Volume 4 **ISSN 1098-8394**

JOURNAL of ENTREPRENEURSHIP EDUCATION

An official Journal of the
Academy of Entrepreneurship ®

Edited by
Robin Anderson
University of Portland

The Academy of Entrepreneurship, Inc. is a non-profit corporation chartered under the laws of North Carolina and the United States. The Academy is an international association of scholars and practitioners whose purpose is to advance the knowledge, understanding, teaching and practice of entrepreneurship throughout the world.

The Academy is not responsible for the content of the individual manuscripts. Authors retain copyright for their manuscripts and provide the Academy with a publication permission agreement. Any omissions or errors are the sole responsibility of the individual authors. The Editorial Board is responsible for the selection of manuscripts for publication from among those submitted for consideration. The Editors and Publishers accept final manuscripts in digital form and make adjustments solely for the purposes of pagination and organization.

The *Journal of Entrepreneurship Education* is owned by the Academy of Entrepreneurship ®, Inc., and published by the Allied Academies, Inc., PO Box 2689, 145 Travis Road, Cullowhee, North Carolina 28723, USA, (828) 293-9151, FAX (828) 293-9407. Those interested in subscribing to the *Journal,* advertising in the *Journal,* or otherwise communicating with the *Journal,* should contact the Executive Director at info@alliedacademies.org.

PRACTITIONER EDITORIAL BOARD MEMBERS

ACADEMIC EDITORIAL BOARD MEMBERS

JOURNAL OF ENTREPRENEURSHIP EDUCATION

DIVISIONS

JOURNAL OF ENTREPRENEURSHIP EDUCATION

CONTENTS

LETTER FROM THE EDITOR

Welcome to the *Journal of Entrepreneurship Education*, a publication dedicated to the study, research and dissemination of information pertinent to improvement of methodologies and effectiveness of entrepreneurship education, including those principles of the free enterprise system necessary for the moral practice of entrepreneurship. The editorial board of *JEE* is comprised of both academic scholars and CEOs of many of America's best businesses. This bridging of theoretical excellence and applied excellence will result in a compilation of meaningful knowledge which will lead to excellence in entrepreneurship education.

The editorial board considers three types of manuscripts. First is empirical research which examines the many facets of entrepreneurship and which expands the body of knowledge of entrepreneurship education. Second, case studies that have a demonstrated effectiveness and bring new perspectives to entrepreneurship education are considered. Third, manuscripts which document successful applied innovations in entrepreneurship education are solicited. Included in this issue are the first place award-winning educational activities selected from submissions from Students In Free Enterprise Sam M. Walton Fellows and their SIFE teams at the 2001 RadioShack SIFE USA National Exposition. These educational projects are blind reviewed by editorial board members with only the top programs in each category selected for publication, with an acceptance rate of less than 5%.

A special thank you goes to Students In Free Enterprise for the funding of the *Journal of Entrepreneurship Education.* SIFE's mission is to provide college students the best opportunity to make a difference and to develop leadership, teamwork and communication skills through learning, practicing and teaching the principles of free enterprise. The *Journal of Entrepreneurship Education* is a component of the realization of that mission. I would also like to thank our reviewers: without your work, our mission could not be fulfilled. And, of course, a thank you to all of the authors that submit papers to our *Journal,* not only for your submissions but for the hard work you do in your field and in educating our students.

If you, as a professor, are interested in becoming a SIFE Sam M. Walton Fellow or, if your university does not have a SIFE team, you can learn more about SIFE at www.sife.org . Currently, I am assisting with the growth of SIFE operations outside of North America, with new national organizations in nearly 25 countries. SIFE is an excellent pathway for international research, faculty and/or university linkages and interactive student learning activities. In the next five years, we project more than 1,000 universities outside of the United States will have SIFE teams. If you have research and/or university connections outside of the US, we are interested in hearing about your activities as well as the potential for SIFE in your country of interest.

We are actively soliciting papers for the next volume of the *Journal of Entrepreneurship Education*. Recently, the process for submission of papers has been centralized through Allied Academies. All submissions are now electronic and go directly to Allied Academies. You may learn more about this process at http://www.alliedacademies.org/journal-instructions.html We are working to streamline our processes and will strive to have all papers reviewed and authors notified within three months of submission.

We are also seeking to grow our Editorial Review Board. If you are interested in reviewing submissions for the Journal, please submit a request with a copy of your vitae to me (email is preferred).

Thank you for your interest in The Journal of Entrepreneurship Education.

Respectfully,
Robin Anderson
Editor
Robert W. Franz Chair in Entrepreneurship
University of Portland
5000 North Willamette Blvd., Portland, OR 97203
Voice: (503) 943-7155
Fax: (503) 943-7728
Email: anderson@up.edu

CALL FOR PAPERS

Journal of Entrepreneurship Education
Robin Anderson, Editor

Voice: (503) 943-7155; Fax: (503) 943-7728; Email: anderson@up.edu

To provide greater opportunities for Sam M. Walton Free Enterprise Fellows to publish their scholarly works, Students In Free Enterprise funds the publication of the *Journal of Entrepreneurship Education* through the Allied Academies, Inc. An independent Editorial Board exercises control over the editorial content and the current acceptance rate for manuscripts is 25%.

The *JEE* is a double blind, refereed journal which publishes manuscripts in entrepreneurship and entrepreneurship education as well as articles about award winning projects presented at the SIFE USA National Exposition. Its primary objective is to address the issues faced by entrepreneurs, small business owners and educators in their efforts to achieve a level of success for their businesses and their students. Authors of practical, theoretical or empirical papers may submit them for consideration. Subjects of interest to the Editorial Board include any area of entrepreneurship which would be of concern to practitioners and faculty involved in the more practical applications of knowledge in the field. Also of interest are articles of a broader nature, which encompass entrepreneurship in a free enterprise system and educational innovations that improve the quality of education in free enterprise as well as entrepreneurship topics. Applied and anecdotal papers are also reviewed, but all papers should document findings in a scholarly manner. Authors who wish to discuss potential interest in a manuscript should contact the Editor, preferably by e-mail.

There are two ways to submit manuscripts for consideration. Fist, authors are invited to make direct submissions at any time through the electronic process outlined on the Allied Academies web page at http://www.alliedacademies.org/journal-instructions.html. Manuscripts should be prepared in accordance with the American Psychological Association (APA) guidelines. Please list the paper title and author(s) name(s) on a front cover page only, with complete contact information of the primary author and please number all pages.

Secondly, authors may submit manuscripts for Award Consideration to either the Spring, Fall or Internet Conference of the Allied Academies, Academy of Free Enterprise Education Division. These manuscripts are simultaneously considered for the *Journal of Entrepreneurship Education*, as described on the web page at http://www.alliedacademies.org/instructions.html.

Individuals interested in becoming members of the Editorial Board should contact the Editor, preferably by e-mail. The *JEE* is actively interested in expanding its Editorial Board and invites expressions of interest.

THEORETICAL AND EMPIRICAL MANUSCRIPTS

Manuscripts which appear in this section of the *Journal of Entrepreneurship Education* represent literature extensions. The Editorial Board judges such manuscripts on their ability to advance the entrepreneurship education literature from a theoretical and/or empirical perspective.

Winner of a Distinguished Research Award in the Academy for Students in Free Enterprise at the 2001 Allied Academies Spring International Conference in Nashville, TN, *A Federally Funded Case Study of Entrepreneurship Programs: Implications for Public Policy* written by J. Donald Weinrauch, Kevin Liska and Rodney Carlson, all of Tennessee Technological University explains how government agencies and higher education frequently offer training and advisory services toward the small business community. The purpose of their paper is to highlight a survey of participants who were involved with one-day government- and university-sponsored workshops. The goal of the survey was (1) to identify perceived benefits, and (2) to measure the impact of these workshops on participants.

Winner of an Honorable Mention Research Award in the Academy for Students in Free Enterprise at the 2001 Allied Academies Spring International Conference in Nashville, TN, *Learning Theory and Policy Issues Related to Cross-discipline Entrepreneurship Education* is an interesting treatise written by R. Wilburn Clouse and Terry Goodin, both of Vanderbilt University. In their article, they described a multi-disciplinary approach to teaching entrepreneurship to a diverse group of students, i. e. Engineering and Human and Organizational Development students. The purpose was to provide the students with an overall understanding of entrepreneurship and to prepare them for developing a mindset for thinking creatively. The authors defined entrepreneurship as a "state of mind -- artful, insightful and innovative mentality rather than a business management or administration concept." It is a way of perceiving and exploiting opportunity wherever it is found. Descriptions of the strategies were explicated for the creation of a learning environment.

Winner of a Distinguished Research Award in the Academy for Students in Free Enterprise at the 2001 Allied Academies Fall International Conference in Las Vegas, Drs. Richard Burroughs and Inge Nickerson from Barry University report the results of an e-mail-based on-line survey of Walton Fellows throughout the United States on the state of SIFE programs on college campuses in their article entitled, *A National Survey of the State of SIFE Programs: Implications for Students, Walton Fellows and Academic Institutions.* Qualitative advice was given as well as the quantitative results of the survey. With Walton fellows as the source for the data, much can be learned about the current state as well as the future potential of the SIFE organization on campus.

A FEDERALLY FUNDED CASE STUDY OF ENTREPRENEURSHIP PROGRAMS: IMPLICATIONS FOR PUBLIC POLICY

J. Donald Weinrauch, Tennessee Technological University
Kevin Liska, Tennessee Technological University
Rodney Carlson, Tennessee Technological University

ABSTRACT

Government agencies and higher education frequently offer training and advisory services toward the small business community. One popular form of training involves the use of workshops and seminars to educate prospective entrepreneurs and existing small businesses. The purpose of the paper is to highlight a survey of participants who were involved with one-day government- and university-sponsored workshops. The goal of the survey was (1) to identify perceived benefits, and (2) to measure the impact of these workshops on participants. These results could provide justification for the use of state and local money in providing these programs. This survey also allowed the authors to learn what obstacles are prevalent in the creation and management of successful small business seminars and workshops. These experiences allow the authors to present recommendations that could improve the entire process of giving seminars, workshops, and conferences to people who want to start a small business or just learn how to operate an existing one more effectively.

INTRODUCTION

In today’s dynamic and competitive marketplace, entrepreneurs are seeking the right business models and “space” to survive and prosper. This search is frequently magnified with any type of economic downturn or social upheaval. Moreover, many individuals who have experienced some type of professional, job, and/or social dislocation are frequently investigating better lifestyle opportunities by creating a new business. One common negative event is the “downsizing” or “right sizing” of the labor force within industry. Although this motivation may have resulted from a negative experience, a small business start-up for many individuals serves as a viable objective for overcoming a personal malaise. In essence, entrepreneurship provides an element of hope for overcoming professional and/or social despair.

A number of governmental, higher education, not-profit and profit organizations will frequently offer training and advisory services to provide impetus to both new and existing small businesses. One popular form of training frequently deals with workshops and seminars for new entrepreneurs and existing small businesses. These programs are pervasive throughout the world. However, there are nagging questions about the role, scope, and effectiveness of these programs.

BACKGROUND

In a 1979 seminal work on small business and job growth, pioneering author David Birch concluded that most jobs are created by new and growing businesses. His major conclusion is that job generation from the small business sector will vary, but overall, job creation from the small business sector, compared to large firms, was 70 to 80 percent more. This statistic gives major credence to the role that small businesses play in enhancing the labor picture for the economy. The author also makes a distinction between the mice (life style or mom & pop businesses) that together have dramatic implications to job creation and the gazelles (rapidly growing businesses). His work provides ample justification for creating government and university sponsored small business workshops and seminars (Birch, 1994).

Other authors (e.g. Kazan, 2000; Kirchhoff, 1994; Matkin, 1990; Mian, 1997; Storey, 1995; Timmons, 1999; Weinrauch and Miller, 1998) give illustrative statistics and supporting arguments for the popular and positive connection between entrepreneurship and economic development. The annual federal government publication, The State of Small Business, and regional government sponsored agencies, such as the Applachian Regional Commission, also make a strong case of promoting small business development in order to encourage economic growth.

Given this positive relationship herein, government agencies and higher education are keenly interested in developing a wide variety of programs to aid the small business community. One popular service is the creation of funded programs that educate prospective entrepreneurs and ongoing small businesses through workshops and seminars.

A SCORECARD: SUCCESS OR FAILURE

Management education has frequently been cited as an effective way of providing small businesses with some business knowledge and expertise to survive, grow, and flourish (Reid, 1987; Timmons, 1999). However, many small business owners are quite skeptical of the quality of seminars and workshops offered by government officials and/or educators. There is even the belief –rightly or wrongly—that if it is free then it must be worth very little. Krause (1990) concluded that many small business leaders felt that academics can not effectively offer the management help and insight that is required. This perception presents a major challenge to those who create, promote, and implement small business seminars and workshops in the community.

Perhaps this criticism is justified because many programs have been poorly planned and marketed. They often lacked focus on achieving certain objectives and measuring the results for the participants. Furthermore, mistakes may have been made in trying to recognize the many unique needs of various types of new ventures and existing small businesses. This is often compounded by the economic sectors that are being targeted as well as when the programs may actually be offered. For instance, the credit crunch versus a loosening of financial sources for small business can impact the content of a program. Sometimes these small business seminars are not adjusted to reflect the changing economy.

In short, more information is needed (especially based on actual experiences and empirical data) about the effectiveness of government funded programs, the benefits derived, the problems encountered, and most important, what funding agencies can do to improve program effectiveness. It is also beneficial to study ways to maximize limited government resources for these sponsored endeavors. More research and the experiences learned from previous programs will help faculty, small business advisors, and government leaders in better serving small businesses as well as encouraging economic development.

PURPOSE OF THE PAPER

The intent of the paper is to highlight a survey of participants who were involved with day-long government- and university-sponsored workshops for people who wanted to start a business or already owned a small business. With funding provided by the Department of Labor that was funneled through the Tennessee Department of Employment Security over a five-year period, one-day workshops were given throughout the state. The audience ranged from ten to two hundred participants. The seminar included bankers, lawyers, educators, successful entrepreneurs, accountants, community leaders, and two professors. The two professors were responsible to plan, organize and implement the daily workshops. These workshops were given throughout the State of Tennessee. In addition, a three-week in-depth training session was given in Middle Tennessee to interested parties. Depending upon the topic and weather, the attendance ranged between 50 to 100. The entire five-year project included radio and television appearances to educate the public about small business management. There was also a one-day program with a distance learning venue. Given, the variety of responsibilities the authors experienced some successes and failures. The survey along with our anecdotal experiences enable the authors of this paper to identify some mistakes as well as offering some recommendations. These mistakes and recommendations have implications to setting government policies and procedures for helping the small business sector. Our comments will also provide beneficial insight for educators and other interested parties who want to provide seminars and workshops.

SURVEY OF SELECTED PARTICIPANTS

The goal of the survey was (1) to identify the perceived benefits, and (2) to measure the impact that the workshops had on participants. These results could enable government sponsors to justify or not the costs of these programs and to learn what changes should be made in the future.

A convenience sample was taken from an available list of registered individuals who had attended the all-day workshops and three-week workshops. Approximately 500 workshop participants were sent a mailed questionnaire. The questions included dichotomous, multiple choice, and Likert scale type of questions. These questions were designed to gather certain information from the respondents. This encompassed:

demographic and personal data about each respondent;
employment status at the time of the workshop and then at the time of survey (e.g., how many started businesses);
small business creation;
perceptions and feelings about the workshop;
attitudes about small business startup, career and employment issues;
willingness to utilize services of Tennessee Department of Employment Security; impact of government and private sources for helping people start small businesses;
barriers to starting a business;
motivational forces in starting a business; and
inferences about the respondents plus the opportunities for small business creation, growth, or other employment related information.

The survey was administered at least six months after the participants had attended a particular workshop. This time delay was planned to determine the impact of the workshop after a minimum of six months. It gave the respondents time to digest all of the material that was provided during the seminar. After the first mail out, a follow-up questionnaire was sent to the nonrespondents to increase the rate of return for the mailed questionnaire. This follow-up mailing allowed the response rate to be even higher. There were 121 usable questionnaires with each having over 100 variables. It is beyond the scope of the paper to include every type of data collected; however, it is feasible to highlight some of the salient points of interest to the readers, including government policy makers.

Demographic, Background and Employment Related Data

Although the survey is not a random sample, we feel that the responses are probably somewhat similar to that of all participants of the workshops. In terms of gender, 55.5 percent (n= 66) were male, with an average age of 43; while 45.5 percent (n= 55) were female, with an average age of 41. In addition, 27. 3 percent (n= 33) had military service, while 72.7 percent (88) did not. In terms of background and occupation, the following illustrates some traits of our respondents:

BACKGROUND:
Technical, 38 percent (36)
Manufacturing, 62 percent (59)
None given, (26 people gave no answer)
OCCUPATION:
Nontechnical/blue collar, 7 percent (8)
Business owner/self employed, 22 percent (24)
Clerical/support staff, 9 percent (10)
Professional, such as lawyer, engineer, 27 percent (30)
Manager, 19 percent (21)
Government Employee, 5 percent (5)
Educator, 6 percent (7)
Other, 5 percent (5)
Not reporting, 11 responses

In looking at the above lists, it is interesting to note that many white-collar and professional people attended the workshops. There were many highly educated and skilled people who were either unemployed or seeking a different type of employment in a more satisfying career. Thus, they wanted to seriously explore the possibility of entrepreneurship.

Table 1 provides some additional highlights about the unemployment, employment, and small business status of those who responded to the survey. Looking at the first two lines in Table 1, it is interesting to note the number of individuals who became employed since attending the seminar. The net percentage gain was 10 percent. Also, the percentage of those collecting unemployment compensation decreased. This decrease may, of course, be attributed to their unemployment compensation expiring or they found jobs.

The number of people that actually started a business after the seminar also increased to 9 percent. Although the seminars may not be the sole reason for small business startups, they probably did provide some major contribution to the process.

Finally, the number of people who were thinking of starting a business declined at the time they responded to the survey. This decline may have been from our realistic assessment of entrepreneurship and that it takes a great deal of effort to succeed. Perhaps the seminar created an awareness while overcoming the naive thoughts of those "get-rich-quick" schemes. Hopefully, the seminar did help the “dreamers” by preventing mistakes.

The data in Table 1 certainly puts a positive light on the workshop concept of providing help with either small business startups and/or with growing an existing business. Unfortunately, the constraints of statistical design, sampling error and the convenience sample does not allow us to project these percentages to all of the individuals who attended the conferences. However, given the data, one may indeed speculate on the significant impact the seminars had on decreasing unemployment while facilitating positive small business growth in Tennessee and the surrounding states.

TABLE 1
Unemployment, Employment and Small Businesses Status: Seminar Times Versus Response Time of Survey*

	Number "Yes" Responses	Number Who Did Not Respond**
Employed at Time of Seminar	48	73
Employed at Response Time	61	60
Collecting Unemployment Compensation at Seminar Time	14	107
Collecting Unemployment Compensation at Response Time	6	115
Owner of a Business at Seminar Time	27	94
Owner of a Business at Response Time	31	84
Thinking about Starting a Business at Seminar Time	64	59
Thinking about Starting a Business at Response Time	37	86

* At least six months elapsed before the seminar time versus the time of the survey. This time lag was to give the participants some time for action and better focus for their employment and small business plan of action.

** A respondent may have not given an answer to these options given the wording of the question, "Check all that may apply." Thus, the "Number of Those Who Did Not Respond" column is treated as a "frequency missing" category, instead of a "No" response. Therefore, as an example, the "Owner of a Business at Seminar Time" question tells us that 48 people answered "Yes" in owning a business. The other 94 just didn't answer this alternative to the many choices given to this particular question. They may actually own a business but didn't bother to check all of the alternatives.

Some Contributions of Workshops

As noted in Table 2, many individuals have a better appreciation (_ = 3.9) for the services provided by government agencies to help small businesses. This awareness was often orally communicated by the participants who attended the conferences. They also became more aware of JSEC and how the local employment office could provide job information, help prospective employers find workers, and employees find jobs. As further noted in Table 2, many positive benefits from the workshops became evident as part of the statistical results of the survey. In the more significant ones, the respondents strongly agreed or agreed with the following statements:

taught me where to get information (_ = 4.4)
created awareness of challenges in starting a business (_ = 4.3)
provided a clearer picture of what it takes to succeed (_ = 4.1)
useful booklets prepared by Weinrauch/Liska and State of Tennessee (_ = 4.3 and _ = 4.2 respectively). This data may further indicate the long-term impact that the seminars may have had since people referred to the booklets
overall, the workshop was of benefit to me (_ = 4.3)
I would recommend the conference for others to attend (_ = .5)
workshops should be continued (_ = 4.5) and a toll-free line for questions would be useful (_ = 4.5)
when needed, employees would use services of Tennessee Department of Employment Security (_ = 4.2).

Although the other benefits listed in Table 2 were not scored as high, they were more positive than negative (a score below 2.5 would be more negative). The least- positive outcome was the statement: "prevented my making a mistake by keeping me from starting a business" (_ = 2.8). The reader is encouraged to further review Table 2 to draw their own interpretations.

Respondent Action as a Result of the Conference

One way to observe the impact of an event is to notice the course of action that the participants may have taken from their learning experiences from a conference. Table 3 highlights some of direct effects of the workshops. Approximately 33.7 percent (44) of the surveyed respondents stated that they started a small business "as a result of this conference." Realistically, the workshops were not the sole reason for small business startups, but it seemed to be a very motivating force for many of the respondents. The two highest ratings on this question were 1) the positive word of mouth about the conferences (92.6 percent told others about them), and 2) a greater awareness about the Tennessee Department of Employment Security (91.8 percent, 112 people). Lastly, 40 percent (48) of the respondents ended up in contacting state government officials with some small business-related questions.

Perceived Effectiveness of Small Business Suppliers

Table 4 summarizes the participants' perceptions on who might be the most effective in helping with the startup phase or with growing an existing small business. The information is general, but it may illustrate the type of activities that can be helpful in serving prospective entrepreneurs, dreamers, or existing small business owners.

TABLE 2
Impact and Benefits of Workshop

	N	Mean	Standard Deviation
Built my self-confidence	122	3.8	.70
Eased my fears about starting my own business	121	3.5	.81
Taught me where to get information	123	4.4	.57
Helped me to consider various ways to develop a small business plan	120	4.0	.71
Created an awareness of the challenges of starting/managing a business	122	4.3	.73
Helped me in actually starting my business	112	3.3	.81
Developed a better appreciation for the services provided by government agencies to help small businesses	122	3.9	.85
Provided a clearer picture of what it takes to succeed in business	122	4.1	.76
Provided a useful booklet prepared by Weinrauch and Liska	121	4.3	.64
Provided a useful booklet prepared by the State of Tennessee	121	4.2	.71
Prevented making a mistake by keeping me from starting a business	109	2.8	1.03
Overall, the workshop was of benefit to me.	121	4.3	.63
Built a foundation for starting or managing a business.	120	3.8	.72
I would recommend this conference for others to attend.	122	4.5	.62
If another conference was in my area, I would attend.	121	4.0	1.03
These one-day workshops should be continued throughout the state.	123	4.5	.66
A toll-free line to answer questions for small businesses would be useful.	121	4.2	.66
If employees are needed, I would be willing to use the free service of the Tennessee Dept. of Employment Security	121	4.2	.81

Code: N = Number of responses; Scale runs from 1= Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree;

TABLE 2 Impact and Benefits of Workshop			
	N	Mean	Standard Deviation
5 = Strongly Agree			

Workshops/seminars (_ = 4.0) were perceived by potential and current customers to be quite useful. Some of the other sources of assistance did not do as well, such as outplacement services (_ = 2.5) and community organizations (_ = 2.4). These perceptions may be unfounded, but it does have implications to changing the image, planning and creating programs, government policy making, and funding by government agencies.

TABLE 3 Respondent Action from Conference				
	Yes		No	
Response	Percent	Number	Percent	Number
I did contact panel members.	29.2%	(35)	70.8%	(85)
I did pass on the TTU booklet to other people.	36.1%	(44)	63.9%	(78)
I did tell other people about the conference.	92.6%	(113)	7.4%	(9)
I now know more about the Tennessee Department of Employment Security.	91.8%	(112)	8.2%	(10)
I did write a small business plan.	44.1%	(52)	55.9%	(66)
I did start a small business.	37.3%	(44)	62.7%	(74)
I improved my existing business.	41.9%	(46)	58.6%	(65)
I did call government officials with some questions.	40.0%	(48)	60.0%	(72)

Personal Perceptions, Attitudes and Experiences

To see what types of barriers, needs, concerns, and attitudes the participants had about small business ownership, selected personal questions were asked. Although many of them may not be resolved with outside government assistance, it does show the specific types of challenges and concerns that might be prevalent.

For example, Table 5 had positive attitudes and feelings about their credit rating (_ = 4.4); problem solving persistence (_ = 4.4); and a perceived need for more networking opportunities with potential business associates (_ = 4.1). There is some degree of agreement by the respondents that they would be willing to devote personal assets for collateral; forgo some salary for the first 6 months; and have an understanding for the needs of the marketplace (_ = 3.6 for all three categories). This level of sacrifice and prior knowledge of the market target is healthy in improving the odds for small business success.

TABLE 4
Perceptions on Effectiveness of Various Groups and Secondary Information

	N	Mean	Standard Deviation
Family members	120	3.5	1.5
Marketing/advertising professionals	120	3.4	1.3
Friend	121	3.3	1.1
Previous employer associates	120	2.6	1.6
Community organizations (Rotary, Lions)	120	2.4	1.7
Church members	119	2.5	1.7
Expert literature (magazines, books, etc.)	120	3.8	1.0
Other small business owners	120	3.7	1.0
Workshops/seminars	122	4.0	0.9
Accountants	121	3.5	1.3
Attorneys	122	2.9	1.6
Insurance Agents	121	3.0	1.4
Government officials	120	3.0	1.4
Outplacement services	116	2.5	1.5
Bankers	121	3.3	1.5
Trade groups (associate people)	121	3.2	1.4
Suppliers	121	3.5	1.2
Customers	121	4.2	0.9
Chamber of Commerce	121	2.9	1.6

Code: N=number of respondents

Scale runs from: 1 = Very ineffective; 2 = Ineffective; 3 = Neutral, 4 = Effective, 5 = Very Effective

Alternatively, Table 6 shows that the two highest motivators for small business ownership were "control over my destiny" (_ = 3.7) and staying in the same geographical area (_ = 3.2). People are frequently looking at small business careers as a way to enhance life style preferences while maintaining geographical preferences. Small business will often enable individuals to get ahead with a good second income (_ = 3.2). This response was especially popular for increasing the total family income. In many cases, for instance, we observed the spouse (usually the female) who wanted to re-enter the job market via entrepreneurship. They were active in the audience and quite eager to take on the challenges and opportunities of small business ownership

TABLE 5
Personal Perceptions and Attitudes

	N	Mean	Standard Deviation
I am very tired of working for someone else.	117	3.7	1.03
I have persistence in solving problems.	118	4.4	.58
I know what type of business is needed in the marketplace.	118	3.6	.88
I don't mind some uncertainty and lack of structure.	118	3.5	.90
I am willing to devote a good part of my personal assets as collateral (e.g., home, car, savings, and so on) for a new business opportunity.	120	3.6	1.15
If necessary, I can forego some salary the first six months.	119	3.6	1.13
I have a good credit rating.	122	4.4	.81
My business is closely related to my previous employment experience.	114	3.3	1.19
My business is linked to a hobby.	117	3.2	1.16
I would like the opportunity of more networking with potential business associates.	119	4.1	.77

Code: N = Number of respondents
Rating scale: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Surprisingly, the issues of severance pay, unemployment benefits, and medical insurance (all _ = 1.9) did not appear as a large issue or a barrier to starting a business. One statistic could, however, be understated. If a spouse already had medical insurance, the other spouse may not worry about insurance coverage when starting a business. The other two--severance pay and unemployment benefits--may not seem as significant to some of the respondents who were already employed and feel, rightly or wrongly, that income could be obtained immediately from a small business.

One consideration for government policy makers is the idea of one lump-sum distribution of unemployment compensation for small business capital investment cash flow, and initial living expenses for the new entrepreneur. Some countries have allowed lump-sum distribution of unemployment compensation.

TABLE 6
Motivation and Barriers

	N	Mean	Standard Deviation
A great second income	115	3.2	1.33
Security of severance pay (if terminated)	112	1.9	1.24
Security of unemployment benefits	114	1.9	1.22
Security of a financial cushion	113	1.9	1.31
Medical insurance from a previous employer	111	2.9	1.35
Medical insurance from a working spouse	113	2.3	1.60
Spouse continues to work	114	2.9	1.65
Burn-out from previous job	113	2.7	1.52
Trust gone from previous employer	113	2.4	1.63
Laid off from previous job	112	2.0	1.55
Control over my destiny	116	3.7	1.32
Staying in the same geographic area	115	3.2	1.55

Code: N = Number of respondents
Rating scale: 1 = Not at all; 2 = Small extent; 3 = Some extent; 4 = Great extent

Survey Summation

As noted, the audience was a very heterogeneous group. While there is a greater interest in entrepreneurship by the professional, white collar, highly-educated population, there is a high degree of interest in workshops by all groups. They like the opportunity of learning a great deal of material in a short time frame and the chance of asking questions of experts in a panel. They also appreciate the use of reference material; sources of information, and locating government agencies that can help in the entrepreneurial process. Furthermore, they like good networking contacts with the private sector. Among the respondents, there was a great deal of follow-through on activities and experiences related to the workshop. Thus, the workshops may have had a life-long impact on the process of small business ownership or making a decision to pursue other career options. Finally, a good number of our respondents did start small businesses some time after they attended one of the seminars.

DISCUSSION AND RECOMMENDATIONS

This five-year journey that included different strategies for disseminating and educating workshop participants gave the authors some keen insight. There were constraints, weaknesses, mistakes, and successes. As noted, the experiences allow us to present some recommendations that could improve the entire journey of giving seminars, workshops, and conferences to people who want to start or operate a small business.

One of the biggest deficiencies of the project was the inability of developing a longer-term relationship with the participants who attended the all-day workshops. Many of the individuals may not want additional help while others may want to ask specific questions, desire moral support, or obtain ideas to continue their progression to new venture creation or managing an existing business. Moreover, some may have decided to forgo small business ownership after learning the challenges of being an entrepreneur. However, they still may want some type of career counseling, since some were indeed unemployed. Many short-term government sponsored programs fail to build an on-going relationship with entrepreneurs.

It would have been worthwhile if we could formalize and institutionalize the networking process for the participants. They were encouraged to contact individuals from the private sector, such as lawyers and bankers. We do not know how many contacted key stakeholders and advisors. Specific tactics could have been adopted so the attendees had the means to formally and more frequently interact with each other. A few enterprising groups did pass out a list to keep in touch, but we are not sure how this turned out. In counseling unemployed groups about small business creation, for example, we noticed how the participants often serve as a support group for each other.

One future recommendation is to allow for much more mentoring between successful entrepreneurs and aspiring ones. Periodically, we included some prosperous small business owners in the workshops. Their input and presentation contributed some insight and wisdom about entrepreneurship and what it realistically takes to flourish. It would have been very advantageous to have more mentors available for an extended period of time for the all-day workshops.

Another concern was the inability to meet the participants' insatiable appetite for answers to questions and programs on small business. There were many requests to come back and cover specific areas in greater depth or to do another seminar for their friends or acquaintances.

Moreover, since the market is quite dynamic, a seminar could be held in one area and easily be repeated within a couple of weeks to meet the new consumer demand and needs of a particular geographical area. Unfortunately, there was inadequate monetary support to meet the follow-up needs of many of the participants.

Originally, the program started with the idea of serving the unemployed who may like to consider self-employment. But, almost from the beginning the Department of Labor decided that the funded program should serve anyone who had an interest in small business. Since everyone was a taxpayer after all, it would be incorrect to exclude just one taxpayer. Consequently, the market target became quite broad and there was a very heterogeneous group for each seminar. The topics, therefore, had to be quite general. However, the attendees were able to ask specific questions during the panel sessions or during the breaks or luncheons. Before each workshop, there was an earnest attempt to identify the audience and get a feel for their unique characteristics. And, the objective was to always give at least one good idea for every member in the audience.

In conjunction with the broad market target, certain small business topics may be more significant to economic development. For example, workshops on exporting may have far greater consequences on economic development than a general workshop. In the future, government leaders and educators may want to explore the wisdom and feasibility of sponsoring very specific topics that have a higher impact on solving a very specific economic concern within a certain sector, such as the balance of trade and foreign exchange concerns. Frequently, a plain vanilla and generic approach is taken in offering small business workshops.

Perhaps another weakness and mistake was opening the workshops to anyone. There were no efforts to pre-screen or pre-qualify the attendees. Thus, some of the mom and pop businesses were not the type of employers to hire a lot of employees. To maximize future efforts, labor-intensive small businesses, such as manufacturing or the "gazelles," could be targeted. Again, it may be prudent to more clearly define the specific economic development objective and then create small business workshops and seminars that best meet the specific goal in question.

The last issue that did surface about this program and others was the question of duplication. Some government leaders wonder if this five-year program may be similar to the ones put on by the Small Business Administration, the Internal Revenue Service, Department of Revenue, or the universities in the region in question. To overcome these concerns, our program was different. For example, there were customized self-help booklets, worksheets, diagnostic questionnaires, visuals, panel groups, and add-on services that were developed strictly for these workshops. Also, the format was somewhat different compared to workshops held in the past. And, we made a solid effort to make sure that our workshops served the unemployed and underemployed. This had promotional and market targeting implications. Personnel from the Department of Employment Security would contact people, who were receiving unemployment compensation, in selected geographical areas when a workshop was planned in those areas. Compared to many programs, this segmentation made the five-year program distinct.

CONCLUSIONS

The federally funded entrepreneurship program was over an extended period of time. In fact, the first funding was for three years. The government leaders were so pleased that they renewed it for another two years. After the total five years they were still happy with the program. But, a new political party came in which resulted in its demise for a renewal. Interestingly, the government leaders were pleased with the positive response they were getting from the respondents. The government agency was also pleased with the positive publicity that was generated from statewide workshops. This program helped to promote the entire agency and inform people of their services. It also helped to communicate the other governmental services that were available from both the federal and state level agencies. (Perhaps the other agencies should have reimbursed some of the costs to the sponsoring agency?). Another interesting issue is how do we measure success and quality of the workshops. The authors have worked with many entrepreneurs and people who were thinking of starting a business. Some decide not to pursue a business or expand their existing business after they realize the challenges. How many small business failures were prevented with the funded workshops? Regrettably, these types of indicators are not measured in many programs that are designed to serve the small business sector.

In our exciting efforts to serve entrepreneurs, we must continually learn from our previous experiences and research. For many years there have been workshops, seminars, and advisory services for the small business sector. The problem is not a dearth of programs. Instead, there is a constant opportunity to fine-tune the services we provide and learn from each other's experiences. Hopefully, the points and comments discussed in this paper will help to build on the fine tuning process.

REFERENCES

Birch, D. (1994). The job generation process revisited. *ICSB Newsletter*, 6-8.

Kazan, A. (2000, May 23). Incubators and universities: Partners in fostering technology and economic development. Presentation at the 14th International Conference on Business Incubation, Cleveland, Ohio.

Kirchhoff, B. A. (1994). *Entrepreneurship and Dynamic Capitalism*, Westport, Connecticut: Praeger.

Krause, D. S. (1990). Can academia truly help small business owners? *Small Business Forum*, 8 (2): 54-61.

Matkin, G. (1990). *Technology Transfer and the University*, New York: MacMillan, 240-274.

Mian, S. A. (1997). Assessing and managing the university technology business incubator: An integrative framework. *Journal of business venturing*, (12), 251-285.

Reid, S. (1987). Designing management education and training programs for service firm entrepreneurs. *Journal of Small Business Management*, 25(1): 51-60.

Storey, D. J. (1995, October). Symposium on Harrison's lean and mean: A job generation perspective. *Small Business Economics*, 5-8.

Timmons, J. (1999). *New Venture Creation*, New York: Irwin McGraw-Hill.

Weinrauch, J. D. & Miller, A. (1998). Encouraging entrepreneurial spirit in rural American communities. *Academy of entrepreneurship proceedings*, 4 (1), 36-41.

LEARNING THEORY AND POLICY ISSUES RELATED TO CROSS-DISCIPLINE ENTREPRENEURSHIP EDUCATION

R.Wilburn Clouse, Vanderbilt University
Terry Goodin, Vanderbilt University

ABSTRACT

This manuscript will describe a multi-disciplinary approach to teaching entrepreneurship to a diverse group of students, i. e. Engineering and Human and Organizational Development students. A course has been designed to provide them with an overall understanding of entrepreneurship and to prepare them for developing a mindset for thinking creatively. Traditional disciplinary boundaries are broken, as students are freed to innovate and to think creatively about future ventures. The course is targeted at students who would like to create their own business and they are given the opportunity to develop a business plan from one of their own ideas. Students from entirely different programs, like Human and Organizational Development and Engineering, are encouraged to work collaboratively on joint projects. Opportunities to share their ideas with other entrepreneurs are made possible. The course is meant to teach students how to dream about new ideas and how to take new business ventures to the marketplace. In part, entrepreneurship is defined as a "state of mind -- artful, insightful and innovative mentality rather than a business management or administration concept." It is a way of perceiving and exploiting opportunity wherever it is found. Students are given the opportunity to explore markets for their own ideas and to conceptualize a business enterprise for such markets.

A wide variety of teaching strategies are used, including lecturettes, video clips, guided discussions, peer group learning, telephone/video conferencing, outside entrepreneurial speakers, online searches and comprehensive web-based interactions. Online presentation of materials are available, and heavy emphasis is placed upon the use of technology in the learning environment. Learning concepts developed by Clouse and Goodin related to "just in time" teaching and "whole-part-whole" techniques are used.

INTRODUCTION

When a young child, six or seven years of age, enters either kindergarten or first grade, they do so in a multi-disciplinary society. Students come from all walks of life, from many different cultural, economic and religious backgrounds. They all have their eyes wide open and with their own personal agendas. They are excited, creative, innovative and perhaps mischievous. The teacher has the enormous job of corralling all of these interests, backgrounds and energies into some type of productive learning environment. To make this miracle happen, the teacher must be multi-disciplinary in approach and able to cope with many different and opposing viewpoints from this young herd of children. Somehow, during the first two or three weeks of school, she is able to perform a miracle and to arrange a multi-disciplinary teaching environment. Order soon grows out of this chaos and students are settled down to learn a prescribed curriculum based on a schedule and curriculum established by some noted educators. There is enormous energy, creativity, innovation and desire to learn within this classroom. There may be also conflict between students of different cultures, religion and economic backgrounds. After the first six weeks of classes, students are forever changed. They have become accustomed and have accepted a recommended way of learning (Wren, 1999). The teacher is required to integrate Math, Science, Social Studies (including History and Geography), Language Arts, Physical Education, Art, Music and all of the other known subjects taught in elementary school.

As the student progresses through his or her elementary school experience, he or she is taught in a multi-disciplinary environment where some attempt is made to integrate subject areas across interest areas and cultures. Somehow, by the third grade, many students have lost their creativity, their innovation, and to some extent, their desire to learn new and exciting ideas. They've learned that they are mere "products" of an educational system modeled after the factories of the Industrial Age (Abbott & Ryan, 1999; Crowson, 1998).

By the time the student reaches high school, he or she is placed in a curriculum composed of Mathematics, Chemistry, Physics, Social Studies, Business, English, History and many more modern day titles. Students are expected to attend classes and to perform within the structure of the classroom learning environment in a particular course. Seldom do the concepts taught in English coincide with History and also seldom do concepts taught in Math, Chemistry, and Physics interrelate. Courses are taught as a unique and stand-alone class. Much of the wide-eyed curiosity brought to the schoolhouse on the first day is now gone. Students are taught discrete, integral concepts with very little attachment to the learning style or framework of the learner. Therefore, most ideas are taught in an abstract way, with students trying to memorize enough information to pass the six-weeks exam and the final exam at the end of the year. Rote memory is the order of the day.

By the time the student reaches the university level, he or she has learned how to "work the system." Courses quite often become more structured, focused upon a single domain or discipline, and so may be termed "uni-disciplinary." For the sake of explanation, let's imagine four illustrious professors, Drs. Electric, Outerspace, Thermostat and Gene. Dr. Electric is an internationally known electrical engineer who teaches a course that assumes a preparation in mathematics before entering the course. The mathematics class, of course, was taught primarily as a uni-discipline. Problems at the end of the chapter were solved with little or no relationship with the framework of the learner. Dr. Outerspace, well-known professor of space technology, teaches a course in space travel, and assumes that the student has a working knowledge of the solar system. Dr. Thermostat teaches a course in thermodynamics, and Dr. Gene teaches a course in biomedical engineering with emphasis on genetics. Textbooks from nationally known publishers are used, which in turn are written primarily by professors who teach uni-disciplinary approaches to learning. Concepts and ideas are taught in a scheduled manner, regardless of where the student is in his or her own learning schema (Angel & LaLonde, 1998).

To perpetuate this type of learning environment, universities are arranged by schools and by departments. In these schools, each department is responsible for its own physical existence. Sometimes the term "every tub on its own bottom" is used to explain the need for each department to generate its own revenue. Unless some outside force intervenes, seldom do professors move across departments, and almost never move across schools. For example, seldom does one see a course in ethics or philosophy made available for the engineering and/or education students. That is not to say that there are not some attempts across the country to integrate curriculums within departments and across schools. However, this is the exception.

In addition to this organizational structure, there are other forces at work which prevent interdisciplinary collaboration. For example, there is always exists some element of territoriality in universities. Department Heads and Deans sometimes protect their students by requiring them to take only courses in their department and/or school. Tuition frequently follows the enrollment of the student, and therefore is a deterrent for a school or department to encourage their students to enroll in courses in other departments or other schools. Finally, there is always a reluctance to change on the part of faculty members who have become accustomed to doing things a certain way. Oftentimes, due to these forces of politics, economics and inertia, an interdisciplinary approach to education becomes essentially impossible (Baker, 1999).

Given all that we know about the existing structure of the educational system in this country, several questions emerge. How do we re-create the learning environment of the first grader who came into his or her classroom years ago? How do we instill in the learner the excitement and the curiosity associated with a creative learning environment? How do we re-energize the student? How do we re-introduce innovation, creativity and entrepreneurial thinking? These are the questions that led us to the development of a course in Engineering Entrepreneurship.

OUTSIDE FORCES CAUSE CHANGE

First, it should be noted that, although we could see a need for a different approach to education and were troubled by the apparent failure of the system to prepare students for the demands of the "real world," there was little that we could do about it by ourselves. In our case, we were fortunate to secure the support and encouragement of the Coleman Foundation. The Foundation stresses the importance of developing entrepreneurial thinking in students, and sponsors programs across the nation for that purpose. We are in our fourth year of association with the Coleman group, and have been able to do with their support what the university has been unwilling to begin.

COURSE DESIGN

Whole-Part-Whole Teaching and Learning

A key part of this curricular design is that of a "whole-part-whole" instructional approach (Clouse, Goodin & Aniello, 2000). Rather than beginning with the parts and expecting students to create a meaningful "whole" on their own, the instructor presents the whole scenario first, which establishes the context within which the student will operate. Then student groups "plunge into" the problem, take it apart, and put it back together into a new "whole," one which represents a solution to the problem.

There is ongoing debate among educators as to whether it is more effective to teach from "part to whole" or vice versa. Those who advocate the former insist that it is preferable to break complex concepts down into their simplest parts and to teach those parts (Ormrod, 1995). Once students have mastered the components, they are expected to put the pieces together to make the whole. As stated earlier, this practice dominates a student's school life from the beginning.

Let's consider an example of this type of learning theory in action in the typical middle school math class, keeping in mind that these are the students who will eventually populate our colleges and universities. In the middle school math class, the teacher presents the concept of percentages by placing a formula on the board. He or she then breaks the formula down into its simplest form and teaches each concept separately. After the students have seen the formula in action, through demonstration by the teacher, they are given a worksheet with several practice problems. Every day thereafter they are given new practice problems to work, and at the end of the week they are given a test. They should perform fairly well, provided that they worked the practice problems correctly and the test format is the same as the drill. They have "learned" percentages. Or have they? Too often, it appears that they have not. In fact, it seems that the instruction began and ended at the "middle" of the process, in the "part" phase of the whole-part-whole continuum. Such instruction is doomed to failure if one believes, as we do, that effective instruction demands a grounding in the concepts of situated cognition and holistic learning. To reinforce the importance of the process that we used in our course design it would be profitable to discuss briefly these supporting elements, which are a part of what we call the "whole-part-whole" model of learning and teaching.

Situated Cognition

People generally learn new information in the context in which it is used (Brown, Collins & Duguid, 1989). This suggests that students may be drilled to the point that they will be able to do well on a test, but that they will not retain the knowledge over time or be able to apply it elsewhere (Bransford, Brown & Cocking, 1999). According to the concept of situated cognition, it is imperative to provide students with contextual practice in order to insure that they really "know" a concept. Knowledge that is unused (in context) quickly becomes "inert" and is no longer available to the learner. To use the example of the middle school math class, the students may very well learn how to work the percentages formula on the board and on the test, but they will not know how to calculate a margin of profit in real life!

In order to bridge this gap between traditional classroom learning and real–world applications, educators must present concepts within a situational, reality–based context (Lampert, 1986). In fact, true learning, according to Brown, et. al., requires the adoption of the domain's culture. In order to solve mathematical problems, one must learn to be "a mathematician." To be a mathematician involves more than just learning formulas from the blackboard. A student must adopt the culture of the mathematician, to a certain extent. In order to immerse them in the culture of a domain, teachers can employ the idea of cognitive apprenticeships. Modeled after the craft apprenticeships, this approach allows students to use knowledge in truly "authentic" ways. For example, if students learn mathematics in authentic settings, such as in setting up a business, they are more likely to begin thinking "like a mathematician," or to see the world the way a mathematician would see it. In addition, Brown, Collins, and Duguid argue that there is a transfer of creative problem-solving ability, in that students will begin to solve other problems "mathematically."

Holistic Curriculum

The Cognition and Technology Group at Vanderbilt University (1990) has expanded upon the idea of situated cognition through a model called "anchored instruction," which embeds mathematical and science concepts in an adventure learning series called "Jasper Woodbury." The idea of "macrocontexts," holistic scenarios which allow students some immersion into the field being studied, are employed. The adventures are presented in videodisc format, which appeals to a broad range of senses and allows students to view the actual problem without the distraction of another person's interpretation. Further, the videodisc can address concerns quickly through the use of random access. It generates more interest, resulting in better stories, more use of historical information, and more research into related areas. Key concepts may be revisited, and the use of "embedded data" lets students generate their own sets of problems, a feature which reinforces the notion that there are often multiple solutions to a problem in real life.

IMPLEMENTING THE COURSE

Connecting With The Learner's Framework

Our goal has been to create an "entrepreneurial culture" at the university level by encouraging students to "think like an entrepreneur," much as Brown, et. al. promote mathematical problem solving by the establishment of a "mathematician's" culture. Using the learner's ideas, we attempt to develop a multi-disciplinary entrepreneurship case teaching independence, personal freedom and working outside structured environments. This instructional design gives us the ability to begin with the "big picture" (the "whole") as it relates to the student. Once the connection to student interest has been established it becomes relatively easy to teach the kinds of concepts and skills related to real-world productivity (Changnon, 1998).

Our first approach to developing the interdisciplinary concept and implementing the teaching strategy of "whole-part-whole" began in 1997 when we authored courses in entrepreneurship in the School of Education at Vanderbilt University. The primary focus of the graduate course was to teach administrators of all levels to think entrepreneurially. Our second approach was to develop and offer a course at the undergraduate level, entitled "Creativity and Entrepreneurship." This course was offered to a group of students in Human and Organizational Development enrolled in the School of Education at Vanderbilt. Both the graduate and undergraduate courses were available for students throughout the university to enroll. However, in most cases students from the School of Education were the only students to enroll in the classes. More than 100 students were enrolled in the courses in the first effort.

During the summer of 2000 we received a second grant from the Coleman Foundation to research the interest at the university level in entrepreneurship education and to develop a cross-disciplinary platform where interest was expressed. Invitations to become involved in the Entrepreneurship Forums were issued to all Deans at Vanderbilt University and selected Department Chairs and other Faculty Members. The Schools expressing the most interest included the School of Engineering, the School of Nursing and the School of Law. All three Schools identified faculty members who may be interested in working with us on this endeavor. However, the first and strongest response came from the School of Engineering. During the fall semester of 2000 the course in Creativity and Entrepreneurship was offered in two sections. The Associate Dean in the School of Engineering announced the class to engineering students and indicated that they could receive appropriate credit for taking the course. Announcements were posted throughout the entire campus concerning the course title, dates and times. The faculty member who taught the course met with several Engineering classes to briefly describe the course and to invite interested students to enroll. A limited number of students expressed interest in this arrangement. The announcement itself, a professor from another School attending the opening session of classes, and the opportunity to take a course outside the School of Engineering, all were factors that were somewhat foreign and perhaps frightening to some of the Engineering students. Students sometimes find it more comfortable to continue to take classes in the environment in which they have grown up during the past few years. The students who did take the entrepreneurship class found it to be extremely interesting and exciting for them. They were able to take their ideas and move them to a marketable situation.

While this approach has had limited success, the Associate Dean of the School of Engineering suggested a new format which is being implemented this spring. A number of one-hour seminars are being offered. We were privileged to be able to propose the type of learning environment that we have outlined in this paper, and it was accepted by the Engineering Curriculum Committee. The focus of the course is to use the "whole-part-whole" teaching strategy and to have students identify a particular product, process or idea and to help them move that idea into a business applications concept.

PURPOSE OF THE COURSE

The freshman seminar entitled "Engineering Entrepreneurship" is designed to provide students with an overall understanding of entrepreneurship and to prepare them for developing the mindset of thinking creatively. Targeting students who would like to create their own businesses, it is meant to teach students how to dream about new ideas, and how to take new business ventures to the marketplace. In part, entrepreneurship is defined as a "state of mind--an artful, insightful and innovative mentality rather than a business management or administration concept." It is a way of perceiving and exploiting opportunity wherever it is found. Students will be given the opportunity to explore markets for their own ideas and to conceptualize a business enterprise for such markets.

Course Objectives

The course objectives are as follows:

To develop new and interesting ways of thinking about engineering applications.
To investigate future trends in a world environment and to identify specific needs or new entrepreneurial ventures.
To connect Engineering students with Human and Organizational Development students to develop cross-discipline discussions.
To conceptualize and develop a prototype for a new business venture.

Teaching Strategies

A wide variety of teaching methods will be used, including lecturettes, video clips, guided discussions, peer group learning, telephone/video conferencing, outside entrepreneurial speakers, online searches, and comprehensive web-based interactions. The course will be through Prometheus and will place heavy emphasis upon the use of technology in the learning environment. Learning concepts developed by Clouse and Goodin related to "just in time" teaching and "whole-part-whole" techniques will be used throughout the course.

The course will also be made available on Prometheus, which is an online course delivery program. Heavy emphasis will be placed on the use of website and bibliographic databases to secure information for the ideas of the students.

Instructors

The course will be co-taught be a professor from the School of Education and a professor from the School of Engineering. The primary professor will be from the School of Education. The education professor is both schooled in the "hard" sciences as well as the "soft." He has a background in Chemistry and Physics and work experience with the DuPont Company, IBM, and has developed two enterprises on his own. The professor from Engineering is highly skilled in the area of Biomedical Engineering. The professor from the School of Education will be assisted by a very capable advance doctoral student who has had experiences in several commercial ventures, including working for corporate America and also in the development of creative schemas for radio and video productions.

STUDENT INTEREST

The combination of these three instructors represent a unique and bold step for a group to take within a structured university setting. Shortly after the course was announced to the Engineering students approximately 26 students enrolled in the class, which was originally designed for 15 students. The professors agreed to open the course to the larger student interest. Two sections of the Creativity and Entrepreneurship course are also offered and more than 50 students have enrolled. Some enrolled students are upperclassmen Engineering students.

SUMMARY

This paper describes a process that is currently being developed, by a select group of faculty members at Vanderbilt University, to encourage cross-discipline activities. The focus of the research is to investigate ways in which the entrepreneurship spirit can be taught in a multi-disciplinary environment. We want to re-create, at the university level, the wide-eyed, curious, independent thinker that entered the first grade eighteen or nineteen years ago. We want students to understand the major differences between working for corporate America and living out his or her own dream through the development of the entrepreneurship spirit. Corporate America is "down-sizing" and "right-sizing" every day. The young college student of today will no doubt experience many up-sides and down-sides during his or her career. It is our premise that they need to know self-sufficiency and self-reliance. Through our Whole-Part-Whole teaching strategy and tying "just in time" teaching to the framework of the learner, we hope to instill this spirit in the Engineering student. Additional information about this work and our other work in cyberspace entrepreneurship may be found at the Entrepreneurship Education Forum (Clouse & Goodin, 2000).

ACKNOWLEDGMENTS

The authors gratefully acknowledge the support for entrepreneurship education provided from the Coleman Foundation. Without this support, the work described in this paper could not have been undertaken.

REFERENCES

Abbott, J. & Ryan, T. (1999). Constructing knowledge, reconstructing schooling. *Educational Leadership*, 57 (3), 66-69.

Angel, S. A. & LaLonde, D. E. (1998). Science success strategies: An interdisciplinary course for improving science and mathematics education. *Journal of Chemical Engineering*, 75 (11), 1437-1441.

Baker, M. (1999). Faculty pretest proposed reform. *Science*, 285 (5427), 507.

Bransford, J. D., Brown, A. L., & Cocking, R. R. (Eds.). (1999). *How people learn: Brain, mind, experience, and school*. Washington, DC: National Academy Press.

Brown, J. S., Collins, A. & Duguid, P. (1989). Situated cognition and the culture of learning. *Educational Researcher*, 18 (1), 32-41.

Changnon, D. (1998). Design and test of a "hands-on" applied climate course in an undergraduate meteorology program. *Bulletin of the American Meteorological Society*, 79 (1), 79-84.

Clouse, R. W. & Goodin, T. L. (2000). Entrepreneurs in Action [On-line]. Available: http://entrepreneurship.vanderbilt.edu/middle.htm

Clouse, R. W., Goodin, T. L., Aniello, J. (2000). Entrepreneurship education for the third millennium: Taking over the world with the "E" spirit. In A. Nadim (Ed.), United States Association for Small Business and Entrepreneurship. The Entrepreneurial Millennium (p. 248). San Antonio, TX: United States Association for Small Business and Entrepreneurship.

Cognition and Technology Group at Vanderbilt (1990). Anchored instruction and its relationship to situated cognition. Educational Researcher, 19 (6), 2-10.

Crowson, R. L. (1998). School-community relations, under reform, (2nd Ed). Berkeley, CA: McCutchan Publishing Corporation.

Lampert, M. (1986). Knowing, doing, and teaching multiplication. Cognition and Instruction (3), 305–342.

Ormrod, J. (1995). Educational psychology: Principles and applications. Englewood Cliffs, NJ: Simon and Schuster.

Wren, D. J. (1999). School culture: Exploring the hidden curriculum. Adolescence, 34 (135), 593-596.

A NATIONAL SURVEY OF THE STATE OF SIFE PROGRAMS: IMPLICATIONS FOR STUDENTS, WALTON FELLOWS, AND ACADEMIC INSTITUTIONS

Richard Burroughs, Barry University
Inge Nickerson, Barry University

ABSTRACT

The SIFE (Students In Free Enterprise) program continues to grow as more campuses start SIFE chapters and the organization expands around the globe. As SIFE embarks on this new chapter it is appropriate to assess the benefits SIFE affords students, faculty, and institutions. This paper reports the results of an e-mail-based on-line survey of Walton Fellows throughout the United States on the state of SIFE programs on college campuses. Respondents were asked about chapter problems, solutions, and accomplishments. Walton Fellows report benefits to students are not the same as those envisioned by SIFE. Chapters have difficulty securing administrative support, time, committed students, and other resources. Colleges and universities do not fully appreciate the potential of SIFE as an educational vehicle. The data reported indicates now might be the appropriate time to re-invent SIFE, benefitting a new generation of students in a new global age.

INTRODUCTION

Students in Free Enterprise (SIFE), the world's preeminent collegiate free enterprise organization, provides leadership training and career opportunities for thousands of college students throughout the world.

Through a collaborative effort between business and education, SIFE Teams improve the quality of life and the standard of living around the world by teaching the principles of market economics, entrepreneurship, business ethics and personal financial success.

The driving force behind SIFE is the team faculty advisor--named as the Sam M. Walton Free Enterprise Fellow in honor of the late founder of Wal*Mart. These advisors function as coaches, career advisors, and friends to their SIFE students.

It was the purpose of this study to tap the collective wisdom of Walton Fellows to provide insight into their experience so that others may benefit.

RESEARCH METHODOLOGY:

To conduct this study a list of Walton Fellows was secured from SIFE Headquarters. A web form was created to collect the data. Each Walton Fellow was contacted by e-mail and asked to complete the web-based survey instrument. The initial e-mail message actually contained the web form itself. All a respondent had to do was answer the questions within their e-mail program and click submit. This process was new to most respondents. Only within the last year have e-mail programs been upgraded to support web form processing from within the e-mail screen itself. Approximately 60 respondents successfully completed the survey in this manner. After two weeks another e-mail was sent out with a link to the survey on a web site. Another 99 respondents successfully completed the survey using this more traditional method for a total of 159 useable responses.

Use of e-mail and the Internet for data collection raises questions about the validity of the responses. Researchers have the most experience with the administration forms requiring the least technology. Since the widespread availability of computers and e-mail, research has been conducted on how these forms of questionnaire administration compare to the interview and written questionnaires. Because this technology has until recently been available only to business and universities, this research concentrated on these populations.

Kiesler and Sproull (1986) looked at response effects of electronic surveys compared to printed surveys of academics separated by significant distance. Results indicated that those who responded electronically did so faster and with fewer mistakes. Electronic respondents also were more likely to give less socially acceptable responses, probably being more honest than their paper and pencil counterparts. Booth-Kewley et al. (1992) though, in a follow-up study found no systematic difference between computer and paper and pencil modes of administration in the social desirability of respondent's answers. Mead and Drasgow (1993) performed a meta analysis of 28 studies and found a difference only for speeded tests where the computer forced the respondent to answer within a certain time limit before moving on. Questions not answered or answered wrong were spread out in the computerized test while they were bunched at the end for the paper and pencil test. Webster and Compeau (1996) provide an explanation for these results concluding from their own investigation that results will differ where the computer itself is the focus of the investigation. People who do not like computers but who were forced to answer a questionnaire by computer, give more negative answers than those allowed to use a paper and pencil questionnaire to answer the same questions.

Walsh et al. (1996) looked at the difference between self-selected and randomly selected respondents in a computer network (e-mail) survey. Results indicated self-selected respondents used computer networks more, have a more positive attitude toward computer networks, were more likely to respond electronically, and replied earlier than their randomly selected counterparts. The authors conclude that because the network allows participation from all over the globe, whereas a random sample does not, that opinions from New Zealand, the Arctic, etc, make electronic surveying worth the effort. This research has been corroborated using FAX surveys by Dickenson and Maclachlan (1996).

The one characteristic outside the control of the researcher is the authenticity of the response. While any respondent to any survey can lie, the ease with which one can respond to a web survey makes the lying easier. Further, respondents may complete multiple instruments. Still, previous research using related technologies (Chadwick 1996) do not point out any tendency for respondents to lie.

From this review of the literature on e-mail and on-line survey techniques the following conclusions may be drawn:

Respondents to this survey provided more honest and accurate answers than those completing a paper and pencil survey.
The survey instrument favors those more familiar with and accepting of computer technology. The researchers assume Walton Fellows are accepting of computers as a group.
Responses will be more evenly distributed over a wide geographic area and therefore more representative of a national population.

RESULTS FROM QUANTITATIVE ANALYSIS:

The survey asked questions on the gender of the SIFE Fellow, the type of institution they represent, the number of years the school participated in SIFE, and how many students were in SIFE as general classification questions. Of the 159 useable and unique responses, 109 were completed by male fellows while 50 were completed by female fellows. Further, 37 came from 2-year schools while 121 were from 4-year schools. While one school reported SIFE membership for 25 years, the mean years of membership was 4.4 years. Similarly, SIFE chapter membership varied widely from no members to 250 members, with the mean membership of 20.1 individuals. While there are a few established and very large schools participating in SIFE, the more typical school is a 4-year institution with one male SIFE fellow who has built membership up to 20 students over a 4 year period.

Next, the survey asked how many times the school had been named a Regional Champion, to the Super 16, as a Top Four Finalist, and/or as International Champion. Naturally the higher you go the fewer the affirmative answers. Survey respondents claimed 61 Regional Championships, 14 Super 16's, seven Top Four Finalists, and three International Champions. To assess any possible association between these measures of SIFE success and the classification questions above, the Eta (for gender) and Pearson correlation coefficient (for program length, years participation, and SIFE membership) were used. There was no statistically significant (alpha $< .05$) relationship between any measure of success and either gender or length of the program (2 years or 4 years). The relationship was very significant between measures of success and both years participating in SIFE and number of SIFE members.

Table 1
Respondent Classification to Measures of Success

Measure of Success	n	Gender (Eta)	2-4 year School	Years in SIFE	Number of Members
Regional Champion	61	.346	.059	.000*	.000*
Super 16	14	.144	.136	.000*	.014*
Top 4 Finalist	7	.165	.748	.040*	.003*
International Champion	3	.070	.337	.006*	.003*

* Significant at p=.05 level.

Results based on a low number of positive responses must be interpreted with caution. Still, schools who have participated for several years are more likely to find success in SIFE. Further, schools with larger active student chapters generally find greater success in SIFE.

The final three quantitative questions asked SIFE Fellows to rank perceived benefits of SIFE participation to students, the school they represent, and to the Fellow him/her self. As a student organization, the primary purpose of SIFE is to better prepare students for real world jobs. The organization was created, at least in part, because employers found that graduates lacked the leadership, communication, and teamwork skills demanded by employers. The following table reports overall ranking of student benefits, along with rankings based on Fellow Gender, Program Length, Years Participation in SIFE, and Size of SIFE chapter.

A review of Table 2, below, seems to indicate overall ranking of SIFE program benefits to students varied from the overall rankings based on gender, school type, experience, and size. Overall, Walton Fellows ranked Networking ability as the most important benefit of student participation in a SIFE program. This was followed by Teamwork skills, Project Management skills, Communication skills, and Leadership skills, in that order. Networking ability's first place ranking reflects the interaction students enjoy with potential employers at SIFE functions. Teamwork was valued second because SIFE members work in teams. Project Management skills are learned as a result of working within a project setting where the students must complete the project often overcoming obstacles. Communication skills are practiced at competitions. Leadership skills are practiced by those in charge of teams and not necessarily by all team members. Also, Walton Fellows many times assume the leadership role themselves. These rankings vary markedly from the stated intent of the program as outlined in both original and current SIFE literature available on the SIFE web site (www.sife.org). The original intent of SIFE was to foster Leadership, Communication, and Teamwork skills in SIFE members. Today, Leadership is touted as the most important skill by SIFE but ranked as least important by Walton Fellows.

Male and Female respondents ranked SIFE benefits to students differently. Most importantly, Males ranked Project Management skills as most important and Networking fourth.

Females ranked Networking first and Project management skills last. This seems to reflect very different attitudes toward SIFE based on the Gender of the Walton Fellow. Females also ranked Leadership skills more highly than did their Male counterparts.

Broken down by type of school, 2-year schools felt Leadership was more important than Project Management skills, while 4-year schools felt just the opposite. This result seems counter-intuitive and deserves further exploration.

Table 2
SIFE Program Benefit to Students

Benefit to Students	Leadership Skills	Communication Skills	Project MGT Skills	Networking ability	Teamwork Skills
Overall	5	4	3	1	2
Male Fellow	5	3	1	4	2
Female Fellow	3	4	5	1	2
2-year School	3	4	5	1	2
4-year School	5	4	3	1	2
Participate 0-2yr	5	3	2	4	1
Participate 3-5yr	5	2.5	2.5	1	4
Participate 6>yr	5	3	4	1	2
0-9 members	3	2	5	1	4
10-19 members	5	4	1	3	2
20 > members	5	3	4	1	2

When separated by the length of time schools have participated in SIFE, the most significant differences occurred in the rankings of Networking ability and Teamwork skills. Newer schools felt Teamwork was the most important benefit of SIFE and ranked Networking fourth, while more experienced schools felt networking was the primary benefit and Teamwork took on lesser importance.

Lastly, Walton Fellow rankings of student SIFE benefits varied by the number of members at the school. Small chapters felt Networking was the most important benefit of SIFE to students but then agreed with the original intent of SIFE that Communication, Leadership, and Networking skills were also more important than Project Management skills. Mid-sized chapters felt Project Management skills were most important, Networking skills were moderately important and Leadership skills were least important. In large chapters another flip occurred between the importance of Networking and Project Management, with Networking again taking a most important position. Both medium and large chapters ranked Leadership as the least important benefit of SIFE to students.

Table 3 shows the rank order Walton Fellows reported for SIFE program benefits to their school. Overall, Walton Fellows ranked Community Recognition as the most important benefit of the SIFE program to a school. This result is not surprising as one judging criteria encourages the publicity of chapter projects. This would naturally lead to community recognition. As one respondent indicated, another way of having SIFE receive Community Recognition was "Having the State Board of Education recognize one of the ... SIFE projects". The second most important benefit to the school reported was finding students jobs. This also is not surprising in that SIFE competitions host job fairs. This corroborates the finding in Table 2 that the most important benefit of SIFE to students was Networking ability. Ranked last by Walton Fellows was the value of marketing the school as a SIFE member. SIFE does not help in student recruitment.

Table 3
SIFE Program Benefit to School

Benefit to School	n	Community Recognition	Student Recruitment	Student Placement
Overall	159	1	3	2
Male Fellow	109	1	3	2
Female Fellow	50	2	3	1
2-year School	37	1	3	2
4-year School	121	2	3	1
Participate 0-2yr	59	1	2	3
Participate 3-5yr	55	2	3	1
Participate 6>yr	34	1	3	2
0-9 members	52	1	2	3
10-19 members	54	3	1	2
20 > members	50	1	3	2

Broken down by Gender, Walton Fellows flipped the one and two rankings between Community Recognition and Student Placement, with Males favoring Community Recognition and Females favoring Student Placement. This trend was repeated between two and four year schools, with 2-year schools favoring Community Recognition and 4-year schools favoring Student Placement. Student Recruitment remained last. Years of participation in SIFE also affected the rankings with new schools ranking Community Recognition first and Student Placement last; moderately experienced schools ranking Student Placement first and Community Recognition second; and the most experienced schools following the overall results ranking Community Recognition first followed by Student Placement. Interestingly, Student Recruitment ranked first in moderately sized chapters while Community Recognition ranked last. Both small and large chapters were more apt to follow the overall rankings.

Table 4 reports the perceived benefits of the SIFE program to Walton Fellows. Any way you slice the data the primary benefit a Walton Fellow receives from the SIFE program is Personal Satisfaction. This is followed, overall, by Recognition by the Community. Walton Fellows also ranked Community Recognition as the primary benefit of SIFE to their schools. The bottom three benefits were Academic Recognition, Monetary Compensation, and Promotion. Overall, being a Walton Fellow is not perceived as being valued by the Fellows academic peers (Academic Recognition), deans (Monetary Compensation), or educational institutions (Promotion).

Table 4
SIFE Program Benefit to Walton Fellows

Benefit to Walton Fellow	Academic Recognition	Community Recognition	Personal Satisfaction	Promotion	Monetary Compensation
Overall	3	2	1	5	4
Male Fellow	5	4	1	2	3
Female Fellow	3	2	1	5	4
2-year School	4	3	1	5	2
4-year School	4	2	1	3	5
Participate 0-2yr	2	4	1	3	5
Participate 3-5yr	3	2	1	5	4
Participate 6>yr	4	3	1	5	2
0-9 members	4	3	1	5	2
10-19 members	3	4	1	2	5
20 > members	3	2	1	5	4

Broken down by Gender, Males felt SIFE was a benefit to their Promotion prospects, ranking Promotion second, while placing Community Recognition fourth. Female Fellows, on the other hand, looked for Community Recognition and not Promotion as SIFE benefits. Between 2-year and 4-years schools, there was significant difference in how Fellows ranked Promotion and Monetary Compensation. Monetary Compensation was ranked over Promotion at 2-year schools while the opposite was true at 4-year schools. At schools new to SIFE, Walton Fellows felt being a Walton Fellow would lead to Academic Recognition and Promotion before Community Recognition and Monetary Compensation. Moderately experienced SIFE Fellows looked for Community and Academic Recognition before Monetary Compensation and Promotion. Fellows at the most established programs benefitted from increased Monetary Compensation and Community Recognition before Academic Recognition and Promotion. Fellows with small chapters benefitted from Monetary Compensation and Community Recognition before Academic Recognition and Promotion. Fellows with mid sized programs benefitted from Promotion and Academic Recognition before Community Recognition and Monetary Compensation. Fellows with the largest chapters reflected the overall rankings, receiving Community and Academic Recognition before Monetary Compensation and Promotion.

RESULTS FROM QUALITATIVE ANALYSIS

The responses to the qualitative questions within the survey revealed consistency on several major points. "What advice would you offer existing SIFE chapters to enhance their programs" and "What advice can you offer new SIFE chapters that you wish you had been given when starting out?" yielded many similar responses. The main themes were as follows:

Attract and retain good students--This refrain appeared again and again in many variations. Respondents spoke of the difficulty in recruiting SIFE team members due to competing demands on students' time. They also expressed concern about keeping students motivated.
Administration and faculty support is vital--Statements such as "It's going to be a lot of work and you need a lot of support both monetary and spiritual from the administration" express the general sentiment.
Work with SIFE headquarters and with your mentor--This valuable advice was given repeatedly. "I had lots of help from SIFE headquarters such as consultants. I would advise anyone just starting out to keep in close touch with SIFE headquarters and take advantage of all that they have to offer. We did that, and we were Rookie of the Year" was the way one respondent answered.
Start simply with a few projects and begin early in the academic year--"Get a big calendar." "Consider projects that really make a difference in the community"; "Do it because it's the right thing to do, not just to look good at the competition"; "You don't have to do everything perfectly"; and "Just do it" express the idea that one need not understand everything fully before starting a SIFE program. The important thing is to get started and then learn by doing.

Know the judging criteria and focus your projects on those criteria--The special competitions are good vehicles for generating project ideas. It is very important to structure your projects to meet the judging criteria if you intend to win in the competitions.
Take pictures of everything and understand the importance of technology in creating a quality presentation--Presentations at the competitions are becoming increasingly sophisticated. Make sure you have the equipment necessary to do a professional quality presentation.
Attend competitions before attempting to participate in one with your SIFE team--Such benchmarking can provide valuable information and create a comfort level with the routines of these endeavors.
Invite local businesses to participate--An advisory council can offer valuable project and monetary support.
Create a SIFE credit course--survey respondents consistently expressed these words of advice. "SIFE is too much work" without this vehicle. A credit course will help to motivate students to do their best work.
Get the best Walton Fellow--The Walton Fellow is the heart of the program. The Fellow needs to educate the students, the administration, the faculty, and the community--this is very time consuming. Statements such as "It's taking way, way too much of my time" and "It seems to me that four-year schools need their SIFE advisor as a full-time manager, not just an advisor" and "I did not realize how time consuming it was" and "Get a second Walton Fellow" express the sentiment of respondents.

For "What major problems have you encountered in running your SIFE chapter?" the following major themes emerged:

Recruiting and holding good students--"Making SIFE a priority over the 30 other things students could be doing" expresses a common refrain. Lack of student commitment, apathy, procrastination, and attrition take their toll on everyone.
Difficulty in gaining administration's support--as well as academic jealousy, internal politics, and cliquishness were viewed as major obstacles.
Getting projects to conform to judging criteria--and lack of a clear, concise calendar for all SIFE events and tournaments caused anxiety.
Lack of time--to do all the necessary tasks such as balancing recruitment, projects, and competition preparation was a universal frustration. "Too much to do, not enough time" typifies the responses.
Lack of funding--was a major concern, especially in light of potentially long-distance travel to competitions.
Pressure to win--There is "too much pressure to win and not enough student focus on learning" was a concern.

Difficulty in building lasting relationships with the community--creates ongoing challenges.
Lack of media support--especially for metropolitan area schools creates difficulty in meeting those judging criteria.
Concern about judges--"Enduring judges who haven't read the rules, don't know the criteria, believe the criteria say something other than what the criteria say, sleep during the presentation, ask questions which have been clearly answered already in the presentation, misconstrue what the students have said, and can't spell" expressed frustrations in this category.

“What have been your proudest accomplishments with your SIFE Chapter?" elicited the following responses:

Winning competitions--whether regional, national, or special, was the most frequently mentioned accomplishment. This is not a surprising finding in the sense that winning a competition is validation of the quality of a SIFE chapter's projects and efforts. Any type of trophy or recognition was proudly received.
Student development--"Seeing students achieve success," "Student pride in themselves," Student improvement in communication skills," "Seeing students develop confidence and networking ability," Developing teamwork and friendships," Seeing students successfully complete their projects," and "Getting ordinary students to do extra-ordinary things" were mentioned as deeply satisfying to Walton Fellows.
Job placement of students--excellent job offers and alumni success were highly valued.
Making a difference in the community--working with children and improving their lives created immense satisfaction.
Relationships with SIFE students--"The relationship I have with my student team. I am very proud of them (like they are my own children!!)" expresses the deep bond often forged between the Walton Fellow and the SIFE team.

The Walton Fellows responding to this survey offered advice and shared their triumphs and problems freely so that others may benefit. While their insights are especially important to new SIFE teams, veteran teams will also benefit by seeing their own experiences validated by their colleagues.

IMPLICATIONS

This national survey paints an interesting picture of the SIFE program as viewed from its most ardent supporters, the Walton Fellow. The information gathered has implications for students of SIFE, Walton Fellows, academic institutions, and for the SIFE program itself. Each will be discussed, in turn.

The broad purpose of SIFE may be to teach the principles of the free enterprise system, but this is merely a way to better prepare college graduates to become better business people and corporate employees. SIFE is an educational tool available to colleges and universities to better educate students in the practice of business. Business and entrepreneurship students should participate in SIFE. To be part of a winning team, students should look for schools with several years experience in SIFE and with a large and active student membership. These teams are generally most successful and are most likely to expose students to career opportunities. To be successful at those job fairs, though, students should try to demonstrate the leadership abilities employers want and SIFE states is its most important goal. This, of course, may be more difficult in a large school where competition for leadership positions is more intense.

As this was a survey to Walton Fellows about their programs, several implications are evident. The Walton Fellow is the backbone of SIFE. Campus programs do not exist without them. It is interesting to note, therefore, that Walton Fellows participate for personal (Personal Satisfaction) rather than institutional reasons. In looking at the breakdown of answers by SIFE chapter age, one sees an evolution of thought over time. Fellows begin looking for Academic Recognition and Promotion then move to a phase where Promotion is dropped in favor of Community Recognition, and finally to a phase where they look for Monetary Compensation and Community Recognition. One way to interpret these findings might be that new Fellows start chapters looking for Promotion, settle for Community Recognition when the institution fails reward their efforts, and ultimately receives a raise, course release, or achievement award when the team brings home a trophy. This is, of course, speculation worthy of further research.

To help build a successful SIFE program Fellows had many suggestions. Becoming a SIFE Fellow and starting a new chapter is not to be considered lightly. As with any entrepreneurial activity, it is best done with a business plan. Fellows should be committed to the institution so they can build the program over a long period of time. It will take a lot more time than one anticipates. It will also take the support of SIFE, the institution, and community partners. Establishing and building on this infrastructure is critical. Understand the judging criteria, create projects which meet the judging criteria, and recruit enough students to successfully complete the projects. Don’t expect to win at first. Lastly, build on your solid foundation.

Institutions should take a second look at SIFE, if they have not done so already. Fellows reported the primary benefit of hosting a SIFE chapter was Community Recognition followed by Student Placement. While there was some variations based on breakdown, only in chapters with a moderate number of students was Student Recruitment ranked first as a benefit to the school of hosting a SIFE program. Schools teaching business and/or entrepreneurship should consider the benefits to the school of hosting a SIFE team. While most schools do not use it as a recruiting mechanism, that does not mean it can not be or should not be a differentiater between schools. The ability to have students compete and win against other schools can be a powerful recruiting tool. To compete and lose can also send a powerful signal. Schools should therefore either jump in with both feet or not at all. If the school authorizes a SIFE team, the administration must provide adequate administrative and faculty support to foster success. Select the best potential Walton Fellow, provide release time or some manner of compensation, offer a credit course to keep students motivated in the midst of competing priorities, and incorporate any school advisory council to partner on projects and assist with funds.

Indirectly, SIFE Fellows also spoke to SIFE making recommendations in their comments. The survey uncovered a disturbing difference between official SIFE stated goals and the perceived benefits of SIFE to students as reported by their Fellows. SIFE sees the program developing leadership skills while Fellows ranked those benefits last in benefits to students. SIFE may wish to revisit the program structure to ensure SIFE participants realize the leadership training they claim as the primary benefit to students.

Second, SIFE has grown now to over 1,000 institutions around the world. It may be time to develop additional classifications of schools in competition. This survey found significant differences in responses based on program size (which may correlate to school size, resources, etc.) and years participation. Schools with different missions, resources, and experience approach the SIFE challenge differently.

Third, SIFE needs to provide more support to Walton Fellows. One recurring theme among Fellows was that the academic administration for which they worked did not understand nor appreciate the value of SIFE. From this lack of appreciation came a lack of time, resources, and even moral support. SIFE may wish to rethink how it markets itself to institutions. If SIFE were, for example, the premier academic competition between schools of business it would raise its stature in the minds of administrators. SIFE could easily play this role.

Lastly, Fellows complained about competition judging. Instances were reported where judges did not know the official judging criteria, judges did not use the official judging criteria, or even judges that slept through the presentations. While we know the rules are not written down in the real world, inconsistent judging makes it more difficult to retain good students.

In conclusion, this survey queried Walton Fellows about their SIFE chapters, the benefits they perceived for students, fellows, and institutions, plus problems, solutions, and accomplishments based on their experiences. The results were very illuminating. Walton Fellows lead SIFE chapters for personal reasons. We like seeing students develop; we like helping students get that first job; we like the bonds we form with students outside the classroom; we like making a difference in the community; and yes, we like winning competitions. SIFE has been a tremendous success and continues to grow due to the hard work of SIFE headquarters, Walton Fellows all over the world, and thousands of students. To achieve that next level of success, SIFE may need to evolve into something greater than it’s current self.

REFERENCES

Booth-Kewley, S., Edwards, J. & Rosenfeld, P. (1992). Impression management, social desirability, and computer administration of attitude questionnaires: Does the computer make a difference? *Journal of Applied Psychology*. *77*(4), 562-566.

Chadwick. D. (1996). A method for collecting case study information via the internet. *IEEE Network*. March/April. 36-38.

Dickenson, J. & Maclachlan, D. (1996). Fax surveys: Return patterns and comparison with mail surveys. *Journal of Marketing Research*. *33*, 108-113.

Kiesler, S. & Sproull, L. (1986). Response effects in the electronic survey. *Public Opinion Quarterly*. *50*, 402-413.

Mead, A. & Drasgow, F. (1993). Equivalence of computerized and paper-and-pencil cognitive ability tests: A meta-analysis. *Psychological Bulletin*. *114*(3), 449-458.

Walsh, H., Kiesler, S., Sproull, L. & Hesse, B. (1992). Self-selected and randomly selected respondents in a computer network survey. *Public Opinion Quarterly*. *56*, 241-244.

Webster, H. & Compeau. D. (1996). Computer-assisted versus paper-and-pencil administration of questionnaires. *Behavior Research Methods: Instruments & Computers*. *28*(4), 567-576.

APPLIED MANUSCRIPTS

Manuscripts which appear in this section of the *Journal of Entrepreneurship Education* represent educational applications. The Editorial Board judges such manuscripts on their ability to provide information of practical value to entrepreneurship educators.

Entrepreneurship Training with Young Children: The Arkansas Enterprise Village Project is a training program described by Larry R. Dale of Arkansas State University as a part of the "Make a Difference Day" activities supported by SIFE Headquarters and the USA Newspaper. The purpose was to see if one could truly make a difference with selected at-risk students by training them to be entrepreneurs.

Educational Entrepreneurship: John Sperling & the Apollo Story written by Richard Robinson, University of South Carolina; John A. Pearce II, Villanova University; Peter Davis, University of Memphis; and Paula D. Harveston, Berry College describes Business Week's annual identification of the best business executives around the world. The Apollo story was about an impressive company and a well deserved recognition for an entrepreneur whose foresight has built the largest private university in the U.S. and the largest business school too. More importantly, his early vision has led a trend in higher education that emphasizes educational offerings built around the needs of students, particularly adult students, rather than offerings that emphasized students adapting to various rules and requirements and course offerings built around the institution's needs.

Andrew Wiederhorn: the Entrepreneur That Wall Street Loved...For at Least a Little While by Howard Feldman, University of Portland, Asbjorn Osland, George Fox University, and Miriam Lea, University of Portland, is a case which describes the meteoric growth and subsequent decline of Wilshire Financial Services Group. The company was started by Andrew Wiederhorn and in a short period of time grew to be a multi-billion dollar international financial institution. Wiederhorn's aggressive growth strategy proved to be too risky to major investors who were panicked by the Asian financial crisis of 1997-98. Margin calls on their loans led Wilshire into bankruptcy and eventual reorganization. New board members clashed with Wiederhorn and his top executive over the future of the company. The case ends with the new board meeting to decide whether or not to fire Wiederhorn.

ENTREPRENEURSHIP TRAINING WITH YOUNG CHILDREN: THE ARKANSAS ENTERPRISE VILLAGE PROJECT

Larry R. Dale, Arkansas State University

ABSTRACT

Our Students in Free Enterprise team developed an effective training program for young children, ages 10-12, as part of the "Make a Difference Day" activities supported by SIFE Headquarters and the USA Newspaper. We wanted to see if you could truly make a difference with selected at-risk students by training them to be entrepreneurs.

We began by contacting schools in Northeast Arkansas and the Missouri bootheel. We asked then to recommend students for the program who were eager workers and good students, but came from at-risk backgrounds. We received 28 applications. These students formed our enterprise village with businesses ranging from a bakery, and cafe to movie theaters, and retail shops. On October 23 students opened their enterprise village to over 300 people from the community, including students and parents. The made profits ranging from $3,00 to $28,000 in village bucks. This money was used in an auction held October 30 of some nice prizes donated with a grant from Walmart. Students learned first hand how the market economy works and the rewards of hard work. They tested above the national average on standardized tests of economics through the hands on learning experience, moving from a pretest mean score of 58% to a post test mean of 81 %.

INTRODUCTION

You can not begin too early with training programs that teach children economics. Our Students in Free Enterprise team developed an effective training program for young children, ages 10-12, as part of the "Make a Difference Day" activities supported by SIFE Headquarters and the USA Newspaper. We wanted to see if you could truly make a difference with selected at-risk students by training them to be entrepreneurs.

We began by contacting schools in Northeast Arkansas and the Missouri bootheel. We asked then to recommend students for the program who were eager workers and good students, but came from at-risk backgrounds. We assured them that money was not a criteria for this program because of the promise of a grant from Walmart for scholarships that would cover the expenses of the program. We identified 57 students who would be organized into two groups, one with 27 students and the other with 30. These children came from moderate to low income families with 25% from minority homes, primarily African-American. Thirty-four percent were eligible for the free lunch program at their school because of their economic situation. We began by administering the BET test of economic understanding. These students scored at the 58 percentile ten percent below the average of students in the nationally administered test on the pretest. We wanted to monitor their economic understanding if they made and sold a product. Some also performed a service, actions which people are willing to pay for such as the rental business or banking. The first two Saturdays were designed to teach students about business and help them prepare for the big event on October 23.

PROCEDURES

Students began by selecting a business plan from one of 18 business opportunities available. SIFE students were available to consult with the children and advise them on various business opportunities. Each business received further information and a box of inventory. The 16 types of businesses included:

1. Cafe	5. Collectibles	9. Jewelry	13. Clothing
2. Candy Store	6. General Store	10. Pottery	14. Garden Shop
3. Toys	7. Book Store	11. Bank	15. Movie Theater
4. Stationary	8. Candles	12. Rental	16. Other

The students selection of a business was based on:

1	Personal interest in that business or product.
2	Abilities [For example: if a student was not good with math then banking was not recommended as a good choice.
3	The ability to add products to the business to increase the students inventory. [for example one business sells coins, stamps and collectibles. We provided some foreign coins and stamps but the student needed to have some stickers; baseball cards, etc. to enhance their business.]

The college students served as instructors and advisors to the children, helping them select an appropriate business activity.

Selecting a Business

Students selected a business from those available they could also create a business of their own design for Make a Difference Day, October 30. Businesses that included significant inventory from SIFE cost more than others. The cost ranged from $100 to $5,000. Each participant received an initial $2,000 in village currency from SIFE, in the form of a loan at 5%.

Business men and women needed to borrow any additional funds at 5%, payable on October 30th, from the Village banker. They were able to borrow any amount of money that the bank was willing to loan based upon their collateral (from inventory) and their trustworthiness, as determined by our banker from a list of questions developed by the bank staff. The loan would have to be repaid before the final activity on Saturday October 30.

Setting up Your Business

Each student selected a name for their business and made signs. Then they had to complete an inventory survey form. They could include items brought from home before totaling the value of their inventory. We would provide tables, chairs and other capital to everyone for a small charge. We tried to make the experience as realistic as possible with all business costs included. This include an estimated cost for utilities services and property tax.

October 23-Enterprise Village, Arkansas

The big event was held Saturday, October 23. The businesses were set up in the Ballroom of the Reng Center. Students had one or two tables for their business. The 9:00 group began with over 190 customers consisting of students, parents and community leaders. Each guest received $250 in Village Dollars. They were able to purchase village money from the bank at .01 cents to the $1.00 ($5.00 in greenbacks will get you $500 in village money). Village money is the only accepted currency in Enterprise Village. Student incomes for the event ranged from $3,000 to $70,000. As in real life all of the students were entrepreneurs, but not all were equally successful.

October 30-Auction Day

On the following Saturday students participated in an auction of some nice toys provided by a grant from Walmart. They used the currency they earned on Make a Difference Day to buy the items they desired, after paying back their debts. A generous donation from the Walmart Foundation was ear-marked to cover the purchase of the auction items which included toys, books, films and other items kids would enjoy. This was the reward of successful participation in a market economy.

TEST RESULTS

We ended the event with a post-test version of the BET test, an attitude test and a post test entrepreneurship test. We tested the results using a chi square difference of mean test. Student scores not only improved, from the 58 to 81 percentile, but the difference between the mean post and pre-BET test and the entrepreneurship test was significant at the .01 level, regardless of grouping (see Table I). These children learned best from a combination of creative teaching and by actually participating in entrepreneurship. On the post test they actually scored above the national norm. We were also able to involve 77% of the parents in the program. These parents and friends became the bulk of our customers on October 30. A short survey of parents and other visitors indicated that they felt the students had learned a great deal and enjoyed participating in the Program. Ninety -seven percent of the students rated the Enterprise Village experience as very exciting and expressed a desire to participate again next year.

Table I
Basic Economics Test Results

	Means Score on Pretest	Post Test Mean
Age		
Age 9 [7]	18.73	24.11
Age 10 [31]	21.45	27.32*
Age 11 [19]	23.66	31.45*
Sex M [23]	22.45	27.61*
Sex F [34]	21.92	29.31*
Race		
African-American [24]	19.91	25.64*
Caucasian [19]	20.21	26.78*
Other [14]	21.64	27.83*
Income		
Free lunch	18.72	23.99*
Below $35,000	21.64	24.22*
Above $35,000	25.01	26.11

*Significant at the .01 level.

We examined basic factors to determine what contributed to student success on the various tests. Factors tested included sex; race; age; income; of these independent variable the only one that proved significant was age. The older a student was the better they performed. Race, sex and income were not significant predictors of success, as might be expected. An analysis of all equation variables is expressed in the functional relationship:

y=a+x1 +x2+x3+x4)

where x1 =race
x2=age
x3=sex
x4=income

For the purposes of this study the post test score on the BET was chosen as the critical independent variable against which the dependent variables would be measured.

Table II
Entrepreneurship Test Results

	Means score on Pre test	Post Test Mean
Age		
Age 9 [7]	16.54	18.91
Age 10 [31]	20.07	32.11*
Age 11 [19]	19.23	24.66*
Sex M [23]	21.44	26.11*
Sex F [34]	23.55	27.22*
Race		
African-American [24]	21.18	26.14*
Caucasian [19]	23.27	27.78*
Other [14]	20.04	25.12*
Income		
Free lunch; no opinion 0%		
*significant at the .01 level.		
Would you recommend this activity to a friend?		
98.66% yes;	1.11 Probably;	no opinion 0%

CONCLUSIONS

Students who have firsthand experience with entrepreneurship training find it both enjoyable and rewarding providing both personal satisfaction and financial success regardless of personal characteristics. This particular program worked very well with at-risk students and prepared them for the real world that involves an understanding of and appreciation for the American Economic System.

EDUCATIONAL ENTREPRENEURSHIP: JOHN SPERLING & THE APOLLO STORY

Richard Robinson, University of South Carolina
John A. Pearce II, Villanova University
Peter Davis, University of Memphis
Paula D. Harveston, Berry College

ABSTRACT

Business Week's annual identification of the best business executives around the world identified one educational entrepreneur among those top 25 executives: John Sperling. It was impressive company and a well deserved recognition for an entrepreneur whose foresight has built the largest private university in the U.S. and the largest business school too. More importantly, his early vision has led a trend in higher education that emphasizes educational offerings built around the needs of students, particularly adult students, rather than offerings that emphasized students adapting to various rules and requirements and course offerings built around the institution's needs. Here follows his story.

THE UNIVERSITY OF PHOENIX

John G. Sperling, Ph.D., received his Ph.D. from Cambridge University, an M.A. from the University of California at Berkeley and a B.A. from Reed College. He worked as a professor of Humanities at San Jose State University from 1961 to 1973, where he was the Director of the Right to Read Project and the Director of the NSF Cooperative College-School Science Program in Economics. At various times from 1955 to 1961, Dr. Sperling was a member of the faculties at the University of Maryland, Ohio State University and Northern Illinois University.

In 1973 Dr. John Sperling, a Cambridge-educated economist, decided it was time to create an institution of higher education dedicated to serving a very specific population—working adults. For almost 20 years as an academic Dr. Sperling had conducted field-based research in adult education and had heard many working students express the desire to work on degrees but lament the many institutional roadblocks they met. He knew that national demographics would be changing as the population aged and believed that higher education for adults would be a key to a viable economy. He envisioned an "adult-friendly" place that took into account the differences between adults and younger, traditional-aged students. He pictured an institution built around adults' learning styles and life roles. The result was the University of Phoenix.

The University of Phoenix [UOP] recently celebrated its 25th anniversary with more than 61,000 students attending UOP at 77 campuses and learning centers in 17 states, Puerto Rico, and Vancouver, British Columbia. UOP has become the largest and the fastest-growing private educational institution in the United States. It is also the largest business school in the U.S. Still actively involved as Chairman of the Board and CEO of the parent company, The Apollo Group, Sperling's visionary leadership in the emerging education industry has caught the attention of educators, investors, and business writers around the world.

The Apollo Group, Inc. was founded in 1973 in response to a gradual shift in higher education demographics from a student population dominated by youth to one in which approximately half the students are adults and over 80 percent of whom work full-time. Apollo's founder, John Sperling, believed—and events proved him right—that lifelong employment with a single employer would be replaced by lifelong learning and employment with a variety of employers.

Lifelong learning, Sperling believed, required an institution dedicated solely to the education of working adults. Today, Apollo Group, Inc., through its subsidiaries, the University of Phoenix, the Institute for Professional Development, the College for Financial Planning, and Western International University, has established itself as a leading provider of higher education programs for working adults by focusing on servicing the needs of the working adult.

Apollo has enjoyed continual growth in student enrollments as well as building a strong financial record by having more than doubled its total enrollments and revenues between 1994 and 1998. Apollo Group, looking to continue the growth, completed its initial public offering on December 6, 1994 with a price of $1.63 per share (adjusted for stock splits). The Apollo Group, through its subsidiaries, the University of Phoenix, Inc. ("UOP"), the Institute for Professional Development ("IPD"), the College for Financial Planning Institutes Corporation (the "College"), and Western International University, Inc. ("WIU"), is a leading provider of higher education programs for working adults based on the number of working adults enrolled in its programs. The consolidated enrollment in Apollo's educational programs would make it the largest private institution of higher education in the United States. Apollo currently offers its programs and services at 117 campuses and learning centers in 34 states, Puerto Rico and London, England. Apollo's degree enrollment has increased to approximately 71,400 at August 31, 1998 from approximately 30,200 at August 31, 1994.

Based on its degree enrollment of over 53,200 adult students, of which 6,500 were distance education students, UOP is currently one of the largest regionally accredited private universities in the United States and has one of the nation's largest private business schools. UOP has been accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools ("NCA") since 1978 and has successfully replicated its teaching/learning model while maintaining educational quality at 70 campuses and learning centers in Arizona, California, Colorado, Florida, Hawaii, Louisiana, Michigan, Nevada, New Mexico, Oklahoma, Oregon, Utah, Washington, and Puerto Rico.

UOP has developed specialized systems for student tracking, marketing, faculty recruitment and training and academic quality management. These systems enhance UOP's ability to expand into new markets while still maintaining academic quality. Currently, approximately 56% of UOP's students receive some level of tuition reimbursement from their employers, many of which are Fortune 500 companies. UOP recently won a prestigious quality award based on the well-known Baldrige Award program which recognized UOP as a leader in quality efforts behind its educational services.

Apollo's Institute for Professional Development [IPD] provides program development and management services under long-term contracts that meet the guidelines of the client institutions' respective regional accrediting associations. IPD provides these services to 20 regionally accredited private colleges and universities at 43 campuses and learning centers in 22 states and shares in the tuition revenues generated from these programs. In addition, IPD has contracted to develop online degree programs for the United States Marine Corp. IPD is able to assist these colleges and universities in expanding and diversifying their programs for working adults. IPD places a priority on institutions that: (1) are interested in developing or expanding off-campus degree programs for working adults; (2) recognize that working adults require a different teaching/learning model than the 18 to 24 year old student; (3) desire to increase enrollments with a limited investment in institutional capital, and (4) recognize the unmet educational needs of the working adult students in their market. Approximately 16,000 degree-seeking students are currently enrolled in IPD-assisted programs.

On September 23, 1997, Apollo acquired the assets and related business operations of the College for Financial Planning ["the College"] and related divisions that include the Institute for Wealth Management, the Institute for Retirement Planning, the American Institute for Retirement Planners, Inc., and the Institute for Tax Studies. The adjusted purchase price consisted of $19.4 million in cash, $15.9 million in stock and the assumption of approximately $11.4 million in liabilities. With current enrollments of approximately 750 degree and 23,000 nondegree students, the College is one of the largest U.S. providers of financial planning education programs, including the Certified Financial Planner Professional Education Program.

Western International University [WIU] currently offers graduate and undergraduate degree programs to approximately 1,300 students and has a total of three campuses and learning enters in Phoenix and Fort Huachuca, Arizona and London, England.

THE EDUCATION MARKET

The United States education market may be divided into the following distinct segments: kindergarten through twelfth grade schools ("K–12"), vocational and technical training schools, workplace and consumer training, and degree-granting colleges and universities ("higher education"). Apollo primarily operates in the higher education segment and, with the acquisition of the College and the introduction of other non-degree programs, also operates in the workplace and consumer training segments. The U.S. Department of Education National Center for Education Statistics ("NCES") estimated that for 1996 (the most recent historical year reported), adults over 24 years of age comprised approximately 6.2 million, or 40.9%, of the 15.2 million students enrolled in higher education programs. Currently, the U.S. Bureau of Census estimates that approximately 75% of students over the age of 24 work while attending school. The NCES estimates that by the year 2003, the number of adult students over the age of 24 will remain approximately the same at 6.1 million, or 40.2%, of the 15.1 million students projected to be enrolled in higher education programs.

Apollo believes that the unique needs of working adults include the following:

1	Convenient access to a learning environment (including both location and delivery system)
2	Degree programs offered by regionally accredited institutions that can be completed in a reasonable amount of time
3	Programs that provide knowledge and skills with immediate practical value in the workplace
4	Education provided by academically qualified faculty with current practical experience in fields related to the subjects they instruct
5	Administrative services designed to accommodate the full-time working adult's schedule
6	Recognition of adult students as critical consumers of educational programs and services
7	A learning environment characterized by a low student-to-faculty ratio
8	Learning resources available electronically to all students regardless of geographical location

Apollo also believes that the increasing demand from and the unique requirements of the adult working population represent a significant market opportunity to regionally accredited higher education institutions that can offer programs that meet these unique needs.

Most regionally accredited colleges and universities are focused on serving the 18 to 24 year old student market. This focus has resulted in a capital-intensive teaching/learning model that may be characterized by:

1	A high percentage of full-time tenured faculty with doctoral degrees;
2	Fully configured library facilities and related full-time staff;
3	Dormitories, students unions and other significant plant assets to support the needs of younger students and
4	An emphasis on research and the related staff and facilities.

In addition, the majority of accredited colleges and universities continue to provide the bulk of their educational programming from September to mid-December and from mid-January to May. As a result, most full-time faculty members only teach during that limited period of time.

While this structure serves the needs of the full-time 18 to 24 year old student, it limits the educational opportunity for working adults who must delay their education for up to five months during these spring, summer and winter breaks. In addition, this structure generally requires working adults to attend one course three times a week, commute to a central site, take work time to complete administrative requirements and, in undergraduate programs, participate passively in an almost exclusively lecture-based learning format primarily focused on a theoretical presentation of the subject matter. For the majority of working adults, earning an undergraduate degree in this manner would take seven to ten years. In recent years, many regionally accredited colleges and universities have begun offering more flexible programs for working adults, although their focus appears to remain on the 18 to 24 year old students.

APOLLO'S BUSINESS STRATEGY

Apollo's strategic goal is to become the preferred provider of higher education programs for work-ing adult students and the preferred provider of workplace training to their employers. Apollo is managed as a for-profit corporation in a higher education industry served principally by not-for-profit providers. By design, Apollo treats both its adult students and their employers as its primary customers.

Key elements of the Company's business strategy include the following:

Establish New UOP Campuses and Learning Centers	
	UOP plans to add campuses and learning centers throughout the United States, Canada and other foreign markets. New locations are selected based on an analysis of various factors, including the population of working adults in the area, the number of local employers and their educational reimbursement policies and the availability of similar programs offered by other institutions. Campuses consist of classroom and administrative facilities with full student and administrative services. Learning centers differ from campuses in that they consist primarily of classroom facilities with limited on-site administrative staff. The timing related to the establishment of new locations and the expansion of programs may vary depending on regulatory requirements and market conditions.
Establish New IPD Relationships	
	IPD plans to enter into additional long-term contracts with private colleges and universities in proximity to metropolitan areas throughout the United States. In general, IPD seeks to establish relationships with colleges and universities located in states where it is difficult for out-of-state accredited institutions to obtain state authorizations. In this way, Apollo is able to optimize its campus-based penetration of potential new markets.
Expand Educational Programs	
	Apollo expects to continue to respond to the changing educational needs of working adults and their employers through the introduction of new undergraduate and graduate degree programs and non-degree programs in business and information technology. UOP received approval in 1998 from the NCA to offer a Doctor of Management degree. This educational program will be the first doctoral degree offered by Apollo. Apollo currently has a full-time staff of over 55 persons involved in its centralized curriculum development process. Apollo is also exploring other educational areas, such as the K–12 market, adult remedial education and international opportunities, where it can leverage its educational expertise and/or delivery systems in a cost-effective manner.

Expand Access to Programs	
	Apollo plans to expand its distance education programs and services. Enrollments in distance education degree programs, including Online, have increased to approximately 7,200 in 1998 from approximately 1,600 in 1994. Apollo has started the process of converting many of its non-degree business and financial programs so that they can be delivered through the Internet. Apollo also plans to enhance its distance education delivery systems as new technologies become cost-effective, such as interactive distance education technology.
International Expansion	
	Apollo is conducting ongoing market research in various foreign countries. Apollo has been approved by NCA to begin operations in Canada. The first Canadian campus will be in Vancouver, British Columbia, with classes expected to commence during the second quarter of 1999. The Company is considering international expansion into various European and Latin American markets using the University of Phoenix education model. The Company will continue to monitor and assess the feasibility of expanding its educational program to other international markets.

BUILDING COMPETITIVE ADVANTAGE THROUGH A UNIQUE MODEL

Apollo's teaching/learning model used by UOP and IPD client institutions was designed for working adults. This model is structured to enable students who are employed full-time to earn their degrees and still meet their personal and professional responsibilities. Students attend weekly classes, averaging 15 students in size, and also meet weekly as part of a three to five person study group. The study group meetings are used for review, work on assigned group projects and preparation for in-class presentations. Courses are designed to facilitate the application of knowledge and skills to the workplace and are taught by faculty members who possess advanced degrees and have an average of 15 years of professional experience in business, industry, government and the professions. Apollo's teaching/learning model has the following major characteristics:

Curriculum	The curriculum provides for the achievement of specific educational outcomes that are based on the input from faculty, students and student employers. The curriculum is designed to integrate academic theory and professional practice and the application to the workplace. The standardized curriculum for each degree program is also designed to provide students with specified levels of knowledge and skills regardless of delivery method or location.
Faculty	Faculty applicants must possess an earned master's or doctoral degree from a regionally accredited institution and have a minimum of five years recent professional experience in a field related to the subject matter in which they seek to instruct. To help promote quality delivery of the curriculum, UOP faculty members are required to: (1) complete an initial assessment conducted by staff and faculty; (2) complete a series of certification workshops related to grading, facilitation of the teaching/learning model, oversight of study group activities, adult learning theory, and use of the Internet; (3) participate in ongoing development activities and (4) receive ongoing performance evaluations by students, peer faculty and staff. The results of these evaluations are used to establish developmental plans to improve individual faculty performance and to determine continued eligibility of faculty members to provide

	instruction.
Interactive Learning	Courses are designed to combine individual and group activity with interaction between and among students and the instructor. The curriculum requires a high level of student participation for purposes of increasing the student's ability to work as part of a team.
Learning Resources	Students and faculty members are provided with electronic and other learning resources for their information needs. Over the past three years, the Company substantially expanded these services, including the addition of research tools available on the Internet. These extensive electronic resources minimize Apollo's need for capital-intensive library facilities and holdings.
Sequential Enrollmen t	Students enroll in and complete courses sequentially, rather than concurrently, thereby allowing full-time working adults to focus their attention and resources on one subject at a time, thus balancing learning with ongoing personal and professional responsibilities.
Academic Quality	Apollo has developed and operationalized an Academic Quality Management System ("AQMS") that is designed to maintain and improve the quality of programs and academic and student services regardless of the delivery method or location. Included in the AQMS is the Adult Learning Outcomes Assessment which seeks to measure student growth in both the cognitive (subject matter) and affective (educational, personal and professional values) domains.

STRUCTURAL COMPONENTS OF TEACHING/LEARNING MODEL

Although adults over 24 years old comprise approximately 40.9% of all higher education enrollments in the United States, the mission of most accredited colleges and universities is to serve 18 to 24 year old students and conduct research. UOP and IPD client institutions acknowledge the differences in educational needs between older and younger students and provide programs and services that allow working adult students to earn their degrees while integrating the process with both their personal and professional lives.

Apollo believes that working adults require a different teaching/learning model than is designed for the 18 to 24 year old student. Apollo has found that working adults seek accessibility, curriculum consistency, time and cost effectiveness and learning that has an immediate application to the workplace. Apollo's teaching/learning model differs from the models used by most regionally accredited colleges and universities because it is designed to enable adults to complete an undergraduate degree in four years and a graduate degree in two years while working full-time.

The structural components of Apollo's teaching/learning model include:

Accessibility	Apollo offers standardized curriculum that can be accessed through a variety of delivery methods (e.g., campus-based or electronically delivered) that make the educational programs accessible regardless of where the students work and live.
Instructional Costs	While the faculty at most accredited colleges and universities are employed full-time, most of the UOP and IPD client institutions' faculty are part-time. All faculty are academically qualified, are professionally employed and are contracted for instructional services on a course-by-course basis.

Facility Costs	Apollo leases its campus and learning center facilities and rents additional classroom space on a short-term basis to accommodate growth in enrollments, thus keeping the facility portion of its instructional costs variable.
Employed Students	Substantially all of UOP's students are employed full-time and approximately 72% have been employed for nine years or more. This minimizes the need for capital-intensive facilities and services (e.g., dormitories, student unions, food services, personal and employment counseling, health care, sports and entertainment).
Employer Support	Approximately 56% of UOP's students currently receive some level of tuition reimbursement from their employers, many of which are Fortune 500 companies; approximately 46% receive at least half of their tuition and some 23% receive full tuition reimbursement. Apollo develops relationships with key employers for purposes of recruiting students and responding to specific employer needs. This allows Apollo to remain sensitive to the needs and perceptions of employers, while helping both to generate and sustain diverse sources of revenues.

The College currently offers text-based self-study programs for students preparing for the Certified Financial Planner designation and other financial-related designations. Apollo plans to offer these same programs in a classroom-based format and also through Internet or Online-based formats. Most of the College's students are employed and over 75% have four or more years of college education.

WIU's teaching/learning model has similar characteristics to the teaching/learning model used by UOP and IPD client institutions, including the use of part-time practitioner faculty, standardized curriculum, computerized learning resources and leased facilities. However, WIU provides educational programs in a semester-based format and does not focus extensively on working adult students.

Programs

UOP currently offers the degree programs and related areas of specialization displayed in the table below at one or more campuses and learning centers or through its distance education delivery systems. UOP also offers over 100 professional education programs, including continuing education for teachers, custom training, environmental training and many programs leading to certification in the areas of business, technology and nursing.

Undergraduate students may demonstrate and document college level learning gained from experience through an assessment by faculty members (according to the guidelines of the Council for Adult and Experiential Learning ("CAEL")) for the potential award of credit. The average number of credits awarded to the approximately 4,000 UOP undergraduate students who used the process in 1998 was approximately 12 credits of the 120 required to graduate. CAEL reports that over 1,300 regionally accredited colleges and universities currently provide for the assessment mechanism of college level learning gained through experience for the award of credit.

IPD offers services to its client institutions including: (1) conducting market research; (2) assisting with curriculum development; (3) developing and executing marketing strategies; (4) marketing and recruiting of students; (5) establishing operational and administrative infrastructures; (6) training of faculty; (7) developing and implementing financial accounting and academic quality management systems; (8) assessing the future needs of adult students; (9) assisting in developing additional degree programs suitable for the adult higher education market and (10) assisting in seeking approval from the respective regional accrediting association for new programs. In consideration for its services, IPD receives a contractual share of tuition revenues from students enrolled in IPD-assisted programs.

Degree Programs	Areas of Specialization	
Associate of Arts in General Studies	Business	Accounting
Bachelor of Arts in Management		Administration
Bachelor of Science in Business		Management
Bachelor of Science in Nursing		Marketing
Bachelor of Science in Human Services		Project Management
Master of Arts in Education		Computer Info Systems
Master of Arts in Organizational Management		Information Systems
Master of Business Administration	Graduate Business	Administration
Master of Counseling		Global Management
Master of Science in Nursing		Organizational Management
Master of Science in Computer Information Systems		Computer Info Systems
	Technology Management	Information Systems
	Education	
	Administration and Supervision	
	Bilingual-Bicultural	
	Curriculum and Instruction	
	Diverse Learner	
	Educational Counseling	
	Elementary Education	
	English as a Second Language	
	Professional Development for Educators	
	Special Education	
	Nursing	
	Health Care	
	Women's Health Nurse Practitioner	
	Family Nurse Practitioner	
	Counseling	
	Community Counseling	
	Marriage and Family Therapy	
	Mental Health Counseling	
	Marriage, Family and Child Counseling	

In order to facilitate the sharing of information related to the operations of their respective programs, the IPD client institutions and UOP formed the Consortium for the Advancement of Adult Higher Education ("CAAHE"). CAAHE meets semiannually to address issues such as the recruitment and training of part-time, professionally employed faculty, employer input in the curriculum development process, assessment of the learning outcomes of adult students and regulatory issues affecting the operation of programs for working adult students. IPD client institutions offer the following programs with IPD assistance:

Degree Programs	No. of IPD Client Institutions
Associate of Arts	1
Associate of Science in Business	8
Bachelor of Arts in Business Administration	2
Bachelor of Arts in Management	1
Bachelor of Business Administration	9
Bachelor of Science in Business Administration	5
Bachelor of Science in Management	11
Bachelor of Science in Management Info Systems	1
Bachelor of Science in Nursing	1
Master of Business Administration	11
Master of Science in Management	6
Master of Science in Health Services Administration	1

The College currently offers a Master of Science degree with a concentration in Financial Planning and the following non-degree programs:

Accredited Asset Management Specialist	Chartered Retirement Plans Specialist
Certified Financial Planner Professional Education Program	Chartered Retirement Planning Counselor
Chartered Financial Analyst Study/Review Program	Accredited Tax Advisor
Chartered Mutual Fund Counselor	Accredited Tax Preparer
Foundations in Financial Planning	

WIU currently offers the following degree and certificate programs:

Associate of Arts	Bachelor of Arts	Master of Public
Bachelor of Science	Administration of Justice	Administration
Accounting	Behavioral Science	Master of Science
Business Administration	Master of Business Administration	Accounting
Finance	Finance	Information
Health Systems Management	Health Care Management	Systems
Information Systems	International Business	Information
International Business	Management	Systems
Management	Management Information Services	Engineering
Marketing	Marketing	

Distance Education Components

At August 31, 1998, there were approximately 7,200 degree seeking students utilizing Apollo's distance education delivery systems, approximately 61% of whom are enrolled in Online. Apollo's distance education components consist primarily of the following:

Online Computer Conferencing
The Online campus was established by UOP in 1989 to provide group-based, faculty-led instruction through computer-mediated communications. Students can access their Online classes with a computer and modem from anywhere in the world, on schedules that meet their individual needs. Online students work together in small groups of 8 to 13 to engage in class discussion and study group activities that are focused on the same learning outcomes and objectives required in UOP's classroom degree programs. This enables the Online students to enjoy the benefits of a study group, where they can share their regional and cultural differences with each other in the context of their coursework. Students are not required to participate at the same time since the communication method is not asynchronous in nature. Online's degree programs can be accessed through direct-dial or Internet service providers. The same academic quality management standards applied to campus-based programs, including the assessment of student learning outcomes, are applied to programs delivered through Online.
Directed Study
Working adult students may also complete individual courses under the direct weekly instructional supervision of a member of the faculty. These directed study programs utilize the same courses, faculty and resources available at UOP campuses. Course assignments are completed in a structured environment that allows the student flexibility with their schedule. Communication with the faculty member is by telephone, e-mail, fax or mail.
CPE Internet
Business and investment professionals that require continuing professional education (CPE) as part of their professional certification or for employment requirements may complete individual CPE courses through the Internet utilizing most Internet browsers. These programs are short, interactive courses designed to focus on relevant topics to the students' trade or profession. The students interact primarily with Apollo's web-based software programs with little or no faculty involvement. Apollo plans to convert many of its non-degree programs in business, financial planning and IT to this web-based format in order to provide consumers with an additional delivery option to receive this type of CPE instruction. The College also plans to use this same technology to deliver preparatory work for professional certifications in addition to its text-based self-study delivery methods.

Faculty

UOP's faculty is comprised of approximately 100 full-time faculty and 5,100 part-time faculty. Substantially all faculty are working professionals with earned master's or doctoral degrees and an average of 15 years of experience in business, industry, government or the professions. To help promote quality delivery of the curriculum, UOP faculty members are required to:

(1)	Complete an initial assessment conducted by staff and faculty;
(2)	Complete a series of certification workshops related to grading, facilitation of the teaching/learning

	model, oversight of study group activities, adult learning theory and use of the Internet;
(3)	Participate in ongoing development activities and
(4)	Receive ongoing performance evaluations by students, peer faculty and staff.

The results of these evaluations are used to establish developmental plans to improve individual faculty performance and to determine continued eligibility of faculty members to provide instruction. Most faculty members are recruited as the result of referrals from faculty, students and corporate contacts. All part-time faculty are contracted on a course-by-course basis (generally a five to ten week period).

The faculty teaching in IPD-assisted programs are comprised of full-time faculty from the client institution as well as qualified part-time faculty who instruct only in these adult programs. The part-time faculty must be approved by each client institution. IPD makes the AQMS available to its client institutions to evaluate faculty and academic and administrative quality. Apollo believes that both UOP and IPD will continue to be successful in recruiting qualified faculty members.

The College's programs are primarily self-study, non-degree programs where there is little or no faculty involvement in the delivery of the programs. However, the College employs approximately 15 full-time faculty who are involved in curriculum development and the instructional design process.

WIU's faculty consists of approximately 10 full-time faculty and 170 part-time faculty. WIU's practitioner faculty are working professionals and possess earned master's or doctoral degrees and participate in a selection and training process that is similar to that at UOP.

Academic Accountability

UOP is one of the first regionally accredited universities in the nation to create and utilize an institutionwide system for the assessment of the educational outcomes of its students. The information generated is employed by UOP to improve the quality of the curriculum, the instruction and the Company's teaching/learning model. UOP's undergraduate and graduate students complete a comprehensive cognitive (core degree subject matter) and affective (educational, personal and professional values) assessment prior to and upon the completion of their core degree requirements.

Students at UOP and IPD client institutions evaluate both academic and administrative quality. This evaluation begins with a registration survey and continues with the evaluation of the curriculum, faculty, delivery method, instruction and administrative services upon the conclusion of each course. The evaluation also includes a survey of a random selection of graduates 2–3 years following their graduation. The results provide an ongoing basis for improving the teaching/learning model, selection of educational programs and instructional quality.

To gain admission to the undergraduate programs of UOP, WIU and the IPD client institutions, students generally must have a high school diploma or General Equivalency

Diploma ("G.E.D.") and satisfy certain minimum grade point average, employment and age requirements. Additional requirements may apply to individual programs. Students in undergraduate programs may petition to be admitted on provisional status if they do not meet certain admission requirements.

To gain admission to the graduate programs of UOP, WIU, the College and the IPD client institutions, students generally must have an undergraduate degree from a regionally accredited college or university and satisfy minimum grade point average, work experience and employment requirements. Additional requirements may apply to individual programs. Students in graduate programs may petition to be admitted on provisional status if they do not meet certain admission requirements.

Apollo's customers consist of working adult students, colleges and universities, governmental agencies and employers. Following is a percentage breakdown of Apollo's students by the level of program they are seeking, at August 31:

Degree Programs	1998	1997
Master's	30.5%	31.8%
Bachelor's	68.7%	68.1%
Associate	.8%	.1%
Total degree programs	100.0%	100.0%

Based on recent student surveys, the average age of UOP students is in the mid-thirties, approximately 55% are women and 45% are men, and the average annual household income is $56,000. Approximately 72% of UOP students have been employed on a full-time basis for nine years or more. The Company believes that the demographics of students enrolled in IPD-assisted programs are similar to those of UOP. The approximate age percentage distribution of incoming UOP students is as follows:

Age	Percentage of Students
25 and under	13%
26 to 33	36%
34 to 45	40%
46 and over	11%
	100%

Based on recent student surveys, the average age of students at the College is in the mid-thirties, approximately 32% are women and 68% are men, most are employed and over 75% have four or more years of college education.

IPD client institutions have historically consisted of small private colleges; however, IPD also targets larger institutions of higher education that are in need of marketing and curriculum consulting. IPD understands that to develop and manage educational programs for working adult students effectively, these potential client institutions require both capital and operational expertise. In response to these requirements, IPD provides the start-up capital, the curriculum development expertise and the ongoing management in support of the client institutions' provision of quality programs for working adult students. All of the Apollo Companies consider the employers of its students as customers. Many of these employers provide tuition reimbursement programs in order to educate and provide degree opportunities to their employees.

Apollo works closely with businesses and governmental agencies to meet their specific needs either by modifying existing programs or, in some cases, by developing customized programs. These programs are often held at the employers' offices or on-site at military bases. UOP has also formed educational partnerships with various corporations to provide programs specifically designed for their employees.

Marketing

To generate interest among potential UOP, WIU and IPD client institution students, Apollo engages in a broad range of activities to inform potential students about Apollo's teaching/learning model and the programs offered. These activities include print and broadcast advertising, advertising on Internet service providers, direct mail and informational meetings at targeted organizations. Apollo also attempts to locate its campuses and learning centers near major highways to provide high visibility and easy access. A substantial portion of new UOP and IPD client institution students are referred by alumni, employers and currently enrolled students.

Apollo also has Web sites on the Internet World Wide Web (http://www.apollogrp.edu, http://www.uophx.edu, http://www.ipd.org, http://www.wintu.edu, http://www.fp.edu and http://www. mcse.com) that allow electronic access to Company information, product information, research, etc.

UOP and WIU advertising is centrally monitored and is directed primarily at local markets in which a campus or learning center is located. IPD client institutions approve and monitor all advertising provided by IPD on their behalf. Direct responses to advertising and direct mail are received, tracked and forwarded promptly to the appropriate enrollment counselors. In addition, all responses are analyzed to provide data for future marketing efforts.

The College markets its programs and products primarily through advertising, direct mail, informational meetings, trade shows, and corporate sales efforts with financial service firms. Marketing activity is primarily directed at professionals within the financial services industry. Enrollment advisors are utilized in a comparable fashion to UOP enrollment staff. All marketing activity is tracked to measure effectiveness and to provide information for future activity.

Apollo employs over 450 enrollment counselors who make visits and presentations at various organizations and who follow up on leads generated from referrals from customers and advertising efforts. These individuals also pursue direct responses to interest from potential individual students by arranging for interviews either at a UOP, WIU or IPD location or at a prospective student's place of employment. Interviews are designed to establish a prospective student's qualifications, academic background, course interests and professional goals. Student recruiting policies and standards and procedures for hiring and training university representatives are established centrally, but are implemented at the local level through a director of enrollment or marketing at each location.

Competition

The higher education market is highly fragmented and competitive with no private or public institution enjoying a significant market share. The Company competes primarily with four-year and two-year degree-granting public and private regionally accredited colleges and universities. Many of these colleges and universities enroll working adults in addition to the traditional 18 to 24 year old students and some have greater financial or personnel resources than Apollo. Apollo expects that these colleges and universities will continue to modify their existing programs to serve working adults more effectively. In addition, many colleges and universities have announced various distance-education initiatives.

For its degree programs, Apollo competes primarily at a local and regional level with other regionally accredited colleges and universities based on the quality of academic programs, the accessibility of programs and learning resources available to working adults, the cost of the program, the quality of instruction and the time necessary to earn a degree.

In terms of non-degree programs offered by UOP, IPD and WIU, Apollo competes with a variety of business and IT providers, primarily those in the for-profit training sector. Many of these competitors have significantly more market share, longer-term relationships with key vendors and, in some cases, more financial resources. There is no assurance that UOP, IPD and WIU will be able to gain market share in these more competitive non-degree markets to the same extent it has done with its degree programs.

The College currently holds a dominant position in the Certified Financial Planning ("CFP") education field. Recently, however, competition is increasing slightly due to a higher number of schools registering CFP curriculum with the Certified Financial Planner Board of Standards, Inc. The College offers all of its programs using the flexibility of its distance education format while the majority of the other competing education programs target local markets using classroom based teaching formats.

IPD faces competition from other entities offering higher education curriculum development and management services for adult education programs. The majority of IPD's current competitors provide pre-packaged curriculum or turn-key programs. IPD client institutions, however, face competition from both private and public institutions offering degree and non-degree programs.

Employees

At September 30, 1998, Apollo had the following numbers of employees:

	Full-Time	Part-Time	Faculty	Total
Apollo	299	9	—	308
UOP	1,976	98	5,159	7,233
IPD	251	10	—	261
The College	83	4	15	102
WIU	52	11	179	242
Total	2,661	132	5,353	8,146

Accreditation

UOP, WIU, the College, and the IPD client institutions are accredited by regional accrediting associations recognized by the DOE. Accreditation provides the basis for: (1) the recognition and acceptance by employers, other higher education institutions and governmental entities of the degrees and credits earned by students; (2) the qualification to participate in Title IV Programs and (3) the qualification for authorization in certain states.

UOP was granted accreditation by NCA in 1978. UOP's accreditation was reaffirmed in 1982, 1987, 1992 and 1997. The next focused evaluation visit is scheduled to begin in 1999, and the next NCA reaffirmation visit is scheduled to begin in 2002. IPD-assisted programs offered by the IPD client institutions are evaluated by the client institutions' respective regional accrediting associations either as part of a reaffirmation or focused evaluation visits. Current IPD client institutions are accredited by NCA, Middle States, New England or Southern regional accrediting associations. The College's graduate degree program is accredited by NCA and the Accrediting Commission of the Distance Education and Training Council ("DETC"). NCA and DETC consented to the change of ownership resulting from Apollo's acquisition of the assets and related operations of the College for Financial Planning and related divisions in September 1997. NCA began a scheduled focus-visit for the College in September 1988 which should be completed by the end of the first quarter of 1999. DETC plans to schedule a focus-visit for the College in 2000. WIU was accredited by NCA prior to the acquisition by Apollo and the accreditation was reaffirmed in 1998. WIU's next NCA reaffirmation visit is scheduled to begin in 2005. The withdrawal of accreditation from UOP or certain IPD client institutions would have a material, adverse effect on Apollo.

All accrediting agencies recognized by the DOE are required to include certain aspects of Title IV Program compliance in their evaluations of accredited institutions. As a result, all regionally accredited institutions, including UOP, WIU, and IPD client institutions, will be subject to a Title IV Program compliance review as part of accreditation visits.

Regional accreditation is accepted nationally as the basis for the recognition of earned credit and degrees for academic purposes, employment, professional licensure and, in some states, for authorization to operate as a degree-granting institution. Under the terms of a reciprocity agreement among the six regional accrediting associations, representatives of each region in which a regionally accredited institution operates participate in the evaluations for reaffirmation of accreditation. The achievement of UOP's and WIU's missions require them to employ academically qualified practitioner faculty that are able to integrate academic theory with current workplace practice. Because of UOP's and WIU's choice to utilize practitioner faculty, they have not sought business school program accreditation of the type found at many institutions whose primary missions are to serve the 18 to 24 year old student and to conduct research.

UOP's Bachelor of Science in Nursing ("BSN") program received program accreditation from the National League for Nursing Accrediting Commission ("NLNAC") in 1989. The accreditation was reaffirmed in October 1995. The next NLNAC reaffirmation of the BSN program is scheduled for 2003. The Company believes that the BSN program accreditation is in good standing. The Master of Science in Nursing ("MSN") program earned NLNAC accreditation in 1996. The next NLNAC reaffirmation of the MSN program is scheduled for 2000.

UOP's Community Counseling program (Master of Counseling in Community Counseling degree) received initial accreditation for its Phoenix and Tucson campuses from the Council for Accreditation of Counseling and Related Educational Programs in 1995 and the next reaffirmation visit is scheduled for 2002.

UOP received approval from the NCA to offer its first doctoral level program in 1998. The first students will be enrolled in the Doctor of Management degree beginning in 1999. The Doctor of Management degree will be offered via distance learning technology with annual two-week residencies in Phoenix throughout their program. The program will be limited to two groups of 30 new students each per year.

State Authorization

UOP currently is authorized to operate in 14 states, Puerto Rico and British Columbia. UOP has held these authorizations for periods ranging from less than one year to twenty years. UOP's NCA accreditation is accepted as evidence of compliance with applicable state regulations in Arizona, Colorado, Louisiana, Michigan, New Mexico, Nevada, Oklahoma, and Utah. Hawaii does not have authorization provisions for regionally accredited degree-granting institutions.

California law requires an on-site visit to all out-of-state accredited institutions of higher education every five years to determine if the institution is in compliance with the State of California regulations. All institutions, including UOP, that operate in California and are accredited by a regional accrediting association other than the Western Association of Schools and Colleges are required to be evaluated separately for authorization to operate. UOP was granted its most recent California authorization in 1997 for a period through December 31, 1999.

All regionally accredited institutions, including UOP, are required to be evaluated separately for authorization to operate in Puerto Rico. UOP was granted its most recent authorization in Puerto Rico in December 1995 for a period of five years.

UOP received a license to operate in Florida in April 1997. In August 1997, UOP received NCA approval to operate in Washington and Oregon and subsequently, has opened campuses in these states. The NCA approved UOP's expansion into British Columbia and Oklahoma in June 1998, and UOP is currently establishing campuses in these locations. UOP is registered with British Columbia's Private Post-Secondary Education Commission and will pursue accreditation through the province of British Columbia after the required one year period of operation. Maryland has also approved UOP's request to establish a new campus, and UOP is currently seeking expansion approval into Maryland from NCA.

IPD client institutions possess authorization to operate in all states in which they offer educational programs, which are subject to renewal. The College is currently authorized to operate in Colorado and does not require authorization for its self-study programs that are offered worldwide. WIU is currently authorized to operate in Arizona and London, England.

Certain states assert authority to regulate all degree-granting institutions if their educational programs are available to their residents, whether or not the institutions maintain a physical presence within those states. If a state were to establish grounds for asserting authority over telecommunicated learning, UOP may be required to obtain authorization for, or restrict access to, its programs available through Online in those states.

Financial Matters

In August 1997, Congress passed the Tax Reform Act of 1997 that added several new tax credits and incentives for students and extended benefits associated with the educational assistance program. The Hope Scholarship Credit provides up to $1,500 tax credit per year per eligible student for tuition expenses in the first two years of postsecondary education in a degree or certificate program. The Lifetime Learning Credit provides up to $1,000 tax credit per year per taxpayer return for tuition expenses for all postsecondary education, including graduate studies. Both of these credits are phased out for taxpayers with modified adjusted gross income between $40,000 and $50,000 ($80,000 and $100,000 for joint returns) and are subject to other restrictions and limitations. The Act also provides for the deduction of interest from gross income on education loans and limited educational IRA's for children under the age of 18. These deductions are also subject to adjusted gross income limitations and other restrictions. These new provisions became effective for the 1998 calendar year, and it is unclear at this time the effect that these additional tax benefits will have on future enrollments.

Many of Apollo's students receive some form of tuition reimbursement from their employers. In certain situations, as defined by the Internal Revenue Code (the "Code"), this tuition assistance qualifies as a deductible business expense when adequately documented by the employer and employee. The Code also provides a safe-harbor provision for an exclusion from wages of up to $5,250 of tuition reimbursement per year per student under the Educational Assistance Program ("EAP") provision. Although the EAP provision of the Code expired in June 1997, the Tax Reform Act of 1997, which was signed into law in August 1997, extended the EAP until June 2000. The EAP provision does not apply to graduate level programs beginning after June 30, 1996. Employers or employees may still continue to deduct such tuition assistance where it qualifies as a deductible business expense and is adequately documented. The percentage of incoming students with access to employer tuition reimbursement was 56% in 1998.

Apollo's revenues, net of student discounts, have increased to $391.1 million in 1998 from $124.7 million in 1994. Average annual degree seeking student enrollments have increased to 64,100 students in 1998 from approximately 27,500 in 1994. Net income has increased to $46.3 million in 1998 from $4.9 million in 1994. At August 31, 1998, 71,400 degree seeking students were enrolled in UOP, WIU, the College and IPD-assisted programs at IPD client institutions.

From September 1994 through August 1998, UOP opened 40 campuses and learning centers and IPD established operations at 17 campuses and learning centers with its client institutions. Start-up costs for UOP campuses in new markets average $700,000 to $900,000 per site. These start-up costs are incurred over an 18 to 21 month period, at which time the enrollments at these new campuses average 200 to 300 students. Costs for establishing a learning center in a market currently served by UOP are expected to average $150,000. Start-up costs for IPD contract sites average from $400,000 to $500,000 per site over an 18 to 21 month period, and consist primarily of administrative salaries, marketing and advertising. Start-up costs are expensed as incurred.

Approximately 91% of Apollo's net revenues in1998 consist of tuition revenues. Apollo's net revenues also include sales of textbooks, computers and other education-related products, application fees, other student fees, interest and other income. Apollo's net revenues vary from period to period based on several factors that include: (1) the aggregate number of students attending classes; (2) the number of classes held during the period and (3) the weighted average tuition price per credit hour (weighted by program and location). UOP tuition revenues currently represent approximately 87% of consolidated tuition revenues. IPD tuition revenues consist of the contractual share of tuition revenues from students enrolled in IPD assisted programs at IPD client institutions. IPD's contracts with its respective client institutions generally have terms of five to ten years with provisions for renewal.

Instruction costs and services at UOP, WIU and the College consist primarily of costs related to the delivery and administration of the Company's educational programs that include faculty compensation, administrative salaries for departments that provide service directly to the students, the costs of educational materials sold, facility leases and other occupancy costs, bad debt expense and depreciation and amortization of property and equipment. UOP and WIU faculty members are contracted with and paid for one course offering at a time. All classroom facilities are leased or, in some cases, are provided by the students' employers at no charge to Apollo. Instruction costs and services at IPD consist primarily of program administration, student services and classroom lease expense. Most of the other instruction costs for IPD-assisted programs, including faculty, financial aid processing and other administrative salaries, are the responsibility of the IPD client institutions.

Selling and promotional costs consist primarily of advertising, marketing salaries and other costs related to the selling and promotional functions. These costs are expensed as incurred. General and administrative costs consist primarily of administrative salaries, occupancy costs, depreciation and amortization and other related costs for departments such as Executive management, information systems, corporate accounting, human resources and other departments that do not provide direct services to the Company's students. To the extent possible, Apollo centralizes these services to avoid duplication of effort.

The Apollo Management Team
JOHN G. SPERLING, Ph.D., is the founder, Chief Executive Officer and Chairman of the Board of Directors of Apollo. Dr. Sperling was also President of Apollo from its inception until February 1998. Prior to his involvement with Apollo, from 1961 to 1973, Dr. Sperling was a professor of Humanities at San Jose State University where he was the Director of the Right to Read Project and the Director of the NSF Cooperative College-School Science Program in Economics. At various times from 1955 to 1961, Dr. Sperling was a member of the faculty at the University of Maryland, Ohio State University and Northern Illinois University. Dr. Sperling received his Ph.D. from Cambridge University, an M.A. from the University of California at Berkeley and a B.A. from Reed College. Dr. Sperling is the father of Peter V. Sperling.
TODD S. NELSON has been with Apollo since 1987. Mr. Nelson has been the President of Apollo since February 1998. Mr. Nelson was the Vice President of Apollo from 1994 to February 1998 and the Executive Vice President of UOP from 1989 to February 1998. From 1987 to 1989, Mr. Nelson was the Director of UOP's Utah campus. From 1985 to 1987, Mr. Nelson was the General Manager at Amembal and Isom, a management training company. From 1984 to 1985, Mr. Nelson was a General Manager for Vickers & Company, a diversified holding company. From 1983 to 1984, Mr. Nelson was a Marketing Director at Summa Corporation, a recreational properties company. Mr. Nelson received an M.B.A. from the University of Nevada at Las Vegas and a B.S. from Brigham Young University. Mr. Nelson was a member of the faculty at University of Nevada at Las Vegas from 1983 to 1984.
J. JORGE KLOR DE ALVA, J.D., Ph.D., has been President of UOP and a Senior Vice President of Apollo since February 1998 and has been a director of Apollo since 1991. Dr. Klor de Alva was a Vice President of Business Development of Apollo from 1996 to 1998. Dr. Klor de Alva was a Professor at the University of California at Berkeley from July 1994 until July 1996. From 1989 to 1994, Dr. Klor de Alva was a Professor at Princeton University. From 1984 to 1989, Dr. Klor de Alva was the Director of the Institute for Mesoamerican Studies from 1982 to 1989 and was an Associate Professor at the State University of New York at Albany. From 1971 to 1982, Dr. Klor de Alva served at various times as associate professor, assistant professor or lecturer at San Jose State University and the University of California at Santa Cruz. Dr. Klor de Alva received a B.A. and J.D. from the University of California at Berkeley and a Ph.D. from the University of California at Santa Cruz.
JERRY F. NOBLE has been with Apollo since 1981. Mr. Noble has been a Senior Vice President of Apollo since 1987 and the President of IPD since 1984. From 1981 to 1987, Mr. Noble also was the controller of the Company. From 1977 to 1981, Mr. Noble was the corporate accounting manager for Southwest Forest Industries, a forest products company. Mr. Noble received his M.B.A. from UOP and his B.A. from the University of Montana.
PETER V. SPERLING has been with Apollo since 1983. Mr. Sperling has been a Senior Vice President since June 1998. Mr. Sperling was the Vice President of Administration from 1992 to June 1998 and has been the Secretary and Treasurer of Apollo since 1988. From 1987 to 1992, Mr. Sperling was the Director of Operations at AEC. From 1983 to 1987, Mr. Sperling was Director of Management Information Service of Apollo. Mr. Sperling received his M.B.A. from UOP and his B.A. from the University of California at Santa Barbara. Mr. Sperling is the son of John G. Sperling.
WILLIAM H. GIBBS has been with Apollo since 1980. Mr. Gibbs has been a Senior Vice President of Apollo since 1987 and was the President of UOP from 1987 to February 1998. From 1985 to 1987, Mr. Gibbs was the President of Apollo Education Corporation ("AEC"). From 1980 to 1985, Mr. Gibbs held various positions with

The Apollo Management Team
Apollo, including Chief Financial Officer and faculty member. From 1975 to 1984, Mr. Gibbs was with the accounting firm of Price Waterhouse and, from 1982 to 1984, served as a management advisory manager. Mr. Gibbs currently serves as the Chairman of the Arizona State Board of Private Post-Secondary Education. Mr. Gibbs received his M.B.A. from the University of Illinois and his B.A. from Arizona State University. Mr. Gibbs is a Certified Public Accountant in the State of Arizona.
KENDA B. GONZALES has been with Apollo since October 1998. Ms. Gonzales is the Chief Financial Officer of Apollo. Prior to joining Apollo, Ms. Gonzales was the Senior Executive Vice President and Chief Financial Officer of UDC Homes, Inc. from 1996. From 1985 to 1996, Ms. Gonzales was the Senior Vice President and Chief Financial Officer of Continental Homes Holding Corp. Ms. Gonzales began her career as a Certified Public Accountant with Peat, Marwick, Mitchell and Company and is a graduate of the University of Oklahoma with a Bachelor of Accountancy.
JUNETTE C. WEST has been with Apollo since 1986. Ms. West has been the Vice President-Controller since 1994 and the Chief Accounting Officer since February 1998. Ms. West has held various accounting and finance positions at Apollo from 1986 to 1994. Ms. West received a B.S. in Accounting from Grand Canyon University in Phoenix, Arizona in 1985. Ms. West is a Certified Public Accountant in the State of Arizona.
THOMAS C. WEIR has been a director of Apollo since 1983 and is a member of the Audit and Compensation Committees of the Board of Directors of Apollo. During 1994, Mr. Weir became the President of Dependable Nurses, Inc., a provider of temporary nursing services, W.D. Enterprises, Inc., a financial services company and Dependable Personnel, Inc., a provider of temporary clerical personnel. In 1996, Mr. Weir became the President of Dependable Nurses of Phoenix, Inc., a provider of temporary nursing services. In addition, Mr. Weir has been an independent financial consultant since 1990. From 1989 to 1990, Mr. Weir was President of Tucson Electric Power Company. From 1979 to 1987, Mr. Weir was Chairman and Chief Executive Officer of Home Federal Savings & Loan Association, Tucson, Arizona.
DINO J. DECONCINI has been a director of Apollo since 1981 and is currently a member of the Audit Committee of the Board of Directors of the Company. Mr. DeConcini is currently Executive Director, Savings Bonds Marketing Office, U.S. Department of the Treasury. From 1979 to 1995, Mr. DeConcini was a shareholder in DeConcini, McDonald, Brammer, Yetwin and Lacy, P.C., Attorneys at Law. From 1993 to 1995, Mr. DeConcini was a Vice President and Senior Associate of Project International Associates, Inc., an international business consulting firm. From 1991 to 1993 and 1980 to 1990, Mr. DeConcini was a Vice President and partner of Paul R. Gibson & Associates, an international business consulting firm.
HEDY F. GOVENAR has been a director of Apollo since March of 1997. Ms. Govenar is founder and President of Governmental Advocates, Inc., a lobbying and political consulting firm in Sacramento, California. An active lobbyist with the firm since 1979, she represents a variety of corporate and trade association clients. Ms. Govenar has been a State Assembly appointee to the California Film Commission since 1992. Ms. Govenar received an M.A. from California State University, and a B.A. from UCLA.
JOHN R. NORTON III has been a director of Apollo since March of 1997 and is currently a member of the Audit and Compensation Committees of the Board of Directors of Apollo. Mr. Norton founded his own company in 1955 engaged in diversified agriculture including crop production and cattle feeding. He served as the Deputy Secretary of the United States Department of Agriculture in 1985 and 1986. Mr. Norton is also on the Board of Directors of Arizona Public Service Company, AZTAR Corporation, Terra Industries, Inc., Pinnacle West Capital Corporation and Suncor Development Company. He attended Stanford University and the University of Arizona where he received a B.S. in Agriculture in 1950.

Table 1: Financial Information
(In thousands, except per share amounts)

Year Ended August 31	1998	1997	1996	1995	1994
Income Statement Data:					
Tuition and other, net	384,877	279,195	211,247	161,013	124,440
Interest income	6,205	4,341	3,028	2,416	280
Total net revenues	391,082	283,536	214,275	163,429	124,720
Instruction costs and services	232,592	167,720	130,039	102,122	81,313
Selling and promotional	49,035	35,187	27,896	21,016	17,918
General and administrative	33,183	25,648	21,343	18,462	17,194
Total costs and expenses	314,810	228,555	179,278	141,600	116,425
Income before income taxes	76,272	54,981	34,997	21,829	8,295
Provision for income taxes	29,975	21,602	13,605	9,229	3,383
Net income	46,297	33,379	21,392	12,600	4,912
Diluted net income per share	.59	.43	.28	.18	.10
Diluted weighted average shares outstanding	79,086	77,726	76,763	68,872	50,524
Balance Sheet Data:					
Cash, cash equivalents and restricted cash	75,039	78,855	63,267	62,601	12,816
Marketable securities	45,467	41,429	13,273	—	—
Total cash & marketable securities	120,506	120,284	76,540	62,601	12,816
Total assets	305,160	194,910	137,850	102,132	43,638
Current liabilities	95,574	67,394	54,804	45,065	34,890
Long-term liabilities	9,778	3,199	2,432	1,715	1,347
Shareholders' equity	199,808	124,317	80,614	55,352	7,401
Total liabilities & shareholders' equity	305,160	194,910	137,850	102,132	43,648
Operation Statistics:					
Degree Enrollment at end of period*	71,400	56,200	46,900	36,800	30,200
Number of locations at end of period†	114	96	85	68	60

*Enrollments are defined as students in attendance in a degree program at the end of a period. Average degree enrollments represent the average of the ending degree enrollments for each month in the period. Average degree enrollments were 64,100, 50,500, 41,500, 34,000, and 27,500 for the years ended 1998, 1997, 1996, 1995, and 1994, respectively.
†Includes UOP and WIU campuses and learning centers, IPD client institutions and the College. At September 30, 1998, there were 117 campuses and learning centers.

ANDREW WIEDERHORN: THE ENTREPRENEUR THAT WALL STREET LOVED...FOR AT LEAST A LITTLE WHILE

Howard Feldman, University of Portland
Asbjorn Osland, George Fox University
Miriam Lea, University of Portland

ABSTRACT

This case describes the meteoric growth and subsequent decline of Wilshire Financial Services Group. The company was started by Andrew Wiederhorn and in a short period of time grew to be a multi-billion dollar international financial institution. Wiederhorn's aggressive growth strategy proved to be too risky to major investors who were panicked by the Asian financial crisis of 1997-98. Margin calls on their loans led Wilshire into bankruptcy and eventual reorganization. New board members clashed with Wiederhorn and his top executive over the future of the company. The case ends with the new board meeting to decide whether or not to fire Wiederhorn.

INTRODUCTION

Thursday, August 19th marked the beginning of another long board meeting of Wilshire Financial Services Group (WFSG). Most meetings averaged about six hours, but this one promised to be longer. Two members of the group, Andrew Wiederhorn, Wilshire's CEO, and his second-in-command, Larry Mendelsohn, were noticeably absent. The new members of the Board of Directors had come together to decide a serious issue: should they remove Wiederhorn and Mendelsohn from their executive positions with the company or keep trying to work with them at saving what was left of a once very successful firm?

THE ORIGIN OF WILSHIRE FINANCIAL SERVICES GROUP

WFSG, a financial services company, got its start in 1987 in a small apartment in Los Angeles. Andrew Wiederhorn, a Portland, Oregon native, had finished his degree from the University of Southern California in three years and wanted to start his own business. He had always been an entrepreneurial sort. In high school, he started a Jet Ski rental business and earned enough money to fly his date for the senior prom from Portland to Seattle for dinner.

Wilshire began when Wiederhorn and some friends from Southern Cal got together and offered financing to customers of L.A. Cellular, a cell-phone-leasing firm. When they started, cell phones cost nearly $3000 and financing was a necessity for most customers. As the price of cell phones dropped, however, the need for financing disappeared, and the first incarnation of Wilshire soon lost its customer base. This drawback, however, barely disturbed Wiederhorn. He had bigger plans. Noting the high profit margin of companies that purchased packages of troubled loans and then turned them into profitable ventures, Wiederhorn decided to make Wilshire into a financial services company specializing in loan portfolios. After researching hundreds of such portfolios, he invested all of his money plus every cent that he could borrow and bought one for $600,000. The cost was a fraction of the value of the mortgages making up the portfolio. Andy quickly renegotiated the mortgages, began collecting payments, and a new Wilshire was off and running.

FOLLOWING THE CLASSIC STRATEGY: BUYING LOW AND SELLING HIGH

At the time, "non-performing loans," or those where the borrower didn't make timely payments, were incredibly cheap to acquire due to the prior turmoil experienced by the industry. In the 1980's the Resolution Trust Corporation (RTC) and Federal Deposit Insurance Corporation (FDIC) had seized hundreds of savings and loans across the United States. The RTC packaged thousands of mortgages together and auctioned them off for the value of their collateral. As such, they could be purchased for anywhere from sixty cents on the dollar to the full amount of the assets they represented. The RTC, however, had so many loans to get rid of, and such loose guidelines as to what constituted a profitable mortgage, that they frequently dumped lucrative portfolios into their non-performing bundles to make them more attractive and to sell them more quickly.

Wiederhorn recognized an opportunity and set out to capitalize on it. He found his niche, using a fast-paced, strike-a-bargain attitude to purchase over 120,000 loans from firms all over the country. It was then up to the rest of the rapidly growing group at Wilshire to work with the original borrowers to repay their loans, or hand over their collateral if repayment wasn't possible. A local newspaper described Wilshire's early business as:

> *"…Wilshire bought mortgages-many of whom had overdue payments-from a variety of sources. Wilshire then renegotiated the terms of the loans with the homeowners and set up new payment schedules. The profits came when Wilshire bought a $250,000 mortgage for less than $100,000, renegotiated it to $200,000 and collected payments. But such loans were risky. The art came in buying the right loans at the right price. Because the loans traded in a volatile open market, grabbing them demanded almost instant decisionmaking. And Wiederhorn, a confident and decisive entrepreneur, had an ideal temperament for the business." [Hallman, Nov. 22, 1999]*

By 1990, the 24-year old Wiederhorn had built a company with assets over $2 million and seemed to be sitting on top of the world. Despite his success, however, the financial whiz kid was homesick and moved the company to his birthplace, Portland, Oregon. Surrounded by the community and the friends he grew up with, Wiederhorn kept doing what he thought he did best - i.e., making deals on repackaged loans, using an aggressive, buy-low, sell-high strategy.

Adding Banks to the Portfolio

Wiederhorn continued to increase his portfolio of non-performing loans and the value of the company grew rapidly. Although problems were encountered along the way, Wilshire remained profitable. For example, by the early 1990's the RTC loans that the company had regularly purchased began to dwindle as the industry stabilized and fewer banks went out of business. At the same time, Wilshire was beginning to have a hard time finding investors who could supply enough cash to buy the larger and larger loan pools the company needed to continue to grow. Some executives might have tempered their growth ambitions, or at least looked to stabilize. Slowing down, however, was not an option that Wiederhorn considered. He came up with another novel idea-instead of purchasing loans from the banks, he bought the banks with the idea of using depositors' money to purchase more assets.

In late 1993, Wilshire purchased the First Bank of Beverly Hills, and picked up Girard Savings Bank a year later. Since both institutions were in financial difficulty, Wiederhorn was able to purchase them at greatly reduced prices, a few million dollars apiece. Adding the banks to the company's portfolio resulted in a steady stream of cash, through customer deposits, that Wiederhorn used to continue his investments. This reduced Wilshire's dependency on Wall Street investors to fund the company's ambitious growth plans.

Bringing in More Financial Expertise

Wiederhorn wanted an experienced partner to help grow Wilshire into the financial empire he envisioned. As a result, he recruited his former finance professor from the University of Southern California, Larry Mendelsohn, then working on Wall Street, to join him. As President of Wilshire, Mendelsohn's first task was to help find other alternatives for growing the company.

Their analysis of the market convinced Mendelsohn and Wiederhorn that they could no longer depend on the dwindling RTC loans to keep the company going. They decided to branch out into "secondary loans" which were loans issued by banks to consumers and then sold to other companies for immediate cash. It was a natural extension of Wilshire's business since secondary loans were very similar to the types of loans with which they were currently working.

WFSG Continues to Grow…and Grow….and Grow

Three years after relocating to Portland, Wilshire Financial Services Group and Wiederhorn were on their way to making history. Wiederhorn, at 27, could boast of being the youngest thrift owner in the nation. The company had over $800 million in assets. However, Wiederhorn still wasn't satisfied. In 1995, he declared that his ambition was to acquire over $1 billion in assets by the following year. With that kind of financial base, he would be able to continue acquiring more institutions, not just loans, enabling him to continue the company's impressive growth.

Wilshire continued buying loans and building up its two retail outlets to bring in more cash. By March 1996, First Bank of Beverly Hills and Girard Savings Bank in San Diego together had approximately $550 million dollars in assets, over two and a half times what they had when Wilshire bought them. Wiederhorn used more and more of the money from the banks' deposits to purchase larger loan portfolios. As a result, the company's revenues and profits skyrocketed, as did Wiederhorn's personal wealth. At the same time, investors experienced substantial appreciation of their investments, which convinced them to continue funneling funds to Wilshire for use in purchasing more loans.

THE OFFICE OF THRIFT SUPERVISION COMES CALLING

While Wilshire's rapid growth gained the attention of many potential investors, it also caught the eye of the Federal Office of Thrift Supervision (OTS). Their regulators disagreed with the way Wilshire did business. They felt that Wiederhorn was using bank customers' money to purchase risky investments that jeopardized the integrity of the banks. Concerned for depositors' safety, the OTS placed heavy restrictions on the amount of resources that could be invested from the banks.

This was the beginning of a strained relationship between the Office of Thrift Supervision and the CEO of Wilshire Financial. The OTS felt that the safety and security of First Bank of Beverly Hills and Girard Savings Bank should be Wiederhorn's primary concern rather than using their assets for speculative purposes. Wiederhorn disagreed with the OTS.

THE OTS'S CEASE-AND-DESIST ORDER AND WILSHIRE'S IPO

With the restrictions in place, Wiederhorn was forced to find another source for the cash needed to keep up Wilshire's growth. Despite the monies flowing in from their regular business deals, there wasn't enough capital to continue funding the kind of deals that Wiederhorn wanted to make. As a result, the management team came up with a new strategy. They decided to take the company public, giving them access to a potentially unlimited stream of cash--providing investors bought the stock.

Unfortunately, the OTS still wasn't happy with the way the banks were being managed. Despite the restrictions, Wiederhorn continued to manage the banks as he saw fit. As a result, in December 1996, as WFSG prepared for their initial public offering, the OTS issued a cease-and-desist order on their two retail bank outlets. Government regulators had found several violations regarding the banks' ability to manage their substantial growth. Among other problems, both thrifts were cited for poor record keeping and ineffective asset review. Overall, the OTS demanded stronger internal controls, new asset review policies on loan purchasing and losses, and, most importantly, more experienced management.

The cease-and-desist order banned the two banks from any further growth until these requirements were met. Despite this troubling development, investors downplayed the OTS concerns and jumped into the stock offering. The Wilshire IPO was wildly successful, generating $180M in cash. At the same time, WFSG borrowed another $184M from four major financial institutions. The money was used to buy large portfolios of mortgages, which in turn, were used as collateral to attract long-term, low-interest loans from mutual funds and other investors. In the meantime, cash flow from the portfolios was sufficient to pay interest to their long-term investors while Wiederhorn and his team assembled more loans to buy more portfolios.

High Returns Almost Always Come with High Risks

Financing their deals with such huge amounts of credit put WFSG into a highly leveraged situation. Investors could earn high returns, in some cases, up to 40% on their money. If times turned bad, however, the results could be brutal. Despite the risks, Wilshire's need for capital combined with Wiederhorn's confidence in his abilities, convinced him to agree to some very stringent financial restrictions on the recently borrowed $184M. For example, WFSG guaranteed their investors a specific interest rate on their investment. Furthermore, Wiederhorn agreed that WFSG would maintain a minimum net worth and to not lose more than a certain amount each financial quarter. If the restrictions were violated, the investors could call their loans, which would require Wilshire to come up with substantial amounts of cash in a very short period of time.

WILSHIRE REAL ESTATE INVESTMENT TRUST

Despite the infusions of capital, Wilshire's appetite for cash continued to grow. Undeterred by the intense government scrutiny, Wilshire looked for more ways to fund the company's need for capital. At the end of October 1997, the company issued shares for a newly incorporated venture, a Real Estate Investment Trust (REIT). The purpose of the new company, Wilshire Real Estate Investment Trust (WREI), was to invest in commercial and multifamily mortgages and properties, while WFSG would continue to focus on repackaging and servicing loans. While WREI was a separate company, it was tied closely to WFSG. It had its own board of directors that included Wiederhorn, Larry Mendelsohn, and three prominent Portland businessmen. Wiederhorn and Mendelsohn together owned about 20% of WREI's stock. The business was operated out of the same building as WFSG and used WFSG employees. WREI paid WFSG a monthly fee to use records, property, office space and employees that belonged to the parent company. Wiederhorn felt that the current management team of Wilshire Financial could easily take on the challenge of supervising the two companies.

The other reason for having the two entities so close was to make it easier for the companies to work with each other. As a real estate investor, WREI would need a company to manage the mortgages and properties that it purchased. Conveniently, that was exactly what WFSG was equipped to do. This looked to be a very good deal for Wiederhorn. Not only did he have a new company, his old one would be making a large profit from the fees it charged to service the assets of WREI. He was Chairman of the Board for both companies, and able to work both sides of the deals consummated by either company. Wiederhorn was in his element.

ANDREW WIEDERHORN: A PLAYER IN HIS AND WALL STREET'S EYES

By the end of 1997, ten years after its humble beginnings as a cell phone financing company, Wilshire had over $1.6 billion in assets. Wiederhorn as Chairman, CEO, Secretary and Treasurer earned himself a spot on the Portland-based Business Journal's Top 100 Highest-Paid Executives of publicly owned firms in the metropolitan area. His net worth was estimated at over 100 million dollars. He was known in financial circles as "a player" both for his financial acumen and a lifestyle that included frequent trips on the company's private jet, a wardrobe of Armani suits, a palatial home in an affluent area of Portland and a multi-million dollar estate on the Oregon coast.

His aggressive strategy was paying off handsomely and he had every intention of keeping up the company's phenomenal growth. At the end of the second quarter of 1998, Wilshire's net income was up $2 million from the year before and net assets had grown 20% since the end of 1997. Best of all, after intense negotiations and a change in management, the OTS reduced the growth restrictions on Wilshire's two California banks. Rather than forbidding growth, Wilshire was allowed to increase the banks' assets from $550 million to $750 million. The company had more than 800 employees and Wiederhorn was living large. WFSG stock exceeded $33 a share in late 1997. In addition, Wiederhorn had recruited a number of highly respected financial executives to the firm from major financial institutions throughout the U.S. Despite his youth they came because they believed in him and because they had a chance to become wealthy from company stock options. The Oregon Entrepreneurs Forum named him their 1998 Entrepreneur of the Year. Times were good for both Wiederhorn and the investors in WFSG.

FINANCIAL CRISES HIT ASIAN COUNTRIES

Unfortunately, just as Wilshire was taking its biggest business risks ever, a number of Pacific Rim countries experienced major financial crises. On July 2, 1997, Thailand's economy went into free-fall and other countries followed. Investors panicked and pulled their money out of Asia. Asian banks hiked up interest rates to over 30 percent in an attempt to keep money in the area. Regardless, widespread bankruptcies resulted and currencies were devalued throughout Southeast Asia.

By June 1998, the effects of the market downturn hit Japan. The country slid into a deep recession, spooking investors all over the world. The worst, however, was yet to come. Two months later, the Japanese government announced that the recession was worse than anticipated.

Shortly afterward, the yen tumbled in value. That was enough to set off a panic for already leery investors. People couldn't pull their money out of foreign markets fast enough. The Hong Kong exchange closed at a five year low. In America, the Dow Jones lost 254 points in a single day. The hardest hit country was Russia, where the Russian Trading System Index plunged 9.1%.

"A FLIGHT TO QUALITY"

Despite the financial difficulties in Asia, Wiederhorn was undeterred. He believed the Asian crisis would have little or no effect on WFSG's business. In 1998 he focused on expanding Wilshire to foreign markets. Determined to make his firm into an international financial power, Wiederhorn purchased loan packages in other countries. By September of 1998, WFSG had established operations in the United States, Britain, France, Ireland and Mexico. While Wilshire Europe was fairly small, with 81 employees, Wiederhorn's goal was to expand throughout Europe, buying and servicing distressed mortgage loans. He was convinced that the Asian crisis was localized and wouldn't impact Wilshire's operations in other parts of the world, especially those in the United States.

The Asian financial crisis, however, was just the beginning of tough times for Wilshire. First, investors began a "flight to quality." The high-risk mortgage-backed securities market, Wilshire's bread-and-butter business, was one of the first places to take a hit. Investors didn't see the value in WFSG's loans the same way Wiederhorn did. Instead, they saw a business that was hard to understand and as such, was risky. They began to pull their money out. Wilshire fell victim to what Wiederhorn felt were irrational fears on the part of investors. Second, Wiederhorn's strategy for growth had been to borrow money, buy poor-performing loans, fix them up, and use them for collateral to borrow more money. He would then turn around and sell the fixed up loans for cash. At the time of the Southeast Asian financial crisis, WFSG had over one billion dollars in outstanding loans, backed by their asset portfolio. Suddenly there was no market for Wilshire's products. Scared investors no longer wanted to buy patched-up loans or mortgage backed securities. They wanted something safer that didn't have any inherent risks. Wiederhorn's company began to crumble.

Margin Calls, Asset Markdowns, and a Plunging Stock Price

To Wiederhorn, the lenders were at fault, not the company's level of risk. The lenders were scared, which only made the Wilshire portfolios look even riskier to them. And if they looked riskier, they figured they were worth less. In fact, the lenders felt Wilshire's assets were now worth less than the loans they secured. They demanded a margin call: an instant repayment of the difference. Scared that the values of Wilshire's assets would drop further, they wanted their cash back. The local newspaper described Wilshire's dilemma:

"It was as if a housing market turned bad, dragging the value of a $100,000 house down to

> *$70,000. And as the bank holding the $80,000 mortgage on the house then suddenly demanded a $24,000 payment, thereby keeping its loan at 80% of the house's value…In a matter of days, margin calls repeatedly hammered Wilshire. Only the numbers were much bigger. A lender might declare that a $250M Wilshire portfolio, for example, was suddenly worth only $175M. Wilshire had to pay the loan down to 80% of $175M within 24 hours or lose the portfolio. The lender would foreclose…Wilshire quickly ran through its $25M reserve and the managers started selling portfolios. It was a fire sale: buyers paid pennies on the dollar. In six weeks, Wilshire shelled out $100M to Wall Street investment-banking houses to buy down the loans. And still the margin calls arrived in the Wilshire offices." [Hallman, Nov. 21, 1999]*

For the first time, Wiederhorn and Mendelsohn were unable to talk their way out of a problem. They flew around the country meeting with investors and trying to reassure them that Wilshire was still strong. They pointed out that if they were forced to sell their assets when buyers were scarce, the company would suffer and in exchange, so would the investors. Wiederhorn's pleas, threats and explanations fell on deaf ears and he was forced to sell packages of loans at market prices considerably lower than their value of a year before, in order to come up with the needed cash. For example, Salomon Brothers forced Wilshire to sell one portfolio, originally valued at $500 million for $350 million, which put Wilshire in violation of their agreements with their lenders. Wiederhorn said to the Salomon executives:

> *"Our story is that we've shelled out $100M to all of you guys in the last four weeks. We've paid down all the loans, and you guys are still asking for more money. We don't have more cash. We own all these assets, and there's nothing wrong with them. Nothing has changed. The buildings we own are not vacant all of a sudden. The tenants are still paying. The mortgages are current. The properties are still good. You're just marking them down." [Hallman, Nov. 21, 1999]*

The company no longer had the cash to make interest payments on their debt. In addition, the stock and the assets of Wilshire Financial Services Group both declined sharply. From its all time high in October 1997 of $33.50 per share, Wilshire's stock dropped to $6.50 by September 1998.

At this point, both market analysts and Wiederhorn felt that the stock had hit bottom. Unfortunately, the worst was not yet over for Wilshire. One month later, the now struggling company was forced to lay off 20% of its work force. The stock price dropped to a new low of $1.81. Even harder hit was WREI, which was forced to liquidate over $550 million of its real estate assets to reduce its debt and meet collateral calls. Although the company had extensive experience managing growth, Wiederhorn and Mendelsohn found themselves in the new position of having to control costs.

The two executives adopted a much more defensive strategy for both WFSG and WREI. While Wiederhorn maintained that he had paid off all collateral calls from lenders, he also liquidated another 10% of WREI's assets, or another $50 million worth of properties to protect against future demands. He was determined to save the company, despite the dismal market conditions taking their toll on his and other financial firms. Throughout the country, companies in the mortgage-backed securities business were closing their doors as Wall Street called their loans. They needed cash to write new loans and cash was nowhere to be found for such firms.

FROM FINANCIAL HIGH-FLYER TO CHAPTER 11 BANKRUPTCY

On November 23, 1998, after the layoffs, fire sales, the closing of their international offices, and other difficulties, Wilshire announced their third quarter earnings. The numbers were dismal (see Exhibits 1, 2 and 3 for fiscal year financial statements). Wilshire Financial Services Group lost almost $120 million in the third quarter alone. For the fiscal year ending December 31, 1998, the company reported a loss of almost $205 million. By February 3, 1999, NASDAQ halted trading of the stock, which was selling for $0.37 per share. Wiederhorn began receiving phone calls from irate investors who had lost money on WFSG and were angry with him. As he explained:

> *"Risk is an inherent part of the stock market. In crises, repaying debt-money owed the bondholders-takes legal priority over protecting equity. Yes, stockholders were crushed. And…I lost more money than any other stockholder had. I wonder why none of these same investors called to thank me when Wilshire stock climbed from $10.50 to $33 a share. Stocks go up…and stocks go down. That's the risk of the market. If playing the game makes you too tense, go to a bank that pays 4 percent on savings accounts." [Hallman, Nov. 24, 1999]*

To make matters worse, the company's banking activities once again attracted the attention of OTS. The federal agency imposed more restrictions on the First Bank of Beverly Hills. Among them, the OTS demanded that the bank gain the approval of the regulators before making certain future transactions.

WFSG was in serious financial difficulty [see Exhibits 1, 2, and 3]. Wiederhorn was unable to raise cash, the company's stock was virtually worthless and WFSG owed over $184 million to major bond investors. Yet Wiederhorn was confident he could pick up the pieces. Desperate to survive, Wiederhorn brokered a restructuring deal that required WFSG declare Chapter 11 bankruptcy. In addition, and more importantly, the $184 million in secured debt held by the major bondholders was exchanged for 8.75 million shares of stock, effectively giving the bondholders control of 80-90% of the newly organized WFSG.

Smaller, individual investors lost virtually everything. Shareholders got one share of the reorganized company for every 77.28 shares they owned. In other words, an individual investor who previously owned 500 shares of WFSG now owned about 6.4 shares of the reorganized firm. Wiederhorn and Mendelsohn, who together had previously owned 45% of the company's stock, now owned less than 3%.

The restructuring deal also contained an agreement between Wiederhorn, Mendelsohn, and Jeffrey Grayson, head of Capital Consultants, Inc., a Portland-based investment company that had lent WFSG about $150 million to fund their growth. In exchange for a last-minute cash infusion of $15 million to pay yet another margin call, Wiederhorn and Mendelsohn pledged the last of their stock as collateral to Grayson as well as their own personal holdings in Wilshire Credit Corporation, another company largely controlled by Wiederhorn and Mendelsohn.

Despite their hope that they wouldn't have to sell off more assets, WFSG ended up selling much more for a fraction of their original value in a last minute attempt to save the company. One estimate had them ultimately selling off over $1.24 billion worth of assets.

After months of negotiations, the bankruptcy judge approved the deal. Wilshire was now out of bankruptcy, out of debt, and in Wiederhorn's mind, ready to move forward. This may have been the biggest deal of Wiederhorn's life. Despite huge odds, his company was still alive and many of his employees still had their jobs. This wasn't true for many other firms in the subprime mortgage industry. A number of them had succumbed to the industry turmoil and closed their doors forever. For example, Southern Pacific Funding Corporation, another Portland-based firm went into bankruptcy in October 1998. Long-Term Capital Management, a Wall Street investment firm that employed several Nobel Laureates (in economics) as well as other financial "stars," lost $4 billion. By many accounts, what Wiederhorn did to save his company-fight off liquidation, keep his management team intact, and get out from under a $160 million loan--was nothing short of amazing. However, now he faced a future with a company that he no longer controlled. For the first time since 1987, when he began Wilshire Financial Services Group, Andrew Wiederhorn found himself answering to someone else. He was now an employee of WFSG-albeit the CEO. As the local paper, The Oregonian said:

> *"As he moved into the new year, Wiederhorn weighed his options: He could move to New York and work on Wall Street. But he wanted to raise his children in Portland. He could start a new company...he could retire; enjoy his wealth and his compound at Gearhart, on the Oregon coast. But if he moved, bailed out or retired, he'd be quitting. He could accept failure, but never quitting. His pride was at stake. He had taken a public whipping, been branded a failure...but he was convinced he could turn Wilshire around. He was still the CEO." [T. Hallman, Nov. 24, 1999]*

REORGANIZED WILSHIRE: NEW OWNERSHIP, BOARD MEMBERS AND CONTROL

Ever confident, Wiederhorn insisted that the company had not defaulted on any payments and would continue its aggressive growth once the momentum returned. However, the previous bondholders, who were now in control of the company, were not as confident in Wiederhorn's leadership. Part of the restructuring deal required that the current board members, other than Wiederhorn and Mendelsohn, be replaced with four new directors selected by the former major bondholders.

The new members of the board included a consultant and three operating managers from other financial institutions. In addition, two of the four major bondholders--Los Angeles-based Capital Research and Management and Minneapolis-based American Express Financial

Advisors--didn't have seats on the board, but possessed substantial influence thanks to the large number of shares they owned.

As another part of the restructuring plan, Wilshire Credit Corporation (WCC), a firm set up by Wiederhorn several years before to service WFSG's loans, was made a part of Wilshire Finance, and Jeffrey Grayson, President of Capital Consultants, received 49.9% of WCC in exchange for the $165 million his firm had loaned various Wilshire companies in recent years.

At the same time, Wiederhorn's personal net worth took a huge hit. He was estimated to have lost between $90-$100 million of his personal fortune. But the trials and tribulations of the last year also weighed heavily on him-or at least he said so in public. He was quoted as saying: "it's one thing to lose your money, but it's a whole other experience to lose someone else's money. It's a bad feeling. That's bothered me." [J. Bjorhus and J. Manning, Aug. 29, 1999]

NEW BOARD MEMBERS CLASH WITH WIEDERHORN AND OTHERS

The newly constituted board was charged with the responsibility of returning WFSG and its subsidiaries to a functioning, profitable organization. This was no easy task. Wiederhorn was still chairman of WREI (Wilshire Real Estate Investment Trust) and WFSG as well as several other Wilshire companies. He had created a truly Byzantine organization structure that made it extremely difficult for an outsider to determine the boundaries between the various companies. WREI, for example, while an independent company, was also a subsidiary of Wilshire Finance and at the same time the third-largest shareholder of WFSG. At the same time, WFSG was the largest shareholder in WREI. To further complicate matters, WREI's board, chaired by Wiederhorn, believed their ownership of WFSG's stock put them in position to play a major role in determining the company's future course. Unfortunately, the rest of the WFSG board didn't see it that way, and conflict between the two groups quickly surfaced.

Independent board members of WREI sent a letter to the Security and Exchange Commission arguing that the new board of WFSG had excluded WREI from several important decisions despite the firm's being a significant shareholder in WFSG. WREI contended they had had no say in the selection of the new directors even though it owned 15% of WFSG's stock. They argued that the new WFSG board members were meddling in management decisions and not sharing critical information about the company. In addition, they contended that the new board members were being inappropriately influenced by several of the former large creditors, in particular, the two companies who did not have seats on the board-Capital Research and American Express Financial Advisors.

When the new board members came on board, WFSG still carried a substantial debt load and had lost their reputation as a good investment. Wilshire was no longer the large, billion dollar trading company that it once was and it was now up to the new board of directors plus Wiederhorn and Mendelsohn to decide what the company would become. At the same time, substantial pressure was put on the board by the large shareholders to generate returns quickly in order to begin recouping their investments. There were substantial differences between the new board members' views of WFSG's future and that envisioned by Wiederhorn and Mendelsohn, who felt it was time to get back to what the company did best--dealmaking. Nevertheless, despite Wiederhorn and Mendelsohn's presence on the board, their opinions were unmistakably in the minority when it came to the important issues confronting Wilshire's future.

A Tug-of-War Between Wiederhorn and the New Board

One of the first things the new members did was to try to learn as much as they could as quickly as they could about the intimate details of the company. The new board members combed over financial data and each member took responsibility for becoming an expert on a crucial aspect of the business. The board met with Wiederhorn and asked for access to information on everything from human resources policies to the pricing structure for the repackaged loans. The information, however, was not forthcoming.

The members requested the company's mission statement and access to the computer system. Again, Wiederhorn and Mendelsohn did not furnish the information in what the board perceived as a reasonable time. To the new board, Wiederhorn appeared uncooperative and resistant to their efforts to turn the company around. They believed he had no desire to involve them in the day-to-day or strategic operations of his former company. Previous board members had not been involved in these aspects and Wiederhorn wasn't ready to change his management style. He was quoted in the local paper saying he felt he had built the company, he knew the industry and he knew how to get the business back on its feet again. In his eyes, this group of strangers was not helping his company; they were ruining everything he had accomplished since he was 21.

Differences over Compensation

During this time, Wiederhorn's compensation became an issue. First, he was offered a salary but without the bonus provisions common to executives in his position in other financial institutions. Considering that Wiederhorn had been paid $300,000 a year plus bonuses that totaled about $2 million, this was a considerable comedown. But to Wiederhorn it got worse. The new board members "sweetened" the deal, or at least they believed they did. They offered him a one-year deal for $300,000 that to them, included several bonus provisions. For example, they agreed to pay off some of Wiederhorn's personal loan obligations. The loan payments, however, would be subtracted from his salary in order to give him a break on taxes. Unfortunately, Andy didn't quite see their offer in the same light. By the time the loan payments were taken out, he would be working for the equivalent of $33,000 a year. While Wiederhorn was still a multimillionaire, the compensation issue was important to him-a matter of respect. He thought about leaving WFSG, but if he did, the bondholders could liquidate his former company. If that happened, Wiederhorn and Mendelsohn could be in even deeper trouble. The two had previously pledged their own personal holdings in Wilshire Credit Corporation, in exchange for the aforementioned $165 million in loans from Capital Consultants, Inc.

The Board Battles with Wiederhorn

The relationship between the new board members and Wiederhorn worsened. Andy had never before answered to anyone. He saw no reason to comply with the board's demand to compose a long-term financial plan for Wilshire. He felt that the company was through the worst part and was coming out of the crisis. The only thing he had to do now was to continue making deals and Wilshire would soon be back to where it was before the financial crisis hit.

The board did not see it the same way. They had been appointed to turn the company around and were determined to do so. As such, they wanted to learn about the business they had inherited and make sure it survived. They saw major changes that needed to be made. The most important of these related to cutting expenses. According to one board member, it was very clear that the belt needed to be tightened on the money flowing out of the company. Wiederhorn was known as a "financial player" on Wall Street and lived a lifestyle that reflected it. The local press described him as one of Portland's flashiest entrepreneurs. He traveled to meetings on a private, company-owned jet, stayed in $700 per night hotels, and was known for his expensive attire and luxurious, company-leased cars. While Wiederhorn argued these were necessary to play in the big leagues of Wall Street finance, the new board members saw these costs as a huge drain on the company's limited resources. They wanted to adopt a more modest style to get the company back on its feet. Spending was curtailed. Even the corporate jet was taken away. If Wiederhorn wanted to save his company, they felt he had to recognize the necessity of cost-cutting and make sacrifices like everyone else in the company.

The board asked Wiederhorn for a written business plan stating what he was going to do to turn the company around. Wiederhorn didn't comply. Again, the members stated that they needed a plan in writing, this time by June 10th, 1999. When the day arrived, they got their plan. However, rather than making any substantial changes, Wiederhorn and Mendelsohn clearly indicated they would not be doing things differently. It would be business as usual. Cutting costs and taking a more conservative posture was not for them or WFSG. According to Wiederhorn and Mendelsohn, the strategy they followed worked well for them once and it would work well again. In response to the board's intent to take the company in a new direction, Wiederhorn commented: "they just don't get it."

There was also the matter of the two banks that Wilshire owned. The OTS made it very clear whom they thought should be in charge and it wasn't Wiederhorn. The OTS was very supportive of the idea of removing both Wiederhorn and Mendelsohn. The federal agency felt that the new board members would take the thrifts and government regulations seriously, as opposed to past management. They encouraged the new board members to pursue new leadership for Wilshire.

In August of 1999, the situation had gotten so contentious that the new board members decided to meet without Wiederhorn and Mendelsohn. The meeting was held to see if they had the right CEO to turn WFSG around and carry it into the future. On one hand, they knew that Wiederhorn and Mendelsohn had built an incredibly successful entrepreneurial organization. On the other hand, the new board members questioned whether the two understood that the industry had changed and WFSG needed to change with it. It was their job to turn around the company. Could they do so without the management team that had built the company?

EXHIBIT 1
ANNUAL INCOME STATEMENT
(Fiscal Year Ending 12/31)
(in millions of U.S. dollars)

	1998	1997	1996	1995
Interest Income, Bank	140.5	110.1	48.4	24.4
Total Interest Expense	125.5	86.8	29.3	14.5
Net Interest Income	15.1	23.2	19.1	9.9
Loan Loss Provision	13.3	2.0	16.5	4.3
Net Interest Income after Loan Loss Provision	1.7	21.2	2.6	5.6
Non-Interest Income, Bank	-94.2	61.3	17.9	2.9
Non-Interest Expense, Bank	-113.3	-56.7	-15.4	-7.9
Income Before Tax	-205.7	25.8	5.1	0.6
Income Tax	-4.1	10.6	0.1	0.0

EXHIBIT 2
ANNUAL CASH FLOW STATEMENT
(Fiscal Year Ending 12/31)
(in millions of dollars)

	1998	1997	1996	1995
Net Income	-201.7	15.2	5.0	0.6
Depreciation/Depletion	4.0	0.5	0.2	0.2
Amortization	-19.0	-29.0	-3.3	-1.2
Deferred Taxes	4.4	-0.5	-4.0	-0.4
Non-Cash Items	139.3	1.7	-0.1	0.6
Changes in Working Capital	-831.2	-383.5	-46.0	1.9
Total Cash from Operating Activities	-904.2	-395.6	-48.3	1.6
Capital Expenditures	-5.8	-2.7	-0.2	-0.3
Other Investing Cash Flow Items	1231.6	-526.9	-199.5	-113.8
Total Cash from Investing Activities	1225.8	-529.6	-199.7	-114.2
Financing Cash Flow Items	147.8	-139.0	198.1	107.7
Issuance (Retirement) of stock, Net	29.6	-0.1	38.1	0.0
Issuance (Retirement) of debt, Net	-541.6	978.1	159.6	0.5
Total Cash from Financing Activities	-364.2	839.0	395.8	108.2
Net Change in Cash	-42.6	-86.2	147.8	-4.3
Cash Interest Paid	52.7	78.0	21.7	13.8

EXHIBIT 3
ANNUAL BALANCE SHEET
(Fiscal Year Ending 12/31) (in millions of U.S. dollars)

	1998	1997	1996	1995
Cash due from banks	23.5	66.1	152.3	3.4
Other Earning Assets	424.0	678.1	116.7	49.8
Net Loans	507.6	617.3	382.8	272.2
Property/Plant/Equipment- Gross	10.7	3.6	0.0	0.0
Accumulated Depreciation	-2.5	-1.1	0.0	0.0
Property/Plant/Equip. - Net	8.2	2.5	0.3	0.3
Other Long Term Assets	0.0	0.0	4.2	0.2
Other Assets	121.0	265.1	97.5	14.9
Total Assets	1084.3	1629.0	753.8	340.7
Accounts Payable	44.6	16.6	17.9	4.4
Total Deposits	510.4	362.6	501.6	303.5
Total Short-Term Borrowings	420.8	966.5	97.6	13.0
Total Long-Term Debt	201.2	184.2	75.0	11.0
Total Debt	622.0	1150.7	172.6	24.0
Minority Interest	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.7	1.1
Total Liabilities	1177.0	1529.9	692.8	333.7
Preferred Stock-Nonredeemable, Net	0.0	27.5	0.0	0.0
Common Stock	117.7	55.9	55.9	6.8
Retained Earnings (Accumulated Deficit)	-183.3	18.8	5.2	0.3
Treasury Stock - Common	-2.9	-1.1	0.0	0.0
Unrealized Gain (loss)	0.0	-2.9	-0.1	0.0
Other Equity	-24.4	0.0	0.0	0.0
Total Equity	-92.8	99.1	61.0	7.0

Total Liability & Stockholders' Equity	1084.3	1629.0	753.8	340.7

REFERENCES

"Top 100 Fastest-Growing Companies," *The Business Journal* (April 26), 1999

"Top 100 Highest-paid Executives of Area Public Companies," *The Business Journal* (August 4, 1997).

"Wiederhorn Loses Control Of Wilshire Financial," The *Business Journal* (November 25, 1998).

"Wilshire Calls Time Out," *Asset Sales Report v13*, i10, p1.

"Wilshire Files Chapter 11," *The Business Journal* (March 3, 1999).

"Wilshire Financial Axes Top Executives," *The Business Journal* (September 7, 1999).

"Wilshire Financial Services Group acquires French bank; Company also reports purchases of approximately 180,000 shares under its previously announced stock repurchase program," *Business Wire* (September 8, 1998).

"Wilshire Financial Services Group Emerges From Bankruptcy," *The Business Journal* (June 11, 1999).

"Wilshire Financial Services Group Reports Record Earnings For The Second Quarter," *Business Wire* (August 6, 1998).

"Wilshire Founders Face Expulsion," The *Business Journal* (August 20, 1999).

"Wilshire REIT Announces Fourth Quarter and 1998 Results," *The Business Journal* (March 29, 1999).

Anthony, R.. "Wilshire Out Of PFE/Stadium Deal," *The Oregonian* (January 29, 1999).

Bjorhus, J. and J. Manning. "The Battle For Wilshire," *The Oregonian* (August 29, 1999).

Bjorhus, J. and J. Manning. "Wilshire Financial Suspends Leaders," *The Oregonian* (August 20, 1999).

Bjorhus, J.. "It's Official:Wilshire Profits Nosedive," *The Oregonian* (November 24, 1998).

Bjorhus, J.. "Last Year's Fire Sale Behind, Wilshire REIT Turns Profit," *The Oregonian (May 15, 1999).*

Bjorhus, J.. "More Take Chances On Subprime Loans," *The Oregonian* (February 7, 1999).

Bjorhus, J.. "Southern Pacific Will Sell Rights To Loan Portfolio," *The Oregonian* (February 8, 1999).

Bjorhus, J.. "Wilshire Financial Essentially Bankrupt," *The Oregonian* (November 25, 1998).

Bjorhus, J.. "Wilshire Pursues Bankruptcy," *The Oregonian* (February 5, 1999).

Bjorhus, J.. "Wilshire REIT Selling 10% Of Assets," *The Oregonian* (November 12, 1998).

Bjorhus, J.. "Wilshire Sacks CEO And President," *The Oregonian* (September 8, 1999).

Bjorhus, J.. "Wilshire Takes Another Hit With 'Troubled' Subsidiary," *The Oregonian* (June 13, 1999).

Bjorhus, J.. "Wilshire Rift Pits Board Vs. Board," *The Oregonian* (June 25, 1999).

Cook, D.. "Their Stars Rose And Fell In '98," *The Business Journal* (January 4, 1999).

Cook, D.. "Would Wiederhorn Take Wilshire Public Today?" *The Business Journal* (October 12, 1998).

Cook, D.. "Textbook Case Of Public Company Run Privately," *The Business Journal* (October 19, 1998).

Dolgov, A.. "Russia Defaults On $1.3 Million in Bonds," *The Oregonian* (April 21, 1999).

Epstein, J. "OTS Actions Hinder Parent's Growth Plan For 2 California Thrifts," *American Banker v161*, n238, p6(1).

Estimada, J. "In Gearhart, Good Fences Don't Make Good Neighbors," *The Business Journal* (July 22, 1996)

Goldfield, R. "$150M In Pension Funds May Be At Risk," *The Business Journal* (November 2, 1998).

Goldfield, R. "Erratic Market Pulls Down Portland's '98 IPOs," *The Business Journal* (March 1, 1999).

Goldfield, R "Wilshire Raises $300M To Enter Trust Market," *The Business Journal* (November 10, 1997).

Goldfield, R. "Wilshire REIT Delays Again," *The Business Journal* (January 19, 1999).

Goldfield, R. "Wilshire's Tumble Blamed On Megatrends," *The Business Journal* (September 21, 1998).

Habal, H. "Embattled Specialty Finance Executive Returns to His Office-by Court Order," *American Banker v164*, i168, p1.

Habal, H. "Wilshire Financial of Ore. Fires Founding CEO And Other Top Exec, Hires Turnaround Expert," *American Banker v164*, i172, p22.

Hallman, T., Jr. "Losing It," *The Oregonian* (November 24, 1999).

Hallman, T., Jr. "The Explosion," *The Oregonian* (November 22, 1999).

Hallman, T., Jr. "The Player," *The Oregonian* (November 21, 1999).

Isachenkov, V. "Russian Bank's Restrictions Concern IMF," *The Oregonian* (April 13, 1999).

Jaquiss, N. "Ask Andrew Wiederhorn," *Willamette Week* (January 13, 1999).

Kaplan, D. "The 28-Year-Old Banking Prodigy Behind Fast-Growing Wilshire Financial," (Wilshire Financial Services Group founder Andrew A. Wiederhorn)." *American Banker v160*, n21, p22(1).

Karger, G. "Where Did The Cash Go During Wilshire's 3Q Debacle?" *The Business Journal* (December 7, 1998).

Manning, J. and J. Bjorhus. "Workers' Pensions Tied To Bankrupt Company," *The Oregonian* (October 10, 1999).

Manning, J.. "Executives Must Leave Wilshire Office," *The Oregonian* (September 3, 1999).

Manning, J.. "New Kid On The Block," *The Business Journal* (Nov 8, 1993).

Mayes, S. "Wilshire Financial Plans New Office Campus," *The Oregonian* (May 1, 1998).

McMillan, D.. "Wiederhorn Wants A Divorce," *The Business Journal* (September 20, 1999).

McMillan, D.. "Wilshire's New Boss Must Deal With Andy," The Business Journal (September 13, 1999).

Miller, B. "Will The Assets Fire Sale Save Wilshire REIT?" *The Business Journal* (November 2, 1998).

Murphy, T. "Blow-up. (crash of Wilshire Financial Services Group)," *Oregon Business v22*, i9, p26(5).

Staff Reports. "ASIAN CONTAGION," The Oregonian (October 20, 1998).

Staff Reports. "Market After Market Tumbles On Negative News From Asia," *The Oregonian* (August 12, 1998).

Staff Reports. "Wilshire Financial Delays Meeting With Shareholders Until Dec. 2," *The Oregonian* (October 9, 1999).

Staff Reports. "Wilshire Real Estate Investment Changes Charter For Tax Purposes," *The Oregonian* (September 14, 1999).

Staff Reports. "Wilshire REIT Chalks Up Losses For Quarter, Year," *The Oregonian* (April 1, 1999).

Staff Reports. "Wilshire REIT Marks Loss, May Adjust Charter," *The Oregonian* (August 17, 1999).

Stickel, A. "Wilshire Could Build a Better Buyout: Funding a Richer Deal, though, Could Be an Issue," *Mergers and Acquisitions Reporter* (September 28, 1988).

Timmons, H. "$119M Quarterly Loss Makes Wilshire Latest Finance Firm To Take A Pounding," *American Banker v163*, i227.

Timmons, H. "Wilshire, A Specialty Finance Firm, To Grow In Europe With Deal For Paris Mortgage Bank," *American Banker v 163*, n181, p20(1).

Tripp, J. and J. Bjorhus. "Manic Market Roars, Soars In '98," *The Oregonian* (January 1, 1999).

Tripp, J., "Wilshire Group Shares Decline To New Lows," *The Oregonian* (October 13, 1999).

Tripp, J. "The Eagles Soar, But There Are Few Of Them," *The Oregonian* (June 20, 1999).

Tripp, J. "Wilshire Cuts 20% Of Jobs," *The Oregonian* (October 27, 1998).

Wilshire Financial Services Group Inc - 10-K405 for 12/31/98. Securities and Exchange Commission. Washington, D.C.

Wilshire Financial Services Group Inc. - 8-K- For 11/13/98-EX-2.1. Filed with the Securities and Exchange Commission by Wilshire Financial Services Group.

Wilshire Financial Services Group Inc. - S-1-on 12/19/97 - EX-10.12. Office of Thrift Supervision, U.S. Department of the Treasury.

Wilshire Financial Services Group Inc.-S-1- on 12/19/97 - EX-10.13. Office of Thrift Supervision, U.S. Department of the Treasury.

Wire Reports. "Wilshire Files For Protection In Reorganizing," *The Oregonian* (March 4, 1999).

FREE ENTERPRISE EDUCATION PROJECTS

This section of the *Journal of Entrepreneurship Education* features descriptions of the award winning, free enterprise education projects from the *2001 RadioShack SIFE USA National Exposition.* These educational projects are blind reviewed by editorial board members with only the top programs in each category selected for publication, with an acceptance rate of less than 5%.

AT&T Best Use of the Internet: Kindergarten Through High School

This competition, sponsored by AT&T, recognizes a project for use of the Internet in providing free enterprise education to kindergarten through high school students. This year's winning SIFE team was La Sierra University, Riverside, California, Heather Miller, Sam Walton Fellow.

AT&T Best Use of the Internet: Aspiring Entrepreneurs and Small Businesses

This competition, sponsored by AT&T, recognizes a project for use of the Internet in providing free enterprise education to aspiring entrepreneurs and small businesses. This year's winning SIFE team was San Diego State University, San Diego, California. Don Sciglimpaglia, Sam Walton Fellow.

BusinessWeek Best In-Depth Education

This competition, sponsored by *BusinessWeek*, recognizes a project for free enterprise education. This year's winning SIFE team was University of St. Thomas, Houston, Texas, Anne S. Davis and William S. Sargent, Sam Walton Fellows.

BusinessWeek Best Use of Mass Media

This competition, sponsored by *BusinessWeek*, recognizes a project for the use of mass media in free enterprise education. This year's winning SIFE team was Bucks County Community College, Newtown, Pennsylvania, Joan R. Wiess, Sam Walton Fellow.

Polsky Personal Investing to Achieve Financial Independence

This was a special competition project to encourage SIFE teams to develop a program to teach fellow collegians the importance of saving and investing and how to achieve financial independence. This year's winning SIFE team was Louisiana State University, Eunice, Louisiana, Fred Landry, Cindy Darbonne, Ar Schroeder, Jeanne Soileau, and Edwin Deshautelle, Sam Walton Fellows.

Visa USA, Inc. Responsible Use of Credit

This competition, sponsored by Visa, USA, Inc., recognizes a project for free enterprise education concerning the responsible use of credit. This year's winning SIFE team was MidAmerica Nazarene University, Olathe, Kansas, Dave Wegley, Sam Walton Fellow.

SIFE Make a Difference Week

This competition, sponsored by SIFE, recognizes a team for making a difference in the lives of Americans. This year's winning SIFE team was Butte College, Oroville, California, Alfred B. Konuwa, Sam Walton Fellow.

SIFE Teach a Child about Business Week

This competition, sponsored by SIFE, recognizes a team for teaching children about business and free enterprise. This year's winning SIFE team was Northwestern College, Orange City, Iowa, Michael Avery and Phillip Patton, Sam Walton Fellows.

Kauffman Center for Entrepreneurial Leadership Entrepreneurship Assistance

This competition, sponsored by the Kauffman Center for Entrepreneurial Leadership recognizes a team for entrepreneurial assistance. This year's winning SIFE team was Kennesaw State University, Kennesaw Georgia, Gary B. Roberts, Sam Walton Fellow.

SPECIAL COMPETITION AWARD AT&T BEST USE OF THE INTERNET: KINDERGARTEN THROUGH HIGH SCHOOL

La Sierra University, Riverside, California
Heather Miller, Sam Walton Fellow

Students Launching Active Minds (SLAM II) - Electronic Greeting Cards

The purpose of the SIFE Summer SLAM II was to teach basic business skills in a weeklong business day camp for kids ages 5-15 years old. Two major components of the SLAM II were technology and business fundamentals. We did this by:

1	Teaching the kids basic computer and Internet usage skills in order to set up an e-mail account, browse the World Wide Web, know safety on the Internet, and conduct market research.
2	Teaching the basics of E-commerce and "brick and mortar" businesses.
3	Having the kids form their own "corporations", and use the "corporations" to strategically plan and produce artwork, web design and launch their E-cards.

We created and implemented five different curricula, which include: Business 101, E-Me, the Stock Market, Internet Advertising, and E-Commerce, Jr. Each of these classes was taught throughout the weeklong day camp.

In Business 101, the kids learned the basics of business, including: determining a desirable product, understanding the production cycle, analyzing the differences between E-Commerce and "brick and mortar" companies and planning promotion and pricing. With this information, the kids learned how to conduct market research on various companies online and learned some basics on setting up a web site. They also learned what kind of information should and should not be published on-line, for both personal and business websites.

In the Stock Market section, the kids learned how to research and keep track of companies in the Wall Street Journal, as well as on the Internet. They put this information to use to play the Gazillionaire Stock Market Challenge game on-line. This game set them up with a fixed amount of money to buy shares of stock. Each day the kids would keep track of their investment portfolio.

In the Internet Advertising section, the kids learned about advertising through different media, specifically through the Internet. They analyzed the components of banner ads, including company logos and a click spots to attract customers. We then let them find examples of these using the Internet so they could see how widespread the use of advertising was on the Internet.

Finally, the E-Commerce, Jr. section allowed the kids to put all their theories into practice. First, the kids established the structure of their "corporations" by assigning job titles and responsibilities. This encouraged them to practice entrepreneurial, communications, and technology skills by giving each position a task that would involve the use of the Internet. Next, they strategically planned how they would project their "corporation" online through their website. They planned and produced artwork for their website and actually created the website. At the end of the Summer SLAM II, each "corporation" gave a group report and saw their final product - the SLAM cards - go on-line for all to see.

La Sierra SIFE members taught the kids the fundamental basics of introducing an E-Commerce business open on-line to the global economy. We highlighted points including designing a website that can be used worldwide and making sure that all information is fixed up front in a way that is standard in websites used in the global economy.

La Sierra SIFE members also identified how the SLAM Cards fit in with a market need. The kids identified what set their product aside from other online cards, determined who their target audience is, and learned how they could market to that audience.

This taught the kids about copyright laws in learning how to use artwork for their websites and put their own copyrights on their original artwork. They also reinforced their own version of equal opportunities in having at least one female in every group. Half of the groups appointed females as CEO's.

SPECIAL COMPETITION AWARD AT&T BEST USE OF THE INTERNET: ASPIRING ENTREPRENEURS AND SMALL BUSINESSES

San Diego State University, San Diego, California
Don Sciglimpaglia, Sam Walton Fellow

SIFE San Diego Webmasters

"SIFE San Diego Webmasters" is designed to teach small businesses and aspiring entrepreneurs how to use the Internet and engage in electronic commerce. The program is designed to provide instructions on internet and web marketing by becoming actively involved with real businesses and working with them to develop their full potential. In addition, we provide a wealth of information on our web site which can be used by small businesses and aspiring entrepreneurs. We use our web design skills and Internet knowledge to help local businesses and start-ups overcome the complications of E-Commerce and using the Internet.

Business Resources

In order to support our SIFE Webmasters' activities we developed and continue to maintain an extensive business resource section on our web page. Our resource site is located at http://www.aznet.net/~sife. The extensive business resource links include references to Internet Marketing, Entrepreneurial Information, Marketing, Company and Market Information, Marketing Research, and Demographic Information. For example, you can find information about starting a business in San Diego, including information to help research a market and even sample business and marketing plans.

Internet Resource Guides

SIFE San Diego Webmasters prepared forty-two Internet resource guides for use by small and start-up businesses. These are self-contained Internet guides that offer resources and advice on using the Web for business. These extensive on-line Internet "Resource Guides" are hosted on our SIFE web site. These were researched and designed by our SIFE students and cover topics such as media planning, how to write a marketing plan, Internet advertising, E-Commerce and on-line marketing strategy.

Internet Marketing Consulting Program

Using web design and Internet skills learned at San Diego State University, our students designed twenty-two web sites for local small businesses and non-profit organizations. Including retailers, online merchants, restaurants, coffee shops, realtors, a church and a non-profit organization for disabled children.

An example is the web site designed for Sun Diego, a full-service surf, skate, and snowboard retailer with five store locations offering a variety of products. Currently, Sun Diego is considered one of the top retailers of this type of equipment and apparel, yet they lack dominant brand awareness by the general public. This is the main reason why Sun Diego came to us for web consulting and promotional support.

Vino! is a retail wine-only retailer in Northern California, started by owners of a Bay Area wine wholesaler. Vino!'s inventory consists of medium-priced wines from Australia, Chile, France, Germany, Italy, Spain and the United States (mostly California), champagne, sparkling wine and accessories and often buys directly from smaller producers to pass the savings along to the customer. Advertising wine releases and current tastings on their web site, Vino! hopes to increase the knowledge and participation level of its customers.

Kids Included Together (KIT) is a non-profit organization that helps youth service organizations that include children with disabilities into their existing recreational, social and childcare programs. Their goal is to enrich the lives of those children who participate and to increase understanding and acceptance of disabilities as a natural part of life. This web site was created to extend the organization's outreach and to increase its visibility in the community. KIT was extremely pleased with the web site and turned it over to a professional web design company where it is being implemented as the basis for a final version.

American Home Brewing Supply (AHBS) was started in 1992 by Vance Hiler, an award-winning brewer, who decided to turn his hobby into a business. AHBS offers any brewing supply you could ever need whether you are a novice or advanced brewer. Vance offers one-on-one personal service to his clients. He truly wants them to be successful at brewing and to be satisfied with their creations. Periodically, he distributes a newsletter to his current customers that is full of stories, brewing tips, recipes and current promotions. Now this can be done on the AHBS web site that was implemented by our students. Internet consulting projects conducted this year include the following clients:

Vino Wine Retainer	*The Soccer Store*
World Famous Coastal Cuisine	*Sun Diego*
KIT	*Jan Rathmeire, Realtor*

Rocket Motorcycles	*Apex Music*
California Pizza	*Janet Sampo Photography*
American Home Brewing Supply	*Gerovital.com*
Quiet Heart Enterprises	*French Gourmet Bakery*
The Bridal Room	*North Park Produce and Deli*
FierceShoes.com	*Fenix Cosmetics*
Three Amigos Catering	*Henry's Market*
Shadow Mountain Community Church	*Makeup Art Cosmetics*
Café Tazza	

Examples of some of the results of this program can be seen at http://www.aznet.net/~sife.

We measure our results in a number of ways. For clients involved in generating visits to their web sites we show how to measure Web visits with counters, traffic analysis and server log files. In addition we show how clients can use Internet surveys of potential and present customers to increase satisfaction.

SPECIAL COMPETITION AWARD
BUSINESS WEEK BEST IN-DEPTH EDUCATION

University of St. Thomas, Houston, Texas
Anne S. Davis and William S. Sargent, Sam Walton Fellows

Kids and Company

UST SIFE worked with 23 fifth graders from Shadow Briar Elementary School. Many of these children have behavioral problems and some require special education in academic and social environments. In addition, a Houston Independent School District report indicated that the children at Shadow Briar Elementary School are: 34% economically disadvantaged and 58% minorities.

UST SIFE taught the fifth graders the essential aspects of entrepreneurship and then helped the children create their business. The children identified target markets, secured start-up financing, produced a product, and earned a profit.

OBJECTIVES

UST SIFE met four objectives through class lessons, Guest speakers, and a field trip:

1	*We taught children about basic business concepts and operations.*
2	*We taught children the responsibility that comes with running a business and their overall responsibility to society.*
3	*We motivated the children to careers in business as a means to encourage them to stay in school.*
4	*We provided the children with positive role models through the UST SIFE volunteers and business professionals.*

KIDS AND COMPANY

UST SIFE held 12 interactive class sessions that taught the children how to earn a profit while having fun. We began by teaching the children business basics such as budgeting, financing, and marketing. A speaker from Chase Bank spoke about the factors that affect a small business and what resources are needed to become successful. The children wrote a business plan and selected their company name, "Kids and Company".

Then, they identified two target markets: their peers and their parents. They decided to produce friendship bracelets for their peers and a combination fish bowl and planter for their parents. Even with the donations and discounts UST SIFE secured from corporate sponsors Randalls, Hobby Lobby and PetSmart, the children realized that they still needed more capital.

UST SIFE took the children on a field trip to Bank of America to present their business plan to a loan committee. Using overheads, the children discussed their projected budget, plans for production, marketing, and potential profits. The children successfully received the starting capital they needed for their company.

The bank presentation was the first time that the fifth graders had made a presentation outside of school. The children not only financed their business, but also gained valuable communication skills. The children were ready to use their capital and begin production and promotion.

The effectiveness of their advertising and attractiveness of their products was evident as the demand almost surpassed the supply. UST SIFE taught assembly line operations so that the children could efficiently use their resources and meet the high demand. The children sold 30 of the 40 friendship bracelets and all 98 fish bowls they produced.

RESULTS

UST SIFE inspired the entrepreneurial spirit in fifth graders. In creating their budget, strategies, and products, the children learned about the hard work and dedication that goes into starting a new business.

The fifth graders covered their expenses and generated $500 in profits. The children also learned social responsibility. Pre-and post-tests analysis revealed that the children's understanding of business operations grew by 63%. Through the 12 weekly sessions, the 23 fifth graders not only learned about business, but also experienced business. Six volunteers, including four business professionals, dedicated 103 hours to help the children run a successful "Kids and Company".

Kids and Company is "in-depth" due to the one-on-one participation of UST SIFE over the 12-week duration of the project. We believe we made a difference in the children's lives. This was evident by the children's excitement about their new business savvy. Through their own initiative, the children are continuing production. They plan to make and sell 100 beautiful pins and decorative boxes to hold them for Mother's Day.

EXPANSION OPPORTUNITY

Kids and Company is a project that can be applied nationally, as well as internationally, to help children understand the entrepreneurial spirit and the benefits of the free enterprise system. Kids and Company has already expanded this year. Texas A&M Cooperative Extension Services observed our project and will adopt it as part of their "Character for Leaders" program. They provided a variety of speakers to supplement our project. Three guest speakers spoke on the importance of building character to be a valuable employee, social etiquette and diversity. Each of these topics reinforced the skills to holding a job.

UST SIFE believes that our future depends upon the education of the children. We have created a program that can be expanded throughout different communities. We believe that this educational introduction to business operations will inspire children to become our future entrepreneurs and business leaders.

SPECIAL COMPETITION AWARD
BUSINESS WEEK BEST USE OF MASS MEDIA

Bucks County Community College, Newtown, Pennsylvania
Joan R. Wiess, Sam Walton Fellow

Wheelz 2 Work

Buck SIFE's Wheelz 2 Work Program is intended to work in cooperation with the Bucks county Housing Group to assist families through a period of financial difficulty by providing them with reliable transportation to and from work and school or training, giving them a "jump start" towards a new and better life; a chance to gain the education and opportunity to succeed. Wheels solicit tax-deductible donations of currently inspected use vehicles in good working order.

Families are chosen by the Bucks County Housing group and given the opportunity to remove themselves from the welfare system and to become productive members of our free enterprise system. We team these government dependent adults with American Staffing Resources for a hands-on look at the interviewing and job search process.

EFFECTIVENESS AND QUALITY OF THE METHOD OR PRESENTATION

We challenged an Advertising class at our school to create a media plan, which would reach the maximum potential. Twenty-six students accepted this challenge and created a varied media plan of action.

Our media goal - to educate the general public about the urgent need to improve the status of people dependent upon the welfare system - through donating cars and/or money to our program. With the chosen campaign using the theme, "Give A Family A Lift, Donate Your Car" - we best addressed our needs.

Bucks SIFE has accomplished its goal with an integrated marketing approach to the problem, utilizing available media resources which include television, newspapers, direct mail and radio. Local Radio Shack and Joanne Stores placed donation cans at their registers for contributions, and promotional pushes went out to local businesses. Holiday shoppers at the Oxford Valley Mall in Langhorne, PA whose 5,000 gifts we wrapped - received our information pamphlets.

The coup d'etat was when we approached the Steen Outdoor Advertising Company! They donated to us a Billboard for 6 months - beginning April 2001 - valued at $7200. The billboard is placed on Interstate-95, right over the Philadelphia city liens at US Route 1 - a high visibility location.

A web site was created (www.wheelz2work.org) by us and advertised on the billboard and all media pieces. American Staffing Resources became the sponsor organization for this site and a banner ad for them was included.

In it's sixth year the Wheelz 2 Work program continues to be an incredible success! Due to extensive, continuing media coverage, an outpouring of community support, and a challenge put down before the Bucks County Chamber of Commerce last December, the total number of contributed vehicles has reached 90, with monetary contributions this year reaching $56,000 (not including the value of the cars).

SPECIAL COMPETITION AWARD POLSKY PERSONAL INVESTING TO ACHIEVE FINANCIAL INDEPENDENCE

Louisiana State University, Eunice, Louisiana
Fred Landry, Cindy Darbonne, Ar Schroeder, Jeanne Soileau, and Edwin Deshautelle, Sam Walton Fellows

Doug Williams

The LSU-E SIFE project members developed a mutual fund portfolio for a hypothetical individual (Doug Williams), age 25, who would retire at age 60. Students acquired information on 401(k)'s, Roth IRA's, and Variable Annuities. We used these three investment vehicles for Mr. Williams' investment portfolio that grew to $33,847,578. Over a 35-year accumulation, and has an annual retirement payout of $3,115,300 from age 65 through age 105. Considering risk and return, team members researched and obtained information on mutual funds that invest in stocks that have beaten the S&P 500 Index with a 10-year annualized return of at least 20%.

Using the 401(k) as an investment vehicle, we chose Fidelity Select Electronics as our mutual fund, which is managed by Brian Hanson. Capital appreciation is the fund's objective; and the fund has a 10-year annualized return of 33.63% (beta 1.96). For our Roth IRA, we chose Firsthand Technology Value fund, managed by Kevin Landis. This fund seeks long-term capital appreciation, managed by Jennifer Uhrig. Fidelity VIP Growth Annuity has a 10-year annualized return of 16.13% [20.3% before the tech downturn] (beta 0.86). For our taxable investment, we chose Fidelity Select Financial Services mutual fund, managed by Jim Catudal. The fund has a 10-year annualize return of 26.44% (beta 0.97). Our subject, Doug Williams will use the taxable investment as an emergency fund. If not used in retirement, it will be donated to charity. Doug Williams will be involved in non-profit organizations such as: AARP, SIFE, SCORE, and Habitat for Humanity.

The project members presented seven PowerPoint seminars attended by 457 students. Pre- and post-test scores indicated an Increased understanding of mutual funds by 62.5% and Roth IRAs by 58%. Over 250 students were given compounding interest calculators, and IRA brochures supplied to us TIAA-CREF. An investment contest was held for 223 students who selected two mutual funds and a tiebreaker. The three students with the best mutual fund performance were awarded some savings bonds.

SIFE team members created a 401(k) calculator that automatically displays account balances at 10, 20, 25, and 30-year intervals, as well as yearly totals. The calculator shows students how much of their salary is being contributed each year along with their employer's match. Excel formulas were used to intricately link all sheets to the summary page, automatically updating all totals. Over 100 LSU-E students employed by Grand Casino Coushatta attended our investment seminars. We were approached by Grand Casino Coushatta to customize a 401(k) calculator for the company. Both the 401(k) calculator and the PowerPoint have been placed on the company's "Intranet" assuring a method for all 3,000 of their employees to learn about 401(k) plans, and prepare for their financial security during retirement.

Students also created a Web site on investing: http://members.tripod.com/links_01. The three main categories on our Web page are: mutual funds, IRA's, and 401(k)'s which contain links to articles such as Vanguard's Mutual Fund Basics, Fairmark's Roth IRA, and Fidelity's The Basics of a 401(k) Plan. We have included links to information on women and pensions, how to save money, and the Prudent Investor's Act.

Project members edited our book on investing, and distributed it to over 500 students (19% of the student population). The book, Investing to Achieve Financial Security, includes the following topics: Mutual Funds, Dollar-Cost Averaging, Compounding Interest, IRA's, Roth IRA's and 401(k)'s.

Team members spent over 600 hours on this project. We feel that the time spent on improving and creating innovative educational tools will ensure the continued success of teaching fellow collegians and others about retirement planning and investing for their financial security.

SPECIAL COMPETITION AWARD
VISA USA., INC. RESPONSIBLE USE OF CREDIT

MidAmerica Nazarene University, Olathe, Kansas
Dave Wegley, Sam Walton Fellow

Chains

It is easy to see how using credit cards can simplify many aspects of life. Keeping an accurate record of a checking account is not painless and you never seem to have enough cash on hand when you need it. What is not so easy is to picture the potential consequence of misusing credit. We wanted to help students be more aware of the potential for credit related problems and how being over extended can add stress to their lives.

Far too many students struggle through the early years of their lives trying to escape the weight of their debt. To a recent graduate, excessive debt can feel like a chain around his neck binding him to the past and preventing the realization of his dreams.

Chains: To illustrate the main idea of the week, we had eleven student members of SIFE who portrayed different roles throughout the week. Each of these individuals wore a large chain around their neck to symbolize the weight that debt can create in the life of an individual. These chains came in different sizes to represent different levels of indebtedness. Some of the characters had good credit and had used credit wisely. Therefore, these individuals wore slightly smaller chains to signify their responsible management of debt. On the other hand, several participants had poor credit and, as a result, wore larger chains because their debt was a heavier burden for them to carry. The chains were a vital part of the project. Not only did they draw attention from students, they also clearly communicated the idea that credit debt can be a huge burden in one's life.

Trading Cards: Realizing the popularity of baseball cards and Pokeman cards, we thought we could create our own trading cards to help generate enthusiasm for this project. In addition to the chains, each character also had trading cards with a picture of themselves, in character, along with information on how they managed their credit or how they got so deep in debt. The cards also contained several different credit facts and tips on responsible credit habits. Students were instructed to collect as many of the 11 different cards as they could and bring them to the meeting at the end of the week. Each of the eleven cards a student collected and brought to the meeting qualified him for her for a drawing for prizes. We originally printed 50 cards per character (550 total). By the second day, most of the students were out of cards so we printed an additional 60 cards. SIFE students wearing chains became very popular in the campus center.

A couple of examples of the different characters we developed are "Mike Dotcom" and "Slick Steve." Mike was an entrepreneur who had managed his credit wisely and was now a successful CEO of a "dot-com" company. Since Mike used his credit well, he wore a smaller chain and his trading card listed tips on how he developed good credit. On the other hand, Steve was in the midst of a mid-life crisis and was deep in debt. His chain was large and heavy to symbolize his debt and his card listed some of the poor choices he had made to end up in his current position.

On Campus Publicity: The project was promoted through an announcement in chapel (over 700 in attendance), campus wide posters, and announcements in classes. We also developed "table tents" both to promote the project and to communicate information on proper management of credit. The table tents were set up all over campus so students would see them wherever they went.

Meeting: Approximately 50 students came to the meeting at the end of the week. A financial consultant spoke to the students about important credit issues. It was exciting to see the students listening and asking questions. At the end of the meeting, we had a drawing and gave away numerous gift certificates to area restaurants. We also use this opportunity to promote SIFE.

Results: To help determine the impact of our project we prepared a quiz to give to the students. The quiz consisted of eight multiple-choice questions. We tested approximately 70 students before the project and approximately 30 students after the project. The results were surprising. The average score on the pretest was 32% and the average score on the post-test was 72%. We were also encouraged by the obvious increased sensitivity to the issue of debt. Several students approached either a SIFE student or a faculty member for advice on their particular situation.

Media: The Olathe Daily News sent a reporter to cover the meeting at the end of the week. He interviewed our speaker, the SIFE student President and the faculty advisor. His article and related picture were published in their weekend edition of the paper, which has a readership of approximately 24,000 people.

Conclusions: Responsible use of credit is an important area. Many students will say they need to be more careful with their debt as they head to the store to make another purchase. We felt good about our project because it did more than teach them credit facts - we tried to show them what life can be like if they don't get control of their debt. We also did not ignore the fact that credit can be useful if it is managed wisely.

SPECIAL COMPETITION AWARD
SIFE MAKE A DIFFERENCE WEEK

Butte College, Oroville, California
Alfred B. Konuwa, Sam Walton Fellow

Making the Connection to a Difference in Entrepreneurship

Project Objective: Through a series of five inter-related and business oriented activities, to (a) teach our campus community and K-12 entrepreneurs about the virtues of globalization in a free market; (b) teach young people in two northern California cities how businesses operate; (c) teach and make a difference in the lives of seniors by teaching the entrepreneurial, communications, technology and financial skills for surviving and competing in a free market; and (d) instill a sense of ethics in our campus community; and (e) teach marketing strategies through civic responsibility to members of our community.

Butte College initiated two major projects during the week of October 22-28 to teach how free markets work in a global economy. (1) The launching of a learning circle based on Tom Friedman's book on globalization, The Lexus and the Olive Tree and (2) opening a new entrepreneurship camp in our fifth California city, Orland on the same day that we graduated 30 students from our Oroville, California camp. We also interviewed two business leaders on our television program, SIFE/BCTV Forum.

1	The Lexus and the Olive Tree Work of the Year Learning Circle - In partnership with the Academic Senate and the Office of Instruction, we launched Tom Friedman's The Lexus and the Olive Tree as its work of the year for over 12,000 faculty, staff, students and community members associated with Butte College. The core thesis of the book is that "globalization is not simply a trend or a fad but is, rather, an international system". To encourage every faculty and student to read the book, we offered $1500 in scholarships for 11 students (one first place prize of $500 and 10 prizes of $100 each) who wrote the best essays on how globalization affects their learning in a free market system. The President of Butte College SIFE, Tara Kramlic, participated on a panel discussion attended by a broad section of the campus community to discuss the wider implications of the free market in the global economy.
2	Opening a new Entrepreneurship Camp in Orland, California -We opened an entrepreneurship camp for 5th thru 9th graders in Orland, California. While the camp teaches the four P's of marketing, ethics, and entrepreneurial skills, the opening day on October 28, concentrated on teaching issues of how free markets worked in a global economy. A theme lunch featuring German food emphasized the principals of exports, imports, comparative advantage, and the inter-connections among the economies of the United States and Germany.
3	Television Interviews on Globalization - We interviewed two prominent business leaders on our

	monthly television program, SIFE/BCTV Forum, viewed by over 70,000 persons. A taped version is used in Small Business classes. The Director for the Center for International Trade, Eric Ostrom, explained the intricacies of a global market; the owner/editor of Synthesis Magazine, Mr. Bob Fishki, explained how technology has allowed his company to go global.

HOW BUSINESSES OPERATE BY IDENTIFYING A MARKET NEED

On Make A Difference Day, Butte College SIFE used all features of the 4 P's of marketing - Place (distribution), Promotion, Price and Product - to teach 32 students who graduated from its Oroville, California Entrepreneurship Camp the essence of marketing, market research and profitable production. Each student of the camp produced a good or service that has established him/her as a budding entrepreneur. Thirteen senior citizens also learned about marketing through an E-Commerce workshop.

1	Youth Entrepreneurship Camp - 32 5th - 9th graders learned and applied marketing and production skills by graduating from a four-week camp on October 28th. As part of the applications of their lesson in marketing a product, the students made business cards and included them with deliveries of backpacks to disadvantaged families in Oroville. While teaching civic responsibility, the project, called Backpacks to School, also provided a mechanism for marketing to the community by creating visibility for the students' small businesses.
2	E-Commerce Workshop for Seniors - Butte College SIFE held an E-Commerce Workshop for 13 seniors who learned opportunities for marketing to the community through E-Bay, identifying market need and fulfilling that need.

PERSONAL ENTREPRENEURIAL, COMMUNICATIONS, TECHNOLOGY AND FINANCIAL MANAGEMENT SKILLS

We taught entrepreneurial, communications, technology and financial management skills as part of a broad-based entrepreneurial curriculum to students who were beginning ours Youth Entrepreneurship Camp in Orland, California as well as to students who were completing the Youth Entrepreneurship Camp in Oroville, California on October 28.

Entrepreneurial Skills: Concepts Taught By Butte College SIFE at Entrepreneurship Camps During Make A Difference Week and also at E-commerce Workshop for Seniors.
Entrepreneurial Abilities: Students learned personal qualities of entrepreneurs, the entrepreneur's handshake that reflects confidence, spotting trends and opportunities, and opportunity selection; each student participated in a business plan and business concept competition to underlie the spirit of competition inherent in entrepreneurship in a free market.
Communication Skills: Each student wrote and orally presented a business plan for their businesses; each student developed a business card and flyers to communicate their business concepts to target customers; each student

was given a web address to communicate with mentors and fellow young entrepreneurs through kidsway.com.
Technology: Each student participated in web-based instruction that placed him/her at a computer during the camp. Computer skills were utilized writing business plans and communicating with fellow students; and researching America's trade partners. At the E-Commerce Workshop for Seniors, 13 seniors used computer technology to learn about the rudiments of buying and selling on-line, and identifying market need.
Financial Management: Students learned the importance of record keeping and concepts such as assets, liabilities, profits, balance sheet, and cash flow.

BUSINESS ETHICS

Business ethics was taught as a salient feature of Youth Entrepreneurship Camps in Orland and Oroville. Each student recites an ethics pledge at the beginning of each camp and participates in an ethics simulation. Ethics were also taught through a case study, What Would You Do? which was distributed to grade school through college students. Butte College is proud to say that students in Butte County have an orientation toward ethics in their businesses. We found no significant difference in the students' response to the ethics question when we made comparisons across grade levels. We also found no significant difference between students who had graduated from our camps and those that had not. Almost 300 students across grade levels participated in the case study.

SPECIAL COMPETITION AWARD
SIFE TEACH A CHILD ABOUT BUSINESS WEEK

Northwestern College, Orange City, Iowa
Michael Avery and Phillip Patton, Sam Walton Fellows

Teaching Fifth Graders To Run Their Own Cookie Business

The Northwestern College SIFE team partnered with eighteen fifth graders of Hospers elementary school in Hospers, Iowa, to assist the students in creating and operating their own cookie business. Teaching them the importance and purpose of the basic areas of business from Management to Marketing, the fifth graders then applied those roles (Research, Finance, Bake and Market) to their own cookies.

Over the course of the week, the students learned the full business cycle from concept of their cookie design to selling their product to another class. "The students participated in real world business activity, and really understood profit and loss,' says Sam Walton Fellow, Mike Avery, Assistant Professor of Business and Economics at Northwestern College.

In a little over an hour a day, the children learned in-depth how a business operates by having to deal with limited funds, bank loans, budgets, negotiating with other business, and market choices while grasping elusive concepts such as sales, costs, profit, target market, start-up capital, principle, and interest. After a daily review and lesson the children broke into one of four teams to gain more specialized knowledge.

The Research Department had the task of deciding what type of cookie to produce, how many cookies to bake, and what price to sell the cookies. The Research Department's decisions had to be made quickly and accurately in order for the other departments to begin work. The process included comparing the ingredients' taste and costs with the target market. These decisions included visits to Puttmann's Product Pavilion, the store for the week, and discussions concerning the department budget.

The baking division had three main tasks and goals to accomplish throughout the week. Defining what a budget is, contacting the finance division to obtain a rough estimate of the budget, and determining how to stick to that amount was the first lesson to accomplish. After the research division had decided on the type of cookie that would be selling, the group's next task was to determine all of the baking hardware needed so that each of the four groups would have supplies to make a batch. We compared rental costs for supplies from two different companies. Following this decision, the baking division ran into an obstacle when they found out the rental price of the ovens had increased. The final goal was to determine solutions to solve this increase in expenses. After the decision was made to obtain a loan, the team returned to the rental company, signed the rental agreement, and paid its debts. Emphasis for the baking division throughout the week was placed on staying within budget by having the correct amount of supplies, and mastering the profit equation, sales minus costs equals profit.

The Finance department assisted all the other groups by acquiring and dispersing the necessary funds to allow this cookie business to succeed. Over the course of the week, Finance built the company budget, projected the sales, costs, and profit, and even acquired additional funds from the local bank to secure the fifth grader's success.

They learned first-hand how a business operates through close interactions with the other students and their groups. This allowed the Finance team not only to focus on issues of money and profit but also to better comprehend the whole of business operations.

The "4-Ps of Marketing" provided the students with a firm understanding of the thought process necessary to be successful. Probe, Product, Promotion, and Plan will be consistently referred to throughout the week. Repetition and creativity are crucial to the success of our instruction.

By the conclusion of our week with the fifth grade, they had received the reward of business owners; profit. This understanding that hard work will be rewarded helped the fifth graders to see more fully how the decisions of business owners, such as themselves, impacts their daily life. They then held an assembly with the entire elementary school and personally described their week; the taught becoming the teachers. A test was administered at the beginning and conclusion of the week. Although the tests were similar and covered the same material, individual questions were never the same guaranteeing a clean slate and a fair evaluation.

The fifth graders' scores on Monday averaged out to 13.05 out of 30 possible points. By Friday that number had risen to 20.79 out of 30 possible points. The children improved from 43.5% to 69.3% with a little less than five hours of instruction. This is particularly impressive considering many of these terms and concepts have never been taught to them before.

SPECIAL COMPETITION AWARD KAUFFMAN CENTER FOR ENTREPRENEURIAL LEADERSHIP ENTREPRENEURSHIP ASSISTANCE

Kennesaw State University, Kennesaw Georgia
Gary B. Roberts, Sam Walton Fellow

MicroEnterprise Pro Forma Financial Tutoring with the Kennesaw State University SIFE Team

The goal of our project was that every participant in the Cobb MicroEnterprise Council's 12 week training program would be able to successfully complete pro forma financial statements for their business plans. We devised innovative program to help entrepreneurs grow their business during the past year.

Over 59 SIFE Team members tutored 39 low-to-moderate income persons about how to use Microsoft Excel to develop pro forma financial statements for business plans. Over 300 hours of one-on-one tutoring by SIFE Team members was part of this project (Academic year 2000-2001).
Graduated 39 low to moderate-income persons (2000-2001) from a 12-week intense entrepreneurial and life skill development training modules: ages ranging from 23 to 77 years of age; and 85% women.
Twenty one expansion and eighteen start-up businesses in the community (2000-2001); i.e. car detailing, on-site computer training, day care, hair design, mobile fitness trainer, deck cleaning, catering, wedding consultant, mortgage services for low income, decorative baskets, bakery, photography, medical billing service, sheet metal business, mobile computer training, art framing, art consultant, health food vending machines, cosmetics, tax help services, just to name a few!
Granted 12 loans totaling $11,000, eight loans paid in full (1999-2001), and to date no defaults.
One micro business has projected sales of $500,000 during December 2000 to December 2001, and SIFE students continue to work with this business.
Five graduates left the welfare rolls with income from their micro business (1999-2001). (All grads during the academic year 2000-2001 are now employed).

Diversified the businesses funding through government, public, private foundations, religious foundations, and the financial community.
One of the graduates became the recipient of a national award from U.S. Small Business Administration, Models of Excellence, Visions 2000 award. Another graduate became the recipient of a national award from the U.S. Department of Housing and Urban Development "Simply the Best" for microenterprise development.

The Cobb Microenterprise Council is a "community capacity building collaborative" between Kennesaw State University, Small Business Development Center and Coles College of Business; United Way of Cobb County; Cobb Family Resources; and YWCA in Cobb County. A 12-week program was created to provide low to moderate-income persons with economic development training opportunities that would provide self-employment and job creation in the community. Day one focuses on "life skills" and day two focuses on developing a business plan. The first training program began February 1999, and the K S U SIFE Team was involved from the beginning.

Each member of the Microenterprise class is taught how to write a business plan. Successful completion of the business plan is necessary for completion of the training program. The training uses the Kauffman Foundation's First Step training materials. The SIFE Team's Sam Walton Free Enterprise Fellow volunteered to teach the first two 12-week programs. He quickly identified that the lack of financial skills was the major factor that prevented participants from finishing their business plans. Many of the participants had excellent business ideas, but did not have the computer and software skills to develop these ideas into a format that would be acceptable by a lending institution.

During the second class in 1999, SIFE team members began to volunteer their time to work with participants on the financial components of the business plans - the proforma cash budget, cash flow, and balance sheets. They tutored the microenterprise participants in the use of the computer, how to use Microsoft Excel, and how to financially model their business. Meeting in local libraries or the university computer lab, the SIFE students coached the microenterprise participants through the intricacies of financial plan development. Each student received academic credit for their efforts and their work was graded. An important side benefit was that the SIFE students' financial spreadsheet ability improved significantly by teaching others.

Due to the SIFE tutoring, the percentage of the class completing their business plans increased. By the Fall of 2000, all participants completed their business plans. This is the third year in a row that Kennesaw State University SIFE was active in the Cobb Microenterprise Council training. Over 50 SIFE students tutored 39 members of the Fall 2000 and the Spring 2001 programs. SIFE Team members were assigned in teams of 2-3 to work with each member of the class.

Criteria

The 100% success rate for completed business plans of the 19 participants in the 2000 Fall semester training is a strong measure of improvement. While a plan does not guarantee success, we feel that it does increase the odds of success compared to the lack of a plan. Indications are that 100% of the Spring 2001 participants also will complete a business plan.

Each microenterprise participant now has a financial model of their business in spreadsheet format that allows them to do scenario analysis and compare the results of different tactics.

Almost a third of the microenterprise participants indicated that they had no experience with computers at the start of the training. Another third indicated that their skills were "weak." This is no longer true.

The enthusiasm of both the microenterprise participants and the SIFE Team members was exciting. Not only were the participants encouraged to pursue their entrepreneurial dream, but also many of the SIFE students were bitten by the "e" bug during this process and are now working on their own business plans.