2010) used the biographies of famous scientists to help teach middle school students the scientific method. Utilizing a wide variety of biographies that focused primarily on the work of the scientist, students were exposed to some of the personal traits that influenced scientific discovery. The biographies were arranged to coincide with various stages of the process of scientific inquiry. Students were found to have a heightened appreciation of the journey to a scientific breakthrough. They gained a more realistic understanding of what it means to be a scientist and learned the significance of developing social skills.

At the collegiate level, Mori and Lawson (2006) also used biographies to teach science. Their course, "Life of a Psychologist: Experiences of Women in Science" sought "to expose students to research in major areas of psychology" and "to present students with the many facets of being a scientist, with emphasis on the particular challenges experienced by women in science." The course, which was primarily completed by juniors and seniors, highlighted the interpersonal and intrapersonal dynamics of science. Topics related to interpersonal dynamics included mentorship, collaboration and balancing professional and personal lives. Topics related to intrapersonal dynamics included defining an identity, achieving success and having a voice.

In a field that often draws comparisons to entrepreneurship around the question of pedagogical suitability: leadership, Fagan, Bromley and Welch (1994) reported on a four-year project teaching a "Profiles in Leadership" course where students read and discussed the biographies of seminal leaders. The authors provided several motivations for the use of biographies, many of which should resonate in an entrepreneurship context. First, a diverse set of leaders, across multiple disciplines was selected to provide the students "a microcosm of a liberal arts education" and to expand their "the multicultural sensitivity." In addition, the authors argue, "getting away from textbooks sharpens critical thinking, because textbooks 'spoonfeed' students by highlighting and summarizing the material." Among the reported lessons learned include the acknowledgement that "leaders sometimes fail and that success often follows failure", "leadership is both social and solitary", "leadership requires hard work and sacrifice (often at the expense of one's family and friends)" and that women and minorities face special challenges in leading. Again, these are all lessons applicable to the aspiring entrepreneur. In the following sections, we first describe an experimental course offered at the first author's institution. Then, using data provided by student assignments, we articulate some of the key lessons learned from the course.

OVERVIEW OF THE COURSE

This course was offered in consecutive years to senior entrepreneurship majors. The students had already completed an introduction to entrepreneurship course, a business plan course, and a corporate entrepreneurship (intrapreneurship) course. The course description included the following:

> It can be argued that there is no force more distinctly American than the entrepreneurial spirit. While there is a growing cadre of young entrepreneurs such as Larry Page and Segrey Brin of Google who are changing the way we live our daily lives; there are countless entrepreneurs whose visions and dreams have changed the course of history. This course introduces you to a few of these visionary entrepreneurs. As we read and

discuss their stories, we will share in their joys and pains, victories and defeats, mountain top highs and valley lows. In this course, you will not prepare a marketing plan, nor will you develop pro forma statements. Instead, you will be exposed to the myriad of non-technical success factors for any entrepreneur – irrespective of your entrepreneurial setting, be it within an established firm (as a corporate entrepreneur), in the public sector (as a social entrepreneur) or in your own start-up.

The course is built around a number of core objectives. By the end of the semester, you should be able to:

- Recognize and explain the unique personal characteristics of the focal entrepreneurs which enabled them to launch and sustain their ventures;
- Draw analogies from the lives of the focal entrepreneurs and your own life;
- Articulate lessons learned from each entrepreneur and describe how you will integrate those lessons into your future ventures;
- Lead a group in an analytical discussion of a selected text;

Each week, a different student was required to lead the discussion. The discussion leader was responsible for developing a set of focal questions that would motivate the conversation. In addition, all of the students were required to compile a journal where each week they would articulate the lessons learned from the readings, as well as an analysis of how the entrepreneur negotiated his or her environment and how they will act or think differently as an entrepreneur as a result of the readings.

COURSE CONTENT

The following biographies were chosen for the course:

- *Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire and Utopian Dreams*, Michael D'Antonio
- *Giants of Enterprise: Seven Business Innovators and the Empires They Built*, Richard S. Tedlow
- *"Why Should White Guys Have All the Fun?'": How Reginald Lewis Created a Billion-Dollar Business Empire*, Reginald Lewis and Blair Walker
- *Success Never Smelled So Sweet: How I Followed My Nose and Found My Passion*, Lisa Price and Hillary Beard
- *Business as Unusual*, Anita Roddick

This reading list was designed to expose the students to a variety of social and institutional environments. There are ethnic minorities (Lisa Price and Reginald Lewis) as well as two women entrepreneurs (Price and Anita Roddick). There are smaller, emerging enterprises (Price) as well as Fortune 500 companies (Tedlow's Giants of Enterprise). There are businesses that were founded within the past 50 years (Price, Roddick, the Sam Walton chapter in Tedlow's Giants) as well as businesses that are more than a century old (Hershey, multiple chapters in Tedlow's Giants). There is geographic diversity with an entrepreneur local to the first author's institution (Price), a European-based entrepreneur (Roddick), as well as entrepreneurs from multiple locales across the United States. The biographies also differed in length ranging from D'Antonio's Hershey, which is well over 300 pages to "mini-biographies" that comprise Tedlow's Giants of Enterprise.

COURSE OUTCOMES

Non-technical skill awareness

In many respects, the course accomplished its purpose of complimenting students' technical expertise with a heightened awareness of the myriad of non-technical issues associated with opportunity recognition and exploitation. Entrepreneurs must recognize that success is anything but guaranteed and maintain an extraordinary amount of internal confidence and motivation. Having read the story of Reginald Lewis, the first African American to build a billion dollar company, a student wrote:

> I think the most important lesson in this section of his story has to do with his never-ending motivation. Reginald Lewis was not always successful. He suffered some disheartening events when a few of his deals did not go through, but no matter what, Lewis never gave up. There was absolutely no stopping him…I think this is an extremely valuable lesson for an entrepreneur. Failure is something that most entrepreneurs have to experience before they gain success…Entrepreneurs, who are often very passionate, have to follow this passion and keep trying until success is reached.

This theme of self-confidence continued across many of the biographies. Reflecting on the autobiography of Lisa Price, a student wrote, "I never really looked at the connection between self-confidence and successful entrepreneurs, but I now see that there is a very strong connection. Self-confidence allows a person to venture out on his own in pursuit of success." Finally, another student, reflecting on a different biography stated:

> Revson trusted himself. I think that is the most important role as an entrepreneur. From that trust of oneself, the rest will fall into place. When fear comes, obstacles get in one's way, or decisions need to be made, it is vital to trust yourself to handle these things in the best way. Most of all, to trust yourself is to trust your vision and that is what (will) lead to the ultimate success.

Students often used the language of vision. For example, one student noted:

> So far in this reading Hershey has inspired me to understand having a vision and most of all understanding failure leads to success. It inspired me to see that with all his failures he still remained light-hearted about them, and still pushed towards his vision. He is a great example of seeing an entire project through until the end. I believe that a lot of people fail because their vision is not detailed enough. It is not only about seeing the successes but also seeing the obstacles before they come and having a strategy to overcome them.

The concept of developing social capital and social networks is often presented in entrepreneurship courses. Having completed the mini-biography on Kodak's founder, George Eastman, a student realized, "Many lessons can be learned from the assigned readings but one main lesson is to build strong relationships with powerful people. This was a difference between Eastman and many other entrepreneurs." Another student commented, "As a result of the reading I think I will be more interested in the connections that I make and the people that I come into contact with." Several students echoed this theme.

The theme of work-life balance is becoming increasingly prominent in the management and entrepreneurship literatures. Not surprisingly, then, several students addressed this issue as a critical theme across the biographies. For example, one student wrote:

> Although a strong work ethic is extremely important as an entrepreneur, it is also important to learn when to take breaks from the business. Milton Hershey devoted much of his time towards his work…It is important to take breaks in order to live life and remember exactly why you are working so hard.

Another student reflected:

> Lastly, there is one thing that I certainly would have done differently from Reginald Lewis. Most importantly, I would have spent more time with my family…Although he shared many great memories with his children and wife, there are other important moments that he missed because he was too busy and too wrapped up in his business…I

> believe that family is extremely important and I also believe that it is necessary to take a little break from work every once in a while.

Lastly, another student wrote, “I can learn from this reading never to let your business take over to the point where it controls your mind.”

Students recognized the imprecision of the entrepreneurial journey and the diversity of entrepreneurs profiled in the biographical readings only reinforced their view that they could successfully launch a business. One student noted:

> I learned that it is okay to be unconventional. There is no specific right or wrong way to find one’s path in becoming an entrepreneur. It is not science; it is mostly passion and using one’s natural skill set.

Similarly, another student observed:

> The main lesson I learned…was that there is no exact formula when becoming an entrepreneur. Many different people have different strategies and methods that work for them. I think the key is…to understand your strengths and weaknesses and cater your business techniques to those qualities. There is no exact formula because many different entrepreneurs have started their businesses with totally different methods.

A different student, reflecting on a different biography, arrived at a similar conclusion.

She wrote:

> The most important lesson that this book taught me was that someone does not have to be born with an entrepreneurial and innovative mind. Entrepreneurship can be discovered from your own hobbies and talents. It’s what you make out of the gifts that are given to you and Lisa did exactly that. For this, she is a true example of the word, entrepreneur.

Finally, the concept of resilience resonated through the course and across the selected

biographies. A student noted:

> A lesson I have learned from the readings was never give up. It is difficult to pick yourself back up from a business venture that leads you to failures. It is difficult to accept the fact that people will now see you as a failure because of the failed idea. It will be embarrassing to attempt to regain trust (from) investors and banks when you ask for their help and money again when they know you have failed before…If a person can pick

> themselves up and truly believe that they can still accomplish great things after continual failures, they are unstoppable.

Traditional skill reinforcement

In addition, to non-technical skill acquisition, the use of biographies demonstrated the reinforcement of some of the more traditional, standard business skills that are often taught in entrepreneurship and business courses. Students often reflected on the variety of marketing issues that emerged from the biographies. In discussing Anita Roddick's autobiography, a student noted, "The first thing I gained from it was that when entering a new market to be sure to thoroughly research it." He continued, "Anita Roddick fails to do this when entering the American market and it is this lack of research that causes the Body Shop to initially take a hit before bouncing back." Another student reflected on Roddick's work stating, "Some of the best lessons that I learned from this reading is to follow my instincts and always listen to customers." One additional student also reflected on marketing concerns after completing the mini-biography on Revlon's founder, Charles Revson. She wrote:

> As a result of Revson's marketing campaigns, I will definitely approach the marketing of my product much differently. Instead of simply focusing on advertising, I will certainly focus on creating a need for my product. In addition, the product must evolve so that the need for a new product is always present.

Students connected the biographies to their training in strategic management. One student noted:

> Sam Walton and his Wal-Mart stores taught a different lesson. In my opinion, the most valuable lesson that his story taught was the importance of staying consistent to your strategy. Walton decided that he wanted his stores to be…low cost…Therefore, every single aspect of his company went along with this strategy. He did everything in his power to cut costs and minimize spending. All of his policies were consistent and he never strayed from his ultimate goal…Sam Walton showed that a low cost strategy is a lot more detailed than simply lowering the prices of the products.

Entrepreneurship students are often taught about external forces and environmental analysis through tools such as SWOT (Strengths, Weaknesses, Opportunities, Threats). However, biographies are a rich source of data about how factors and forces surrounding the individual have a major impact on the business. Consider the thoughts of this student:

> One of the most surprising things that I have found from the novel Hershey, by Michael D'Antonio, was how much the forces outside of your business can influence the way

> business is run from within. For example, the state of the country's economy had an enormous impact on the company and the town of Hershey…After the Great Depression, Milton also saw the effects of world economics on his business during the fluctuations of cocoa beans.

Students also connected the biographies to concepts such as succession and harvesting the venture. At the conclusion of the Hershey biography, a student wrote:

> However, what (Hershey) failed to enact was an exit strategy. He failed to envision the time that would lead to his departure from the organization, his possible death, or the recruitment of a qualified successor. Every entrepreneur understands that they must first conduct the necessary research, establish their business model, and plan the events that will lead towards the success of their business. (Hershey's) situation depicted the importance of an exit strategy, and the implications that may occur with the lack of one.

Human Resources concepts also were supported by the biographies. One student noted, "Some of the lessons that I learned as a result of reading this book was that it is okay to always expected and demand the best from people." Another student reflecting on a different biography wrote, "It was very disappointing to see how (Revson) treated his management staff."

Lastly, the concepts of change management and innovation were reinforced throughout the readings. One student wrote:

> In my opinion, the most important message that was given was about change. Anita, after almost failing in the United States, decides that it is time for her to change a little bit or else she will never be able to survive. The ability to realize that change is necessary and then to implement this change is absolutely crucial to a business.

Another student, reflecting on a different biography added:

> I think new ideas and new visions are extremely important. You have to stay current with the trends in the market if you want people to be interested in your company. There must always be some excitement in the company and things must change. I believe that a willingness to change as an entrepreneur is a beneficial characteristic and would help you to run a successful company.

CONCLUSION

As with any tool or technique, there are limitations to using biographies in the entrepreneurship classroom. Mori and Larson (2006) rightly note that, "One concern about using biographical materials is that information contained in these materials could be generalized when it is not appropriate to do so or discredited as a single person's issue when it is a more general phenomenon." Fagan, et al. (1994) expressed concerns about the subjectivity of biographies and the logistical challenges to navigating the length of biographies. These concerns are well noted. In addition, our students emerge from a social media world driven by exchanges of less than 100 characters.

However, these limitations notwithstanding, a biographies course can provide a useful addition to an entrepreneurship curriculum. The course may be used as a senior level course to reinforce concepts and provide unique contexts. A course may also be used earlier in the curriculum to help the students better navigate the entrepreneurial journey. By requiring written analyses of each biography, the students' writing skills were sharpened. Through leading the small group discussions, students increased their presentation skills and critical thinking skills. Many students commented on how influenced they were by each entrepreneur and how each challenged some of their preconceived notions.

In addition, diversifying our pedagogical approaches enables the instructor to meet the needs of a diverse set of students who enter the classroom with different learning styles and learning needs. Moving away from or complimenting traditional entrepreneurship textbooks will only enhance the learning experience.

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COMMUNITY BUILDING AS INSTITUTIONAL ENTREPRENEURSHIP: EXPLORING THE EMERGENCE OF A POPULAR MUSIC COMMUNITY

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ABSTRACT

Current research on institutional entrepreneurship and the theory of communities focuses on each as independent fields of study with few connections. However, institutions and communities are interconnected at multiple levels. It is possible, in fact, for institutional entrepreneurs to build a community to successfully operate within a mature institution without losing the communal identity or structure. Using the grounded theory approach, we examine the case of the Grateful Dead as an institutional entrepreneur in regards to their ability to successfully operate within the institutions of the record industry by fostering the emergence of a unique community that supported the band's alternative business model. Our study also identifies the key elements that an institutional entrepreneur can deploy to build a community.

Keywords: Institutions, Communities, and the Popular Music Industry

INTRODUCTION

How institutions are created, maintained, shaped, and changed are the central interests of institutional entrepreneurship (Bruton, Ahlstrom, & Li, 2010). Current research on institutional entrepreneurship has investigated the questions of how institutional orders are changed by different types of social actors in industry fields, either in the center of the field or in the periphery (Greenwood & Suddaby, 2006; Greenwood, Suddaby, & Hinings, 2002; Maguire & Hardy, 2009; Maguire, Hardy, & Lawrence, 2004). Wherever the locations of institutional changes are, current research on institutional entrepreneurship has focused on the change of institutional order as the sole outcome of institutional change. In this conception, actors either achieve institutional change or fail to do so and the result of international entrepreneurship is dichotomous.

In reality, there could be a range of results that are associated with the institutional entrepreneurship, including partial change of institutional order (Glynn, 2000), or the creation of a community that cultivates a different set of orders, rules, and values within the community. Yet little is known about how institutional entrepreneurs construct an alternative social order when they build a community in parallel to mature institutions. Do they predominantly engage in changes to undermine the cognitive pillar of the institution, "theorization" to justify a new order (Greenwood, Suddaby et al. 2002), or policing or deterring to reinforce the new order (Lawrence and Suddaby 2006)? This lack of clarity is matched by the uncertainty about how the work of institutional entrepreneurs differs from "institutional followers" and how these behaviors are linked to "institutional work" (Lawrence and Suddaby 2006).

Before we move on, we explain the concept of community used in this paper. Sociologists have studied communities extensively since the early nineteenth century (Tönnies, [1887] 1957; Durkheim [1897] 1951; [1911] 1965). Since then, the idea of community has been accepted as a symbol of safety and familiarity (Brint, 2001). Communities are "aggregates of people who share common activities and/or beliefs and who are bound together *principally* by relations of affect, loyalty, common values, and/or personal concern (i.e., interest in the personalities and life events of one another)" (Brint, 2001: p8; emphasis in original). They are conceptually different from institutions, which are a pre-existing web of socially constructed, taken-for-granted prescriptions of appropriate behavior (Scott, 2001). Communities and institutions are both governed by cognitive-cultural, normative, and regulative forces but the forces prevailing in them are of a different nature (Marquis, Glynn, & Davis, 2007; Peredo & Chrisman, 2006). Importantly, communities are distinguished from institutions regarding the following two aspects: the extent of formality and the degree of regulation. Compared to institutions, communities are less formal; participants develop a sense of familiarity with one another through frequent social interactions rather than formal role specification. In contrast, institutions tend to orient towards formality and participants/actors tend to occupy specific roles in a pre-established structure. In terms of regulations, while in institutions, "… regulative processes involve the capacity to establish rules, inspect or review others' conformity to them, and, as necessary, manipulate sanctions – rewards or punishments – in an attempt to influence future behavior"(Scott, 2001, p35), the regulative forces in communities are based on interpersonal relationships and lack the coercive power of institutions.

Using qualitative procedures, we explore the creation and emergence of an elective community that is based on choice and activity (Brint, 2001). In contrast to geographic-based communities such as small scale communities of place or neighborhood groups, an elective community such as a fan community of a music group is based on relationship ties bound by choice and activity. Stated differently, the members of the fan community of a band may live in different cities, countries, or even continents; and their linkage to one another is through choosing and liking the band and through activities such as listening to the music and sharing the musical experience by engaging in discussions or attending concerts. The community that we explore is the fan community of the Grateful Dead. Known as "one of the most remarkable business stories in rock 'n' roll history" (Memmott, 1995), the Grateful Dead dramatically changed the American musical landscape beginning in the late 1960s. By leveraging their community of fans, more commonly known as Deadheads, the band was able to create a unique business model that was unlike the prevailing business models in the record industry (Hirsch, 2000), thereby providing a template for future musicians such as the bands Phish and String Cheese.

This case allows us to analyze what institutional entrepreneurs do to create a community that parallels the existing institutions of the record industry, the changes they focus on, and how they relate to the institutional "followers" who abide by the rules of industry. This study contributes to institutional entrepreneurship research and research on community by understanding what institutional entrepreneurs do to build a community. Our paper illustrates how entrepreneurs were able to create and foster a community through cognitive, normative, and regulative forces. Although considerable work in institutional entrepreneurship exists on how actors/entrepreneurs frame issues, make choices, and pursue behaviors to introduce new beliefs, norms, and practices into the social structures, they tend to focus on the success or failure of institutional change as the sole outcome for institutional entrepreneurs (Greenwood & Suddaby, 2006; Greenwood, Suddaby, & Hinnings, 2002; Garud, Jain, & Kumaraswamy, 2002). Relatively little research has been done on alternative outcomes of institutional entrepreneurship, such as the creation of a community where actors can develop, justify, foster, and share a different set of beliefs than those of prevailing institutions. An appreciation of how entrepreneurs can carve out enclaves of communities within institutions can add to our understanding of how people respond to multiplicity of institutional environments (Greenwood, Diaz, Li, & Lorente, 2010). When facing multiple, incongruous, or even conflicting institutional demands, entrepreneurs can actively create communities that harbor a different sets of values and beliefs.

We present our study in four sections. We first discuss theoretical orientation in the current literature on institutional entrepreneurship, establishing the central themes in the extant literature. Subsequently, we describe our qualitative research procedures. The third section presents the case study, discusses the processes of community emergence, and draws a framework of community emergence. And finally, we discuss the contribution and implications of our research.

THEORETICAL ORIENTATION

In this paper, we follow Scott's (2006, p133) definition that "institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior". The cognitive structure of the institution depends heavily on the social interactions between its members. Berger and Luckmann (1967) and Scott (2006, p135) argue that "social life is only possible because and to the extent that individuals in interaction create common frameworks and understanding that support collective action". Without a cognitive base on which to conduct these interactions, actors would be working individually for personal goals and interests, preventing them from effectively moving toward the completion of a common goal. The cognitive structure of the institutional environment helps to create a common language and common processes that individuals follow and maintain.

The normative structure provides a moral framework for social life. Norms reflect common values, and participants derive these values and structures based on what is appropriate within the institutional context. Participants feel socially obligated to others, share common values, follow, permeate, and spread such norms in order to solidify the social structure and strengthen the bonds between actors.

The regulative structure refers to systems of rules as a governance system – the "rules of a game" (Scott, 2006, p133). There are not only a written set of rules that participants must follow, but also a set of informal regulatory structures that exist at the sector, industry, and societal levels. Members of the society are expected to adhere to these rules out of expediency. Usually enforced by coercion, individuals follow these regulations in order to avoid sanctions or to gain rewards. Behaviors that conform to the existing rules and laws are seen as legitimate.

Institutional theory, as initially formulated, suggests that social behaviors are patterned and reproduced because participants tend to view social structures as rationalized myths that are taken for granted, and followed as a prescribed guide for proper behaviors (Meyer & Rowan, 1977). Even though institutional theory has originally emphasized the conformity of participants to institutional orders, recent research on institutional theory and institutional entrepreneurship underscores the importance of human agency, i.e., the struggles and the behaviors of interested actors in maintaining and changing institutional orders (Greenwood & Suddaby, 2006; Greenwood, Suddaby, & Hinings, 2002; Garud, Jain, & Kumaraswamy, 2002; Mcguire, Hardy, Lawrence, 2004). Institutional entrepreneurs are actors who work towards changing or creating institutions by engaging in forward-looking agency (Dorado 2005).

Recent scholars have sought to explore in more detail the activities involved in institutional entrepreneurship (Lawrence and Suddaby 2006). Yet the broad literature remains divided as to exactly which areas of activities the entrepreneurs focus on to introduce a new social order. According to some authors, institutional entrepreneurs mainly focus on the regulative areas and establish rules and construct rewards and sanctions that enforce these rules (Elsbach and Sutton 1992; Fox-Wolfgramm, Boal et al. 1998; Russo 2001). A second stream of research highlights the normative structure of institutions and attends to the identities, roles, values and norms that underpin institutions (Townley 1997; Townley, Cooper et al. 2003; Zilber 2002). In this view, entrepreneurs affect institutional change by re-making the connections between sets of practices and the moral and cultural foundations of these practices, thereby reformulating the normative foundations of institutions. Participants may still carry out the same practices, but with a different set of meanings and motivations. Lastly, institutional entrepreneurs may work on cultural and cognitive areas of institutions by undermining the beliefs, assumptions, and frames that inform the existing institutional order (Hargadon and Douglas 2001; Lounsbury 2001; Orsato, den Hond et al. 2002). Through changing meanings, they introduce or create new institutions and invite other interested actors to engage in new practices and participate in the new institutions.

In addition, existing research has yet to show how institutional followers differ from institutional entrepreneurs when facing a similar institutional environment. Do institutional followers passively conform to institutional orders as “cultural dopes” (DiMaggio 1988; Hirsch and Loundsbury 1997), or do they actively support, repair, or recreate the social mechanisms that underlie prevailing institutions? Recent work on institutional entrepreneurship has drawn attention to the fact that few institutions possess powerful self-productive mechanisms. As a result, maintenance work is often needed for institutions to persist (Lawrence and Suddaby 2006). However, little attention has been devoted to how institutional followers and entrepreneurs differ, given similar environments. This paper focuses on how institutional entrepreneurs build an elective community, focusing on the fan community of the Grateful Dead.

METHODS

Rationale

This study began as an exploration into the relationship between institutions, entrepreneurs, and communities. The research design was based on inductive logic to obtain and gain insights, as a type of “naturalistic inquiry” (Greenwood & Suddaby, 2006; Miles & Huberman, 1994). The aim of naturalistic inquiry is to generalize from a case to a theory rather than from a sample to a population. This is accomplished through interpreting the data, and iterating between data and theoretical constructs until a stage of theoretical saturation is reached (Glaser & Strauss, 1967). Qualitative procedures were used for four reasons. First, the changes observed over time in the Grateful Dead’s business structure were not immediately apparent and obviously measurable; instead, they resulted from complex social interactions and subconscious and conscious decisions by the band’s decision makers and the societal members of the community. Second, inductive techniques allowed us to clarify the sequence of events within and surrounding the community; we could detangle and clarify the causes of these events and offer a timeline in which to analyze historical events. Third, quantitative research would have failed to examine the societal structure under investigation in proper depth. Finally, qualitative methods enabled us to develop and substantiate a theory in this relatively new research area. Our study has drawn upon two sources of data: interviews and archival material.

SOURCES OF DATA

Informants

Two categories of actors were interviewed. One group consisted of former members of the Grateful Dead's inner business structure (i.e., managers, crew, and staff). Among others, we interviewed sound engineer Dan Healy, who worked exclusively with the band from late 1960s until the death of Jerry Garcia, the lead guitarist, in 1995; Dennis McNally, the band's long-term publicist and author of a Grateful Dead biography (McNally, 2003); Billy "Kidd" Candelario, crewman and previous manager of Grateful Dead Merchandising; and David Gans, host of the nationally syndicated radio show – The Grateful Dead Hour and author of several books on the Grateful Dead (Gans, 1985). All interviews were conducted in semi-structured fashion. Some of the respondents attended business meetings and voted on issues that directly impacted the creation of community, and all of them were familiar with the business structures of the Grateful Dead.

The second group of interviews were conducted with fans and members of the community. Each member of this group had a different level of community involvement and interacted with the community during overlapping periods of time. Some of the community members interviewed were tapers, a specific subset of the community who would use a variety of recording setups in the audience to record and archive live shows. Primary among the fans we interviewed were Dan Hupert, a lawyer in the State of New York, and Barry Barnes, a professor of leadership. All of the respondents of this group were knowledgeable about the culture, norms, and regulations of the Grateful Dead community.

Table 1: Summary of Data Sources

Characteristics	Descriptions
Archival Data	
Number of audio/video	50
Internal sources: press release, band websites	50 pages
External Sources: media interviews, autobiographies, biographies, obituaries, and fan websites	3000 pages
Number of interviews	19
Informants: band insiders (# of interviews)	manager (1); crewmen (2); publicist (1); biographer (2); artists (3); and photographer (1)
Informants: fans (# of interviews)	fans starting to follow the band since 1960s (2); fans starting to follow the band since 1970s (3); fans starting to follow the band since 1980s (2); fans starting to follow the band since 1990s (2)

All interviews lasted around an hour to an hour and half in length, were recorded, and subsequently transcribed within 24 hours of interview conduction. All interviews were conducted according to an interview protocol that was developed by the researchers based on the roles of the interviewees in the community (band insiders or fans). The interview methodology has been described in the Appendix section. To minimize interviewer bias, a sample of the interviews was conducted by two researchers. Apart from primary interviews, we also consulted extensive text and video interviews conducted with the band members by the media dating from 1965 to the present (see archival data sources in Table 1). These second-hand interviews provided insight into the internal growth and regulation of the fan community and offered contextual information that showed the change in attitude and approach of the band over time. A summary of data sources and the number of interviews conducted are listed in Table 1 above.

Archival Data

Four categories of archival data were collected. The first category of archival data comprised of books, texts, and interviews that provided insight on the members of the band. Biographies, autobiographies, personal interviews and obituaries were researched in depth to gain a better understanding of the band members (Gans, 1985; Garcia, Reich, & Wenner, 2003; McNally, 2003). By better understanding the driving forces behind the band and the band members' ethics and behaviors, we were able to understand the entrepreneurs behind the creation of the community and the origins of community values. These articles also allowed us to validate and establish a main timeline of events surrounding the development of the band and the community.

Second, we referenced articles focusing on the popular media accounts of the band and the community. We searched every article published on Grateful Dead on the Lexus-Nexus database. These articles were a rich source of information and provided additional insight on the band and its relationship with the community (e.g., Bogaev, 2002; Pareles, 1995; Strauss, 1998). These articles gave direct insight into the community and interactions that occurred within and outside of the fan community. Spanning over forty years, beginning in the late 1960s until the present day, these articles also discussed the band's influence on other "jam bands" (i.e., bands such as Phish and String Cheese that relied heavily on improvisation in their shows) that have arrived on the scene since the Grateful Dead. This second category of data was vital in understanding the roles within the Grateful Dead community and the societal views of the community. These articles explained the dialect, language, values, and practices that arose within the community. There were diverse opinions of the band and the narratives changed over time, and these articles provided a general background on the evolution of the band and its community.

The third category of data comprised of trade magazine articles (e.g., Billboard, Rolling Stones, etc.), analysis, and other industry publications in the popular music industry that covered the years of 1965-1995. This category of data provided insights on the industry structures, culture, and institutional environment during the lifespan of the band (Passman, 2009). And finally, we also consulted academic articles in various disciplines such as business, sociology, and philosophy (Adams & Sardiello, 2000; Gimbel, 2007) including business cases regarding the Grateful Dead (Hamermesh, Marshall, & Pirmohamed, 2002).

DATA COLLECTION AND ANALYSIS

Data collection and analysis occurred in five steps. As stated earlier, we used inductive methods to obtain insights into the community and community development (Miles & Huberman, 1994). All primary and secondary data was managed through the NVIVO software. To increase reliability and validity of information derived from a large number of primary and secondary sources, we created a document coding protocol that linked the original texts with theoretical constructs and construct relations. The data was organized in chronological order, and relevant data segment was coded according to content and its sources. This coding method provided researchers with a main summary of events.

After gathering the initial data, independent analysis of the data-set by both researchers was conducted. We based our assessment on two sets of research questions formulated at the beginning of the process: 1) What type of institutions in the music industry did the band face at their startup? How did the business model and strategy of Grateful Dead differ from that of the bands which followed the dominant institutions at the time? 2) How did the band create a community that supported their alternative business model? What were the roles of the fans in creating the community?

After independent analysis was completed, thematic trends were extracted from the data. For example, one key component of the regulative force of the Grateful Dead Community - self-regulation - emerged. In addition, critical instances of similarities and differences between the Grateful Dead model and the common practices of its contemporary bands (e.g., bands such as Rolling Stone) were addressed. Once the original set of themes was defined, the ideas were carefully cross-referenced with the original sources. Similar to Greenwood & Suddaby (2006), at this stage, the data was analyzed using latent analysis and subsequently interpreted based on the researchers' expertise on the subject and contextual knowledge of the band. The fifth and final step in the analysis involved the researchers conducting further interviews with several more fan members of the Grateful Dead community, in order to test the validity of the themes discovered. This last step, combined with the additional collection of data concentrating on specific periods during the community's lifespan, allowed for an additional verification of the themes that emerged in the earlier stages of data analysis. The verification of themes as a result of the additional data gathered, solidified our interpretation of the data.

CASE ANALYSIS

Case Background

The Grateful Dead (also referred to as the Dead) was one of the highly influential bands from the 1960s, and one of the most successful touring bands in the US. Combining record deals, touring, and merchandising, it was also one of the highest grossing bands of all time. Throughout its career (1965-1995), the band recorded more than 20 albums and appeared in 2,317 concerts in 298 cities. In 1991-1995, the band played 85-110 shows annually and was each year among the highest grossing acts in the U.S. concert business (Economist, 1996). In 1991, at $32.7m, and in 1993, at $45.6m, the band grossed more than any singer or group. The Dead was the No. 6 touring act of 1994, grossing nearly $50 million and drawing 1.2 million concert goers to 77 sold-out dates. The band grossed more than some major league baseball teams in some years (Will, 1995).

The band started in 1965 in San Francisco as the Warlocks, with guitarist Jerry Garcia, guitarist/vocalist Bob Weir, keyboardist Ron "Pigpen" McKernan, bassist Phil Lesh, and drummer Bill Kreutzmann; percussionist Mickey Hart joined shortly thereafter. Within a year, the Warlocks were renamed the Grateful Dead. Over the years, besides the band, the Grateful Dead have spawned offshoot businesses such as the Grateful Dead Ticket Office, Ice Nine Publishing which licenses the compositions of the Grateful Dead, and the now defunct Grateful Dead Records (Derobertis, 1995).

Information derived from interviews, media accounts, and books led us to identify Grateful Dead as an institutional entrepreneur for several reasons. First, it was the first “jam band” and its business model served as a “template” for subsequent artists such as Phish, String Cheese, and Neil Young. The recordings/performances of jam bands often feature extended musical improvisation (“jams”) over rhythmic grooves and chord patterns and long sets of music that cross genre boundaries. More than traditional musical artists, jam bands rely heavily on touring and cultivation of fan relationship to generate revenues. Second, although Grateful Dead was not the first Rock ‘n’ Roll band to recognize the importance of a fan community, it was one of the first bands that systematically incorporated the community’s input in its business decisions. For instance, it was one of the first bands which included a community representative with voting rights in its board, which signified the importance of the Deadhead community in band decision. Finally, Grateful Dead, through its reliance on the community, was the driving force behind the movement for musicians to disconnect from the prevailing institutions of the record industry and rely on concerts ticket sales, merchandising, and other non-record revenues for income generation. Forty five years after the founding of the Dead, touring, sponsorship, and merchandising have overtaken record sales as the major revenue streams for musical artists (Heller 2010). Building the fan community played a key role in disconnecting, disassociating and undermining the then prevailing institutions in the record industry.

The Comparison of Extant Institutions in the Recording Industry and the Grateful Dead

The business approach of Grateful Dead is vastly different than the approaches of its contemporary bands such as the Rolling Stones (Mengel, 2008). The comparisons drawn in Table 2 illustrate the different career paths of the two bands, which operated in the music industry during the same time, but relied on opposing methods to garner and maintain success. While the Grateful Dead were touring extensively, racking up around 2,317 shows between the years of 1965 and 1995, the Rolling Stones preformed slightly over a third as many concerts, just over 700 concerts. Instead, the Rolling Stones relied on studio albums and radio airplay to achieve success in the 60s and 70s, the beginning of their career. By producing 22 studio records, 11 of which went multi-platinum (selling 2,000,000 or more copies per record), and 8 number-one singles, the Rolling Stones followed the institutional path to success (i.e., the record industry). In contrast, the Grateful Dead leveraged their community of fans for their path to stardom (Passman, 2009). With only one top-ten hit (Touch of Gray in 1987) almost 22 years after the band's inception, and only 4 multi-platinum records, the Dead could not and did not rely on the traditional institutional path to the top. Instead, community played a crucial role in their business success.

Both bands were ultimately honored with the Grammy Lifetime Achievement Awards: the Rolling Stones received this honor in 1987 and the Grateful Dead, were honored in 2007, almost twelve years after the death of guitarist Jerry Garcia. The Rock and Roll Hall of Fame choose the Rolling Stones for the forth class of inductees in 1989, while the Grateful Dead was not inducted until 1994. The grassroots, community-based approach used by the Grateful Dead may have taken longer to garner the same success that a band such as the Rolling Stones gained through institutional means, but the community that the Grateful Dead built and maintained, would not have existed if the band followed the institutional approach prescribed by the record industry. Table 2 summarizes the comparison between the two bands.

Below we describe how Grateful Dead created, developed, and maintained the community, paying special attention to how they differ from the prevailing model in the record industry.

Historically, the recording industry is dominated by the record companies such as Warner Brothers, Columbia, Decca, etc. (Peterson and Berger 1975). Prior to the emergence of digital music, it took large organizations to manufacture, warehouse, promote, ship, and distribute physical music media. Through vertical integration, record companies took control of the production flow from raw materials (i.e., musical talents in song writing, publishing, and performing); to sales and promotion (e.g., promoting songs on radio programs and/or in movies); and distribution (through wholesale dealerships and warehouses). In the 60s and 70s, within the institutions of the record industry, the prevailing way for artists to make money was through recording their music in the studio and putting it into the machine of the record companies to reach the consumer. Touring, seen as ancillary to records, was used as a way to promote records, and was usually done immediately following the introduction of a new record (Serwer 2002). It was the common belief among the artists that they had to struggle with their first few albums and tour relentlessly before breaking through to a mainstream audience (Strauss 1998). For instance, even though Bruce Springsteen was seen as the new Bob Dylan when he was signed to CBS Records (now Columbia) in 1973, it took him until his third album to be considered a commercial success.

Even though the prevailing institutions are championed by the record companies, and do not favor the musicians, the musicians follow the prescriptions of such institutions in hopes of getting their music heard. "In the early days you got paid absolutely nothing," recalls Mick Jagger of Rolling Stones in a recent interview, "the only people who earned money were the Beatles because they sold so many records" (Serwer, 2002). The situation was so bad that by the mid 60s the Stones had reportedly sold ten million singles and five million albums, but the band was still living hand to mouth. "I'll never forget the deals I did in the 60s, which were just terrible. You say, 'Oh, I'm a creative person, I won't worry about this'. But that just doesn't work. Because everyone would just steal every penny you've got", Jagger recalled.

The Grateful Dead also recognized the problems with the prevailing institutions upheld by the record companies. The difference between the Grateful Dead and the Rolling Stones is that none of the early studio records produced by the Dead was a commercial success. In the late 60s, the Grateful Dead was carrying a relatively large amount of debt ($100,000). As mentioned by Phil Lesh in his memoir, "at this time [in the 60s and 70s], and indeed up until we finally had a big record, in 1987, none of the band members made anything above a cost-of-living salary" (Lesh, 2005, p. 146). The roots of the band as a performing band let them explore concerts and tours as a direct way to reach and speak to the audience/consumers. It is through this exploration that a community was built.

Table 2: Comparison of the Grateful Dead and Rolling Stones		
Dimensions	Grateful Dead	Rolling Stones
Year Started	1966 (The Warlocks) 1967 (The Grateful Dead)	1962
Country of Origin	USA	England
Induction into Rock and Roll Hall of Fame	1994	1989
Place on Rolling Stone Magazine 100 Greatest Bands	55	4
# Studio Albums	16	22
Concerts	2,317 (1965 - 1995)	700+
Members	Jerry Garcia Bob Wier Phil Lesh Bill Kruetzmann Ron "Pigpen" McKernan Micky Hart Robert Hunter Tom Constanten, Keith Godchaux, Donna Godchaux, Brent Mydland, Vince Welnick John Perry Barlow	Mick Jagger Keith Richards Charlie Watts Ronnie Wood Bill Wyman
Business Model	Grassroots (none)	Traditional Record Industry
Record Labels	**Warner Bros(1967)** **Greatful Dead (1973)** Self-Marketed, Produced, Manufactured, Promoted, and Distributed **Arista (1977)** **Rhino (2006)**	**Decca** (UK) (1965) **London Records** (US Distribution) (1964) **Rolling Stones Records** (1971) Distributed through partnerships **Virgin Records** (1994) **Polydoor** (UK UniversalMusic Group) (2008)
US Gold Records	13	16
US Platinum Records	2	16
US Multi Plat Records	4	11
#1 singles	1 (Touch of Grey)	8
Grammy Awards (nominations)	0 (0)	2 (9)

Setting the Cognitive Forces of the Community

Previous research on communities has recognized that the process of isomorphism also functions at the level of communities (Marquis, Glynn, & Davis, 2007). Communities, like institutions, are subject to the isomorphic mechanisms of cognitive, normative, and regulative processes. While we believe that these forces are less formal and probably weaker at the community level than those at the institutional level, these three forces nevertheless provide the foundation of community emergence. We start with the cognitive processes. The cognitive force gave the community a basis on which the meaning of the community was constructed, facilitating the evolution from a set of disperse individuals to a community with shared meanings. Two elements were in place for such change: 1) reciprocity and 2) trust, and interpersonal relationships formed on the basis of this trust. Reciprocity, a dyadic exchange in which actors make simultaneous decisions together, laid the foundation for the community (Vaisey, 2007). Reciprocity referred to social exchange and mutual dependence of social actors to produce collective goods (Vaisey, 2007). It meant slightly more to the Grateful Dead community than just being neighborly; rather, it was a belief that the band held true to their fans. Being described as “the people’s band”, the band went to great lengths to provide the best experience to the concert-goers. The sound engineer we interviewed remarked “… we worked very hard to provide well; we were very picky about where we played. One of my functions when we weren't gigging was to travel around and search for venues. I did it myself and I had people that did it for me… We would travel to every venue and inspect the venue, inspect the neighborhood, make sure that there's room for the audience, make sure that it wouldn't cause problems in the in the community and so on and so forth. We were for instance the first people to put wheelchair platforms in a concert. Ok now it's a law, at least in California… But we were the first ones. The promoters used to come threatening us because they would accuse us of taking up seat space that they could be selling and making money on. So all of the amenities that happened in the audience [before our decisions] were really carved out of the stone mentality of the promoters” (interview with sound engineer). The community recognized this and rewarded the band. The community saw the band as the providers of the music, their ultimate reason for coming to the show. Appreciating the efforts that the band made, the fans avoided purchasing scalped tickets and only purchased from official sources, thus retaining most revenue to the band.

Reciprocity didn’t stop at ticket purchases. Phil Lesh, the bassist remarked in an interview, “the relationship between the band and the Deadheads needs to be nurtured because they are us, and we are them” (Strauss, 1998). The effort initiated by the band was reciprocated by the fans. One fan we interviewed remarked that “in 1974… they [the Grateful Dead band] had a table [in a live concert] where you could sign up and I did. I started getting mailings from them after that and they would send out these little newsletters here is a forty five [record] of their new single of US Blues. … then they sent us some more newsletters and this little thirty three and a third sampler [record] from stuff that they're working on. It was just remarkable. I call that reaching out to your fans in a completely unusual and unique way… Later they created hotlines and they had their message and their skull and roses album … then the fans created the first online virtual community, the well.com and a bunch of it was dedicated to and run by Dead fans. They facilitated this whole thing in a remarkable way". By responding to the efforts of the band and developing their own activities, the fans were continuing to foster the growth of the community.

Trust was the second element of the cognitive force. Trust in the band and in other members of the community facilitated the formation of bonds that were tighter than that of typical concert-goers. According to Mickey Hart, the drummer, "The idea behind the Grateful Dead has always been that the sum is greater than the parts" (Pareles, 1995). The band members trusted that when they came together, they could rely on each other to draw the best out of themselves and create better music. The trust within the band emanated to the community, creating the second foundational element for the cognitive force among the fans. Trust was exhibited throughout the parking lot, on stage, and even in the taping section where there was said to be "an ethic of tolerance there, it was a safe place where people watched out for each other. We would have people leave me thousands and thousands of dollars of taping equipment just because we happen to be sitting in the row next to them" (interview with a taper and fan).

The two elements 1) reciprocity and 2) trust, and interpersonal relationships formed on the basis of this trust made up the cognitive force of a community. The belief and understanding in the community is that the experience with touring is richer and more holistic than the passive listening experience that an audience/consumer usually attains by purchasing and listening to a record. The creation of this cognitive force was the first step in creating "strong relationships, which over time, allow trust, cooperation, and a sense of collective action to develop among members" (Peredo & Chrisman, 2006, p14). It was the first step of building a community. The resulting network of relationships between participants laid the foundation for a community where norms, values, and rules could develop.

Setting the Normative Force of the Community

In the record industry, once artists are signed by record companies, the expectations are for the artists to hone their song writing and performing skills, have their songs recorded and produced by the studios, and get the royalty fees once the records have been sold and royalties computed (Passman, 2009). While the norm prescribed by the record companies for the artists are tried-and-tested, institutional entrepreneurs searched for their norm through experimentation and improvisation.

The social norms were responsible for outlining a moral framework by which the community members guided their conduct. Just as the cognitive factors started with the band and spread throughout the community, so did the norms. Through experimentation, the band developed its identity. "When we started out, the idea was to play music and see where that took us, and it took us on the road," says Bob Weir, the guitarist and vocalist of the band, "We started out as a dance band, and as the years went on, people started facing the stage and listening, and we became a performing act." (Waddell, 2002). Experimentation leads to its musical improvisation, which would become synonymous with the Grateful Dead band and the shows. The band worked in the style of Jazz musicians, continually improvising during shows and changing their rendition of songs during each show. Unlike their contemporaries, the Grateful Dead went to shows with no set lists. When asked about the compelling elements of the show, a fan summarized, "it's the improvisation - the creative aspect there in the moment, something fresh and [a] new unexpected adventure. As a guy who doesn't care for repetition particularly, that's one thing you could certainly count on with the Grateful Dead: it was not going to be routine; it wasn't going to be the same thing you'd ever seen before no matter what" (interview with a fan). Experimentation was also present in the band's business decisions. The band manager remarked that "one thing about them is that you could take on a project you wanted anything that you wanted to do, they were totally willing to go ahead and put you in charge of it. But you better do a good job" (interview with band manager).

The norm of experimentation also set in the community, such that other community participants took initiative and developed the experience of music and concert going as they saw fit. For instance, Stewart Brand and Larry Brilliant founded the Whole Earth 'Lectronic Link (the well.com) in 1985 as an online meeting place for Grateful Dead fans. Community members also took initiative to create enclaves for their own enjoyment of music. For example, hearing impaired audience members created a "deaf zone", a barricaded area in front of the stage at the concerts. They set it up in 1995 in Washington with help from the Dead, creating the atmosphere of tolerance and generosity.

Thus, with experimentation and improvisation, the normative foundation of the community emerged and spread throughout the Grateful Dead Community, creating a fan base that expected rather than feared experiments, and looked to sharing with the band the experience of music in real time. The experimentation and improvisation gave the institutional entrepreneur an opportunity to engage in trial-and-error learning, and was suitable for development of the community when there were no guidelines to follow. The normative foundation of a community was thus embedded and routinized into participants' day to day routines and organizational practices.

Setting the Regulative Force of the Community

The norms of experimentation and improvisation served to guide the development of community up to a point. When the community became larger and larger, regulative forces started to set in the community. The third force in the emergence of the Grateful Dead community was the regulative force. The regulative force was defined by two elements: 1) setting the boundary of appropriateness and 2) self-regulation. Setting the boundary of appropriateness referred to the general, less personal regulation set by the band and members within the community. The community and its members agreed upon a general rule of behavior and conduct. One of such rules was that the Grateful Dead concert experience was fundamentally about the music. The band and the community recognized and created regulations together to maximize the experience of the music for each participant in the concert. "The Bill of Rights was you didn't try to interfere with anybody because people were there to dance and have a good time and listen to music" (interview with a fan).

While conserving such a bill of rights was relatively straightforward when the concerts were small, as the community started to expand and concerts grew, regulative measures evolved. The creation of "the taper section" in the early 1980s by the sound engineer and the band was a direct result of complaints that audience members were getting harassed and their listening experience was being impeded by those audience members who were trying to tape the show. "At the point that the tapers began interfering with the ability of the rest of the audience to enjoy the show, that's when something had to happened", the sound engineer recalled, "I thought about it for a long time, for about six months … I flashed the idea of the taper section [at the board meeting]. I wanted to put them behind me [on the mixing board] because there were a lot of the seats. You couldn't see past my mixing board anyway, so I figured, a lot of seats were held out and let's put them here. Then the objective was if you were in the taper section, you actually had rights at a concert. Ordinarily [at that time] nobody had a right to take cameras or tape recorders into any concerts and some people will be brutalized for doing that … All of a sudden I invented the concept of 'tapers' rights'. Then I could say that if I catch you outside the taper section, abusing regular ticket purchasers and concertgoers, I get to be as severe as I need to be to stop you from doing that. So that's basically [how] the taper section [was created]" (interview with the sound engineer). By designating a special area behind the sound booth, the Dead were able to allow taping, but also controlled the crowd slightly and helped improve the experience of other concert-goers.

Beyond the regulations implemented and enforced by the band themselves, the Grateful Dead community members were expected to be self-regulating. The community held "this sense that they were responsible to each other. They were responsible to the band, because the band had set an example. And it came down to something as simple as 'If you make a mess, if you destroy the [local] community, the band can't come back - they won't be welcome.' So it was our obligation not be too trashy, not be too rowdy, and to genuinely treat each other with some respect" (interview with fans). Along with the sense of freedom, there could be issues of enforcing the regulations. Again we see, "because violence is discouraged, there were only sort of two ways to treat them. One is verbally reproaching people and saying 'hey don't do that, that's just not right' and/or [the other is] shunning them ultimately. People who constantly behaved badly simply found themselves frozen out" (interview with fans). So the community was able to grow because community members took it upon themselves to police the crowd in a way that would be socially acceptable to other members of the community and, in a way that aligned with the societal norms.

Even though the regulatory forces in a community are not as formal or rigid as the ones guiding institutions, it seems that community also needs a certain level of regulation. More than any type of institution that relies on legal means to police and deter the use and misuse of musical rights, an institutional entrepreneur seems to offer guidelines and set the boundaries while relying on the participants of the community to regulate the interactions themselves. This is significantly different from institutions where participants may rely on coercion to enforce rules, regulations and laws.

Overall, the development of the community is not a mechanical process of following procedures and rules, but is an organic process. As one of our interviewee summarized, "what I've always said was that the process of becoming a deadhead was an organic experience … it involved almost always a human relationship and it involved not only learning about the music, and learning the legend and the lore and the mythology which almost immediately sprang up around the band… but [it] also [involved] learning a code of ethics and a code of behaviors." It is through the above discussed cognitive, normative and regulative processes that participants became a member of the community.

DISCUSSION

We began this article by highlighting the important role that institutional entrepreneurs play in the building of a community. We narrowed our focus to examine the emergence of a music community that functioned in parallel to the guiding institutions of the record industry. We have reported how a community was created through the combination of 1) cognitive, 2) normative and 3) regulative forces.

Central to our paper is the idea that institutional entrepreneurs engage in works in the cognitive, normative, and regulative areas to create a community that is distinct and different from the industry in which they operate. We advance the theory of institutional entrepreneurship that entrepreneurs can affect the institutional environment they are in, not by directly challenging the institutional order of the industry, but by working in parallel to the industry and creating their own community; in other words, an entrepreneur can continue to successfully operate within an industry without becoming heavily embedded in traditional industry processes and structures. During the process, the cognitive, normative, and regulative factors can serve to guide, control, and regulate the behaviors of social actors within that community. Previous authors see institutional entrepreneurs as political actors pursuing networking and resource mobilization activities (DiMaggio 1988), others have regarded them as "framers" engaged in the areas of cultural cognitive work (Rao 1998; Creed, Scully et al. 2002). By showing that institutional entrepreneurship as a multi-dimensional activity involving three areas of institutional orders of cognitive, normative and regulative, we provide empirical support for recent accounts pointing to the diversity of "institutional work" (Lawrence & Suddaby, 2006).

We begin by examining the cognitive force of community emergence. Through the mechanisms of reciprocity and trust, entrepreneurs created a one-to-one relationship between them and the community members, or between the community members themselves. Such one-to-one relationships ensure a high level of commitment for members for the community, hence setting a strong foundation for the start of the community and for its further growth.

We also examine the acceptance and spread of community norms. Setting the norm is the stage in the community-building process, when members of the community set up group policies, procedures and codes of behaviors. It is also the time in which expectations for the community are implemented and solidified. Through experimentation and improvisation, institutional entrepreneur create a set of different expectations for the participants, who then embed the expectations into their behaviors to further develop the community.

The regulative force is usually associated with coercive power in institutional theory; however, within a community, member participation is often voluntary and as such coercive means do not work: regulative forces other than coercion will be explored when participants try to regulate the community. Social capital and feeling of acceptance and belonging are of paramount importance for community members. As such, once the entrepreneur set the boundary of appropriateness, self-regulation is often used in community settings. By internalizing the boundaries of appropriate action, community members are able to regulate the members informally. Institutional entrepreneurship can therefore be conceptualized as a multi-dimensional process where the institutional entrepreneurs build three areas of an alternative social order over time. Table 3 summaries the type of activities that an institutional entrepreneur engages to build a community.

Table 3: Community Building as Institutional Entrepreneurship

Areas of social governance	**Activities of institutional entrepreneur**	**Community building outcomes**
Cognitive	Reciprocity Interpersonal trust	Building a new belief system through frequent interpersonal interaction
Normative	Experimentation Improvisation	Actively infusing the normative foundations of the community into participants' day to day routines
Regulative	Setting the boundary of appropriateness Self-regulation	Creation of rules and ensuring compliance through self regulation

CONCLUSIONS

Researchers have long been interested in the issues of communities and institutions as distinct research streams. Research on communities have identified different types of communities (Brint, 2001) and emphasized that even in today's globalized world, communities continue to exert strong influence on the behaviors of individuals and organizations (Marquis, Glynn, & Davis, 2007; Peredo & Chrisman, 2006). Previous research on institutional entrepreneurship (Greenwood & Suddaby, 2006; Maguire, Hardy, & Lawrence, 2004) has focused on the issues of how institutions and institutional orders are maintained, reproduced, and sometimes changed. However, existing researches have focused on the change of institutional orders as the main outcome of institutional entrepreneurship. Thus entrepreneurs either succeed in changing existing institutional orders or fail to so, and no other possible outcome was investigated extensively.

This study helps us paint an initial picture of the emergence of a community as an institutional entrepreneurial effort. We found that this involved a multi-dimensional process with cognitive, normative and regulative works. Our research contributes to the institutional entrepreneurship research by drawing attention to community as an alternative outcome that can be achieved by institutional entrepreneurs in the process. In our conceptualization, institutional entrepreneurs can and indeed do change their institutional environment by creating a community that supports their alternative values. Such a community neither replaces nor substitutes the larger institutional environment. Instead, it creates a layer in-between entrepreneurs and their outer institutional environment, cushioning the entrepreneurs and other participants of the community from external institutional pressures.

Our paper has examined the emergence process of a self-regulated community within a highly institutionalized environment – the record industry. Juxtaposing the business decisions and choices of Grateful Dead and the bands that following existing institutional prescriptions, we examined how the former successfully started, developed, and maintained their fan community for nearly thirty years. Our contribution to the institutional entrepreneurship research, therefore, has been to understand how institutional entrepreneur differ from institutional followers and what types of activities they engage in to formulate a new set of social order.

Much work remains to be done. The popular music industry - especially the record industry - is not representative of all institutional fields. We consider our framework of community building most applicable to entrepreneurship in the cultural area such as motion picture industries, popular music industries and book publishing industries. In order to generalize our understanding, future research needs to investigate the process of community emergence in other types of institutional fields, especially those industries that produce tangible products rather than the intangible cultural products such as music. Only when different types of institutional environments have been taken into account, is it possible to create a general model.

This paper's contribution lies in putting forward a framework that illustrates the how entrepreneurs were able to create a community within a mature institutional field.

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APPENDIX: INTERVIEW METHODOLOGY

After conducting an initial secondary research, the researchers identified a list of potential interviewees including both band insiders and fans. Secondary research demonstrated that this group of individuals had extended experience with the band and the community, and were knowledgeable about the contexts, history, and details of community development. They were contacted through email and asked whether they were willing to speak with the researchers regarding the community. Majority of the interviews were conducted through telephone while some of them were done face-to-face. At the end of each interview, the researchers would inquire whether the interviewee knew of anyone else who was knowledgeable about the community and was willing to speak to us. These additional contacts were followed up and interviews were conducted when possible.

A 17-question interview was administered to managers, crew, staff, and other band insiders. The interview narrative asked the band insiders to describe how the band evolved in the relationship with the community through its lifetime. They were inquired in respect to business strategy, business model, organizational structure, decision making mechanisms, community relationship, and other key decisions related to the community. All of the questions were open-ended and required recollection of past events. Respondents were asked to put themselves in the frame of reference of the particular historical time and to try not to use the benefits of the hindsight.

Similarly, a 10-question interview was administered to fans (including tapers) of the community. All questions were open-ended. The interview narrative asked the fans to describe how they knew of the band; whether they believed that they are part of the community; how the community developed during their time with it; and how the Grateful Dead fan community was different from the fan group of other bands and music groups. If they categorized themselves as members of the community, the researchers would probe and ask them to describe the culture, structure, and other characteristics of the community.

THE RELATIONSHIP OF INVESTOR DECISIONS AND ENTREPRENEURS' DISPOSITIONAL AND INTERPERSONAL FACTORS

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ABSTRACT

There is an increasing interest in the oral presentations and elevator pitches of entrepreneurs in order to obtain a meeting with investors or to obtain funding for ventures. Recent research on investor decisions has identified the importance of entrepreneurs' oral presentations and has questioned the necessity and validity of requiring entrepreneurs to write a detailed business plan. Therefore, a search of literature was made to identify research which examined the impact and influence of oral presentations on the investors' decisions. Thirteen papers and article, with varying degrees of empirical rigor, which addressed some aspect of these presentations. A variety of subjective criteria such passion, enthusiasm, credibility, interpersonal behavior, social signals, and honesty which were categorized into dispositional and interpersonal factors. Data collection techniques used in the identified studies included a variety of methods such as live presentations, videos, and electronic devices. Based on a review of these articles, recommendations for future research were made. One recommendation was to develop a research framework which would be used to perform research on the investors' assessments of entrepreneurs' oral presentations, a framework which could be expanded to include more objective criteria and investor characteristics. As part of this framework, one would include type of investor and stage of screening process. Other recommendations included the development of reliable instruments to measure the subjective criteria and to design a taxonomy of these criteria.

OVERVIEW

Use and Effectiveness of Business Plans

There has been quite a bit of research examining the decision-making processes and criteria of investors, specifically venture capitalists and angel investors. Many familiar with entrepreneurial ventures and startups would probably suggest that a formal business plan is important for obtaining capital from formal sources such as angel investors, venture capitalists, strategic partners and most banks. However, the research relating to business plan efficacy is mixed. Some researchers have confirmed a positive relationship between firm performance and their use of a formal business plan. (Bracker, Keats, & Pearson, 1998; Ford, Matthews, &

Baucas, 2003; Delmar & Shane, 2003; Gartner & Liao, 2005). Some have concluded that the relationship between business survival and the presence of written business plans for start-ups is, at best weak. (Perry, 2001). Other researchers have arrived at the opposite conclusion that that there was no performance differences in new business startups with and without written business plans. (Lange, Mollov, Pearlmutter, Singh, & Bygrave, 2007; Lumpkin, Shrader, & Hills, 1998; Miller & Cardinal, 1994;). Further, Keely and Kaapp (1994) concluded that high performing companies were involved more in taking action than planning. Gumpert (2003) believes that entrepreneurs need to spend more time with implementing their plans and much less time on writing and refining it. Others have confirmed that entrepreneurs who had a formal business plan at startup were in the minority. (Bartlett, 2002; Bhide, 2002). In fact, the number of start-ups with business plans have been reported to be around 5%. (Sexton & Van Auken, 1985; Rue & Ibrahim, 1998). Lange et al (2007) conclusions reflect the current state of the evidence that business planning prior to startup improves firm performance is lacking.

Many entrepreneurship professors have emphasized the importance of having a business plan prior to starting up a business. According to Lange, Mollov, Pearlmutter, Singh, and Bygrave (2007), business plans are likely the most prevalently used teaching tool in entrepreneurship education. Despite the fact that business plan emphasis in entrepreneurship education, their use is not supported by research. In 2004, 10 of the top 12 universities in the United States conducted business plan competitions (Honig, 2004). Major universities have sponsored business plan competitions, which can include only a written business plan, or they can include an orally presented business plan or elevator pitch to a team of judges. Some recent research on investor use of business plans is discouraging. Kirsch, Goldfarb, and Gera (2009) discovered that venture capitalists rely more on instinct and expertise in identifying and assessing relevant information and spend little time on evaluating the content of business plans. According to Goldfarb, "business plans don't matter." Venture capitalist (VC), Jeff Fagnan, indicated that he had never invested in an entrepreneur who brought a business plan when they met. Paradoxically, this VC is a judge at a major university's business plan competition (Bowers, 2009). Guy Kawasaki (2006) has suggested that an entrepreneur make the pitch multiple times, use the feedback received from those times, change the pitch, and then write the plan.

ORAL PRESENTATIONS

Generally, there are several distinct stages in entrepreneurs' efforts to receive funding. Typically, the initial stage involves investors' reviewing a large number of business plans, at which stage, 80% of the applications are eliminated. The second stage is usually includes an oral presentation and by the entrepreneur or entrepreneurial team and then a question and answer period. (Galbraith, DeNoble, Ehrlich, & Mesmer-Magnus, 2010). However, there may be a new trend emerging. There are some investors, such as Jeff Fagan, that prefer a presentation as the first stage (Bowers, 2009). De Clercq, Fried, Lehtonen, and Sapienza (2006) acknowledge that the pitch is an important step in the screening process regardless of the stage at which it occurs.

As a result of the importance of oral presentations in funding efforts, more and more universities are encouraging oral presentations and elevator pitches. While oral presentations can range from 10 to 60 minutes in length, elevator pitches are typically anywhere from 1 minute to 5 minutes. However, Kroker (2003) is offering suggestions for a 10 second elevator pitch. The term “elevator pitch” was developed to describe a short presentation, usually 1 to 3 minutes, the amount of time that it took to ride an elevator to the top floor of a building with a potential investor. Non-academic interest in elevator pitches has exploded. A search of the term “elevator pitch” on Google, resulted in “about 1,400,000 hits”. There are hundreds of articles by venture capitalists and angel investors describing what are the important criteria for an effective elevator pitch. There are televisions programs such as “The Dragon’s Den” in the United Kingdom and Canada (on BBC America), and “American Inventor” and “Shark Tank” on American television. Such higher institutions of learning as Wake Forest University, Duke University, Babson College, and the University of Georgia, and Georgia Institute of Technology have competitions for oral presentations and elevator pitches. In summary, the absence of strong and consistent support for written business plans and the increasing investor interest in oral presentations has spurred interest in entrepreneurs’ oral presentations and pitches.

Despite this increasing interest in entrepreneurs’ oral presentations and elevator pitches to investors, there is a lack of research on the impact of oral presentations on investor decisions (Clark, 2008). The purposes of this paper are to review the research on entrepreneurs ‘oral presentations and pitches and to make recommendations for future research

METHOD

The EbscoHost and Proquest databases were searched using the following search terms and phrases: “elevator pitch”, “pitch”, “entrepreneur and oral presentation”, “investor decision-making”, “investor criteria”, “angel investor decision-making”, and “venture capitalist decision-making”. In the process of this research, several articles which assessed certain behaviors in oral presentations as part of the whole screening process, even though their focus was not on oral presentations and pitches. The literature identified 13 articles and papers which related presentation evaluations and performance to investor decisions or interest in the investment opportunity.

RESULTS

Through the literature search in two major databases, EbscoHost and Proquest, eleven articles which examined the relationship between dispositional and interpersonal factors observed during oral presentations and investor, both VC and angel investors, were located. This confirms Clark's assertion that there is a dearth of research on the factors which influence and the criteria of effective elevator pitch and oral presentations, and investors' evaluations of those factors. (Clark, 2008). Likewise, Gregoire, Konig, and Oviatt (2008) confirmed that there is much research on the decision-making criteria of VCs and angels, but little is known about how investors evaluate verbal presentations. Some of these articles evaluated the oral presentation, along with a formal business plan, while others designed their studies to specifically examine the influence of skills observed during the oral presentations and pitches. There were a variety of criteria used in these studies, with most being investors' interest in the investment opportunity and their willingness to fund the opportunity. The factors which were found to be related to investor decisions were categorized into dispositional and interpersonal factors.

Dispositional Factors

Baron and his colleagues have examined entrepreneurs' oral presentations in several studies. Baron and Brush (1999), using extracts from practice presentations only two minutes long, found that entrepreneurs' adaptability, their ability to alter their behavior in different social situations was significantly related to a consulting firm's decision to assist entrepreneurs in obtaining financing. In particular, there were significant differences between the two groups in social skills, persuasiveness, emotional intelligence, personal appearance, as well as social adaptability.

Elsbach and Kramer's research (2003) found that Hollywood producers listening to pitches categorized presenters (pitchers) into one of three categories early in the presentation. One of the categories, creatives, was identified by their passion. Therefore, perceived passion of the presenter seems to be a significant variable in investor decisions, particularly those that involve creativity.

Cardon, Sudek, and Mitteness (2009) investigated the influence of perceived passion on angel investing having angels watch videotaped presentations 15 minutes in duration, followed by a 15 minute question and answer period. Measuring three types of displayed passion, enthusiasm, preparedness, and commitment, they found that the importance of the type was a function of the stage of the funding process. They found that these traits were associated with screening stage interest or investment potential.

To pinpoint what aspects of the entrepreneurs' behavior, the VCs were evaluating, Gregoire, Koning, and Oviatt (2008) collected VCs' second-by-second ratings of live presentations at a financing event. They linked the ratings with the presentations' audio-visual records and used a panel analysis to examine the impact of entrepreneurs' different arguments. Their findings suggest that perceptions of credibility may influence the persuasiveness of arguments about management team quality; casual dress and nonchalance have a negative influence on investors' evaluations. Contrary to popular wisdom, they found that first impressions are unimportant; one can salvage a poor beginning.

In their research, Wiltbank, Sudek, and Read (2009) studied the influence that entrepreneurs' choices based on the data they evaluated at various stages of the screening and selection process. The non-predictive control approach included some more subjective items which could be influenced by the entrepreneurs' oral presentations. These items included passion, honesty, enthusiasm, and trustworthiness.

In another recent research effort, Chen, Xiao Ping, Yao, Xin, and Kotha, (2009) examined the impact of perceptions of passion on VCs decisions. To do this, they developed a perceived passion scale composed of two factors, passion and preparedness. They concluded that perceived passion was not significantly related to VCs' funding decisions, but that preparedness was related to the decision.

In summary, the dispositional factors which were related to investor or judges' decisions were passion, enthusiasm, credibility, social adaptability, impression management, social skills, persuasiveness, emotional intelligence, personal appearance, and commitment. However, the most frequently examined disposition was perceived passion. In their review article, "The nature and experience of entrepreneurial passion:, Cardon, Wincent, Singh, and Drnovsek (2009), they found that passion was can increase motivation, that it is related to tenacity, drive, creativity, and increased levels of persistence and initiative. Therefore, passion may be a useful construct which reflects those "intangibles" that investors are seeking. Further, enthusiasm is a positive affect and enthusiasm related to persuasiveness. (Terry & Hogg, 2000).

Interpersonal Factors

Mason and Harriman (2000) showed a video of one entrepreneur's presentation in order to obtain funding from 41 investors. Collecting qualitative data, comments on the entrepreneur's presentation, the authors concluded that this study demonstrated that impression management and presentation skills are critical to raising finance.

Mason and Harriman (2003) had angel investors evaluate video recordings of actual pitches presented at an investor forum. The authors found that entrepreneurs' presentation skills had a strong impact on the angels' assessments. Angels indicated that weaknesses in presentations which were related to clarity, content and structure were major reasons for rejecting investment opportunity. The presentations' content and quality was correlated with investors' interest, the higher the presentation score, the higher the greater the investors' interest. Paradoxically, however, when asked, investors reported that their decisions were more substantively, factually based information.

Clark (2008) specifically designed his study to examine the impact of oral presentation skills on angels' initial screening investment decisions. Angels evaluated 15 minute presentations on 32 presentational (delivery style) and non-presentational factors. Like Mason and Harriman's study, even though the presentational factors had the highest relationship to the angels' level of interest, angels' post-presentation reasons for decisions given were such non-presentational factors as company, market, product, funding and finance issues. Angels' assessment of presentational factors included comments related to such variables as ability to sell themselves, clarity and understandability, structure, level of information provided, and personal characteristics, as well as the investment opportunity. Clark (2008). The results from the angels self-reporting of criteria used confirms Mason and Harriman's (2003) results that the criteria investors' identified were not the same criteria identified empirically as used to make decisions.

Pentland (2010) and his colleagues have performed several studies which have studied social signals or "honest signals" as predictors of outcomes in a variety of settings. Stolzman (2006) used an automated speech analysis program to analyze the speeches of MBA students' pitches, most of which related to funding pitches. He found that over 35% for persuasion's sample variance was explained by non-linguistic speech features. Speakers who spoke more quickly and maintained an even volume were perceived as more persuasive. The single variable most related to ratings of persuasiveness was voicing rate or talking speed. This finding is similar research on ratings of charisma. (Rosenberg & Hirschberg, 2005). Stolzman, based on his findings, drew to a couple of conclusions. One, that good content will not always insure a positive perception of one's presentation. Two, one's ability to be persuasive may be more influenced by how one say things rather than what one says.

Pentland (2010) has studied nonverbal communication cues and designed a study where midcareer executives participated in business plan competition and rated one another. The participants wore devices which recorded such things as tone of voice and body and hand movements. He found that how the plan was delivered was related to their ratings and concluded that they were not listening to facts, but they were listening to the presenter's enthusiasm, passion, "how excited the presenter was about the plan." (The power of nonverbal communication,). In another study, Olguin and Pentland (2010) collected data on their "social signals" at a party. Almost a week later, the same participants presented business plans to contest judges. Analyzing data collected on social interactions (number of different people met, face-to-face interaction time, physical activity level, variation in physical activity level, speech energy, percentage of speaking time, and time in close proximity to others or to a specific location) and without reading or hearing the pitches, they were 87% accurate in predicting who would win the competition. Members of the successful teams, those identified as winners by judges, spoke more were more energetic and were consistent in physical activity levels, had lower energy in speech and spent more time close to others. According to Olguin and Pentland (2010), "the best predictor was the average percentage of speaking time (activity) across members of the team" followed by "number of people met, physical activity level, consistency or variation in physical activity, speech energy, and time in close proximity to others". Pentland, (2010) reported that the prediction was who would win based on the judges' decisions, and it does not about the quality of the ideas. Further, he reported that in another experiment, he had some judges watch the pitches, and other judges read the pitches. The two groups differed in their ratings of the pitches. In another article, Pentland (“The power of charisma”..2008, 20 Oct.) reported a study where executives in their mid-30s participated in a business plan competition, where they both presented their plans and the rated each other’s plan. He found that the presenter’s tone of voice alone could be used to predict the ratings he or she received. He concluded that, not what was in the plan, but how the plan was presented influenced the assessment of the plan, that “they were listening to how excited the presenter was about the plan; they were not listening to the facts”.

Carney, Cuddy, and Yap (2010) performed a study which is not related to entrepreneurs’ oral presentations, but is related to oral presentations in general. The authors, in their research on body language when communicating with others, concluded that people are less influenced by what one is saying, the words, and more influenced by the way they feel about you. It is the way in which you communicate the message and not about the message’s content.

Regardless of how interpersonal behavior was defined, either non-linguistic behavior, social signals, honest signals, or body language, the conclusions is the same: body language influences how some perceive others and how they attribute certain characteristics to the speaker.

Table 1: Research related to oral presentation criteria and impact on investor decisions

Author(s)	Independent Variables	Criteria
Baron & Brush , 1999	adaptability, ability to alter behavior in different social situations	related to consulting firm’s decision to assist entrepreneurs in obtaining financing
Cardon et al, 2009	displayed and perceived passion	related to investor evaluations of funding potential
Chen et al, 2009	passion, preparedness	preparedness outweighed passion in VC decisions
Cuddy et al 2010	body language, postures	Listeners (non-investors) were more influenced by the way they feel about you and less about the words
Clark, 2008	quality, content, delivery style Clarity, rapport with audience, ability to hold audience attention	business angels investment interest more related to presentational factors than non-presentational
Elsbach & Kramer, 2003	passion	Hollywood producers categorized pitchers by type based on their passion
Gregoire et al, 2008	perceptions of credibility, presentations’ organization, and structure	moderated impact of assessments of management team quality
Mason & Harriman, 2003	presentation skills	clarity, content, and structure influenced angel investor decisions and interest

Table 1: Research related to oral presentation criteria and impact on investor decisions		
Author(s)	Independent Variables	Criteria
Mason & Harriman, 2009	impression management and presentation skills	Used investor comments to assess entrepreneur's pitch and concluded impression management skills and presentation skills are critical to raising capital
Olguin & Pentland, 2010	sociometric data including activity, number of different people met, physical activity level, consistency or variation in physical activity, speech energy, time in close proximity to others	teams winning elevator pitch competition were more energetic, spoke more, were more consistent in their physical activity level, exhibited lower speech energy, and spent more of their time close to others a few days prior to actual competition. Average speaking time (activity) across members of the team was best predictor
Pentland 2010	enthusiasm, passion by tone of voice	ratings of orally presented business plans related to non-verbal communication
Stolzman, 2006	speaker persuasiveness, pitch content and presentation style effectiveness	Used automated speech analysis program for pitches of MBA students
Wiltbank et al, 2009	non-predictive control approach including passion, honesty, enthusiasm, and trustworthiness	these subjective items in oral presentations influenced investor choices

CONCLUSIONS AND RECOMMENDATIONS

The literature review confirms earlier researchers' conclusions that entrepreneurs' oral presentations and pitches bring a different dimension to investors evaluations of investment opportunities. It further confirms the limited research which differentiates the impact of entrepreneurs' oral presentations and that of written business plans. Based on the research articles identified, investor decisions and judgments are influenced by how the presentations are made as much or more than the content of what is presented. Investors themselves are sometimes unaware that they are being influenced by more subjective factors, even though they report making their decisions on more objective factors such as market size and competition. Research on entrepreneurs' dispositional and interpersonal factors which influence investor decisions is fragmented. The research is found in a wide range of disciplines, sample sizes vary, instruments used to measure both the criteria and the independent variables are multiple, with varying degrees of reliability. Furthermore, the limited research on entrepreneurs' oral presentation effectiveness has examined a broad range of subjective criteria.

The following are some recommendations for future research on investor decision-making, and in particular, the impact of oral presentations:

1. Place more emphasis on research related to oral presentations by entrepreneurs. Most research efforts either ask investors what criteria they used to make their decisions or employ written documents to study investor decision-making.

2. Develop a framework for identifying those entrepreneurial dispositions (personality, optimism, passion, enthusiasm) and those interpersonal factors (social signals, presentation style) which are related to, not only investor decisions, but venture performance.

3. Identify the key components of an effective pitch or presentation to investors. Current research examines a variety.

4. Develop reliable measures of these components since reliability establishes the upper limits of validity. Further, generally, there are no accepted instruments which can be used to make cross-study comparisons.

5. Expand the criteria that are being used in research. Examine the relationships of these reliable measures to measures of success such as being able to obtain additional meetings with investors, the investors' interest in the opportunity, the investor's decision to invest or not invest, and ultimately the performance and success of the venture.

6. Separate the investor's evaluation of the written formal business plan and an oral presentation.

7. Re-assess what we are teaching in entrepreneurship courses. Our overwhelming emphasis on written business plans may not be in the best interest of aspiring entrepreneurs.

8. Develop a framework of investor decision-making that involves oral presentations. For example, it would be useful to examine differences in criteria between VCs and angel investors, differences in criteria at each stage of screening,

9. Develop a taxonomy of the subjective criteria that investors used and that have been researched.

10. Determine what impact presentation time limits have on investor decisions.

By addressing some of these issues, we will be better able to understand investors' use of subjective criteria in their screening and opportunity selection process.

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THE EVOLUTION OF SOCIAL MEDIA AS A MARKETING TOOL FOR ENTREPRENEURS

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ABSTRACT

Traditional marketing methods can no longer sustain a business. Businesses have been aware for the past few years that social connectivity was becoming the key to marketing. However, the time, effort, usefulness and ability to measure outcomes made using social media for marketing impracticable.

With the advent of analytics and other sophisticated measurement tools, entrepreneurs are finding that they can now not only take advantage of social media as a marketing tool but use data to optimize their social media marketing campaigns. This study was conducted to examine trends in social media marketing and the resources available to entrepreneurs to jump start their marketing strategy by incorporating social media.

INTRODUCTION

Entrepreneurs face many daunting tasks in the operation of their businesses, not the least of which is maximizing the marketing potential of social media while at the same time being able to measure cost benefits. According to the 2011 Q3 Nielsen State of the Media: The Social Media Report (NMincite, 2011), "60 percent of people who use three or more digital means of research for product purchases learned about a specific brand or retailer from a social networking site" (para. 1). This statistic, and a host of others, serves to prove that tried and true social networking sites like Twitter, Facebook, Foursquare, LinkedIn, and newcomers Google+ and Tumblr are here to stay. Furthermore, they are influencing the way consumers buy products and services. To encourage business owners, large and small alike, to use social media as a marketing platform, several social media companies have developed business-specific tools or made it possible to brand an online profile to a business.

The number one deterrent of social media for small business has always been the time commitment required to keep profiles active and the almost impossible task of calculating the return on investment (ROI). Advances in the social media scene like Hootsuite, a social media dashboard and scheduler, allows scheduling and posting content to all online profiles simultaneously. Facebook Pages Insights, which allows tracking the number of visitors to a Facebook Business Page, helps close the gap between big brand experts (i.e., Coke and Apple) and average mom and pop businesses at leveraging social media.

INTERNET GROWTH AND CURRENT SMALL BUSINESS SOCIAL MEDIA LANDSCAPE

In 1995 statistics indicated 0.4% of the world population used the Internet. The latest figures show that number has grown to 32.7% or some 2.2 billion users (Internet World Stats, 2012). With this incredibly fast evolution of the Internet and social media, it is evident from everyday media that big businesses are making use of every social media outlet available today; but are small businesses doing the same? An industry study in 2011 published in the *Social Media Examiner* surveyed 3,342 marketers, and just under half of those were self-employed or small business owners (Stelzner, 2011). The results of that survey are summarized below:

- Overall, 90% of the marketers surveyed agreed with the statement "Is social media important to your business?" and 66% of small business owners strongly agreed with the statement.
- 80% of marketers indicated social media use generated more exposure for their business.
- An increase in search engine rankings was seen by almost two-thirds of marketers.
- Spending as little as six hours weekly generated leads for 52% of marketers, with small business owners more likely to strongly agree to the lead generation question.
- 59% of small business owners saw a reduction in marketing costs when social media were implemented.
- Facebook, Twitter, LinkedIn, and blogs dominated usage stats, with 92%, 84%, 71%, and 68% respectively, with 78% of small business owners indicating they were more likely to use LinkedIn.

APPROACHES USED TO DEFINE AND MEASURE SOCIAL MEDIA ROI

While some social media strategies, such as offering Facebook- or Twitter-specific deals and coupons, can be directly traced to a traditional form of ROI like generating a sale, it is important to note that other facets of social media interaction also constitute ROI and can be important indicators of the health of a social media campaign. As Gangemi (2011) of *Fox Business* says:

> It's no secret that for marketers—particularly small business marketers—that social media is now the price of admission to reach a mass audience. Not to mention its impact is more measurable than just about any other marketing technique: The number of re-tweets, clicks and mentions that content receives online are the new ways to measure success (para. 5).

Social media marketing campaigns can be tracked more efficiently today, but what methods should the entrepreneur use and how is one to decipher all that data? Traditional business ROI calculations are based upon the benefit or return of an investment divided by the cost of the investment (including employee time). It is not that straight forward when calculating ROI from a social media marketing campaign. A more sophisticated approach is needed. One approach when measuring ROI is to consider the difference between social media and social networks. Determining precise numbers for the ROI from social media is difficult, yet social networking's ROI is a bit more obvious (Hartshorn, 2010; Hoffman & Fodor, 2010; Wilfong, 2010). Calculating social networking ROI is more difficult because it requires a new set of measurements that begins with tracking the customers' investments, not the company's.

> Handling the measurements this way makes much more sense. It takes into account not only short-term goals such as increasing sales in the next month via a social media marketing campaign or reducing costs next quarter due to more responsive online support forums, but also the long-term returns of significant corporate investment in social media (Hoffman & Fodor, 2010, para. 4).

So are social media marketers approaching the issue the wrong way? Should they abandon the traditional method used to measure ROI?

Social media is hard work and it takes time in which you can't automate individual conversations; whereas, social networking is direct communication between the user and the people that he chooses to connect with. Despite the fact that in social networking people can write blogs or discuss anything, social media does not allow users to manipulate comments, correct errors or other data for personal or business benefit (Edosomwan, Prakasan, Kouame, Watson & Seymour, 2011, para. 22).

Once the focus of ROI with regard to social media has been broadened, small business owners can begin to consider the "Impact of Relationships" (IOR). This approach focuses on analyzing the social media interactions between a business and its fans/followers and then determining how that relationship can be cultivated and if it is worth cultivating (Leggio, 2008).

Instead of emphasizing their own marketing investments and calculating the returns in terms of customer response, managers should begin by considering consumer motivations to use social media and then measure the social media investments customers make as they engage with the marketers' brands (Hoffman & Fodor, 2010, para. 3).

TOP SOCIAL MEDIA OUTLETS OVERVIEW

Although various social media lend themselves to marketing, some have become more popular than others. Facebook Business Pages, Facebook Insights, and Twitter are three receiving widespread use today.

Facebook Business Pages

Facebook Business Pages allows businesses to create a profile separate from the owner's profile, giving "fans" of the business a legitimate place to interact without having to see the owner's personal Facebook posts. Pages work much like the rest of Facebook; that is, users "like" business pages and then everything that the business posts vies for a spot in the user's News Feed. Facebook Pages can be a powerful marketing tool when leveraged correctly. Pages are much more likely to show up higher in organic listings on search engines simply due to the large number of daily visitors to Facebook. Pages can also help boost a business's website because linkbacks from a business's Facebook Page or Twitter profile are a part of both Google and Bing's algorithm for search results (Fishkin, 2010). This translates to a way small businesses can break into the search market without paying for expensive search engine optimization (SEO) services.

With the addition of tabs and iframes apps, Facebook Business Page users can now create an entire website within Facebook. This can be a cost-effective way to put their business on the virtual "map." Facebook finished 2011 with an impressive round of stats, boasting a total number of active users at over 800 million and reaching the status of being the most visited website in the United States (NMincite, 2011). For the small business world, that provides opportunities for at least a few thousand potential customers, just in the immediate business locale. Thus, not being listed on Facebook Pages is something small businesses can no longer afford.

Facebook Insights

Calculating ROI on a Facebook Business Page became easier with the addition of Pages Insights, an analytics type report that Pages users could view at any time to see a snapshot of how their page was doing. "By understanding and analyzing trends within user growth and demographics, consumption of content and creation of content, Page owners and Platform developers are better equipped to improve their business with Facebook" (About Facebook Insights, 2012). With the update to Insights in late 2011, users can now track measurements by the unique visitors to the page, which is much more accurate than simply measuring how many times a page was visited. Insights measure content viewed (reach), posts clicked (engaged users), content being "talked about," and total "likes" for the page. It also reports on how many friends your page's fans have. All of these measurements give businesses an idea how many potential customers they have available to them on Facebook (Hamid, 2011).

Twitter

Telling potential customers about the business and explaining to them why they should care using only 140 or fewer characters can be problematic. However, this is the challenge that businesses on Twitter face and try to perfect each time they post. The "micro-blogging" phenomenon that is Twitter has grown by leaps and bounds since its creation. In 2009 Quantcast.com (a statistics website) reported an average of 23.5 million monthly users on Twitter. Today, that same website reports 87.4 million monthly users. Nevertheless, simply being on Twitter is not enough for today's entrepreneurs. They must be seen amid the thousands of hourly tweets by celebrities, comedians, and random users, which accounts for 40% of all Twitter traffic being "pointless babble" (Kelly, 2009).

To stand out, business users must become proficient in the language of Twitter and learn to utilize hashtags, retweets, and mentions to expand the reach of their brand. It is much more than being able to measure the ROI; it is about entrepreneurs building relationships with customers who use Twitter. This is a time-consuming task. Empirical research conducted in 2009 indicated the time commitment to Twitter was not viable for small businesses at that time. Use of social media provides opportunities for entrepreneurs but also presents unique challenges for small business marketing.

When small business owners start a Twitter account, they have a responsibility to monitor it and develop a solid following and do so without the human capital, infrastructure and financial capacity available to large companies engaged in a social media marketing campaign. An inactive Twitter account with dwindling followers and unanswered customer messages would obviously be contrary to a business's social media marketing objectives and one reason why small business owners are not embracing Twitter as a marketing tool (Geho, Smith, & Lewis, 2010, para. 41).

However, since this research finding, programs have been developed to monitor Twitter. In addition, the rise of mobile applications and smartphone users has changed the landscape of how people access Twitter, which reduces the time commitment for entrepreneurs leveraging Twitter as a marketing tool.

With 63% of Twitter users accessing social networks via mobile phone, tweets are now seen more in real-time as opposed to being looked at hours after they are posted. This means that entrepreneurs can still be competitive without needing to post every five minutes for fear of being lost in a barrage of tweets. Applications like Tweetdeck and Hootsuite, which give a "dashboard" view of the user's Twitter account, help small business owners easily identify and sort tweets, retweets, mentions, and direct messages, cutting down on the time commitment. Websites like Hashtags.org give users the ability to search keywords related to their business and gain valuable information about when those topics are "trending" and how popular they are, which helps users determine when tweets with certain hashtags can have the most impact.

BRINGING IT ALL TOGETHER

The number one rule of social media is: Stay active. For small business owners, devoting the time and effort to post on their social media outlets every Tuesday and Thursday at 9:00 a.m.

is not reasonable. This issue has proven to be more than most small business owners can overcome; and as a result, many simply give up on their dreams of leveraging social media to take their business to the next level. To remedy this situation, Hootsuite was introduced in 2008.

Hootsuite is a social media dashboard and scheduler that allows users to link their social media profiles to the program and manage their entire social media suite from one easy to navigate program. Hootsuite did not gain widespread popularity and emerge on the small business scene until late 2010. Hootsuite has several tiers of service, including one which can appeal to any size business—it is free. The major programs the free tier of Hootsuite will post to are Facebook (profiles and pages), Twitter, LinkedIn, Foursquare, Wordpress, Ping.fm, MySpace, and Mixi. However, the free version does limit users to five social networks. For each post scheduled the user can choose any or all of the linked social networks to receive the post. The scheduler portion of Hootsuite enables users to manage and minimize the time they spend posting to their social media networks. It is far easier for most small business owners to carve out two hours on a Sunday afternoon than to remember to post to all of their social networks several times a week. Hootsuite also offers built-in apps like Trendspotter, which can be utilized to search keywords associated with a user's business or industry and post relevant links straight to a user's social media campaigns from within the apps. This minimizes the time users must spend trolling the web for useful content to post.

Posting is only half of the social media equation. Monitoring the networks is critical for any entrepreneur. The dashboard function of Hootsuite provides another time-saver for businesses, and it serves two main purposes. First, it allows users to see the entirety of social media interactions in one place. Second, it gives users insights into how often content is being mentioned and re-tweeted. This information is crucial to small business owners for interacting with their customers and beginning to see some ROI on their social media activity. Hootsuite also offers simple reports that can be emailed to users on a scheduled basis. These reports look similar to Google Analytics reports and give a quick, easy review of the activity of the account.

CONCLUSION

When social media were first introduced to the small business marketing scene, the learning curve and time needed for implementation made it too cumbersome to be a viable marketing platform for most entrepreneurs. Many entrepreneurs had difficulty equating social marketing with ROI. More recently, social media have become the norm for big and small businesses alike; and analytic tools and marketing approaches better define ROI. As a result, entrepreneurs can no longer afford not to be listed on mainstream social networking sites. Fortunately, social media avenues have matured to the point that mom and pop businesses can utilize them without having to hire someone to dedicate to the cause. This growth in social media can be partly attributed to the use of Twitter and other social outlets for consumers to connect over popular media programs such as American Idol and major sporting events such as the Super

Bowl. During the 2012 Super Bowl, Twitter broke a record with over 12,000 tweets per second after the Giants' victory (Eadicicco, 2012).

Although tools have been developed to minimize time commitments and learning curves, entrepreneurs should still proceed with caution when implementing social media marketing campaigns. They must keep in mind that social media are not a one-size-fits-all kind of marketing. An outdated Twitter feed or stagnant Facebook page can be detrimental to the overall marketing brand of a small business. Social media must still be implemented with a content and marketing strategy that first and foremost builds upon the existing brand of the company.

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CORRELATES OF GENDER AND CREDIT BEHAVIOR IN SMALL FIRMS: EVIDENCE FROM A SMALL, DEVELOPING ECONOMY

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ABSTRACT

This paper analysed some baseline facts relating to gender and entrepreneurship, specifically the credit behaviour of small, locally- owned Jamaican firms. A better understanding of what factors influence the entrepreneurial activities of women relative to men is of importance to policymakers, investors and researchers alike.

This study used uni-variate statistical technique to analyse the differences between male and female-owned firms. The results from the analysis revealed that when compared to male-owned firms, female-owned firms have principals that are less educated, have less work experience, the firm size is much smaller, the firms are much younger, the firms are more likely to be organised as proprietorship or partnership, they are less likely to borrow from a bank and more likely to use own savings to finance business growth and start-up. The implications of the findings for policymakers, regulators, investors and researchers are outlined in the paper.

***Key words**: Gender; Finance; Small Firms; Jamaica*

INTRODUCTION

The financing of small firms has been a matter of enormous interest to policymakers and academic researchers alike (e.g. Berger & Udell, 1995; Robb & Wolken 2002; Beck et al., 2008; Autio 2007; Cole & Mehran, 2009 etc). This is even more so in developing economies where market imperfections are high and the information asymmetry between small and large firms is strong. Small firms, especially those in developing economies, generally lack proper record keeping, have poor management and do not always have a structured business plan (GEM, 2007). These characteristics make the risk of lending to such firms much higher (Berger & Udell, 1995). The situation however, becomes grim when the issue of gender is thrown into the analysis[1]. The body of literature looking at gender and entrepreneurship shows that there are differences in the financing behaviour of male and female-owned firms (e.g. Brush, 1992; Cole & Mehran, 2009; Carrington, 2006; Robb & Wolken, 2002), and in many cases gender characterisation impacts negatively upon women during this process of financing their enterprises (Marlow & Patton, 2005). It is these considerations that have motivated this study. A clearer understanding of how female-owned firms differ from male-owned firms in their financing behaviour in each context is critical for policymakers and investors, who are interested in providing financing for small firms. These facts in the context of a developing country are critical for this area of research given the paucity of data on the subject in these jurisdictions.

This paper aims to test the hypothesis that gender is a critical variable that can explain the credit behaviour of small firms from developing economies. Researchers have contended that the financial characteristics between male and female-owned firms can be explained by firm and owner characteristics and not necessarily by imperfections in the market (Cole & Mehran, 2009). Having some baseline facts on whether or not these characteristics vary according to gender, will undoubtedly provide a critical basis on which to test the study hypothesis. There is no doubt that these baseline facts are even more important for small firms from small, developing economies where there is limited information on such firms thus increasing their risk profile and make lending to them more onerous.

This study will contribute to the extensive literature on gender and entrepreneurship. The novelty of the contribution is in the context specific nature of the work. The study will identify those important gender differences in relation to firm and owner characteristics, and also the credit behaviour of small firms in Jamaica. While some work exists on women and entrepreneurship in general with respect to Latin America and the Caribbean (GEM, 2007), there is no study that has reported on a baseline of stylized facts about gender and credit behaviour in small firms in Jamaica. This study will motivate other works in this area. Further, the addition of this new dimension to the literature will provide further insights to theorists in the field who are concerned with the development of a general explanation for the relationship between gender and credit behaviour in the small firm.

To achieve the aim of this study, the remainder of the paper is organised as follows. The next section will reflect on the extant literature relating to gender and credit relationships. Following this, the paper will proceed to highlight the method used to test the hypothesis. It will also describe the research sample and contextualise the sample in the Jamaican environment. The next section will present the results from the analysis followed by a discussion of these results. The paper ends with some concluding remarks on the implications of the findings for research and policy.

THE EXTANT LITERATURE

The extensive literature on gender and entrepreneurship shows that there are differences between male and female-owned firms along a number of attributes (Ahl, 2006; Brindley, 2005). Brush (1992) for example, argued that differences in male and female psychology can account for differences on a number of attributes such as education level of firm owners, experience level of the owners, and the performance of the firm. Verheul& Thurik (2001) noted that there are also differences in the way they finance their business, which can be attributed to the type of business and the type of management and experience of the entrepreneur. Brindley (2005) examined the risk and entrepreneurial experience of women. Further, Paula (2002) argued that socio-cultural norms establish gender structured constraints which influence access to financing and the overall success of firms. This review however, will focus on the relationship between gender and credit behaviour of the firm. Other control variables such as owner and firm characteristics will also be analysed to determine whether or not credit behaviour is a function of market imperfections or is merely a function of the characteristics of the owner and firm. Researchers have argued that credit market imperfections do not result in discrimination of lending patterns based on gender (Robb & Wolken, 2002). It is the aim of the analysis in this paper to shed light on this assumption.

Researchers have presented some interesting results in their analyses of the role of gender on the credit behaviour of firms. For example, Cole & Mehran (2009) in looking at gender and the availability of credit in privately held US firms found that female-owned firms are significantly smaller than male-owned firms. They are also much younger as measured by the age of the firm, and their organisational form reflects sole proprietorship compared to male-owned firms which are mostly corporations. These firms normally operate in the retail trade and business services sub-sectors and less likely in the wholesale business. Most critically, the researchers found that female-owned firms are more likely to have shorter banking relationships and fewer relationships with their financial institutions. Verheul & Thurik (2001) supported this finding by arguing that female entrepreneurs have a smaller amount of start-up capital, which ultimately influences the type and size of their organisations. Indeed, studies have shown that firms owned by women are less likely to use commercial banks for their financial services (Carter & Rosa 1998; Haynes, 1999). This short term relationship may impact on the firm's ability to gain access to the credit market as it may indicate that the firm does not have a formal relationship in the credit market (Burger & Udell, 1995). Importantly, when women-owned firms apply for credit, they are more likely to obtain it although they tend to be credit constrained (Cole & Mehran, 2009).

Another difference identified in the credit behaviour of the firm along the lines of gender is the risk averse nature of women-owned firms relative to male-owned firms (Haines, Orser, and Riding, 1999; Brush et al., 2001). Researchers (e.g. Jianakoplos & Bernasek, 1998) argued that women are indeed more risk averse than men, because in their household, as wealth increases, the holdings of risky assets increases by smaller amounts for females relative to males. Also, to support the risk averse hypothesis, other researchers have found that women make more conservative choices than men in their defined-contribution retirement plans (Sunden & Surett, 1998). Robb & Wolken, (2002) in their study of US firms found that businesses owned by women were less likely to have applied for credit in the last three years. This risk averse behaviour will no doubt affect wealth endowments. The risk averse nature of women-owned firms generally account for them being credit constrained because of their limited access to the credit market. Some firms may also not apply for credit because of the fear of rejection. This may account for the appearance of female-owned firms being constrained by credit (Robb & Wolken, 2002).

Interestingly, although women-owned firms are seen as more risk averse, researchers have found that female-owned firms are higher risk enterprises relative to male-owned firms. In other words, female-owned firms had lower levels of creditworthiness relative to male-owned firms. This in part may be due to the organisational form which female-owned firms generally take. Organisational form (the legal framework under which a firm operates) will affect the ability of creditors to collect on delinquent loans, and therefore; affects the supply of credit to a firm (Robb & Wolken, 2002). Generally, female-owned firms tend to be organised as proprietorship and less as corporation (Cole & Mehran, 2009). This again may be as a result of the level of start-up capital to which the owner had access. Also, a number of other factors could be at play in influencing the risk and behaviour of female-owned firms (Brindley, 2005). These may include social, personal and political factors which have been found to impact on the risk tolerance of investors.

Gender differences vary among firms in relation to demographic characteristics. Researchers have shown that women-owned businesses are smaller and younger relative to male-owned firms (Brush, 1990; Robb & Wolken, 2002). Additionally, female-owned businesses are more likely to be organised as sole proprietorships than as corporations (Robb & Wolken, 2002). Further, these researchers found that on average, male-owned firms have principals with higher levels of education than female-owned firms. This was also true for the level of experience as designated by the total number of years the owner has spent operating a business. Male owners on average had a relatively higher level of experience than female owners. Male owners were also found to be slightly older than female owners. These findings relate to the international context. The pattern of behaviour in the Jamaican context is still not known. The idiosyncrasies of the Jamaican economy make it important for context specific studies to be carried out. This will add fresh insight to the research in this area. These demographic characteristics will be analysed in the Jamaican context to determine whether or not the situation in Jamaica is unique relative to the international context.

The external environment in Jamaica is not the same as in the US or Europe. Jamaica is an economy characterised by a high level of debt to gross domestic product, high crime rate, high level of females in tertiary education compared to males, a population that is almost equally distributed between males and females (51% male and 49% females). Given these conditions which differ from the US or Europe where debt to gross domestic product is lower, crime rate is lower, literacy rate is higher etc, it is expected that the differences identified between male and female-owned firms in those jurisdictions may not be similar to the ones in the Jamaican environment. As such, this study will identify those characteristics that differentiate male-owned and female-owned firms in the Jamaican context. This will go a far way in helping policymakers to design the right mix of policies to help these firms to obtain the necessary financial capital for the success of the business.

GENDER AND CREDIT IN JAMAICA

The Global Entrepreneurship Monitor (GEM) reports that the proportion of males engaged in entrepreneurship is generally higher than females in all countries they studied except for one, Angola (GEM, 2008). In the case of Jamaica, the ratio of male to female-owned firms is about 55 % to 45%. Significantly, more males (8 per cent) when compared to females (6 percent), could be defined as opportunity entrepreneurs, meaning that they started a business because they were stimulated by an opportunity to do business rather than by the necessity to do business. These findings may suggest that females are more risk averse when it comes to doing business than males. Researchers argue that females take risks after carefully analysing a particular situation (Masters & Meier, 1988). This risk taking behaviour, it is asserted, has implications for the interaction with institutions that provide financing to firms.

Micro credit and micro enterprise issues have always been seen as political issues in Jamaica (Ffrench, 2008). When credit is given to micro enterprises in Jamaica, especially credit provided by the government, it is generally viewed as government funds so recipients do not develop the urge to pay back. This therefore affects the way in which credit is disbursed in the Jamaican environment. The landscape for credit in Jamaica consists of both public and private institutions. In the private sector, there is the commercial banking sector which has two dominant players (Bank of Nova Scotia and National Commercial Bank) that exert significant power over the market. There are four other players that generally follow the lead of the more dominant players. Currently, the commercial banking sector is in heavy competition to gain clientele from the small firm sector, with the two dominant players having established departments dedicated to serving the small firm sector. They also offer preferential loan terms to the firms in this sector as a way to attract them. Between the two dominant players in the commercial banking sector, they have approximately one billion (J$1billion) of loanable funds available to the small firm sector. This diversification into the small firm sector will become even more robust in light of the reduction in the banks' revenue streams from the recently negotiated debt exchange programme with the Government of Jamaica[2].

In the public sector, a number of government institutions also provide funding to the small business sector. These include but are not limited to: Micro Investment Development Agency (MIDA), Micro Enterprise Financing Limited (MEFL), National Export-Import Bank (EX-IM Bank), Jamaica Business Development Corporation (JBDC) and, the National Development Foundation of Jamaica (NDFJ). These institutions in 2008, provided in excess of 1.8 billion (J$1.8billion) in loanable funds to the small business sector. Given the developmental nature of these institutions, it is not surprising that they direct most of their funding towards the most vulnerable groups in society. Indeed, data from MIDA show that the majority of the beneficiaries are females and these females are in the services and vending industries (Ffrench, 2008). Micro credit is seen as a way to liberate these groups from poverty and gain greater upward social mobility.

The level of funding available to the small business sector in Jamaica has improved considerably compared to two or three decades ago. Although there is a massive increase in the number of private and government institutions that are providing funding for firms in this sector, there is still the perception that the funding is not sufficient to address the challenges which confront the sector. The major sources of funds are: equity, debt, government subsidies, private individuals, venture capital, and initial public offerings (IPOs). Besides debt financing, most of the players in the sector do not believe that there is sufficient funds available otherwise. Although there is a strong perception that debt financing is high relative to the other sources of funds, there are issues which surround the ability to access this financing. The issues are even more challenging as they relate to female-owned firms (PIOJ, 2009). It is the hope that this paper, through the presentation of a set of stylized facts will be able to highlight these issues so that further work can be carried out in order to remedy the issues identified.

The extant literature presents a set of factors that have distinguished male-owned firms from female-owned firms. However, these findings relate to contexts which have different socio-economic realties from the Caribbean region. Therefore, we are not clear as to their applicability to Caribbean economies such as Jamaica. Policymakers who are designing policies to finance these small firms will have to understand the idiosyncrasies of these enterprises so that the right policy mix can be applied. Since male and female–owned firms show differences in their financing behaviour, it is important that policymakers understand the factors that motivate the behaviour in their particular jurisdiction so that the correct firms can be targeted. Taking a one size fits all approach will not be helpful in guiding policy in this regard.

STUDY METHOD AND DATA

The Sample

This study draws on data from a survey of 247 small firms in the Jamaican economy. A total of 247 survey instruments were administered and 75 were completed with full data for this study. Sixty eight percent (68%) or 51 firms of the completed surveys were male-owned businesses while thirty two percent (32%) or 24 firms were female-owned businesses. These businesses represent less than 1% of the total population of firms in the economy. Unofficial estimates suggest that there are over 360,000 micro small and medium businesses in the Jamaican economy (Jamaica Gleaner, 2009). Although the sample represents a small portion of the population of businesses, we tried to ensure representativeness by making sure that all the 14 parishes and every polling district (PDs) were covered. The data revealed from this sample is very instructive and will shed light on a very important subject in the Jamaican context.

Because there is no established sample frame for small businesses in Jamaica, the research used the snowballing technique (Babbie, 2004) to develop a list of businesses across the 14 parishes and all polling districts. The data gathering phase began with information the researchers could ascertain on small businesses from institutions such as the Small Business Association of Jamaica (SBAJ), Banks, Private Sector Bodies (e.g. Private Sector Organisation of Jamaica (PSOJ) and other umbrella business organisations. Each respondent was asked to name other similar small businesses in their location - not all of the firms that were contacted were willing to participate in the study. From the contacts made, a total of 247 firms were interviewed across all the polling districts in Jamaica.

The key informant in these firms was the principal owner. They were asked to complete the research questionnaire under the guidance of a researcher who was trained for this purpose. The interviews were geared towards gathering information on all aspects of the firm including ownership structure, business leadership, succession planning, resource planning, governance and citizenship to general questions on race and ethnicity. The questions were developed based on a comprehensive survey of the extant literature, feedbacks from experts in the field and feedbacks from a pilot testing of earlier drafts of the research instrument. Indeed, this method of developing the instrument allows for the derivation of variables that are comparable with previous works in the field thus better aiding other researchers to build a stronger evidence base for future works. It also helps to identify those variables that are specific to the Jamaican context.

THE VARIABLES USED IN THE STUDY[3]

This study is generally concerned with how gender relates to the credit behaviour in small firms. Therefore, the critical variables of interest are: gender and credit behaviour. Gender is captured by biological difference. It looks at whether or not the principal is male or female. This is captured as a dichotomous variable. The other critical variable, credit behaviour is not as easy to measure. For this variable, indicators such as financing obtained for business growth; financing obtained for business start-ups, and services obtained from banks are used to capture the concept. These indicators are similar to indicators used in other studies to capture credit behaviour (e.g. Robb & Wolken, 2002; Cole & Mehran, 2009).

Since gender is not the only variable that might influence credit behaviour (Brindley, 2005), other commonly studied factors were also incorporated in the analysis. These could be considered as control variables, as used in the econometric sense of the word. These control variables include: owner characteristics as indicated by age, education level and work experience and firm characteristics as indicated by size, age and organisational form. Size is broadly defined as the number of employees in the firm, while age is defined as the number of years in operation since establishment. Organisational form looks at the legal structure the business takes. These variables are also representative of variables used in previous works (Bush, 1992; Cole & Mehran, 2009; Robb & Wolken, 2002 etc.). Indeed, given the difficulty of collecting data on small firms in the Jamaican economy, the research team had to use variables that were easily identifiable and for which respondents were willing to share information. These firms are privately owned so they are under no obligation to provide data on their operations. The choice of variables selected for this study took this realisation into consideration.

ANALYSIS TECHNIQUE

The purpose of the study is to determine whether or not gender impacts the credit behaviour of small, locally-owned firms in Jamaica. Uni-variate statistical analysis was used to shed light on this issue. To carry out this analysis, the gender of the main principal in the firm was cross tabulated with indicators of the owner characteristics, firm characteristics, and the financial behaviour. The percentages for male and female-owned firms by selected firm and owner characteristics, and financial behaviour were calculated. The results from these uni-variate analyses are reported in the next section below. This simplified technique was considered appropriate given the limited size of the sample and the quality of the data within the sample. Also, given that the real aim of this paper is to derive some baseline facts as they relate to gender and credit behaviour in small, locally-owned firms, the technique used is deemed appropriate.

RESULTS

This section of the paper presents the findings of the results from the analyses of the data. Here, the results are reported without any detailed discussion of the findings. This will be done in the subsequent section.

Owner Characteristics

Two indicators of interest were used to capture this variable. These are: education as measured by the principal owner's level of certification reflected in their school leaving certificate attained, and work experience as measured by the number of years the owner spent operating a business. The results from this analysis and the correlation with gender are reported below.

Table 1: Relationship between Gender and Education

	Gender of Owner	
Education Level	Female	Male
Primary	3%	5%
High School	9%	20%
College	5%	15%
University	12%	25%

Table 1: Relationship between Gender and Education		
	Gender of Owner	
Education Level	Female	Male
Other	1%	1%
No Response	2%	2%

Table 2: Relationship between Gender and Work Experience		
	Gender of Owner	
Work Experience	Female	Male
0	3%	3%
1 – 5 years	7%	12%
6 – 10 years	5%	16%
More than 10 years	17%	36%
No Response	0%	1%

Firm Characteristics

Three indicators of interest were used to capture this variable. These are: size as measured by the number of employees in the firm, firm age as captured by the number of years the firm has been in operation, and organisational form as measured by the legal structure of the firm, i.e. proprietorship, partnership and so on. The results from this analysis and the correlation with gender are reported below.

Table 3: Relationship between Gender and Firm Size		
	Gender	
Firm Size (Number of Employees)	Female	Male
Under 5 persons	7%	19%
5 – 15 persons	20%	23%
16 – 30 persons	3%	7%
31 – 50 persons	1%	7%
51 – 100 persons	1%	8%
101 – 200 persons	0%	1%
Over 201 persons	0%	3%

Table 4: Relationship between Gender and Firm Age		
	Gender	
Firm Age (years in operation)	Female	Male
2 – 3 years	7%	9%
4 – 5 years	3%	2%
6 – 9 years	7%	5%
10 – 19 years	8%	17%
20 years and over	9%	33%

Table 5: Relationship between Gender and Organisational Form		
	Gender	
Organisational Form (legal status of the firm	Female	Male
Publicly listed on Stock Exchange	0%	1%
Proprietorship/Partnership	16%	28%
Registered Corporation	7%	8%
Limited Liability	7%	27%
No Response	3%	3%

Financing Behaviour

Three indicators of interest were used to capture this variable. These are: the services which the principal obtained from a bank; the method for financing business growth, and the method for financing business start-up. These results and their correlation with gender are reported below.

Table 6: Relationship between Gender and Services obtained from Banks		
	Gender	
Services Obtained	Female	Male
Bank Loans	12%	36%
Investment products	4%	3%
Banking	17%	26%
Mortgage	0%	0%
Bill payments	0%	0%
Money transfer	0%	1%
Card services	0%	1%

Table 7: Relationship between Gender and Financing Business Growth		
	Gender	
Services Obtained	Female	Male
Bank loan	11%	39%
Own savings	10%	14%
Inheritance	0%	1%
Family loan	0%	3%
Remittances	0%	1%
“Partner” pooling	0%	1%
Business cash flow	10%	6%
Other	0%	3%

Table 8: Relationship between Gender and Financing Business Start Up		
	Gender	
Services Obtained	Female	Male
Bank loan	7%	29%
Own savings	23%	30%
Inheritance	1%	7%
Family loan	0%	3%
“Partner” pooling	0%	0%
Other	0%	0%

The above results showed that female-owned firms are generally less represented in the overall sample than male-owned firms. A further exploration of this pattern is looked at in the next section of the paper. The results presented in this section are important as a basis for informing policy geared towards gender differences which hinder the growth and survival of Jamaican small, locally-owned businesses.

DISCUSSION

The results suggest that in relation to credit behaviour, firms differ based on the gender of the principal owner. Previous research suggests that the characteristics of successful entrepreneurs are mostly ascribed to men than to women-owned firms (Buttner & Rosen, 1988). This paper has focused on three critical variables that are attributed to the success of firms to see whether or not these attributes are indeed attributable to male-owned firms.

The literature suggests that female-owned firms have principals with a lower level of education compared to male-owned firms (Robb & Wolken, 2002). Education, which is a proxy for human capital is very important for the survival and growth of all firms (Jovanovic, 1982; Robb, 2000). This study found that male owners generally have a higher level of education than female owners. Critically, for owners with qualification at the university level, male owners outpaced females by two to one. This is surprising in the current context of the study, because in Jamaica, the ratio of females to males at the university level is 4 to 1. What this finding seems to suggest is that more educated females have decided to work for other persons rather than starting their own firms.

Human capital can also manifest itself in the form of experience acquired overtime (Becker, 1964; Robb & Wolken, 2002). Experience in this paper is captured as the total number of years the owner has spent operating a business. The data reveal that males generally have a higher level of experience compared to females who own a business. Importantly, for experience spanning more than 10 years, males out-numbered females by a margin of two to one. It is only in the category of 1-5 years of experience that female-owned firms showed any signs of matching up to male-owned firms. In all other categories, male-owned firms showed a higher level of experience than female-owned firms.

The two indicators which were used to capture the owner characteristics of the firm revealed that the level of human capital in male-owned firms is higher than those in female-owned firms. Because human capital plays such a significant role in the growth and survival of a firm, based on the result, it is expected that male-owned firms will survive longer than female-owned firms. The characteristics of the firm will provide some indication as to whether or not this is so in the Jamaican context.

Research has shown that female-owned firms tend to be much smaller and younger than male-owned firms (Brush, 1990). As shown in this research, firm size varied across the lines of gender. Male-owned firms are generally larger than female-owned firms with only one percent of female-owned firms having between 51-100 employees while the figure is 8 percent for male-owned firms. As it relates to age, significantly more male-owned firms are over 20 years old compared to female-owned firms. Generally, male-owned firms are older than female-owned firms. This is not surprising as the principals of male-owned firms had more experience than principals in female-owned firms. This experience, which is a reflection of the level of human capital in the firm, is deemed to be very critical for the growth and survival of the firm (Jovanovic, 1982).

As it relates to the organisational form as captured by the legal status of the firm, the results revealed that significantly more male-owned firms are organised as a limited liability company when compared to female-owned firms. The percentage of male-owned firms registered as a limited liability company was four times that of female-owned firms. Most female-owned firms were organised as partnership or proprietorship, a result which finds resonance with a similar study done in the USA (Robb & Wolken, 2002). Indeed, organisational form is critical because it gives some indication as to the ability of creditors to collect on delinquent loans and also their proclivity to supply credit to firms (ibid, pg. 9).

The financing behaviour of the firm is another critical variable that was correlated with the gender of the principal owner. This paper also analysed the differences in financing pattern between male and female-owned firms. The variables that were used as indicators of financing behaviour are: the services which the firm obtained from their banks, the method used to finance business growth, and the method used to finance business start-up. The results from this analysis showed that male-owned firms generally obtained more services from their banks when compared to female-owned firms. Significantly, loan services were more prevalent among male-owned firms relative to female-owned firms at a ratio of about 3 to 1. Previous research has indicated that businesses owned by females are less likely to use the services of commercial banks (Haynes, 1999). The finding from this research corroborates with those from previous works.

In relation to financing business growth and business start-up, the results show that there are indeed significant differences between male and female-owned firms. Bank loan was a significant source of funding for financing business growth for male-owned businesses while business cash flow was the most commonly used source of financing for business growth in female-owned firms. Similarly, for business start-up, female-owned firms were more likely to use their own savings as a source of financing while bank loan was highly popular among male-owned firms. The results are not surprising as previous research shows that female-owned firms are generally regarded as high risk and are also smaller, which would imply that their demand for credit is limited (Robb & Wolken, 2002). The results also suggest that female-owned firms are less likely to have long-term formal relationships with their banks, which is an indication that they do not have formal relationships in the credit market. This lack of formal relationship can have an impact on the ability of the firm to gain access to capital in the credit market (Berger & Udell, 1995).

The analysis of the data revealed that there are undeniably differences between female and male-owned firms as it relates to firm, owner characteristics, and financing behaviour. These differences have implications for practitioners, academic researchers, policymakers and regulators who are formulating policies to ensure the growth and survival of these firms. Some of these possible implications are outlined below.

IMPLICATIONS OF THE FINDINGS

This study has established a set of baseline facts about the role of gender in shaping the credit behaviour of small, locally-owned firms in the Jamaican context. There is a burgeoning literature on gender in entrepreneurship (Brush, 1992; Alder, 2004) but this literature is generally looked at in the context of a developed country. Little is known about the subject from a developing country's perspective, more so from a small, open economy perspective. Indeed, context is critical when looking at the issues of gender in entrepreneurship because laws and customs will dictate the role of gender in a society. It is for this reason that context specific research on gender and entrepreneurship is critical. It will help to validate or disprove findings from other contexts in order to better aid in building a general theory on the role of gender in entrepreneurship. This study therefore, has added a new dimension to the literature on gender and entrepreneurship. Theorists in the field can now use these baseline facts to help to build a general theory on the subject.

The results also suggest that policymakers and regulators cannot use a one-size-fits all approach to design policies for the growth and survival of these firms. The baseline facts show that male-owned firms differ from female-owned firms in a number of respects. It means that when policies are being designed to deal with issues such as offering credit, variables such as the size of the firms will have to be taken into consideration; the credit behaviour of the principal has to be looked at, among other things. Because female-owned firms are generally less likely to take up credit maybe due to their size, or the fear of being turned down; a policy that offers credit to all firms without bearing these variables in mind will not be largely attractive to female-owned firms, and as such they will not benefit from the capital needed for the growth and survival of their firms. Taking into consideration the baseline facts that are presented in this study, policymakers can design policies which fit the context of the firm and that will be most beneficial to the different types of firms.

The baseline facts which highlight the differences between male and female-owned firms can help practitioners to design better work related policies to enhance the growth of their organisations. Understanding how females manage their own firms will provide insights into the organisational form that is best suited for female versus male entrepreneurism. For example, females generally seem more comfortable with operating a firm under the structure characterised as sole proprietorship or partnership than a limited liability company. Practitioners should put policies in place that encourage women to form these types of corporations. The results also suggest that alternative means of raising financing will have to be sought to help female-owned firms to grow. They do not necessarily depend on the traditional banks for financing, so sources of financing that are in line with their risk tolerance and their credit behaviour will have to be put in place in order to provide them with access to capital for growth and survival.

CONCLUDING REMARKS

This paper presented some baseline facts on gender and entrepreneurship, specifically focusing on the credit behaviour in small, locally-owned Jamaican firms. Following a uni-variate analysis of the data, the results revealed that when compared to male-owned businesses: the principals of female-owned businesses are less educated; have fewer years of work experience; the size of the firms are smaller; the firms are also younger; the organisational form is more likely to be a sole proprietorship or partnership; they are less likely to receive a loan from a bank, and are more likely to use their own savings to finance business growth and business start-up. These findings are consistent with previous research from other jurisdictions. This is good news to theorists who want to build a general theory on gender and entrepreneurship. The novelty of the study context is what makes the results unique. Indeed, with the findings from a unique context mirroring similar results from other contexts, this provides a stronger basis on which theorists can build a general theory on entrepreneurship and gender. Policymakers will also note that male-owned and female-owned firms are not one and the same and as such; appropriate policies will have to be put in place to ensure the growth and survival of each category of firm. A one size fits all to credit programmes will not be a good policy direction to support the growth and survival of small, locally-owned Jamaican firms.

The aim of this paper was never to theorise about gender and credit behaviour in small firms in Jamaica. Given the paucity of information on the subject in the study context, the aim was to provide some baseline facts on which future works can be built. It is hoped that other researchers will use these baseline facts to derive possible areas for future research on the subject.

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ENDNOTES

1 Gender here refers to biological differences that is, the state of being male or female. For ease of reference, we do not include the social or cultural dimensions of gender.

2 Most of the banks in Jamaica had generated a significant share of their revenue from the interest income on Government of Jamaica Bonds. The Government of Jamaica, in a bid to reduce its debt burden, has decided to reduce the interest rate on its bonds and also extend their maturity. This reduction in interest rates has reduced the income that banks made from these investments. To maintain their profit margins, the banks have to diversify their revenue streams. One area of diversification is the generation of loans from the small business sector.

3 For a copy of the instrument used for this study, readers can contact the lead author. The length of the instrument is too bulky to be included as an appendix to this study.

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PRIVATE COMPANY FINANCIAL REPORTING – STRATEGIES FOR SMALL AND MIDSIZE COMPANIES

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ABSTRACT

For decades, small and midsize private companies have requested financial reporting standards that are more compatible with the needs of their financial statement users. The continually increasing complexity and volume of U.S. Generally Accepted Accounting Principles (GAAP) has led to a steadily increasing burden for those private companies that apply U.S. GAAP.

With the likely implementation of International Financial Reporting Standards (IFRS) by U.S. public companies on the horizon, private company financial reporting standards finally may become a reality. This is a very significant development for the approximately 28 million private companies and especially those that are small or midsize. Standards tailored to private companies may be more relevant to financial statement users, less complex, and less costly to apply. However, managers of small and midsize companies should consider potential challenges that may arise and consider their impact in light of their company's short-term and long-term strategic plans.

This study addresses financial reporting from the perspective of private companies. The study presents information about current significant developments regarding private company financial reporting standards and explores the impact that the availability of such standards may have on private companies. The study also focuses on key strategic decisions that private companies need to consider when assessing the benefits and challenges that the use of private company standards may entail.

INTRODUCTION

At a recent national conference, Leslie F. Seidman, current chair of the Financial Accounting Standards Board (FASB) noted that there were "two elephants in the room" (Seidman, 2011). She was referring to International Financial Reporting Standards (IFRS) and private company financial reporting, which she identified as the two most significant issues affecting the accounting profession, companies, and capital markets (Seidman, 2011). These two issues while targeting different types of companies – public and private - are related. Specifically, the likely future implementation of IFRS in the U.S. has lent momentum to a long-standing movement toward the creation of private company financial reporting standards.

For decades, private companies have called for the creation of financial accounting and reporting standards tailored specifically to the needs of their financial statement users. Recent developments in financial reporting have significantly increased the chances of this finally becoming reality. The advent of private company accounting standards, likely will provide companies with the opportunity to choose between private company accounting standards and accounting standards required to be used by public companies.

Especially small and midsize private companies will benefit from the development of private company standards. However, prior to adopting a new set of accounting standards, private companies should carefully consider a number of factors relating to their short-term and long-term strategic plans and assess the advantages and challenges of each choice. This study provides information about the current status of financial reporting for private companies in the U.S. and explores key factors that private companies should consider.

The paper is organized as follows. The first section presents background information regarding accounting standard setting in the U.S., explains the challenges that current accounting standards entail for private entities and their financial statement users, and informs about the current status of the quest for private company financial reporting standards. The second section presents a discussion of factors that private companies may want to consider and the potential effect of their choice on their strategic short term and especially long-term goals.

BACKGROUND

By law, private companies are not required to issue annual or quarterly financial statements. Thus, private companies can choose to apply U.S. Generally Accepted Accounting Principles (U.S. GAAP), or another set of standards, such as cash basis. In fact, since the American Institute of Certified Public Accountants (AICPA) recognized the International Accounting Standards Board (IASB) as a “designated standard setter” in May of 2008 (AICPA, 2008), private companies can utilize IFRS as an alternative to U.S. GAAP. However, many private entities, including small and midsize private companies, utilize accrual accounting, apply current U.S. GAAP, and issue financial statements to outside users. The reasons for choosing to apply U.S. GAAP vary, but tend to include specific lender requirements and desired comparability with public companies, which are required to issue annual reports consistent with U.S. GAAP.

Since its creation in 1973, the Financial Accounting Standards Board (FASB) has become the primary source of U.S. GAAP. In its mission statement, FASB states that its mission is “to establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports” (FASB, n.d., Facts about FASB). Thus, the standards issued by FASB are meant to serve as financial accounting and reporting rules for both public and private companies. FASB derives its standard setting authority from the U.S. Securities and Exchange

Commission (SEC), which has the legal authority to set accounting standards for public companies in the U.S. The Financial Accounting Foundation's Board of Trustees appoints FASB members and oversees funding and other aspects of FASB.

Public companies that report to the SEC must comply with U.S. GAAP, which consists of standards, pronouncements, and interpretations issued by the FASB and its predecessors, as well as regulation issued by the SEC. Approximately 14,000 public companies report to the SEC (BRP, 2011). However, there are approximately 28 million private companies (BRP, 2011) with financial statements users whose needs may not be optimally served by accounting information generated through an application of current U.S. GAAP.

Concerns about Current U.S. GAAP

Concerns about current GAAP and its applicability to private companies and their financial statement users typically focus on the complexity of current U.S. GAAP, a lack of relevance of some of the most complex accounting standards to private companies, and the ensuing cost burden for private and especially small and midsize entities (BRP, 2011).

Prior to the codification of U.S. GAAP (FASB Accounting Standards Codification™), which became effective for fiscal periods ending after September 15, 2009, FASB issued 168 Statements of Financial Accounting Standards (SFAS), 40 FASB Interpretations, and a series of FASB Bulletins and Staff Positions. In addition, its predecessors - the Accounting Principles Boards (APB) and the Committee on Accounting Principles (CAP) - had issued a number of APB Opinions and Accounting Research Bulletins, some of which still provided authoritative GAAP and are now part of the FASB Accounting Standards Codification™.

While most of the early standards and pronouncements issued by FASB and its predecessors were brief, typically less than 20 pages, during the past two decades, FASB standards have become quite long, with extensive detail and implementation guidance. For example, in December 2007, FASB issued SFAS 141R, a 358 page long revised standard on business combinations (FASB, 2007). The in 2009 originally issued amendment to FASB Interpretation 46R on variable interest entities was 202 pages long. In light of this continually increasing volume of GAAP, business entities have voiced concern about what has been coined as a "standards overload."

In addition, private companies and especially small and midsize companies do not routinely encounter some of the transactions and financial reporting issues pertinent to public companies. For example, goodwill and the required complex impairment testing of goodwill tend to be less important to private and especially small companies, than to public companies. Complex equity transactions, contingent considerations in mergers and acquisitions also tend to be less pertinent to those entities. However, when FASB issues a new standard (now referred to as Accounting Standards Update) or existing standards are revised, the accounting staff of a company utilizing U.S. GAAP must disseminate the information, evaluate the impact of the change on the company's accounting information system, and implement and report on the change.

Even with the FASB Accounting Standards Codification™ (codification), which consolidated multiple standards on related topics into one source and superseded all original pronouncements issued by FASB and its predecessors, the 2010 print version of the codification still exceeds 7,000 pages.

In the past, FASB occasionally allowed non-public companies to adopt a new accounting standard at a later date than that required by public companies. For example, small private companies were allowed to delay adoption of SFAS 106, "Employers' Accounting for Postretirement Benefits other than Pensions" (FASB, 1990) until fiscal years beginning after December 15, 1994, while public companies were required to implement the standard two years earlier.

Movement toward Private Company GAAP

The call for private company GAAP is long-standing. Even as early as 1974, an article in the CPA Journal discussed the need for two different sets of accounting standards for private and public companies (recited in Zanzig & Flesher, 2006). While the call for private company GAAP is long-standing, recent regulatory and accounting standard setting events have provided new momentum to the movement. During the past ten years, the FASB and the IASB have worked together on what is called their "Convergence Project." Their efforts have eliminated many key differences between U.S. GAAP and IFRS. Since issuing its "Roadmap" in 2008 (SEC, 2008) and its "Work Plan" in 2010 (SEC, 2010), the SEC is formally considering implementing IFRS in the U.S. The SEC's decision is imminent and is expected to require at least some level of mandatory IFRS implementation by U.S. public companies.

While global public companies likely will benefit in the long-run, the benefits of using IFRS tend to be much less certain for private and particularly small private entities. Thus, the creation of private company GAAP has become even more important.

The Blue Ribbon Panel

In 2009, the Financial Accounting Foundation (FAF) together with the AICPA and the National Association of State Boards of Accountancy (NASBA) sponsored a Blue Ribbon Panel (BRP) whose ultimate mission was to consider the needs of private company financial statement users and prepares and to recommend a course of action regarding private company financial reporting (BRP, 2011). The BRP's activities included a request for public input on the issues from interested parties. The comments they received were largely from CPA practitioners and private company financial statement preparers and confirmed previously voiced concern about the often lack of relevance of private company financial statements prepared under current U.S.

GAAP and the high cost and complexity of compliance with the current standards. Some of the comments also pointed to the recent increase in qualified audit opinions for private companies, which may have been prompted by non-compliance with some of the most complex requirements of U.S. GAAP (BRP, 2011).

In January 2011, the BRP issued its report. The BRP's two key recommendations related to the type of standards that should be used by private companies and the organization that should be in charge of standard setting for private entities. The BRP recommended the development of a specific "GAAP with exceptions and modifications for private companies (with process enhancements)" (BRP, 2011, 3) and the establishment of a "separate private company accounting standards board" (BRP, 2011, 3).

The FAF's Response to the BRP Recommendations

The FASB initiated a research project with the express objective to "develop a framework…for making decisions about whether and when to adjust the requirements for recognition, measurement, presentation, disclosure, effective dates, and transition methods for financial accounting standards that apply to private companies" (FASB, 2011).

After considering the BRP's recommendations, on October 4, 2011, the FAF issued a proposal entitled "Request for Comment. Plan to Establish the Private Company Standards Improvement Council" (FAF, 2011) and proposed that instead of a separate independent board, a separate council should be responsible for setting accounting standards for private companies. Contrary to the BRP's recommendation, the council would be part of FASB and FASB would maintain the ultimate authority to approve accounting standards for private entities.

The FAF received 299 formal comment letters by the January 14, 2012 comment deadline. According to analysis by the AICPA, many of those who commented on the issue urged the FAF to comply with the recommendation of the BRP and establish an independent board to set private company financial reporting standards (AICPA, 2011a). The AICPA also strongly urges the FAF to comply with the BRP's recommendation and supports the creation of a separate independent board in charge of developing GAAP modifications for private companies (AICPA, 2011b).

STRATEGIES FOR PRIVATE COMPANIES – KEY FACTORS TO CONSIDER

Currently, private companies can choose to apply U.S. GAAP or another set of accounting standards, such as IFRS, which also is based on accrual accounting, or even a cash or tax basis of accounting. Assuming that a new set of standards that is modified to address the special needs of private company financial statement users becomes available, private companies may have an additional financial reporting choice. Prior to making a choice, private companies should consider the short-term and long-term consequences and the advantages and disadvantages associated with applying specially tailored private company GAAP. These advantages and disadvantages will be directly influenced by a company's short-term and long-term strategic plans.

Companies that anticipate change and adapt their short-term and long-term strategies accordingly, typically enjoy competitive advantages and potentially long-term cost savings. The key factors that may influence a company's short-term and long-term strategic plans are: (1) the company's anticipated future organizational structure, (2) expected and targeted sources of future growth, (3) future sources of financing, (4) potential for globalization and financial statement comparability, and (5) staffing considerations. Costs and benefits should be considered for each of these five key areas of consideration.

Organizational Structure

Most companies begin their life as private entities; as sole-proprietorships, traditional partnerships, limited liability partnerships (LLPs), or S Corporations. Highly successful companies may, at some point, decide to convert their organizational structure to a public corporation to help finance rapid growth and gain access to large amounts of capital. Public companies must comply with U.S. GAAP and, in the future, likely will have to implement IFRS.

If a company anticipates that it will eventually "go public," it should consider continuing applying current U.S. GAAP and probably (in the future) IFRS, once the SEC issues a formal decision on IFRS. Implementing a modified standard for private companies will entail some initial cost and likely create more divergence with public companies. If such an organization decides to become public, the costs associated with converting the accounting information system and restating its prior years' financial statements will be quite significant. For this reason, companies should consider carefully, whether a change in organizational structure is likely in the future and whether it would be truly beneficial in the long-run to apply private company GAAP, once it becomes available.

Sources Of Growth And Expansion

Companies can grow through internal expansion and through external acquisitions. A company should carefully evaluate its short-term and long-term growth plans. Internal growth tends to result from successful operations and the company's ability to raise additional capital through ownership participation and/or lending from financial institutions.

On the other hand, external sources of growth typically involve the acquisition of outside entities, such as competitors, suppliers, or distributers. The acquired companies may be private or public. Evaluating acquisition targets is not easy. If a company that is considered for acquisition utilizes a different set of accounting standards, the evaluation will become even more difficult. In addition, once an acquisition is completed, the acquiring company will need to consolidate the financial results of the acquired company with its own results. Differing sets of accounting standards will make this process more complex and costly.

Furthermore, some successful private entities may not only seek acquisitions, but may wish to become a target for a friendly acquisition. If this describes a company's potential long-term strategic plans, use of public company accounting standards may facilitate future acquisitions of public companies, and perhaps may help the company become a more attractive target for public acquirers. Thus, in deciding what type of accounting standards to use, private companies should consider their long-term growth strategies and their expected sources of growth.

Future Sources of Financing

A company's strategies for future growth and anticipated future changes in capital structure are closely related to a company's strategies relating to future financing sources. A common reason for converting from a private to a public company is to gain access to large amounts of financing capital. In addition, owners of private companies in need of large amounts of additional capital for expansion or other purposes can minimize a concentration of control by publicly selling stocks or bonds to a large number of diverse investors. Compliance with SEC regulations for public offerings includes filing financial statements consistent with U.S. GAAP.

Many companies that started out private subsequently become public entities. Thus, private companies that anticipate a future initial public offering (IPO) may want to consider using public company financial reporting standards (currently, U.S. GAAP) instead of private company financial reporting standards to support their long-term corporate structure and to build the internal staff and resources needed to comply with the complex public filings required by the SEC. If a company plans to "go public," it may want to consider using U.S. GAAP to avoid the future conversion of the accounting information system from private company GAAP to public company GAAP.

Potential Globalization and Financial Statement Comparability

A company that is currently, or in future plans to compete in a global market, should carefully consider its choice in financial reporting standards and the effect of that choice on financial statement comparability. Maintaining and enhancing comparability between different companies represents an important goal of financial reporting standards. Whenever there are choices, comparability is, to some degree, impaired. The availability of different sets of accounting standards for public companies and private companies will raise some important comparability issues. This will be especially the case if, or rather when, the SEC decides to implement some degree of IFRS in the U.S.

Private companies will have to consider this issue from the perspective of future opportunities and costs. For example, a private company using a different set of accounting standards that wishes to be acquired by a public company may be more difficult to evaluate. This may affect the offering price for the private entity. In addition, comparability issues between public and private companies may make it more difficult and ultimately more costly for private companies to raise capital. This would particularly be the case if private company financial reporting standards were to be perceived as less rigorous than public company standards.

Currently, nearly 130 nations world-wide permit or require the use of IFRS. U.S. companies would likely experience significant disadvantages if the U.S. were to not implement IFRS. This will also apply to private companies that wish to operate and compete in a global market. In fact, some private companies already operate in a global market; others may plan to do so in the future.

Staffing Considerations

Private companies, and especially small and midsize enterprises, typically experience a significant cost burden from the increasing volume of GAAP. Smaller companies do not have the staffing resources to allow for detailed analysis of new GAAP and typically are not able to sponsor in-house continuing education seminars. Engaging outside speakers or sending staff to seminars may cause staffing shortages and incur additional costs.

Switching from current U.S. GAAP to private company GAAP involves additional costs and resources, but in the long-run may yield significant cost savings, and hopefully reports that are more meaningful for financial statement users. However, if a company anticipates a future change in capital structure and public offerings, an additional switch would be warranted that would be even more costly. Companies should consider their long-term as well as their short-term strategic plans and the cost and benefits associate with each choice in the context of their plans.

CONCLUSION

For several decades, private companies and their financial statement users have asked standard setters to address the growing burden and lack of relevance of statements prepared consistent with current U.S. GAAP. This movement has gained momentum during the last few years and accounting standards that better meet the needs of private companies and their financial statement users may, in the near future, finally become a reality.

Private companies, and especially small and midsize organizations, need to be aware of anticipated changes in financial reporting and the challenges and opportunities that may arise. A change or new choice in GAAP for private companies tends to generate advantages and challenges for the companies, their owners, and financial users that need to be considered by management. Management's decisions on accounting standards should support and complement their short-term and especially their long-term strategic plans.

Factors that should be especially considered include the companies' expected future capital structure, planned sources of expansion, future financing needs, globalization and financial statement comparability issues, and staffing needs. Each choice will hold advantages and disadvantages and generate costs and benefits. Private company executives should carefully consider all pertinent factors in unison and not in isolation. In addition, private companies should keep informed about developments in financial reporting for both private and public companies. Continually updated information can be found on the FASB.org and AICPA.org websites.

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A GEO-SPATIAL EXAMINATION OF SMALL-OWNED BUSINESSES OF KENTUCKY

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ABSTRACT

This study employs the use of Geographic Information Systems (GIS) to examine the geo-spatial patterns of small business ownership in Kentucky. Data were obtained from the Small Business Administration Dynamic Small Business Search for self-reported small business addresses for the state. Data was also obtained for the small businesses registered as women-owned. Using the geo-coding operation in ArcMap software, individual addresses for each business location were mapped. Patterns of concentration were found in larger metropolitan areas, as well as differences between male-owned and woman-owned businesses across the state. Additional exploration found variance in the location patterns based upon Area Development District locations. The study concludes with discussion of possible population, income, and socio-economic theories for the identified results, as well as possible analyses for future research.

BACKGROUND OF GIS

Geographic Information Systems, referred to as GIS, have continued to develop and expand applications and uses as technology and computing power have developed. During the mid-1990s GIS technology became more prevalent with many applications. At that time Castle (1995) described GIS as a set of computerized tools that included both hardware and software which allowed the collection, storage, retrieval, transformation and display of spatial data. Essentially, GIS was an integration of data base management systems, and computerized mapping. Furthermore, additional computing capabilities termed geocoding, which matches street addresses from any databse, into GIS database processing, and provides a sophisticated spatial analysis (Drummond, 1995). Address matching is inexpensive, as well, since it can be performed on microcomputers with low-cost GIS software. Today, GIS has matured, and has proven to be a useful technology (Murray, 2010) with application in many disciplines. While GIS technology continues to evolve, so does location science in GIS application, and has great potential for advanced spatial analysis.

Applications and use of GIS technology have been used for target marketing research and community programs where the features allow analysis of labor force and demographics, as well as industry mix in a target region (Black & Powers, 1994). GIS has also been applied to gender research (Bosak & Schroeder, 2005). More recently, changing trends in information technology have influenced how GIS is used in spatial data management. Today it has evolved from

traditional cartography and image process to advance 3D visualization and dynamic graphics and graphing tools. It has wide applications in many diverse fields (Khan, Akhter, & Ahmad, 2011).
Location and Area Analysis

The use of GIS has many applications in the analysis of geographic locations, or areas of specific interest to researchers. Applications include the spatial characteristics of gaming venue catchment areas (Doran, Marshall, & McMillen, 2007), surrounding gambling facilities in Canberra, Australia, as well as mapping rural poverty-prone areas of Bangladesh (Ahamed et al., 2009). GIS analysis is also relevant to real estate investment and planning, in particular when demographic information can be combined with retail marketing information, allowing appraisers to develop ratio information on retail space square footage per person in a specific market area (Smith & Webb, 1997). Other general area-use applications include environmental and resource economics, in particular those concerned with spatial (area) variations (Bateman, Jones, Lovett, Lake, & Day, 2002). Geographic information systems (GIS) provide an unparalleled power to examine social, economic, and political circumstances (Haque, 2001).

Geographic Information Systems merge the graphic features of a map with its associated data, and because of this, in-depth analyses of geographic relationships are possible (Kowal, 2002). GIS is often defined by its method of storing data and features in layers, allowing users to overlay various types of information to view simultaneously.

Urban Analysis

GIS can contribute to the research field of urban analysis ("Urban analysis with GIS," 2000). The purpose of urban analysis is to explain the processes of spatial distributions in urban areas. Du (2000) determined that GIS was an efficient tool not only for the spatial structure analysis of an urban system, but also for the verification of socio-economic attributes and dynamics of an urban system. GIS is applicable to a wide range of public services and systems users, including city planners as they refine traffic control operations, along with transportation and maintenance departments, as well as property tax assessors (Goldstein, 1997). Further literature supports the use of GIS and urban planning, (Kohsaka, 2000), with the most successful application of GIS in local government, a system of inquiry on the content of urban plan decisions.

Health Services

One area where GIS is relatively new, but which appears to be growing rapidly is that of health care and health services, and particularly community health research (Faruque, Lofton, Doddato, & Mangum, 2003). Geographic information has been used by health scientists conceptually for a long time. Now, the user-friendly GIS tools that are available have been rapidly applied to health research. In particular, the location of disease incidence, health care facilities, community boundaries, surrounding environments, and epidemiological and health care studies. Two studies support the use of GIS relative to health care and community planning (Baum, Kendall, Muenchberger, Gudes, & Yigitcanlar, 2010) to manage and plan activities, and social and pastoral components of individual and community care (Boulos, 2003). In 2010 (Butler, Petterson, Bazemore, & Douglas, 2010) researchers used GIS to examine if the remoteness of specific areas reveals high need populations, when measured against the index of relative socio-economic disadvantage and physician-to-population ratios. Additional studies (Cordivano, 2011; Dubowitz et al., 2011; McLafferty, 2003; Schuurman, Leight, & Berube, 2008) have used GIS to analyze the delivery of needed health care facilities, outreach programs and services, need, access and utilization of health services, as well as allocation of services so that the maximum number of people may be served. Further application and use of GIS can be effective in assessment of environmental exposures, and integration with patient-reported environmental health information (Choi, Afzal, & Sattler, 2006). Thus the mapping capability of GIS is helpful for community and public health workers as they integrate environmental health assessment skills, and raise awareness of environmental health risk factors. Another study the same year, (Peled et al., 2006), used GIS to create thematic maps that identified clinics in southern Israel which treated children but failed to follow clinical guidelines. Other studies (Cinnamon, Schuurman, & Crooks, 2008; Vernon, 2011) have examined disparities of services, and used GIS to plan location of specifically needed services, such as pallative care, in order to provide locations that would facilitate serving the greatest number of people with limited resources, thus helping to reduce inefficiencies in health care systems and services.

Public Safety and Criminal Activity

Specific applications of GIS analysis are easily identified in examination of public safety and crime statistics. GIS is an extension of the old "pin in the map" strategy used to identify areas with high crime statistics, as well as to better understand the dynamics of crime and criminal activity (Ackerman & Murray, 2004). By understanding the spatial characteristics of crime via deployment of GIS, the Chicago police department saw an 18% drop in murders during a six month period. Another application (Ceccato & Haining, 2005), using demographic, socioeconomic and land use charcteristics as predictors of vandalism, mapped via GIS, calculated a vandalism ratio.

A study that integrated health concerns and crime combined data on local health, crime and demographics, with a GIS database, was developed to evaluate geographic epidemiology of sexually transmitted infections and HIV risk among adolescents (Geanuracos et al., 2007), and thus developed a tool for public health intervention planning. In conclusion, the position taken almost ten years ago by Koontz (2004) supports the collection and use of geospatial information as an essential tool to federal agencies. GIS is a critical tool in the areas of homeland security, healthcare, conservation of natural resources, as well as other applications.

SMALL BUSINESS OWNERSHIP

Research investigating small business ownership and/or entrepreneurship has reported noticeable differences between male and female motivations, operations and success. Those differences include factors as varied as: how men and women differ in their willingness to take on such a venture, reasons for pursuing the business venture, varying approaches used in performance, their growth and financial successes, to ultimately the various needs each have to succeed overall in their endeavor.

What makes women decide to go into business for themselves? Apergis and Pekka-Economou (2010) found the determinants of female entrepreneurs that were most prominent to be push and pull motives, effective mentoring, personal characteristics such as creativity, marital status, educational level, and a tolerance level for a risk of failure. Minniti (2010) studied 34 countries and investigated gender differences in entrepreneurs. She found differences primarily in perceptions of necessary skills and knowledge, attitude towards opportunities, not letting a threat of failure dictate activities, along with per capita GDP of a country where the entrepreneurial activity exists. “Experts in entrepreneurship – both women and men - say a lack of confidence and bluster, an aversion to risk, and a continued scarcity of women in engineering programs may explain the shortage” (Klein, 2011, p. 6) of women business owners. Regardless of what does or does not make females go into business for themselves, Minniti (2010) reminds us that the end result is the same, that the number of male entrepreneurs far exceeds the number of female entrepreneurs. In her review of studies spanning more than a decade, she concluded that world-wide, the ratio of female entrepreneurs to male entrepreneurs is a significant concern.

The role of women in today’s work and cultural society is changing. Women account for a larger portion of college graduates, and an increasingly larger part of the workforce. Changing family dynamics as well as economic and financial issues all play a role in gender differences in the current business climate ("Developments in Women-owned Business, 1997-2007," 2011). Although women have improved their position as business owners over the most recent decades, advancing from the 1970’s where there was less than 5% ownership in all US businesses to more than 25% ownership in all US businesses (Brush & Hisrich, 1991) there is still a large disparity in ownership by gender. Recently, a 2011 report from the Small Business Administration ("Developments in Women-Owned Businesses, 1997-2007," 2011), indicates the decade from 1997-2007 showed rapid growth in women-owned businesses, and concluded with almost 29% female ownership in 2007.

The issue remains the same today: women represent far fewer business owners than their male counterparts. This research study will uncover patterns of location in the numbers and placement of entrepreneurs/small business owners throughout Kentucky as represented by gender of ownership. Perhaps there is more than just a desire and innate abilities that influence an individual to open their own business. Variables which may have an influence could include: location, economic and environmental factors, income distribution, population and socio-demographic characteristics of a region.

PURPOSE OF STUDY

This purpose of this study is to examine the distribution of small businesses across the state of Kentucky, using GIS analysis. Geo-spatial analysis will provide a visual representation of the location of small businesses in Kentucky. Economics, population and environmental factors all influence where individuals might choose to locate a business. Thus, inclusion of median income and population pattern changes should also be “mapped.” Furthermore, given the review of gender differences in today's workforce, examination of ownership by gender is warranted.

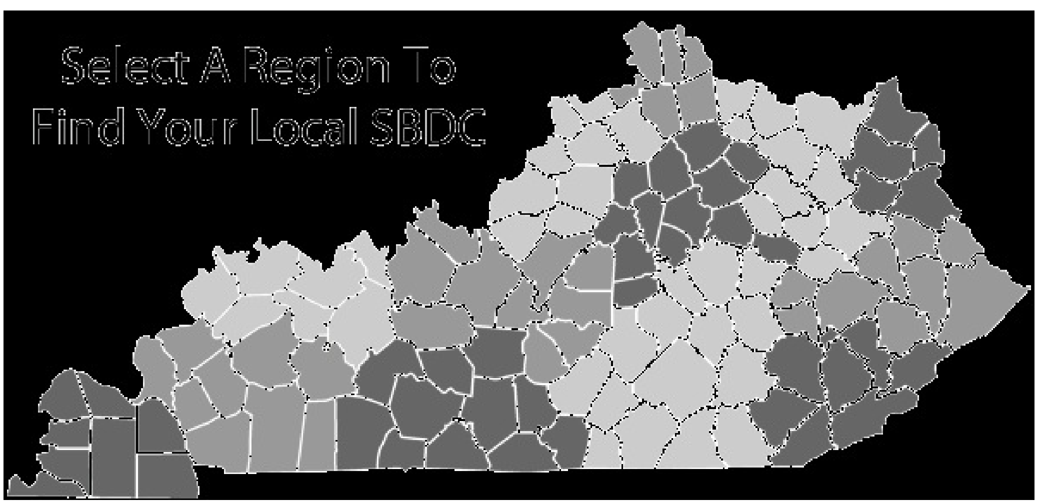
State Geographic Boundary Structures

There are three basic "boundary maps" that can be identified in Kentucky. The first is the map of the 120 counties in the state. The other two include the assigned areas to each of the 15 Small Business Development Centers (SBDC), which work in conjunction with the US Small Business Administration, and the 15 Area Development Districts (ADD). Both the SBDC and the ADD respective assigned service areas use county boundaries.

Small Business Development Centers

The Kentucky Small Business Development Center is co-sponsored by the U.S. Small Business Administration and is administered by the University of Kentucky in partnership with regional universities, community and private colleges, and the private sector ("About Us," 2012). The mission of the KSBDC is to strengthen the state's economy by providing business services that assist entrepreneurs and small business owners in creating both wealth and jobs. There are 15 SBDC offices serving 13 center areas. Figure 1 ("Kentucky Small Business Development Center," 2012) is the map of the 13 SBDC service regions.

Figure 1 Kentucky SBDC center areas

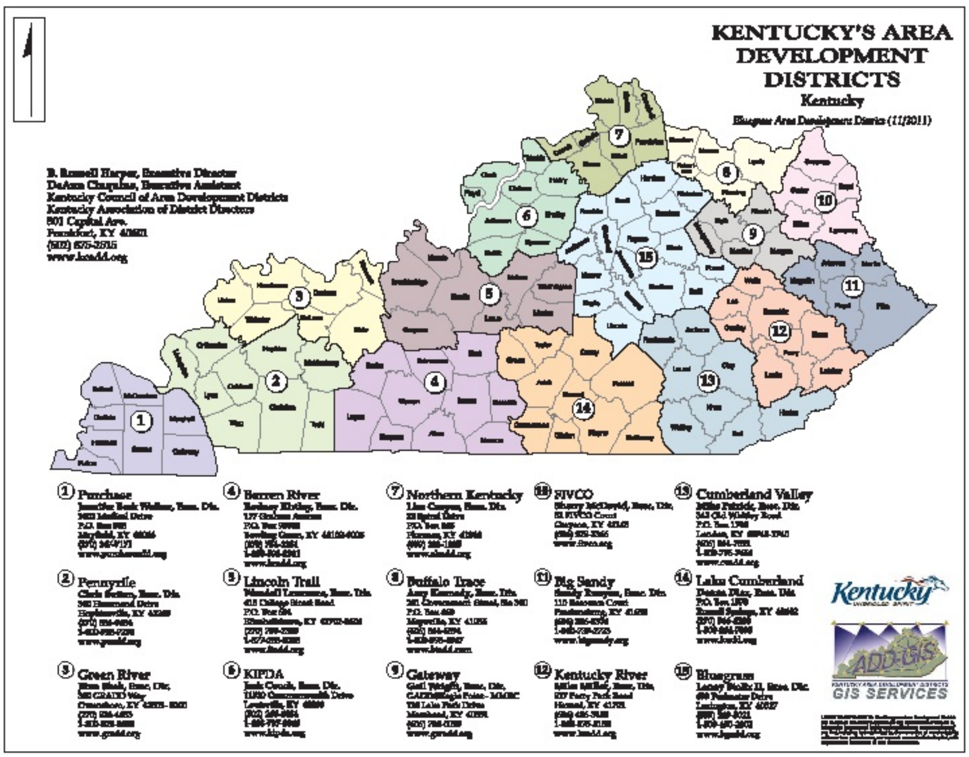


Area Development Districts

The Kentucky Council of Area Development Districts originated in the early 1960's ("History of the Area Development Program," 2009) as Area Development Councils, which were organized in all counties. Fifteen Area Development Districts were formed from 1966 to 1972.

The ADDs were designed to bring local civic and governmental leaders together, and to take advantage of opportunities that could not be achieved by these entities acting alone. The ADDs serve as forums, clearinghouses, technical centers and conveners for the region ("About the Area Development Districts," 2009), and have both federal and state statutory authority. Figure 2 is a map of the ADD locations downloaded from the website at: http://www.kcadd.org/District_Contacts.html. While the SBDC centers' service regions, and ADD individual districts are not identical, for the most part, the respective regions cover approximately the same counties. Since Area Development Districts are used for reporting data at the federal level, this is the most appropriate GIS mapping tool for this study.

Figure 2 Kentucky ADD map



The research questions for this study are:

Q1 *Can patterns of concentration/distribution of SBA registered businesses be identified?*

Q2 *Do patterns of concentration/distribution of SBA registered businesses differ based upon gender of ownership?*

Q3 How do patterns of concentration/distribution of SBA registered businesses relate to Area Development Districts (ADD) in Kentucky differ based upon of gender ownership?

Given general knowledge of the economic activity with the state of Kentucky, it is predicted that business locations will be concentrated in or near the golden triangle of Louisville, Lexington and northern Kentucky (near Cincinnati, OH); near metropolitan or heavier populated areas; and are more likely to be near an interstate or major highway.

METHODOLOGY

Data Collection

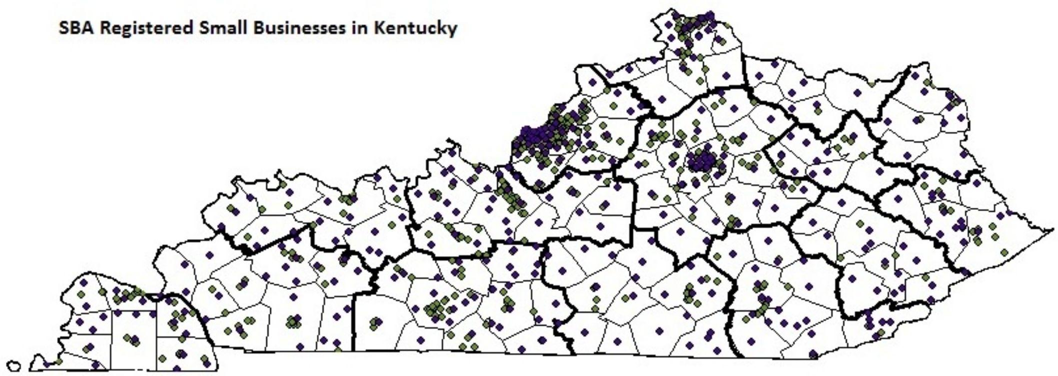
The Small Business Administration website provided the source for this research ("Dynamic Small Business Search," 2012). This is a self-certifying database, which means individual business owners submit the information provided as well as any certifications or special status indicators. The SBA does not make any representation as to the accuracy of any of the data included, other than certifications relating to 8(a) Business Development, HUBZone or Small Disadvantaged Business status. The SBA strongly recommends that contracting officers diligently review a bidder's small business self-certification before awarding a contract. Data can be identified and screened for ownership and self-certifications. This data was selected for the entire state of Kentucky, and then a separate download was selected for women-owned businesses (WOB).

Analysis was conducted based upon the entire state dataset, sorted by gender of ownership. The address of individual businesses was geo-coded using ArcMap 10.0. After cleaning the data, and removing duplicate addresses, there were 2793 male-owned businesses (MOB) and 729 women-owned businesses (WOB). This is a ratio of male to female owned businesses: 2793:729, which indicates 26% of those registered with the SBA are women owned businesses. When analyzing the data in GIS software, 100% of the MOB addresses could be identified, while only 90% of WOB addresses could be mapped, for a total of 657. According to the GIS consultant, 80% matching results are considered to be quite good.

RESULTS

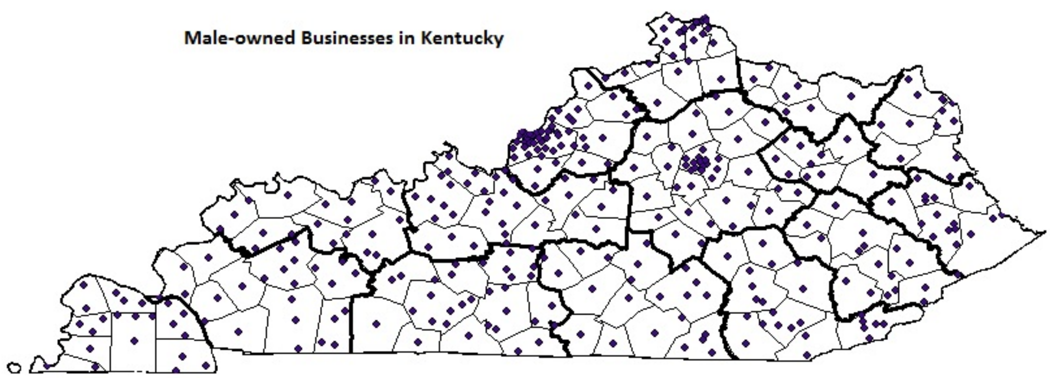
As predicted, the resulting map of the full data set shows concentrations around the major metropolitan areas of Louisville, Lexington, and northern Kentucky bordering Cincinnati, Ohio. (Figure 3). There is a slight (light) pattern that parallels the two north-south interstate highways, (I-75, I-65). The remaining points are distributed fairly evenly across the state. Examination of the patterns by ADD, shows ADD 5 and 6 with higher concentrations, in addition to the districts which contain Louisville, Lexington and northern Kentucky (the golden triangle). The SBDC regions closely parallel the ADD districts, as the two groups' identified service areas, while not identical, are quite similar. Thus the same area SBDC offices serve many of the same counties.

Figure 3 Geo-Address map of all SBA-registered businesses in Kentucky



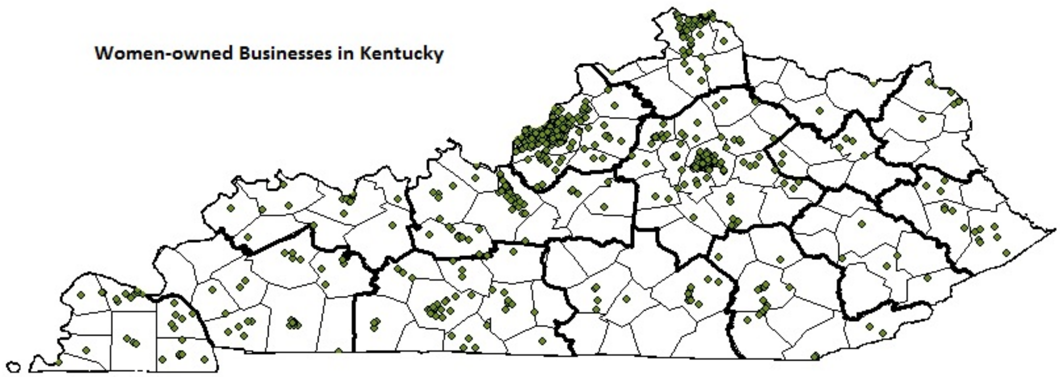
When examining the map for the male owned businesses (MOB), Figure 4, only concentrations around the three metropolitans are evident. In addition, the concentration in northern Kentucky is much lighter. There are no visible patterns following interstate highways, but there is representation in every county across the state. When examining for ADD and SBDC regions, again the same two ADD districts, 5 and 6, appear to have a slightly higher number of MOB.

Figure 4 Geo-address of Male-owned Small Business in Kentucky



Examination of WOB patterns show the same higher concentration of business in the three metro areas, as well as patterns down the two north-south interstate corridors, Figure 5. However the most obvious difference is that the degree of concentration for the WOB in these three metro areas is much denser than the same areas for male-owned businesses. Eastern Kentucky has fewer WOB locations than west-central and western Kentucky. In addition there are several counties that are not represented on this map. This means that 28% (34 of a total 120) of the counties in Kentucky have no registered women-owned businesses. Further examination found these under-represented ADD districts with multiple counties, Figure 5, were in the eastern one-third of the state. In addition, district 15 (ADD) which borders Tennessee, and is in south-central Kentucky has the largest percentage of counties with no women owned businesses; seven of the ten counties in this district have no WOB.

Figure 5 Women-owned Businesses in Kentucky



The original research questions for this study asked if patterns could be identified, based upon location and gender of ownership as well as geographically identified service regions. The answers to the individual research questions are presented here. Research question one: Can patterns of concentration/distribution of SBA registered businesses be identified? Yes, in particular concentrations are evident in the metro areas, or what is termed the “Golden Triangle” in Kentucky. Research question two: Do patterns of concentration/distribution of SBA registered businesses differ based upon gender of ownership? Yes, again concentrations in the three metro areas are evident, but when examining male-owned business, the remaining locations show fairly equal distribution across the state. Women owned businesses follow the metro concentration pattern, but also parallel the north-south interstates, and are also not represented in more than one-fourth of all counties statewide. One south-central ADD had only 30% of the counties with registered WOB. Research question three: How do patterns of concentration/distribution of SBA registered businesses relate to Area Development Districts (ADD) in Kentucky differ based upon of gender ownership? Examination of WOB patterns, found eastern Kentucky ADD/SBDC areas to be under-represented. Two districts in west-central Kentucky showed slightly higher concentration of male-owned businesses.

SUMMARY AND CONCLUSIONS

The use of GIS analysis was effective for this study and the visual presentation provided the researchers with distinct patterns of the data. Further analysis and comparison of economic and population variables provided additional insights into GIS patterns. Overall, patterns were identified relating to distribution and location of small businesses, as well as gender of ownership.

For the data analyzed, there is a concentration of businesses in higher populated areas. Upon examination of 2010 census data, Figure 6, small business locations seem to lie in the golden triangle, and follow interstate routes, which are areas showing moderate to high population growth. Areas that show under representation, in particular women owned businesses, tend to follow those areas with population loss, ("County-Level Population Data for Kentucky: Percent Change in Population, 2000-10," 2011).

Figure 6 Census Map of Population Change 2000-2010 in Kentucky

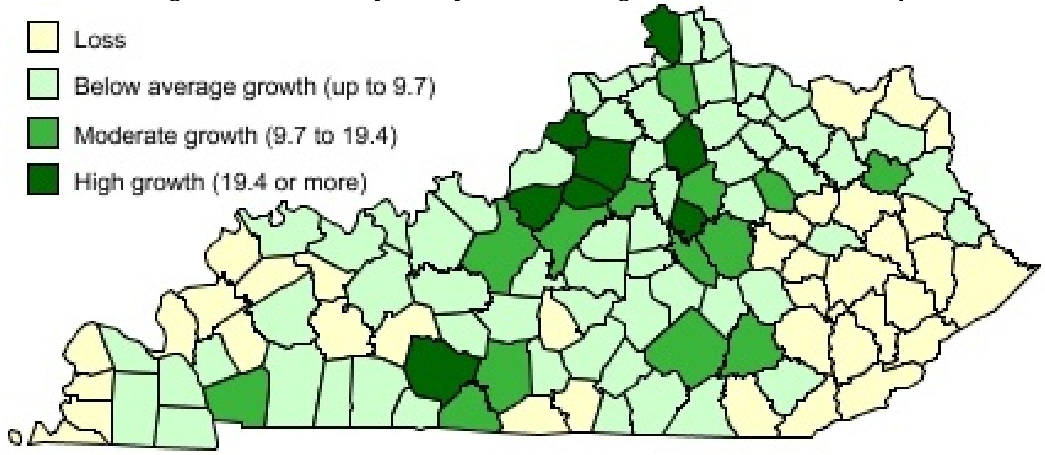
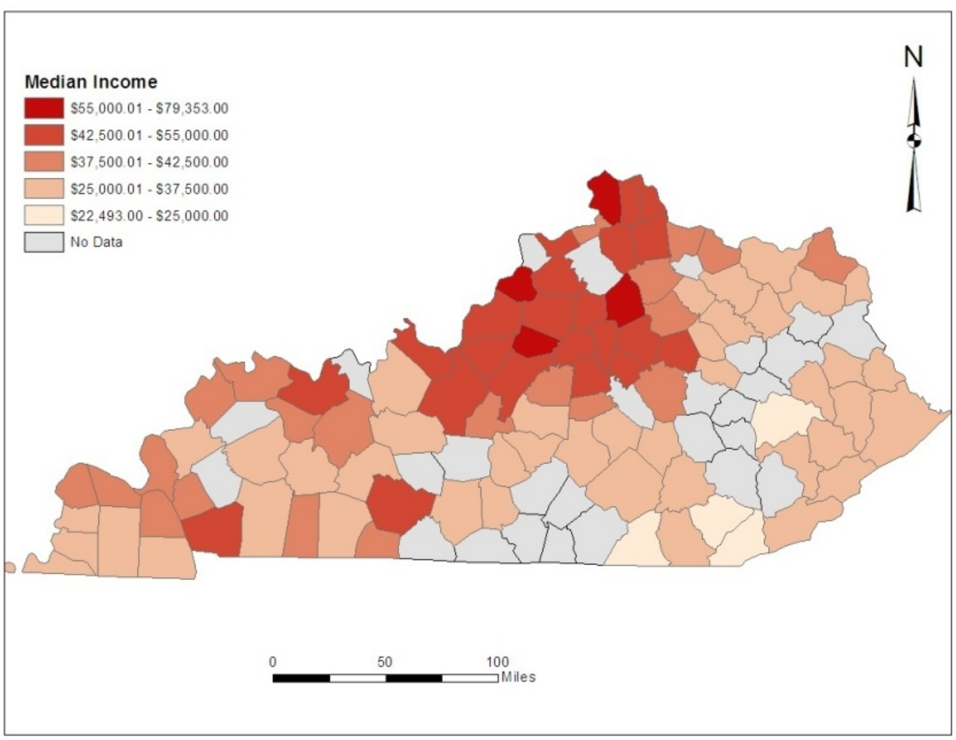


Figure 7 Media Income by County, 2010 Census Data



When analyzing the median income by county ("County-Level Population Data for Kentucky: Percent Change in Population, 2000-10," 2011), the areas which are under-represented by WOB, and that have lower presence of small-owned businesses are those with median income below $37,500 (Figure 7). Thus, the distribution of income, and those counties with low median income are much less likely to have SBA registered businesses, regardless of owner gender. Conversely, the two ADD districts with higher concentrations of male-owned businesses have individual counties with higher median income levels. One might question, which is the cause, which is the effect: higher income or business ownership? This analysis cannot answer that question. Another theory which might answer this question comes from concept of cluster and cluster development (Rahman, 2011), which theorizes that a region may be more entrepreneurial than others, and therefore, attracts more innovative and economic activity. Rahman also posits the concept of knowledge spillover as a possible contributing factor for regional diversity, and supports theories that suggest economic growth in cities can be the result of entrepreneurial activity in the respective city or area.

LIMITATIONS AND FUTURE RESEARCH

The dataset acquired for this study is self-reported, and therefore it may not be representative of all small businesses in the state. In addition, there is no indication on the SBA website as to how recently the data was submitted by the business owners or how often this data is updated. Not all of the women-owned businesses could be analyzed, due to non-matching addresses, which may be a result of corrupted data, or of rural addresses that cannot be matched to the GIS street information.

Further analysis could include other sub-classifications from the SBA database, such as economically disadvantaged, minority owned, veteran-owned, NAICS classification, or type/nature of business. Additional analysis could be conducted state-by-state, thus comparing nation-wide data. GIS analysis could provide insights into under-represented areas where SBDC offices or ADDs could be identified to assist small business development and economic growth. Additionally regional universities and colleges of business could also provide resources and assistance in areas of need. Further data on income and population changes could be tracked longitudinally to analyze how these variables affect small business ownership. This type of data analysis could also be utilized by small business owners to look for opportunities to start, develop or further expand business in specific locations based upon identified characteristics of an area.

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