SMALL BUSINESS INSTITUTE DIRECTOR'S ASSOCIATION (SBIDA) 1986

TABLE OF CONTENTS

13. Using Lotus 1-2-3 Models For Cash Flow and Break-Even Analysis
    - Edward H. Osborne
    - David Stephen
14. Small Business Computer Systems: Evaluation, Selection and Training
    - Robert M. Lynch
    - Steve Teglovic
15. The ABC Manufacturing Case: A Teaching Tutorial on Computerizing a Small Business
    - Diane L. Lockwood
16. Curriculum Development in Irish Higher Education: The Growth in Entrepreneurship Courses
    - Barra O Cinneide
17. The Small Business Curriculum as a Major or Minor in U.S. Colleges Today - An Empirical Study
    - Michael S. Broida
18. Writing a Case Study of The Small Privately Held Company
    - Ernest R. Nordtvedt
    - John Folkenroth
19. Entrepreneurial Business Type and Area Location Decisions: Method and Application
    - Douglas P. Dotterweich
    - Donald R. Wilkinson
20. Factors That Motivate and Inhibit The Entrepreneurial Spirit: A Study of Preventures Who Did Not Start a Business
    - William R. Bernhagen
    - Albert E. LaGrille
    - Wesley T. Mott
21. Impact of Available Assistance On Location Preferences For Non-Metropolitan High-Tech Firms
    - Donald D. Myers
    - Daryl J. Hobbs
22. The Imposing Costs of Friendships
    - David M. Ambrose
    - Gene Koepke
23. The Strategy and Structure of Enterprise: Implications of Family Constellations For Family Business
    - Chi Anyansi Archibong
24. The Growth Strategy: The Franchise Alternative
    - Robert T. Justis
    - Patricia Manley Feltes
25. Franchising and The Law
    - Rick Rounsborg
    - Robert T. Justis
26. Export Development Through University Intervention
    - James D. Bell

27. Variables To Identify Export Trading Companies' Participants
    - Abraham Mulugetta
    - Yuko M. Mulugetta
28. Group Self-Insurance: A Small Business Alternative For Workers' Compensation
    - James R. Chelius
    - Robert S. Smith
29. Small Business Institute Directors and The Export Trade Company Act of 1982: A Pilot Study
    - Charles Wiles
    - Van Psimitis
    - Keith Harman
30. How To Use EXIM Bank Financing to be Competitive
    - Ernest H. Brass, III
31. "Opinions of Small Kansas Business Owners/Operators Concerning Hiring, Training and Advancement of Male/Female Nontraditional Workers in Kansas"
    - Ken Hoffman
32. Developing Compensation Programs for the Small Business
    - Charles H. Fay
    - Steven D. Maurer
33. An Empirical Examination of the Relationship Between Employee Education and Perceived Performance in Small Organizational Units
    - Sonny S. Ariss
    - Sherman A. Timmins
34. The Effect Of The Legal Form Of Business On The Management Control System
    - Henry Wichmann
    - John Zublin
35. Evaluation of the Operations of Small Firms Using Sociotechnical Systems Design Methods
    - David G. Watkin
36. The Business Assessment Center: An Incubator Without Walls
    - Robert C. Camp
    - J. Dale Peier
37. A Comparison of the Largest Black-Owned Companies with their White Counterparts
    - Matthew C. Sonfield
38. Entrepreneurial Patterns Of Asian and Black Business Community
    - Samuel K. Moak
39. A Report on the Transfer of the SBDC and SBI Concepts to the Irish Educational Environment
    - Ben Lynch
40. SBDC Subcenter Contracting: The Hassle Free Approach
    - Robert C. Camp
    - J. Dale Peier
    - Susan Osborne-Howe

41. The Feasibility of SBI Client User Fees
    - Pamela S. Schindler
    - Lowell E. Stockstill
42. Integration of SBA Programs to Enhance SBI Effectiveness
    - Elizabeth A. Kendall
    - Peter J. Markou
43. Twelve Profiles of Small Business Institutes: A Correlation Analysis
    - D. Lynn Hoffman
    - R. John Freese
44. Student Counselor Satisfaction with the SBI Program: A National Survey
    - Max E. Douglas
    - Steve W. Lamb
45. An Interactive Model for SBI Team Analysis of Client Firms
    - Fred L. Fry
46. A Model for SBI Participation in Regional Economic Development Activity
    - John C. Howard
47. The SBI Experience: Reactions of Student Team Leaders
    - Dennis J. Elbert
    - Donald G. Anderson
48. Research and Development in Small High-Technology Firms
    - Ali R. Malekzadeh
    - Edwin Tiffany Hawks
49. A Study of the Ethics of Small Business Managers
    - Peter J. Gordon
    - Charles L. Wiles
    - Judith A. Wiles
50. Skip Tracing: Client Counseling After The Client Skips
    - George H. Thompson
51. The Federal Government
    - Charles R. Kuehl
52. Advocacy And The SBIDA
    - Robert A. Kemp

SMALL MANUFACTURER'S PERCEPTIONS OF BANKS' LEVEL OF ASSISTANCE IN THE EXPORTING PROCESS

K. Mark Weaver, University of Alabama Robert McLeod, University of Alabama Donald Selheimer, University of Alabama

ABSTRACT
The current trade deficit is projected to be $150 billion and the impact of small business in reducing it has been insignificant to date. For small firms, the availability of a "financial partner" can be a key factor in the export decision. The key objective of this paper is to examine the degree of assistance and information provided by banks for small firms interested in developing an international presence.

INTRODUCTION
In 1983, the trade deficit of approximately $60 billion was considered a serious problem. In 1985, the deficit is projected at $150 billion and is seen as more than a serious problem. The impact of small business on this problem has not been significant to date, but could become more so if traditional barriers to exporting could be minimized or eliminated. A report published in 1984 estimated an additional 18,000 U.S. companies were capable of exporting $4.2 billion annually (Couretas, p. 21).

The impact of exports is not limited to these firms. All the service areas such as freight forwarders, packers, insurers and bankers are indirectly involved. This paper addresses the current situation in one of these service areas, banking services, One of the constraints to developing the export potential of small firms is the financial capacity and risks associated with product modification, market information, documentation, currency fluctuations, working capital and getting paid (Gill and Brady, p. 27; Forest, p. 12; Weaver, p. 29). Choosing a financial partner in developing exports can be a key factor in encouraging or discouraging or discouraging the move into international trade.

The key objective of this paper is to consider the degree of assistance and information provided by banks to small firms that currently export or have investigated exporting. A second objective is to identify how banks can address the needs of the small exporter.

METHODOLOGY
A sample of 7500 firms was randomly chosen from the roster of the National Federation
of Independent Business (NFIB) by selecting every seventh firm from SIC codes 100-149
and 200- 399. Initial questionnaires were mailed in July, 1984, like regular NFIB information gathering instruments to show the

organization's support and interest in the project. A letter from NFIB President John Sloan accompanied the questionnaire to show its importance, A second mailing, 10 days after the initial mailing with another questionnaire was used to increase the response rate, A total of 2430 questionnaires were returned for an overall response rate of 32.4%. Usable returns were selected based on whether the questionnaire was substantially complete. A total of 2267 returns met the criteria which resulted in a 30.2% usable return rate.

Table I shows how the sample compares to the universe of small manufacturing firms in the SIC codes indicated above, The only variation from national data is the over-representation in the metals area.

TABLE I
MINING AND MANUFACTURING SMALL BUSINESSES
BY SELECTED SIC's:
A COMPARISON OF NATIONAL AND SAMPLE RESPONDENTS

Industry	Small Business (1) Sample (2) N	N	Sample Respondents (2) %	Small Business (1) %
Mining	17,827	133	6.4	5.9
Food & Fiber	43,418	179	15.7	7.9
Wood	40,009	299	14.4	13.2
Printing & Publishing	38,744	285	14.0	12.5
Chemicals, Rubber, etc.	30,579	263	11.0	11.6
Metals	30,996	525	11.2	23.1
Tools & Machines	38,818	226	14.0	10.0
Equipment & Instruments	36,702	251	13.2	11.1
Other	N.A.	122	N.A.	5.3
Total	277,093	2283	99.9	100.0

Source: (1) Bureau of the Census, Department of Commerce, Enterprise Statistics, 1977
(2) Survey conducted August, 1984, by Dr. K. Mark Weaver.

RESULTS
The respondents were asked to indicate which factors influenced their initial decisions to export or to investigate the export process.

The three factors which were most often chosen as "very important" included:

- Unsolicited orders from abroad 44% - Heard it was profitable 18% - Way to expand 13%

The other 10 influences were not cited over 10 percent of the time as "very important" to the process.

The most negative response was "No Importance" and was the majority response from all but the first two indicated above. The unsolicited order was the key issue. The least influential factor in the export decision was the banker with 82 percent indicating "No Importance" in the exporting decision. Based on recent bank efforts in the export trading company area and the amount of discussion over the trade deficits, this was surprising.

With over 50 percent of the respondents indicating that a significant limit on exports was the inability to commit the financial resources required, it would appear a strategic gap exists for bankers to pursue.

The third and most significant area for discussion is related to the level of assistance and services provided by bankers to the small firm. Table 2 presents the results relating to services provided other than direct financing of the export Sale.

TABLE II
LEVEL OF ASSISTANCE BY BANKERS FOR SELECTED FACTORS IN THE EXPORT PROCESS

Selected Factors	No Help	Limited Help	Some Help	Extensive Help	Total
Finding Markets	95.0%	3.0%	1.5%	0.5%	100.0%
Getting names of overseas contracts	93.5%	4.7%	1.3%	0.5%	100.0%
Communicating with customers	87.2%	7.9%	4.4%	0.5%	100.0%
Export documentation	77.1%	10.9%	9.5%	2.4%	100.0%

It is frequently asserted that bankers are critical points in the export process and provide small firms considerable assistance outside the financing area. Given the comprehensive nature of export information necessary, such "one-stop" shopping would be valuable to smaller or new firms. Unfortunately, the data gathered in this survey strongly suggests that bankers provide "No Help" outside their traditional financing area.

It should be remembered these are the respondents perceptions of the level of assistance and bankers may well disagree with these findings.

It should also be noted that finding markets and overseas contacts were considered "significant problems" in exporting as reported in the comprehensive study (Weaver, p. 29). These two areas were cited by approximately one-quarter of all respondents. If there are nearly 50,000 potential and existing small exporters unable to obtain needed services, there appears to be a-market opportunity. Small firms do not do extensive research into alternative banking arrangements, Gaeta (p. 30) states that the small companies "take a passive approach, waiting to be discovered by the "right" bankers. Small firms are advised by Gaeta to choose the right bank and manipulate the financial markets by understanding the differences in bank policies toward export finance." (p. 32) The difficulty with this aggressive policy is information often originates from a local or regional lender who is afraid of losing deposits or other bank loan activity. In fact, Abrams (p. 62) has stated that most regional banks enter international banking for defensive reasons. This strategy is hardly conducive to objective evaluation of the initial export financing requirements of the small firm.

DISCUSSION AND CONCLUSIONS

The data presented in this paper has shown a clear need by small firms for services and information related to the export process. Banks are in the unique role of coming into contact with all small firms on a regular basis. The influence the bankers could have on the initial export decision cannot be overstated. A supportive attitude could mean more investigation of opportunities, a negative attitude could mean an end to the process. The lack of help in the areas most critical to small firms are opportunities for bankers if they can turn them into profitable activities, hold onto existing customers, or attract new customers.

For example, the 1982 Export Trading Company Act led to 35 banks setting up trading affiliates as of February, 1985 (Barovick, p. 19). Barovick also indicates that bank opportunities exist to serve the management requirements of Foreign Sales Corporation (FCS) that replaced the Domestic International Sales Corporations, This level of activity may be in the latter stages of export development, but shows the income generating potential if small firms' exports grow to become a vital part of their market strategy. The trading company concept and the existing correspondent bank relationships that exist could both be ways to address the needs cited in Table 2 for market information.

While firms traditionally appear to value price related factors, i.e., interest rates, a recent study showed that the factor "knows you and your business" was most frequently rated very important (67%) by small firms (Dunkelberg, et al, p. 250). The local or regional bank that takes the extra step to understand the business and provide needed services could be in a more competitive position.

Abrams (p. 62) states banks enter international banking to expand, protect, or stabilize the expected flow of future earnings based on some perceived expertise or market need. The recent efforts to expand export activity could be a major new source of clients and fees. Banks must generate and make decisions in a profit mode, but should also look at longer run potential in the international area. A greater emphasis on services to area firms could be a key factor in improving bank services to small firms.

REFERENCES

(1) Abram, Richard K., "The Role of Regional Banks in International Banking" Columbia Journal of World Business, Summer, 1981, pp. 62-71.

(2) Barovick, Richard L., "Banks Are Rushing to Set Up Export Trading Companies" Business America, Feb. 4, 1985, pp. 19-21.

(3) Couretas, John, "SBA Studies Export Trade Role" Business Marketing, May,, 1984, p. 21.

(4) Dunkelberg, William C., Jonathan A. Scott and Edwin L. Cox, "Small Business and the Value of Bank Customer Relationships" Journal of Bank Research, Winter, 1984, pp. 248-257.

(5)Forest, Donald R., "The Export Challenge Leads to Success" Business America, April 29, 1985, pp. 12-13.

(6) Gaeta, John J., "How to Choose the Right Bank for Ex-port Assistance" American Import Export Management, February, 1985, pp. 30-32.

(7) Gill, Roger W. T., and Donald C. Brody, "A Comparative Study of U.S. Department of Commerce Directors Attitudes Toward Their Ability to Provide Export Assistance to Small and Large Businesses in Selected States" American Journal of Small Business, Vol, VII, No, 1, July- Sept., 1982, pp. 27-32.

(8) Weaver, K. Mark, Small Business in Export Markets (monograph). Published by National Federation of Independent Business, February 1985.

INCOME TAX CHANGES UNDER PROVISIONS CHANGED BY A 1985 TAX LAW

Allen W. McConnell, University of Northern Colorado John E. Elsea, University of Northern Colorado Richard D. McConnell, University of North Dakota Paul Bohrer, University of Northern Colorado Pauline R. Jaouen, University of Northern Colorado

Abstract
Our panel will discuss changes in the Federal Income Tax Law under a tax bill which is expected to pass Congress and be signed by President Reagan in late 1985 or early 1986. An outline based on President Reagan's proposal on May 29, 1985, entitled "The President's Tax Proposals to Congress for Fairness, Growth and Simplicity is presented below. Changes will be made in the presentation to reflect the latest development in the Federal Tax Law.

I. Provisions Affecting Individuals

A. Rate Reductions

B. Personal Exemptions and ZeroBracket (Standard Deduction) Amounts.

C. Income Averaging

D. State and Local Taxes

E. Limitations on Itemized Deductions for Interest

F. Capital Gains

G. Decreased Deductions for Employee Business Expense and Miscellaneous Items.

H. Two Earner Deduction

I. Child and Dependent Care

J. Benefits for Elderly, Blind and Disabled

K. Miscellaneous Changes

II. Provisions Affecting Business

A. Changes which May Affect all Forms of Business Organizations

1. Cost Recovery System

        2. Depreciation Recapture
        3. Investment Tax Credit
        4. Inventory Methods
        5. Accounting for Production Costs
        6. Entertainment,Business Meals, and Travel
        7. Miscellaneous Changes
    B. Corporate Provisions
        1. Tax Rates
        2. Dividend-Paid Deduction
        3. Alternative Minimum-Tax
        4. Miscellaneous Changes

III. Fringe Benefits and Retirement Programs
    A. Fringe Benefits
    B. Individual Retirement Accounts
    C. Qualified Plans

IV. Other Areas of Change
    A. Tax Shelters
    B. Taxation of Income from Trusts, Estates, and Gifts
    C. Miscellaneous Tax Credits
    D. Penalty Provisions
    E. Miscellaneous Changes

V. Summary A. Effect on Your Taxes

ON ADVISING SERVICES-ORIENTED CLIENTS

Vinay Kothari, Stephen F. Austin State University Robert H. Solomon, Stephen F. Austin State University

ABSTRACT
This paper examines some of the unique features strategic problems and practices of small services-oriented business organizations. On the basis of experiences with SBI clients over the past few years and literature, the study provides certain understandings and guidelines which could be useful in advising services-oriented clients effectively.

INTRODUCTION
A considerable amount of research, dialogue and literature on the subject of small business management has emerged over the past few years. This is undoubtedly a positive development, because small businesses are a vital part of the U.S. economy. It seems, however, that the focus largely has been on the problems, practices and policies of small organizations which primarily manufacture and/or sell "tangible" products. Small services-oriented firms seem to have received relatively less attention in spite of the fact the United States is rapidly growing in the services sector.

The growth in the services-sector, in comparison with that in the manufacturing sector, is spectacular (12,14,15). Of the seven million jobs created over a two-year period of recent economic recovery, five million were in the services sector. Between 1950 and 1983, as shown in Table I, the services sector grew from 30.9 to 49.6 as a percentage of gross national product; in contrast, the manufacturing sector fell from 56.7 to 41 percent. It is estimated that almost 70 percent of all nonfarm jobs are in the services sector.

Table I and II present certain trends that clearly point out that the United States is "deindustrializing". The manufacturing sector is declining in its economic importance, while the services sector is growing in importance. This situation, according to Lovelock (7, pp. 1-4), is the result of development such as deregulation, advancing computer technology, the growth of franchise chains, and changing professional standards. These developments have encouraged competition, business entry or expansion in the market place, standardization of certain features and prices, centralized management, and mass advertising. The present economic environment represents so many opportunities and challenges that it calls for a better understanding of the management of services. This paper provides some insights and guidelines for small business advisors on the basis of literature survey and the knowledge acquired through participation in the SBI program.

UNIQUE FEATURES OF SERVICES

A major problem of services is the problem of definition. Because services are often closely associated or intertwined with "products", they are difficult to define. Most researchers tend to discuss services in relation to their unique features, and provide no clear-cut definitions. Schlissel (10, p. 37), for instance, writes: "A service may be considered a topical application of skilled labor, specialized knowledge, or technique that promises to improve the customer's situation. Intangibility is the overriding characteristic. From this, others are derived . . . nonstandardized . . . the indivisibility of the service and its producer."

TABLE I
US GROSS NATIONAL PRODUCT-SELECTED YEARS

By Good & Services

Year	Total (In Billions $)	Goods Total (In Billions $)	Goods % of Total GNP	Services Total (In Billions $)	Services % of Total GNP
1950	286.5	162.4	56.7%	88.5	30.9%
1960	506.5	254.2	50.2	193.8	38.3
1970	992.7	459.9	46.3	429.9	43.3
1974	1434.2	646.7	45.1	636.1	44.4
1975	1549.2	694.0	44.8	705.2	45.5
1980	2631.7	1140.6	43.3	1225.2	46.6
1981	2957.8	1294.8	43.8	1373.0	46.4
1982	3069.3	1276.8	41.6	1510.8	49.2
1983	3304.8	1355.7	41.0	1639.3	49.6

Source: Adapted from the U.S. Bureau of the Census, Statistical Abstract of The United States 1985, 105 Edition, Washington, D.C., 1984, p. 431.

TABLE II
PERSONS EMPLOYED IN SELECTED SERVICE INDUSTRIES: SELECTED YEARS (IN THOUSANDS)

SERVICES	1970	1975	1980	1981	1982	1983
Total	13,250	15,185	18,999	19,716	20,085	20,843
Hotels and other lodging places	993	1,097	1,252	1,301	1,330	1,368
Personal services	1,323	1,135	1,270	1,276	1,272	1,315
Business services	1,655	2,024	3,045	3,237	3,311	3,689
Auto repair, services, garages	494	598	786	815	851	866
Misc. repair services	312	388	461	507	501	507
Motion pictures	180	211	243	264	259	267
Amusement, recreational services	397	508	665	678	684	698
Health services	2,878	4,046	5,119	5,374	5,550	5,711
Legal services	385	465	643	683	729	766
Educational services	998	1,184	1,296	1,321	1,344	1,255
Membership organizations	1,756	1,856	2,180	2,182	2,160	2,292
Misc. professional services	726	887	1,284	1,338	1,367	1,374
Private households	1,153	786	755	740	727	735

Source: Adapted from the U.S. Bureau of the Census, Statistical Abstract of The United States 1985, 105 Edition, Washington, D.C., 1984, p. 431.

James L. Schorr of Holiday Inn (in 7, p. 11) explains: " . . . a product is something a consumer purchases and takes with him or consumes, or otherwise uses. If it is not physical, not something that they can take away or consume, then we call it a service."

Shaw and Semenik (11, p. 367) define services as follows: "Pure services are activities, benefits, or satisfactions that are offered for sale where there is no exchange of tangible goods involving a transfer of title. "Intangibility, according to Shostack (in 7, p. 38), makes a service significantly different from a product; although a service may have ". . . tangible trappings, . . . no amount of money can buy physical ownership of such intangibles as 'experience' (movies), 'time' (consultants), or 'process' (dry cleaning)."

There is apparently a problem of definition. As a result, it becomes difficult to identify "service" organizations from "nonservice" organizations. The U.S. Bureau of the Census (14, p. 779) uses the 1972 Standard Industrial Classifications (SIC) Manual to define service organizations as those establishments " . . . primarily engaged in providing a wide range of services for individuals and for business." Table II gives specific examples of service organizations that are based on the SIC

classifications. The National Federation of Independent Businesses (NFIB) identifies certain industries and businesses within these industries as follows: The FINANCIAL SERVICES INDUSTRY – finance companies, insurance, real estate, banks and savings & loan; The NONPROFESSIONAL SERVICES INDUSTRY - beauty salon, barber shop, garage, motel, hotel, repair services, bookkeeping services, photographer, funeral director, rental agency, credit
bureau, and laundry; the PROFESSIONAL SERVICES INDUSTRY - physician, dentist, attorney, optometrist, engineer, architect, accountant, and skilled nursing care facility.

These industry classifications are not perfect, and not everyone would agree with them. A photographer or a funeral director may strongly object to the given nonprofessional status. Is a firm, such as IBM, which has technical products requiring extensive technical services support, in the services industry or in the manufacturing industry? To which industry does a university professor, whose lectures could be video-taped and sold, belong? There are undoubtedly conceptual problems, because "pure" products or services are very few in the marketplace.
Lovelock (5) considers, current classification systems as inadequate, and offers five conceptual schemes to classify services. His schemes are based on the following questions: 1. What is the nature of the service act? 2. What type of relationship does the service organization have with its customers? 3. How much room is there for customization and judgment on the part of the provider? 4. What is the nature of demand and supply for the service? 5. How is the service delivered? Solomon and associates (13) offer role theory as a potential basis for classifying services; because of their role similarity, a bank teller and an airline reservation clerk would be in the same category.

According to Shaw and Semenik (1 1 , p. 367). Services classification criteria should include ". . . type of seller, type of buyer, buying motives, buying practices, characteristics or attributes, and degree of regulation." These advocates of services classification approaches believe that their schemes would provide insights which would be useful in overcoming strategic problems of services.

STRATEGIC PROBLEMS
Services' unique characteristics perishability, inseparability (or simultaneous production and consumption), quality variability (or heterogeneity), and intangibility – create strategic problems in the areas of quality, promotion, distribution, pricing, and consumer perception. Many of these problems are summarized in Table III.

Since a service is intangible it cannot be observed, touched, felt or tried out before it is purchased. The benefit of a service cannot be experienced or correctly anticipated until the service is provided and simultaneously consumed. In contrast, a tangible product can be examined before it is purchased, and the product benefit can be predicted. This intangible feature of a service represents a considerable amount of uncertainty - and thus risk - for the customer, especially when the customer is dealing with the service provider for the first time without any previous experience. Even if the customer has had some experience with the provider, there still exists a perception of high risk because the quality of service may vary slightly or significantly from one time period to another or from one person to another within the same selling organization. This heterogeneity characteristic and intangibility often force the customer to dwell on dissatisfaction rather than satisfaction which may result from a service consumption. Levitt (4, p. 100) writes: "The most important thing to know about (service)..... is that the customers usually don't know what they're getting until they don't get it. Only then do they become aware of what they bargained for; only on dissatisfaction do they dwell. Satisfaction is, as it should be, mute. Its existence is affirmed only by its absence." A customer's preoccupation with dissatisfaction could prevent him from trying out a service provider initially, or it could force him to look for another provider in the event there emerges dissatisfaction from a service. Customer satisfaction and loyalty are difficult to achieve and maintain, particularly when the competition is keen.

Another strategic problem of services is caused by perishability. Since finished services cannot be stored or inventoried, difficulties exist in matching demand with the available capacity (6, p. 67). Fluctuating or seasonal demand pose excess capacity /shortage problems. During off season the available capacity may be underutilized, requiring either expansion of demand or reduction in capacity; while during the season or certain promotion periods, the capacity may be inadequate and may necessitate expansion. If the capacity is not expanded to match the growth in demand, revenues may be lost or the quality of services may deteriorate resulting into customer dissatisfaction. Matching demand and capacity is thus a challenge.

There are other problems, too. Because the service provider and the service receiver are inseparable, the receiver has to come to the delivery point or the provider has to go to the receiver. This feature necessitates direct or short channels of distribution which may include multisite locations and numerous service providers. The result usually is high cost of distribution and variability in quality.
Promotion of services presents several challenges. A service lacks tangibility as there is no physical form or substance. Thus, the challenge, as pointed out by Levitt (4, p. 102), is to tangiblize the intangible by stating the benefits in a perceivable manner; the promotional focus may emphasize items such as office decor and dress rather than the "real" service benefit. Professional services with high human contact pose special promotional problems, because of the established

professional standards and the need to maintain client trusts (1). Certain recent trends have forced many professionals to promote their services (16); however, people consider marketing activities of professionals as distasteful and unprofessional like conduct. These traditionally held views about professional activities make promotion of services difficult in spite of legal sanction. Lovelock and Quelch (6 p pp. 69-70) state: "High risk, infrequently purchased
services with which the consumer is not familiar and which are perceived to be differentiated on nonprice attributes lend themselves less to promotion - particularly if promotional efforts might jeopardize a carefully cultivated image of quality. For these reasons, promotions are rarely offered on professional or funeral home services."

TABLE III
UNIQUE FEATURES, PROBLEMS AND STRATEGIES OF SERVICES MARKETING

Unique Service Features	Resulting Marketing Problems	Marketing Strategies to Solve Problems
Intangibility	1. Services cannot be stored. 2. Cannot protect services through patents. 3. Cannot readily display or communicate services. 4. Prices are difficult to set.	1. Stress tangible cues. 2. Use personal sources more than nonpersonal sources. 3. Simulate or stimulate word-of-mouth communications. 4. Create strong organizational image. 5. Use cost accounting to help set prices. 6. Engage in post-purchase communications.
Inseparability	1. Consumer involved in production. 2. Other consumers involved in production. 3. Centralized mass production of services difficult.	1. Emphasize selection and training of public contact personnel. 2. Manage consumers. 3. Use multisite locations.
Heterogeneity	1. Standardization and quality control difficult to achieve.	1. Industrialize service. 2. Customize service.
	1. Services cannot be inventoried.	l. Use strategies to cope with fluctuating demand.

Perishability simultaneous	2. Make adjustments in demand and capacity to achieve a closer match between the two.

Source: Adapted from: Zeithaml, Parasuraman and Berry (17, p.35).

The need to maintain certain image about the quality of service creates pricing problems. Most services-oriented firms, as found by Schlissel (10) in his study of 43 small service firms, follow flexible pricing policies depending upon the firm's perception of its market segment and competitive position. Being competitive is one thing, but using price cuts as a weapon to gain a competitive advantage could create a bad quality image. This is particularly true where the service recipient is "human" rather than "thing". Even if therecipient is "thing", any reductions in price to lure customers away from the competitors remain questionable unless the reductions are substantial. In a highly competitive environment, prices tend to be very similar even though services are not standardized. The fact is that because services differ from each other, it is almost impossible to draw price-quality comparisons accurately. The influence of prices on consumption decisions is hard to establish; as a result, pricing problems cannot be coped with easily. Also, because services involve a lot of indirect or overhead costs, it is difficult to figure how much a specific service costs.

STRATEGIC GUIDELINES

These services marketing strategic problems underscore the importance of marketing orientation directed toward customer satisfaction. A study of 323 service firms by Parasuraman, Berry and Zeithaml (9) found that the service firms' marketing orientations varied by industries and other characteristics; for instance, personal services' and business services were found to be more marketing oriented in comparison with hotels and banks. From their findings, the researchers concluded that the service firms with insufficient marketing orientation would be vulnerable in the years to come.

A service firm can do many things to become marketing oriented. The main focus of all efforts should be to increase customer satisfaction and to overcome causes of dissatisfaction.

Human error and neglect are usually the major causes of dissatisfaction (4). Recruiting skilled people or training people for services is perhaps the first step toward customer satisfaction. Service providers need to be motivated to perform well through promotion that may include both financial and nonfinancial incentives. Bloom (1) recommends converting "doers" into "sellers". Training in human relations is important; and it is, in fact, emphasized in basic police training across the nation (2). The importance of qualified service staff cannot be overemphasized as the customer assumes and expects human competence; the customer becomes suspicious about competence in the event he/she perceives, rightly or wrongly, even a slight human error, neglect or indifference. As advocated by Solomon & Associates (13), social interaction is facilitated by congruent role expectations while efficiency is decreased in case of discrepant role expectations.

Client education as to what to expect from a service and how to distinguish a good service from a poor one is essential. Educational seminars by service providers - particularly professionals - could be useful in the creation of realistic expectations (1). Gelb (3) applies Herzberg's theory of worker satisfaction to services marketing, and recommends "achievement creation" or active consumer involvement (participation) in the, marketing process; a doctor, for instance, instead of just attending to his patient's present medical problem, can involve his patient in health management and teach him how to achieve and maintain good health.

There are other approaches which a firm can undertake in marketing its services. Many of these approaches are summarized in Table III. Lovelock and Quelch (6) suggest sales promotions techniques such as coupons, discounts, premiums, and prizes. The service differentiation, according to Shaw and Semenik, is a useful competitive weapon. Bloom (1) recommends that professionals be selective in accepting clients. In order to manage demand and capacity effectively, Sasser (in 7, pp. 330-338) provides several guidelines and warns about the following: increasing the wrong kind of capacity, not increasing all-around capacity, not considering the competitive reaction, and undercutting one's own service.

SBI INVOLVEMENT WITH SERVICE FIRMS

Seventy cases involving service firm that worked with SBI teams between 1980 and 1985 were reviewed to determine the nature and scope of their problems and if their problems paralleled those generally associated with service firms as outlined in the previous sections of this paper.

Specifically, we wanted to know the level of participation in the SBI program by service firms and the nature of the problems they asked the SBI teams to help solve. Perhaps equally important was identifying the types of service firms that DID NOT seek help. For example, only four of the seventy clients could be classified as professional. This suggests that professionals did not feel they needed help or did not think an SBI team could provide the quality of help needed. However, all four of the professional cases were client initiated (they contacted us) which might indicate that the purpose and benefits of the SBI program were not adequately communicated to this segment of the business community.

Categorically, the survey revealed that the most common area of client-perceived need concerned ways of increasing sales. The clients typically felt that promotion could solve their demand problems and viewed it as a force isolated from other elements of their service and marketing mix. Additionally, those that clearly needed promotional help seemed generally unwilling to commit the resources necessary to pay for an adequate promotional program.

When poor or inadequate advertising is thought to be a major problem, but in fact the true problem is more one of poor management, it is very hard for the SBI students (who are usually young and inexperienced) to tactfully tell the client that advertising would only serve to bring customers into a situation they could well find unsatisfactory. One client wanted a promotional plan that would pull customers into his dirty, unkept restaurant. Another refused to accept the fact that a salesclerk was so rude and offensive to customers that most never returned. Still another wanted advertising to compensate for uncompetitive prices and inadequate customer service.

One SBI client, a donut shop, made great pastry but maintained an untidy and shabby facility. Ads were run, flyers circulated, and a sign placed in front of the shop offering special prices that hopefully would attract customers. The business failed. The proprietor of a dry cleaning business was very friendly and well liked by everyone who knew him. Unfortunately, he failed to instill the same traits into his employees that waited on his customers. Newspaper, radio and coupon advertising were used to promote the business. The owner was doing a great job of cleaning his customer's clothing, but his customer contact people were alienating them by their uncourteous and unprofessional behavior. This business also failed. So did an optician who consistently promised, and even advertised, faster delivery of glasses and contacts than he was able to make.

These examples serve to illustrate how important the circumstances which surround the delivery of a service can be. In all three cases, it was not the service itself or a lack of advertising and promotion that resulted in business failure; it was a lack of attention to the need-satisfying components of the service mix.

Service marketing, as compared with product marketing, is more of an individualized process that requires a high level of sensitivity to individualized needs. This suggests that an effective promotional program for a service firm should start with a concerted effort to identify customer needs and expectations since a satisfied customer is normally the most effective advertising medium a service business can have. The unstructured nature of most services, combined with the customer's inability to physically examine them prior to purchase, means that customer information comes either from the advertising claims of the business or from the recommendations of prior purchasers of the service. Since recommendations (either good or bad) from a friend or acquaintance have a much greater impact on purchase decisions than impersonal ads, the heart of a service firm's promotional strategy should be a program that builds a level of customer goodwill that produces favorable word-ofmouth recommendations. When service firms fail to satisfy their customers, whether by providing poor service or poor delivery of the service, they lose their most effective and least expensive promotional tool.

SBI student teams assigned to counsel service businesses should be aware of how best to advertise and promote these businesses. They should make their clients aware of the limitations of advertising; a firm may attract first time users, but it cannot hold them if they are not satisfied with what they receive. Most businesses cannot survive without a strong core of repeat customers, and most service businesses find it difficult to survive without good word-of-mouth support from satisfied customers. Repeat patronage is earned by meeting customer expectations of service quality and delivery, something advertising cannot do alone.

As discussed previously, services are extremely perishable; they cannot be created in advance and stockpiled to meet. unexpectedly high demand or seasonal peaks. Neither can they be carried over if not sold today. Most service firms, particularly small ones, face either a demand or supply problem, but it seems those with demand problems are more inclined to ask for assistance from an SBI team. It is rare that SBI assistance is sought to help solve a supply problem although undersupply can be an extremely troublesome problem that can have dire long term implications.

This is true because services frequently involve direct customer participation and the customer is personally and directly inconvenienced when demand exceeds supply. The customer forced to wait for an extended period to be seated in a restaurant, sit too long in line at the bank's autoteller, or wait five days for a plumber to call are examples of insufficient service supply. These type situations, where the customer is so directly involved, can discourage repeat patronage because the customer will attempt to find a supplier that will better deliver the service.

Noticeably absent from the SBI reports were situations dealing with undersupply. Apparently, most service retailers do not view excess demand, or undersupply, as a problem; too little business is a problem, too much is not. Although occasional undersupply can be expected, and likely will produce little or no permanent loss of patronage, repeat occurrences can build ill will that is hard to overcome. However, when a firm gets a reputation for delivering poor service, the longer term longevity of the business is jeopardized. It should be remembered that customers tend to dwell on dissatisfies and are much more likely to pass along unsatisfactory experiences than favorable ones.

CONCLUSIONS

In conclusion, services represent numerous strategic problems due to their unique features and characteristics. These problems call for different or innovative strategic approaches and tactics, which are based on sound research. There has been some academic interest and research activity in services marketing. However, this professional effort is far from being adequate. The major conclusion to be drawn from the review of specific SBI reports of service clients is that student counselors should be made aware of the peculiarities of service marketing so they can better identify their client's problems and recommend practical solutions. Because the service sector has become such an important contributor to the economic well-being of the nation, it seems appropriate that every effort be made to provide service firms with the best possible management assistance.

REFERENCES

(1) Bloom, Paul N., "Effective Marketing for Professional Services," Harvard Business Review, Vol. 62, No. 5, September-October 1984, Pp. 102110.

(2) Das, Dilip K., "A Review of Progress Toward StateMandated Police Human Relations Training," The Police Journal, Vol. 58, No. 2, April 1985, pp. 147-160.

(3) Gelb, Betsy D., "How Marketers of Intangibles Can Raise the Odds for Consumer Satisfaction," The Journal of Consumer Marketing, Vol. 2, No. 2, Spring 1985, pp. 55-60.

(4) Levitt, Theodore, "Marketing Intangible Products and Product Intangibles," Harvard Business Review, Vol. 59, No. 3, May-June 1981, pp. 94-102.

(5) Lovelock, Christopher H., "Classifying Services to Gain Strategic Marketing Insights,
" Journal of Marketing, Vol. 47, Summer 1983, pp. 9-20.

(6) Lovelock; Christopher H. and John A. Quelch, "Consumer Promotions in Service Marketing," Business Horizons, Vol. 26, No. 3, May-June 1983, pp. 66-75.

(7) Lovelock, Christopher. Services Marketing (Englewood Cliffs: Prentice Hall, 1984).

(8) Moskowitz, Daniel B., "Lawyers Learn the Hard Sell and Companies Shudder," Business Week, June 10, 1985, pp. 7071 .

(9) Parasuraman, A., Leonard L. Berry and Valerie A. Zeithaml, "Service Firms Need Marketing Skills," Business Horizons, Vol. 26, No. 6, NovemberDecember 1983, pp. 28-31
.

(10) Schlissel, Martin, R., "Pricing in a Service Industry," MSU Business Topics, Vol. 25, Spring 1977, pp. 37-48.

(11) Shaw, Roy T. and Richard J. Semenik, Marketing (Cincinnati: Southwestern Publishing Co., 1985), pp. 365-383.

(12) Shelp, Ronald K., "The Service Economy-Implications for Policy and Economic Analysis," Vital Speeches of the Day, Vol. 50, December 1983, pp. 119-l22.

(13) Solomon, Michael R., C. Surprenant, J. Czepiel and E. Gutman, "A Role Theory Perspective on Dyadic Interactions: The Service Encounter," Journal of Marketing Vol. 49, Winter 1985, pp. 99-111.

(14)U.S. Bureau of the Census, Statistical Abstract of the United States: 1985, 105th Edition, (Washington, D.C., 1984).

(15) Urquhart, Michael, "The Employment Shift to Services: Where Did It Come From?" Monthly Labor Review, Vol. 107, April 1984, pp. 15-21.

(16) Van Doren, Doris C., Louise W. Smith and Ronald J. Biglin, "The Challenges of Professional Services Marketing," The Journal of Consumer Marketing, Vol. 2, No. 2 Spring 1985, pp. 19-26.

(17) Zeithaml, Valarie A., A. Parasuraman and Leonard L. Berry, "Problems and Strategies in Services Marketing", Journal of Marketing", Vol. 49, Spring 1985, pp. 33-46.

THE CLINTON PROJECT

ROBERT J. KERBER, ILLINOIS STATE UNIVERSITY

ABSTRACT
The Clinton Project was a follow on study after the very successful Onarga Project. A second section of the Small Business Institute Course (Small Business Management) was opened to specifically work with the town of Clinton, Illinois.

Preliminary work was done before the class was organized. Discussions with town leaders began the spring of 1985 and continued through the summer. Colleges other than the College of Business offered to participate in the study.

This Project is significantly different than the Onarga Project. In the Clinton Study, two Universities are involved, Illinois State University and Milliken University are working together. In addition, the Small Business Development Center units from each university are also involved.

The Illinois State University students were divided into eight teams. The work assignments were predetermined by Clinton community leaders.

The Small Business Administration agreed to fund the Project by allowing five cases ($2000.00) for each university. This Project duration is two concurrent semesters. The Illinois Department of Commerce and Community Affairs have offered informational assistance to the Project.

INTRODUCTION
The town of Clinton had two major conditions that needed immediate attention:

1. Illinois Power Company is about to finish the Clinton Nuclear power plant. Upon completion, 7500 workers will have their jobs terminated.

2. The State of Illinois has decided to make Route 51 a major highway built to interstate specifications. The road will be straightened and widened to four-lane from Rockford to Decatur, Illinois. Several businesses along the current Route 51 will be eliminated.

The author and Mr. Stan Magiera discussed the possibility of Illinois State University's Small Business Institute working with the town of Clinton. Stan Magiera discussed the plan with Mr. Sam McGrier, ADDBD, and with Mr. Richard Durken, Region 5 Regional Director. During these discussions, the idea of two Universities and their corresponding Small Business Development Center counterparts were added to the program. The Small Business Administration allowed five cases ($2000.00) per semester for both Illinois State University and Milliken University. The Project duration will be for two concurrent semesters, Fall 1985 and Spring 1986.

The author had discussed the Project and its possibilities with the Clinton leaders prior to seeking Small Business Administration funding. Clinton city Officials made arrangements to meet with the Onarga town officials to find out more about this type of project from an actual user. After their visit to Onarga, Clinton officials gave full support to go ahead with the program.

The two University Project leaders frequently met with Ms. Lenna Rowe, Executive Director of the Chamber of Commerce, and Mr. Richard Helton, office of Economic Development. Both Ms. Rowe and Mr. Helton were able to speak with the business persons and town leaders to try and determine the most important project areas on which to work.

The list of projects was given to the author and to Jack Gaston, Project Coordinator from Milliken University. After reviewing the list of work areas, the author and Jack Gaston agreed upon each University's project areas to be assigned.

There were additional meetings with Clinton personnel to determine further strategies.
Ms. Lenna Rowe agreed to make up a list of local business and civic personnel that would act as contact points when students came to Clinton seeking information. It was decided a meeting of City personnel, the persons on the Clinton personnel list, the students and faculty from both Universities, Small Business Administration and IDCCA representatives should be present at this mass meeting.

Illinois State University had several willing persons outside the College of Business that were interested in participating in the Clinton Study. The author was delighted that other members of the university community would offer their services. The following faculty are working on the Clinton Project:

Ann Elder, Political Science Del Ervin, Sociology Bob Wasienski, Sociology John Fisk, Communications Ann Malone, History Jo Rayfield, History

The student teams from Illinois State University were assigned the following work areas:

1. Retail Development

2. Community Attitude Readjustment

3. Hotel/Motel Development

4. Restaurant Development

5. Tourism Development

6. Municipal Recreation Development

7. Public Relations/Publicity

8. Consumer Studies

At the time of this writing, the teams have been working about six weeks with their projects.
Ms. Jodi Karr, Editor of The Clinton Daily Journal newspaper, has agreed to run weekly press releases in order that the citizens of Clinton will be kept up to date on our progress.

The author and student team members find the Clinton people friendly and helpful in supplying information pertinent to this study.

The student teams submit weekly:

1. A press release for the newspaper

2. A weekly progress report on their achievements

At the conclusion of this study, the author will publish the findings of the study. He also plans to make video tapes of this project to share with others that are interested in using Small Business Institute teams to work with troubled communities.

THE SELECTION AND DEVELOPMENT OF INSTRUCTIONAL STAFF FOR SMALL BUSINESS CONTINUING EDUCATION PROGRAMS

Charline S. Russo, Rutgers University Institute of Management & Labor Relations

ABSTRACT
The subject matter expertise and instructional skills of instructors are instrumental to continuing education program success. The ongoing process of recruitment, selection and training and development of continuing education instructors is explored, including the identification and utilization of available resources. The essentials of effective organizational communication processes are discussed, including orientation, faculty handbooks, mentoring, staff meetings, social gatherings, performance evaluation and formal and informal training programs. The Director as the key individual in the process is emphasized.

INTRODUCTION
The success or failure of a continuing education program depends upon the technical competence and teaching skills of the instructional staff. Program participants will often overlook (and usually forget) administrative errors, uncomfortable facilities or even a less than "gourmet" meal if the instructor was a qualified professional who conducted the program in an effective manner. How can a Small Business Center Director recruit, select and develop a core of professionals who can serve as continuing education instructors? What is the role of the Director in this process? This paper will explore the ongoing process of recruitment, selection, and training and development of an adjunct staff of instructors, including the identification and utilization of available resources. The role of the Director is emphasized as the essential individual in the process. Specific suggestions and recommendations are included.

Recruitment and Selection
Small Business Center Directors often receive resumes of individuals who are anxious to provide their professional services. Oftentimes these practitioners are technically competent in their fields and may be able to serve the Center as consultants or program instructors. Yet, the unsolicited resume may not always yield the "ideal" candidate for the position. The recruitment process is ongoing, for Directors continually attend professional meetings, and work with current instructional staff, client groups and advisory boards in the identification of new program areas of interest to their clients. All of these forums present excellent opportunities for the identification of individuals with practical experience and the ability to share it adequately with others. The key point to remember is that you are not seeking a consultant to identify problems and recommend solutions; you are seeking an individual who can facilitate the

learning of others. What are the necessary skills, knowledges and attitudes to meet this objective?

Davies has identified three sets of competing needs which demand the attention of effective instructors:

- The needs of the learning task.
- The individual needs of the learners.
- The needs of the group as a whole. (1)

Recognition of and attention to these needs are of paramount importance to good instructors. A discussion of these needs will help the Director prepare for the recruitment, selection and later training and development of prospective continuing education instructors.

The needs of the learning task require that "the effective instructor must:

- Analyze the learning need.
- Identify learning objectives.
- Prepare a lesson plan.
- Organize resources and activities.
- Motivate the trainees.
- Evaluate the success of instruction." (2)

Addressing these needs will encourage the program participants to invest their efforts in effective learning.

Finally, the group has needs which must be met. "The effective instructor must:

- Set standards to be achieved.
- Maintain good order and housekeeping.
- Build group spirit and identity.
- Praise and motivate the class as a whole.
- Insure good communication within the group.
- Utilize the class as a whole on some tasks." (4)

The class, or a work group, has an integrity and existence of its own which can be very helpful to an instructor in conducting a successful program.

These sets of needs, which are often in conflict, require a great deal of flexibility on the part of the instructor who may have to set priorities differently for each group. Meeting the learners where they are is the first step in successful education. A sensitivity to situations is as important as subject matter knowledge in effective learning. Thus, the critical activity of recruitment requires that the Director consider many different sources for continuing education instructors. Are there Center staff members who may have instructional skills.? Consider advisory boards, community groups, professional organizations (including business community service groups and Chambers of Commerce), local colleges and universities and local business and industry. Referrals from staff members, advisory board members (and their networks) are still the best sources of personnel.

Recruitment requires consideration of the client group you serve. A broad demographic representation of instructors is not only legally required, but it makes good sense in terms of client relations. Women and minorities should be aggressively recruited through referrals, networks and public relations information, including brochures, articles and advertisements in local business journals. They represent a significant segment of your population; they should not be overlooked in the recruitment process.

Selection is a difficult process which includes resume screening, interviews, and reference checks. This is a time consuming process which should be considered carefully. An investment of time at this stage will be rewarding in terms of your organization and the prospective adjunct instructor. A knowledge of the individual's background and experience, as well as professional reputation, will provide the necessary information to determine if an interview (and potential hiring) is realistic as well as inform the candidate as to the seriousness with which you consider this position within the organization. Some points to consider include the individual's technical competence (a thorough knowledge of and practical work experience in the subject area), philosophy of adult education and experience as a teacher in terms of teaching; training or public speaking experience. Will this individual be able to meet the program objectives and adequately address the subject matter outlined in the brochure?

These elements contribute to the consideration of potential candidates for your programs. The cover letter and resume provide valuable information. Why is the individual contacting you? (Referral, reputation of your program, interest in offering services to the Center, etc.) The cover letter gives you the first "sense" of the candidate, the resume the second. Reviewing the resume, consider work experience. Where has the individual worked? In what capacity? How does the individual describe his/her contributions? Is there any formal teaching experience (credit or continuing education)? Program design and development responsibility? What did you find the most interesting in the cover letter and resume? Why?

This initial review, if given proper attention can save time and effort later. As you review the cover letter and resume, highlight areas of interest to you. If you decide that an interview would be appropriate, review the highlighted areas in order to prepare an interview schedule. The most appropriate interview for gathering the required information is a nondirective or unstructured interview. Keep in mind that "an interview, simply defined, is a conversation with a purpose." (5) Consider inviting other staff members or experts to join you for the interview. The Small Business Center Director and staff, the Small Business Center's Advisory Board, client group representatives and perhaps other program instructors can assist in the interview process, often providing varying viewpoints, perspectives and areas of expertise to the assessment process.

As you attempt to determine whether the candidate can meet the learning task, individual learner needs and group needs, as well as your program objectives, consider the following:

* How has the individual prepared for your discussion? (Has he/she done the necessary homework?)
* Has he/she brought samples of program outlines, writing, previous program brochures for your review?
* Does the candidate know the subject and believe in the value of the subject matter?
* How does the candidate describe his/her experience? ("I-centered" or "we-centered"?)
* As you discuss previous experience, do you get a sense of his/her technical skills of instruction?
* Is there a flexibility in approach?
* Does the individual have a sense of humor (not Groucho Marx but an ability to enjoy the spontaneity of training situation)?
* Does the individual have effective communication skills (verbal and non-verbal)?

A non-directive, conversational interview is most appropriate to garner this kind of crucial information. The interview/conversation should be conducted in a comfortable setting, informal enough to enhance this type of discussion. If a conference room or lounge is not available, your office can be appropriate if you attend to seating arrangements (chair facing each other without your desk in between), climate and amenities. Attention to these basics can set the appropriate tone for mutually beneficial discussion.

After the interview(s) are completed, and your interest in this individual continues, a reference check is in order. The reference check is an essential element of the selection process. Verifying academic records and performance as well as previous work experience should be proforma in all hiring practices. In terms of academic references, a waiver of the legal right to see letters of reference, referring to them, under the Family Educational Rights and Privacy Act of 1974 has made these references more valuable to the prospective employer Although academic performance in terms of grades and class standing may not be relevant criterion for the position, the verification of resume data is crucial. Does this individual have the credentials identified on the resume? The same consideration should be given to former and present employers. (This is an area which requires great care; the individual may be a full-time employee of an organization, using vacation days or evenings and weekends to moonlight as an instructor. Make sure that you discuss this situation with the individual during the interview.)

In the final analysis, the selection process hinges on the person, not the credentials. Although credentials (grades, diplomas, work records) are valuable data, they can be misleading. Verifying the resume is important; truthfulness is essential to the trust you will place in this individual. But, as Charles A. Dailey asks, "What kind of society is it in which one looks at a dossier on a person instead of at the person?" (6) Remembering this question as you prepare for the selection process tempers your approach to valuable and potentially rewarding activity.

Training and Development
Effective communication is the foundation of the training and development process. Communication is a process of influence, a means to achieve results and thus deserves the time for preparation, delivery and feedback. Since the development of a core of professionals committed to the goals and objectives of your organization underlies your training and development efforts, the value of effective communications cannot be overemphasized. There are many communication formats available to the Director in the training and development process:

* Orientation Meeting
* Instructor Handbook
* Mentors *Written Communications
* Staff Meetings
* Social Gatherings
* Alternative Teaching Assignments
* Formal Performance Appraisal
* Formal Training Programs

Orientation Meeting
First impressions are lasting impressions so whether you conduct formal orientation briefings or individual conversations with instructors, the information should be as complete as possible and the atmosphere should be welcoming and professional. The discussion should include a brief organizational history, the services available and organizational philosophy. This is very important because the instructor is the representative of the Center and should be an informed and knowledgeable advocate. The structure of the organization, including how it is organized, who the key individuals are (especially the administrative and clerical staff who are vital to the support of the programs) and where units are located, including their areas of responsibility should be covered.

The rules and regulations of the organization are valuable to the new instructor. At this point a discussion of the instructor's role, responsibility, accountability and authority is in order. An explanation of the instructor's role in the organization, including client relationships and potential conflict of interest situations (e.g. following up with participants to enhance his/her own client base) is a sensitive and delicate discussion, but prior definition and clarification can forestall unpleasant and compromising situations later. (Reminders to present staff is also wise.)

Pay schedules and procedures, the benefits available (including use of the library, equipment and resources of the Center), and an introduction to all staff members should conclude the orientation briefing.

Instructor Handbook
A reference guide which includes policies, procedures, and guidelines concerning instructor as well as program participants (payment schedules, cancellations, rescheduling, etc.) as well as names and phone numbers of staff members and emergency personnel often proves to be a very helpful resource. The primary purpose of the handbook is to provide information about the Center, however, it can also serve as a valuable public relations tool. An informative handbook gives the Center a positive, confident image which the instructor will value and appreciate. A suggested table of contents for a faculty handbook is included in the Appendix.

Mentors
Assigning an experienced staff member or colleague to the instructor eases entry to the organization and also enhances the possibility of commitment and identification with your organization. We learn by seeing, hearing and doing, so exposure to a top-notch individual on staff sets the right climate immediately.

Written Communication
Including instructors in the information flow increases their perception of organizational membership. Notices of meetings and their minutes, social gatherings, happenings in the Center, and changes and developments in the organization enhances commitment to and involvement in the Center.

Staff Meetings
Invitations to meetings also enhance the organizational involvement of instructors. Although not appropriate for all meetings, their attendance at planning and review sessions can contribute to the development of better plans and evaluation as well as acquaint staff members with their expertise. You can also draw on that expertise in order to problem solve more effectively.

Social Gatherings

Involvement with the Center is not all work; informal social events provide the opportunity to meet other colleagues and further enhance the message of "you are an important and valuable member of our organization."

Alternative Teaching Assignments

Membership on a panel discussion group, understudy assignments and team teaching are methods of instructor development. To ease the stage fright inherent in teaching in the demanding continuing education environment, an introduction to the process through one of these alternatives is helpful to the new instructor and also provides you with an opportunity to "see the new recruit in action."

Formal Performance Appraisal

Feedback on instructional performance in order to maintain or improve it is helpful and welcomed by instructors. Post-program evaluations provide some feedback, but they are often indices of immediate happiness and satisfaction. Information concerning continued participation in programs, word of mouth recommendations and the Director's own assessment are also appreciated and useful to the development of instructor effectiveness.

Formal Training Programs

Coaching and counseling of instructional staff should be ongoing as a part of a good performance management process. However, formal training programs in effective continuing education instruction is also beneficial. Whether problem-solving skills or adult education techniques are discussed, they provide an opportunity to test new techniques in a non-threatening and supportive environment. One effective technique is to have a skilled instructor conduct his/her program for the instructional staff. Attending a good program as a participant, experiencing the why, what, where, when and how of competent program design and instruction can be a beneficial experience for new and experienced instructors, as well as Center staff members.

The Role of the Director

The transition from consultant to educator, from content specialist/expert to facilitator of learning, someone who is able to convert knowledge to concrete business applications is difficult, but essential to effective continuing education instruction. The instructor is not expected to provide "the" correct answer, but should encourage participants to draw on their own resources and those around them. It is important that the instructor recognize that small business owners/managers are entrepreneurs who will not react well to an attempt to create a dependency upon another individual. The recruitment, selection, and training and development responsibilities of the Director underscore the role of the Director as the person who creates a climate where the instructional staff is willing to approach him/her for assistance while developing autonomy. A collaborative problem-solving approach is the philosophy to develop with the instructional staff and this takes time, encouragement and assistance on the part of the Director and the instructor. "Leadership and learning are indispensable to each other." (7)

The instructional staff can be introduced to innovative ways to teach. The Director can identify resources (people as well as audio-visual and printed material) which can be of assistance to the instructors. The Director is a coach and counsellor, facilitating the training and development of the instructional staff. Providing the resources to successfully achieve results is the role of the Director. Promoting self development is also the Director's responsibility. Assisting in resource identification, the Director can encourage independent efforts on the part of the instructors. The following sources are worthy of investigation by the instructors:

* Other instructors at the Center
* Professional associations
* Readings (journals, books, newsletters
* Programs (courses, seminars, discussion groups)
* Resource centers (including business libraries)

Communication skills are essential and require continuous attention. The effective management of the continuing education instructional staff is an ongoing process made more difficult by their part-time affiliation with the Center. According to this group the essentials of good human resource management contributes to the development of a core group of competent professionals, committed to the goals and objectives of the Center.

Conclusion

Continuing education programs are a vital part of the Small Business Centers' services to clients. The human resource management skills of the Director are essential to the effective selection, recruitment, and training and development of the instructional staff. This part-time staff is the Center representative in these programs; thus, their involvement in and commitment to the Center should be nurtured and maximized. Understanding their valuable role in the Center can be enhanced by a professional recruitment and selection process. Later, utilizing effective organizational communication processes, the Director can enhance the instructors' membership in a core of professionals eager to serve the small business clientele of the Center.

APPENDIX

Faculty Handbook
Suggested Table of Contents

I. Director's Welcome
II. History of the Center
III. Goals and Objectives of the Center
IV. Services of the Center
V. Continuing Education Programs and the Role of the Instructor
VI. Some Useful Information:
 1. Policies
 2. Procedures
 3. Pay schedules
 4. Key center staff and phone numbers
 5. Emergency procedures and phone numbers
VII. Services available to instructors
VIII. Where to find...(include maps, directions, office layouts, etc.).

REFERENCES

(1) Davies, Ivor K., Instructional Technique (New York: McGraw-Hill Book Co., 1981).

(2) Ibid, p. 340.

(3) Ibid, p. 341.

(4) Ibid, P. 341.

(5) Luthans, Fred, Organizational Behavior (New York: McGraw-Hill Book Co., 1973). p. 88.

(6) Dailey, Charles A., Assessment of Lives (San Francisco: Jossey-Bass Inc., Publishers, 1971). pp. 16-17.

(7) Kennedy, John F., Speech (Texas,1963).

SOFTWARE SELECTION AND UTILIZATION FOR SMALL BUSINESS

Hossein Bidgoli, California State College, Bakersfield Howard F. Rudd, Jr., College of Charleston

ABSTRACT
This paper provides an overview and a model for software feasibility analysis for SBI teams. This includes a software comparison chart which provides a brief comparison for packaged, template, and custom software for several. key variables as they relate to the purchase of software. Finally, various popular small business applications are reviewed with regard to the appropriateness of software alternatives for various common as well as unique applications typical to small businesses.

INTRODUCTION
This paper will focus mainly on software selection rather than software and hardware. The major reason for this focus is the increased confusion created by over 50,000 software packages on the market. Many of the small business users of these packages are not satisfied with their purchase decision. This study will highlight some of the important issues regarding selection and utilization of software packages for the small business.

CLASSIFICATION OF APPLICATIONS SOFTWARE FOR SMALL BUSINESS
There are three types of applications software available for the small business. These include pre- packaged, templates, and customized programs.

Pre-packaged programs are usually designed for general purpose applications. These packages are available for a variety f applications. A small business can easily utilize most of these packages with very little modification. General ledger, billing, payroll, word processing, etc., are included in this group.

Template programs are software tools which allow different users with minimum computer knowledge to design their own applications. Probably the most well-known templates are considered to be "spreadsheet" families. These packages include an electronic table or matrix that can be utilized for an unlimited number of applications. The size and power of these different templates depend upon the price and vendor of these packages.

Customized programs include those applications that are very specialized. It is also not cost- justified for the vendors to develop these packages. Therefore, small businesses develop their own application package and occasionally obtain royalties for sale through various specialized vendors. The following table summarizes the advantages and disadvantages of each group of software.

SOFTWARE COMPARISON CHART

Type	Cost	Suitability	Development Time	Complexity
Packaged	Low	Moderate	Installation & training only	Depends on application
Template	Intermediate	Good	Days or weeks	Depends on ingenuity of model designer
Custom	High	Excellent	Weeks or months	Depends on application

Type	Vendor Support	Vendor Stability	Product Bugs	Adaptability & Flexibility	Ease of use for Novice Operator
Packaged	By phone: usually good	Good	Usually well debugged	Limited	Easy
Template	By phone: usually good	Good	Usually well debugged, but user developed models may contain flaws	Excellent	Requires menu-driven model
Custom	In person, poor to excellent	Varies	Unknown	Requires recording	Easy

POPULAR APPLICATIONS FOR SMALL BUSINESS

Common applications

Applications that are common to most small businesses include uses such as:

-Word Processing
-Accounting:
    Spreadsheets for budgeting, variance analysis, etc.
    Accounts Receivable and Payable
    Payroll
    Taxes
    General Ledger
    Asset Management
    Partnership Accounting
-Databases, e.g., for customers, suppliers, etc.
-Order Entry & Billing
-Purchasing
-Inventory Control
-Mailing Lists
–Forecasting
-Sales Analyses

For applications such as these, commercial packages are available which will work on even small 64K microsystems. Exactly which package is the most appropriate for a given situation depends on a variety of factors.

For example, in the selection of a database package, the following factors must be identified and analyzed in order to decide if a particular database package is suitable for a particular small business or not:

-Types of database, e.g., relational, network, hierarchal, single file system or multiple file system, etc. (each database type presents a unique feature, for example, relational database is more flexible and easier to use than the others.)
-Length of records (how much data can you have per customer)
-Number of fields per record (how much separate data can you have per customer, e.g., name, address, SSN, etc.)
-Database capacity, etc. (How much information can be stored in the whole database? Is there enough capacity for the volume of your particular business?)

Another common application is accounts receivable systems. Certain decision-making criteria for selection of software must be identified and analyzed. For example, does the package include the following methods:

- Option item
- Balance forward
- Both methods intermixed. Or what are the sizes of the following fields?
    --invoice number
    --customer number
    --purchase order

Spreadsheet programs are another common and powerful application for small business. There are several. different packages available on the market which are able to perform spreadsheet analysis. Some of-these packages such as VisiCalc are suitable for only spreadsheet analysis. Some of the others, like Lotus 1-2-3, Multiplan, Symphony, etc., are capable of performing different tasks such as database, graphics, etc. Spreadsheet is simply an electronic work sheet. It has rows and column. How many rows or how many columns depends upon the type of spreadsheet. For example, VisiCalc has 254 rows and 63 columns. Most of the spreadsheet programs include arithmetic operations, some logical operations such as IF-THEN-ELSE, editing function, etc.

Before choosing a spreadsheet program, the following information needs to be determined:

-Size of the matrix
-Required RAM (Random Access Memory The main memory of the computer)

-Functions available: arithmetic, logical, financial., etc.
-Nature and availability of editing function
-Availability of on-line tutorial

Word processing is probably the most commonly used microcomputer application for small business. The functions of word processing packages fall into text editing, text formatting, and print control.. The price for word processing packages varies from $50 to $500. Of course, the more expensive packages are more powerful. Before choosing a word processing package, the following information needs to be determined:
-Editing functions available: merge, move, jump, etc.
-Screen format provided: margins, tabs, center, underline, etc.
-Printing: multiple copies, stop pagination, right and left justification

These and many more questions like these must be answered before a decision can be made on a particular package.

Unique Applications
The second group of applications are more specialized and unique to a specific small business. These involve applications such as:

-Various kinds of sort routines
-Job costing systems
-Standard improvement projects such as customer or product tracking

Generally, there are either no commercial packages available for these unique applications or the available packages are too complex for a particular small business owner/manager to utilize. Thus the best alternative may be for the small business to develop its own package in-house. This type of package should be more suitable and more tailored toward the particular need of the small business.

One example of a unique application involves a manufacturing firm. This particular company was particularly interested in a special sort routine to keep track of its customers with varying codes. These codes started as Code 6 and went to Code 1. Code 6 indicated a likely customer and Code 1 indicated a definite customer. An in-house routine was developed for this firm. At that time there were either no packages or the existing ones were too complex for this particular application.

Another example is a small petroleum marketing company who, after surveying numerous software options decided to customize its own software for accounting purposes. This company was quite entrepreneurial and contracted with a computer firm to co-develop software programs for petroleum marketing companies with a 1.0% royalty being paid to this petroleum marketing firm from any sales of this "generic" software.

In choosing any of these packages (commercial or customized), the small business first must define its needs regarding selection and utilization of these packages. This need assessment should not only identify the present needs, it should also project the future needs for the next 3-5 years. A careful analysis of the available packages on the market indicate these packages are becoming more powerful, easier to use, and less expensive.

CONCLUSION

This paper h as tried to provide an overview of some of the most important issues regarding software packages for the small business. The small business owner first must analyze different pressures imposed internally and externally. If the pressures are justified, then the small business must identify all of its needs regarding automation for the next 3-5 years. This need analysis may lead the small business to choose one of the three types of software identified in this paper. Finally, in choosing a particular commercial package, those questions identified in this paper must be asked. Hopefully, this will increase the small business owner's chance for success in the choice and we of a particular package.

MEASURING SMALL BUSINESS PERFORMANCE THROUGH OPINION RESEARCH: A MICROCOMPUTER APPLICATION

Ronald S. Rubin, Ph.D., University of Central Florida

ABSTRACT
When a small business manager needs to make marketing decisions - whether about pricing policies, customer service policies, new product line additions, to name a few - they should be based on facts. Even though experience is a valuable source, at times it may be misleading. Business, whether large or small, should use research techniques to gather needed information before they arrive at a final decision. One research technique, opinion assessment research, is intended to provide information about how customers feel about the operations of the business. Such information could help to form guidelines for the management in satisfying the customers' needs and desires.

Until recently, only large corporations could afford sophisticated attitudinal assessment techniques. Now a small business, with the aid of the microcomputer, can easily conduct and process professional-type consumer opinion surveys. The BASIC program presented here transforms a microcomputer into an attitude-measuring instrument.

INTRODUCTION
For years, customer opinion research has been recognized by managers of large firms as a valuable tool for collecting the information to serve as a basis for decision making. Large companies conduct extensive opinion research, costing thousands of dollars, before either introducing a new product on the market, or evaluating a population's perceptions regarding their products and/or services in relation to the market. Many large companies have specific personnel to do it, or they hire expert outside consultants to conduct the needed study. Small business owners/managers, however, have almost completely neglected the practical application of opinion research for their companies. For the small business, an in-house research department is not feasible and expert outside counsel usually cannot be afforded because of limited financial resources. However, all who are in business, whether large or small sized, have a need for sufficient, accurate, and up-to-date information on which they can base their decisions concerning the company's marketing program. In many cases, many small business people have relied on a "hunch" or an "intuition" rather than on marketing research techniques in their efforts to maximize customer satisfaction. They offer products and services "they feel" will satisfy their customers. And, they seldom receive quality feedback from their customers relative to the success of their efforts. Therefore, many small business owners/managers believe they are doing an outstanding job. However, they may not be aware of serious problems confronting them in the way they are

conducting their business. Small business owners/ managers can benefit greatly by using marketing research techniques to survey customers' attitudes and opinions, just as large sized companies have benefitted from its use. The effective use of opinion research is a tool
that provides a competitive edge to anyone who uses it. With an increased understanding of the wants, needs, and desires of customers, the owner/manager may be better able to supply the products and services that will increase the success and profitability of the business.

For the small, business person, opinion research need not be a complex activity, full of meaningless statistics. It may be a simple, straightforward process. For instance, one major source of data collection is the in-store interview. However, this is not the only method of gathering data. Information can also be collected by a mail survey and by phone calls. However, the in-store interview is probably the simplest method of all. In particular, retail stores can employ this approach with very little trouble. One of the most common ways of doing so is to have store employees approach the targeted customer and ask the individual to answer a few simple questions. The information can be recorded on an easily marked card or questionnaire so it can be subsequently analyzed. Another in-store technique is the point-of-purchase survey in which the customer fills out a questionnaire and then drops it into a box. To facilitate responses, the owner can advertise that he will draw a predetermined number of responses from the box with these respondents receiving a prize. In this case the survey instrument is used to both gather
information and serve as a contest entry blank.

Having collected the relevant data, the owner/manager must now analyze the data. The microcomputer can help one express and analyze present or prospective customer's perceptions or attitudes toward the small business. Until recently, only the largest organizations could afford sophisticated attitudinal assessment techniques. However, now, by assigning these time-consuming techniques to a microcomputer, small business people can conduct professional-type opinion research surveys.

ATTITUDE/OPINION MEASUREMENT

Social psychologists define one's attitude toward something as a manner of acting, feeling, or thinking that shows one's disposition, or opinion associated with it. It is an individual's attitudes that form a foundation of one's expectations and intentions. When properly measured and analyzed, attitudes become fairly accurate indicators of how one perceives his environment and what actions one would probably take in a given situation. So, behavior is once-removed from attitudes (opinions). For example, if one held the opinion that a particular retail store did not have good quality merchandise, the intended behavior of purchasing goods from that store may be suppressed due to the negative attitude held. Therefore, attitude (opinion) measurements can provide information that suggests what might occur.

Rating scale questionnaires are one form of attitude measurement that ascertains the respondent's degree of opinion about an issue or object. An individual's responses are more subtle than just choosing between opposites such as powerful and weak or lively or inactive. There exist graduations or shadings of response. For example, you might feel that a particular store open five days a week is good, but the store open seven days a week is extremely good. Therefore, surveys usually assess this aspect of attitude by providing response categories such as "approve" and "strongly approve." A greater accuracy is obtained by presenting a type of "continuous" scale, similar to a thermometer's continuum. Those responding could now make distinctions finer than they wished merely by checking a point on a line. One type of rating scale used is the itemized
category scale. There are a number of categories from which respondents can choose to indicate their overall opinion on a subject. One type of the itemized category scale is the semantic differential which shows only the extreme word descriptions at either end of the scale, and the person answering is asked to choose the position along the scale which best represents his or her judgment or opinion. For instance:

```
(Polar
     (Polar
term x)        1         2         3         4         5    term
y) Strong            ( )       ( )       ( )       ( )       ( )
     Mild Exciting        ( )       ( )       ( )       ( )
     ( )  Dull
```

The five scale positions above are intended to signify:

1. extremely x
2. slightly x
3. neither x nor y; equally x and y
4. slightly y
5. extremely y

A quite different appearing scale would have resulted if the decision had been to label all
categories, such as:

```
                         N
               E         o
               X
               c         0
               e         p
               l         I
               l    G    n    F    P
               e    o    i    a    o
               n    o    o    i    o
               t    d    n    r    r
               -------------------------------------
```

Private Doctorsin your area are: ( ) ( ) ( ) ( ) ( )

In the above scale, the matter of choosing opposite adjectives is avoided. Rather it makes a statement or poses one description (or adjective) for whatever is being evaluated. The respondent is then given a scale whose positions range from "excellent" to "poor." One advantage of this scale is that the respondent needs to consider only one adjective (description) for each item, and there is no problem of finding exactly opposite terms.

In either scale, the number of positions along the scale doesn't really matter, so long as you don't have too many. It is strongly recommended that you not go beyond ten; often five will be enough to meet most requirements. Whatever number is decided upon, now you can treat these data numerically, enabling you to average the respondent's opinions for interpretative purposes.

THE OPINION SURVEY PROGRAM

The survey program described here and provided in the program listing was developed and used with an Apple II Plus microcomputer with 48k RAM of memory. However, the program will run on the Apple II system of computers (IIe, IIc). A slight modification to the program may be necessary for users of other types of microcomputers.

The program permits a highly refined graduation of questionnaire responses ranging, for example, from excellent agreement to poor agreement with all items on the questionnaire, including provision for "no opinion/preference" responses. Figure 1 presents the basic format for such a questionnaire.

A 48k system can handle a survey of a 200 person sample with 50 questions in the questionnaire, or any proportionate combination of a sample number and question number less than the combination of the two (50 x 200 = 10,000). If your system has a larger memory, then lines 120 and 130 can be changed to increase the number of the sample size and/or questions. The program is completely self- documenting, so you can enter input data as required.

Once the program is typed into the computer and stored to the disk, you then simply load the program into the computer and type RUN. The program then executes and the title page is presented. At this time the computer dimensions the appropriate arrays for data entry. This
procedure takes about 10 seconds to perform. While this process is taking place the screen will flash:

PLEASE WAIT PROGRAM IS PROCESSING

When the procedure is completed, the program will ask you to:

INPUT THE NAME OF THE 1ST CATEGORY FOR THE 1ST DEMOGRAPHIC VARIABLE

The program permits one to investigate the possible response differences between two demographic variables each with two categories. Demographic characteristics include the respondent's educational level, income, ethnic group, age, gender, occupation, marital status, and other related variables. If, for example, the first demographic variable was gender, "make" versus "female", you would enter the world "make" and press the RETURN key. The program will then ask you for the second category name for the first demographic variable. You would then enter the word "female" at the series of prompts for the second demographic variable, such as "age 30+" and "age 29-". You would enter these category names the same way as entering the previous category names. Although it may appear obvious, it may be of interest to record and calculate a variety of other "categories" such as smokers versus non-smokers, liberal versus conservative, white versus non-white and so on. Please note, the program must have a classification scheme which includes two demographic variables each with two categories otherwise the program will not run.

After the category names have been entered, the program then asks:

HOW MANY RESPONDENTS?
HOW MANY QUESTIONS IN SURVEY?

FIGURE 1

CONSUMER OPINION SURVEY

Please give us your opinions of

For reference please check appropriate categories:

Code

Male ______ Female ______
3
2 3

Age 25 or over_____ Age 24 or under _____
5
4 5

How would you rate this restaurant on each of the following characteristics?

(5)	(4)	(3)	(2)	(1)
Excellent	Good	No Opinion/ Preference	Fair	Poor

Having Friendly employees	( )	( )	( )	( )	( )	4
Cleanliness	( )	( )	( )	( )	( )	5
Value for the Money	( )	( )	( )	( )	( )	4
Having fast Service	( )	( )	( )	( )	( )	4
Taste of the Food	( )	( )	( )	( )	( )	5
Dining Room Comfort	( )	( )	( )	( )	( )	5
Food Served Hot	( )	( )	( )	( )	( )	5

After replying with the necessary information, the program will begin to ask you to input the respondent's responses for each question. A typical input screen will look like the following:

```
FOR RESPONDENT #1
INPUT DEMOGRAPHIC VARIABLE 1: 3
INPUT DEMOGRAPHIC VARIABLE 2; 5
FOR QUESTION #1 INPUT RESPONSE: 4
FOR QUESTION #2 INPUT RESPONSE: 5
FOR QUESTION #3 INPUT RESPONSE: 4
FOR QUESTION #4 INPUT RESPONSE: 4
FOR QUESTION #5 INPUT RESPONSE:5
FOR QUESTION #6 INPUT RESPONSE:5
FOR QUESTION #7 INPUT RESPONSE: 5
```

Important note: The coded response for the first demographic variable must be a 2 for category 1, and a 3 for category 2. Also, the coded response for the second demographic variable must be a 4 for category 1, and a 5 for category 2. The variable P in the program can read only either a 2 or a 3 from the first data entry of the first demographic variable and keeps a total count of each category; the variable R does the same count for respondents from the second demographic variable. Therefore, the variable R reads either a 4 or a 5. Also, there must be at least one respondent tallied into each demographic variable category to avoid a "division by zero" error message. If this occurs the program will cease execution and you will have to reinitialize the program with the corrections in the demographic category. Program line 440 records the "no opinion" responses so their total can be displayed for each question in the output. The code has been set to a value of 3, signifying the "no opinion," for a rating scale from 1 to 5. If you want to use a scale of 1 to 7, you must change the value of A in line 440 to a 4. Likewise, if you want to use a scale of 1-9, you must change the value of A to a value of 5. Be careful in entering the data, for there is no error correction mode in this program. If you make an error in data entry you will have to start over again. If it is necessary to start over again, press the RESET key and then type RUN and press the RETURN key.

If data is entered correctly, the computer will display a flashing message:

PLEASE WAIT COMPUTER IS PROCESSING DATA

After the data has been processed the following question as to available output will be displayed:

DO YOU WANT A (S)CREEN DISPLAY OR (P)RINT OUT? ENTER AN S OR P

If your microcomputer system is equipped with a printer (and its controller is in slot 1) you can obtain a hard copy of the results at this point.

EXAMPLE OF A FIELD APPLICATION
The printout in Figure 2 illustrates the type of results obtained by using the survey program. The results are from a consumer opinion survey evaluating a restaurant's service after actually patronizing it. Prior to the display of the first question analysis, the program generates a display summarizing the sample and it's subsamples, as indicated at the top portion of Figure 2. After the summarization table is displayed, the program will display the calculation output of professional-type values for each question, such as the mean for the sample total as well as internal sample elements such as "male" versus "female" and "age 25+" versus "age 24-". The calculation of the number of "no opinion/preference" and its corresponding percentage of the sample is also displayed. Most importantly, calculations of the "significance of the difference between means" are reported. For example, the illustrative example indicates that there is virtually no significance in the difference between male and female responses to the seven questions; and there is no significance in the difference between the age categories regarding the seven questions. We can glean, though, from the means for the total sample for the seven questions that the respondents rated the restaurant just above average (good) for the areas of concern.

CONCLUSION
Until recently, only the largest organizations could afford sophisticated, attitudinal (opinion) assessment techniques. However, the Basic program presented here transforms a small business computer into an attitude-measuring instrument. It give's instructions, registers, and translates responses into numerical values, calculates averages, and presents, results in table form. The attitude- assessment program now provides help to the small business person in devising marketing strategies, product lines, and service goals. The small business owner/manager no longer has to "stand on a giant's shoulders to enjoy a better view."

FIGURE 2
SUMMARIZATION
ON OF SAMPLE AND SUBSAMPLES

```
-----------------------------------------------------------------
-----------
TOTAL SAMPLE = 57
TOTAL MALE = 28
TOTAL FEMALE = 29
TOTAL AGE 25+ = 13
TOTAL AGE 24- = 44
===============================================
<PRESS SPACE BAR TO CONTINUE>
QUESTION #1
MEAN FOR TOTAL SAMPLE = 3.95
MEAN FOR MAKE = 3.89
MEAN FOR FEMALE = 4
MEAN FOR AGE 25+ = 4
MEAN FOR AGE 24- = 3.93
NUMBER OF NO OPINION/PREFERENCE = 4
% OF NO OPINION/PREFERENCE = .07
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .57
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2=95% LEVEL OF
CONFIDENCE) = .28
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>
QUESTION #2
MEAN FOR TOTAL SAMPLE = 3.93
MEAN FOR MAKE = 3.96
MEAN FOR FEMALE = 3.9
MEAN FOR AGE 25+ = 3.77
MEAN FOR AGE 24- = 3.98
NUMBER OF NO OPINION/PREFERENCE = 0
% OF NO OPINION/PREFERENCE = 0
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2 = 95% LEVEL OF CONFIDENCE) = .68
Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION> QUESTION #3
MEAN FOR TOTAL SAMPLE = 3.37
MEAN FOR MALE = 3.21
MEAN FOR FEMALE = 3.52
MEAN FOR AGE 25+ = 3.15
MEAN FOR AGE 24- = 3.43
NUMBER OF NO OPINION/PREFERENCE = 2
% OF NO OPINION/PREFERENCE = .04
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = 1.08
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2=95% LEVEL OF
CONFIDENCE) = .81
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>
QUESTION #4
MEAN FOR TOTAL SAMPLE =3.6
MEAN FOR MALE = 3.36
MEAN FOR FEMALE = 3.83
MEAN FOR AGE 25+ = 3.77
MEAN FOR AGE 24- = 3.55
```

NUMBER OF NO OPINION/PREFERENCE
% OF NO OPINION/PREFERENCE = .05
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = 1.57
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .63
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>
QUESTION #5
MEAN FOR TOTAL SAMPLE = 3.68
MEAN FOR MALE = 3.68
MEAN FOR FEMALE = 3.69
MEAN FOR AGE 25+ = 3.54
MEAN FOR AGE 24- = 3.73
NUMBER OF NO OPINION/PREFERENCE = 0
% OF NO OPINION/PREFERENCE = 0
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .04
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .44
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>
QUESTION #6
MEAN FOR TOTAL SAMPLE = 3.28
MEAN FOR MALE = 3.29
MEAN FOR FEMALE = 3.28
MEAN FOR AGE 25+ = 3.46
MEAN FOR AGE 24- = 3.23
NUMBER OF NO OPINION/PREFERENCE = 3
% OF NO OPINION/PREFERENCE = .05
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .03
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2K=95% LEVEL OF CONFIDENCE) = .67
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>
QUESTION #7
MEAN FOR TOTAL SAMPLE = 3.95
MEAN FOR MALE = 4.04
MEAN FOR FEMALE = 3.86
MEAN FOR AGE 25+ = 3.54
MEAN FOR AGE 24- = 4.07
NUMBER OF NO OPINION/PREFERENCE = 1
% OF NO OPINION/PREFERENCE = .02
SIGNIFICANCE OF THE MALE/FEMALE
DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = .59
SIGNIFICANCE OF THE AGE 25+/AGE 24- DIFFERENCE (2=95% LEVEL OF CONFIDENCE) = 1.24
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
<PRESS SPACE BAR FOR NEXT QUESTION>]

REFERENCES

Ajzen, I. and M. Fishbein, Understanding Attitudes and Predicting Social Behavior. Prentice-Hall, 1980.

Crespi I., "Use of a Scaling Technique in Surveys," Journal of Marketing, Vol. 25, July 1961, pp. 69- 72.

Green, P.E., and V. Rao, "Rating Scales and Information "Recovery-How Many Scales and Response Categories to Use?" Journal of Marketing, Vol. 34, July 1970, pp. 33-39.

Heise, D. Understanding Events: Affect and Construction of Social Action. Cambridge University Press, 1979.

Hughes, G.D., "Selecting Scales to Measure Attitude Change," Journal of Marketing Research, Vol. 4, February 1967, pp. 85-87.

Lehmann, D.R., and J. Hulbert, "Are Three-Point Scales Always Good Enough?" Journal of Marketing Research, Vol. 9, November 1972, pp. 444-446.

Matell, M.S., and J. Jacoby, "Is There an Optimal Number of Alternatives for Likert-Scale Items?" Journal of Applied Psychology, Vol. 56, December 1972, pp. 506-509.

Menezes, Dennis, and Norbert F. Elbert. "Alternative Semantic Scaling Formats for Measuring Store Image, An Evaluation,: Journal of Marketing Research, February 1979, pp. 80-87.

Mindak, William A., "Fitting the Semantic Differential to the Marketing Problem," Journal of Marketing, April 1961, pp. 28-29.

Osgood, C., W. May, and M. Miron. Cross-Cultural Universals of Affective Meaning. University of Illinois Press, 1975.

Snider, J. and C. Osgood. Semantic Differential Technique: A Sourcebook. Aldine, 1969.

```
45 HOME
50 PRINT "ATTITUDE MEASUREMENT SURVEY"
51 HTAB 20: PRINT "BY"
52 HTAB 11: PRINT "RONALD S. RUBIN, PH.D."
100 VTAB 10: HTAB 15: FLASH: PRINT "PLEASE WAIT": NORMAL 110
PRINT: HTAB
     10: PRINT "PROGRAM IS PROCESSING"
115 DEF FN H(X) = INT(X * 100 + .5)/100
120 DIM S(200,21)
130 FOR R = 1 TO 50
140 LET S(R,1) = R
150 FOR C = 2 TO 21
160 LET S(R,C) = 0
170 NEXT C
180 NEXT R
185 HOME
190 PRINT "INPUT THE NAME OF THE 1ST CATEGORY FOR"
200 INPUT "THE 1ST DEMOGRAPHIC VARIABLE ";M$
202 IF LEN (M$) < 10 THEN GOTO 210
203 IF LEN (M$) > 10 THEN GOTO 204
```

```
204 PRINT "SORRY-ONLY 10 CHARACTERS PER NAME."
205 GOTO 190
210 PRINT 220 PRINT "INPUT THE NAME OF THE 2ND CATEGORY FOR"
230 INPUT "THE 1ST DEMOGRAPHIC VARIABLE ";F$
231 IF LEN (F$) < 10 THEN GOTO 240
233 PRINT "SORRY-ONLY 10 CHARACTERS PER NAME."
234 GOTO 220
240 PRINT
250 PRINT "INPUT THE NAME OF THE 1ST CATEGORY FOR"
260 INPUT "THE 2ND DEMOGRAPHIC VARIABLE ";0$
261 IF LEN (0$) < 10 THEN GOTO 267
262 IF LEN (0$) > 10 THEN GOTO 263
263 PRINT "SORRY-ONLY 10 CHARACTERS PER NAME."
264 GOTO 250 267 PRINT 270 PRINT "INPUT THE NAME OF THE 2ND
CATEGORY
     FOR"
280 INPUT "THE 2ND DEMOGRAPHIC VARIABLE ";u$ 281 IF LEN (U$) < 10
THEN
     GOTO 290 282 IF LEN (U$) > 10 THEN GOTO 283 283 PRINT
"SORRY-ONLY
     10 CHARACTERS PER NAME." 284 GOTO 270
290 HOME
300 INPUT "HOW MANY RESPONDENTS? ";N
310 INPUT "HOW MANY QUESTIONS IN SURVEY? ";B
320 FOR I = 1 TO N
325 HOME 330 PRINT "FOR RESPONDENT # ";i
331 PRINT
340 INPUT "INPUT DEMOGRAPHIC VARIABLE 1 ";p
341 IF P = 2 OR P= 3 THEN GOTO 350
342 IF P < > 2 OR P < > 3 THEN GOTO 343
343 PRINT "THE CODE MUST BE A 2 OR A 3 ONLY"
347 GOTO 340
350 IF P = 2 THEN LET M =M+1 360 IF P = 3 THEN LET F = F+1
370 INPUT "INPUT DEMOGRAPHIC VARIABLE 2 ";R
371 IF R = 4 OR R = 5 THEN GOTO 380
372 IF R < > 4 OR R < > 5 THEN GOTO 373
373 PRINT "THE CODE MUST BE A 4 OR A 5 ONLY"
377 GOTO 370
380 IF R = 4 THEN LET O = O+1
390 IF R = 5 THEN LET U = U+1
400 FOR Q =1 TO B 410 PRINT "FOR QUESTION # ";Q
411 INPUT "INPUT RESPONSE: ";A
420 LET S(Q,P) = S(Q,P) + A
430 LET S(Q,P + 15) = S(Q,P +15) + A^2
440 IF A = 3 THEN LET S(Q,16) = S(Q,16) + 1
445 LET S(Q,21) = S(Q,16) / (M + F)
450 LET S(Q,R) = S(Q,R) + A
460 LET S(Q,R + 15) = S(Q,R + 15) + A^2
470 NEXT Q
480 NEXT I
490 HOME
499 VTAB 10: HTAB 15: FLASH: PRINT "PLEASE WAIT": NORMAL
500 PRINT: HTAB 7: PRINT "COMPUTER IS PROCESSING DATA:
515 FOR R = 1 TO 200
```

```
520 LET S(R,6) = (S(R,2) + S(R,3)) / (M + F)
530 LET S(R,7) =S(R,2) / M
540 LET S(R,8) = S(R,3) / F
550 LET S(R,9) = S(R,4) / O
560 LET S(R,10)= S(R,5) / U
570 LET T = M + F
580 LET S(R,11) = SQR (((S(R,17) + S(R,18)) / T) -S(R,6) ^ 2)
590 LET S(R,12) = SQR ((S(R,17) / M) - S(R,7) ^ 2)
600 LET S(R,13) =SQR ((S(R,18) / F) – S(R,8) ^ 2)
610 LET S(R,14) = SQR ((S(R,19) / O) – S(R,9) ^ 2)
620 LET S(R,15) = SQR ((S(R,20) / U) - S(R,10) ^ 2)
630 LET S(R,17) = SQR ((S(R,12)^ 2 / M) + (S(R,13) ^ 2 / F))
640 LET S(R,19) = SQR ((S(R,14( ^ 2 / O) + (S(R,15) ^ 2 /U))
650 LET S(R,18) = ABS ((S(R,7) - S(R,8))) / (S(R,17) + 1E - 04)
660 LET S(R,20) =ABS ((S(R,9) - S(R,10))) / (S(R,19) + 1E - 04)
665 NEXT R
666 HOME
667 PRINT "DO YOU WANT A (S)CREEN DISPLAY OR"
668 PRINT "(P)RINT OUT?"
669 INPUT "ENTER AN S OR P";ANS$
670 IF ANS$ = "S" GOTO 678
671 IF ANS$ = "P" THEN GOTO 673
672 IF ANS$ < >. "S" OR ANS$ < > "P" THEN GOTO 669
673 D$ =CHR$ (13) + CHR$ (4)
674 PRINT D$; " PR#1"
675 IF ANS$ = "S" GOTO 679
676 IF ANS$ = "P" THEN PRINT D$ " PR#1"
678 HOME
679 PRINT" SUMMARIZATION OF SAMPLE AND SUBSAMPLES "
680 PRINT " ____________________________ "
690 PRINT " TOTAL SAMPLE = "; T
700 PRINT " TOTAL "; M$;" = ";M
701 PRINT " TOTAL ";F$;" = ";F
710 PRINT " TOTAL ";O$;" = ";O
711 PRINT " TOTAL ";U$;" = ";U
720 PRINT " ========================= "
721 PRINT
722 PRINT "<PRESS SPACE BAR TO CONTINUE> ": GET A$: HOME
750 FOR R = 1 TO B
770 PRINT " QUESTION # "; TAB (12); FN H(S(R,1)) 771 PRINT
780 PRINT " MEAN FOR TOTAL SAMPLE = "; FN H(S(R,6))
790 PRINT " MEAN FOR ";M$;" = "; FN H(S(R,7))
800 PRINT " MEAN FOR ";F$;" = "; FN
810 PRINT " MEAN FOR ";O$;" ="; FN
820 PRINT " MEAN FOR ";U$;" = "; FN H(S(R.8))
830 PRINT " NUMBER OF NO OPINION/ PREFERENCE = "; FN H(S(R,16))
840 PRINT " % OF NO OPINION/PREFERENCE = "; FN H(S(R,21)) 841
PRINT 850 PRINT
     "SIGNIFICANCE OF THE ";M$;" / ";F$
851 PRINT " DIFFERENCE (2=95% LEVEL OF CONFIDENCE) "
852 PRINT " = "; FN H(S(R,18))
853 PRINT
860 PRINT "SIGNIFICANCE OF THE ";O$;" / ";U$
861 PRINT " DIFFERENCE (2=95% LEVEL OF CONFIDENCE) "
```

```
862 PRINT " = ";FN H(S(R,20))
900 PRINT
930 PRINT " ****************************** "
931 PRINT
932 PRINT " <PRESS SPACE BAR FOR NEXT QUESTION>: GET A$
941 PRINT
942 HOME
950 NEXT R
960 END
```

EXPERT SYSTEMS IN SUPPORT OF SMALL BUSINESS INFORMATION NEEDS

William Larry Gordon and Jeff Key, University of Alaska, Anchorage

ABSTRACT
An expert system is an information system that combines knowledge of a particular subject area with a set of general reasoning techniques based on factual data and rules of inference in order to provide assistance in the solution of problems that normally require the abilities of human experts. The availability of expert systems allows the users to present data in a higher level and in a more natural, discipline oriented way and, also, relieves them of the responsibility of describing to the system a formalized, sequentially oriented set of processing requirements such as is typical of most computerized information systems today. The purpose of this paper is to examine the information needs within the small business, to identify those needs that are candidates for assistance through the use of expert systems, and to examine the availability of expert systems to assist in satisfying these needs.

INTRODUCTION
Computerization of small businesses has occurred at a phenomenal rate. According to statistics released by the U.S. Bureau of Census, nearly 3.7 million of the 4.16 million digital computers shipped in 1984 were priced at less than $2,500 (1). Sales of all desk-top computers in the United States are expected to grow from a level of approximately $1 billion in 1980 to a level exceeding $40 billion by 1986 (2).

Besides the factors of availability and low cost, a major factor contributing to the increased usage of computers is the awareness of the small businessperson that small business survival depends as much on management ability as it does on the quality and desirability of the goods or services offered. The Small Business Administration (SBA) estimates that nine out of ten businesses fail due to the lack of management ability which the SBA broadly defines as skills in accounting problem-solving, marketing problem-solving, and other problem-solving areas (3). These data are supported by recent studies by Khan and Rocha (4) using Iowa data and by Wichmann (5) using Alaska and Wyoming Small Business Institute (SBI) case data that revealed that marketing and accounting problem-solving skills were the key problem areas.

These findings are particularly disturbing given the level of effort by the SBA in developing and presenting educational programs for small business entrepreneurs in order to increase their level of management ability in these critical problem-solving areas. Such programs would be expected to at least increase the level of awareness of problem-solving weaknesses and to result in an increased usage of outside consultants or of computerized decision support systems.

Relative to the use of consultants, Pelham (6) expressed his concern that small businesses do not seek adequate levels of assistance. Relative to the use of computerized decision support systems, computer use studies indicate that this potentially effective source of assistance is being underutilized. One recent survey of micro users indicated that only sixty-eight percent utilized their micros daily and that micro use was more common at the lower levels of the organization with word processing being the most commonly used application (7).
The low utilization of outside consultants is explainable by the small business-person' aversion to the "unreasonably high charges" of consulting services. While plant and equipment expenditures are viewed as necessary investments people-related expenditures, including training, are typically considered to be, at best, semi-discretionary costs. It is difficult to convince them that the cost of consultants is an investment in the -future of the business. Given that this attitude is not likely to change, what are the problems with, and the opportunities for, managerial assistance through the acquisition of computerized expert systems? The following sections will define the concept of an expert system, will explore the information needs of the small business, and will examine the availability of expert systems to assist in satisfying these needs.

ARTIFICIAL INTELLIGENCE AND EXPERT SYSTEMS
Artificial Intelligence (AI) is concerned with the development of computer hardware and software that is capable of carrying out the tasks that normally would require the use of humans employing their intelligence. Research in AI involves an examination of the ways that knowledge can be represented and used and includes the investigation of the types of problems where logic is supplemented by rules of thumb based on experience and intuition. Unlike today's digital computers where number processing speed and efficiency is defined in millions of floating point calculations per second ("megaflops"), the proposed AI-based "Fifth Generation" computer systems will have symbol processing speed and efficiency that is measured in millions of inferences or deductions (or thoughts?) per second ("megathots!").

The field of AI includes a number of major areas: natural language processing, image recognition, knowledge representation, and robotics. Another major area of study within AI is the development and application of expert (or knowledge-based or rule-based) systems for performing highly specialized tasks normally considered to require the ability of human experts. While these expert systems are capable of reasoning and recommending solutions to specialized problem areas given the human expertise provided to them, they have no intuition or common sense capabilities

Most expert systems have certain characteristics that, as a group, distinguish them from the capabilities of classical Management Information Systems (MIS) or Decision Support Systems (DSS). Turner (8) suggests the following features:

1) Expert systems contain the facts, "rules of thumb" (or heuristics), and other knowledge that an expert would use in solving a problem.
2) Expert systems explain, upon demand, the reasons for their conclusions.
3) Expert systems try to imitate the decision-making processes of humans.

Of the major areas of AI, natural language processing and expert systems are of immediate use to the small businessperson. Natural language processing provides support to word processing and database applications, and expert systems provide support to improving management ability. The following section will examine the current information needs of the small business and will attempt to categorize those needs as being natural language applications, an expert system application, or a combination of both.

SMALL BUSINESS INFORMATION NEEDS

All information processing activities can be categorized as one of the following:

- Word processing
- Data collecting, processing, summarizing, and retaining
- Information interpretation for problem-solving and decision-making.

The importance of the first category within the small business is well known. Word processing activities are consistently ranked number one in terms of importance and is the first activity to be implemented by the small business when it purchases its first computer. A recent survey of personal computer (PC) users (9) revealed that word processing and spreadsheets were the most dominant PC applications with integrated packages, graphics, general ledger/accounts payable, electronic mail, and calendar applications being important but less frequently used. Published sales statistics on the top thirty PC software programs (10) indicates that word processing and desk accessory programs are the unit sales leaders - accounting for approximately forty percent of the total units sold. Table 1 provides a summary by product category of the percentage of each category that is represented by top selling products belonging to the top ten, the top twenty, and the top thirty PC programs relative to their total unit sales.

TABLE 1
TOP 10, 20, AND 30 PC PROGRAMS REPRESENTED WITHIN

MAJOR PRODUCT CATEGORIES
(TOTAL UNIT SALES AS OF JUNE 30, 1985)

	Percent of Programs in		
Product Category	Top 10	Top 20	TOP 30
Word Processing	20%	25%	20%
Data Management	10	10	20
Spreadsheets	10	10	7
Integrated Systems	10	5	3
Project Management	10	10	7
Graphics	-	5	10
Desk Accessories	20	20	20
Communication	10	5	7
Operating Systems	10	10	7
TOTAL	100%	100%	101%

****

Word Processing	20%	25%	20%
Decision Support	40	40	47
Other	40	35	33
TOTAL	100%	100%	100%

This data can be further summarized the data management, spreadsheet, integrated systems, project management, and graphics software are grouped into new category call "decision support software", and desk accessories, communications, and operating systems software programs are grouped into a category labeled "other". Table 1 includes these new categories and provides a better understanding Of the demand by PC users for applications software that has the potential to assist management in its decision-making; thus, the reason for a category called Decision Support Software. In terms of AI-based applications potential, this category corresponds to potential expert systems applications and the word processing category to natural language applications.

The data indicate widespread acquisition of software that could support problem-solving activities and increase management ability. The fallacy lies in inferring that software ownership means software use. It does not! Many surveys confirm this statement including a recent survey of 1000 small non-accounting businesses who are members of the Anchorage, Alaska, Chamber of Commerce. This study revealed that actual use of computer software is considerably below desired use, implying that available software is not owned or is underutilized! Table 2 summarizes these survey responses.

TABLE 2
ANCHORAGE CHAMBER OF COMMERCE RESPONDENTS

COMPUTER APPLICATIONS

Function	Current Usage (%)	Desired Usage (%)
Word Processing	24	75
Data Management	17	69
Graphics	3	31
Inventory Control	23	56
Accounting	61	82
Simulation	3	28
Other	6	36

This characteristic of small business computer usage is partially explainable by a general organizational fear of computers (cyberphobia) and partially by an unwillingness on the part of the small business entrepreneur to invest time, effort, and money into acquiring a minimally sufficient education in each of the major problem-solving areas and in the use of the software so that utilization of the computers' capabilities can be obtained. As indicated in the Introduction, it is unlikely that the typical owner-managers can nor will make this effort. The combination of management problem-solving and computer skills required to effectively use most of the currently available applications software to its fullest capabilities is, in general, beyond their reach. The result will continue to be underutilized computer resources unless the user friendly software can become user friendlier and can embody problem-solving skills.

An expert systems marketing objective is to do just that! With these new systems, many of the major problems of small businesses identified in Pelham's 1984 study of small businesses in Northeast Iowa (6) could be alleviated and possibly reduced to the status of minor problems. This study indicated the major external problems of small businesses as being interest rates, inflation, and taxes, and the internal major problems as declining sales, cash flow, and marketing. The following section will describe the current availability of natural language software and the availability of expert systems software for assisting management in these problem areas.

EXPERT SYSTEMS FOR SMALL BUSINESS MANAGEMENT NEEDS
Egil Juliussen, Chairman of the Board at Future Computing, believes that by the early 1990's most software will use AI (11). The current PC software advertisements would seem to indicate that this event has already occurred (12) AI appears to be the latest gimmick to sell software. An existing product is modified to incorporate some modest AI related capability and a new sticker is added:

"New and Improved - With AI Added!"

The truth is that very little AI-based applications are currently available or are currently affordable by small businesses. The following list is not intended to be exhaustive but simply representative. Most of the products employ natural language processing concepts in word processing or database applications or are expert systems designed for use by licensed professionals such as CPA's and lawyers. AI development tools such as programming languages or expert system shells are not included in the discussion. These products, if acquired by the small businessperson, would generally suffer from the same disuse that has occurred with the "user friendly" development products currently owned.

Word Processing

1. AI:TYPIST is a real-time spell checker. This program checks spelling and highlights any errors as you type. Available for the IBM PC family and compatibles with 256K memory, MSDOS or PCDOS 2.0 or later for $69.95 from AIRUS, 11830 S.W. Kerr Parkway, Lake Oswego, OR 97034.

2. TURBO LIGHTNING LIBRARY is the first product from Borland International in a new line of AI-based information-access systems. This product consists of a real-time spell checker and a thesaurus. In addition to correcting spelling errors, it can retrieve information from almost all off- the-shelf databases, spreadsheets or word processors at a very high speed. For IBM and compatible machines with a minimum of 128K RAM. Price: $99.95.

3. MICROSPELL spellchecks documents of any size and provides three guesses on the correct spelling of unidentifiable words. These guesses are based on heuristics rather than formal algorithms. MICROSPELL will run on IBM and compatible machines with 96K RAM and two disk drives or a hard disk and will work with most word processors. Available for $139 from Trigram Systems, 3 Bayard Rd., #66, Pittsburgh, PA 15213.

4. MINDREADER speeds up the typing process by providing a choice of words that could match the word you are typing. When a single letter is typed, a pop-up menu is displayed containing the list of words. A word is selected by the user, and MINDREADER automatically completes the typing of that word. The idea is to reduce the number of keystrokes and increase speed. From Businesssoft, Inc., Annapolis, Maryland.

Data Management

AI-related software for data base use and management consists primarily of natural-language "front ends" that allow English queries; however, data base users can also expect to see the incorporation of more complex, hierarchical structures called "frames" in the near future.

1. CLOUT is a natural-language interface for use with data bases. CLOUT runs on IBM and compatible machines with a minimum memory

size of 256K. It is available for $249 from Microrim, Bellevue, Wash.

2. THEMIS is designed to permit natural-language queries of data bases. The initial version will support Oracle and dBase III. THEMIS will run on the IBM PC/AT and requires l.5Mb of memory and a 20Mb hard disk. As the product has not yet been released (expected soon), no price has been set. From Frey Associates, Amherst, NH.

3. PARADOX combines a relational data base with a user interface based partly on Lotus 1- 2-3's menus and partly on mainframe data base inquiry techniques called "query by example". Lotus 1-2-3, Symphony, dBase, PFS, Visicale, and ASCII files can all be converted from a menu. PARADOX runs on IBM and compatible machines with PC- or MS-DOS 2.0 or later. A minimum of 512K memory and two floppy disk drives is required. It is available for $695 from Ansa Software, 1301 Shoreway Road, Belmont, CA 94002.

4. Q&A is an integrated data base and word processor that contains an AI-based' front end that allows the user to enter commands in plain English. Q&A employs a query-by-example function and a basic command structure that is styled after that of PFS File. This soon to be released product is a nonrelational data base management system, comes without a programming language, and is designed for use on IBM and compatible machines. From Symantic of Cupertino, CA.

5. INTELLECT from IBM.

Graphics

DESIGN GRAPHICS SOFTWARE (DGS) combines expert system methodology and interactive computer graphics into an engineering design software system. DGS employs a rule-based methodology that deals with graphically specified design rules. DGS may be used in mechanical design, process control proposal writing, smart forms, and architectural design. Available for the IBM PC family for $3500 from The CADWARE Group, Ltd., 869 Whalley Avenue, New Haven, CT 06515.

Personnel Management

1. NEGOTIATION EDGE, COMMUNICATION EDGE, AND MANAGEMENT EDGE from Human Edge Software Corp., Palo Alto, CA are essentially stripped-down expert systems. These programs can aid users in outwitting a sales prospect, boss, negotiating opponent, or subordinate. Prices vary from $195 to $295 each. For IBM and Apple computers.

2. PERFORMANCE MENTOR is a system for helping managers make employee evaluations and other management decisions. For IBM

machines with a minimum of 128K RAM. Retails for $450, from AI Mentor, Palo Alto, CA.

Integrated Packages

ENGLISH (may be called Hal when released) is a natural-language front end designed specifically for Lotus 1-2-3. From GNP Development Corp., Pasadena, CA for IBM machines with a recommended 512K RAM. Price: $495.

Professional Systems

1. PLAINTIFF'S NEGLIGENCE SYSTEM (PNS) is the first product that approaches legal expert system status. PNS handles the chores of collecting and managing all the necessary information in a typical automobile-injury lawsuit. The program does not maintain rules about the law itself (but does use the attorney's own rules) and cannot directly help the lawyer make decisions relating to legal theory. From Metatronics, New York, NY.

2. PLANPOWER is a personal financial planning system aimed at professional financial planners. PLANPOWER cuts the time required to develop a financial plan from as many as 60 hours to only three or four, thereby allowing financial planners to increase their client bases while spending more time with individual clients. The system will be bundled with the new Xerox AI workstation with an IBM PC-compatible board and will sell for less than $50,000. From Applied Expert Systems, Inc., Cambridge, MA.

3. LEVEL II/III is an expert system to assist certified public accountants, computer retailers and consultants in finding appropriate software. LEVEL II covers five application areas of choice while LEVEL III covers ten different software areas. LEVEL II is being offered for an annual subscription of $795 or $249 quarterly. From Matchware, 6435 Castleway Drive, Suite 125, Indianapolis, Ind. 46250.

4. TAX ADVISOR is a public domain Prolog program that provides expert-based decisions on tax planning. By Dean Schlobohm.

5. JAVELIN is a financial modeling package developed by Javelin Software Corp.,
Cambridge, MA.

6. EXPERT STRATEGIST is scheduled for release in 1986. This product is designed for use by seasoned accountants and will interpret financial statements transferred from conventional accounting packages. From Unitek Technologies Corp., Vancouver, B.C., Canada.

SUMMARY AND CONCLUSIONS

Small business success and survival is related to management ability. If problem-solving skills are deficient in any of the critical areas of management decision-making, then the small

business owner- manager must improve those skills through the use of appropriate educational programs, consultants, AI or non-AI based computer software, or some combination of these. In the area of expert systems, tremendous potential exists for enhancing management ability. With the current level of interest and investment in exploiting the potential of AI systems, it is not unreasonable to predict that small business failure in the future will be primarily due to the "lack of a better mousetrap" and not due to management problem-solving deficiencies in such major areas as accounting and marketing. The rate at which this progress occurs will partly depend upon industry's continued commitment to AI technology which is slow and costly to develop; upon the
availability of AI-trained experts (which is estimated to be fewer than 2000 people worldwide (13)) and of non-AI trained specialists in areas such as software engineering management, knowledge engineering, AI training, marketing, market support, technical writing, and government liaison; and upon the availability of experts in specific industries including banking, insurance, engineering, travel, and finance. This effort will be made because neither the U.S. computer industry nor the U.S. government will allow the Japanese nor any other government to take a lead in this critical area of information technology.

REFERENCES

(1) Betts, Mitch, "Census Bureau Counts 1984 Hardware Shipments," ComputerWorld, September, 1985, p. 15.

(2) Blakeney, Susan, "Micro Market Going Full Steam Ahead," ComputerWorld, March, 1983, p. SR/l.

(3) Pratt, Charles M., "Small Business: Washington Begins To Take It More Seriously," U.S. News & World Report, August, 1977, p. 78.

(4) Khan, M. and Rocha, Joseph, "Recurring Managerial Problems in Small Business," American Journal of Small Business, July-September, 1982, pp. 50-59.

(5) Wichmann, Henry Jr., "Accounting One Key To Small Business Success," National Public Accountant, June, 1983, pp. 26-31.

(6) Pelham, Alfred M., "Small Business Consulting Needs And Opinions Of Consultants," SPIDA Conference Proceedings, San Diego, 1985, pp. 88-98.

(7) Minicucci, Rick, "Survey: Users, Show Us Your PCs," Today's Office, October, 1984, pp. 35-42.

(8) Turner, Mike, Expert Systems: A Management Guide, PA Computers and Telecommunications, Princeton, NJ, p. 13.

(9) Paez, Patricia, "Survey: Sizing Up Software," Today's Office, June, 1985, pp. 23-28. (10) Rosenthal, Morton, "Careful Software

Evaluation Increases End User Acceptance," Data Management, September, 1985, pp. 30-32.

(11) Dudek, Virginia, "Artificial Intelligence Seen As The Next Big Step In Software Evolution," PC Magazine, September, 1985, p. 39.

(12) Seymour, Tom, "The AI Hustle: Why Users May Not Fall Into Step," PC Week, October 8, 1985, p. 26.

(13) Millison, Doug, "Wanted: Software Professionals," Computer Language October, 1985, pp. 51-55.

USING FINANCIAL SPREADSHEETS IN ENTREPRENEURSHIP AND NEW VENTURE COURSES

George G. Eddy, University of Texas, Austin Kenneth W. Olm, University of Texas,
Austin Alan L. Carsrud, University of Texas, Austin

ABSTRACT
New emphasis is being placed on students' financial projections in their feasibility studies and business plans for proposed new ventures in entrepreneurship and new ventures courses. Detailed guidance and instructions have been developed for helping students take advantage of the power and flexibility of the LOTUS 1-2-3 program to make multiple scenario projections on a "what-if" type basis. Previously, students' financial projections were of the bare minimum variety due to the arduous and time consuming calculations required. Now students not only are becoming familiar with a widely-used spreadsheet program, but also are able to appreciate the benefits of comprehensive analysis.

INTRODUCTION
Detailed profoma financial statements based on multiple scenarios are an important part of the preliminary feasibility study and the business plan for a proposed new venture required of students in an entrepreneurship and new ventures course. Typically, these financial plans and projections were of the bare minimum variety, often with only one scenario, because of the arduous and time consuming computations necessary. To facilitate and simplify the procedure for using the popular financial spreadsheet, LOTUS 1-2-3, by students, a detailed procedure was set up as follows:

To Enter the Income Statement
1. A simple model of a basic income statement is presented in a handout for the students to copy on a formatted diskette. The LOTUS 1-2-3 diskette is placed in the "A" drive, and the working diskette in the "B" drive. Income statement model is shown in Appendix I.

2. The student is guided step-by-step to reproduce Appendix I by following procedure in Appendix II, "Using LOTUS 1-2-3."

To Calculate Percentage Relationships
3. The calculation powers of LOTUS 1-2-3 are then demonstrated in calculating percentage relationships in the model by following details of calculations presented in Appendix III.

4. Demonstrating various scenarios that can be expressed in terms of various "what if" statements is presented in Appendix IV. The changes in cost and net profits resulting from the "what-if" statement for one particular scenario is illustrated in that appendix.

To Prepare Cash Flow/Balance Sheet Statements

5. The preparation of a cash flow statement is illustrated in Appendix V, along with detailed instructions on how to prepare the statement. Similarly, the balance sheet statement, along with detailed instructions is presented in Appendix VI.

Using "What-If" Statements

Students were found to master the basic technique in two class periods. They are then able to conceptualize various scenarios based on a series of "what-if" statements appropriate to the worksheet under consideration, and generate the expected financial statements. That serves as an integral part of the feasibility study.

The once lengthy and arduous process is now considerably simplified and the required time is likewise reduced. A necessary caution is that the examples are simplified, and there is no assurance that the "what-if" statements used are sufficiently realistic to insure dependable projections.

Benefits

The basic benefit of the teaching procedure is that the student is encouraged to develop more comprehensive projections with more appropriate scenarios than was the case when the work was done without computer and spreadsheet software. A second benefit is that the student is encouraged to develop a basic familiarity and skill in the use of LOTUS 1-2-3 in preparation for a professional life that will follow.

APPENDIX I
The ABC Company
1985

			Percent		
Sales		60000			
COGS		39880			0.66

Gross Profit		20120			0.34
<u>Expenses</u>					
Salaries	8000			0.13	
Rent		2000			0.03
Utilities	980		0.02		
Insurance	780		0.01		
Supplies	1500			0.03	
Interest	1220			0.02	

Total		14480			0.24
Profit BTax		5640			0.09

Tax	959		0.02		

Net Profit		4681			0.08

APPENDIX II
USING LOTUS 1-2-3
- BASIC STEPS -

1. PUT DOS DISK IN DRIVE A.

2. SWITCH ON.

3. WHEN PROMPT APPEARS A> REMOVE DOS DISK.

4. INSERT LOTUS DISK IN A, BLANK DISK IN DRIVE B. TYPE LOTUS (MAKE SURE BLANK DISK HAS BEEN FORMATTED. TO FORMAT, PUT DOS DISK IN A, BLANK IN B AND ENTER THIS FORMAT B:).

5. WHEN LOTUS MENU APPEARS, CURSOR WILL BE ON 1-2-3 POSITION. TOUCH ENTER KEY.

6. NOW BASIC LOTUS WORKSHEET FORMAT WILL APPEAR. DATA MAY NOW BE ENTERED.

7. WE WILL START ENTERING THE SAMPLE P & L STATEMENT OF THE ABC COMPANY.

ROW 1, COL B: THE ABC COMPANY (ENTER)

SKIP TO ROW 3, COL B: 1985
COL D: 1986

ROW 5, COL C: Percent (ENTER)
ROW 6, COL A: Sales "
ROW 7, COL A: Cogs "
ROW 9, COL A: Gross P "
ROW 11, COL A: Expenses "
ROW 12, COL A: \ - "
ROW 13, COL A: Salaries "
ROW 14, COL A: Rent "
ROW 15, COL A: Utilities "
ROW 16, COL A: Insurance "
ROW 17, COL A: Supplies "
ROW 18, COL A: Interest "
ROW 19, COL A: \ - "
ROW 20, COL A: Total "
ROW 22, COL A: Prof BT "
ROW 23, COL A: \ - "
ROW 24, COL A: Tax "
SKIP ROW 26, COL A: Net Prof "
8. NOW, WE START ENTERING DATA:

MOVE BACK UP THE SCREEN TO ROW 6 BY USING THE /\ KEY. MOVE OVER TO COL. B

NOW ENTER 60000. THIS IS ROW 6, COL B

```
ROW 7, COL B: 39880                                  ENTER
ROW 8, COL B: \ -                                        "
ROW 9, COL B: +B6-B7                                     "
     20120 SHOULD APPEAR
SKIP TO ROW 13, COL B: 8000                              "
ROW 14, COL B: 2000                                 "
ROW 15, COL B: 980                                  "
ROW 16, COL B: 780                                  "
ROW 17, COL B: 1500                                 "
ROW 18, COL B: SKIP FOR NOW
ROW 19, COL B: \ -                                       "
ROW20, COL B: @ SUM(B13..B18)                       "
     13260SHOULD APPEAR
SKIP TO ROW 22, COL B: +B9-B20                           "
ROW 23, COL B: \ -                                       "
ROW 24, COL B: +B22*.17                                  "
ROW 25, COL B: \ -                                       "
ROW 26, COL B: +B22-B24                             "
```

9. TO COMPUTE INTEREST PAYMENTS:

```
ROW 30, COL A: Principal                                  ENTER
ROW 31, COL A: Interest                                  "
ROW 32, COL A: Years                                     "
ROW 33, COL A: Payment                                   "
```

MOVE BACK UP TO ROW 30, THEN OVER TO COL B: 10000 ENTER

ROW 31, COL B:

WE NEED TO TELL COMPUTER WE WANT TO INSERT A PERCENT, SO THE ENTRIES ARE

```
/ RANGE FORMAT PERCENT
ENTER # OF DECIMAL PLACES     0
B31 ENTER
```

```
NOW IN ROW 31, COL B:    14%  ENTER
ROW 32, COL B: 3              ENTER
ROW 33, COL B:
```

HERE WE COMPUTE THE PAYMENT BY ENTERING THIS:

@PMT(B30,B31/12,B32*1 2) ENTER 341.7762 SHOULD APPEAR. CHANGE TO 0 DECIMALS.

NOW IN THESE ROWS AND COLUMNS MAKE THESE ENTRIES:

	COL C	D	E	F	G
ROW 28 Interest	Year	Begin		End	Total
ROW 29	\ -	\ -	\ -	\ -	\ -

```
ROW 30, COL C:      1
ROW 31, COL C:      2
ROW 32, COL C:      3

NOW MOVE TO ROW 30, COL D AND ENTER +B30
10000 SHOULD APPEAR

ROW 30, COL E:

@ PV($B$33,$B$31/12,12*($B$32-C30)).         ENTER
     711 8. 428 SHOULD APPEAR

ROW 30, COL F: +$B$33*1 2          ENTER
     4101.315 SHOULD APPEAR

ROW 30, COL G: +F30-(D30-E30) ENTER
     1219-744 SHOULD APPEAR NOW CHANGE DECIMALS TO 0

ROW 30, COLS A-G SHOULD APPEAR:

          A         B    C    D         E         F         G
ROW 30    Principal 10000     1    10000          7118
     410l           1220

FOR THE REMAINING TWO YEARS, THE ENTRIES ARE:
ROW 31, COL D: +E30 for year 2
ROW 32, COL d: +E31 for year 3     (WILL SHOW 0)

ROW 31, COL E: / COPY FROM E30..E30          ENTER
          TO E31..E32                        ENTER




          COL E SHOULD BE:

                           E
          ROW 30         7118
          ROW 31         3807
          ROW 32         0

ROW 31, COL F: / COPY FROM F30..F30          ENTER
          TO F31..F32                   ENTER

          COL F SHOULD BE:

                           F
          ROW 30         4101
          ROW 31         4101
          ROW 32         4101

ROW 31, COL G: / COPY FROM G30..G30     ENTER
          TO G31..G32                   ENTER
```

COL G SHOULD BE:

	G
ROW 30	1220
ROW 31	789
ROW 32	295

NOW WE CAN INSERT THE FIGURE FOR INTEREST WHICH IS BLANK IN B18

MOVE CURSOR TO B18: +G30 ENTER

1219.744 SHOULD APPEAR AND SIMULTANEOUSLY YOU'LL SEE NEW FIGURES:

	B	
ROW 20	14479-74	Total Expense
ROW 22	5640.255	Prof BT
ROW 24	958.8434	Tax
ROW 26	4681.412	Net Prof

NOW CHANGE DECIMALS TO 0

FOR SUBSEQUENT YEARS VARIOUS PROJECTIONS CAN BE MADE IN ACCORDANCE WITH SELECTED RATES OF CHANGE. THESE RATES OF CHANGE ARE DEVELOPED FROM YOUR MARKETING ANALYSIS. SEE ITEM 10, "SOME HINTS ON USING LOTUS 1- 2-3," FOR SUGGESTIONS ON HOW TO CHANGE THE BASE YEAR DATA BY THE SAME OR VARYING PERCENTAGES.
TO DETERMINE PERCENT RELATIONSHIPS, SUCH AS BETWEEN EXPENSES AND SALES, SEE ITEM 9, "SOME HINTS ON USING LOTUS 1-2-3."

FOR EXAMPLE

	COL A	B	C
ROW 6	SALES	60000	
ROW 7	COGS	39880	

NOTE: CHANGE DECIMALS TO 2 IN COL C7 TO C26

PLACE CURSOR IN C7: +B7/$B$6 ENTER .66 WILL APPEAR

IN SIMILAR FASHION, CALCULATE THE REMAINING PERCENTAGES OF SALES IN THE P&L STATEMENT.

USING THE SAME APPROACH VARIOUS FINANCIAL RATIOS CAN BE DETERMINED. IN ADDITION TO THE P&L STATEMENT, THE BALANCE SHEET IS NEEDED. MORE ABOUT THIS LATER.

APPENDIX III
SOME HINTS ON USING LOTUS 1-2-3

ENTRY: After the PC is turned on, insert the LOTUS Systems Disk in Drive A, and your diskette in Drive B. Close the latches. When you see this symbol appear A> with a flashing - type in the word

LOTUS. When the basic spreadsheet format appears, touch the / key for the Worksheet Menu to appear.

Then touch the F key (File) and the R key (Retrieve). The screen will now show all the file names that have been named from your previous use of this diskette in Drive B. Move the cursor to the desired name and touch the <--: key. In a moment, the screen will present that worksheet exactly as you have saved it from the previous use. You are now ready to go on with your spreadsheet projections.

IMPORTANT: When you are finished your work and are getting ready to exit, BE CERTAIN that you first have saved all the work just completed.

WHEN YOU START ON YOUR FINANCIAL ANALYSIS FOR YOUR SEMESTER PROJECT, IT IS STRONGLY RECOMMENDED THAT YOU BUY AN EXTRA DISKETTE SO THAT AFTER EACH DAY'S WORK YOU CAN IMMEDIATELY COPY IT ON THE SPARE DISKETTE. EACH TIME YOU COPY, THE LATEST WORK WILL AUTOMATICALLY REPLACE WHATEVER WAS THERE ON THE DISKETTE BEFORE. THIS SPARE DISKETTE BECOMES YOUR INSURANCE FILE SO THAT SHOULD ANYTHING HAPPEN TO CAUSE A PORTION OR ALL YOUR WORKING FILE TO BE ERASED, YOU WILL NOT BE WIPED OUT AND HAVE TO START FROM SCRATCH ALL OVER AGAIN. ALL YOU WILL HAVE TO REPLACE IS WHAT YOU MAY HAVE ADDED FROM THE PREVIOUS DAY.

Specific hints now follow:
1. The F1 key is the key to push to get help.

2. The F2 key is for editing purposes.

3. The F5 key is the Go To key.

4. To add a column: @SUM(Cl6..C30)<--: This last symbol is the Enter or Return Key.

5. To divide: +Cl2/Cl4 <--:

6. To subtract: +Cl4-Cl3 <--:

7. To multiply: +Cl4*1.05 or +Cl4*Cl3

8. To compute taxes: +C40*the proper tax rate <--:

9. To compute percentages of sales: Here you want to divide COGS and every expense item by the same sales value. To do so, it is necessary to use the absolute value in that cell or location. You must use the $ sign. Example: D, which tells the program to use the value that is in that cell without change. When computing percentages of Sales in an income statement, the absolute value of Sales must be used for every computation. Each expense item, for instance, must be divided by that Sales figure. Assume that the Sales figure is stored in C13, and COGS is in C14, and

Salaries in C16, and Rent in C17, and Utilities in C18. The respective entries would be:

+Cl4/Cl3 <--: COGS as a % of Sales
+Cl6/$C$13 <--: Salaries as a % of Sales
+Cl7/$C$13 <--: Rent as a % of Sales
+Cl8/$C$13 <--: Utilities as a % of Sales

10. On the other hand, when you have a column of figures that you want changed by a specific value, such as a percent, the approach can be done differently from that described above. Assume you have a column of expense items in an income statement, and you want to increase them by the same percent for next year's pro forma statement. Assume you project a 5% increase for each expense. Assume that the statement has these expense items:

Salaries in C20
Rent in C21
Insurance C22

The entry to increase C20 by 5% would be:

+C20*1.05 <--: (in another column, such as E)
The entry for C21 and C22 can be done by copying the same formula as used for C20:

/ Copy From C20..C20 To C21..C22 <--:
(this entry would be done in, say, Column E, with the cursor in E21)

Of course, if you choose to place the percent change figure of .05 in a cell and then call it from that cell for a series of computations, you'd have to use the $ sign to make sure that each subsequent computation used that same .05 figure.

11. How to move: / Move From Cell A1.. A10 <--: To Cell B1..B10 <..:

12. How to erase: Touch the Space Bar, then <--: which will erase the entry in that one cell. If you need to erase several cells at once, you need to press the following keys: / Range Erase, then identify the cells to be voided and press the <--: key. Also, when entering data and before pressing the enter key a mistake can be erased by pressing the straight arrow key <--.

NOTE: Pressing the Escape Key Esc will get you back to the starting point once again.

13. How to add a row: / Worksheet Insert <--: Row <--: then identify the cells involved To delete, substitute the word "delete" for "insert."

14. How to underline: \ - <--:

15. To print: / Print <--: Printer Range <--: Specify the cells involved, such as Al..F50, <--: Go <--: After printing is done, <--: Quit

16. To specify or change the width of a column: / Worksheet <--: Column Width Set the number of spaces, such as 9 <--:

17. To compute interest: In the same column, in descending order, enter the words:

```
Column A
Principal
Interest Rate
Years
Payment
```

In the next column, in the same rows, enter the data,

```
Column A       Column B
Principal      $10,000   Row 37
Interest Rate       12.5%                 38
```

NOTE: Before entering the percent figure, you must go to the worksheet menu and select the word Percent and the number of decimal places desired. The entries are: / Range Format Percent (enter number of decimal places) (enter the range or cell or cells where this applies) <--:

```
Years               5              39
Payment                      40
```

In the same column where the figures have been entered and in the same row as Payment, enter this:

@PMT(B37,B38/12,B39*12)

Now, in the same row, from Column A to Column E, make these entries:

```
     A         B         C         D         E
               Beg.           End       Total
     Year           Balance   Balance   Paid           Interest
     1                                            Row 44
     2
     3
     4
     5
```

In B44 enter +B37 (the principal) <--:
In C44: @PV($B$40,$B$38/12,12*(B39A44)) <--:
In D44: +B$40*12 <--:
In E44: +D44-(B44-C44)

The resulting data are as shown below:

1	10,000	8464.2360	2699.75	1163.99

For the remaining 4 years, the entries are:

In Column B: Year 2: +C44, Year 3: +C45, Year 4: +C46, and for Year 5: +C47

In Column C: The formula is the same, except the last cell entry just before the closing parenthesis becomes A45 for Year 2, then successively A46, A47, A58. Use the Copy routine to do this.

In Column D: The formula remains the same for all years. Use the Copy routine to do this.

In Column E: The formula is the same except that all cells increment by one for each year. For year 2, for example, it is +D45-(B45-C45), for year 3, it changes to +D46-(B46-C46), and so on. Use the Copy Routine to do this.

When all is entered, the table becomes this:

1	10000	8464.2360	2699.75	1163.99
2	8464.24	6725.1121	2699.75	960.63
3	6725.11	4755.7003	2699.75	730.34
4	4755.70	2525.5069	2699.75	469.56
5	2525.51	0.0000	2699.75	174.25

NOTE: the number of decimal places can be changed for each column/row as desired.

The entries are:

/ Worksheet <--: Range <--: Format <--: Fixed <--: enter the number of decimal places
desired <--:

If you want the number of decimal places to apply to more than one cell, then use "Global" above instead of "Range."

YOU MUST ALWAYS SAVE YOUR WORK BEFORE EXITING THE PROGRAM! FURTHERMORE, IF YOU ARE WORKING FOR LONG PERIODS OF TIME, YOU SHOULD STOP AND SAVE FREQUENTLY AND THEN RESUME.

18. To save: / File Save (place the cursor on the correct file name if it is not there already) and Press the <--: key.

19. To leave the program: / Quit and then Yes. Now the LOTUS Menu will appear, so you touch Exit and then Yes.

APPENDIX IV
The ABC Company

	1985			1986	
		Percent	Add 15%		Percent
Sales	60000			69000	

COGS	<u>39880</u>	0.66	<u>45862</u>	0.66
Gross Profit	20120	0.34	23138	0.34
<u>Expenses</u>		Add 18%		
Salaries	8000	0.13	9440	0.16
Rent	2000	0.03	2360	0.04
Utilities	980	0.02	1156	0.02
Insurance	780	0.01	920	0.02
Supplies	1500	0.03	1770	0.03
Interest	<u>1220</u>	0.02	<u>789</u>	0.01
Total	14480	0.24	16436	0.27
Profit Btax	5640	0.09	6702	0.11
Tax	959	0.02	1139	0.02
Net Profit	4681	0.08	5562	0.09

		Year	Begin	End	Total	Interest
Principal	10000	1	10000	7118	4101	1220
Interest	14%	2	7118	3807	4101	789
Years	3	3	3807	0	4101	295
Payment	342					

APPENDIX V

Cash Flow Year:

	Jan	Feb
Beginning Cash Balance	$1,000	($520)
Cash Receipts	0	800
Total Cash Available	$1,000	$280
Cash Out		
Salaries	$0	
Accounting Fees	200	200
Advertising	500	500
Legal	150	150
Licenses/Permits	50	50
Rent	350	350
Insurance	100	100
Utilities	75	75

Interest	0	0
Supplies	50	0
Telephone	45	45
Taxes	0	0
Travel	0	0
Loan Principal Paid	0	0
Owner's Withdrawal	0	0
Other:		
Total Cash Out	$1,520	$1,470
Cash Position	($520)	($1,190)
Bank Loan (or other sources)		
Cash Available		

NOTE: See instructions for possible entries in Col B for Bank Loan and Cash Available. If there is no cash shortfall, there is no need to make entries here. If there is a shortfall, then the entry to be carried forward to Beginning Cash Balance in the next month would be that in Cash Available at the end of the prior month.

CASH FLOW PROJECTIONS

1. Note the sample format in Column A for the typical entries.

2. After you have entered the appropriate labels in Column A you are ready to make the entries of each respective amount. Each amount is what you anticipate will be the case as you have determined from your analysis of your business venture, or that of your client. The cash flow projection should naturally follow from your market appraisal and your best estimates of probable expenses. From your market analysis comes your projected sales for each year. These sales figures must then be apportioned to each month as you believe they will happen.

REMEMBER THAT THESE FIGURES ARE CASH AMOUNTS TO BE EXPECTED AND THUS SHOULD NOT INCLUDE CREDIT SALES. IF YOUR BUSINESS WILL BE PART CASH AND PART CREDIT (YOU WILL HAVE ACCOUNTS RECEIVABLE) YOU WILL HAVE TO ADJUST YOUR ANTICIPATED CASH RECEIPTS ACCORDINGLY.

REMEMBER ALSO THAT CASH FLOW IS NOT THE SAME AS PROFITS OR LOSSES UNLESS YOU ARE ON A STRICTLY CASH BASIS FOR YOUR ACCOUNTING SYSTEM.

3. When you need to make additions, you may use the + sign or the @SUM technique. Beginning entries and totals should use the $ sign. To do this: / Range Format Currency (decimal places) <--: (range) <--:

4. The Cash Position figure is the Total Cash Available minus the Total Cash Out.

5. The figure for Cash Position at the end of one month must be carried forward to the next month and entered in the next column in the row labelled Beginning Cash Balance. This can be done by using the + sign and identifying the column and row for the figure to be used, such as +B35. The cursor is to be in the place where this figure is now being recaptured.

6. Where the next month's figures are expected to be the same as the prior month's figures, you can use the copy command to enter them: / Copy (enter range) <--: (range to copy) <--: Or, you can use the + sign and cell location, or repeat the figure in the same way you made the original entry.

7. If your initial cash projections show negative cash balances - which is usually the case for a new venture or when introducing a new product or when a business tries to expand - keep on with your projections to the end of the first year.

8. Now re-examine your total cash position so that you can see your total cash shortfall. This is the amount of money you are going to have to find from another source outside your business. Negative cash balances means your business is not generating enough cash to pay your bills. Your business clearly cannot continue on this basis without an inflow of cash. The source of additional cash may be from your own personal assets, such as a savings account or from something you might be able to sell, or from a loan. 9. If a loan is required, then you have to determine what your interest payment will be and enter these amounts in your cash flow, plus the month/s and amount of principal to be repaid.

10. This additional cash should be shown right below the Cash Position row in this fashion:

Row	Column A	Column B
31	Cash Position	
32	Bank Loan (or some other source:	
33	Cash Available	+31+B32

11. Now you need to proceed with a new cash flow projection so that you never have a negative cash flow. The figure to be brought forward is the one stored in B33 – or whatever it is on your spreadsheet - with an entry of +B33 in the appropriate row and column for the next month.

12. Include both the original cash flow projections which contain negative cash flows and the revised cash flow projections so that it is clear what action you have taken to remedy the cash shortfalls originally prepared. Make certain they are properly identified.

APPENDIX VI
The ABC Company
Balance Sheet

	1985	1986

Current Assets

Cash $1,000
Acts Receivable 500
Inventory 12,000

Total Current Assets 13,500

Fixed Assets

Equipment 4,800
Less Depreciation 0
Net Equipment 4,800

Total Fixed Assets 4,800

Total Assets 18,300

Current Liabilities

Acts Payable 800
Interest Payable 2,500

Total Current Liabilities 3,300

Long Term Liabilities

Bank Loan 10,000

Total Long Term Liabilities 10,000

Owner's Capital 5,000
Retained Earnings 0

Total Liabilities and Capital 18,300

THE BALANCE SHEET

1. Enter the titles as appropriate to your company, and the proper years.

2. In Column A enter the various labels: Cash, Inventory, and so forth to complete the format covering all the assets - current and fixed, all the liabilities - current and long term and the equity or capital. REMEMBER THAT THE TOTAL ASSETS FIGURE MUST EQUAL THE TOTAL LIABILITIES AND CAPITAL FIGURE!

3. Extend the width of Column A to suit the entries you have just made. You probably will need 30 spaces: / <--: Global <--: Column Width (enter the number of spaces) <--:

4. In Column B enter the figures for each entry in the corresponding rows in Column A. The first amount should have the $ sign before it, and for each total entry. To do this, enter: Range Format Currency (enter the decimal points) <--:

5. The other entries may or may not have the $ sign. Enter the amounts in the normal way.

6. Since Equipment is depreciated, you'll need a row labelled Less Depreciation. The next row now will be Net Equipment.

7. After all the figures have been entered for Current Assets, you'll need to determine the total. This can be done by using the + sign for each cell to be added, or by using the @SUM technique.

8. To determine Net Equipment, you'll need to subtract the Less Depreciation figure from the Equipment figure. Example: +B77-B78 where Equipment is in B77 and Less Depreciation is in B78. In this illustration, assume that Net Equipment is in B79, the next space below. The cursor is to be in B79 when you enter the equation.

9. Assume this is a portion of your balance sheet:

Row	Column A	Column B
69	Cash	$1,000
70	A/R	500
71	Inventory	12,000
72		
73	Total Current Assets	@SUM(B69..B71)
74		
75	Fixed Assets	
76		
77	Equipment	4,800
78	Less Depreciation	200
79	Net Equipment	+B77-B78

The next entry (label) - after a blank row - would be Total Fixed Assets, and below that, separated by a blank row, would be Total Assets:

80		
81	Total Fixed Assets	+B79
82		
83	Total Assets	+B73+B79

10. To determine other totals on this balance sheet, such as Total Current Liabilities, Total Long Term Liabilities, you can use either the @SUM command or a series of + entries.

11. Your initial balance sheet should now be complete.

REMEMBER TO VERIFY THAT IT DOES IN FACT BALANCE. THIS MEANS THAT THE FIGURE SHOWN FOR TOTAL ASSETS MUST EQUAL THE FIGURE SHOWN FOR TOTAL LIABILITIES AND CAPITAL!

NOTE: If you forgot an entry and thus needed to insert one but you do not have an empty row, you can create one: / Insert Row (enter the range) <--:

12. For the next year's Balance Sheet, first enter the year, and then the amounts as appropriate for each row (Cash, Inventory, and so on) in the next open column.

13. You may use the Copy Command for your total (such as for Total Current Assets) as previously determined in the initial Balance Sheet. Example:

Row	Column A	Column B	Column C
		1984	1985
74	Cash	$1,000	$1,500
75	A/R	500	2,000
76	Inventory	12,000	9,000
77			
78	Total Current Assets	$13,500	

For 1985 for C78: / Copy (From B78..B78) <--: To C78..C78 <--: This will produce this result: $12,500.

SMALL BUSINESS COMPUTER SOFTWARE ACQUISITION OPTIONS AND RISK ASSESSMENT

William Larry Gordon, University of Alaska, Anchorage Henry Wichmann, Jr.,
University of Alaska, Anchorage

ABSTRACT
The purpose of this paper is to identify the information needs of the small business and then to examine the various computer software acquisition options available that may be used to obtain the software necessary to help satisfy these information needs. The relationships between the acquisition options and their relative acquisition costs and associated risk levels of computer assisted crime are discussed.

INTRODUCTION
The dramatic decline in computer hardware costs caused by rapid technological improvements in the computer industry has resulted in the widespread adoption of computers by many organizations and individuals. In particular, small business purchases of micro-computers (micros) has occurred at a phenomenal rate. According to statistics recently released by the U.S. Bureau of Census, nearly eighty-eight per cent of the 4.16 million digital computers shipped in 1984 were priced at less than $2,500 while sales of large computers--retailing for $1 million or more--represented less than one percent of the total shipped (1).

Besides the factors of availability and low cost, a major factor contributing to the increased usage of computers is the awareness by the small businessman that small business survival depends as much on management ability as it does on the quality and desirability of the goods and services offered. The Small Business Administration (SBA) estimates that 9 out of 10 businesses fail due to the lack of management ability which the SBA broadly defines as skills in accounting problem- solving, marketing problem-solving, and other problem-solving, areas (2).

One recent survey of micro users indicated that sixty-eight percent utilized their micros daily, twenty-four percent frequently (but, not daily), and eight percent occasionally (3). The study also indicated that micro use was more common at the lower levels of the organization with word processing being the most commonly used application. These data are substantiated by numerous other studies and are consistent with the authors' own experiences with small businesses where we have observed that very little, if any, of the computers' potential for improving management ability is utilized. This characteristic of small business computer usage is partially explainable by a general organizational fear of computers (cyberphobia) and partially by an unwillingness on the part of the small business entrepreneur to invest time and effort into acquiring a minimally sufficient education in each of the major problem-solving areas so that full utilization of the computers' capabilities can be obtained.

Regardless of the problems of small business adaptation to this new technology, computerization represents an affordable opportunity to increase management ability by providing assistance to management in its problem solving tasks. Unfortunately, by providing efficient data processing and rapid satisfaction of information needs to the users, computerization may also increase the opportunities for criminal activity by providing "user friendly" support for information destruction, unauthorized data entry and modification, and the fraudulent or unauthorized use of data. Computer assisted crime is one of the fastest growing national "hobbies." Not only can it be fun from a backer's point of view, but it also is one of the most lucrative. Crime data published by the Bureau of justice Statistics indicates that for the period 1958-1979, a total of 669 computer assisted crime cases were reported with an average known loss of $1.7 million (4).

Such criminal activity is not made possible solely by the existence of the computer hardware but by the unauthorized use or modification of the computer software. The "user friendly software" that has resulted in the more rapid acceptance of computerization within the small business has also created a more "criminal friendly" environment. Because of this relationship between software and the potential for computer assisted crime, the decision to acquire software in support of small business information needs should include an examination of the relative risk levels associated with the major software acquisition options. The acquisition option decision should then be selected on the basis of the best acquisition cost-risk level combination. The following section will explore these tradeoffs.

APPLICATIONS SOFTWARE ACQUISITION OPTIONS

The three major alternatives for acquisition of applications software are purchase, in-house custom development, and contracted custom development. Individual firms may elect to use a combination of these options. (A recent survey by the authors in Alaska of 347 accounting firms revealed that the percentage use of each of these alternatives was 70 percent, 15 percent, and 15 percent, respectively (5)).

PURCHASE OPTION

The most common source of software is vendor supplied standardized software packages. Two categories of software are available: specialized pre-written application (SPA) software packages and generalized pre-written application (GPA) software packages. SPA software packages perform application specific tasks such as general ledger accounting. GPA software packages perform specific. tasks but can be used for many different applications. Relative to accounting applications, the most important example is electronic spreadsheet software. This is a software development tool which allows the user to develop an electronic spreadsheet that constructs both data and formulas. Another important example of GPA software packages is file management application development software (6). The use of GPA software packages within the small business may imply that some in-house (or contracted) software development is occurring. While the use of these packages requires different skill levels than the use of programming languages such as COBOL or BASIC, the employment of either to develop computer software solutions to the problems of small businesses will be considered as programming in this paper.

Although GPA packages have the capability to support applications development, they may be used with other purchased software to solve application specific tasks. An example of this is the purchase of a popular spreadsheet package and additional purchases of software (template programs) that are designed to generate (with the spreadsheet package) the templates needed in order to perform application specific tasks. The template program converts the spreadsheet program into application specific programs (7).

The purchase of SPA software packages represents the least expensive software acquisition solution. Because the software is developed for mass marketing, the development costs can be spread over a large number of units which allows the product to be marketed at a very reasonable price relative to the value provided to the small business user. The small per unit cost, also, reduces the potential impact of copyright infringement by making vendor guaranteed software with users' manuals available at a cost that decreases the potential "savings" that would accrue from copying both the software and the manuals.

A large number of different vendors and different products are available for the support of the different problem-solving functions. Many of these will have established reputations so that the purchaser can be confident that the product will perform as advertised. If the application is relatively new, the small business-owner-manager can look for software products that provide a solution and that have been or can be certified (8). With a reasonable level of thoughtful examination and selection, good software solutions can be purchased at low cost that will fully satisfy the needs of small business, will be easily implemented, and will be easily maintained with the aid of good documentation and good vendor support (9).

One additional benefit from the purchase and use of standardized software is that a greater supply of experienced personnel will exist in the labor force than would be associated with the use of custom developed software. This will reduce the problems associated with recruitment and training.

CUSTOM DEVELOPMENT OPTIONS

The use of vendor supplied standardized software packages provides the small business with readily available software solutions at low cost and that typically have proven records of performance and for which a large base of experienced users is available to recruit from. The primary motivation for electing to develop customized software solutions is that the available standardized software solutions are not compatible with the existing accounting methods and/or other procedures of the small business (and management refuses to make the necessary changes that would provide compatibility with one of the available packages) or because little or no packaged software exists. For these situations, in-house or contracted custom development are the only alternatives.

Custom software development requires an understanding of the business needs to be satisfied; an understanding of how to design and to implement a software solution compatible with the selected hardware; and an understanding of how to program. If the development team consists of more than one person, then the tasks can be assigned on the basis of individual expertise. If the development responsibility is assigned to one person, then that person must be competent in all tasks or negative consequences will result. Custom development has some major disadvantages relative to the purchase option. The development period may be lengthy and the quality and cost of the delivered product may be uncertain. Turnover within the development group, changes in technology or business conditions, user dissatisfaction, inadequate management controls, inaccurate or insufficient analysis and design, and poor planning can all contribute to an inferior and costly product. The likelihood of these types of problems occurring is directly related to the experience and skill levels of members of the development team and the cooperation and support of management.

In-House Custom Development

The in-house development "team" for a small business will typically consist of from one to three people. The actual number will vary with the complexity of the application and the firms resources. The level of computer expertise assumed in this discussion is that the typical small business does not have experienced, technically qualified staff relative to the requirements of software development. This assumption is consistent with the authors' own surveys in Alaska (10). If accounting functions are to be computerized, the responsibility will likely fall on the comptroller/ accountant/bookkeeper. While this individual will generally have a good understanding of the problems to be solved and the needs to-be satisfied, inexperience in software development will generally result in a costly, if not unsatisfactory, software solution. (Experts estimate that in-house development costs are likely to average or exceed ten dollars per program line or instruction (11). The result will be a costly, poorly designed, poorly documented, and difficult to maintain software package. Additionally, the small business owner-manager will be heavily dependent on the services of the in-house developers of the custom software when the package is fully implemented.

An unexpected advantage to in-house custom development is the increased morale of personnel assigned to the project who view the effort as an opportunity for obtaining or improving skills that will provide upward mobility within the firm or will increase their marketability (12).

Contracted Custom Development

Contracted custom development is generally characterized by the employment of experienced, technically competent development teams that will generally deliver good software solutions to the problems as they understand them (assuming; that small business management has required evidence of ability to satisfy contract requirements!). The major problems that car arise will be generally due to one or more of the following reasons:

1. Inadequate evaluation of contractee's capabilities.

2. Inadequate problem definition due to poor participation by management.

3. Inadequate solutions developed due to poor participation by management and their employees.

4. Continued dependence on the developers for software maintenance.

SMALL BUSINESS COMPUTER FRAUD

As applied to accounting, fraud is any act or omission to act of a deceitful and, therefore, dishonest nature or negligence so gross that property is taken from its lawful owner without his knowledge or consent. Fraud may constitute larceny, embezzlement, or both (13). Computer fraud is fraud in which a computer is used. Legislation in one state defines first-degree computer fraud as accessing any computer system to obtain goods or services illegally or to execute a scheme to defraud. Altering, destroying, or preventing access to a computer system is included, also. Second-degree computer fraud is defined to be the accessing of a computer system or data base without authorization and is principally aimed at discouraging "hackers"(14). Since "hackers" utilize remote terminals and communication lines to gain unauthorized access to computers and since the typical small business does not utilize computers that support communications, this paper is concerned only with first-degree computer fraud and its relationship with the software acquisition option selected by the small business.

A variety of techniques are employed in the commission of first-degree computer fraud (13) (15). Because of the nature of the typical small business computer environment, only those methods that involve unauthorized data entry or modification of applications software are considered and, of these two, the most active category of computer related crimes is unauthorized data entry (16). This method of theft is popular because it requires minimal computer skills due to the use of user friendly applications software. The level of risk exposure to this activity is directly related to management policies on computer use and to the degree that the software is user friendly. The National Association of Accountants sponsored a study by Price Waterhouse of the existence of micro policies within businesses. Of the 100 companies examined, 52 percent claimed to have policies but only 22 percent had written policies. This study indicated a need to implement micro policies in order to effect better data- security (17).

Unauthorized modifications (mods) to applications software is the other major category of computer crime methods that should be considered major relative to a typical small business. In order for this type of activity to occur, the individuals) will need a background in programming and will need access to the "source" programs as contrasted with the "object" or "machine language" programs.

The relative risk levels associated with these two major categories of crime methods will be examined in the next section.

RELATIONSHIP OF ACQUISITION OPTION WITH RISK LEVEL

Unauthorized Data Entry

The use of standardized software increases the risk exposure fraudulent transactions by providing well documented, user friendly software solutions whose operating characteristics are known to a large number of users. This risk level is greatest for the purchase option and least for the contracted custom development option based on arguments of accessibility and general knowledge of the packages.

Unauthorized Software Modifications

The use of standardized software minimizes the risk exposure to fraudulent transactions due to program modifications because the product is generally sold only in object (machine language) form and modification would be extremely difficult even for a computer expert. The use of contracted custom developed software provides low risk exposure to mods because the only opportunities for "fraud thru mods" would be via collusion between the contractors and small business employees or by the existence of skilled programmers within the small business. If skilled programmers were available, software modification would easily occur since the source code would be available along with good documentation. In-house custom development within the small business provides maximum risk exposure to mods because the user and developer groups overlap which would be in clear violation of the separation of duties rule. Detailed knowledge of the software and of management controls and policies would provide maximum possible protection from detection.

SUMMARY AND CONCLUSION'S

Small business success land survival is related to management ability. One way to increase this ability is to obtain a computerized information system. This requires that the small business owner-manager identify the information needs of the firm and then select the appropriate hardware and software solutions. With today's technology, the software acquisition decisions are probably the more difficult and the more critical. Associated with each acquisition option is a cost and a risk level of fraudulent transactions due to unauthorized data entry or software modifications. The greatest risk exposure is associated with the in-house custom development option while the least risk exposure is associated with contracted custom development.

The decision to purchase software, represents a good combination of acquisition cost and risk exposure and is recommended as a first choice option for the typical small business.

REFERENCES

(1) Betts, Mitch, "Census Bureau Counts 1984 Hardware Shipments," ComputerWorld", September 9, 1985, p. 15.

(2) Pratt, Charles M, "Small Business: Washington Begins to Take It More Seriously," U.S. News & World Report, August 8, 1977, p. 78.

(3) Minicucci, Rick, "Survey: Users, Show Us Your PCs," Today's Office, October, 1984, pp. 35-42.

(4) Bureau of Justice Statistics, Computer Crime: Criminal Justice Resource Manual. Washington, D.C., 1979.

(5) A questionnaire was sent to 347 Alaska licensed accounting firms, 85 usable questionnaires were returned, representing a 25 percent response.

(6) Some authors define GPA packaged software so that application software development tools such as electronic spreadsheets and data base management systems are not included. These are included in a separate category called "fourth generation software development tools."

(7) In electronic spreadsheet processing, a template is a formatted worksheet that contains no data but does contain the labels and formulas associated with a particular application. This template can be generated by using the spreadsheet package, only, or can be generated by other programs linked with the spreadsheet package.

8) Software certification is the process of carefully examining the documentation for a software package and then testing the software against the documentation claims. The certification may be supplied by the developer, but a more satisfactory source is an unbiased third party such as an accounting firm. Certification

of packaged accounting software will be increasingly important as more businesses adopt these systems. The American Institute of Certified Public Accountants has issued an official statement (SAS-3), directing CPA's (and warning auditors, in particular) to increase monitoring (and skills) related to business computer systems.

(9) Rosenthal, Morton, "Careful Software Evaluation Increases End User Acceptance," Data Management, September, 1985, pp. 30-32.

(10) A questionnaire was sent to all 1,000 members of the Chamber of Commerce in Anchorage, Alaska who were considered to be small businesses. Thirty percent (300 responses) were returned and usable.

(11) Stair, Ralph M., Jr., "Acquiring Computer Programs Software for the Small Business," Journal of Small Business Management, October, 1979, pp. 37-42.

(12) Murray, John P., "Maintaining Morale When the Contractors Enter," ComputerWorld, September 9, 1985.

(13) Freedman, Martin S., "A Primer on Fraud and Embezzlement," Management Accounting, October, 1973, p. 36.

(14) Shelly, Gary; and Thomas Cashman, Computer Fundamentals for an Information Age, (Anaheim) Publishing Co., Inc., 1984), p. 18-10

(15) Allen, Brandt, "Embezzler's Guide to the Computer," Harvard Business Review, July- August, 1975, pp. 79- 89.

(16) Allen, Brandt, "The Biggest Computer Frauds: Lessons for CPAs,"The Journal of Accounting, May 1977, pp. 52-62.

(17) "Security", PC Accounting, April, 1984.

EVALUATING COMPUTER READINESS OF SMALL BUSINESS INSTITUTE CLIENTS

Michael D. Ames, California State University, Fullerton

ABSTRACT
This article identifies possible pre requisites for computer readiness of small business clients. The author believes, based on experience with computer installations, that the presence or absence of such prerequisites greatly influences the ability of clients to successfully utilize computers in their business. It is argued that missing prerequisites must be dealt with first before a recommended computer installation can be successful. These prerequisites can be divided into three categories which span the social sciences: psychological, sociological, and economic. This paper will discuss the elements of each in turn and recommend a step-by-step procedure SBI Counseling teams can use to promote computer readiness.

INTRODUCTION
Faculty and student advisors participating in Small Business Institute programs naturally take a businesslike approach to the evaluation of computer hardware and software for their small business clients. They evaluate the economic costs and benefits and recommend accordingly. Since the typical client is less knowledgeable about computers than other aspects of the business, there is a strong possibility that counseling report recommendations about computers will be adopted without the same critical review that recommendations concerning such areas as product line or advertising night experience. This creates a special burden for the SBI counselors in a highly complex area of advisement.

Faced with such a burden, this author believes it is Critical for counselors to realize that many factors, in addition to economic costs and benefits, affect the client's ability to successfully utilize recommended computer hardware and software. These factors impact achievement of the full potential of both the computer installation and the users. They collectively determine the client's "computer readiness." They are prerequisites to a successful installation. The objectives of this article are: (1) to encourage counselors to devise tests of their clients' computer readiness and to act to overcome missing prerequisites, rather than just assuming that an obvious need for a computer will insure its effective utilization; (2) to call for interested readers to do further research on computer readiness.

In this article, three categories of prerequisites will be discussed. First, however, the concept of readiness needs additional definition. in order for proposed changes to be implemented, the client must De ready for them. This involves an agreement that the proposed changes are needed, a willingness to implement the changes, and exposure to the skills necessary to accomplish change. Too often, the client's readiness for computerization is simply assumed. As a result the recommended installation is not initiated; or, if it is, it leads to disappointing results.

Developing readiness goes beyond simply teaching the client to use a new word processing program, although this type of exposure to relevant software applications does develop readiness. Readiness is defined in two dimensions: maturation and exposure.

Maturation refers to the client's psychological and social readiness for computerization. For example, if a company has ten employees, which of them will feel threatened and intimidated by the need to computerize? How many now understand the need to redefine their jobs? How many are willing to accept instruction on how to effectively use the computer? Is the owner willing to set aside paid training time? Attitudes must mature to the point where those involved can overcome their anxieties and collectively embrace the challenges and opportunities the computer installation represents.

Exposure refers to exposing those who are maturationally ready for the computer installation to what they need to know to be successful in using the computer. The object of planned intervention in this case is to provide to the clients a realistic expectation of what the computer can and cannot do, how the hardware and software will assist then in their work, and how they should evaluate their own progress in absorbing and utilizing the new knowledge they are about to receive. Once such key prerequisites are addressed, the client is ready to proceed with the installation of the new computer system.

The next three sections of this article will explore three possible categories of prerequisites: psychological, social, and economic. Each section presents the theoretical nature of the category and includes comments on how the theory night apply to SBI clients. The last section of this paper will pull together the analysis in these three sections into a generalized eight step procedure for assessing deficiencies and intervening to prepare the client for a successful computer installation.

The following sections reflect the trial and error efforts of one practitioner in trying to deal with a very real client need. Much needs to be done to develop a more efficient, systematic approach consistent with the nature of the SBI program. The conclusion of this article includes key questions for investigation, which the author hopes will lead to research concerning a methodology for developing computer readiness that SBI student counseling teams can use to help clients.

PSYCHOLOGICAL PREREQUISITES
This category of prerequisites includes a number of factors that influence the individuals ability to accept change. In this case

to accept the changes precipitated by a new computer system. There are a number of factors at work here.

First are developmental issues. Certain counseling psychologists have argued that individuals go through a sequence of cognitive development stages as they grow to intellectual and emotional maturity. The individuals cognitive structure varies in each stage. Cognitive structure being a set of assumptions the individual uses to interpret events that occur in the environment and to decide on appropriate responses to these events (7;3;4). This development may not be uniform (2;1). William Perry, for example, found that college students were able to learn to use relativistic reasoning (no single right answer) in approaching the humanities before they could do so in relation to the sciences (7). This approach to developmental theory seems to apply well to computer readiness. Sophisticated, world-wise business people, in the author's experience, can easily be overwhelmed by the prospect of having to deal with a computer. They lock themselves
into a simplistic view of the situation. They feel there is a right answer for everything concerning the computer and that the SBI counselor knows these answers. The counselor's role, then is to teach then the right answer or to give them exercises so they can find the right answers for then- selves. Diversity of opinion or un- certainty is viewed as unwarranted confusion on the part of a poorly qualified SBI counselor.. Even if they accept the diversity or uncertainty as legitimate, they expect it to be temporary. They expect the counselor to find the "right" answer. In short, once they accept the SBI counselor as an "authority," they expect the computer installation to move along without any hitches. They view "Bugs" or other ambiguities that arise as unnatural phenomena which must be explained away in some fashion.

Other factors are also at work in addition to strictly developmental issues, that might also be classified as psychological prerequisites (10;6). They can be called fear of the unknown, anxiety, implied criticism and desire for independence.

Subjective fear of the unknown is created by change. The less people learn about the need for change, or about where the change will lead, the more the fear builds up.

On a more objective level change heightens anxieties. People are apprehensive about their ability to adapt, even when they know exactly what their new jobs will be. Will they learn the new skills quickly enough to keep their jobs?

The introduction of change is also implied criticism. Rightly or wrongly, people tend to think they are doing their best. The introduction of the new computer system implies their best was not good enough. It seems to say they are lacking in some personal sense.

Finally, the individuals desire for independence can get in the way of the computer installation. They feel they have earned the right to do their jobs their own way. They perceive the computer as forcing new job methods on them that do not permit then, to use their personal skills to improve job results.

SOCIAL PREREQUISITES

This category of prerequisites views the proposed computer installation from a social standpoint. Factors here have to do with how the individual reacts to the proposed installation as a part of a work group, and how the group as a whole will react. The concept of stages of development also applies here, in the sense of helping the individual acquire a set of interpersonal, affective skills for acting as a part of a work group (9). Requisite skills are defined in many college level management texts and are familiar to SBI student counselors.1 In addition, two factors seen to apply specifically to computer installations: vested interests and the required effort needed to coordinate the work group's adoption-of the new system.

Vested interests apply because the staff knows that they are going to be giving something up if they accept the new computer. They want to know what the company will give them to replace what they will lose. Vested interests can be classified into financial and non-financial considerations.

Financial considerations center on economic security (pay, benefits, opportunity for promotion). Will the new installation improve the employees economic well being in any way? If not they are likely to resist it.

1 For example, see (5), chapters on communications, group dynamics, power, and personal influence.

If layoffs, or reduction in work hours, are expected, which is not unusual when a new computer is proposed, matters are made even worse.

The non-financial side of vested interests has to do with the existing social system. Individuals do not want present social relationships altered. They are comfortable with their informal work groups. They know where they stand with each other. The power and authority of each is well defined, even if it isn't written down. The new computer may be perceived as changing all that - disrupting well established interpersonal relationships, introducing new people who have unknown qualities, and reallocating power and authority. This naturally leads to resistance.

Another factor applying specifically to computer installations is the required effort. It takes a lot of hard work to install the system and to integrate it into the organization's work processes. New skills must be learned and new working relationships established. All the details must be coordinated.

Someone has to spend extra hours to make things work. Everyone may agree that the new installation is needed. But nobody wants to admit they do not want to do the extra work necessary to carry it out.

ECON0MIC PREREQUISITES

This category of prerequisites enphasizes the economic costs and benefits of the installation. There are many hidden costs affecting readiness that are not included in the typical installation budget. Usually only the exposure aspect of computer readiness is included in the budget. Further, money is only set aside to pay for training employees to use relevant software applications. Exposure on how to use,the computer to be more successful at their own jobs is not included.

As implied by the above discussion, the costs of getting ready for the installation, even before the computer arrives, can be substantial. These costs must be funded as a part of the package for the installation to succeed. They must be incorporated into the cost/benefit analysis. What are these hidden costs?

They include the costs of: (1) analyzing the company situation, (2) developing a realistic plan for merging the computer productively with existing company procedures, (3) doing a detailed analysis of affected jobs, (4) making the physical preparations for the actual training of employees, and finally (5) introducing and explaining the computer installation to the entire staff.

SBI student counselors can help with part of the, but the costs of "getting computer ready" properly remain substantial. The costs of "staying computer ready" during the course of the installation are also substantial. Examples of these costs include: preparation of status reports; group meetings to "talk through" the need for the installation; group meetings to evaluate progress; and the staff tine to carry out face-to-face coordination efforts - both to reassure and assuage, as well as to stimulate completion of the extra work needed.

HOW SBI COUNSELORS CAN PROMOTE COMPUTER READINESS

Designing an appropriate SBI counseling intervention for furthering computer readiness requires a model. Glenn Snelbecker, in discussing psychoeducational design, argues that such a model must guide: (1) the formulation of goals; (2) the delineating of instructional (intervention) methods; and (3) troubleshooting, that is the diagnosis of problems in existing situations (8).

In the SBI context, the goal is to assist clients to productively integrate the proposed computer installation into their business. The diagnosis and planning of interventions requires assessing exactly where the client is now; and, bearing this in mind, knowing what the appropriate interventions are. In the real world, the relationship between where a client is developmentally and how they behave is complex. It is even more difficult to specify what interventions will work. There is no pat formula that says: Where The Client Is "XI' + Intervention "Y" = Successful Computer Installation. As noted at the beginning of this paper a lot more work needs to be done to define each element of the formula. The variable list is long.

Given these caveats, a conservative eight step procedure can be suggested that at least makes sure that key prerequisites are not overlooked, and that the client thinks about the true cost of the installation. Following this eight step procedure should help SBI student counselors serve clients better.

The basic idea being the eight step procedure is to assume that the necessary prerequisites for computer readiness do not exist. The author's personal experience with SBI clients suggests this conservative assumption is correct more often than not. This means the SBI counseling team is dealing with:

(A) Individuals who view the proposed installation simplistically. They think there is a right answer for every computer related question. They expect the counselor to know these answers.

(B)Individuals who have fears and anxieties about the installation. They see it as a threat, an implied criticism, a challenge of their earned right to do the job their way.

(C)Individuals who have strong vested interests in the way things are now. They must be convinced they will gain from the new computer personally before they will make the extra effort to support the new approach.

(D)A business owner who has likely underestimated the substantial costs of getting computer ready and staying computer ready during the computer installation.

If this is what the student counseling team is dealing with, it is obvious they must proceed cautiously. They must be sure of their ground each step of the way.

The eight steps the author recommends are presented in Exhibit I. Step 1 is to set the stage at the first interview. A successful computer installation cannot occur out of context from the realities of the present organization. Therefore if the client wants a computer feasibility study, the group must get permission to do a complete organizational analysis. Anticipating ,the fears noted above, the team should take a positive approach. Any proposed use of the computer will be to exploit the emergence of a new technology to make the company more competitive, rather than to identify and correct sloppy work habits or reduce personal errors of some of the employees.

EXHIBIT 1
HOW TO GET SBI CLIENTS COMPUTER READY

STEP 1 Set the Stage at the First Interview.

STEP 2 Use a Fact Finding Approach to do an Organizational Analysis.

STEP 3 A nalyze the Potential Benefits of the Computer.

STEP 4 Analyze What is needed to become Computer Ready.

STEP 5 Develop the Readiness Plan and Plan Summary.

STEP 6 Estimate the Cost of Getting Computer Ready. (GO/NO GO)

STEP 7 Prepare Job Breakdowns and link to Readiness Needs.

STEP 8 Prepare the Environment.

When the team does the organizational analysis they should use a fact finding approach. This means they need to interview all key people in a spirit of inquiry. Both those who supervise the work and those who do the work should be allowed to tinker with the problem. How might a computer be used to support their jobs exactly? What possibilities are available? What solutions might be best? This lowkey, participatory approach is good strategy psychologically and socially. It remains consistent with the advisory/low authority status of the counseling team.

Edgar Williams suggests there may be several good reasons for going along with a change like a new computer system (10, p.2). They include improving the company's ability to satisfy its members' economic wants, to increase company profitability, to promote human work for human beings and to contribute to individual satisfaction and social well-being. If some of these can be brought to light and stressed, people will come to see for themselves how the installation can serve their-needs. It is important that the involvement of key people be sought in the organizational analysis and in each subsequent step. All those who have direction over, or who control the 'resources necessary for the installation, must be involved in the design and implementation. This does not necessarily mean firsthand involvement. They may only
be brought up to date, asked for feedback on drafts of plans, and the like. Still, this
involvement is necessary to insure coordination of diverse efforts and to avoid or minimize resistance.
The next step is to review the organizational analysis and list all the jobs that could be benefited by use of computers. What are the likely benefits? Are they worth the trouble? If the benefits are significant, the next step is to analyze what is needed to become computer ready. The team must review the list of all the jobs that will be affected by the computer and inventory the readiness needs of the job holders. What do they need to become computer ready? The next step is to develop the

readiness plan. Maturation and exposure prerequisites may require extensive intervention. One-on-one discussions and group meetings may be necessary to reassure the job nolders and to give then a realistic view of what the computer will and will not do.

It is necessary to give someone the responsibility to get the employees computer ready and the time to do it right. This person must be selected as a part of the readiness plan.

A timetable should be developed noting who will be made ready and when. The timetable should allow tine to explain, to reassure, and to expose the employees to the general things they need to know about the coming computer system.

Since the readiness plan is likely to be complex, the client may find it difficult to comprehend exactly now the plan will work. Employees may find it hard to visualize the total picture and how they fit into it. Thus the plan should include a simplified summary that gives people better comprehension. The summary should attach a name to the total readiness/installation process. It should describe the dimensions of the process in general terms of time, extent, or dollars. The sun, nary will help those not privy to the details to visualize the coming change and keep fear and anxiety at a minimum.

Once the readiness plan is developed, the next step is to estimate its cost and add this cost
to the projected hardware/software/training cost of the installation itself. Once this is done, the client can make a go/no go choice about whether or not to proceed with the computer installation.

If the choice is to proceed, it is a'-so possible for the SBI team to help Out in two other readiness areas. They can help in preparing detailed job breakdowns and listing important readiness points to be covered for each job. Also they can assist in Preparing the environment by specifying how the workplace should be set up for proper readiness training - including what equipment and materials might be needed to prepare the employee.

C0NCLUSION

As noted above the eight steps listed in Exhibit I are a conservative step by-step procedure developed by the author on a trial and error basis to deal with a very real client need for computer readiness . These eight steps will only be truly useful for student teams if further research is done to specify the details of every step.

Many questions must be investigated before the list can be translated into an effective counseling tool for relatively inexperienced SBI student counseling team members. Key questions are: What are the key prerequisites to computer readiness? What kind of assessment instruments will efficiently determine how clients and their employees measure up in regard to these prerequisites? What interventions are effective in dealing with deficiencies in computer readiness? Do the prerequisites, assessment instruments, and/or effective interventions vary depending on the type of business and its environment?

The author feels satisfactory answers can be developed to these questions which will provide more specific aid to SBI student counseling teams. The list of key unanswered questions is likely to grow as investigations proceed making the task appear overwhelming. However, the potential savings to SBI clients, in the author's opinion, makes the needed investigation well worthwhile.

REFERENCES

(1) Flarell, J. H., "Stage-related Properties of Cognitive Development," Cognitive Psychology, Vol. 2, No. 4, 1971, pp. 421-45O.

(2) Harvey, 0. J., Hunt, David E., an Schroder, Harold M., Conceptual Systems and Personality Organization (New York: John Wiley &Sons, Inc., 1961).

(3) Kohlberg, Lawrence, "The Concepts of Developmental Psychology as the Central Guide to Education: Examples from Cognitive, Moral and Psychological Education." In Reynolds, M. (Ed.) Psychology and the Process of Schooling In the Next Decade(Minnesota: University of Minnesota Press, 1972).

(4) Loevinger, Jane, "The Meaning and Measurement of Ego Development," American Psychologist, Vol. 21, No. 3, 1966, pp. 195-206.

(5) Mescon, Michael H., Michael Abert, and Franklin Khedouri, Management: Individual and Organizational Effectiveness (New York: Harper & Row Publishers 1985).

(6) New, J. Randolph and Daniel 0. Singer, "Understanding Why People Reject New Ideas Helps IE's Convert Resistance into Acceptance," Industrial Engineering, Vol. 15, No. 5, 1983, pp. 51- 57.

(7) Perry, William G., Forms of Intellectual and Ethical Development in the College Years: A Scheme (New York: Holt, Rinehart & Winston, on, 1970).

(8) Snelbecker, Glenn E., Learning Theory and Psychoeducational Design (New York: McGraw- Hill, 1974).

(9) Widick, Carole, "The Perry Scheme: A Foundation for Developmental Practice," Tne Counseling Psychologist, Vol 6.,No 4, 1977. pp. 35-38.

(10) Williams, Edgar G., "Changing Systems and Behavior," Business Horizons, Vol. 12, No. 4, 1969, pp.53-58.

HOW TO USE THE MICROCOMPUTER IN DESIGNING A SMALL BUSINESS MARKETING DECISION SUPPORT SYSTEM

Douglas J. Lincoln, Boise State University William Warberg, Boise State University

ABSTRACT
Small businesses owning microcomputers most likely use them for accounting and/or word processing purposes. However, they can and should also be used to facilitate many marketing decisions that a small business person makes. The purpose of this workshop was to describe a marketing Decision Support System (MDSS) that can be developed in the small business setting using microcomputers. Although applicable to all types of small businesses, specific examples for the retail (store) setting were offered.

INTRODUCTION
The workshop included six unique components relating to the topic of MDSSs for small businesses. First, a conceptual introduction to Computer Information Systems was offered. Second, a generic approach to building such systems was presented with discussion focusing on specific steps. Third, a brief review of some typical small business retail marketing decisions was given. Fourth, the databases necessary for decision making were identified. Fifth, how to use the databases in a decision support system manner was discussed. Sixth, an overview of the hardware and software opportunities and constraints was given. The following sections review some of the specific topics and material presented at the workshop relative to each of the above six components.

Computer Information System (CIS) -- A Conceptual Review
With the technological advances in microcomputer hardware and software, small businesses are now able to have and afford much of the processing capability of larger companies. The new microcomputers offer dramatic increases in memory capacity over their predecessors. These microcomputers are capable of taking over many, perhaps most, minicomputer tasks and some mainframe applications as well. As a result of these advances, small business are now able to use the microcomputer for the three types of Computer Information Systems. These three systems are
(1) Data Processing Systems,
(2) Management Information Systems, and
(3) Decision Support Systems.

The first applications of computers in business were of a record-keeping or bookkeeping nature. Computers were used to record business transactions and to prepare reports on business activity. The computer was used primarily to automate and facilitate the f low of work through the organization, to account for business transactions, and to maintain company records. These data processing systems (DPS) are still the workhorse of most computer installations, since the computer can perform these clerical, record-keeping chores much faster, more accurately, and usually at far less expense than traditional paperwork based systems. An example of this would be order entry for transaction processing.

The next step in using computers in business was in assisting managers in making routine decisions. In the 1960s, computers became the basis for management information systems (MIS). In an MIS, the computer prepares periodic summary reports to management on business activity. These summaries consist of totals for groups of data items and provide information on trends in operations and on business operations that have veered off course from plans and expected outcomes. An example of management information systems, would be a report which identifies the results of sales force's efforts.

Having this information available allows managers to spot deviations from the normal course of activities and to take corrective action to put business back on track. Thus, management information systems help to control business operations once plans are implemented. This management control function is still one of the main uses of computers in business.

Today the computer is being used to support the planning functions of top-level managers and executives. Decision support systems (DSS) can project the results of decisions before they are made to allow managers to evaluate the consequences of decisions before committing company resources to them. It is not uncommon nowadays to find computer terminals located in the executive offices and boardrooms. Such computers are helping to formulate policies and plans for the long-term growth and success of business enterprises. An example of a Decision Support System application would be to explore relationships between sales and promotional efforts.

A more detailed look at the conceptual and operation differences among these three computer information systems is offered in Figure 1. Notice that a distinguishing characteristic of the three is not necessarily hardware but more often how the system is used, by whom, and for what reason.

Decision support systems can be used in four generally different ways: finding or identifying problems; designing actions that might be taken to eliminate or reduce a problem; making a choice between or among alternative problem solution actions; and evaluating the effects of the specific action actually chosen and implemented (1). For example, a sales manager might recognize that the reason his company is not getting desired sales volume from a given customer is because the frequency of sales calls on that customer is less than desirable (i.e. less than company average). Using a computer, this manager might "play" with alternative sales call schedules or routes using existing salespeople. He could look at the trade-offs associated with moving current sales force call routing and "find" what is

believed to be a more optimal schedule; with an expected resultant effect on sales. After the changes have been made and in place for a period of time, the same sales manager goes back to the computer (DSS) and calls up the appropriate sales (revenue) data as well as sales force expenses and makes an-evaluation
of the re-scheduling decision made earlier.

Building a Decision Support System (DSS)
The process of designing a DSS begins not with worrying about what hardware or software exists (we might have said that a few years ago) but instead begins with a careful analysis of the decision making needs of a particular organization. There seems to be five basic steps which the business person must go through in order to arrive at a somewhat realistic picture of what the DSS could/should look like. These steps involve seeking answers to the following questions:
(1) What decisions have to be made? Which ones are most important or critical to the survival/growth of the business? Who makes these decisions? (this is one area where the
answers may be easier to obtain for the small versus large business setting)

(2) What information is needed/desired to make these decisions?

(3) Where in the information located, when does it exist?, how can it be captured or collected?

(4) How can the information be stored and filed for later retrieval/usage?

(5) How can it be retrieved, manipulated and displayed for the decision maker?

Thus, all decision support systems have certain commonalities. They all require databases (i.e. the information need by decision makers but stored in some logical fashion) and assumed models or ways the decision maker sees specific pieces of information relating to other pieces of information (e.g. the above sales manager's assumptions about the relationship between number of sales calls per customer and the level of sales coming from that customer). DSSs also require the existence of some statistical or other data manipulating program--this may range from pure frequency distributions which can be produced by the simplest of programming or cheapest of "canned" programs to more sophisticated modeling. Finally, all DDSs require that information and information manipulations are available for display with the decision maker on an interactive basis.

Small Business Retail Decisions
A small business retailer must decide upon its overall marketing strategy and then give attention to action plans needed to implement the overall retail strategy. The retailer's marketing

or positioning strategy involves two major sets of decisions. First, the retailer must decide who the store is "going to go after"--this is referred to as the target market. As with manufacturers, retailers can not afford to attempt to be all things to all people. Even a large department store chain such as Sears Roebuck can not expect to do business with all types of people.

The design of specific marketing activities used to carry out the store's overall positioning is commonly known as the marketing mix or in this case retailing mix. The retailer has categories of decisions within which there are some more specific decision areas. Generally speaking, the retailer has three areas into which all marketing decisions can classified: product or merchandise, pricing, and promotion. Product or merchandise decisions include: determining what to buy and when, whom to buy from, inventory levels, space allocation, displays, levels and types of customer services (e.g, delivery, layaways, etc.) Pricing decisions include levels margins, discounting policies, new product pricing, price lining, method of payment, sale pricing, cross elasticity, and so on. Promotion decisions fall into the areas of advertising, sales promotions, public relation and personal selling.

Marketing Decision Support System Databases

The goal of establishing a marketing decision support system (MDSS) in the small business retail (SBR) setting is to enable the retail manager to understand the revenues and costs associated with the store's marketing efforts. A good MDSS thus allows the small business retail manager to understand, and perhaps more importantly predict, the profitability of specific marketing moves as well as the effectiveness or productivity of those moves.

An effective SBR MDSS begins with accurate records of past, marketing activities. Examples of such would be sales data, employee performance measures, advertising expenditures, etc. Armed with this information, the SBR can sort out and identify relationships such as how many sales were brought in due to a special sale offer. The MDSS allows the SBR to identify problems (e.g. slow moving items) and opportunities (e.g. high performance sales personnel). The SBR can also use and MDSS to test out hypothesis held by the manager--such as the belief that the store's typical or heavy customer is married and lives within a one mile radius of the store. At its most sophisticated level, the manager might use the MDSS to test possible solutions to identified problems (e.g. forecast how changing a price on a specific product would effect its sales price, sales levels and tales of other related products or substitutes).

The SBR MDSS aids decision making in specific marketing (recruiting) mix areas by providing data on previous decisions. The ability to learn from the past and use that information to model what could happen in the future is a major MDSS application.

In order to construct a MDSS, the SBR must establish a set of data bases; each with their own unique information sets and perhaps gathered from a number of different sources. Most importantly, there must be the ability to have the data bases interact with each other--be what is termed "relational". The following identifies the various data bases and the specific types of information contained in them.

Customer Information
Name, address, phone number, etc.
Classification (age, gender, type of business)
Credit rating Purchase history (last item purchased, etc.)
Product attribute preferences (color, sizes, brand names, etc.)

Sales-Information
Gross sales
Sales by product line
Sales by product item
Name of customer
Location of customer
Type of customer
Date of sale
Method of payment
Returned orders
Unfilled orders
Order cycle time
Names of salesperson

Inventory Information
Inventory on hand
Inventory on hand by product line
Inventory on hand by product item
Location of inventory
Vendor/supplier of inventory
Date of inventory acquisition

Marketing Costs
Product (invoice) costs
Fixed marketing costs (e.g. salaries)
Advertising expense
Personal selling expenses (yours or commissioned reps)
Sales promotion expenses (e.g. contests, give aways)
Packaging Transportation/shipping
Thefts/losses
New product development
Misc (e.g. marketing research)

Using the Marketing Decision Support System Databases
The following are examples of decision areas or questions which can be answered if a proper DSS has been set up using the preceding suggestions for databases.

Marketing Control Areas
Rank product sales by volume
Analyze sales by geographic territory
Analyze sales by type of customer
Identify most profitable products
Identify most profitable customers
Evaluate productivity of sales force
Evaluate effects of advertising efforts
Evaluate effects of sales promotion activities
Determine best advertising media

Marketing Planning Area
Determine best timing for promotion efforts
Forecasting sales
Forecasting profitability
Identifying likely future customers
Setting sales quotas/objectives
Pinpointing new product needs
Deciding to drop current products/ vendors/customers

An example of the application of the DSS concept in a live case setting for a men's store was presented to the workshop.

Hardware and Software Considerations
This section of the workshop identified some of the possible hardware and software alternatives available to the small business retailer for developing MDSS. Attention was paid to possible constraints due to storage capacity and manipulation capacities of such systems. Some specific items covered included: CPU, storage, RAM, software, and POS.

REFERENCE
(1) John D.C., Lakshmi Mohan and Antoine Hatoun, "Yanking Knowledge From the Numbers--How Marketing Decision Support Systems Can Work For You," Industrial Marketing, March 1982, pp. 46-56.

FIGURE 1
COMPARISONS OF THE THREE COMPUTER INFORMATION SYSTEMS

System
DPS MIS DSS

FOCUS Data Information Decisions

TARGET Operational level Mostly middle and All levels
GROUP upper management

SYSTEM Designed from Designed from Designed from
manager's
STRATEGY technical perspective organization's
perspective
Perspective

Application oriented Business function
Individual manager oriented
oriented

Synthesis of manual Synthesis of DP and Synthesis
of MIS
and DP methods information dissem-
ination methods

OPERATIONSCentralized pro- Diffused processing Localized
processing
cessing

Emphasizes struc- Emphasizes user
Emphasizes trans- tured information
friendliness and flex-
action processing flow ibility

Computer hardware Inquiry and report User
initiation and optimization generation
optimiz- control optimization
Ation

Rigidly structures Semi-structured
Unstructured procedures procedures
procedures Personal managerial
File driven system Integrated files and
decision methodology
driven system data-base driven system

OUTPUT Declarative Interrogative
Interactive-iterative reporting reporting
reporting
Summary reports Standardized
Unstructured reports
reporting
IMPETUS Expediency Efficiency
Effectiveness

Excess volume Information frag-   Complex
variable genesis mentation genesis
interaction genesis

USING LOTUS 1-2-3 MODELS FOR CASH FLOW AND BREAK-EVEN ANALYSIS

Edward H. Osborne, Marietta College David Stephan, Marietta College

ABSTRACT
The clerical work required to assemble an SBI client's financial data into a presentable format. is a problem for many SBI teams. Useful information can be found in breakeven analysis and comparison with industry averages, but getting the data into a useful format is a formidable task. To help alleviate this burden, the Marietta College Business Resource Center has developed LOTUS 1-2-3 templates specifically for use by SBI teams. These templates generate printed reports and graphs that can be incorporated into SBI reports.

THE C0MPUTERIZED MODELS

The models are of two basic types: (1) a start-up model for SBI clients contemplating going into business and (2) a comparison model for clients already in business.

The Start-up Model

The start-up model asks students to enter certain financial data which is unique to their client. In addition to estimated annual sales they are asked to enter dollar amounts for certain expenses. Examples of these expense categories are rent, utilities and loan payments. These items are generally unique to the client's specific geographical location. Additional data is pre-set by the software based on published industry averages. Examples of these items are: supplies, cost of goods purchased and variable payroll expenses. The student has the option of overriding the pre-set percentages if they are not –reasonable for their client.

After the data is entered, the software generates:

> printed comparative cash flow data at various levels of sales (see Exhibit I for an example).

> a graph of comparative cash flow data (see Exhibit 2)

> a break-even analysis (see Exhibit 3)

> a break-even chart (see Exhibit 4)

The printed analyses and graphs can be incorporated into the SBI report. Also, since the software is based on Lotus 1-2-3 the data can be quickly changed and new print-outs produced.

The Comparison Model

The comparison model is used for existing businesses. It compares the client's actual operating results with published percentage averages for the industry. It also produces a break-even analysis and a break- even chart. See Exhibit 5 for an example of the comparative report. The break-even analysis and break-even graph uses the same format as the Start-up Model shown in Exhibits 3 and 4.

USING THE MODELS
The SBI student first accumulates financial data on a printed form supplied with the software.

Next, the student loads Lotus 1-2-3 into the computer and the appropriate template diskette is selected; either the Start-up model for a new business or the Comparison model for an existing business.

The next step is selection of the appropriate industry data from the 60 industries incorporated into the software. After loading Lotus 1-2-3 and the appropriate industry data file, on-screen instructions lead the student through the steps necessary to complete the analysis and generate the print-outs. No knowledge of Lotus 1-2-3 is necessary to use the template.

An instruction booklet explaining how the software works and what preliminary data needs to be gathered is included along with the templates.

INDUSTRY DATA
Most of the industry data was gathered from the Internal Revenue Service's Statistics of Income for sole proprietorships. This data is derived primarily from a stratified probability sample of individual income tax returns. The samples encompass the entire range of unincorporated businesses and professional practices, from large enterprises with many employees and hired managers to part-time operations in which the owner is the only person involved.

AVAILABILITY
Development of both templates was funded through a grant from the Cleveland Foundation. In accordance with the grant, the templates are available for student use free of charge. Anyone wanting the templates on diskette may obtain a copy by sending two blank diskettes along with a self-addressed, stamped envelope to:

Business Resource
Center Marietta College
Marietta, OH 45750

Templates may be reproduced in any quantity for student use. A copy of the instruction manual will be provided free of charge and may be photocopied.

Lotus 1-2-3 software must be supplied by the user. It is available at a substantial discount for educational use directly from Lotus Development Corporation.

Templates and instructions are designed only for IBM-PC or compatible equipment.

EXHIBIT 1

Wilson's Garden Supply
OPERATING CASH FLOW AT VARIOUS LEVELS OF SALES
Nov. 1985

	- 40%	-20%	Target	+20%	+40%
Sales	120,000	160,000	200,000	240,000	280,000
Cost of goods sold:					
- Purchases	80,040	106,720	133,400	160,080	186,760
- Labor	1,920	2,560	3,200	3,840	4,480
- Materials/supplies	1,680	2,240	2,800	3,360	3,920
- Other costs	2,400	3,200	4,000	4,800	5,600
TOTAL	86,040	114,720	143,400	172,080	200,760
Gross margin	33,960	45,280	56,600	67,920	79,240
Cash operating expenses:					
- Advertising	2,500	2,500	2,500	2,500	2,500
- Travel	500	500	500	500	500
- Wages (excluding owner's salary)	21,000	21,000	21,000	21,000	21,000
-Owner's salary	15,000	15,000	15,000	15,000	15,000
- Rent	2,200	2,200	2,200	2,200	2,200
- Insurance	600	600	600	600	600
- Licenses/taxes	500	500	500	500	500
- Professional services	800	800	800	800	800
-Utilities/telephone	750	750	750	750	750
- Repairs	200	200	200	200	200
- Commissions	720	960	1,200	1,440	1,680
- Freight	360	480	600	720	840
- Supplies	720	960	1,200	1,440	1,680
- Bad debts	240	320	400	480	560
- Auto/delivery expenses	900	900	900	900	900
-Loan payments	3,000	3,000	3,000	3,000	3,000
TOTAL	49,990	50,670	51,350	52,030	52,710
Net operating cash flow	(16,030)	(5,390)	5,250	15,890	26,530

EXHIBIT 3

Wilson's Garden Supply
Break-even analysis……

Sales	100.0%	Fixed costs:	
		-Advertising	2,500
Less variable expenses:		- Travel	500
Cost of goods sold:		- Wages	21,000
- Purchases	66.7%	- Owner's salary	15,000
- Variable labor	1.6%	- Rent	2,200
-Materials/supplies	1.4%	- Insurance	600
- Other costs	2.0%	- Licenses/taxes	500
		- Prof. services	800
Operating costs:		- Utilities/phone	750
- Bad debts	0.2%	- Repairs	200
-Commissions	0.6%	- Auto/delivery	900
- Freight	0.3%	- Loan payments	3,000
- Supplies	0.6%		47,950
Total variable costs	73.4%		
Contribution margin	26.6%		

BREAK-EVEN CALCULATION:
Total fixed costs...................47,950
Divide by contribution
margin percent..................26.6%
Sales $ required
to break even.....................180,263

[EXHIBIT 2 omitted]

[EXHIBIT 4 omitted]

[EXHIBIT 5 omitted]

WORKSHOP
SMALL BUSINESS COMPUTER SYSTEMS: EVALUATION, SELECTION AND TRAINING

Robert M. Lynch, University of Northern Colorado Steve Teglovic, Jr., University of Northern Colorado

ABSTRACT
For the next decade, acquisition of computer systems by small business will continue to grow. Industry estimates indicate that over five million microcomputers will be placed in service over the next few years with a large number going to small businesses. Compound this with the rapid changes in technology and one finds many small business entrepreneurs in need of assistance in the evaluation and selection of small business systems. Moreover, these individuals will continue to seek training on systems and applications software as new products become available. In light of this growth, the proposed workshop presents a systems approach to the evaluation and selection of computer systems and software in the small business environment. In addition, the presenters discussed the nature and sources of training that users can tap into to successfully implement their systems.

TARGET AUDIENCE
The workshop is designed for individuals who will be acquiring or assisting others in the acquisition of small business systems. The workshop should be of interest to those who do not have broad exposure to systems selection procedures or who lack small business systems experience.

WORKSHOP OUTLINE
The presentation will focus on

(1) the evaluation of small business system needs,
(2) the evaluation and selection of software for small business applications and
(3) the evaluation and selection of computer systems hardware.

The workshop begins with a discussion of the fundamentals of computer systems and procedures for determining the amount and the type of computer resources a small business entrepreneur will require.

The second set of topics focuses on determining the software that the small business user needs. In this area, the kinds of software available, the sources of software, software evaluation procedures and software licensing arrangements are examined.

The third topic focuses on hardware selection. In this area, evaluating hardware, methods of acquisition and vendor selection are discussed. RFP's and contracts are discussed with particular attention to what should be included.

The workshop closes with a discussion on installation, security and training needs for the small business system user.

THE ABC MANUFACTURING CASE: A TEACHING TUTORIAL ON COMPUTERIZING A SMALL BUSINESS

Diane L. Lockwood, Seattle University

ABSTRACT
There is a high probability that students and small businesses will at some time be either directly or indirectly involved in acquiring computer processing for some operations. This actual case study and tutorial will highlight some important factors to consider when automating small businesses. It is hoped that by alerting people to potential problems in advance of such attempts, at least some of the implementation headaches may be minimized.

THE SETTING
This two-part video cassette tape describes an actual case concerning the acquisition of computer services for the ABC Manufacturing Company. ABC has about eight million in sales, employed 150 people, and makes space saving fold-up furniture for educational and corporate customers.

The case is divided into two parts: Part 1 describes the situation and asks the audience to make a prediction concerning how "successful" the computerized information system at ABC will be 18 months after the events described in the case; and Part II reveals what actually happened in the case.

TEACHING NOTES (1)
Total running time for the tape is one hour. With one hour classes, it is advisable to discuss Parts I and II in two separate class sessions. The critical lesson learned from this case is that everything can be done technically correct when computerizing a small business, but several implementation problems (both controllable and uncontrollable ones) can ruin the "best laid plans."

Technical Considerations
Key technical considerations explained and reviewed in the tape are:

1. Management Involvement
2. Formalizing Objectives
3. Use of Outside Expertise
4. Obtaining Qualified MIS Managers
5. Designing for Integration
6. Setting Priorities on Lifestream Systems
7. Forced Negotiation of Hardware/Software Vendors
8. Hiring Outside vs. Inside Training of Personnel
9. Formalize User Involvement
10. Post Implementation Audit

Implementation Issues
Some of the key implementation problems discussed in the case include:

1. Low perceived need by actual users
2. Too complex an application
3. Application areas must be consistent with political power structures
4. "You can not be a prophet in your own land" syndrome
5. Uncontrollable economic factors (e.g., recession)
6. Success of application very dependent on key people (i.e., no room for personnel slack in a small business

CONCLUSION
A technical background in computers is not necessary to understand and appreciate the value of this case. As teachers, it is important that we give students a broad overview of what can happen when a small business attempts to implement computer-based information systems. This tutorial represents at least one step in that direction.

(1) Inquiries regarding the ABC tape should be directed toward Dr. Gary Dickson, 93 Blegen Hall, University of Minnesota, Minneapolis, MN 55455.

CURRICULUM DEVELOPMENT IN IRISH HIGHER EDUCATION: THE GROWTH IN ENTREPRENEURSHIP COURSES

Barra O Cinneide, National Institute for Higher Education, Limerick, Ireland

ABSTRACT
This paper attempts to identify factors leading to an enhanced awareness of the need for curriculum development at Irish educational establishments. It also undertakes a comparative analysis of the trend towards Entrepreneurship courses at US and Irish universities and colleges. The particular features of the Irish educational sector are highlighted, and the prospective benefits of adapting US models such as the SBDCs and SBIs to Irish campuses are examined.

INTRODUCTION
Due to several factors, curricula at Irish universities and other higher education colleges have undergone considerable scrutiny, and several innovative initiatives have been implemented in recent years. Some of the most interesting developments relate to attempts to make academic programmes as relevant as possible in a rapidly changing economic

As in the US, the growth in Entrepreneurship/Enterprise Development courses has been dramatic and this paper describes efforts to devise curricula appropriate to local conditions with the help of structures developed from the-American model - with a dash of Irish flavoring!

Since 1970, Ireland has experienced industrial development and major economic expansion. In the last decade our membership of the European Economic community has facilitated remarkable progress in the industrial requiring higher technical skills, largely through foreign investment in Irish manufacturing for export to Community markets. The opening up of our domestic market has, at the same time, forced many changes and considerable fall-out as our indigenous industry adjusted to international competition. We have adapted well to these rapid changes and if our economic stresses and strains seem more severe than those of our partners in Europe, it can be ascribed to the fact that we have experienced in a decade and a half the process of urbanization and industrialization that has evolved over several generations in our industrialised partners.

Because of the way our industrial structure has evolved, the overall technological competence of our industrial sectors is low by international standards. Our indigenous industry developed behind tariff barriers and, while providing welcome employment at a difficult stage of our economic development, it missed the innovative edge that international competition brings. Our - foreign investment in more recent times similarly provided welcome employment in manufacturers operations but to a large extent this was without the key element of the Business Policy and Marketing which retain elsewhere. In our open trading economy, and in the harsher competitive climate of the 1980s, educators now see their role more clearly in helping students to understand the need to be self-reliant and, at the same time, highly competent,in an international sense.

BACKGROUND

The 'baby boom' experience post-World War 2 in the US has come late to Ireland. After over a century of drastic decline, due to heavy emigration, the population has shown a steady growth in the last decade and a half. Now Ireland has by far the highest birth rate in Western Europe and one of the youngest populations in the developed world - just half (47 per cent) are 25 years or younger. These demographic trends have had serious implications for national planning, in particular the provision of infrastructure, economic development, employment (particularly within 'new industries') and the services sector, including education.

Because of the establishment of new industries and government policy to provide an attractive industrial support 'package' for future overseas investment in Ireland (for which a well educated workforce is an important feature), the higher education sector has been increasingly placed under the microscope to ensure its relevance to the needs of industry and business generally. In the past decade and a half, the existing universities have been expanded and reequipped. New institutions, geared to the needs of industry and having a technological orientation, have been established. These include two National Institutes for Higher Education at Limerick and Dublin, and nine Regional Technical Colleges located at major urban centres other than Limerick/Dublin. These latter institutions are akin to the US !Community Colleges (but with a specific technological orientation).

As the data in Table 1, show, in 1984 for the first time, student numbers at traditional universities in Ireland represents less than half the total population in the higher education sector.

An interesting component in the planning 'mix' is the government's commitment to increasing the number of students by 20,000 (over 40 per cent increase) by 1990,(1). It is expected that much of this increment will be in the technological/business areas, with an increasing proportion of students in the nonUniversity sector of higher education, the NIHEs and RTCs, in particular.

TABLE 1
STUDENTS IN IRISH HIGHER EDUCATION, 1984

Institution	No. of Students	%
Universities	24,200	49
NIHEs	5,700	12
RTC/Vocational	15,600	32
Teacher Training	2,500	5
Other	1,000	2
	49,000	100

Source: Author's update of data in (2)

TRENDS IN CURRICULUM DEVELOPMENT
As might be expected, the advent of the new institutions in the early seventies has led to much fresh thinking on the composition of curricula. The new institutions had the advantage of being allowed considerable freedom in developing new courses while the older establishments were spurred on to re-consider the content of their programmes and make a positive response to the challenge from this new form of "competition".

Not unexpectedly, many of the developments that occurred closely paralleled what had been happening in the UK - the Polytechnics and Colleges of Advanced Technology in Britain being used, as exemplars to a large extent. However, one institution, my own, i.e. the National Institute for Higher Education Limerick, turned to the US for the inspiration and has basically adopted the American model for its educational system including modular course design, the quality/credit structure and Co-operative Education.

Irrespective of the mode of operation of higher level institutions in Ireland, be they university or technological colleges, there has been an unprecedented swing towards incorporating Entrepreneurship/ Enterprise Development/Small Business Management courses in nearly all institutions in the past couple of years.

RATIONALE FOR GROWTH IN ENTREPRENEURSHIP COURSES
Where could be some justification for the explanation that, as in so many other instances Ireland has been following trends elsewhere with the customary 'time lag'. An analysis of the growth in entrepreneurship courses at US universties and colleges has shown a dramatic growth paralleled over a shorter time span in Ireland (3). This analysis is reproduced in Table 2 which shows a large upsurge in such courses since 1970.

TABLE 2
NUMBER OF US COLLEGES AND UNIVERSITIES OFFERING COURSES IN ENTREPRENEURSHIP

Year	No. of Institutions Offering Courses

1970	31
1971	41
1972	50
1973	63
1974	88
1975	103
1976	131
1977	135
1978	140
1979	143
1980	147
1981	173
1982	197
1983	223
1984	250

Note: This development was initiated by a handful of colleges in the mid 1960s. The numbers may be understated due to nonresponse in source surveys, while the 1984 figure is an estimate.

However, it is likely that the recent swing to Entrepreneurship courses in Ireland is less ascribable to international trends (or dare I say a worldwide phenomenon/fashion!) than to a complex set of local circumstances and corresponding pressures to provide academic programmes that responded to real needs in the community. Due to the ravages of economic recession which have affected Ireland and Europe, generally, in the past four to five years, State agencies have been attempting to maximise on the use of indigenous resources (including natural business talent). A whole series of financial aids and training programmes (including a plethora of 'Start Your Own Business' courses) have been developed by the State sector. As a result educational institutions have seen the opportunity to align both undergraduate and postgraduate programmes with this national thrust.

In addition all educational institutions have found an enthusiastic response from students to the introduction of new courses based on the study of the entrepreneurial process. Similarly they have gladly undertaken 'action learning' courses concerned with analyzing existing small businesses or considering the establishment of new enterprises. While the established universities have played their role in encouraging entrepreneurial studies, many of the initiatives for the assessment of new enterprise opportunities have come from the newer institutions principally I feel, due to concentration on 'project' activity as part of their academic programmes since the early 1970s. Because most academics agree that 'Enterprise' courses are best constructed with a strong DIY/'action learning' component, I believe orientation to project work at an academic institution gives it a firm base on which to introduce Entrepreneurship into its curricula.

Teaching is not merely the instillation of knowledge but rather the development of intellectual skills and critical thinking which both form the basis for creativity, risk-taking and entrepreneurship. These skills become even more necessary when we consider that in future many more of our graduates will be employed in smaller firms or creating self-employment where they will be taking responsibilities for their own ideas and decisions. Project work/'action learning' which encourage active participation by students undoubtedly provide a very appropriate basis for instilling these mental skills.

Although many educators would agree that educating students about enterprise development is an essential task, it can be difficult to fit it in as a course to an already crowded curriculum. The reconciliation of conflicting demands is a serious problem bearing in mind the resource constraints so particularly apparent in the Irish educational sector. However, there is enough evidence available to suggest that faculty are willing to overcome all these obstacles and are keen to innovate. It is, primarily, not a question of money - it is more an attitude of mind.

FACILITATION OF 'ENTREPRENEURSHIP' COURSE DEVELOPMENT

At our own institution in Limerick, we have been experimenting for several years in an attempt to find the best course structure and teaching/learning methodology for encouraging students "to think enterprise". In 1979 we incorporated "Small Business Management" as a major component in our Business Policy courses. The following year it became a core module in our main undergraduate programme, the BBS (Bachelor of Business Studies). This proved highly popular and our Engineering faculty quickly requested that it be introduced into their programmes. Having reviewed our experiences with the course we are now replacing this module on the BBS programme with "New Business Development," to highlight the importance of the entrepreneurial process as distinct from the study of on-going business.

In 1984 the IDA (Industrial Development Authority) introduced a Student Enterprise Award scheme that attracted wide interest from all colleges in the higher educational sector. We encouraged students to enter for the award and a new elective module, "New Enterprise Development" was instituted at NIHE, Limerick for students entering for the national competition. We were extremely pleased to discover that almost all the student projects in both 1984 and 1985 were undertaken by interdisciplinary teams, i.e. Business students combining with Engineering and Science or Humanities students.

We were further gratified that one of our teams was selected as one of the four groups to contest the final of the IDA Student Enterprise Competition in 1985.

ESTABLISHMENT OF THE SBI

In 1985, Professor Gene O'Connor who is a prominent member of the SBI Directors, Association, spent a three month assignment at our institution during which he established an SBI on a pilot basis. so we have had the experience of establishing four groups of students each comprised of three or four undergraduates, working on the 'real life' business development problems of local small enterprises. Again, as in the case of IDA Enterprise Award Scheme, we have instituted an elective module, "Small Business Analysis" for students participating in the SBI teams with emphasis, of course, on 'action learning' as the medium of education.

So, by a combination of: 1. structuring around the IDA Enterprise Award scheme and the SBI model, and 2. of developing relevant course content and specially designed teaching material, we have been attempting to build the basis for a viable option (a minor one, initially) within our
BBS programme. Hopefully within a matter of years our efforts will allow us to progress to a recognised major stream to challenge the established options like Finance or Marketing.

Other important facilitators include the establishment of Plassey Technological Park, a scenic site of Goo acres of which our campus is an integral part. In fact, we -like to think of the technological park as an extension of cur campus! On the park a number of technology based firms have established manufacturing and R&D facilities, firms such as Wang Laboratories and Varian Associates. In addition a score of small indigenous firms have been established in incubator accommodation at Enterprise House, a (purpose-built) complex of offices and laboratories/workshops near our institution. This building also houses the Innovation Centre which has been given a national role to encourage new enterprises, particularly those based on high Technology. The centre is an initiative of Shannon Development, the State agency in the Mid West region of Ireland charged ,With the development of small business.

Another important element in the enterprise development infrastructure on our campus is the MCSB (Marketing Centre for Small Business) which has been operational for over a year. Its origins lie in our concern to employ the talents of our faculty in helping the development of the smaller firms. We saw the SBDC (Small Business Development Centre) concept at work in the US, and we decided to adapt the SBDC model to Irish conditions giving maximum emphasis to Marketing - being the functional area we felt needed most attention among the small entrepreneurs we encountered. At this conference my colleague, Ben Lynch, manager of the MCSB, will talk about its role, so I will confine my remarks to merely stating that our Marketing Centre has proved a most useful focus for analysing the problems of small business and for prescribing practical solutions to real-life business problems that we have identified with the smaller on-going and newly emergent enterprises. As is the case with the SBI, we find there are positive spin-off effects from the MCSB into our academic programmes, and existence of both on our campus is having an important influence on our approach to curriculum development.

As part of a strategy to encourage interest in local business development at our institution over the past seven years we have assembled a repertoire of over So original case studies we have researched an'-; published on indigenous small/medium firms. Recently a selection of fifteen of these cases has been published book form entitled "The Case for Irish Enterprise" and it is hoped that students he motivated to consider the option of taking the entrepreneurial route on graduation through reading and analysing incidences of successful development by the more progressive Irish business organisations. Perhaps within another couple of years we may be able to publish a follow-up series of cases on enterprises successfully established by our students!

REFERENCES

(1)"Programme for Action in Education, 1984/87," Government Publications, 1984, Dublin

(2)"Higher Education: Relevance and Future," Proceedings of Conference organised by the Higher Education Authority, 1984, Dublin.

(3)Filder, George, "The Real Economy," Impact No. 2, 1985, p.25, US

THE SMALL BUSINESS CURRICULUM AS A MAJOR OR MINOR IN U.S. COLLEGES TODAY - AN EMPIRICAL STUDY

Michael S. Broida, Miami University (Ohio)

ABSTRACT
According to their catalogs, only 4% of American colleges and universities offer complete programs in small business management. These programs vary from about eighteen to twenty-one hours in length, and can be categorized into one of two types. A large number of other universities offer most of the courses generally required to have a small business program, but these schools have chosen not to create a major or minor in this area.

INTRODUCTION
The purpose of this study is to examine, as it is today, the availability of complete small business programs to incoming students. This paper will discuss programs as they are. No measure of quality will be attempted, nor will we provide any description of an "ideal" program. As we will see, if one wished to own a degree in small business, it is more difficult than we would expect due to the small number of colleges which have such programs. The content of the programs which do exist will also be examined.

In July of 1985, a study of "complete" small business programs was completed using 481 college catalogs available in the university library. Nineteen catalogs list a bachelor degree with a concentration in small business management or entrepreneurship. Ten of the programs consisted of eighteen or less semester hours, similar to a minor at Miami University (Ohio). The other two programs did not specify this information.

The nineteen schools found to have programs in small business were located in thirteen states. A list of these schools appears in Table 1.

TABLE 1

Schools offering a program of at least twenty-one semester hours:

- Glassboro State College (New Jersey)
- Louisiana Technical University
- Marietta College (Ohio)
- Michigan Technological University
- University of Wisconsin--Green Bay
- University of Wisconsin—LaCrosse
- West Virginia University (currently unavailable)

Schools offering a program of less than eighteen semester hours:

Babson College (Massachusetts)
Baylor University (Texas)
California State University, Hayward
California State University, Los Angeles
Clarkson College (New York)
Indiana University
Northeastern University (Massachusetts)
University of Arkansas
University of Southern California
Wayne State University (Michigan)

Three of the catalogs provided no description of the program. Of the remaining sixteen programs, seven were based mainly on regular business courses with one or two courses oriented specifically towards small business. The other nine programs required three to five small business-oriented courses.

PROGRAM DESCRIPTIONS

Seven different courses tended to be offered especially for small business. These are summarized in Table 2. Some colleges combined accounting and finance, offering one course categorized here as finance. Marketing was also included within some management courses. Two schools offered either research projects or seminars which could not, from the catalog description, be determined to be field projects such as those associated with the Small Business Institute.

TABLE 2
COURSES OFFERED IN SMALL BUSINESS

Small Business Courses	No. of Schools Offering
Small Business Management	12
Small Business Field Studies	12
Starting New Ventures	8
Small Business Finance	7
Small Business Accounting	3
Small Business Marketing	2
Research Project/Seminar	2

It can be seen that a typical program would include a small business management course and a small business field project. Other prominent courses deal with initiating new ventures and financial issues for small businesses.

Most programs include additional upper division courses. Some programs require specific courses, some specify a group of courses from which the student may choose, and others allow the choice of any electives approved by the adviser. Table 3 provides a list of required and suggested courses. A typical program could include managerial accounting, personnel management, retailing, and marketing research.

TABLE 3
REQUIRED AND SUGGESTED COURSES
SMALL BUSINESS PROGRAMS

Course	Number of Colleges Requiring	Number of Colleges Suggesting
Cost/Managerial Accounting	2	6
Personnel Management	2	5
Retailing	3	3
Marketing Research	3	3
Business Law	1	4
Production	1	4
Insurance	3	1
Organizational Behavior	0	4
Managerial Economics	2	1
Purchasing/Materials Management	0	3
Sales Management	0	3
Computers	0	3
Real Estate	1	1
Tax	0	2

From the research, an example of two typical programs can be constructed. Table 4 contains an example of a typical thirty semester hour program.

TABLE 4
COURSES IN A SMALL BUSINESS MINOR

Small Business Management
Starting New Ventures
Small Business Institute Field Project
Small Business Finance OR Managerial Accounting
Small Marketing OR Marketing Research

Two from:
- Personnel Management
- Retailing
- Business Law
- Production
- Insurance
- Organizational Behavior

Three professional electives

Two types of minor concentrations were prominent. If several small business courses were offered, generally four of them were required. Six programs were structured this way. Three programs required two or three courses of a small business nature, with the remaining hours selected from a list of approved electives. Examples of these two types of minor concentrations are shown in Table 5.

Table 5
COURSES IN A SMALL BUSINESS MINOR

Type 1: Small Business Management
Small Business Finance
Starting New Ventures
Small Business Institute Field Project

Two electives

Type 2: Small Business Management
Small Business Institute Field Project
Starting a New Business

Three from: Managerial Accounting Marketing Research Personnel Management Retailing Production Business Law A number of universities offer a sufficient variety of suitable courses to very nearly have a Small Business Curriculum, if they chose to "package" them in such a configuration. For example, at Miami University only one course, a small business management course, would need to be added to the business curriculum in order to have the breadth required for a major.

CONCLUSION

The opportunities for a college student to receive a degree in Small Business Management are more limited than one would suspect, based upon the small number of sample schools which award such a degree. However, if colleges and universities chose to do so, it would be relatively easy for many of them to implement such programs.

(1) Clark, Davis and Harnish, "Do Courses in Entrepreneurship Aid in New Venture Creation?", Journal of Small Business Management (April, 1984) pp. 26-31.

WRITING A CASE STUDY OF THE SMALL PRIVATELY HELD COMPANY

Ernest R. Nordtvedt, Loyola University, New Orleans John Folkenroth, Loyola University, New Orleans

Abstract
The relative unavailability of complete case studies suitable for use in small business management courses is a serious obstacle to effective teaching in the field. Most available cases which use small businesses as their subjects are either short and single-dimensional or, if longer and more complex, are still oriented toward a single question such as merger, acquisition or termination. Development of complete cases requiring analysis of interrelated functional areas is essential for the development of the small business management area as an academically respectable addition to our curricula. The Small Business Institute Director has a vested interest in the development of such cases and is the logical author as well. The workshop offers suggestions and examples for overcoming obstacles which are apparent in such an effort, as well
as a format and framework for the case study development.

THE PROBLEM
College of Business Administration faculty who teach Business Policy, strategy or corporate planning courses are familiar with the textbook or casebook which contains cases on Nissan, Chrysler, Crown Cork and Seal, Coca-Cola, Air Products and Chemicals, Polaroid, Xerox, Sears, Roebuck and Texas Instruments. Or with Industry Notes on the Auto, Soft Drink, Chemical or White Appliance Industry.

What each of those firms or industries has in common is that they are publicly appear in Dun & Bradstreet, ValueLine, Standard & Poor's, and Moody's, publish annual reports to their stockholders, and produce 10-K's and a variety of other reports for the Securities –and Exchange Commission. They are the subject of frequent reports or vignettes which appear in Fortune, Business Week or the financial page of the Wall Street Journal or the local newspaper. Accurate and up-to-date information is easy to obtain. Most of it can be found in secondary sources on shelves in any Good library.

These cases are of great value to a Business Policy class which teaches its students how to tie together concepts learned in the study of the separate functional areas in an undergraduate business major program -- marketing, business law, management, finance, accounting. There is, in the good case studies, enough information to permit a complete performance analysis in each of these areas. There is also sufficient information on the business environment to allow discussion of market structure, pricing, strength and type of competition, government policies, economic and other interdependencies. In other words, a strategic analysis can be performed and strategic recommendations for change in markets, marketing, products, finance, management and management policies can be formulated from data presented, data which has been gleaned almost exclusively from secondary sources. Rarely do such cases reflect primary source data or interviews with principals of companies being studied.

What one does not find on the shelves of libraries or in the popular literature is information on small privately held companies. They are not publicly traded and are not required to submit SEC reports. They generally do not have sufficient economic clout to be noticed by financial editors except occasionally those of smaller trade magazines or of local daily and/or weekly newspapers. This is hardly the grist of which one writes a case that would challenge a student in a Business Policy class -- or, of more interest to the Small Business Institute, available information does not allow us to build a case that would challenge a student in a Small Business Planning or Management class.

So those of us who teach Small Business classes and believe the case method is the most appropriate pedagogy are caught in a dilemma. It is hard enough for a Business Policy student to identify with a business whose financial statement is rounded off in millions of dollars or whose procedures for everything from training to promotion to capital budgeting are spelled out in detail in company procedures manuals. Such a case is simply inappropriate for use in the Small Business classroom.

AVAILABLE WRITTEN CASES

With few exceptions, the instructor using the case method in a small business oriented class has a choice between two additional types of cases: (1) The short situation oriented case which deals with a relatively uncomplicated, single dimensional (e.g., personnel, marketing, production, finance) problem, or (2) the case that may have more financial and other information but its data and informational presentation are oriented so as to force the consideration of a narrow subject or question such as acquisition, merger, bankruptcy, alternative forms of financing, or other similar decision.

The first type of case study does not offer the student the opportunity nor does it require him to examine all of the aspects of a business operation within a strategic context. It does not require him to tie his solution to action in more than one functional area or to cross the functional areas of business operation in formulating the solution. This is true despite the fact that anyone who has done any consulting at all knows that a marketing problem, for example, may be rooted in production or management or finance or anywhere else in the business operation. It is a rare professional troubleshooting engagement that permits concentration on a single functional area of the business to the exclusion of others.

The second type of case is very valuable if the question of greatest interest to the entrepreneur and the class is specifically that addressed in the case. But most small business operators or entrepreneurs face such decisions infrequently in their lifetime. When they do, they obtain outside expertise in the specific area of interest or concern. On the other hand, the number-of entrepreneurs who face complex, interrelated strategic and operational questions is equal to the number who own businesses. And they encounter them in the normal course of operating their businesses. These questions and situations are much more akin to those found in more complex cases used in Business Policy texts and classrooms. Such cases pose the same kinds of questions and problems facing the small business owner, and the inability of the owner to recognize problems as interrelated and approach them in an interdisciplinary and strategic manner is a sure prescription for failure. But how can we, as instructors in the small business area, use 'big company' cases in our classrooms? We can't. But we must somehow use the format, the style, the
concepts and provide the depth of data that are presented in the Business Policy case in developing cases as a primary learning tool for use in small business and entrepreneurship course offerings. To do less will shortchange the student who may be the future entrepreneur and will stifle the development of our areas of academic interest --small business and entrepreneurship.

THE WORKSHOP CONCEPT

The workshop is designed to generate an awareness on the part of the participant of the need for fully developed case studies for use in the small business classroom, and to provide a format and process for their development. The case studies necessary to the use of the case method in the classroom are the responsibility of the user, in this case, the Director of the Small Business Institute. Sources of case studies and generation of supporting data center on the small, privately held company whose operating performance will not be found in the public record.

WORKSHOP PRESENTATION

The desired dialogue will center on solving the unique problems associated with study of the privately held company. Subjects to be addressed include finding a willing client, environmental data generation, and designing a framework for the case presentation.

Finding a client who is willing to share all aspects of his business with the writer/researcher can be likened to developing a prospect for a major institutional contribution. It takes time and the identification of mutual interests. In many instances sharing of the data negates important reasons for remaining small and privately held: privacy and reduced paperwork.

The generation of enviro nmental and competitor data in an industry which may be too small to have an association or to warrant separate collection of data on its composition and structure may require some informed compromises. The data when generated is often proprietary in nature in that it has been gathered at not insignificant cost by a small, under financed association or industry publication which wants to be paid for its use. Another consideration is the accuracy of the data. Permission to use the data frequently must be obtained.

A format and outline for organizing the different elements of the case study will be suggested. The format will be designed to relate all functional areas of business operation and the business environment so that strategic implications can be addressed in the analysis leading to selecting courses of action.

ENTREPRENEURIAL BUSINESS TYPE AND AREA LOCATION DECISIONS: METHOD AND APPLICATION

Douglas P. Dotterweich, East Tennessee State University Donald R. Wilkinson, East Tennessee State University

ABSTRACT
This paper develops a model to assist entrepreneurs in selecting a retail trading area and type of business for which an adequate market potential likely exists. The model is further developed to aid in determining the general census block within a given metropolitan area that have the greatest market potential for a specific business type. Readily available secondary data were employed. The model was applied to a specific medium-sized metropolitan area or a case example. Use of this model by entrepreneurs could reduce the small business failure rate.

INTRODUCTION
"It is a recognized fact that young businesses discontinue first. Of all the new businesses started, thirty-three percent will cease operation within one year; within two years fifty percent will discontinue operations; and before give years have passed nearly two-thirds of the new businesses will not exist for one reason or another" (Metcalf, 1973). It is imperative, then, that the prospective business owner and his financial partner reduce the risks associated with business starts and expansions. While many factors can cause business failure, one reason has received comparatively little attention--the lack of a sufficient market for a product at start-up. The purpose of this paper is to present a method for estimating the market potential of various retail and service businesses within a market area prior to business start-up. Secondly, a method for indicating the intra-area location will be represented. Both methods will employ readily available secondary data. The proposed approach will be applied to the Johnson City-Elizabethton, TN, retail trading area as a case example.

METHODOLOGY
Study Area Identification
One issue of this paper is to identify retail and service businesses with potential in a given market. The boundaries of the retail trading areas were obtained from Rand McNally's delineation of Basic Trading Areas.

In order to regress population and mean household income on number of business establishments a large sample was required. Twenty-nine retail trading areas from the Appalachian region of the county were included in the model. the other retail areas were selected based upon their similar cultural and taste characteristics and similar population size. All areas had 500,000 or less persons. Names of the 29 retail trading areas and their population and mean household income are listed in Table 1. The number of existing business establishments in the redial trading areas are identified by using the 1982 Censuses of Retail Trade and Selective Services.

ANALYSIS

The regression model describing the relationship between population and mean household income and number of business establishments was run for all 29 market areas and 80 SIC code categories. Ninety-five percent confidence intervals are produced for expected number of stablishments of a given type in an area. If the lower limit of confidence interval was greater than the actual number of establishments additional business opportunities are likely to exist assuming a normal distribution). The difference between the lower limit of the confidence interval and the actual number of establishments across business types can be interpreted only in an ordinal manner. It does not indicate the absolute number of additional business establishments that could be supported.

Model Results

A summary of the regression results in terms of the r(2) values obtained is presented in Table 2. These results reveal that over one-fourth of the 80 business types have r(2) values of .80 or higher. This knowledge of population and mean household income enables one to explain more than 80 percent of the variation in number of establishments. Sixty percent of the business categories have r(2) values of at least .60. Almost 80 percent of the retail and service businesses in the model have r(2) values of .50 or greater. Therefore, population and income are found to be good predictors of the number of business of various types.

Case Specific Results

The types of business opportunities available in a given redial trading area can by estimated using the model to predict the expected number of business establishments given an area's population and mean household income. As indicted earlier in this paper, if the lower limit of the confidence interval for the expected number of establishments is greater than the actual number of establishments a business opportunity likely exists. Table 3 reports these results from the largest to smallest differences between confidence interval lower limits and actual number of establishments by SIC codes (business type) for the Johnson City-Elizabethton, TN, retail trading area.

The results in table 3 indicate that the Johnson City-Elizabethton Retail Trading Area can support more additional new car dealers than general merchandise stores for example. Thus, the table provides a relative ranking of the degree of business opportunity by business category. here are 13 business types listed for this market area out of a possible 80 categories. The other 67 categories appear to have population and income bases too small to support another establishment of those types. Five of the 13 categories listed have differences of less than on between the lower limit of the confidence interval and the actual number of establishments. In these, group expansion by existing firms may be indicated rather than new business start-ups.

The second stage of the business location decision involves the selection of a subregion within the redial trading area. The list of business already identified as having an additional market potential in the first section of this paper were examined and a sample of business types were identified through the use of Simmons Market Research Bureau's Study of Media and Markets. This source provides tabular information on consumer demographic profiles by product type to include items such as age distribution, income, occupation, education etc. The five attributes with the largest index were selected to identify the consumer variable that was most important. The index indicates those attributes most likely to characterize the users of a specific product type.

The next step was to employ the Site Evaluation and Location System software, developed by Douglas Love and Jerome Deichert of the University of Nebraska's Bureau of Business Research. This software (SELS) which is available for all U.S. metropolitan area, combines a database containing more than 80 marketing variables compiled from 1980 census. Users may add data or modify the provided data to allow the user to adept it to individual U.S. cities.

Characteristics of census blocks within Johnson City, Tennessee were examined for those give attributes selected from the Study of Media and Markets. These census blocks were then ranked based on their relative magnitudes for each of the give attributes found to be the most important characteristics of the product's costumer. A summary ranking was made across all give attributes for each product type. The ranking was based on the relative magnitude of the attribute.

An example of the type of subregional analysis to be done for some of the business types found to have adequate market potential in the Johnson City, Tennessee trading area is provided for movie theaters. Table 4 provides the rankings by census block for the attributes found to be the most important characteristics of movie patrons. The attributes included were: total population, total income, attended college, age 20-29, and single households. Table 5 summarizes the rankings by census tract for all areas having a rank of 12 or better by adding the rankings for the five attributes. The block areas with the greatest market potential for movies were: 606-4, 601-2, and 608-4. Using 1980 census maps, the boundaries of these areas can be identified.

Since the 12 census blocks that were ranked most favorable did not currently contain any movie theaters, no adjustments were necessary to the final rankings. Table 6 provides an example for a different product category (Service Stations) where there are current competitors. The rankings were adjusted by dividing the absolute level of each variable by the number of current competitors plus one. Then each of the new rankings were combined to determine a composite ranking for each census block. All five attributes were assumed to be equally weighted in determining the market for this product category. Alternatively, these attributes could be assigned different weights based upon one's knowledge of the relative importance of each in determining market potential.

CONCLUSIONS

The results of this paper provides a potential entrepreneur with a method for (1) selecting a retail trading area and type of business for which an adequate market potential likely exists; and (2) determining general block group areas that have the greatest market potential for that particular type of business. Such information, if used by entrepreneurs could reduce the extremely high business failure rate in retail and service businesses, other things, such as managerial abilities, adequate capital etc. being equal.

Table 1
Retail Trading Areas With Population and Income

Retail Trading Area	1980 Population	1980 Mean Household Income
Altoona, PA	225,658	$16,191
Anderson-Greenwood, SC	269,505	17,221
Asheville, NC	474,120	15,893
Beckley, WV	189,227	16,698
Bluefield, WV	218,690	16,683
Butler, PA	147,912	20,313
Charleston, WV	475,100	19,276
Clarskburg, WV	206,350	15,613
Cumberland, MD	159,357	15,868
Erie, PA	279,780	19,040
Greenville, SC	450,661	18,691
Hagerstown, MD	200,874	18,591
Huntington, WV	467,925	16,024
Johnson City -Elizabethton, TN	169,067	15,790
Johnstown, PA	264,506	17,767
Kingsport - Bristol, TN	363,273	16,661
Lancaster, OH	117,982	19,702
Parkersburg, WV	190,764	18,072
Portsmouth, OH	129,682	15,059
Pottsville, PA	160,630	15,741
Scranton, PA	289,578	16,757
Spartanburg, SC	286,579	17,831
Steubenville, OH	163,099	20,775
Sunbury - Shamokin, PA	183,510	16,775
Uniontown - Connelsville, PA	199,893	16,573
Wheeling, WV	254,294	18,150
Wilks - Barre, PA	343,079	16,305
Williamsport, PA	163,736	16,962
Winston Salem, NC	511,491	17,865

Table 2
Regression Model
R(2) Result

R(2) Values	Number in Category	Cumulative Percentage
.90 - .99	5	6.25
.80 - .89	17	27.50
.70 - .79	10	40.00
.60 - .69	16	60.00
.50 - .59	15	78.79
.40 - .49	4	83.75
.30 - .39	4	88.75
.20 - .29	5	95.00
.10 - .19	2	97.50
.01 - .09	2	100.00

Table 3
Business Opportunities
in the Johnson City- Elizabethton
Retail Trading Area

RETAIL BUSINESSES

SIC Title	R(2) Value	Actual # Est.	95% Conf. Interval
Motor Vehicle Dealers New	.63	15	23.4<Y(I)<33.7
Gasoline Service Stations	.96	67	74.7<Y(I)<92.8
Nonstore Retailers	.59	3	7.5<Y(I)<17.1
General Merchandise	.51	2	5.5<Y(I)<17.3
Fuel and Ice Dealers	.26	1	3.4<Y(I)<18.3
Household Appliances	.49	4	5.3<Y(I)<10.7
Men's and Boy's Clothing	.60	5	5.7<Y(I)<13.3
Shoe Stores	.88	20	20.5<Y(I)<31.0
Variety Stores	.83	7	7.4<Y(I)<14.3
Miscellaneous Retail	.88	14	14.3<Y(I)<22.3

SERVICE BUSINESSES

SIC Title	R(2) Value	Actual # Est.	95% Conf. Interval
Shoe Repair & Shine Shops	.27	8	11.7<Y(I)<20.3
Other Auto Repair	.59	1	3.6<Y(I)<8.3
Motion Picture Theaters	.29	3	3.7<Y(I)<7.5

A high R(2) value indicates that more confidence can by placed on the prediction results in that business category.

Table 4
Movies
Rankings for Five Most Important Attributes of Movie Theater Patrons

Sets #	Block (Cen.)	Total Pop. Rank	Total Inc. Rank	1 or More Single House-holds Rank	Yr. of Coll. Rank	Age 20-29 Rank	Sum of Rank-ings	
2	711-1	66	64	67	64	66	327	
20	708-2	69.5	68	67	69	69.5	343	
21	708-2	50	60	57	51	45	263	
22	708-3	69.5	68	67	69	69.5	343	
23	708-4	68	68	67	69	68	340	
385	710-1	24	27	17	22	7	97	
386	601-1	4	13	15	5	1	38	2
387	601-2	43	62	62	47	15.5	229.5	
388	601-3	8	22	24	9	4	67	5
389	601-4	57	68	53.5	66	14	258.5	
390	601-5	13	63	18	65	66	225	
391	602-1	18	20	22	19	17	96	
392	603-1	36	32	39	27	27	161	
393	603-2	22	11	9	15	11	68	6
394	603-3	6	33	32	4	3	78	8
395	603-5	56	58	52	48.5	54	268.5	
396	603-6	32	44	50	23.5	6	155.5	
397	604-1	27	5	11	34	26	103	
398	604-2	16	2	2	55	41.5	116.5	
399	604-3	54	40	28	55	56.5	233.5	
400	604-4	64	59	67	63	61.5	314.5	
401	604-5	30	9	7	48.5	51	145.5	
402	604-6	3	1	1	28.5	43	76.5	7

403	604-7	12	4	4	20.5		39	
	79.5 11							
404	605-2	9	18	44.5		10	20	
	101.5							
405	605-5	29	38	55.5		17	21.5	
	161							
406	606-1	21	17	27	12	25		102
407	606-2	60	52	48.5		52	59	
	271.5							
408	606-3	37	35	10	6	19		107
409	606-4	7	7	6	2	8		30
	1							
410	606-5	51	29	30	59	58		227
411	606-6	52	37	47	55	55		246
412	607-1	1	61	37	1	60		160
413	608-1	53	57	31	38.5		31	
	210.5							
414	608-2	61	49	44.5		44	52	
	250.5							
415	608-3	31	16	8	11	13		79
	10							
416	608-4	10	30	5	3	2		50
	3							
417	608-5	48	46	41	35	23.5		
	193.5							
418	608-6	62.5	47	40	60	56.5		
	266							
419	608-7	15	19	20	14	15.5		
	83.5	12						
420	609-1	58	54	58.5		53	50	
	273.5							
421	609-3	2	8	42	7	5		64
	4							
422	609-4	49	53	60.5		58	36.5	
	257							
423	609-5		45	55	53.5		41	
	34.5	206.5 424	609-6	14	26		46	
	18 30	134						
425	609-7	38	45	60.5		28.5		34.5
	206.5							
426	609-8	35	31	33	32	32		163
427	609-9	17	34	23	8	10		92
428	610-1	5	23	55.5		13	9	
	105.5							
429	610-2	11	15	34.5		16	18	
	94.5							
430	610-3	23	25	25.5		23.5		12
	109							
431	610-4	44	51	43	43	23.5		204.5
432	610-5	40	50	58.5		40	39	
	227.5							
433	611-1	42	42	36	42	47		209
434	611-2	26	6	12	36	44		124

435	611-4	25	10	14	25	41.5	115.5	
436	611-5	41	24	21	45	49	180	
437	611-6	33	12	13	46	39	143	
438	611-7	20	3	3	31	21.5	78.5	9
439	612-4	34	41	48.5	26	33	182.5	
440	612-5	46	48	51	38.5	48	231.5	
441	612-6	65	65	67	62	66	325	
442	612-7	67	68	67	67	64	333	
443	613-1	62.5	39	67	57	61.5	287	
444	613-2	47	28	46	37	36.5	194.5	
445	613-4	39	43	19	30	28.5	159.5	
446	613-5	28	14	16	33	46	137	
447	616-6	59	56	63	50	53	281	
448	613-7	19	21	25.5	20.5	28.5	114.5	
449	614-7	55	36	34.5	61	63	249.5	

Table 5
Movies
Final Rankings of Census Blocks for Movie Theaters

Cens. Var/Block	601-2	601-4	603-3	603-4	604-6	604-7	606-4	608-3	608-4	608-7	609-3	611-7
TotalPopulation	3	6	11	4	2	8	5	12	7	9	1	10
Total Income	7	10	6	12	1	3	4	8	11	9	5	2
1 or More Yrs. Coll.	8	10	7	11	1	3	5	6	4	9	12	2
Age 20-29	4	6	9	3	11	10	1	7	2	8	5	12
Single Household	1	4	7	3	12	11	6	8	2	9	5	10
Total Ranks	23	36	40	33	27	35	21	41	26	44	28	36
Final Rank	2	8.5	10	6	4	7	1	11	3	12	5	8.5

Table 6
Service Stations

Ranking for Attribute of Total Population With Current Competition in Census Block

Sels #	Cen. Block	Total Population	# Service Station in Cen. Block #	Adjusted Variable	Rank
386	601-2	1507	4	376.8	10
388	601-4	1000	1	1000	3
394	603-4	1061	1	1061	2
402	604-6	1537	1	1537	1
403	604-7	877	1	877	5
404	605-2	993	2	496.5	9
419	608-7	813	1	813	7
421	609-3	1592	2	796	8
424	609-6	822	1	822	6
428	610-1	1156	4	289	11
429	610-2	919	1	919	4
448	613-7	739	3	246.3	12

FACTORS THAT MOTIVATE AND INHIBIT THE ENTREPRENEURIAL SPIRIT: A STUDY OF PREVENTURES WHO DID NOT START A BUSINESS

William R. Bernhagen, University of Wisconsin Albert E. LaGrille, IV, Sundstrand Corporation Wesley T. Mott, University of Wisconsin

ABSTRACT
Individuals at the preventure stage have not been adequately studied, owing to lack of sufficient data bases. Particularly neglected have been preventures that in the end do not elect to start a business. Data bases only recently made possible by the Small Business Development Center programs have made it possible to examine factors that both motivate and inhibit the entrepreneurial spirit. The initial findings will be of interest to professionals who teach and counsel small businesses.

INTRODUCTION
Small business is vital to the economy of the United States. Today, 97% of all American businesses are small firms. They comprise 43% of the nation's GNP account for 48% of all business output, and produce over 50% of all American inventions and innovations.

The small business sector, moreover, serves as a catalyst for change in the U.S. economy. For example, during the expansionary decade from 1967 to 1977, enterprises with fewer than 100 employees created an estimated 70% of all new jobs. In times of high inflation and high interest rates, successful small firms have displayed extreme entrepreneurial ingenuity in obtaining the funds necessary for daily operations, proving their ability to adapt and weather difficult times.

These national trends also hold true for Wisconsin. From 1969 to 1976, 77% of the net new jobs created in Wisconsin came from small businesses (1-100 employees). In fact, from 1969 through 1981 very small firms (1-20 employees) dominated the job-generation process in all sectors of the Wisconsin economy including manufacturing, services, and high-tech production.

Because of the vital role that small business plays in the state's economy and the importance of fostering small business growth and development, the University of Wisconsin Small Business Development Center (SBDC) initiated a study to determine what motivates and what hinders entrepreneurs who are thinking of starting a new business. This study focused on preventure clients who ultimately elected not to start a business. They represent a previously unstudied sector, and the SBDC considered data on this group to be of value.

BACKGROUND
To date, only a few studies have been completed on the subject of preventures. This is largely owing to the fact that no single individual or organization has had a sufficient data base from which to draw valid conclusions. Especially elusive is information on preventures who did not go into business. To date, there simply has been no readily available way of identifying this group. With the establishment of the Small Business Development Centers, however, a new data base became available. The mission of the SBDCs is to strengthen the economy by assisting

existing small businesses and those considering starting their own businesses. Therefore, SBDCs are continually involved in management education, basic and applied research, and one-on-one counseling of entrepreneurs. The University of Wisconsin Small Business Development Center, consequently, was in a position to draw on its statewide preventure data base for this study of factors that motivate and inhibit the entrepreneurial spirit. The following pages detail results of the study.

METHODOLOGY

The survey was initially mailed to slightly over 600 preventure clients who recently had requested SBDC assistance in starting up their own business. These individuals represented a stratified random sample of SBDC clients and were representative of population patterns in ' the State of Wisconsin. We requested only those who had not elected to start a business to complete and return the mail-back questionnaire. This is a previously unstudied sector, and the ' SBDC considered that the data might be of value in future preventure counseling. We received a return rate of 30%, or 200 preventures in the study. (This percentage is even more significant since many of the 600 people population did go into business and were, consequently, eliminated from the study.)

Questions centered on demographic and business information, including sex, ethnic background, education, type of business and years of experience in the individual anticipated area of business. There were also questions concerning the reasons why individuals wanted to go into business, he/she anticipated obtaining financing the business, what the major barriers t entering business were, and whether or the individuals's goal was still to own a business.

STUDY FINDINGS

The results reveal that preventure clients were almost evenly split between male and female with males representing 53% and females 47% of those surveyed. This is clearly a change from the existing business ownership pattern that is male dominated. Over 75% of all respondents fell between the ages of 30 and 50 (Table 1). This twenty-year period would seem to suggest that entrepreneurs have gained some business experience but are still young enough to venture into their own business.

TABLE 1
AGE

45 ---------
40
35 --------- 30
25 Percent/ Years 20
15
10 --------- ---------
5 --------- 0 Under 30 30-40 41-50 51-60 Over 60

Ninety-three percent of our sample was white (reflecting Wisconsin's ethnic composition). The remaining percentage was evenly split between blacks and Hispanics.

In education we found 55% were high school graduates, while 13% had advanced degrees (Table 2).

TABLE 2
EDUCATION LEVEL 60

50 ---------
40
30 Percent/ --------- Education level 20
10 --------- --------- --------- 0 Under H.S. H.S. Bac. deg Masters Ph.D.

As illustrated in Table 3, a significant segment of our sample wished to start a business in the service industry, while retail and wholesale industries comprised a combined total of only 34%, a significant minority. Another important point: even though respondents had elected not to start a business at this time, 86% of the sample still have the goal of one day owning their own business.

TABLE 3
TYPE OF BUSINESS

Percent/ Business Type 35 --------
30
25 --------
20
15 -------- --------- --------- 10 ---------
5
0 Mfg. Retail Service Sale Food Ser. Other

We asked why these would-be entrepreneurs were interested in starting their own business.

The single most significant factor noted by 80% of the respondents was "challenge" (Table 4). Many others felt the need to be independent, with 67% wanting to be their own boss. Sixty percent felt that they could fill consumer needs that were not currently being met, and 58% wanted to make more money.

It is interesting to note that a considerable number of the reasons given in this multiple-choice question fall into two categories. The first category focuses the individual's desire for independence, challenge, "building a better mousetrap." The category offers a "pull" or attraction toward excitement and a challenge. The second category represents a "push" out of a less-than-desirable working environment - boring job, lack of security, dead end, no future. In many respects both the "pull" and "push" categories may need to be present sent to motivate individuals to start a business.

Respondents were asked how many years of experience they had in the business they were considering. As shown in Table 5, the vast majority have five or fewer years of experience.

TABLE 5
YEARS OF EXPERIENCE IN SIMILAR BUSINESS

Percent/ 70 Years --------- 60
50
40
30
20 ----------
10 -------- -------- 0 Under 5 5-10 11-20 Over 20

In many respects this relatively low level of experience parallels the age of most preventure clients. The majority of preventures fall between the ages of 30 and 40. Given time for schooling and a few job changes, most respondents would not have time for more than a few years experience.

Preventures had also given consideration to where they would obtain the funds necessary to start their business. As illustrated in Table 6, personal savings and financial institutions are the primary sources.

TABLE 6
PERCEIVED SOURCES OF FUNDING

100 -------
90
80 -------
70
60
50
40 ----- 30 ------- -------
20 -------
10 -------
0 Ret. Sav. Finan. Stock Loan Cap. Other

As is evident in Table 7, the lack of personal assets is the number one barrier to entering business, with 80% citing it as a reason for not going into business. Starting a business with little collateral is a major factor inhibiting startup. Inescapably, most entrepreneurs will also need one or more additional financial sources.

Table 7 also identifies a variety of other barriers to business start-up. Most of these center around unknown risks associated with any new venture - too much uncertainty, lack of expertise, fear of failure. For many, starting a business and failing would mean losing their life's savings. This tends to support the finding that the group most likely to start a business is the 30-40-year age bracket - old enough to have accumulated assets and to have tried other work experiences, but young enough to recover if the business fails.

CONCLUSIONS

A number of important findings are suggested by this survey. First, preventure candidates want to start a business because they are looking for a challenge as well as personal reward. Second, many candidates failed to start a business because they felt they lacked the necessary personal assets. Even though they did not have the capital themselves, however, they believed they could obtain it from financial institutions. Third, the majority of preventure candidates had several personal attributes in common including their level of education, work experience, and age. One of the most interesting findings concerns the number of women who are interested in starting a business. Essentially half of all preventure clients are women. This figure stands in contrast to the national average of current women business owners and managers, which by most estimates is between 10 and 15%. Dynamic changes are taking place and the preventure/venture area shows no signs of losing vitality. The findings of this study suggest that further research in this area will be rewarding.

[TABLE 7 to be added]

IMPACT OF AVAILABLE ASSISTANCE ON LOCATION PREFERENCES FOR NON-METROPOLITAN HIGH-TECH FIRMS

DONALD D. MYERS, UNIVERSITY OF MISSOURI-ROLLA DARYL J. HOBBS, UNIVERSITY OF MISSOURI-COLUMBIA

ABSTRACT
This paper looks at the replies of 297 high-tech firms located in 57 non-metropolitan communities in the United States that have colleges or universities on the importance of services and assistance available in the selection of location for their firms. Of the 57 communities, 21 did not have an SBI or SBDC program. The paper reviews the differences in responses from communities with such programs and those without such programs.

INTRODUCTION
For purposes of this paper, "non-metropolitan" communities are those which have less than 50,000 population when the student population is subtracted, and which are located at a minimum of 50 miles from a major metropolitan area. For this research, the investigators sought to locate and study those non-metropolitan college, or university-communities whose college or university has a significant research component. This was part of a research project for the U.S. Department of Agriculture (1).

The 57 communities selected. Institutions in the communities involved in the study were categorized as follows:

1. Large land grant institutions 24
2. Small land grant institutions 8
3. Non land -grant public or private research oriented institutions 3
4. Public institutions with low research emphasis 8
5. Technical schools 8
6. Small liberal arts schools 8

For the purposes of this paper, a broad definition of high technology was adopted. The characteristics used to determine if accompany qualified were the following: use of advanced technologies in manufacturing; a large percentage of revenues spent on research and development; products with high growth rate and rapid obsolescence; scientists and engineers as a significant portion of the work force; and technically trained executives.

In all, 1,706 companies meeting these criteria were surveyed for this research. Responses were received from 446 companies and, of these, 297 were usable for the study. The number of companies responding by community is shown in Appendix I. The respondents lines of business fell into the following categories:

chemicals (manufacturing and R&D)	26
electrical and electronic products	103
instrumentation	38
agricultural products research and service	14
medical and veterinarian R&D and biotechnology	24
mechanical products, machinery and tools	29
geotechnical and environmental	26
metals	9
industrial and engineering consulting	19
computer programming and data processing	4
R&D or unknown	5

The responding firms were also categorized in several other ways. One of these was age of firm. The age breakdown of the responding firms was found to be as shown in Table 1.

TABLE 1

Age of firm	number	percentage
3 or fewer years	84	28.5
4-10 years	120	40.7
over 10 years yrs	91	30.8
(no response=2)		

Another categorization of companies was done by number of employees. That breakdown is shown in Table 2.

TABLE 2

number of employees	number	percentage
5 or fewer	90	30.4
6-15	99	33.4
16-50	59	19.9
51 or more	48	16.2

A characterization of the responding firms and their home communities was made according to geographical distribution. For the purposes of this research, the United States was divided into four regions: Northeast: (PA, NY, DE, CN, MA, VT, NH, ME); North Central: (ND, SD, KS, MO, IL, OH, II\, IA, MI, MN); South: (TX, OK, AR, LA, TN, NC, SC, MS, AL, CA, FL, VA, WV); West: (WA, OR, CA, ID, MT, WY, CO, AZ, NM, UT). This distribution is shown in Table 3.

TABLE 3

Area	Number	Percentage
Northeast	63	22.3
North Central	65	23.1
South	82	29.1
West	72	25.5

For this research, the identified firms were sent two questionnaires. The first of these sought to identify the significant location factors which contributed to the entrepreneur's decisions to locate in the community. This questionnaire, (as shown in Appendix III), after performing initial screening to ensure that the surveyed firms were appropriate for inclusion in the research effort, asked for responses to a lengthy list of possible location factors that might have contributed to their location decisions. These were divided into several sections. In the first of these, firms were asked to identify the nature of possible relationships with their home communities (alumni, student, faculty member, etc. of the university; born in the area; etc.). The rest of the location factors measured were fairly standard business and community service factors.

Business factors included such items as availability of student labor, availability of technical personnel for all types of labor, long distance trucking or rail service, etc. Of particular significance for the present research were the following items:

Business services in areas such as CPAs, plant protection, data processing services,
meeting facilities;

University emphasis on labs, equipment, and facilities for research;

Opportunities for consultation with university people;

Presence of an innovation center or management assistance.

These items are listed in questions 7x, 7y, 7z and 7ae of Appendix II. The importance of all factors was rated by the respondents using the following numerical rating scale:

1. absolutely critical
2. very important
3. somewhat important
4. slightly important
5. unimportant

An indication of how the entrepreneur's perception of importance of factors changed from the time they established their enterprises to the present was developed. This was done by asking for a rating of the factor at the time the location decision was made (Box A of question 7 in Appendix IV) and a rating of the factor if the decision to locate were being made now (Box B of question 7 in Appendix IV).

RESEARCH RESULTS

The responses to questions dealing with assistance available to high-tech firms is shown in Table 4. Table 4 also, shows the responses to the questions of interest if the decision to locate were being made now.

TABLE 4
Change in the Perceived Importance of the Various Factors

Business Factors	Column A %Important*	Column B %Important**	The Difference Col B-Col A
x. Business services	14.79	27.04	12.25
y. University emphasis on labs, etc.	27.72	32.71	4.99
z. University consultation	36.36	39.85	3.49
ae. Innovation center or management assistance.	7 .45	14.61	7.16

* When decision was made.
** If decision was being made now to locate.

The manner in which the perception of importance has changed from the time they established their enterprise to the present is indicated by the data in Column A and Column B. In Table 4 the percentages indicating each factor as being either "absolutely critical" or of "very important" were added together into a single value. This was done for the assessment of importance of the time of startup and relative importance now. Therefore, in Table 4 a single percentage value is reported for each time period. These percentages were then compared and a difference between the two was calculated.

All 4 factors received a more positive response for the "present time" than for the "time of startup". This is consistent with all but two of the total 56 factors. Only two of the available assistance factors are included among the ten most important factors in the business environment. The ten most important business factors were:

1. Availability of technical personnel 57.6%

2. Knowledgeable bankers friendly to technology companies
48.9%
3. One day package service from UPS, Federal Express, etc.
45.6%
4. Nearby airport for passenger service or private planes
42.4%
5. Business tax advantages-state and local
40.2%
6. Opportunities for consultation with university people
39.9%
7. Minimum electric power inter- ruptions and shortages
38.0%
8. Sophistication of local tele- phone service
34.8%
9. Labor climate-history and significance of unions
34.7%
10. University emphasis on labs, facilities for research
32.7%

Including quality of life factors cited most frequently as being either "absolutely critical" or "very important" only three of the above business environment would be in the combined top ten factors.
Table 5 illustrates the variation by geographical region on the importance of the four available assistance factors.

TABLE 5
Importance By Geographical Region (Q7-A)

North Central North East South
West
Business Factors N=65 N=63
N=82 N=72

x. Business services 19.05 9.84
14.29 14.29 y. University emphasis 33.87
29.51 28.20 20.00
on labs, etc.
z. University consultation 39.68 36.06
35.89 30.00 ae. Innovation center or14.07
1.64 1.32 11.76
management assistance

The Northeast and South regions rate the presence of an innovation center or management assistance sources as inconsequential. The importance of business services is rated considerably lower in the Northeast, although none of the regions rated business services as relatively significant.

Table 6 shows the variation of ratings by the institution located in the community. As may be expected from communities with institutions having a minimum of emphasis on research, lab/ equipment facilities, entrepreneurs did not rate assistance from the university consultation with university people, was given a significant level of importance where research was emphasized.

In comparison to business services and innovation center/ management assistance sources, it appears that importance is placed on "technical" consultation as opposed to management consultation. In looking at importance given by entrepreneurs relative to the number of years in business, it can be seen in Table 7 that there was less interest in such assistance the older the firm.

Reviewing Table 8 where the importance is given by the number of employees of the firms, there is less significance placed on such assistance by entrepreneurs of firms with 6-50 employees.

TABLE 6
Importance by Type of Institution (Q7-A)

Business Factors	Large Land Grant N=148	Small Land Grant N=33	Research Oriented* N=26	Low Research Public Univ. N=27	Small Liberal Arts College N=36	Technical N=22
x. Business services	15.60	9.38	20.00	11.54	17.14	14.28
y. University emphasis on labs,etc.	34.50	34.38	32.00	11.54	17.14	5.00
z. University consultation	45.07	43.76	44.00	19.23	20.00	.00
ae. Innovation center or management assistance	7.85	6.25	16.67	3.85	5.72	4.76

TABLE 7
Importance By Age of Firm (Q7-A)

Business Factors	Less than 3 yrs N=84	4-10 yrs N=117	More than 10 yrs N=55
x. Business services	19.51	16.38	8.54
y. University emphasis on labs, etc.	40.96	23.27	20.98
z. University consultation	48.20	32.75	28.05
ae. Innovation center or management assistance			

TABLE 8
Importance By Number of Employees (Q7-A)

Business Factors	5 or Less N=88	6-15 N=72	16-50 N=51	More than 50 N=81
x. Business services	16.87	18.31	4.44	16.04
y. University emphasis on labs, etc.	27.38	20.00	20.00	39.50
z. University consultation	36.91	25.34	26.67	49.38
ae. Innovation center or management assistance	7.32	8.45	4.34	8.86

IMPACT OF SBI/SBDC

The impact of an SBI or SBDC program on the responses were evaluated by reviewing those communities with either program and those which had neither program. There were 21 of the 57 communities without an SBI or SBDC Program categorized as follows:

1. Large land grant institutions 3(24)*
2. Small land grant institutions 4(8)
3. Non land grant public or private research-oriented institution 2(3)
4. Public institutions with low research emphasis 1(8)
5. Technical School 7(8)
6. Small liberal arts schools 4(8)

( )* Total number of institutions

It is interesting to note Table 9 that shows the difference in responses categorized by SBI/SBDC communities and non-SBI/SBDC communities. The percentages indicate the number of firms rating the factor as either "absolutely critical" or "very important" relative to the total firms in the specific category.

TABLE 9
Firms Responding on Importance of Assistances As A Percentage of Total Firms

Questions	% Non-SBI/SBDC	% SBI/SBDC
Business Services at Startup (Q7X-A)	12.6	15.2
Business Services Now (Q7X-B)	21.0	27.0
University Labs at Startup (Q7Y-A)	21.0	30.3
University Labs Now (Q7Y-B)	21.0	35.4
Technical Consultation at Startup (Q7Z-A)	27.7	39.9
Technical Consultation Now (Q7Z-B)	31.9	39.3
Innovation Center or Management Assistance at Startup (Q7AE-A)	6.7	7.3
Innovation Center a Management Assistance Now (Q7AE-B)	13.5	12.9

The SBI/SBDC communities have, in all but one case a relatively higher importance rating response than the non-SBI/SBDC communities. Although there was no strong importance placed on the need for an innovation center or management assistance, the change in attitude toward such assistance increased considerably from the time of startup to the hypothetical startup.

Tables 10 through 13 indicate the response of firms by the age of the firm in Table 10, SBI/SBDC community firms that were 4 to 10 years old show the greatest interest in business services.

Firms less than 10 years old place the most emphasis on the availability of University labs and equipment (in Table 11) and university consultation (in Table 12).

It should be noted that the survey instrument did not distinguish between technical and management university consultation.

Management assistance or innovation center service were not considered of any significance for any age group. However, the highest importance was placed by those firms under 3 years.

Tables 14 through 17 provide responses by the number of employees. These Tables are the most revealing in is much as the firms with 15 employees or less generally place the greatest emphasis on the importance of assistance.

TABLE 10
Firms By Age Responding On Importance of Business Services
As A Percentage of Total Firms (Ql BY Q7X)

Age of Firm	Non-SBI/SBDC Startup(A)	Non-SBI/SBDC Now(B)	SBI/SBDC Startup(A)	SBI/SBDC Now(B)
3 yrs of less	6.7%	7.6%	4.5%	8.4%
4 to 10 yrs	4.2%	6.7%	7.9%	12.9%
Over 10 yrs	1.7%	6.7%	2.8%	5.6%

TABLE 11
Firms By Age
Responding on Importance of Availability of University
Labs/Equipment facilities As A Percentage of Total Firms (Ql By Q7Y)

Age of Firm	Non-SBI/SBDC Startup(A)	Non-SBI/SBDC Now(B)	SBI/SBDC Startup(A)	SBI/SBDC Now(B)
3 yrs or less	10.1%	10.1%	12.9%	14.6%
4 to 10 yrs	4.2%	5.9%	12.4%	14.6%
Over 10 yrs	6.7%	5.0%	5.1%	6.2%

TABLE 12
Firms By Age Responding On Importance of University
Consultation As A Percentage of Total Firms (Ql By Q7Z)

Age of Firm	Non-SBI/SBDC Startup(A)	Non-SBI/SBDC Now(B)	SBI/SBDC Startup(A)	SBI/SBDC Now(B)

3 yrs or less	12.6%	13.5%	15.2%	16.3%
4 to 10 yrs	6.7%	8.4%	17.4%	14.6%
Over 10 yrs	8.4%	10.1%	7.3%	8.4%

TABLE 13
Firms By Age Responding on Importance of Innovation Center or Management Assistance Services
As A Percentage of Total Firms (Ql By Q7AE)

Age of Firm	Non-SBI/SBDC		SBI/SBDC	
	Startup(A)	Now(B)	Startup(A)	Now(B)
3 yrs or less 3	3.4%	7.6%	1.7%	5.6%
4 to 10 yrs	0.8%	2.5%	3.9%	5.1%
Over 10 yrs	2.5%	3.4%	1.7%	2.3%

TABLE 14
Firms By Number of Employees Responding on Importance of Business Services
As A Percentage of Total Firms (Q2A By Q7X)

No. of Employees	Non-SBI/SBDC		SBI/SBDC	
	Startup(A)	Now(B)	Startup(A)	Now(B)
5yrs or less	5.0%	4.2%	3.9%	4.5%
6 to 15	3.4%	5.9%	12.9%	5.1%
16 to 50	3.4%	5.9%	5.6%	1.7%
Over 50	0.8%	5.0%	4.5%	3.9%

TABLE 15

Firms By Number of Employees Responding on Importance of Availability of University Labs/Equipment Facilities As A Percentage of Total Firms (Q2A By Q7Y)

No. of Employees	Non-SBI/SBDC		SBI/SBDC	
	Startup(A)	Now(B)	Startup(A)	Now(B)
5 yrs or less	7.6%	5.9%	8.4%	9.6%
6 to 15	6.7%	7.6%	12.9%	15.2%
16 to 50	2.5%	3.3%	3.9%	5.6%
Over 50	4.2%	4.2%	5.1%	5.1%

TABLE 16
Firms By Number of Employees Responding on Importance of University Consultation As A Percentage of Firms By Number of Employees (Q2A By Q7Z)

No. of Employees	Non-SBI/SBDC		SBI/SBDC	
	Startup(A)	Now(B)	Startup(A)	Now(B)
5 yrs or less	12.6%	10.1%	10.7%	10.7%
6 to 15	5.9%	7.6%	18.0%	18.5%
16 to 50	4.2%	5.0%	5.1%	4.5%
Over 50	5.0%	9.2%	6.2%	5.6%

TABLE 17
Firms By Number of Employees Responding on Importance of Innovation Center or Management Assistance Services As A Percentage of Firms By Number of Employees (Q2A By Q7AE)

No. of Employees	Non-SBI/SBDC	SBI/SBDC

	Startup(A)	Now(B)	Startup(A)	Now(B)
5 yrs or less	2.5%	4.2%	1.7%	2.3%
6 to 15	0.0%	3.4%	2.3%	6.2%
16 to 50	2.5%	3.4%	1.7%	2.3%
Over 50	1.7%	2.5%	1.7%	2.3%

Conclusions

Studies (2) have indicated that firms of less than five years create 80% of the net new employment. It has also been suggested that small firms are much more efficient in research and development (3). Concern has been expressed relative to the use of university resources.

> "Perhaps the more effective utilization of university resources to foster high tech development is the single most important challenge confronting the nation's state economic development planners"(4).

This study looked at the importance placed on certain types of assistance and services by entrepreneurs starting high tech enterprises in a non-Metropolitan community with a research oriented university. It was found that management assistance and business services did not receive a significant importance rating relative to other factors.

It was found however that certain factors make a significant difference in attitudes. For instance, the universities' attitude toward making laboratory facilities and equipment available, as well as university consultation, was rated much higher where a research oriented university was located. Also, an SBI or SBDC program increased the rating given the importance of assistance and business services.

The importance of such assistance and business services was highest for the small firms i.e. 5 employees or less. In addition, "retrospect wisdom" resulted in assistance and business services being rated higher.

Accordingly, the study would imply that, in the particular setting considered research universities can impact high tech economic development with policies that encourage consultation by faculty and provide access to its laboratory facilities and equipment. In addition, it is important that linkages be established co firms in the earliest stages.

REFERENCES

1. M. Alison Buck, Daryl J. Hobbs, Donald D. Myers, and Nancy C. Munshaw, "Feasibility of High Tech Company Incubation in Rural University Settings", Final Report Small Business Innovation Research Program, Missouri IncuTech, Inc., April 23, 1984.

2. David L. Birch, "The Job Generating Process", MIT Study for the Department of Commerce, February, 1985.

3. National Science Board, "Science Indicators 1976", National Science Foundation Annual Report, 1977.

4. Robert Puemus, "High Technology and State Development Strategies", Report By Joint Economic Committee of the Congress of the U.S., March 25, 1983.

APPENDIX I
COMPANIES SURVEYED AND RESPONSE RATE BY COMMUNITY

COMMUNITY		COMPANIES	COMPANIES PROVIDING USABLE RESPONSES	PERCENTAGE RESPONSE RATE
Auburn,	AL	17	2	11.2
Fayetteville,	AR	43	4	9.3
Flagstaff,	AZ	15	2	13.3
San Luis Obispo,	CA	62	9	14.5
Fort Collins,	CO	85	15	17.6
Storrs,	CT	38	1	2.6
Newark,	DE	92	14	15.2
Melbourne,	FL	169	21	12.4
Gainsville,	FL	57	7	12.3
Athens,	GA	23	4	17.4
Iowa City,	LA	36	7	19.4
Grinnell,	LA	7	0	0
Ames,	LA	29	4	13.8
Pocatello,	ID	13	2	15.4
DeKalb,	IL	27	4	14.8
Carbondale,	IL	14	3	21.4
Lafayette,	IN	32	8	25.0
Manhattan,	KS	14	2	14.3
Ruston,	LA	4	0	0
Amherst,	MA	25	2	8.0
Orono,	ME	11	2	18.2
Houghton,	MI	8	2	25.0
Northfield,	MN	5	2	40.0
Columbia,	MO	21	8	38.1
Rolla,	MO	17	8	47.1
Columbus,	MS	14	3	21.4
Missoula,	MT	9	1	11.1
Bozeman,	MT	20	3	15.0
Butte,	MT	20	3	15.0
Greenville,	NC	21	7	12.3
Fargo,	ND	20	3	15.0
Hanover,	NH	37	11	29.7
Durham,	NH	33	3	9.1
Las Cruces,	NM	34	4	11.8
Socorro,	NM	2	0	0
Alfred,	NY	2	0	0
Ithaca,	NY	79	12	15.2
Oberlin,	OH	56	5	8.9
Athens,	OH	12	5	41.7
Stillwater,	OK	20	3	15.0
Corvallis,	OR	52	18	34.6

State College, PA	58	10	17.2
Lewisburg, PA	7	2	28.6
Lancaster, PA	71	13	18.3
Clemson, SC	8	2	25.0
Brookings, SD	12	4	33.0
Rapid City, SD	23	2	8.7
Tullahoma, TN	20	3	15.0
Commerce, TX	5	0	0
College Station, TX	41	7	17.1
Logan, UT	27	9	33.3
Charlottesville, VA	34	8	23.5
Blacksburg, VA	37	4	10.8
Burlington, VT	22	5	22.7
Pullman, WA	14	6	42.8
Morgantown, WV	12	0	0
Laramie, WY	20	7	35.0

APPENDIX II TECHNOLOGY-BASED BUSINESS QUESTIONNAIRE

If you are a division of a company with headquarters located more than 100 miles away, please check the box to the right, discontinue the questionnaire, and return it in the envelope provided.
[ ]

For questions 1 and 2, please fill in the blank with the appropriate number.

1. How many years has your company been in business in this city? __________

2a. Approximately how many employees currently work in your business at this location?
(Include all part-time and full-time) __________

2b. How many of these employees are engineers or scientists? __________

2c. How many are production workers or technicians? __________

2d. What is the TOTAL number of employees for your company if you have operations in more than one location? __________

For questions 3 and 4a, please mark the space following the most appropriate response with an "X".

3. Does your company have an active tuition assistance continuing education program?
Yes ______ No ______

4a. Does your company have a research and development function at this location? Yes ______ No ______

4b. If you answered "yes" to Question 4a, approximately what percent of your total annual operating budget is spent on research and development? __________%

5a. Please describe your products and services.

5b. List the items that classify your company as a technology-based business.

6. Which of the following are true about your company? Mark (X) the boxes following all that apply. Please DO NOT use the blanks to the left of each factor.
_____ The founder, president, or other key individual was previously (or is now) on the faculty of a university or college in the vicinity and wanted to stay in this area.
_____ The founder, president, or other key individual is an alumnus or alumna of a university or college in the vicinity.
_____ The founder, president, or other key individual has or had family members or spouse family members located in the vicinity.
_____ The company is involved in an area or areas in which the university or college has a strong research emphasis.
_____ The founder, president, or other key individual was primarily raised in a rural setting (town under 50,000 population further than 50 miles from a larger city.)

The remainder of this questionnaire asks you to address various business, community service, and quality of life factors and to rate their relative importance in the decision to locate your company.

7. Please rate each of the following location factors by placing the appropriate numbers in the boxes to the **right** of each factor. The box in Column A is for your company's rating of the factor at the time the location decision was made. The box in Column B is for your company's rating of the factor if the decision to locate were being made now. Factors may be of greater, the same, or less importance than originally anticipated. Please **DO NOT** use the blanks to the left of each factor.

Numerical Rating System

1. Absolutely critical 4. Slightly important
2. Very important 5.Unimportant
3. Somewhat important

Business Factors **A** **B**

_____ a. Availability of student labor [ ] [ ]
_____ b. Availability of technical personnel with adequate skills [ ] [ ]

______ c. Average wage levels in the area for all types of labor
[ ] [ ]
______ d. Labor climate - history and significance of unions
[ ] [ ]
______ e. Adequate vocational training facilities and programs
[ ] [ ]
______ f. Central location for markets
[ ] [ ]
______ g. Adequate number of suppliers to provide quality and amounts of [ ] [ ]
materials desired
______ h. One day package service from UPS, Federal Express, etc.
[ ] [ ]
______ i. Long distance trucking or rail services
[ ] [ ]
______ j. Closeness to interstate highway
[ ] [ ]
______ k. Air freight services
[ ] [ ]
______ 1. Nearby airport for airline passenger service or use of private planes [ ] [ ]
______ m. Business tax advantages - state and local
[ ] [ ]
______n. Local and state government industrial incentive plans
[ ] [ ]
______ o. Waste disposal arrangements
______ p. Water system capacity [ ]
[ ]
______ q. Minimum electric power interruptions and shortages
[ ] [ ]
______ r. Sophistication of local telephone system
[ ] [ ]
______ s. Local investment capital
[ ] [ ]
______ t. Knowledgeable bankers friendly to new, technology-based companies [ ] [ ]
______ u. Industrial building sites for purchase with no wait
[ ] [ ]
______ v. Industrial sites for purchase with one year or less wait
[ ] [ ]
______ w. Industrial sites for lease
[ ] [ ]
______ x. Business services in area such as CPAs, plant protection, data [ ] [ ]
processing services, meeting facilities
______ y. University emphasis on labs, equipment, and facilities for research [ ] [ ]
______ z. Opportunities for consultation with university people
[ ] [ ]
______ aa. Planned or existing research parks
[ ] [ ]
______ ab. Machine shops nearby [ ]
[ ]

______ ac. Quality and availability of repair shops
[ ] [ ]
______ ad. Opportunity to be near other firms in the same or related fields [ ] [ ]
______ ae. Presence of innovation center or management assistance sources [ ] [ ]

Quality of Life - Community Service Factors
A B

______ ba. Housing for employees
[ ] [ ]
______ bb. Housing for top management
[ ] [ ]
______ bc. Medical services and facilities
[ ] [ ]
______ bd. Level of crime and drug/alcohol problems
[ ] [ ]
______ be. Public transportation services
[ ] [ ]
______ bf. Recreational facilities and attractions
[ ] [ ]
______ bg. On-campus cultural events and facilities
[ ] [ ]
______ bh. Spouse working opportunities
[ ] [ ]
______ bi. Day care services
[ ] [ ]
______ bj. Quality public school system
[ ] [ ]
______ bk. Private school availability
[ ] [ ]
______ bl. Clean physical environment
[ ] [ ]
______ bm. Low traffic congestion
[ ] [ ]
______ bn. Ability for company to maintain low profile
[ ] [ ]
______ bo. Policies and attitudes of local government toward industry [ ] [ ]
______ bp. Quality of police and fire protection
[ ] [ ]
______ bq. Area fairly far from metropolitan area
[ ] [ ]
______ br. Climate [ ]
[ ]
______ bs. Shopping - facilities and convenience
[ ] [ ]
______ bt. Church of entrepreneur's denomination present in area
[ ] [ ]
______ bu. Entrepreneur's civic, fraternal, social organizations present in area[ ] [ ]
______ bv. Cost of living [ ]
[ ]

______ bw. Prestige of area
[ ] [ ]
______ bx. Short distance to metropolitan area
[ ] [ ]
______ by. Other (please specify and rate importance)
[ ] [ ]
______ ____
[ ] [ ]
______ ____
[ ] [ ]

8. Now go back to questions 6 and 7. Considering all the items listed in **both** questions, choose a total of **five** which you feel were **most** important in your location decision at the time you made it. In the blanks to the left of the five factors you have chosen, rank them in order of importance - 1 (most important) on down to 5 (least important).

Additional Comments:

Thank you for taking the time to complete this questionnaire. If you are interested in receiving a summary of the results, please check the box below. If we are not using your correct name, company name, and address, please write those below or on separate paper. [ ]

THE IMPOSING COSTS OF FRIENDSHIPS

David M. Ambrose, University of Nebraska at Omaha Gene Koepke, Kearney State College

ABSTRACT
The customary reference to friendships is one of positive relationships which have advantages and provide mutual support systems. Indeed, the entire field of networks could be associated with friendships. However, in the realm of individual business ownership, friendships may have different implications. These personal acquaintances and relationships actually can be viewed as negative and detrimental rather than positive in the normal pattern of friendships.

The difficulties arise when those individuals within the social context of a friendship extend that relationship into the operation of the business entity. While this is a normal extension and one which is frequently beyond the ability to control, this extension develops patterns of business which are not in many instances advantageous to the operation of the business. In general, friendships can generate an increase in operational costs.

These costs of friendship are inherent in every business organization. However, because of the closeness of the principal, the owner of the small business to those individuals who interact with the business, the costs are more frequent and aggrelated. It is these costs of friendship imposed upon the small business which are important to understand and assess. They are generated from a sociological phenomena but have serious economic consequences.

EXISTING DOCUMENTATION
The purposes of a literature search are ones which will provide a framework of previous explorations of a subject. on this subject of friendships, little of value has been been advanced. Most discussions in the sociological literature relate to adolescence and have no application to commerce. While it is known that mature individuals have developed lasting friendships, no reference is structured with a focus on business organizations and the commercial implications.

The documentation of the subject is nonexistent. Unfortunately, even within a positive context, the subject has not been advanced. While we believed that the negative implications would be an exploration not previously considered, the absence of documentation of the positive relationships was disappointing and somewhat limiting. We were without a structure of comparison or at least a common understanding from which this departure might advance.

FRIENDSHIPS DEFINED

Undoubtedly, if we were to assess the level and intensity of friendships we would find a great diversity of both opinion and behavior. The concept of friendships even within the commercial context constitutes an extremely broad and encompassing array of interpersonal relationships. It is not the intent of this writing to either explore the nature of these or to define and categorize them. However, a basic agreement of definition is necessary for this research to be properly assessed and understood.

For purposes of this paper, therefore, friendships should be those that have commercial implications and not the full range of social friendships. However, social friendships may at times evolve into commercial friendships and in fact, we find that the majority of relationships 'which are troublesome to conducting business have their origins in the social structure.

Friendships also must be considered in their fullest range. These commence with the interpersonal relationships of the very briefest of intensity just the simple fact of one person knowing the other and the limited degree of knowledge which eventually would lead them into the business environment. On the other .end of the spectrum, there are friendships which are bonds of intense emotion, usually forged over an extended number of years, and friendships for which there is never too high of a price. The majority of friendships which we have discovered are between these extremes and constitute therefore the majority of the difficulties and costs incurred.

One might question as to whether these really constitute friendships in the normal definitions and within reasonable expectations. Our contention is, however, that even those types and intensities of relationships impose difficulties on the operation of a business. In addition, interpersonal relationships of other intensities and strengths have similar patterns of concern. It is the full range of these interpersonal situations which we have addressed. While one might argue that the definition of friendship has been expanded liberally, our discussions with owners would lead us to conclude that the friendship definition should be very broad and encompassing for purposes of being inclusive and comprehensive.

SITUATION OF CONCERN

The researchers, through discussion with numerous business owners, discovered a variety of sociological conditions which defied the normal pattern of the rational processes of economics. The issue which confused the decisions and behaviors was the interjection of a friendship into the normal course of decisions and business operations. These were not isolated situations but influences which appeared in every smaller business to a significant degree.

The appearances are that large corporate structures are more isolated and better insulated from the demands of friendships.

Excuses and explanations can be provided which in essence state that the decision is actually beyond the control of the individual and therefore the. corporate response is nonexistent. The friendships can continue because of that insulating quality. However, within the small business, the difficulties are considerably different.

A small business in many respeacts is a social structure unto itself. It functions in very close relationship with regards to its customers, employees, and owners. The management is not a remote entity nor a distant voice but individuals who interact with the other social groupings on virtually a daily basis. The owners and management are involved in community organizations, church groups, school gatherings, and even neighborhood events. The people of these social assemblies are the same individuals who constitute the main structure of customers. Therefore, customers are known not only as they are seen in the store or office or garage but by their very presence in these other social gatherings.

These relationships are existent with every business whether large or small and every community regardless of its size. However, the small business because of its very personal involvement of the owners and managers with the customer population have a special and very close relationship with those customers. Individual acquaintances in the community spill over into the business.

The logic of this situation states that businesses which are situated in large metropolitan areas have less interaction between these social groupings than businesses which are located in the smaller communities. The researchers have found this logic to be true and that in the larger metropolitan areas the phenomena of this paper has a more limited impact. There does remain a residual but it does not operate to the same degree as it does in the small and very local community.

For instance, in the large metropolitan area, people actually tend to conduct business with one social structure and live remotely and conduct other life activities with other social groupings. The result is that there is a clear distinction between the social groupings of business associates and those who are social but external to the business. (1)

The imposition of personal relationships is a situation which is aggrevated increasingly with the decreasing size of a community. Businesses which are operating within the very small communities are not able to divide their personal lives from their business or commercial lives. They are virtually one and the same. The events of both lives influence and impact the events of the other. However, it must be remembered: This phenomena is not isolated to only the small community but impacts businesses in communities of all sizes. The severity of it is greatest in the small community and the phenomena can best be appreciated when its reflection is seen in the small community. However, all business, especially the small firms and especially those in small communities, are impacted with these consequences.

It should be further noted that the reference to this point has been largely that the pivot of conflict is the individual who is both a personal/social acquaintance and a customer. There are many times when the pivotal individual is not a customer, has never been and by their needs probably never will be but still have imposing behaviors with respect to the small business. Therefore, while customers do constitute a major source of potential conflict, other individuals who are strictly social are possible conflict situations.

The normal reference to friendships in business is one of a positive relationship. Businesses have been encouraged to cultivate friendships and to actively build personal contacts which would benefit the business. Employees are encouraged to join fraternal organizations, take active roles in community affairs, and assume leadership in professional organizations. Much of this encouragement is derived from the motive of building relationships which will ultimately benefit business. Networks are a direct result and a semiformal structure of friendships. Reciprocity of business is another system of trading on these friendships. In all, these have been couched as positive and ultimately beneficial to the business. While those positive advantages do exist, there are counterparts, the costs of those relationships.

It is these costs of friendships which this research addresses. The researchers are not proposing a retreat from interpersonal relation ships, nor the declination of community leadership responsibilities. However, what is included in this research is a recognition of the obligations, strains, and impositions which friendships, social relationships, and interpersonal contacts can have on a business especially a smaller firm.

Pricing

A firm which follows a strict one price policy probably has the greatest chance of escaping the troubles of pricing deviations based upon friendships. They can honestly report to anyone and everyone that there is a single price and that every customer is obligated to pay that particular price. However, even then they are not able to totally escape from the circumstances of friendships.

Price problems are encountered when a friend, acquaintance, or close relation asks for special price consideration as a deviation from the quoted price. In essence, what the individual is requesting is that the owner take some of the proceeds of the sale and remove it from the receipts of the business and return it to the buying customer, in this instance a friend. It is a division of the gross margin between the customer/friend and the business. This division is a double-edged sword.

First, friends use this tactic to take advantage of a business through their friendship. They believe that since they are a personal friend of the owner/manager that they should receive a special consideration in the form of a price break or other service for which there is normally a charge. In essence, they are requesting a price other than that which would be charged to a regular or non-friend customer. They work friendships to their own advantage.

On the other edge of the sword, does a friendship keep customers from entering into the process of price negotiations when such negotiations are appropriate? In those negotiations, the customer/friend is asking the same question: take part of the proceeds from the sale and return it believing that that would be based upon a bond of friendship. Interestingly, there are certain friends who will not enter into that process even though it may be appropriate and expected.

The researchers encountered a furniture dealer who stated privately that he would match any price at any other furnither store if his customers would only identify that price difference to him. He said that very few customers asked for a price match. He did not understand why they were not more aggressive.

The explanation given to him was that in that smaller community, his customers were primarily his friends. For his friends to ask for a price reduction would have been asking him to share part of his income. The results were that they had a high degree of reservation to proceed with that negotiation.

The researchers concluded in this instance that the ultimate costs to the furniture store was that customers/friends would actually make their purchases at another store rather than negotiate on price. While a negotiated price would have been more attractive to the owner than a lost sale, the customers/friends were not interested in using their friendships to leverage with the sale. Therefore, they completely avoided their friend, the furniture store owner.

Even where there is a single price policy, however, businesses are not able to escape the pressures of negotiation. virtually everyone knows that there is a margin, a markup on merchandise. Those customers/friends of the greatest brass will actually ask for a reduction even when that process is inconsistent with normal store policy. Their belief is that as a friend they should receive a special form of consideration on price. Perhaps the most difficult situations are those in which the friend asks for a business to order special merchandise, merchandise not normally carried by the store and to permit the friend/customer to purchase it at the net cost to the business. In the first instance, this friend has asked for an extra effort in the ordering of merchandise but then compounds 'the aggrevation with a belief that it should be sold at cost.

In the researchers' discussions with business owners, pricing is the most frequently reported difficulty originating from friendships. Furthermore, there are no simple answers. What a satisfactory policy may be for one business will be unsatisfactory for another. However, owners do encourage consistency in the policy so that all pricing done for friends and acquaintances is equitable and identical.

Credit Extensions

Familiarity breeds contempt. Familiarity also breeds complacency. One of the most serious difficulties in the extension of credit is extension to individuals who are not credit worthy. This phenomena impacts most seriously upon the smaller business.

Many people excuse or explain the extension of credit to those individuals who are not credit worthy based upon poor records, on credit procedures, as the inability of the small business to research the individual adequately. However, the researchers have disclosed that much of that credit extension is related to close friendships and familiarity rather than procedures. Again, this extension of credit has its origin from two different sources.

Store owners who are pressured into a credit line by friends have to make a decision as to whether they desire to retain the friendship or to extend the credit. While the customer/friend may not state the consequences in just so many words, the ultimate choice of events will provide that outcome. It is a choice as to whether the friendship will last.

It is unfortunate and perhaps unfair but those are the circumstances. Given a marginal case, the owner will probably extend the credit. Just how large that margin is differs from individual business to individual business. However, friends who fall within that margin of doubt will probably be provided with a credit extension. And the business which has a great many customers/friends within that margin will be assuming an increasing risk in its credit extension.

The other direction or origin of-the problem is the difficulty of the owner being too familiar with the customers. Owners who have known their customers/friends for an extended number of years are inclined not to conduct a credit evaluation when asked for a line of credit. The response when challenged is: I have known this person for 15 years and his family has been a foundation of the community. of course he is good for a line of credit! Unfortunately, friendships may actually cloud the true credit worthiness of an individual.

Many of the deteriorating financial conditions of a business or an individual may not be obvious or openly discussed. These conditions become known only when a complete and proper evaluation is conducted. A business which elects not to conduct the evaluation assumes an increasing degree of risk in its credit extension policies. Friendships are not a substitute to sound credit management policies but, unfortunately, the researchers have found that they do indeed act as a shortcut or even total replacement to a credit evaluation.

In both of these situations, friendships have directly influenced the owner's behavior and treatment of credit extension. This is an increasing problem in firms which are small, where familiarity with customers is extensive, and friendships highly prized. In assessing these conditions, prudence appears to be the most generally recommended policy to those smaller businesses with which the researchers discussed the issue.

Borrowing
While this brassness may seem foreign to many individuals who respect the accomplishments and even fragile nature of a small business, there are many other people who are insensitive to these conditions. Their general belief is that if an individual is in business they must be wealthy because that is the general purpose of being in business. In addition, look at all the trucks, buildings, and even employees which the business has. This insensitivity to the realities of business encourage people to inappropriately trade on friendships. They will make demands on a
business based upon their friendships.

The nature of borrowing is incredible. It almost goes beyond what a "reasonable" person would believe or anticipate. However, because of the extended nature of borrowing, it includes a great many "reasonable' people and is perhaps the most pervasive of all of the conditions.

People have no limits on their borrowing demands. Garage owners report that friends ask to borrow tools and equipment during the weekend because they know that the business doesn't operate then and therefore the tools will not be in use. These friends will even go so far as to ask that the owner open the garage or make space available during these closed hours so that the friend can use the facilities.

When the owners do fulfill these wishes, they open the garage, remain their to "monitor' the friend and in many instances actually end up doing the work. The friend may not have the technical skill to complete the task and the owner must actually step in and do the work if he believes he will ever get his friend out of the garage.

The calculation of this imposition is interesting. Not only has the friend borrowed the garage and tools, but has manipulated the situation into where the owner has also provided free labor. The costs of friendship are what that project, repair, or procedure would have been billed at had the job come to the garage or shop under normal conditions. Indeed, costs for off hour inconvenience could be added and certainly an argument for 11/2 or even double time on costs could be defended.

Businesses which have trucks and movable equipment are particularly vulnerable to borrowings based upon friendship. It would seem that it is almost a continuous open season for those targets. People use trucks for moving, hauling firewood, camping, and even general transportation when their own car is not working. It is bad enough when these requests come during weekends and evening hours. However, some friends do not seem to hesitate to borrow trucks even during hours when they would be used in the normal course of business.

Vehicle operation and maintenance is expensive. Those costs haunt many businesses. For friends to increase those costs through personal use would seem incredible but the condition is rather widespread. The situation is compounded when a truck is removed from service during the business hours. In addition to operating expenses, there must be the calculation of lost business.

The nature of borrowing appears to have no bounds. The only bounds are according to the nature of the business. Even physicians are "borrowed" during social events to provide free consultations. The majority of these borrowings have their origin within the interpersonal structure of friendships.

For some businesses, the ready excuse that the insurance will not cover a vehicle or other piece of specific equipment serves as a barrier to borrowing. However, tools, fixtures, and operating supplies cannot be hidden behind those arguments. Businesses which follow strict policies are those which are best able to manage the situation. Owners do report that those policies do not have to eliminate borrowing but to define what is available and what is not. However, implicit in those policies is a belief that the owners have calculated a cost of borrowings and are prepared to absorb those costs as a cost of friendship.

Merchandise Borrowing

As incredible as it ,nay appear, some people may request to borrow merchandise either temporarily or permanently. While this is not a frequent situation, it occurs with enough regularity that it deserves special attention.

This is an extreme situation. Most merchandise which has been borrowed and used cannot or should not be returned to inventory and sold as "new stock. It may reflect use, it may actually be damaged, but certainly it cannot be classified with other merchandise which has not left the store.

In fashion retailing the phenomena is well reported but not necessarily as a reflection of friendship. Customers will purchase a gown one week, wear it to a social event on the weekend and return it for a refund the following week arguing that they had not worn it, that it did not seem to be the correct color when they examined it at home, and they should be a due full refund. This condition is the bane of fashion merchandisers existence. They end up in the business of loaning out their merchandise for people to use.

In some instances the merchandise has been damaged, and it is clear that it has been worn or used. It must be discounted deeply, sometimes below cost. In other cases, and with full honesty, they are not certain if the gown has been worn or not and if no wear or damage is noticed replace it in stock as new merchandise. Unfortunately, the fashion merchandiser has no gain in that process but only losses at best.

A clearly stated policy which prohibits borrowing of merchandise is both approriate and necessary. Business owners who have directly addressed this situation follow that policy religiously. However, many other business owners have never come to grips with the problem although they report that customers/ friends do borrow merchandise.

This is perhaps the easiest of the conditions to resolve but too few businesses have developed a policy. The explanations would appear the most rational and acceptable to friends, and the frequency of merchandise borrowings are the most limited. Therefore, the resolution of this issue has probably the most limited consequences on friendships but concurrently that resolution has the most limited improvement for the business. However, regardless of its limits it should be addressed directly.

Contributions and Community Support

Both charities and community programs are important and deserve the support of businesses. Many times there will never be any direct benefit derived for the business, no direct reward will be realized. However, a civic duty and responsibility dictates that these businesses provide guidance and financial support to others who are working for a general improvement.

Contributions should be established according to the priorities of the business, the philosophy of the owner, and the ability of the finances to participate in the program. Friendships, however, confuse that structure and tend to create contributions which follow the obligations of friends rather than the abilities of the business.

Organized funding programs deliberately recruit friends to call upon friends. It is known that friends will contribute at a greater level than will non-friends. This is a normal occurrence of the business environment and neither large or small business is spared the imposition. However, what is argued is that the openness and public exposure of the owner of the small business makes that business more vulnerable to these pressures.

Small businesses repeatedly report the intense problem of friends requesting funds for community projects. The number and diversity of these requests make them almost continuous and unceasing. The owners believe that they are sponsoring an endless array of causes which have unlimited appetites for funds.

The vulnerability of the small business is reflective of the fact that virtually every contribution solicitor knows the owner personally. it is difficult to turn away friends or even limit them especially when they themselves are making personal sacrifices in the solicitation process itself as volunteers.

Business needs careful budgeting on this issue. Contributions can get beyond control if permitted to be given without a policy or without controls. These requests are without limits and have the potential of stripping a business of its financial strength.

The researchers have found that businesses which have established a policy of generally supporting every reasonable request but with strict limitations are the ones most comfortable with their decisions. Friendships appear to be less strained and solicitors most understanding. Likewise, this policy has not precluded the owner from making a substantial contribution to a select cause or a deserving situation. However, the policy has provided control to both the financial support and the continuity of friendships.

Employment
The general belief among friends is that your business is always able to absorb at least one more person and therefore let me send you my son who has been unable to obtain employment anywhere else because of his poor performance record or my wife who after 20 years at home and without any experience or skills wants to become the assistant to the president. The belief is clear: If you have a business, you must be wealthy and therefore let me share in that wealth by sending you one of my family members or even myself.

The expectations of friends are reported by owners to be a major cause of strained relationships. This situation is far more serious than any of the others cited. In any employment situation, there is a continuous relationship and costs therefore are not limited to one occurrence but will continue into the future.

Owners report that employment in a small community, within a base of friends, is difficult. An open advertisement for employment will bring a flood of applicants, both friends and people who are unknown. The best individual for a position may actually be a non-friend, someone who was previously unknown to the employer. or the best person may be someone who is not a close friend and be awarded employment over a person who is a friend. In the selection of the best qualified, friends may be eliminated and excluded. While that is to the advantage of the business it may place serious strains on the friendships.

The solution which many businesses have followed is not to openly advertise for employees. These owners keep their employment needs very close to their vest, constantly assessing people they encounter whether there is a oosition available or not, and then reviewing their mental files for good employees when a position becomes open. The procedure certainly limits the scope of applicants to the personal acquaintances of the owner but they state that it greatly reduces the stress and aggrevation on their friendships.

Small organizations are burdened with additional employee problems which revolve around friendships. Because of the size of the organization, the relationships between the owner frequently evolve into ones not only of employer and employee relationships but bonds of friendship. These conditions of internal friendships greatly strain the processes of promotions, salary adjustments, and even dismissals. Friendships create tensions and disappointments which would not normally be encountered in large corporate companies, at least as directly relating to the owner of the business.

Clear employment practices which are administered fairly and without partiality provide the best insulation from these difficulties. Few small businesses have them. That is one of the deficiencies of a small business and in fact has become one of the conditions most frequently found in small businesses. Unfortunately, the absence of formal policies in employee relations and personnel guidelines result in greater dependency on friendships for the formation of decisions.
The consequences of friendships both within and external to a business with regard to employment practices is severe. The researchers found in discussions that it affected virtually every small business organization. It is continuous and therefore the costs may be accumulating into the greatest aggregate. However, the resolution would appear to be the most assured and therefore the problem the most manageable. Unfortunately, this issue is not being addressed in most small businesses but being permitted to drift with the associated costs.

The Warning
Management has been trained to examine very carefully every cost item and to review explicitly every expense line on the income statement. With proper resolution, management has been able to resolve many of the costing difficulties and expense situations which have plagued the business. Unfortunately, the costs of friendships are neither a cost item or appear as an expense line in the records. The costs of friendship are both elusive in their character and constitute in some situations great impositions to the businesses.

The imposing costs of friendship are the greatest in the small business organization and within communities of smaller size. The closeness of the owner to the people and social groups aggrevate the situation. Most business owners do not even recognize the existence of these costs. Most would never consider a friendship as a cost but as an asset, a relationship to be treasured. Even those treasures however have their costs.

The researchers are not encouraging businesses to sever their social relationships, or even to restrict them. In fact, what these researchers do encourage are the positive bonds which can be structured in friendships and even directly benefit a business. However, a warning is issued to every business especially the smaller ones. Understand the occurrence and imposition of the costs of those friendships and be prepared to absorb those costs or to resolve the difficulties.
Carried to their extreme, these costs of friendship can deplete a business of its assets and
financial strength. Certainly no friend deliberately pursues a course of action with that result in mind. However, if a business does not establish policies, limits, and direct the nature of the friendships within the business it is subject to all the adverse happenings of those costs.

The researchers further state that the listing is not exhaustive. This is the first compilation of these costs and only initiates the discussion of costs of friendships. Business must be cognizant of other cost situations which are specific to their situation and understand the relevant importance of those costs to their business.

Because of the nature, size, and operating conditions of small businesses, these warnings are most appropriate to those firms. They are the businesses most likely to incur these costs, and probably the businesses least able to support their continuation. Furthermore, the small business which functions in the smaller community has a double impact of close social relationships.

(1) The researchers also found this difference to enable owners in the larger metropolitan areas not to be conditioned to hide their wealth. The phenomena of 'closet wealth' is related to the small and closely organized communities, especially those below about 20,000 in population.

THE STRATEGY AND STRUCTURE OF ENTERPRISE: IMPLICATIONS OF FAMILY CONSTELLATIONS FOR FAMILY BUSINESS

Chi Anyansi Archibong, University of Kansas

ABSTRACT
This study examined the impact of family "constellations" on the evolution patterns of a firm. The theme of the paper is to present the findings which include some suggestions for better management of small and large family firms in the 1980's. The paper also discusses some of the influences of government actions (regulations, incentives) on the businesses.

INTRODUCTION
Family businesses are often referred to or discussed in relation to small businesses. They have, therefore, been studied as such in the past. However, there has been a shift towards exclusive literature on issues of family business since the 1970's. (Trow 1961; Levinson, 1971, 1983; Barnes and Hershon, 1976; Longnecker and Shoen, 1978; Filley and Aldate, 1978, 1980; Beckland and Dyer, 1983 ; Shien, 1983; Landsberg, 1983; Davis, 1979, 1983, 1984; Kepner, 1983.) These authors, particularly Levinson, Barnes and Herson and Davis, point out that there are transitional and policy problems specific to family businesses (large or small). These authors and others also indicated that these transitional problems need to be resolved to increase the survival rate and continuity of new and established family businesses.

But very few empirical studies have been undertaken to determine the bases of these problems (Dais, 1979, Hershon, 1975, Tashakori, 1977). Most of the studies on family businesses have concentrated on definition, size, levels of conflict in these firms (Donnelly, 1967; Levinson, 1983; Barnes and Hershon, 1976; Hollander, 1984). It has been established by the above authors that 94% of the over one million large organizations in the United States are family owned an/or controlled. And that these firms are responsible for 43% of the Gross Domestic Product as well as over 50% of employment.

However, the United States and other developed countries are not the only place where the prevalence and economic contribution of family businesses exist. In a developing country such as Nigeria, little or no studies exist on the issues of family businesses although 30% of the less than one thousand large firms are family businesses. Family businesses need to be economically effective to continue to contribute to national development.

Family "constellation" and dynamics are culture-bound and are strongly related to these firms' growth and continuity. Yet, none of the literature on family businesses has attempted to determine the basis for the development of some of the specific issues such as rifts among members, or the possible impact of family forms on the firms' evolution patterns and their ability to survive.

PURPOSE

This study was undertaken because of the existing need to learn more about family business. The theme of this paper is to examine some of the factors that influence these firms in an attempt to develop appropriate framework for better management.

This study explained the influence of family "constellation" on the pattern of evolution of family organization in the United States and Nigeria. Specifically the research asked the following question: How does family "constellation" influence the firm's evolution pattern?

DEFINITIONS

To understand the study an its findings it is necessary to define family constellations and family firms as applied in this study.

Family Constellations

Family constellation and dynamics are strongly related to culture and the level of economic development. Family constellation has been variously phrased and treated by different authors in the past. Common among the terms used were"corporate," "joint," "extended," "consanguineal," "stern," "nuclear," "conjugal" and sometimes "simple." Literature on the social anthropology of the Nigerian family is scant. The few that exist have been written by anthropologists working on social change of third world countries. Most of these studies, Hagen (1962), McClelland (1976), Bauer (1982), describe the family system as a broker or agent for character and personality development. This family system was also determined to be a major influence on the type of community and national economic development pattern.

According to Burch and Gendell (1971), typologies used to describe family type or pattern have been traced to the nature of conceptual an operational family forms examined. They concluded that researchers need to exercise greater care with definition of the family form than they have employed in the past. Beparta (1964) suggest that two major hypotheses had always been employed in the classification of family types. One refers to the composition of the domestic group and the other to the rights and obligations attached to conjugal and kinship roles. Other studies indicate that extended family structure was accompanied by high fertility rates and the nuclear or smaller sized family with low fertility rates. One example of such a study was one by Freedman, et al. (1969) in which the Taiwanese families were classified according the residence patterns--nuclear, stem, and joint. These authors concluded that those who had always lived in nuclear units had lower fertility rates than other couples.

However, the family system (extended kinship)in Nigeria is more of a complex set of norms, of usages, patterns of behavior among kin with the important element of these relations being the customary rights and duties of relatives to one another while the U.S. is more of the nuclear type. The conceptual framework for distinguishing extended family norms and behavior from nuclear family, therefore, concerns the extension of such rights and obligations attached to conjugal parental and filial roles across the boundaries of the elementary family. Extended kinship referred to families where obligations and rights went across and beyond the boundaries of immediate family while nuclear represented responsibility or obligation for the immediate small family. In Nigeria, the rights and duties attached to conjugal parental and/or filial roles include the giving and receiving of financial support, education of children, domestic decision-making, and co- existence. In the nuclear family, obligations and rights are usually confined to the
immediate small members of the family. In this study, nuclear versus extended kinship is applied.

Family Firms
The definition of family business is as diverse as the few studies that have so far been done on it. Researchers have tended to define family enterprises as narrowly as the scope of their studies (Donnelly, 1964: Beckland & Dyer, 1983; Davis, 1979; Kepner, 1983; Levinson, 1984).

Some of these authors, through broad use of the terms "small firms," "private firms," "closely held corporations," etc. have applied criteria such as annual sales, size, asset value, geographical location, market share, number of stockholders, types of management, and sometimes the nature of legal entity in their definitions.

Donnelly (1964) identified his sample of family businesses as these in which:

1. Family relationship is a factor, among others, in determining management success.

2. Wives or sons of present and former chief executives are on the Board of Directors.

3. The importance of institutional values of the firm are identified with a family, either in formal company publications or in the informal traditions of the organization.

4. The actions of a family member reflect on, or are thought to reflect on the reputation of the enterprise, regardless of his/her formal connection to management.

5. The relatives involved feel obligated to hold the company stock for more than purely financial reasons, especially when losses are involved.

6. The position of each family member in the firm influences his standing in the family.

7. A family member must come to terms with hisrelationship to the enterprise in determining his own career.

This is perhaps the most inclusive definition in the literature as seen from the subsequent definitions. Dias (1972) defined them as "Companies where a single person or family group had ownership control. Control is defined as effective voting control over the board of directors, irrespective of whether family members were actively involved in management or not." Dias also included as family companies, those firms in which there are no individual or family voting control "but where the president or several top managers owned substantial proportion of the equity (usually over 10%)." Hershon (1975, among other characteristics of family firms, included situations where ownership and management are closely related and the culture and traditions of the company and source of managerial talent stem largely from the founding family.

Dr. Levinson (1983) identified three types of family firms. These include: family traditional, family conflictful, and family entrepreneurial.

However, the complexity of family business is more than the simple dichotomy between private/family versus public/professional management issues. Family owned and controlled is best defined by types of relationships that exist among its members. Another definition closer to the above approach is the following by Davis, 1982, "The fundamental defining characteristic of the family firm is the overlap of family ownership and management group." Davis sees members of the family or founder as being caught between the family and business systems.

In this study, the term family owned and/or controlled is applied and a company is considered a family firm for this study when it is associated with at least two generations of a family ownership and this linkage has had significant influence on the company's goals, policies, and structure. Such a linkage is indicated when one or more than one of the following conditions exists:

1. Majority control held by the founder or members of his family and must have been in family for at least two generations.

2. Strategic decisions significantly influenced by founder or his family values and beliefs.

3. Family members may or may not be actively involved in daily operations but collectively own majority shares.

4. Privately owned, and with fewer than 50 shareholders in Nigeria, and 250 in the United States.

Table I presents the status of companies studied with regards to the above criteria. Classification is based on in depth interviews with members of these organizations.

METHODOLOGY

A qualitative research methodology was used. This was a field of study which drew its data from four sources -- in depth interviews, observations, public data and articles. This qualitative approach appeared to be most appropriate for this type of study, particularly in Nigeria where appropriate date base is scant. Furthermore, the private nature of family firm requires a direct approach and confidentiality to collect the type of data needed in this study. Names of the companies have been disguised to maintain anonymity

SAMPLE SELECTION

The Nigerian firms were selected from the population of over 800 firms listed by International Commerce Organization of Nigeria (ICON) (see Table 2). Thirteen firms were contacted but only eight responded positively. Six firms were contacted in the United States. However, only three were receptive to the study. Thus eleven companies were studies (8 in Nigeria, 3 in the U.S.).

Although companies contacted were selected on the bases of the four criteria enumerated earlier, the final companies studied were based on those providing reasonable access to the necessary information. Table 3 presents the characteristics of the firms studied and Figure A presents the dimensions of the families based on "constellation" - nuclear and tended/large and level of family involvement in the management of the firms.
The private nature of these organizations often create difficulties for an empirical research. Gaining access requires confidentiality, perseverance and same facilitator, among other things. Access to organizations in this study was gained through intermediaries who were well known to the companies. These intermediaries included the university staff in the United States and relatives in Nigeria.

As in an exploratory study, there were no hypotheses nor proposals to be tested, rather, the variables were allowed to emerge as the research progressed. These variables were then content analyzed (ethnographic approach) for significant findings.

FINDINGS AND CONCLUSIONS

Available data show that ecological factors such as social and economic factors influenced family constellations in addition to the pattern of evolution of the firms. It was also determined that government activities -- rules, regulations and incentives— also influenced evolution patterns in both countries with significant impact in Nigeria.

Data indicate that the extended kinship family form was more prevalent in the Nigerian society than in the United States where the nuclear form prevailed. Influence of the above factors (social, economic, family form and government) were determined at two levels of evolution pattern- strategies and structures. Strategies refer to the pattern of decision choices, distribution methods, manufacture versus purchase, control systems and the like. Structure refers to the relationship and interaction patterns that emerged. Broadly, data show that three halfs of the families studied indicate that family forms had significant influence on the structural patterns of evolution, but little influence on strategic patterns. However, both the socio-economic status and the government actions show strong influence on the strategic patterns adopted by the enterprises. Tables 4 and 5 present the influences by ecological factors and government actions respectively.

The structural influences were mostly displayed in the process of the family's attempt to create appropriate employment for family members and especially in the attempt to accommodate them in the management positions of the organizations. The structures of holding/functional and holding/decentralization were dominant among companies where family constellation influenced the patterns that evolved (Eto, Smithson, Eko, and Amadi). It was apparent that these companies maintained the above structures under the following conditions:

1. Holding/functional when the younger members of the family were still in school and the founder and patriarch would use professionals at the functional positions while he maintained control through the holding structure;

2. Holding/decentralization gradually evolved as the children or relatives graduate from colleges and were able to take over some responsible, professional position which the founder was at that point willing to accommodate through relinquishment of some authority. The above finding was common to both the United States and Nigeria. This finding was observed more in extended than in nuclear families.

However, founders often tried to maintain control and coordination through, once again, the holding structure.

Evidence exists to show that family "constellation" has greater influence on the structural patterns of firms in evolution. Chandler (1962) and other authors on stages of organizational development maintained that structure follows strategy and that strategy is an intermediary process between external environment and structure. Summarizing his findings, Chandler reiterated that:

> Strategic growth resulted from an awareness of the opportunities and needs--created by changing environment

> population, income and technology. . . A new strategy required a
> new or at least refashioned structure if the enlarged enterprise was to be operated efficiently. The failure to develop a new internal structure, like the failure to respond to
> new external opportunities and needs, was a consequence of over concentration of
> operational activities.

Chandler's statement has implications for the findings in this study. Family firms respond to external factors strategically but cling to family needs for structure because of their efforts to maintain control of the organization. Changes in strategy should be followed by appropriate structural design which does not often happen in family and small businesses. This failure to adjust structure to growth strategies may be one of the major reasons for the failure of some of the small family firms rather than rifts and conflicts among members as has often been suggested (Barnes & Hershon, 1976; Levinson, 1971, 1983).

Management consultants and professors at small and large family businesses should be aware of this finding. Furthermore, the influence of external environment and government actions on strategic decisions would also create awareness and caution for such policies that are transmitted through SBA, FCC, and FTC in the United States and Small Scale Divisions of Center for Management; and Enterprises Promotion Acts in Nigeria. Both governments of developed and developing countries should be careful about regulations affecting and support given to these firms relative to their contribution to economic development. They should be constantly reminded that changes in strategy should be followed by changes in structure.

Most small businesses are started by families and majority often grow with exclusive family control. SBI consultants should therefore be aware of the findings of this study and take them into consideration in preparing their projects. Furthermore, in the past several years, small business owners in the United States were being encouraged to consider expanding overseas through joint venture, licensing, and pure exportation especially with the "consumer-rich" third world countries. This study in its limited form suggests probable avenues for small business owners by indicating differences and similarities in the management issue.

A major limitation of this study is the sample size of companies studied. Future studies should increase the sample size (especially in U.S.) as well as extend research to other developed and developing countries. The extension of study to other countries is recommended because of environmental and cultural differences across nations. This extended study will help conclude whether the findings here are an exclusive phenomenon in Nigeria or the U.S. alone or generalizable to others. It is also important to note that due to the type of research technique employed, demand in time and money is very high.

REFERENCES

Archibond, Chi-Anyansi. "Evolution of Firms: Strategy and Structure of Enterprise in a Third World Country." Unpublished Doctoral Dissertation. University of Kansas, 1985.

Beckhard, R. and Dyer, Jr., W.G. "SMR Forum: Managing Change in the Family Firm-- Issues and Strategies." Sloan Management Review, Spring 1983.

Beparta, P.C. "Familial Structures and Fertility," Proceedings of the Fifty-first and Fifty-second Sessions of the Indiana Science Congress. Part III Calcutta 1964.

Barnes, L.B. and Herson, S.A. "Transforming Power in the Family Business," Harvard Business Review, July-August 1976.

Burch, T.K. and Gendell, M. "Extended Family Structure and Fertility: Some Conceptual and Methodological Issues." Journal of Marriage and Family, Vol. 32, 1971, pp. 277-86.

Davis, Peter. "Realizing the Potential of the Family Business," Organizational Dynamics, Summer 1983.

Dias, Gareth P. "The Strategy and Structure of French Industrial Enterprise," unpublished Doctoral Dissertation, Harvard Business School, 1972.

Donnelly, R.G. "The Family Business," Harvard Business Review, Vol. 42, July-August, 1964.

Filley, A.C. and Aldage, R.J. "Characteristics and Measurement of an Organizational Typology." Academy of Management Journal, Vol. 21, no. 4, 1978.

Freedman, r. and Takeshita, J.Y. Family Planning in Taiwan: An Experiment in Social Change (Princeton: N.S. Princeton University Press, 1969). (A follow-up to 1964 study.)

Hagen, E.E. On the Theory of Social Change (Homewood, Illinois: The Dorsey Press, Inc., 1962).

Hershon, S.A. "The Problem of Management Succession in Family Businesses." Unpublished Doctoral Dissertation. Harvard Business School, Boston, 1975.

Hollander, B. "The Family Business as a System," A paper presented at the Academy of Management Meeting, Boston, Mass., 1984.

Landsberg, Ivan. "Managing Human Resources in Family Firms: the Problem of Institutional Overlap," Organizational Dynamics, Summer, 1983.

Lauer, R.H. Perspectives on Social Change, 3rd Edition (Boston: Allyn and Bacon, Inc., 1982).

Levinson, Harry. "Conflicts that Plague Family Business," Harvard Business Review, March- April, 1971.
Levinson, Harry. "Consulting with Family Businesses: What to Look For, What to Look Out For," Organizational Dynamics, Summer, 1983.

Longnecker, J.G. and Shoen, J.E. "Management Succession in the Family Business," Small Business Management, Vol. 16, July 1978.

McClelland, D.C. The Achieving Society, (New York: Irvington Published, Inc., Halsted Press, Division of John Wiley and Sons, 1976.

Tashkori, Maryann. "Management Succession: From the Owner-Founder to the Professional President," unpublished Doctoral Dissertation. Harvard Business School, Boston, 1977.

Trow, D.B. "Executive Succession in Small Companies," Administrative Science Quarterly, September, 1961.

TABLE I
Status of Companies Relative to the Criteria for Family Firms

Eko Onyeukwu Amadi Ginano Standard Buchanans
Smithsons Hagmans
Eto Group Ikwu & Peters Group Holdings & Sons & Sons Holdings Entpres
Incorporated Hardware Incorporated
Companies of Cos. Sons Ltd. of Cos. Limited Limited Limited Limited Limited
Company

Criteria:

Criteria											
1. Majority control held by the founder or members of his family and must have been in family for at least 2 generations.	+	+	+	+	+	+	+	+	+	+	+
2. Strategic decision significantly influenced by founder, his family values and beliefs.	+	-	-	-	-	+	-	-	+	+	-
3. Family members may not be actively involved in operations but collectively own majority shares.	-	-	-	-	-	-	+	-	-	-	-
4. Privately owned but fewer than 50 shareholders in Nigeria and 250 in the United States.	+	+	+	+	+	+	+	+	+	+	+

+ Criteria strongly applies
- Criteria less strongly applies

TABLE 2
CATEGORIZATION OF COMPANIES
ACCORDING TO TYPE OF OWNERSHIP

	Frequency of Companies	%
Government (federal and state)*	93	11.31%
Public Corporations**	137	16.67
Foreign/Private Joint-Ownership***	135	16.42
Private (all Nigerian Indigenes)****	191	23.24
Family Firms*****	247	30.05
Foreign (wholly owned)	19	2.31

* Companies with federal or state holding majority share (Includes companies where government is in joint venture)
** Companies with more than 50 shareholders
***Companies where private individuals are in joint venture -- with 40% foreign ownership
**** Companies with less than 50 shareholders
***** Closely held firms with only family members as shareholders (all members have blood relationship)

TABLE 3
CHARACTERISTICS OF FIRMS IN THIS STUDY*

Type of   Group of Companies   Major
Organization   (Business)   Industrial
Involvement

Small/Medium   Amadi and Sons Limited   Timer, Real Estate,
Construction, Standard Enterprises
Pharmaceutical, Construction,
Hospital Supply, Soft
Drink.
Employees: 5-150
Assets: $200-500,000
Generation: 2-3rd

Large   Smithsons   General Merchandise,
Construction,
Ginano   Transportation
Service, Automobile Eko Group   Sales
Chemical, Hospital Supplies,
Ikwu and Sons   Agriculture-Farm
Projects, Real
Eto Group   Estate, Fisheries,
General Aviation,
Onyeukwu & Sons   Holiday Gifts and
Cards
Peters Group
Buchanans Inc.
Hagmans, Inc.
Timber Milling, Hardware,
Printing, Aircraft Manuf.
Employees: 500-3,000
Assets: $50 million-over billion
Generation: 2-4th

*Number of employees and assets are approximations

Table 4
Ecological Factors: Levels of Influence

Eko Onyeukwu Amadi Ginano Standard
Buchanans Smithsons Hagmans
Eto Group Ikwu & Peters Group Holdings & Sons & Sons Holdings Entpres
Incorporated Hardware Incorporated
Companies of Cos. Sons Ltd. of Cos. Limited Limited Limited Limited
Limited Company .

Factors:

Social Milieu	+	+	+	+	+	+	?	+	+	+	+
Economic Milieu	+	+	+	+	+	+	+	+	+!	+	+
Family "Constellation	!	X	!	!	!	! +	+	!+	+	!+	+

Legend: + Has reasonable influence on strategic patterns

- Least influence on strategic patterns

! Has reasonable influence on structural patterns

X Least influence on structural patterns

? Unknown or influence not observed

Table 5
Government Actions: Levels of Influence

Companies	Eto Group Incorporated of Cos. Limited	Ikwu & Hardware Company	Sons Ltd. Incorporated	Peters Group of Cos. Eko Buchanans	Onyeukwu Holdings Limited	Smithsons	Amadi & Sons Limited	Hagmans Ginano & Sons	Limited	Standard Holdings Limited	Entpres
Factors:											
Nigerian National Development Plans (1972-1985)	+	+	+	+	+	-	+	+	?	?	?
Nigerian Enterprises Promotion Program (1972, 1977, 1982)	-X	-X	!+	+	!+	-	+	-	?	?	?
Nigerian Economic Stabilization Program (1983)	X	X+	X	X+	X	?	?	+	?	?	?
Nigerian Pioneer Industries Program (1971)	+	+	!+	+	+	?	+	-	?	?	?
U.S. Government Regulations	?	?	?	?	?	?	?	?	+	?	+

Legend:
- \+ Has reasonable influence on strategic patterns
- \- Least influence on strategic patterns
- ! Has reasonable influence on structural patterns
- X Least influence on structural patterns
- ? Unknown or level of influence not observed

FIGURE A
CATEGORIES OF PARTICIPATING FIRMS FAMILY “CONSTELLATIONS”

Level of Family Involvement

	Low	High
Small (Nuclear)		3 firms
Large (Extended kinship)	1 firm	7 firms

THE GROWTH STRATEGY: THE FRANCHISE ALTERNATIVE

Robert T. Justis, University of Nebraska-Lincoln Patricia Manley Feltes, University of Nebraska-Lincoln

ABSTRACT
Growth in business organizations today is a primary concern. A major decision faced today is whether to expand business opportunities through corporate ownership or through franchise development. A model is presented which assists management to make this important franchise decision.

INTRODUCTION

Of all the decisions faced by business owners perhaps none is both so desired and yet so dreaded as the decision on how to profit from the growth of a successful company. The prospect of immediate expansion of operations may issue a siren call too strong for competitive entrepreneurs to resist. However, lack of adequate and thoughtful analysis often results in ill-considered, under-productive growth.

This is particularly true for businesses which must expand geographically to provide adequate customer sales and service. Whether the organizations deal with fast food, motel rooms, drycleaning, or home computers, these businesses must cut down the mileage between themselves and any prospective market to experience continued growth. This type of expansion requires extensive capital and management investment to be successful. Franchising, therefore, may appear to be a viable alternative. The growth-minded owner in this situation is faced with the decision whether it is more beneficial to own additional outlets or to share the risk with other capital, investors, i.e. franchisees.

BREAK-EVEN ANALYSIS

Break-even analysis has long been a mainstay of decision making. It is regularly used to gauge appropriate pricing of products and to evaluate the effect of pricing changes on customer demand. The break-even point is that point of sales volume or activity where total revenues and total expenses are equal. In the broadest sense, the break-even point is a summary of the effects of all company decisions that affect sales and costs. (5) Firms often use break-even analysis to determine expected profits under several different but feasible alternatives.

The use of break-even analysis to aid the entrepreneur in the selection of the appropriate growth strategy is a logical extension of this management tool. A comparison of company-owned versus franchisee-owned new outlets and the potential contribution that can be made by either form of operation to the economic health of the parent company seems a most appropriate way to apply this technique. In additional break-even analysis aids in the development of cash flow projections, which for expanding firms may mean the difference between potential profit and premature death.

As a bonus, the figures generated to analyze the benefits and costs to the parent company of selling a franchise may also be used as a realistic example of the future financial profit of a particular unit to a potential franchise buyer. This would be a much more accurate forecast of possible profit than a generic example of the average outlet or the more misleading comparison to the firm's star franchisee.

USING BREAK-EVEN ANALYSIS

The first step in the use of break-even analysis is the identification and classification of all relevant costs and revenues.

Ongoing costs are divided into two primary categories: variable and fixed. This division is made on the basis of the relationship of the expense to the volume of product or service produced. If there is a direct relationship between the number of units and the cost involved in their production, those costs are considered variable, i.e. varying with the level of production in some mathematically defined pattern. If the costs remain the same at multiple levels of production without correlation between expense and volume they then can be considered fixed.

Variable expenses include cost of goods sold, wages of operating employees plus fringe benefits and payroll taxes, advertising and promotion, maintenance of the facility, and for franchisees, royalty expense to the parent company.

Management salary and benefits, facility rental or lease payments, basic utilities, depreciation of real estate, insurance payments, are all examples of fixed expenses.

In addition there are one-time charges required in the development of additional business units including site selection, market research, remodeling of facilities, investments in hardware and furnishing, introductory advertising, etc. These costs are capital investments and, depending on the method of financing affect the organization either directly as a parent company or through the franchisee. Figure 1

Sales of the product or service provide the primary source of income for the parent company when the outlet is company owned or for the franchisee when it has been formed as a franchise.

Under the franchising contract the parent company generally receives some form of payment from the franchisee. Franchising agreements vary from company to company. The franchisee may pay: 1)an up-front purchase fee; 2) a royalty fee based on the sales of the franchisee; 3) fees for training and business development; 4) lease charges for the use of property and equipment; 5) purchases of raw materials and supplies from the franchisor; 6) a percentage of sales towards general advertising and promotion. (9) A one-time fee when the franchise is purchased is the most common arrangement. Almost as common is a continuing contract providing for the paying of some percentage of the

Step Two

Step two in the analysis is to generate dollar amounts for each expense and income item that has significance in the relevant business. Current operational units can be used as examples of appropriate inclusions and amounts. However, each possible outlet should be individually considered since variations may occur at different sites or under differing conditions.

AN EXAMPLE

To illustrate, consider the following example. A company wishes to expand its operations to a new site in a neighboring community. In Figure 1, three income statements are presented. The first projects the revenues and expenses of company ownership of the proposed unit. The second series of figures reflects the effect of a franchise agreement on the income statement of the parent company. The third statement details the reverse of the second by listing the figures expected to be faced by the franchisee. The company has determined the following expenses and income sources to be relevant to its analysis.

There are a number of variable expenses to be considered. The cost of goods sold, based on figures from its other operations, is projected to be approximately 42% of the selling price in the company-owned units buy only 40% in those that are franchised. Locally owned franchises are sometimes able to save on raw materials and supplies through the use of contacts in the community. Meat products may be available from a local farmer or a local printer may be able to provide paper products at lower margins. Owner-managers are also more likely to practice careful inventory and waste management.

Wages are expected to account for 18.6% of sales plus an additional 16.8% of the payroll total for payroll taxes and fringe benefits in the company store. Franchise operations face a 16% direct payroll expense plus taxes and benefits. The staff of an on-site owner operated franchise is often augmented by members of the family. The owner may also fill in for normally wage paid workers during vacations or busy times. Small franchisee operations are also seldom faced with a unionized workforce. This allows the payment of lower wages and benefits. These factors help to explain the 2.6% difference in basic wage expenses and lesser sum for taxes and fringes.

Advertising and promotion is expected to be 5% of sales per parent company outlet. Advertising at the local level is generally less expensive for a local franchisee who is involved in the community and aware of suitable events to sponsor. The franchisee in this example does pay a 3% of sales fee to the franchisor as a part of the agreement. This is to help defray any large-scale regional national advertising or promotion done on the organizations behalf.

There is a projected 1% difference in the cost of maintenance between a company-owned and franchise-owned operation. Although the property must be maintained no matter who owns the outlet, large organizations having a number of units may require the use of supervisory personnel as well as minimum wage workers. Here again, the owner or family members may be available to provide inexpensive help.

The franchisee owned organization is also expected to pay a royalty of 5% of gross sales to the parent company. This figure shows up as income in the parent company statement. In the example, the company owned operation had a total annual variable expense of $142,450, while the franchisee owned operation had an expense total of $137,590. In this hypothetical case, the franchisee can expect to pay 2.4% of gross sales less in variable expenses than a comparable company-owned unit including the 5% royalty to the parent.

An examination of fixed expenses also reveals differences between the two forms of expansion.

In this example, the company owns the real estate involved in the business. The company, therefore, is responsible for taxes and depreciation. The franchisee must face a larger dollar outlay as rental payments. It does not benefit in increased cash flow or increasing capital worth. This is a common situation since few small franchisee operations are able to make the required capital investment.

Perhaps the most notable difference in a listing of expenses is the saving of supervisory salary and benefits by the franchisee who is an owner-manager.

As in the example of maintenance expenses, small savings are possible in insurance and utility outlays for a franchisee. Insurance levels may be slightly lower or at a lower rate reflecting the lesser risk of a smaller operation. Careful monitoring of utility usage by the on-premises owner can also save a few expense dollars.

Fixed expenses for the company-owned unit in the example are $24,920 higher than the franchisee operation.

Revenues for both company ownership and franchisee are forecasted to be $200,000 all coming from sale of the product. The parent company statement lists two types of income, royalty (in this example 5% of gross sales) and advertising income (3% of gross sales) paid by the franchisee to the franchisor.

Net profit before taxes for the three income statements in the example are: 1) a lost of $5,370 for the wholly owned company unit; 2) a profit of $16,000 for the parent company of a franchised organization; 3) a profit of $24,410 for the franchisee owner. Since cash flow is also an important factor in a corporation's deliberations, depreciation is added back into the company owned operation figures which turns a loss of $5,370 into a cash flow benefit of $6,630.

To compare potential improvement possibilities of the expansion alternatives to the company, the increased cash flow from company ownership is subtracted from the royalties collected under a franchise agreement, i.e. $16,000 (royalties) less $6,630 (increased cash flow) = $9,370 in benefits to the company is franchisee owned.

In this case, the company is better off by franchising the proposed expansion unit than owning and managing it.

Step Three
The third step in the use of break-even analysis is the computation of break-even sales figures for both forms of ownership.

In the example in Figure 1, sales were projected to be $200,000 and in that case, with the related expenses, it was found to be more beneficial to a company to franchise new units rather than emphasize corporate growth. To avoid repeating the analysis at various sales and expense figures, a break-even model is developed to provide a specific break-even sales figure below or above which different decisions are desirable. Figure 2

The formula for the model is: Profit from owning the outlet (Po) equals Profit from franchising (Pf) or:

Po = net contribution to profit and overhead x sales = Pf = (Royalty x sales) + (advertising fee x sales) or:

$Po = (C \times S) - 0$ equals $Pf = (R \times S) + (A \times S)$ (1)

where: C is Contribution to profit overhead
S is Sales
O is Company overhead
R is Royalty percentage
A is Advertising percentage

Through simple algebraic manipulation, the formula may be seen as:
$Po = Pf\ (C \times S) – O = (R \times S) + (A \times S)$ (2) $CS = - RS - AS = O$ (3) $S (C- -R -A) = O$ (4) $S = O/ (C - R - A)$ (5)

Using the example in Figure 1,

where: $O = 62{,}920$ (6)
$C = 57{,}550/200{,}000 = .29$ or 29% (7)
$R = 0.05$ or 5% (8)
$A = 0.03$ or 3% (9)
$S = 62{,}920 / (.29 - .05 -.03)$ (10)
$S = 62{,}920/.21$ (11)
$S = 299{,}619$ (12)

The results of this analysis show that at a sales level of $299,619 benefits to the company from company ownership equal those derived from acting as a franchisor. Sales over that figure provide more profitability to the parent organization when the unit is company owned. Less than that sales amount and greater benefits are possible from franchising agreements.

Another way of analyzing the same data is to use a more traditional break-even approach to arrive at the sales total required to cover expenses under both ownership conditions.

Again using the example in Figure 1: Break-even for franchisee owned:

Sales required = Fixed expenses + Variable expenses

$S = 38{,}000 + .69S$ (13)
$.31S = 38{,}000$ (14)
$S = 38{,}000 / .31$ (15)
$S = 122{,}580$ (16)

Break-even for company owned:

S = 69,920 + .71S (17)
S = 216,970 (18)

These figures can be graphed as shown in Figure 3.

In this example, it can be seen that outlets which are projected to have much lower sales potential may still provide profit potential to a franchisee and the franchisor. Even at the breakeven point for a franchisee, the company may expect to receive $9,806 ($6,129 in royalties on sales and $3,677 towards advertising). As sales increase, both the franchisee and the company benefit with the franchisees share expanding faster until at sales of $299,619 the company would be better off owning the store itself.

Step Four
The decision maker now has comparable figures on which to base a choice between the alternatives. After comparing the sales totals required for cost and benefit break-even with a realistic forecast of expected sales, a decision can be made on whether to open an additional company owned outlet; franchise the proposed unit; or, reconsider the expansion.

CONCLUSION
As companies grow, owners must face decisions regarding future expansion. The choice between the inclusion of other investors through the sales of franchises and the maintenance of single ownership through company owned outlets is particularly challenging. To aid entrepreneurs in their decision making process, a management model based on breakeven analysis has been presented. It acts as an efficient and effective tool laying out the costs and benefits of each alternative, allowing the decision maker to make the choice most appropriate for the company.

REFERENCES
(1) Blair, Roger D. and Kaserman, David L., "Optimal Franchising," Southern Economic Journal, Vol. 49, 1982, pp. 494-505.

(2) Caves, Richard E. and Murphy, II. William F., "Franchising: Firms, Markets and Intangible Assets," Southern Economic Journal, Vol.42, 1976, pp. 572-586.

(3) Colby, Laura, Franchising: Franchisors on a Fast Track," Venture, April 4, 1982, pp. 26-27.

(4) Farrell, Kevin, Franchise Prototypes," Venture, June 1, 1984 pp. 38-41. Horngren, Charles, Cost Accounting A Managerial Emphasis, (Englewood Cliffs: Prentice-Hall, Inc., 1977).

(5) Lauenstein, Milton, "To Grow ... or Not to Grow," The Journal of Small Business Strategy, Feb. 1983, Vol. 4., pp. 88-98.

(6) Oxenfeldt, Alfred R. and Kelly, Anthony O., "Will Successful Franchise Systems Ultimately Become Wholly-Owned Chains?" Journal of Retailing, April 1969, Vol. 44, pp. 69-83.

(7) Rubin, Paul H., "The Theory of the Firm and the Structure of the Franchise Contract," The Journal of Law and Economics, Jan. 1978, Vol. 21, pp. 223-233.

(8) U. S. Department of Commerce and Minority Business Development Agency, Franchise Opportunities (Washington, D.C.: Bureau of Industrial Economics, 1983).

[FIGURE 3 OMITTED]

Figure 1

	Company Ownership	Franchisee Company Statement	Ownership Franchisee Statement
Income			
Sales	$200,000		$200,000
Royalty Income		10,000	
Advertising Income		6,000	
Total Income	$200,000		$200,000
Variable Expense			
Cost of Goods Sold (42%)	84,000	(40%)	80,000
Wages (18.6%)	34,000	(16%)	32,000
Payroll Taxes & Fringe Benefits (16.8% of Payroll)	6,250	(12% of p.r.)	4,590
Advertising/Promotion (5%)	10,000	(3 + 1 = 4%)	8,000
Maintenance (2.5%)	5,000	(1.5%)	3,000
Royalty Expense (5%)	10,000		
Total Variable Expense	$142,450		$137,590
Contribution to Profit and Overhead	$57,550	$16,000	$62,410
Fixed Expenses			
Rent			26,000
Supervisory Wages	27,500		
Payroll Taxes & Fringe Benefits	4,620		
Insurance	2,000		2,000
Utilities	10,000		10,000
Property Taxes	6,800		
Real Estate Depreciation	12,000		
Total Fixed Expenses	62,920		38,000
Net Profit Before Taxes	(5,370)	16,000	24,410
Adding Depreciation	12,000		
Net Cash Flow	$6,630	$16,000	$24,410

Company Improvement if Franchisee Owned $16,000 - 6,630 = $9,370
FranchiseeImprovement if Franchisee Owned =$24,410

Figure 2

Company Ownership		**Franchisee Ownership**
	break-even where	
Profits from owning (Po)	=	Profits from franchising (Pf)
or Po	=	Pf
where; Po = net contribution to profit and overhead x sales - Pf	=	Royalty x Sales + Advertising Fee x Sales - Company Overhead
or; Po = (C x S) - O	=	Pf = (R x SW) + (A x S)

where: C is contribution to profit and overhead
S is Sales
O is Company Overhead
R is Royalty Percentage
A is Advertising Percentage

Then Po	=	Pf	
(C x S) - O	=	(R x S) + (A x S)	
CS + - RS -AS	=	O	
S(C - - R - A)	=	O	
.: S	=	O	(C - R - A)

Where
O = 62,920
C = 57,550/200,000 = .29 or 29%
R = 0.05 or 5%
A = 0.03 or 3%
.: S = 62,920/(.29 - .05 - .03)
= 62,920/.21
= 299,619

FRANCHISING AND THE LAW

Rick Rounsborg, University of Nebraska-Lincoln Robert T. Justis, University of Nebraska-Lincoln

ABSTRACT
The franchise method of doing business presents some unique legal problems for both the franchisor and the franchisee. Questions regarding disclosure, earnings claims, trade and service marks, and contract obligations are usually quite different than in other businesses. Consequently, it is important that the legal side of franchising be understood by all parties involved in this business method.

INTRODUCTION
A successful franchise is a multifaceted operation with carefully established procedures covering every phase of the business including accounting, marketing, training, quality controls, equipment, arid, of course, the products or services. One of the most important aspects of the franchising industry is the legal environment surrounding the franchise. Specifically, what are the legal requirements that must be satisfied by both parties in a franchise situation? Are there certain documents that must be filed by the franchisor, the franchisee, or both? If so, what must these documents contain, and is the prospective franchisee entitled to see all pertinent information prior to executing an agreement?

In many business relationships, these questions can go unanswered for long periods of time. In some cases, they are never answered at all. Due to state and federal regulations, franchisees will ave these questions addressed long before signing on the dotted line. This paper shall address the documents required to be disclosed and the issues of trademarks, patents, and trade secrets, all of which make up the legal side of franchising.

THE FRANCHISE AGREEMENT
A contract is a document which spells out the duties and responsibilities of the parties involved. To be a valid contract, the parties must abide by certain distinguishing characteristics. The contract must be based on mutual agreement by the parties, and the parties entering into the contract must be competent. In addition, some form of consideration, or exchange of valued property (usually money), must be present for both parties, the purpose of the contract must be legal, and it must usually be in writing. If these conditions are met, the contract is probably valid and enforceable in a court of law.

A franchise agreement is a legally enforceable document establishing the rights, obligations, and duties of the parties in a franchise relationship. Other names for a franchise agreement are a franchise contract, a license agreement, an operating agreement, or a dealer license. The contract will vary in length and complexity from one franchise system to another, but most are rather long because the franchise agreement is designed to detail the entire agreement between the franchisor and the franchisee. The contract covers the various contingencies which may arise during the relationship. The agreement specifies the length of time by which the parties are bound to perform the duties described in the contract, so that if a problem does arise, a judge can first establish the terms of the contract. Therefore, it is essential that the terms be stated initially. Prepared by the franchisor's attorney, the document may consist of 30-50 typewritten pages of small print. Consequently, it is imperative that the franchisee's lawyer review the contract before the franchisee signs it, not because there is likely to be any chance for negotiating any substantive changes in the document, but rather, because the attorney is most familiar with these types of documents and can advise the franchisee of the obligations both he and the franchisor are undertaking.

Unfortunately, many prospective franchisees do not consult an attorney before undertaking sucha dramatic business step. One reason is that the franchisee may be caught up in the excitement of the decision. Another reason might be that the franchisee is depending on the expertise of the franchisor, and he feels that there is little to be gained from negotiations in a situation with such a disparity of power.

Regardless of the type of business, the prospective franchisee will undoubtedly encounter the following areas in a franchise agreement.

Recitals
This opening section of the contract, also called the "scope and purpose* section, is a series of "whereas" clauses. The purpose of the agreement is set forth and the key terms are defined. Each section has its own subject matter dealing with one aspect of the franchise.

The Grant Franchise
This section often begins "Now therefore". The franchise license is given by the franchisor to the franchisee so that operation of the business for a specific term may be approved.

Location and Territory
This section of the agreement sets forth the franchise outlet location, the number of additional units that may be located in the same area, and the franchisee's multiple outlet rights for that area. Fees, Royalties, This section spells out the initial franchise fee(s), royalties and how they are to be paid and calculated, fees for supplies or services provided by the franchisor, advertising and promotional assessments, or other equipment fees that the franchisee is responsible for.
The section details how and when monies owed are to be paid. It is usually wise for the franchisee to have this section reviewed

by his accountant so the franchisee will understand the monetary obligations in the agreement.

Trademarks, Tradenames, and Trade Secrets
Although trademarks and trade secrets may have been enumerated in the recitals section, they are often stated very specifically in this section. The franchisor usually prohibits any unauthorized use of its marks and sets certain minimal guidelines in the correct use of trademarks or tradenames. The franchisor is likely to require the franchisee to submit any ideas utilizing a trademark or tradename to the franchisor for approval prior to publication or manufacture. Trade secrets may be included here, possibly accompanied by a confidentiality clause in which the franchisee agrees not to disclose the contents of any trade secrets revealed to him in the course of business.

Obligation of the Franchisor and Franchisee
In a sense, the entire franchise agreement is an illustration of the obligations of both the franchisor and the franchisee. In this section, however, these obligations are spelled out in detail so that there should not be questions as to each party's responsibilities.

Termination
This very important section enumerates what actions may void the franchise agreement before its normal termination date. Given the franchisee's investments in time, energy, and money, it is in his best interest to know under exactly which circumstances these investments may be forfeited.
Usually this involves a breach of contract, such as violating trademarks or trade secrets; that is, a failure of the franchisee to perform the obligations of the contract. It is imperative that this section be very specific, and many franchise agreements have provisions that allow the parties to "cure" the default.

Renewal
The conditions for renewal or reasons for non-renewal should be set forth in this section of the franchise agreement.

Ouality Control
A trademark owner has both the right and the duty to see that a licensee empowered to use that trademark is conforming to quality standards, as well as to supervise the use of the trademark to ensure that it is being used correctly. Wide latitude has historically been given to the franchisor in the performance of this duty. However, the franchisor must be careful when supervising the use of a trademark. Over-control of a licensee may endanger the independent status of the licensee, while overcontrol of suppliers or customers may invoke -charges of antitrust violations. The franchisor must ask himself if the controls are necessary and if they would cause increased liability. Typical controls stated in this section, or which may exist in the particular franchise system but are not enumerated,

may include: site selection approval, supervision of the appearance of the premises, stipulation of the hours of operation, requirements as to quality or variety of merchandise offered for sale, required sources of supply, suggested resale prices, bookkeeping procedures, or employee dress standards.

Dispute Settlement
When disputes arise, there should be agreed upon procedures to help resolve the conflicts. This may include an arbitration procedure. If so, several questions come to mind. Who will set up the arbitration system? Who will pay the members of the arbitration panel? Who will select the arbitrators? These points should be addressed in this section.

Advertising and Promotion
The franchisor is likely to be involved in national advertising. The agreement stipulates the terms of the franchisee's participation in and share of expenses of this advertising. Who is going to run the national advertising program? How much control will the local franchisee have over national advertising campaigns and local promotional activities?

The National Association
Must the franchisee belong to a national franchise association? Is there an official franchisor- sponsored franchisee association? Is membership required?

Rights of Heirs and Assigns
If the franchisee dies, the question of successor ownership will need to be addressed. This section spells out bow and under what circumstances the franchise may be transferred to an heir, and in what amount of time the heir can qualify. This section also outlines the procedures to be followed should the franchisee wish to sell the unit.

Miscellaneous Provisions
If the central provisions of the contract are satisfactory, this section will probably not cause any major problems. Included here are the right to borrow money against the franchise, the identification of the agent to whom legal notices are to be sent, severability provisions within the contract itself, and the right to subfranchise.

The preceding format is by no means the only way for a franchise agreement to be constructed. Nearly any format will suffice, assuming these key areas are addressed.

THE BASIC DISCLOSURE DOCUMENT
In October 1979, the Federal Trade Commission issued Rule 436 which requires that prior to the execution of any franchise agreement, a franchisor must provide the franchisee with a

prospectus containing specific information about the business, organized in 20 specific categories, which include:

1)Information identifying the franchisor;

2)Business experience of the franchisor's directors and executive officers;

3)The franchisors business experience;

4)Litigation history;

5)Bankruptcy history;

6)Description of the franchise;

7)Initial funds required by the franchise;

8)Recurring funds required to be paid by the franchisee;

9)Affiliated persons with whom the franchisee is required or advised to do business;

10)Obligations to purchase;

11)Revenues received by the franchisor in consideration of purchases by the franchisee;

12)Financing arrangements;

13)Restriction of sales;

14)Personal participation required by the franchisee in the operation of the unit;

15)Termination, cancellation and renewal of the franchise;

16)Statistical information concerning the number of outlets;

17)Site selection;

18)Training programs;

19)Public figure involvement in the franchise;

20)Financial information concerning the franchisor.

Several different formats are acceptable for the disclosure document. In addition, the federal government's disclosure rule is not the only law requiring franchisors to provide this information to prospective franchisees. Several states have also passed disclosure legislation, and franchisors must comply with specific state requirements as well as Rule 436. The practical effect of the state laws is that the basic disclosure document may be accompanied by an 'Addendum" for the particular area where the transaction is taking place. Prior to the adoption of the disclosure rule, several states had accepted the Uniform Franchise Offering Circular ("UFOC") proposed by the Midwest Securities Commissioners Association, Inc., on September 2, 1975. This document is very similar to FTC Rule 436 and may be used in lieu of the disclosure document. Many states continue to require the use of the UFOC for franchise registration.

The rationale behind Rule 436 and its state counterparts is that adequate information will result in informed business decisions and will help prevent fraud. In order for these two results to occur, disclosure must be provided to the prospective franchisee at the earlier of the first personal meeting or ten business days before the execution of any binding agreement or acceptance by the franchisor of any form of consideration.

EARNINGS CLAIMS DOCUMENT

The earnings claims document is required if the franchisor has made any claims as to the potential earnings for the franchisee or past earnings of other franchisees. Rule 436 requires substantiation of such claims in a form called the "Earnings Claims Document." In this document, the franchisor must state the actual earnings claim, the bases and assumptions inherent in those claims, and other supporting data, depending upon the type of claim being made. Rule 436 also requires various warnings to the prospective franchisees to the effect that the claims may not be representative of the earnings any one particular franchisee will achieve, and that the franchisee risks not doing as well. This document has made franchise salesmen more conservative in their financial promises to potential franchisees.

Rule 436 helps prevent franchisors from painting an especially rosy picture of potential earnings by using the financial results of a few franchisees as representative expected earnings. If a franchisor is going to present potential earnings estimates to a franchisee, he must also provide documentation as to the number and percentage of outlets which form the basis for such estimates. In addition, the franchisor must state clearly the breakdown of those units who did not realize results as favorable as is being presented. Finally, the contents of this document are not limited to financial data, so the Earnings Claim Document can be very helpful to the prospective franchisee in defining the franchise and its economic potential.

TRADEMARKS

A trademark is one of the three essential elements in the legal definition of a franchise. In fact, the right to use a trademark is probably the most valuable asset the franchisee acquires in the franchise. For the franchisee, the well-chosen, well-protected trademark is the foundation of the franchise relationship. For the franchisor, the trademark is the focus of the company's marketing trust and the symbolic embodiment of the company's goodwill.

A <u>trademark </u>is any work, name, symbol, or devise used by the businessman as his symbol or commercial signature. The trademark may be verbal or audiovisual, such as a word ("WENDY'S"), a group of words ('Hiller--the champagne of bottled beers), a character, ("the Burger King"), a set of initials ("GM"), a symbol (McDonald's "Golden Arches"), a set of numerals (07-Eleven"), or even a container shape (the Coke Bottle). A trademark is also often called a logo.

A <u>service mark </u>is a trademark used to identify services rather than products. Chosen with the same criteria as a trademark, service marks can be federally registered under the conditions set out in the Lanham Act, and are protected by the same federal legislation as are trademarks. The federal Lanham Act, also called the Trademark Act of 1946, allows the registration of trademarks with the United States Patent and Trademark Office in Washington, D.C.
A trade name is the name of a business, corporation, or partnership. For example,"Ford Motor Company" is thetrade name of the corporationwhich sells automobiles under the trademark "Lincoln."

A <u>trade name </u>and a trademark may refer to the same things, as is illustrated by the fact that the "Ford Motor Company" also sells "Fords." Generally speaking, trade names apply to companies, while trademarks apply to products, and trade names cannot be registered under the Lanham Act unless they are also used as trademarks. Trade names are also generally registered in each state with the Secretary of State's office.

In order to avoid confusion, two other types of marks should be noted. A certification mark is a symbol used to infer that a product on which it appears satisfies certain standards or specifications which are generally known to the public. A good example of this is the "Good Housekeeping Seal." A collective mark is a mark used by members of a trade cooperative or association to indicate that the business is a member of that particular group. The "AAA" of the American Automobile Association displayed in a service station window is a good example of a collective mark.

Both certification and collective marks may be considered for federal registration under the Lanham Act, but neither one is a trademark since neither one serves the trademark's unique function as an identifying business signature.

Functions of Trade or Service Marks
Trade or service marks serve four basic functions. These functions are to: 1) identify goods in order to distinguish them from those marketed by others; 2) signify the source or origin of the good or service; 3) indicate to the buyer that the good or service adheres to uniform quality standards, and; 4) serve as the focus for advertising. We shall now discuss these functions in more detail.

Trade or service marks serve to identify the good or service in question with a particular company. The mark becomes somewhat like a label in that it differentiates one's company or its services or products from the products or services of all other companies in the same trade or industry.

Trade or service marks inform consumers that all the goods or services under the mark come from the same source or origin. In the past, this function was more clearly appreciated in that many businesses were regional or local companies. However, in this era of multinational and country- wide distribution and marketing activities, marks are becoming even more important in assuring potential buyers that the products of a particular company originate in the same location. While this knowledge is useful, consumers in general are indifferent about the exact source or origin of most goods.

Instead, they pay more attention to the third function of trade or service marks. The consumer trusts the trade or service mark to represent the fact that no matter where a good or service is obtained, the quality is identical in all locations. For example, McDonald's stresses the homogeneity of its food. A McDonald's hamburger is basically the same in Lincoln, Nebraska as it is in Tampa, Florida. This quality identification is one of the reasons the trademark is so essential to the growth of franchising. In fact, the most successful franchisors are those who maintain and improve the quality of their products.

This requires a great deal of control over franchisees to ensure this conformity. Quality assurance is also a legal responsibility. Given that licensing of trademarks is permitted, the licensor must exercise control over the licensees' use of the mark. This requires the franchisor to establish provisions in the franchise agreement relating to product or service quality or qualifications, directions in the operating manuals, and periodic inspections. As important as quality assurance is, it only follows that if a franchisor wished to change a product, he must stay within the quality range of customers' expectations. The courts have often been reluctant to allow such changes, but they will give approval to minor alterations in the product. In any case, changes should be made while notifying the public of this fact. This brings us to the fourth function of trade or service marks. The trade or service mark becomes the focal point of advertising campaigns as the franchisor attempts to stimulate demand for the product and entrench in the consumers' mind the good will and positive associations in the mark. This cycle of creating good will for the company and demand for the product will make the mark even stronger as the company prospers.

Acquiring Rights in a Mark

A businessman may acquire initial rights in a mark by using the mark on his goods, in his business, or by adopting it. The mark cannot be reserved for future use; that is, the mark must be used *in commerce", or interstate trade on an ongoing basis. After these two steps have been taken, the businessman may begin the process of having the mark registered 30 that others cannot lay claim to .the mark. Trademarks can be protected under both federal and state law. The federal Lanham Act, which is the most comprehensive protection against trademark infringement, provides for federal registration of a mark. State laws, on the other hand, are only effective in the state in which the mark is registered and only require use of the mark in that state, as opposed to interstate use for federal protection.

Proper Use of the Mark

Once the mark has been selected, developed, registered, and used in promotional campaigns, the monetary investment in it is quite substantial. Careful development and registration will not guarantee that rights in a trademark will continue unless certain rules are followed for proper use.

1.Capitalize the initial letter of each word or all the letters, e.g., "You Deserve A Break Today", or "WENDY'S".

2.After the mark has been registered, use the registration symbol, B.

3.Use the mark as a proper adjective modifying the common descriptive noun naming the product, e.g., "Sanka brand decaffeinated coffee".

4.Never pluralize a mark; the Os" should follow the common name of the product.

5.Do not misspell or abbreviate a mark.

These rules may seem strict, but they are intended to protect a trademark and to eliminate the possibility of a strong trademark becoming a generic term, which is part of the public domain and cannot be associated with any particular company or product. Consequently, it is important when selecting a mark that it be distinctive, arbitrary, easy to remember suitable for advertising, and specific enough so that it can be federally registered.

TRADE SECRETS

Two of the main reasons a franchisee purchases a franchise is because of the value of its marks, or commercial identity, and because of the franchisor's knowledge, assistance, and the systems which have made the franchise a successful business entity. Much of the knowledge, assistance, and/or systems inherent in a successful franchise can be termed trade secrets. More definitevely, a trade secret is a process, plan, mechanism, advertising, scheme or compound known only to its originator and those employees whom the owner deems as needing to know. A trade secret need not be patented, a process we will discuss in the next a section, and it is not necessary that information be patentable in order for it to be a trade secret. Even though the above definition is quite broad, given the diversity of existing trade secrets (e.g., McDonald's Secret Sauce, Kentucky Fried Chicken's blendof herbs and spices), trade secrets do have three important elements. A trade secret is 1) INFORMATION which is 2)VALUABLE in the OPERATION of a BUSINESS, and is 3)SECRET. Let us now look at each of these characteristics in more detail.

First of all, a trade secret is INFORMATION. As we know, one of the reasons for purchasing a franchise is because of the franchisor's experience and knowledge. This "know-how" may be in the form of a recipe, formula, or business practice. If these aspects are concrete, new, original, or novel, they may be important enough to keep hidden from both the general public and from a franchisor's competitors.

Secondly, a true trade secret must be VALUABLE in the OPERATION of the BUSINESS. Information that has only personal or aesthetic value is not a secret. The information must have commercial value. Owner-ship of a trade secret infers a competitive advantage over those who do not know or use the information. Determining the commercial value of a formula or process involves asking such questions as as: Can this process be duplicated? How much did it cost to acquire this "know-how"? Would this information be valuable to the competition? Thus, the value factor is critical in determining whether or not a trade secret is involved.

Finally, a trade secret is SECRET. Not to be taken to the extreme, the most common characteristic of secrecy is "commercial confidentiality". This means that the trade secret may be disclosed to employees or franchisees if there is the understanding that such secrets are never to be disclosed. In other cases, the trade secret may actually be "looked up in the safe", as is the case of the formula to Coca-Cola. Although trade secrets are not normally protected under -patent law, they are so important to their owners that, if the information were to be disclosed or leaked out, the justification for and existence of the business may be threatened.

Like trademarks, trade secrets and their use may be licensed, although licensing involves the risk that the secret will become common knowledge, thereby causing the owner to lose his rights to use the information as a trade secret. The secrecy characteristic, then, is met through the franchisor's actions and in the terms of the franchise agreement. The information is disclosed, in confidence, in the agreement in return for the franchisee's obligation to pay royalties and other fees. Common procedures require the franchisee to pledge not to reveal the secret, under threat of breach of contract, and are often enforced by use of a "noncompetition agreement". Noncompetition agreements, also called noncompetes, are agreements that restrict a franchisee from conducting the same kind of business in the area in which he was a franchisee for a stated period of time following termination or nonrenewal of the franchise agreement. In order for such agreements to be enforceable, a noncompete must be reasonable as to the length of the agreement and as to the geographic scope. For example, a requirement that a franchisee cannot do business in the same state for a period of twenty years after termination of hisfranchise would probably be too restrictive. However, a welldrafted, reasonable noncompetition agreement is an excellent way to keep a trade secret intact.

PATENTS
In the United States, antitrust laws function in order that no company can have a monopoly. Patents, which may be registered with the United States Patent and Trademark Office in Washington, D.C., are, in a strict sense, licensed monopolies and are thus contradictory to antitrust law. An accurate definition of a patent is: a grant from the government to an inventor that gives the inventor the exclusive right to sell his invention for a specified period of time.

Patents are not free, however. In exchange for the rights granted in a patent, the grantee must make his secret public. This disclosure is made in a document called a specification, which accompanies the patent application. The specification spells out in exact detail-what the invention is and the inventor's claims to it. Even though the specifications of an invention remain secret until a patent is granted, the inventor does lose the advantage of secrecy when a patent is granted. Therefore, the inventor both wins and loses. Winning is achieved by owning the exclusive rights to the sale of the invention, while losing is characterized by the public disclosure of the information.

Patent law has been rewritten and amended many times in the past; however, the basic patent system has remained unchanged for over a century because a substitute for the unique service patents provide has yet to be devised. The patent system serves four basic functions. First, the system stimulates incentive to invent by offering a monetary reward in the form of the exelusive rights to sell the invention. Second, it provides incentives for the additional capital investment needed 'to develop, mass produce, and market the invention. Third, it encourages early public disclosure of technological advances, thereby providing others with a base from which to work and preventing the "reinvention of the wheel". Fourth, it promotes the international exchange of information since foreign citizens, as well as Americans, can utilize the system.

Unlike trade- secrets, trademarks, and trade names, patents are not issued in perpetuity. Patents last only seventeen years, after which time the ideas/inventions become part of the public domain. Consequently, the inventor must weigh the advantages of the exclusive rights a patent provides with the limited time span of the patent. The inventor is trying to choose the best method available to him of protecting his intellectual investment, and the choices available to him must be carefully analyzed. The inventor is not restricted, no matter .what decision he makes regarding the protection of the invention from licensing others--his franchisees--to make, use, or sell his invention.

SUMMARY

A successful franchise is a multifaceted operation with carefully established procedures covering every aspect of the business, including accounting, marketing, training, quality controls, equipment, and, of course, the products or services inherent in the franchise. One of the most important aspects of the franchising industry is the legal environment surrounding the franchise. This paper has discussed the various legal documents required in the franchising industry, as well as information about trademarks, trade secrets, and patents.

The franchise agreement is a legally enforceable document establishing the rights, obligations, and duties of the parties in a franchise relationship. A prospective franchisee should consult an attorney before signing the contract. Franchise agreements cover the range of contingencies which may arise during the period of the franchise relationship. Although franchise agreements vary in length and complexity from one franchise to another, most will contain sections covering such topics as recitals, location and territory, fees and royalties, termination and renewal, advertising, and quality control.

The-basic disclosure document, required by FTC Rule 436, contains specific information about the business. This document is organized in at least 20 specific categories and must be given to the prospective franchisee at the earlier of the first personal meeting or ten days prior before the
execution of any binding agreement between the franchisor and the franchisee. FTC Rule 436 is designed to ensure that the prospective franchisee has adequate information before making a decision and to help prevent fraud. Several states also have regulations overseeing the purchase or transfer of franchises from the franchisor to prospective franchisees.

The earnings claims document is required if the franchisor has made any claims as to the potential earnings for the franchisee or past earnings of other franchisees. This document must contain the actual earnings claim, the assumptions and bases inherent in those claims, and other supporting data. This document, with its supporting data, has made franchise salesmen more conservative in their financial promises to potential franchisees.

A trademark is any word, symbol, name, or device used by the businessman as his symbol or commercial signature. A service mark is similar to a trademark, except that it is used to identify services rather than products. A trade name is the name of a business, corporation, or partnership, and may refer to the same thing as a trademark (e.g., "Ford Motor Company" selling "Fords"). Trade or service marks identify goods of particular companies, signify the. origin of goods, indicate to the buyer that the product conforms to uniform quality standards, and serve as the focus for advertising.

Trade secrets may be processes, plans, mechanisms, advertising schemes, or compounds known only to the originator and those persons whom he wishes to inform. A trade secret must exhibit three characteristics in order to be classified as such: INFORMATION which is VALUABLE, In the OPERATION of a BUSINESS and is SECRET.

Patents are, in a sense, licensed monopolies granting the inventor the exclusive right to sell his invention for a specified period of time, as opposed to trademarks or trade secrets, which are perpetual. The patent system encourages new invention, early disclosure of technological advances,. promotion of international information exchanges, and the infusion of additional capital to develop, produce, and market the invention.

EXPORT DEVELOPMENT THROUGH UNIVERSITY INTERVENTION

James D. Bell, University of Ulster at Jordanstown, Northern Ireland Visiting Faculty at the University of Nebraska at Omaha

ABSTRACT
Many small firms have the potential to export their products. Indeed they often have an inherent advantage over larger organizations because they are more flexible. While most express a desire to develop export markets, in practice only a small proportion succeed.

Recent initiatives developed at the University of Ulster have been directed at assisting and encouraging small firms to approach exporting positively.

This paper focuses on a recent program incorporating a research mission carried out by students in the West German market in 1935 and discusses the benefits derived by participating small firms.

INTRODUCTION
In economic terms both in Europe and the United States, contributions of small business to G.N.P. and employment are significant. However, in terms of exports Pareto's Law applies: 80% of all exports are generated by 20% of the companies involved. This 80% is usually reflective of large corporate domination, smaller firms have been reluctant to enter the international arena.

Several factors contribute to this aversion to exporting. Many firms fear the unknown because of a lack of knowledge of the foreign market environment and the physical distance involved. Some believe they lack the expertise to cope with export procedures and overcome language barriers. Others are dissuaded by the lack of human and financial resources required to develop a new market.

Often a combination of these factors lead to a lack of involvement and commitment to exporting. Furthermore, small firms find themselves fighting for survival in increasingly difficult home markets, unable or unwilling to develop long-term export strategies and isolated from the international developments in their field.

BACKGROUND

The Northern Ireland economy faces severe economic difficulties with current levels of unemployment in excess of 20% of the working population (1). In addition, over 90% of manufacturing firms employ less than fifty workers (2) and because the local market is so small, they rely heavily on the British mainland market.***(1)***

Attracting inward investment has become increasingly difficult due to the worldwide recession, civil disturbances, and increased competition from developing nations. Indeed, a number of large multinationals have closed down operations in the last five years. Support for high-risk ventures such as De Lorean and Lear Fan, both expensive failures,***(2)*** has convinced government that future industrial strategy should focus on expanding indigenous industry and encouraging export development (3).

Given these circumstances, the University has a dual mission. As a center for instruction, it should seek to develop international business skills in graduates as well as provide specific management development programs for entrepreneurs. As a resource center for the community, it should act as a catalyst between small firms, lacking in expertise and resources and government bodies, which provide financial aid but lack the manpower to offer the intensive support that small firms require. These objectives can best be attained by designing programs of instructional value to students, which also directly benefit the business community.

THE PROGRAM

The University of Ulster offers a post-graduate Diploma in Marketing, over two years of part-time study. In the final year International Marketing is a required course, scheduled over a thirty week/three term period. A foreign market research mission is an integral part of the syllabus.

The program integrates students who have good academic qualifications but little experience, with others who have extensive business experience but are less formally qualified. This integration is of great benefit to all participants and is highly conducive to peer group learning.

During first term, students are introduced to the theories and concepts of international marketing and are advised that they will have an opportunity to put them into practice in a foreign market during the course of the year. Concurrently, faculty prepare an outline proposal in which they identify a target market and outline projected costs and available resources. This is presented to the Local Enterprise Development Unit (LEDU), the Northern Ireland small business agency.

Once interested companies have been identified and LEDU have agreed to part-finance the costs through an Export Market Research Grant students are allocated to specific firms in teams of two or three. Care is taken to ensure that there are no conflicts of interest and that teams are well balanced in terms of age, experience, product knowledge, and personality.

During second term, students meet with the directors of the firms they will represent and are comprehensively briefed. From these discussions, they prepare a research proposal, which is approved by the firm and submitted to LEDU. Most of the second term is spent on desk research to evaluate market potential and identify suitable contacts.

Appointments are arranged, either on a direct basis, or through the British Overseas Trade Board offices in the market.

Field research is undertaken at the end of the second term. Students spend eight to ten days in the market visiting informants and potential clients, conducting investigations, and gathering competitive literature and samples for participating firms.

On their return from the market, students debrief their firms on any findings that require urgent action. This is followed by a comprehensive written report, which details the findings, conclusions, and recommendations of the research. Reports are presented to participating firms and LEDU executives at a dinner, held at the University during the third term. At this stage firms can fully discuss reports with faculty and students and seek advice on a future course of action. Following these presentations, students take final examinations to complete the program.

THE 1985 EXPORT RESEARCH MISSION

In 1983 and 1984 successful missions were undertaken in the Netherlands. Good economic prospects, ease of access, and a high level of market sophistication were influential in the selection of the West German market in 1985. It was reasoned that firms which could establish potential in West Germany could reasonably expect to succeed in other European markets.

At the time interested firms were being sought, faculty met with the development officer of the Belfast Enterprize Zone. He had surveyed companies in the Zone and discovered that over 90% did not trade outside Northern Ireland. As a consequence of discussions, the Enterprize Zone agreed to identify potential companies and encourage them to take part in the mission. Moreover, they offered to assist financially and a close working relationship developed between faculty, students, and Zone officials which greatly enhanced the mission.

During field research the party was based in Koln, within easy traveling distance of other major cities such as Frankfurt, Dusseldorf, Dortmund, and the West German capital, Bonn. This area has the highest concentration of industry in West Germany as well as being the center of highest spending power.

The party consisted of seventeen students, an Enterprize zone official, and, three faculty, one a native speaking German from the University's German Department who also had marketing qualifications. Research was carried out on behalf of eight small firms. Only one of these employed more than fifty workers and only one had any previous export experience. Their products ranged from furniture, janitorial supplies and aluminum fittings to foodstuffs, knitwear, and decorating equipment. Students carried out over sixty interviews with potential clients, met other informants, visited government departments, conducted retail surveys and collected samples, brochures and price lists of competitive product lines.

Overall, the findings were very promising, research indicated that four of the firms had strong export potential. Indeed, several have already obtained business as a direct result of the mission. A number of other firms had a degree of potential, but needed to modify some aspect of their mix if they were to enter the market. In only one case did research reveal a total absence of potential, surprisingly this firm appeared to have the best prospects at the outset.

All participating firms were highly impressed by the quality of research and the students' dedication and commitment. The Belfast Enterprize Zone were delighted that the mission not only benefitted the participating firms but also generated a great deal of interest in exporting among other firms in the Zone, many of whom wished to be considered for future ventures. A number of firms, motivated by the publicity surrounding the mission, organized foreign market visits themselves.

COSTS AND FUNDING

Total costs for the 1985 mission were $19,000, or less than $2,400 per firm. This figure included travel to the market and travel and subsistence in West Germany.

Funding was obtained from three sources; LEDU contributed 55% of the costs, and the Belfast Enterprize Zone and participating small firms each contributed 22.5%.

The net cost to each firm was less than $550, a very small amount considering the benefits each received and the effort which was involved.

PROGRAM FEATURES AND BENEFITS

A program incorporating an export mission has considerable instructional merit. Unlike traditional methods, it exposes students to a foreign market enabling them to gain firsthand experience of a different environment. This gives them an appreciation of how different economic, social, cultural and competitive forces will impact on the firms marketing strategy. It involves students in an actual, rather than simulated, problem solving process. Consequently, they are highly motivated and show considerable commitment, determination, and ingenuity to ensure that their work is of the highest professional standards.

The benefits to participating small firms are equally significant, as the program provides them with expertise and human resources at a very modest cost. This temporary addition of resources allows them to investigate potential new markets without making excessive demands on the time they need to concentrate on other priorities. Indeed, in many cases it is doubtful if these firms would have the necessary expertise or resources to obtain export research funding from government bodies without the program's assistance.

Research carried out in foreign markets also identifies opportunities for new product development and potential threats from competitive products which may soon reach the home market.

In addition to assisting participating firms the program impacts on the business community as a whole. The publicity surrounding the export mission helps to create a climate conducive to encouraging export development thus assisting government efforts in this area. Many of the students, in addition to carrying out research for participating firms, return from the market with new ideas which will benefit the firms that employ them. Each program adds to the pool of export skills available in the community and contributes to the continued development of faculty. Each mission has been more innovative and ambitious than the last, and continued financial aid from government bodies confirms their belief in the merits of the program.

CONCLUSIONS

Entrepreneurial flair is instrumental in the formation of many small firms, lack of resources and expertise often result in their rapid demise. Universities should consider the needs of small business and assist in the creation of a supportive environment in which they can flourish. They can best face this challenge by devising programs which, in addition to meeting instructional goals, also offer practical assistance to the business community.

In Northern Ireland where export development is critical to future prosperity, University intervention has been instrumental in encouraging small firms to adopt a positive attitude towards exporting. Similar ventures in the United States could assist in significantly

improving the export performance of many small firms at a time when their increased
participation is imperative.

REFERENCES

(1) Coopers and Lybrand Associates (NI) Ltd., The Northern Ireland Economy - Midyear
Review, June 1985.

(2) Coopers and Lybrand Associates (NI) Ltd., The Northern Ireland Economy - The
Current Economic Situation and Prospects, January 1935.

(3) Industrial Development Board for Northern Ireland, Encouraging Enterprise - A
Medium-term Strategy for 1985- 1990, HMSO 8711597 3m 4/85.

NOTES:

(1) Accurate figures are hard to obtain as Northern Ireland is fiscally part of the United
Kingdom. It is estimated that over 70% of Northern Ireland goods are destined for the
British mainland market.

(2) These two ventures cost the taxpayer in excess of $200 million.

VARIABLES TO IDENTIFY EXPORT TRADING COMPANIES PARTICIPANTS

Abraham Mulugetta, Ithaca College Yuko M. Mulugetta, University of Wisconsin-Madison

ABSTRACT
This study examined factors that systematically affect small/medium sized firms' participation in Export Trading Companies. A multiple discriminant analysis of the data obtained from 80 Wisconsin manufacturers indicated that seven variables clearly distinguished intended from non- intended ETC participants. The implication of the study is discussed in light of ETC ACT.

INTRODUCTION
Although a major business trend in the U.S. has been strongly encouraging the expansion of exports by small/mediumsized business firms through ETC (Export Trading Companies), little research attention has been paid to what factors are systematically operating to promote (or to impede) companies' participation in ETC. This research is an expansion of an earlier study conducted by Pricer, Bachmann and Mulugetta (2) with a focus on identification of the factors which significantly affect the degree of willingness by small/medium-sized firms to join an ETC.

As is the intent of its creators, ETC carries many benefits to exporters of different degrees of maturity and to potential exporters (currently nonexporters). However, the important questions are: Have the intended ETC's participants fully realized the inherent benefits of ETC? Is the degree of awareness and consciousness of the ETC's benefits the same for exporters of different levels of maturity and for potential exporters? Does the type of organizational structure used to export affect their attitude towards ETC? Does the nature of their products, their sizes, export experience, or attitudes on export problems make them part-time rather than full-time participants of ETC? What are the most important problems faced by exporters and what do potential exporters envisage to be crucial hindrances to their international involvements? Are these problems partially or fully addressed by ETC? If so, what will be the characteristics of the participant firms and what will be the percentage of participation by exporters and non-exporters? These and many other questions were used to formulate testable hypotheses.

Obtaining answers to these questions will help reevaluate and perhaps modify activities of agencies, like SBA, SBDC, and Department of Commerce, that are ready to give counsel and assistance to those that want to export as well as to prepare the agencies to help form ETC.

RESEARCH HYPOTHESES
We propose here that there are four major types of factors affecting willingness of a firm to participate in ETC. The first factor is called BUSINESS DEMOGRAPHIC FACTOR, which includes the company's degree of maturity in international trade, number of employees, and annual sales. These demographic factors will largely determine whether

the company has enough business experience to expand international trading, and sufficient manpower and monetary resources to produce exportable goods which can compete in the international market. It is expected HI: if a firm has little experience in exporting and has limited manpower and monetary resources it is more likely to face difficulties in exporting goods on its own independent business base, and thus it will find more benefits in joining ETC than one with considerable exporting experience and business resources.

The second factor, BUSINESS CHARACTERISTICS FACTOR, includes the type of manufacturing industry (such as chemical, food products, etc), the types and number of the products produced (such as final consumer goods, final industrial goods, etc.) and the type of organizations the exporting firm uses to trade. When the firm produces more than one type of product (for example, both consumer and industrial goods), it is more likely to encounter difficulties in marketing and therefore, needs more accurate information and advice about foreign markets. Furthermore, the production of more than one type of product requires different marketing strategies in promotion, distribution, or after-sales services. These differences strain the manpower and financial resources, and thus, we can expect H2: a firms producing multitypes of products is more likely to join ETC than one producing single-type of products.

Moreover, among exporting companies, if the firm uses its own organizations (such as its own sales department)' to export instead of using outside export agencies (such as export management companies which offer similar services as ETC), the firm then has exposure to the complex problems of international trade and appreciate the problems encountered in expanding markets to new international territories. Thus, we hypothesize H3: a firm using its own organization to export its products is more likely to participate in ETC than one using outside exporting organizations.

The third factor we are interested in is BUSINESS CONSTRAINING FACTOR which prevents a firm from expanding or starting exports. It is expected that the existence of certain BUSINESS CONSTRAINING FACTOR may motivate a firm to seek business alliances with enterprises such as ETC to untangle specific problems encountered in exporting. The more aware the company is of specific exporting problems, the more likely it will be to appreciate the inherent advantages of ETC. Thus, we anticipate H4: a firm which encounters more specific problems in exporting is more likely to participate in ETC, and H5: a firm which identifies more specific reasons for not exporting its products is more likely to join ETC.

The final factor is what we may call BUSINESS CAPABILITY FACTOR. We expect H6: if a firm expects an increase in export volume (or potentials) in the near future and can associate such increase with participation in ETC, the firm is more likely to join ETC than one which does not expect an increase in profits due to export. Moreover, if a firm perceives that international business is more competitive than domestic business, the company may try to avoid direct international competition by participating in ETC. In contrast, if the firm perceives that foreign trade will be extremely profitable and its products will command higher prices in the international than in the domestic market, it will tend to conduct trade independently rather through ETC. Thus, we propose H7: a company which perceives international business to be more competitive than domestic business is more likely to participate in ETC, and H8: a company which perceives that international business brings more profits than domestic business will be less likely to join ETC.

METHOD

To seek answers to our research questions, a questionnaire with 36 major questions and 252 sub- question items was sent to randomly selected 821 Wisconsin manufacturers which have at least 10 employees according to the 1982 National Business List. The research was supported by the University of Wisconsin Small Business Development Center. The response rate we obtained was about 11 percent. Since some responses were unusuable and discarded from the analysis, the resultant sample consisted of potential exporters (N=35) and exporters (N=45).

In regard to industry representation, a check of the SIC number of the 80 cases indicated 80% representation, showing that at least 16 out of possible 20 different types of industries had responded to the questionnaire. Industry representation was also examined by the type of products produced as set by Bilkey (1, pp. 39-55). Among the different types of manufactured products, categories of final consumer product, final industrial product, component used in manufacturing and others are used here. Although these indicate a fair representation of our sample, we certainly admit that the small sample size may limit the generalization of our findings.

OPERATIONALIZATION OF THE VARIABLES

Business Demographic Factor: Indicators of this factor are the number of years of exporting, the yearly sales figures, and the number of employees. Based on the number of years of exporting experience, four categories were created: Non-exporters (never exported); young exporters (1-5 year exporting experience); experienced exporters (6-15 years) and highly experienced exporters (over 15 years).

The total yearly sales figures were coded as extremely small (less than $2 million); very small ($2- $9 million); small ($10-$59 million) and medium/large (more than $60 million). Similarly, according to the number of employees, the firms were classified as extremely small (less than 30 workers); very small (30-99); small (100-499); and medium/large (more than 500).

Business Characteristics Factor: This factor is operationalized by types of manufacturing industry; types of products the company produces and types of organizations used for exporting manufactured goods. Based on the SIC number, we created 10 industrial classifications: (1) Food; (2) Cloth/Textiles; (3) Wood Crafts; (4) Printing/Newspaper; (5) Plastics/Chemicals; (6) Rubber Products; (7) Machine Tools; (8) Heavy Machinery; (9) Electrical; and (10) Miscellaneous Manufacturers. To quantify the type of product the firm produces, a number of dummy variables were created. I was coded if the manufacturer produces a particular product such as final consumer product, final industrial-product, industrial component or others, and 0 was scored otherwise. This dummy coding does allow some companies to check the categories more than one time. In the same way, the type of organizations used for exporting was operationalized. If the exporting company utilizes a particular type of export organization such as own sales department, own export department, export management corporations, DISC (domestic international sales corporations) or others, I was coded, and otherwise, 0 was scored. Again, this coding scheme allows some companies to make a multicategory response. Business Constraining Factor: Business constraining factor was operationalized in two different manners. First, exporting firms were asked about the major problems they have faced in exporting. They were allowed to check as many problems as they wanted to, out of seven possible alternatives. Secondly, nonexporting companies were asked about the major reasons for not exporting. They had a maximum of nine alternative reasons to specify. We then combined the response of exporters and non-exporters and counted the number of problems each company checked.

Business Capability Factor: Operational indicators of business capability factor are: Expectation of increase in export sales (potentials) within the next five years, and ability to associate participation in -ETC with such expected increase in export potential. Besides these questions asked to both exporters and non-exporters, three more questions were operationalized only to exporters. Those questions were designed to examine the company's ability to assess the degree of international business competition; ability to assess international business pricing policy; and ability to assess international business profits.

Without regard to regional segmentation, we have given I to the perceptions and observations in regard to international competition, profit and pricing, compared to domestic ones. This coding scheme allows some companies to make a multi-category response.

Willingness to Participate in ETC: Our dependent variable, namely the degree of willingness of the firm to participate in ETC was operationalized in two different manners. First, the companies were asked about their intention to be a full-time participant of ETC if ETC can carry out certain tasks such as foreign market research, facilitating financing, and so forth. The firms which showed an intention to be full-time participants if ETC would carry out at least one of the listed tasks were considered as intended ETC participants. Other companies which did not intend to join ETC under any conditions or refused to answer the question were considered as non-intended full-time participants.

Then, these non-intended full-time participants were asked again whether they would like to be part- time participants of ETC. The companies with a positive answer tothis question were considered part-time ETC participants. Since the number of respondents identified as part-timeparticipants was not large enough to conduct meaningful statistical analyses, our study was mainly concen- trated on whether or not the company had a desire to be a full-time participant of ETC.

RESULTS

First, all the hypotheses were tested, using a Chi-square technique. The detail discussion of the major findings are presented in our previous study by Pricer, Bachmann and Mulugetta (2). Here, we provide a summary of those findings.

1. General Observations: More than a half of our respondents have a strong intention to be full-time participants of ETC. More than 85 percent of those 43 intended participants want ETC to carry out foreign market research or to create contact with foreign markets.

2. Business Demographic Factor: The study found an interesting curvelinear relationship between willingness to participate in ETC and years of exporting experience as well as size (measured by sales volume and the number of employees) of a company. We found that a great number of the manufacturers without any export experience do not expect ETC to play a significant role in helping them start foreign trades and tend to react negatively toward participation in ETC. In contrast, a trading firm with one to five-year exporting experience is the most likely to be an active full-time participant of ETC, with great expectations that ETC will provide benefits. When a firm has more exporting experience, its intention to be a fulltime participant of ETC tends to decline significantly, probably because the firm already has a well-etablished infrastructure for foreign trades and does not anticipate a great benefit from participation in ETC.

The results suggest that there may be an attitudinal change toward involvement in ETC, due to the change in the firm's export experience and the size of business measured by the number of employees and annual sales. The pattern can be illustrated by the product life cycle model (figure 1), which indicates that involvement in ETC gradually increases with maturity of the firm up to a certain point (Stage I and II) and then involvement starts declining (Stage III and IV). Thus, knowing the stage of the firm's involvement in ETC as shown in this model, ETC may negotiate wisely on contract periods, particularly for those that are in Stage III or IV. However, ETC can make Stage III and IV wider or the ending tail of the cycle fatter by increasing the satisfaction of its customers.

3. Business Characteristic Factor: The willingness to participate in ETC is strongly related to the number of products the firm produces; more than half of the single-product companies declined to join ETC, whereas the majority of the firms producing multi-type of products were willing to join ETC. The dependent variable, however, was not strongly related to type of industries or type of exporting organization utilized.

4. Business Constraining Factor: As expected, the study found with an increase in exporting problems, the number of companies which want to join ETC increased. Also we observed a significant positive tendency for non-exporters to participate in ETC as the number of reasons identified for not exporting increases.

5. Business Capability Factor: The study found that if a company expects an increase in export volume (or potential) within the next five years, then the firm wants to be a member of ETC. Furthermore, almost all the firms which were able to associate ETC activities with an increase in both volume and profit were willing to participate in ETC,

while more than 70 percent of the firms not having such an expectation did not intend to join ETC. We did not find any statistical association between willingness to join ETC and the degree of perceived international business competition.

Based on these findings, the main interest in the present study is focused on a more complex analysis which we expect to further clarify the relationship between the degree of willingness of a company to participate in ETC and the factors discussed above. All the variables hypothesized to affect both non-exporters' and exporters' willingness to participate in ETC were entered in a multiple discriminant analysis. The variables included are: number years of exporting experience, number of employees, annual sales, type of manufacturing industry, type and number of products produced, number of constraints to expand or start exports, ability to expect an increase in exports within the next five years, and ability to associate participation in ETC with such an expectation. The variables coded as a nominal scale such as type of industry and type of products produced are converted into a number of dummy variables in order to avoid statistical mismanipulation. Our main purpose in conducting the multiple discriminant analysis is to identify and investigate which variables most clearly distinguish between ETC participants and non-participants. In a statistical sense, a multiple discriminant analysis is a method to maximize a linear combination of the discriminating (independent) variables with the group (dependent) variables.

Table 1 shows standardized discriminant function coefficients, the interpretation of which is analogous to that of. beta weights in multiple regression. We can clearly see that the most significant variable which successfully discriminates between non-participants and participants is the company ' s ability to associate participation in ETC with an expected increase in export volume and profits. A second important variable is the company's ability to expect an increase in export volume (or potentials) within the next five years. The large positive coefficients of these two variables explicitly indicate that if the company is able to forecast a positive growth of its exporting business in the near future and expects ETC-s activities to contribute to such an increase, the company is highly likely to join ETC.

TABLE 1
STANDARDIZED CANONICAL DISCRIMINANT FUNCTION COEFFICIENTS (EXPORTERS AND NON-EXPORTERS COMBINED)

	Function I
Ability to Associate ETC with Export Growth	.97
Ability to Expect Export Growth in 5 years	.69
Textile Industry	.34
Annual Sales	-.28
Number of Products	.24
Final Consumer Product	-.18
Number of Constrains	.15
Canonical Correlation	.86 ($p < .001$)
Eigenvalue	2.89

A third variable whose coefficient is much smaller than the two variables described above, is related to the type of manufacturing industry. It indicates that if a firm belongs to textile industry category, it is more likely to join ETC. This is probably because even in its own domestic territory, keen international competition from the newly industrialized and less developed countries has severely affected its survival, and thus, the textile manufacturer is more strongly inclined to look for assistance from ETC in order to assure its survival by expansion and creation of new international markets.
A total yearly sales is the fourth discriminating variable. The negative direction of the coefficient indicates that the smaller the annual sales of the firm, the more likely it is to participate in ETC. When the firm has limited financial resources, it is more likely to face difficulties in exporting manufactured goods and thus, it may find more benefits in joining ETC than one with sufficient monetary resources.

The number of products the company produces is the fifth factor separating ETC members from non- participants. If the company produces more than one type of products, it will be more likely to encounter difficulties in marketing and more willing to receive information and advice about overseas marketing from ETC.

A sixth factor concerns the type of products manufactured. The negative direction of the coefficient indicates that the company producing final consumer products is less likely to participate in ETC, compared to those manufacturing final industrial products or components used in manufacturing. It may be reasoned that the recent past recession in the United States had severely limited the business expansion of heavy machinery manufacturers, a great number of which seem to strongly desire to acquire export service from ETC in order to expand or establish new foreign markets. A last variable separating ETC members from non-participants ETC members is the number of constraints facing creation and expansion of international trade. If the company is facing more problems in exports, it is more willing to participate in ETC. Probably, the existence of such constraining factors strongly motivate the company to seek particular services from outside organizations such as ETC to help tackle their problems.

The canonical correlation coefficient, which measures the relationship of a set of the discriminating variables described above with the groups variables, is .86 ($p < .001$), indicating that the seven variables are good joint predictors of a company's willingness to participate in ETC. Table 2 presents group centroids, which indicate the location of the mean of each group in the discriminant function space.

TABLE 2
CANONICAL DISCRIMINANT FUNCTION
CENTROIDS OF THE TWO GROUPS

	Function I
Non-Participants	-1.81
Participants	1.56

We can clearly see the mean of the nonparticipant group is distinctively far away from that of the participant group and the overlap of the two groups is quite small. Table 3 also confirms the successful discrimination: more than 90% of the cases were correctly classified in the right membership categories, based on the prediction made from the seven discriminating variables.

TABLE 3
CLASSIFICATION RESULTS

Actual Group	No. of Cases	Non- Participants	Participants
Non- Part.	37	35 (94.6%)	2 (5.4%)
Part.	43	3 (7.0%	40 (93.0%)

CONCLUSIONS AND IMPLICATIONS

The results of the survey show that both extremely and relatively small manufacturers, in particular non-exporters Are averse to joining ETC. Although, the spirit of ETC ACT (4) is to involve small manufacturers with potentially exportable products in international trade, there seems to be a lack of adequate practical information on ETC to induce the supposed potential exporters.

Only 69 percent of non-exporters know of the existence of export support giving organizations such as the Department of Commerce, SBA, SBDC, and Eximbank. And of these firms, only 19 percent have ever been contacted by one or more of these organizations. Therefore, it is high time for agencies like the Department of Commerce, SBA, and SBDC to use their different centers to increase the awareness of small and medium-sized manufacturers of the benefits of exports and the relation between export and ETC.

To focus the efforts of these support giving agencies in creating an awareness of the importance of export and the capable assistance of ETC in the export market at the first level and to transform this awareness into practical activity of export and/or participation in ETC at the second level, concentration on final industrial products' manufacturers and those that produce more than one type of product is called for as indicated by the result. In getting involved in the second phase, that is forming ETC through the encouragement of the Department of Commerce, SBA, SBDC, etc. and first-comer interested participant, attention needs to be directed to getting full-time rather than part-time participants. It is further indicated that those firms that have identified more than one specific problem associated with exporting are good candidates for ETC. However, the question is how to identify these candidates. The best answer we see at the moment is through seminars and counselling sessions that are conducted by the Department of Commerce, SBA, SBDC, etc. Moreover, these seminars and counselling sessions may be used to identify those firms that expect to increase export in the near future, have positive attitudes towards ETC and/or are well informed about the intended benefits to exporters that are packaged in the ETC legislation. Those that encourage the formation of ETC and first-comer interested participants should:

(1) tilt ETC functions more towards creating contact with foreign markets and making foreign market research;

(2) contact young exporters, i.e., those with one to five years of export experience until awareness, importance of export and relation of export and ETC are induced by export promoting agencies;

(3) contact those that according to our classification fall under small categories, i.e., yearly sales $10 millions to $60 millions and employ 100 to 500 workers;

(4) tentatively use the product life cycle model of ETC participation (see Figure 1) in drawing contracts. To maintain a good relationship between ETC and its participants, although it is not covered in the analysis, we believe the Conceptual Model of ManufacturersOverseas Distributor Relations and Export Performance by Rosson and Ford (3, pp. 57-72) can be considered as a guiding general framework.

Our research has been based on a small sample at a point in time. Such snap shot observation is not going to stay constant over time. The factors that were at work at the time of the survey will change, particularly the business and economic factors. Therefore, the results of the research and the implications thereof should be considered in light this limitation.

REFERENCES

(1)Bilkey, W. J., "Variables Associated with Export Profitability," Journal of International Business Studies, Fall 1982, pp 39-55

(2)Pricer, R., R. Bachmann, and A. Mulugetta, "Export Trading Companies: An Exploratory Study," Wisconsin Small Business Forum, Vol. 3, No. 2, Winter, 1984/85, pp. 3341.

(3)Rosson J. P. and I. D. Ford, "Manufacturer-Overseas Distributor Relations and Export Performance," Journal of International Studies, Fall 1982, pp. 57-72.

(4)U.S. Department of Commerce, International Trade Administration, Export Trading Company Act of 1982 (U.S. Government Printing Office: 1982-394-753/351).

[FIGURE 1 OMITTED]

GROUP SELF-INSURANCE: A SMALL BUSINESS ALTERNATIVE FOR WORKERS' COMPENSATION

James R. Chelius, Rutgers University Institute of Management and Labor Relations
Robert S. Smith, Cornell University New York State School of Industrial and Labor Relations

ABSTRACT
All businesses are required to insure the liabilities that arise from workers' compensation. Large employers have the option of purchasing insurance or self-insuring, while small businesses have traditionally been limited to the commercial market. The advantages of self-insurance have recently been achieved by small businesses banding together. This paper explains the attraction of self-insurance by groups, the characteristics of its organization, and the regulatory issues raised by this increasingly important phenomenon. It is concluded that the ideal public policy would be to deregulate commercial workers' compensation insurance. In the absence of such general deregulation, it is desirable to make group self-insurance an unencumbered alternative for small businesses.

INTRODUCTION
Workers' compensation legislation in each state requires that employers assume financial responsibility for the work injuries and diseases of employees. In addition to setting the level of benefits to be paid injured workers, each state requires employers either to purchase insurance or self-insure their potential liabilities. In most states the price of commercial workers' compensation insurance is strictly regulated.

For small businesses by themselves, self-insurance is not an option. However, in a variety of states and industries, smaller businesses are participating in employer associations that write insurance for their members. This grouping together for self-insurance is used to create an alternative insurance arrangement for small businesses. This paper examines this increasingly important phenomenon.***(1)***

We first describe the nature of the regulatory system that has made self-insurance such an attractive option. The operating characteristics of the typical group self-insurance arrangement are then explained. The emergence of such groups as a significant force in the market has given rise to concern that the groups are not properly regulated. We, therefore, consider the issues as to the appropriate governmental regulations for group self-insurers. The analysis is concluded with a discussion of the usefulness of these arrangements for small business and the best policies for providing the advantages of workers' compensation to employees while minimizing its burden on employers.

THE REGULATORY ENVIRONMENT

Historically, each state sets the level of benefits to be paid injured workers, mandates insurance of this liability and regulates the price of commercially purchased insurance. Only six states have essentially open price competition, although many other states have considerable pricing flexibility in practice.***(2)*** In the states that regulate price, the workers' compensation insurance market often suffers the rigidities and inequities typical of such environments. It is a situation not dissimilar to that which existed for many years in the trucking, airline, and banking industries.

Regulated prices are sometimes too low; insurers then find particular employers or categories of employers to be undesirable customers. These customers are then forced into assigned risk pools, state insurance funds, or group self-insurance. Overall however, it would appear that regulated prices are above what would prevail under open competition. While the rhetoric of regulation proclaims it as protection for the buyer, it is often the sellers interests that are served. In the most carefully documented case of a change from price regulation to open competition, a 30 percent decline in premium levels was-observed (1).

In these regulated environments, if a larger employer feels the established price is too high, that firm can avoid commercial insurance by self-insuring its risks. Similarly if commercial insurers do not want this employer as a customer, self-insurance is an option. With re-insurance of large scale losses and perhaps a service company to administer claims, the larger company has a fairly straightforward alternative to commercial insurance. The very existence of this alternative means that in many situations, it need not be used. Insurance companies, knowing that their larger customers can self-insure, are more willing to cut the mandated price to such customers. Even where premium levels are strictly regulated, there are many dimensions of the insurer/employer relationship that can be modified to cut the effective price. Delaying required payments, discounting nonregulated lines of insurance, and increasing the level of prevention services are aspects of the exchange between employers and insurance companies that can be implemented to lower the effective price to the desired customer who has other insurance options.

For small businesses by themselves, self-insurance is not an option. The scale of their operations is not large enough to obtain the diversification of risk that is the key characteristic of insurance. However, largely driven by the regulated price of commercial insurance, small businesses in a variety of states and industries are beginning to participate in employer associations that write insurance for their members. This self-insurance by groups is used to create an alternative insurance arrangement for many small businesses. The nature of these self-insurance groups is described in the following section.

CHARACTERISTICS OF SELF-INSURANCE GROUPS

Group self-insurance arrangements typically arise out of previously established employer associations. Although some groups have members in a variety of industries, the usual organizational structure is that of a single industry trade association. Initially, the group charges each member premiums based on the conventional (manual) rates generated by the actuarial organizations used by commercial insurers.***(3)*** If any individual employer is large enough, it is experience-rated just as it would be with a commercial insurer. If the group's experience turns out to be better than is indicated by the conventional rate, the surplus is returned to the participants. Savings from better loss experience are usually distributed in proportion to each employer's premium volume and experience. Surplus income from investments and expense savings are usually divided equally among the participants. Over time, basic premium levels can be modified if experience demonstrates it is appropriate. Many group plans have yielded savings on expenses because of the spartan nature of their operations.

Although these arrangements are known as group self-insurance, it is important to note that each member assumes responsibility for the workers' compensation obligations of other members. Thus, in addition to its similarity to individual employer self-insurance, group self-insurance also has much in common with mutual insurance companies that assess their participants. The similarities between group self-insurance and various forms of commercial insurance give rise to several regulatory problems that are discussed later.

In order to better understand these groups, the administrators of several significant associations were interviewed.***(4)*** As noted above, group self-insurance tends to arise when prices of commercial insurance are insufficiently flexible. These regulated prices can be too low to accommodate an insurance company's perception that certain employers are likely to generate more losses than are warranted by the premiums they are allowed to charge. Prices may also be too high so that employers feel they can do better through self-insurance. The experience of the Pennsylvania Foundrymen's Association is illustrative of both phenomena.

The Pennsylvania Foundrymen's Association began writing workers' compensation insurance for its members when the Pennsylvania Manufacturers' Association Insurance Company (PMA) dropped foundries as customers. The PMA refused to write insurance for foundries because they feared a flood of future silicosis claims that were not taken into account in the prescribed manual rate for foundries. In other words, the governmentally set price was so low as to make the foundries unattractive customers.
Other commercial insurers apparently assumed that the PMA must know something and

also refused to write insurance for the foundries. For an interim period, the government-run workers' compensation insurance fund wrote insurance for the foun- dries. After a short time, however, the Foundrymen's Association began a group self-insurance plan.

Initially, the Foundrymen's Association was limited in their pricing flexibility. The only "discounts" off the prescribed manual rates were made by allowing members to pay premiums over the course of the policy year rather than at the beginning. Over the years, it became apparent that silicosis claims were not a large problem and that general expenses were lower than projected by the price regulators. Because of this favorable experience, rates have been gradually lowered.

The most widespread use of group self-insurance is in Florida. In particular, the construction industry has made extensive use of this insurance device. While some group self-insurance arrangements are more than twenty-five years old, the greatest impetus to growth was in the mid- 1970's when high and increasing premium rates increased employer concerns about workers' com- pensation. There are a variety of associations operating within the Florida construction industry. Some are limited to a narrow segment of the market both in terms of business specialty and firm size. Others operate very much as do commercial insurers, taking on a wide variety of employers as members strictly for the purpose of obtaining insurance. While the success of groups such as those operating like commercial insurers is indicative of their appeal in the marketplace, their operations give rise to concern that they should be regulated just as are regular insurance companies. These regulatory issues are addressed in the following section.

REGULATORY ISSUES

The nature of the workers' compensation system establishes an unusual context for the regulation of the insurance market. Typically, when businesses purchase insurance, they are voluntarily hedging a risk they choose not to bear. If a firm does not purchase fire insurance and an office is burned, there is no public policy issue. In workers' compensation however, the contingency being insured against is a publicly mandated payment to an injured worker. While the nature of this obligation certainly justifies mandatory insurance, regulators have gone far beyond this and regulated the workers' compensation insurance market in great detail. The most significant aspect of this government intervention is the price regulation mentioned above that has given rise to the group self-insurance movement. A few states have chosen to deregulate the pricing process; however, all states continue to mandate a wide variety of the operational details of the insurance process. The obligations imposed on insurance companies by regulatory bodies constitute a significant cost of doing business. The fact that selfinsurance groups may be able to avoid many of these obligations has created a substantial controversy. There are two basic thrusts to the debate. One is that these self-insurance arrangements must achieve certain standards designed to guarantee they will be able to meet their obligations to insured workers. Another thrust however is that self-insurance is in competition with commercial insurance; and these companies want their competitors to have as many cost generating obligations as they do, regardless of whether these obligations serve the interests of employers or injured workers. Of course, for appearances, the public rhetoric of the debate is all based on serving the interests of employers and injured workers rather than on the competitive challenges facing commercial insurers. Thus, it is sometimes difficult to sort out what is really at issue.

The National Association of Insurance Commissioners formed a broadly representative study committee to examine the public policy issues of group self-insurance. The committee issued a report which analyzes the issues and makes recommendations (3). The Association has also issued a model statute for states to consider as a basis for their regulation (4). The study committee divided the issues into four categories: (1) administrative arrangements, (2) group obligations, (3) financial standards, and (4) pricing. As these issues are summarized below, it is useful to consider whether the regulation is necessary to protect employers and injured workers or whether it is simply a matter of imposing burdens on group self-insurance that are commensurate with those placed on commercial insurers.

The administrative issues concern how the group is organized, who can participate, who may manage the group, and the obligations of contractors who service claims for the group. For example, a key organizational issue is whether members must be in the same or similar business. When heterogeneous companies join together, there is a desirable diversification of risk. However, such organizations look very much like commercial insurance companies. The study committee, with its diverse constituencies, was unable to reach a consensus on the desirable degree of homogeneity among group self-insurance members. The model statute which was developed without broad consensus recommended that members be in the same or similar type of business.

Group obligations concern important issues such as whether members are liable for compensation judgments against other members, whether the group must participate in assigned risk pools and special funds, and whether the group should be taxed by the states. There is little controversy about the obligations of group members for the workers' compensation liabilities of their fellows-- only the intricate details of this "joint and several" liability are of any concern. More controversial are the responsibilities of the group to assigned risk pools and special funds. If an employer cannot obtain insurance at the regulated price, the insurance industry is obligated to provide coverage to such employers by assigning them to a carrier. The extra financial burdens of these risks are then spread among all insurance companies. Typically, individual self-insurers are not obligated to share in that burden. The assigned risk problem arises in large part because of rigid price regulation. Insurers are not allowed to raise prices for employers perceived to be bad risks, and therefore these employers have difficulty finding a voluntary insurer.
The assigned risk pool problem is an excellent example of the regulatory dilemma of workers' compensation groups. The reason the issue arises is that poor risks cannot be charged an extra premium to pay for their larger than average expected losses. Surely the optimal policy would be to allow greater pricing flexibility and thereby eliminate (or greatly reduce) firms that cannot get voluntary coverage.

There are also a variety of special funds to which insurers must contribute. Most prevalent are second injury funds that assume the extra obligations of workers who are already disabled when hired. For example, if a worker already blind in one eye is blinded in the second eye, the employer is obligated only for the partial blindness associated with the loss of one eye. The fund meets the extra obligations from total blindness (which are much more than two times the obligation of one eye). The purpose of such arrangements is to encourage employers to hire the handicapped by reducing the financial consequences of subsequent injuries. The study commission urged that groups be obligated to contribute to these and other special funds. Similarly, the committee recommended that groups be taxed or assessed in a manner similar to commercial insurers when the purpose of the tax is to fund the support of the state workers' compensation agency or insurance department.

Financial standards requirements concern issues such as minimum net worth, premium volume, excess insurance requirements, reserve requirements for losses, and allowable investments-- standard fare in workers' compensation insurance regulation. For employer protection the study committee urged a wide range of regulations over such matters; however, it is unclear as to why members cannot evaluate the financial stability of their group.

The pricing of group self-insurance is the heart of the regulatory problem in workers' compensation. The committee urged states to require use of state approved rates, dividends, assessments, and payment patterns. All matters that stifle the responsiveness of the commercial insurers.

While there can be little doubt that any insurance arrangement must meet its obligations to injured workers and that the state has a valid role in several aspects of that obligation, the thrust of the committees report is to over-burden self-insurance thus compensating for the encumbrances that already exist for commercial insurers. Just as open competition serves customers in other mar- kets, there is nothing unique about the workers' compensation insurance market that prohibits a basically competitive public policy.

CONCLUSIONS

Group self-insurance will likely remain an important option for small businesses as long as states continue their price regulation of the workers' compensation insurance market. The vitality of such arrangements is clear evidence that they serve small business needs, although it appears this need is largely created by the burdensome regulatory environment rather than being inherent in the commercial workers' compensation insurance market. The appropriate regulatory framework is difficult to determine. At one level, it seems fair that all competitors (including group self-insurance) vying for workers' compensation insurance business be subject to the same rules. However, many of the existing regulations are clearly anachronisms. While it is fair that all play by the same rules, to make all arrangements subject to inappropriately burdensome regulations simply raises the costs of meeting this important social obligation. The ideal solution would be to deregulate commercial workers' compensation insurance companies so they can effectively compete with the groups. If past experience with competitive markets is any guide, the result would greatly benefit the purchasers of this insurance. However, the slow pace of such deregulation convinces us that one cannot simply wait for widespread open competition. The best policy in the present environment is to allow group self-insurance to operate in as unfettered a manner as is consistent with meeting its obligations to injured workers. For the short run, the presence of this alternative, unburdened by the costly rigidities of much of the commercial market, provides a useful option for small business. In the long run, its presence will intensify pressure to eliminate those aspects of regulation that do not serve the interests of injured workers or their employers. Rather than burden groups with the problems of excessive government intervention found in commercial markets, we should aim our policies at freeing all insurance arrangements, thus enabling them to fairly compete and best serve their social functions.

(1) This study is derived from a larger investigation of the relationship between firm size and the burden of workers' compensation done for the Small Business Administration (2).

(2) For a more complete description of the current regulatory environment see Williams (5).

(3) The vast majority of these actuarial data are produced by the National Council on compensation Insurance. Manual rates are specific to each state and industry with some attention to the occupational mix.

(4) Interviews were conducted with Bruce Eckerd, Executive Director, of the Pennsylvania Foundrymen's Association; Doris Overhart, Fund Administrator of the Florida Associated General Contractors; Kyle Lockeby, Administrator, Florida Health Care Self-Insurers' Fund; Gilbert Waters, President, Waters Insurance Management Corporation and member of the National Association of Insurance Commissioners (NAIC) Study Committee on the Regulation of Workers' Compensation Group Self-Insurance Associations; and John Lewis, attorney and member of the NAIC Study Committee.

REFERENCES

(1) Burton, J. F., H. A. Hunt, and A.B. Krueger, Interstate Variations In The Employers' Costs of Workers' Compensation, With Particular Reference To Michigan and Other Great Lakes States, an unpublished report for Governor James J. Blanchard (Michigan), February 1985.

(2) Chelius, J. R. and R. S. Smith, Workers' Compensation Costs By Firm Size, an unpublished report for the U.S. Small Business Administration, September 1985.

(3) National Association of Insurance Commissioners, Regulating Workers' Compensation Groups, June 1983.

(4) National Association of Insurance Commissioners, Private Employer Group Workers' Compensation Self-Insurance Association Model Act, June 1984.

(5) Williams, C. A., "Workers' Compensation Insurance Rates: Their Determination and Regulation, A Regional Perspective," in Current Issues in Workers' Compensation, James R. Chelius, ed., (Kalamazoo, Michigan, Upjohn Institute), forthcoming, 1985.

SMALL BUSINESS INSTITUTE DIRECTORS AND THE EXPORT TRADE COMPANY ACT OF 1982: A PILOT STUDY

Charles Wiles, Southeast Missouri State University Van Psimitis, Southeast Missouri State University Keith Harman, Southeast Missouri State University

ABSTRACT
The concept of the Export Trade Company (ETC) has come of age in the United States. For years, it has been used by many successful exporting nations. The United States has fallen behind those countries because of restrictions within antitrust and banking laws.

In 1982 Congress took the initiative to eliminate those constraints by passing the Export Trade Act. It is now possible for investors to participate in joint ventures to an extent and scale previously unimagined. Perhaps the greatest implications are for small businesses because they possess the greatest potential for additional exporting activities.

Directors of Small Business Institutes can play a key role in helping firms take advantage of the ETC Act. The study is a preliminary examination of the relationships between directors' backgrounds, attitudes and knowledge about exporting in general, and ETCs in particular.

INTRODUCTION

Considerable evidence suggests that small and medium-sized firms could benefit the most from the Export Trade Company Act (1). Data produced by Hurt (2) indicate that only one in ten potential exporters actually ever get involved in exporting. It is clear that small and medium-sized firms are not taking advantage of the export opportunities which are available, much less the expanded opportunities posed by the ETC Act.

Recognition of this fact has prompted the U.S. Small Business Administration to target export assistance as a key SBI activity and incorporate a module on export assistance in newly created planning modules for SBI directors (3). It is hoped that tools like the planning module, in addition to existing tools like the SBA "Client Export Profile," will enhance the export assistance currently provided by SBIs.

Although there is a wealth of evidence showing that SBI directors' current and potential clients are generally unaware of export opportunities and assistance such as those offered by the ETC Act, there remains a paucity of data pertaining to the awareness and attitudes of SBI directors themselves. Given the key role performed by SBI'directors in providing small businesses with direct assistance and/or referral, it is important that the scarcity of data be alleviated. Assertions in favor of the need to alleviate the scarcity of data gain additional weight in light of recent SBA efforts to enhance the export-related assistance currently provided by SBIs. The threat of retaliation by major export countries, should Congress give in to mounting pressures for trade barriers, makes it even more imperative to determine SBI directors' "readiness" to help small businesses meet the current and future challenges and opportunities posed by export trade.

The purpose of this study is to address the need for data pertaining to SBI directors' knowledge and opinions about exporting in general and the ETC Act in particular. More specifically, this study seeks to
describe and analyze:

1. SBI directors' attitudes about exporting
2. their awareness of the ETC Act of 1982
3. the extent to which directors' attitudes and awareness are related to directors' professional backgrounds.

It would be inappropriate to formulate hypotheses because of the lack of prior research. Thus, the objective of the study is to generate "base-line" data which may be used to conduct more exhaustive and detailed examinations at a later date.

METHOD

Subjects

The study population consisted of 469 SBI directors across the United States. All members of the population were sampled. A total of 189 useable responses were returned. Each of the respondents manage SBI units which are operated under the auspices of an institution of higher education.

Age was the only demographic data collected. The researchers were mainly concerned with the SBI directors' professional backgrounds and age is a key factor related to a respondent's educational attainment and prior work experience. Other professional background data included how long the respondent had been an SBI director, highest degree attained, discipline or area of study in which the highest degree was obtained, and number of years experience operating a small business before serving as an SBI director.

Responses to the professional experience items (see appendix) revealed a highly trained and experienced group of "seasoned" business scholars and practitioners. The data indicated that the typical respondent was thirty-five years of age and older (74%); possessed a doctorate in business (57%); had operated a small business for five years or more (32%); and had served as an SBI director for three or more years (57%).

Instrumentation

The survey response form (see appendix) consisted of twenty, multiple-response, "forced-choice" items. Five of the items (Part I) dealt with SBI directors' attitudes about exporting. Part II contained ten items related to the directors' awareness of the Export Trade Company Act of 1982. Five items which pertained to the survey participants' professional backgrounds comprised the third section of the instrument.

A panel made up of business faculty, SBA officials, SBI directors, and small business owners who are knowledgeable about exporting and the ETC Act examined the survey response form and established its validity. Internal reliability was determined through the use of the split-half method of item analysis. That analysis indicated a .82 reliability level which was deemed acceptable by the investigators (4).

The eighth item on Part II of the instrument (see appendix) was a "dummy" or " placebo" question, i.e., a question which was deliberately designed to be so misleading or difficult that few or none of the respondents answered it correctly. The use of the item enabled the researchers to compute a "difficulty index" (5) for the other eight factual questions, i.e., they had correct or incorrect responses, in Part II.

Consent information was included in a cover letter which accompanied the survey form. The survey forms were devoid of any information which could be used to ascertain the identity of a respondent.

Procedure
An initial mailout of the survey took place during the third week of September, 1985. A follow- up mailout was sent ten days later. After an interval of two weeks the responses were assembled and coded.

Data Analysis
Subprogram FREQUENCIES in the Statistical Package For the Social Sciences (SPSS) was used to generate summary statistics for each survey item (6). SPSS Subprogram CROSSTABS (7) was employed in order to derive measures of association between SBI directors' attitudes about exporting, awareness of the ETC Act of 1982, and professional backgrounds.

Comparisons were conducted between obtained and tabled values for the summary statistics at the .05 level of significance for "two-tailed" or non-directional tests. That procedure was repeated during the analysis of the measures of association.

As noted, Part II of the survey (see appendix) contained factual questions regarding the ETC Act. Those questions were scored and the scores were categorized as "high," medium," or "low."

RESULTS
Attitudes About Exporting
Nearly three-fourths (72%) of the directors believe that exporting offers small businesses potential benefits. The directors are divided, however, as to the extent of those potential benefits. For example, only five percent of the directors believe that exporting offers an extremely large number of potential benefits, 39% believe that exporting offers a fair number of potential benefits, and 28% believe that exporting offers many potential benefits. A substantial number of directors (28%) are of the opinion that exporting offers small businesses few if any potential benefits.

Approximately 81% of the SBI directors surveyed hold the opinion that exports should be given equal emphasis with other SBI services and programs. However, a sizeable number of the directors (16%) believe that SBIs should eschew efforts to encourage exporting.

Regarding SBIs' current efforts to encourage exporting, half of the directors are of the opinion that SBIs are doing less than they should while 40% believe that SBIs are doing about as much as they should. Only three percent of the respondents believe that SBIs are doing more than they should to encourage exporting.

It is clear that SBI directors are concerned about export-related issues. Only a small number of directors, five percent and four percent respectively, have little if any concern over the current trade deficit and debates on the use of trade barriers.

ETC Act Awareness

Despite their generally favorable attitudes towards exporting and their concerns with export related issues, SBI directors rate themselves low in terms of their knowledge about the ETC Act of 1982. Only two percent rate their awareness as good while 71% rate their awareness as either poor or none. A little under one-fourth (23%) of the directors, however, rate their awareness as fair.

Scores derived from the SBI directors' answers to the factual questions contained in Part II of the survey response form indicate that the directors' perceptions of their awareness about the ETC Act are on target. For example, only twelve (6%) of the directors have a "high" score (correctly answered seven or more of eight total questions). A little over two thirds (68%) of the directors, conversely, have a "low" score (correctly answered three or less of eight total questions). But, it is fair to note that 26% of the directors have a "medium" score (correctly answered four to six of eight total questions).

Excluding the "dummy" or "placebo" item inserted in Part II of the survey response form, the most difficult question for directors is the ETC Act's effects on the provisions set forth under the Sherman Antitrust Act. Sixty percent of the directors failed to provide an answer to the question.

The least difficult question for the directors dealt with the types of trade activities in which an ETC may engage. Thirty-five percent of the directors answered the question correctly.

Attitude, Awareness, and Background

Table 1 presents the results of the computation of Tauc, an "order" statistic which may be used if a contingency table is rectangular, i.e., it has more columns than rows or vice versa (8). The scores set forth in Table 1 represent the associations between various aspects of SBI directors' attitudes about exporting, ratings of their awareness of the ETC Act, overall scores on the factual questions posed in the survey, and professional backgrounds. For example, the Tauc score, -.47, indicates the association between directors' attitudes on the potential benefits of exporting and directors' self-ratings of their awareness of the ETC Act.

Perusal of Table 1 reveals that there is a negative association between the directors' attitudes on exporting and the directors' self-ratings of their awareness of the ETC Act. The strongest associations, as Table 1 shows, are between SBI directors' attitudes about export issues, e.g., importance of the trade deficit, and the directors' ratings of-their awareness of the ETC Act.

Interestingly, the data in Table 1 indicate the absence of a statistically significant association between various aspects of the directors' attitudes on exporting and the directors' scores on the factual questions pertaining to the ETC Act. Unlike the associations between attitudes and awareness, however, the data in Table 1 point out a positive association between directors' attitudes and their knowledge about the ETC Act. That positive association--attitudes on trade barriers versus scores on the factual questions--is only one of two positive associations which Table 1 sets forth.

TABLE 1
ASSOCIATIONS BETWEEN SBI DIRECTORS' ATTITUDES, AWARENESS, AND PROFESSIONAL BACKGROUNDS

Directors' Attitudes on:	Self-Rated Awareness	Scores on Factual Items	Professional Backgrounds
Export Potential	-.47	.-48	-.42
Amount of Emphasis	-.50.	-42	-.33*
SBIs' Current Performance	-.30	-.28	-.04
Importance of Trade Deficit	-.34*	-.32	-.07
Importance of Debates Over Trade Barriers	-.36*	.26	.35*

* Significant at the .05 level

The associations between directors' attitudes and their backgrounds exhibit a pattern which differs entirely from those on attitudes versus awareness self ratings and those on attitudes versus factual scores (see Table 1). First, Table 1 shows that there is a significant negative association between SBI directors' attitudes on the amount of emphasis that should be put on encouraging exports and directors' backgrounds. Second, there is a significant positive association between directors' attitudes on debates over trade barriers and directors' professional backgrounds.

DISCUSSION

The study findings are potentially limited because of the lack of previous research and the low rate of response (40%). In addition, the factual questions constituted a "power test" which may have been too difficult to administer in a survey setting (9). The study, despite its shortcomings, offers "baseline" data which may be used to conduct more exhaustive inquiry.

SBI directors are a highly skilled group of experienced professionals whose favorable attitudes about exporting augur a potentially powerful resource for small and mediumsized businesses which may desire to enhance their existing export activities or make an initial entry into export trade. The study findings strongly imply, however, that

SBI directors, like most small business professionals, need to more fully realize the new vistas of export activity offered under the ETC Act of 1982.

A good start would be a manual or training materials which can be used to supplement the newly developed SBA planning module on exporting. Workshops at SBIDA meetings and other forums present another way to enhance SBI directors' knowledge about the ETC Act.

It is worth noting that the study findings indicate that the more directors know about export trade the lower they rate their knowledge about export trade. Those directors who are knowledgeable, therefore, realize that export trade is not a panacea, but one of many avenues to enhanced growth and profitability for small businesses. However, it is only through increased awareness and training that SBI directors will be able to help their clients utilize export trade in the most effective manner possible.

APPENDIX
EXPORT TRADE COMPANY (ETC) QUESTIONNAIRE

Part I: Attitudes About Exporting

1.In my opinion, exporting offers small businesses:
0.0% no potential benefits
28.0% very few potential benefits
39.0% a fair number of positive benefits
28.0% many potential benefits
5.0% an extremely large number of potential benefits
0.0% no response

2. In my opinion, SBIs should:
16.0% forget about encouraging export activities
1.0% make exports the highest priority
81.2% give exports an equal emphasis with other areas
1.8%no response

3. In my opinion, SBIs are doing:
3.0% more than they should to encourage exports
50.0% less than they should to encourage exports
40.0% about as much as they should to encourage exports
7.0% no response

4. In my opinion, the current trade deficit:
61.0% is an extremely important issue
32.0% is a fairly important issue
5.0% is a "non-issue"
2.0% no response

5. Current debates on the use of trade barriers:
4.0% are of little or no concern to me
39.0% are somewhat important to me
56.0% are of a great deal of importance to me
1.0% no response

Part II: Awareness of the Export Trade Company Act of 1982
1. Rate your awareness of the ETC Act of 1982:
2.0% good
23.0% fair
39.0% poor
32.0% none
4.0% no response

2. According to what you know or have heard about the ETC Act of 1982, an export trade company (ETC) can be protected from antitrust laws by obtaining a "certificate of review" from the:
4.0% U.S. Small Business Administration
2.0% U.S. Department of Treasury
39.0% U.S. Department of Commerce
11.0% U.S. Department of Justice
0.0% Federal Reserve Board
44.0% no response

3. According to what you know or have heard about the ETC Act of 1982, a financial institution may own what percent of the shares of an export trade company:
9.0% 100%
19.0% 50%
8.0% 36%
0.5% 65%
11.0% 10%
52.5% no response

4. According to what you know or have heard about the ETC Act of 1982, ETC legislation allows companies to engage in:
8.0% exporting only
0.5% importing only
35.0% both
56.5% no response

5. According to what you have heard or know about the ETC Act of 1982, an export trade company can:
2.0% only be involved in manufacturing
2.0% only be involved in providing services
0.0% only be involved in financing
8.0% only be involved in a and b
3.0% only be involved in b and c
4.0% only be involved in a and c
23.0% be involved in all of the above
0.0% none of the above
58.0% no response

6. According to what you know or have heard about the ETC Act of 1982, an export trade company can:
11.0% be in existence for no more than 5 years
29.0% be in existence as long as it desires
60.0% no response

7. According to what you know or have heard about the ETC Act of 1982, an export trade company must:
12.0% qualify under SBA standards as a small business
2.0% employ more than 1,000 people
0.5% a and b
24.0% none of the above
61.5% no response

8. According to what you know or have heard about the ETC Act of 1982, the Export-Import Bank was set up to provide guarantees for loans to ETCs.
N/A false
N/A true

9. According to what you know or have heard about the ETC Act of 1982, it repeals all of the mandates set up under the Sherman Act.
0.5% false
40.0% true
59.5% no response

10. According to what you know or have heard about the ETC Act of 1982, trade associations are expressly prohibited from being an ETC.
13.0% false
16.0% true
9.0% neither
62.0% no response

Part III: Background Information

1. Period of time you have been an SBI director:
7.0% less than one year
21.0% 1 year to 3 years
15.0% over 3 but less than 5 years
26.0% over 5 but less than 10 years
31.0% no response

2. Your age:
3.0% 21-25 years of age
12.0% 26-35 21.
0% 36-45
24.0% 46-55
25.0% 56- 65
4.0% over
65 1.0% no response

3. Highest degree attained:
2.0% Bachelors
38.0% Masters
58.0% Doctorate
2.0% no response

4. Discipline or area of study in which high test degree was obtained (please put response in space below):
0.5% law
2.0% physical sciences
5.0% social sciences
84.0% business
8.5% no response

5. Number of years of experience in operating a small business prior to becoming SBI director:
29.0% less than one year
21.0% over 1 but less than 3 years
13.0% over 3 but less than 5 years
16.0% over 5 but less than 10 years
15.0% 10 or more years
6.0% no response

6. Factual Questions Scores
6.0% High (7-8 correct)
26.0% Medium (4-6 correct)
68.0% Low (below 4)

REFERENCES

(1) Chamber of Commerce of the United States, The Export Trade Company Act of 1982, Washington, D.C. 1982; United States Department of Commerce, Why and How to Establish and ETC, Washington, D.C. 1983; Young, Joanne W., and Atwood, Mark W., U.S. Export Trading Company Legislation: A Vehicle for Export Expansion, (New York: Barrett, Smith, Schapiro, Simon, and Armstrong, 1983).

(2) Hurt, William E., "Export Trading Companies Forging a New Sales Tool," Business America, October 18, 1982, pp. 11-14.

(3) Wiles, Charles, Personal communication from George E. Gibson, Business Development Manager, SBI Coordinator, St. Louis, Missouri, August 26, 1985.

(4) Minium, Edward W., Statistical Reasoning in Psychology and Education, 2nd ed., (New York: John Wiley & Sons, 1978).

(5) Borg, Walter R., and Gall, Meredith Damien, Educational Research, 3rd ed., (New York: Longman, 1979).

(6) Nie, Norman H.; Hull, C. Hadlai; Jenkins, Jean G.; Steinbrenner, Karin, and Bent, Nale H., SPSS Statistical Package For the Social Sciences, 2nd ed., (New York: McGraw-Hill Book Company, 1975, pp. 181-201.).

(7) Ibid., pp. 218 - 245.

(8) Linton, Marigold, and Gallo, Jr., Phillip S., The Practical Statistician: Simplified Handbook of Statistics, (Monterey, California: Brooks/Cole Publishing Company, 1975).

(9) Alreck, Pamela A., and Settle, Robert B., The Survey Research Handbook, (Homewood, Illinois: Richard D. Irwin, Inc., 1985).

HOW TO USE EXIM BANK FINANCING TO BE COMPETITIVE

Ernest H. Brass III, Lake Erie College

ABSTRACT
The purpose of this presentation is to identify the delivery system the EXIM bank uses to provide services. It should give the local Small Business Institute Director the information necessary to work on cases dealing with small businesses wanting to do international trade.

The major thrust of the report will be to provide a program by program analysis of EXIM Bank activities and their application to small business. Included in this approach will be an emphasis on what small businesses have to do to get their local bank interested in working with the SBA/EXIM Bank program.

EXIM BANK ORGANIZATIONAL STRUCTURE

Its History

The Bank was created in 1934 to do business with the Soviet Union. A second bank was also created in the same year to do trade with the rest of the world. They were merged in 1936 after no agreement on the repayment of old debits by the Soviets resulted in no loans being made. It is an agency of the U.S.Government that facilitates the financing of private sector exports, through loan guarantee and insurance programs. The Foreign Credit Insurance Association (FCIA) administers all the Bank's export insurance programs. FCIA was formed in 1961 as a group of private U.S. insurance companies to assist the Bank in providing repayment insurance on export credits. This arrangement was changed in 1983. FCIA is still the agent for the bank. However the Bank now assumes all the risk of nonpayment for commercial and political risks. The activities and policies of the Export-Import Bank are determined by a 5 member board of Directors. The President appoints and the Senate Confirms. Since 1934 the EXIM Bank has been involved in financial support of U.S. exports for over $170 billion. The 1984 level of support was $10.3 billion.

Its Mission
The Bank's mission is more focused than the name would imply. Its purpose is to facilitate U.S. exports, through financial and other assistance. There is no import assistance available.

EXIM BANK PROGRAMS AND FEATURES
Working Capital Guarantee Program

Product Eligibility
All non-military U.S. products and services.

Program Description
This program is designed to provide eligible exporters access to working capital loans through commercial leaders.

Eligible Applicants
Commercial lenders who are providing working capital to creditworthy small and medium sized businesses for export related activities.

Financial Coverage
The maximum coverage is 90% of loan principal. Interest payments are covered at the same rate, so long as they do not exceed the U.S. Treasury rate plus 1%.

Repayment Period
The maximum allowed is 12 months.

Fees Related to the Loan
For loans of 180 days or less the fee is 1% of the loan. For each additional 6 months or portion thereof the cost is 0.5%.

Financing Characteristics
The lender must receive collateral from the exporter so that the loan balance does not exceed the 90% guaranteed. Responsibility for recourse is also a necessary condition for the exporter.

Special Features
The loan guarantee can be made for a single export related transaction or a revolving line of credit. For those that qualify it can also be combined with the Small Business Administration's Export Revolving Line of Credit (ERLC) Program.

FCIA INSURANCE PROGRAMS
New-To-Export policy

Product Eligibility
All non-military products which are classified as consumables, raw materials, spare parts, agricultural commodities, capital goods, consumer durables and services.

Program Description
The policy provides one year blanket coverage on all eligible short-term export credit sales.

Eligible Applicants
This policy is for companies just starting to export. Also those companies with average annual export sales less than $750,000 for the past two years qualifies. The company must also not have used FCIA in the past two years.

Financial Coverage
100 percent protection from political risk. Commercial risk protection is at the 95 percent level, with bulk agriculture sales at the 98 percent level. Again interest payments are covered up to 1% above the U.S. Treasury rate.

Repayment Period
The maximum is 180 days for commercial goods and 360 days for bulk agricultural commodities or consumer durables.

Fees Related to the Loan
The fee rate varies between 0.25% and 1.0% of the sales value but could be higher. $500 is the minimum annual premium.

Financing Characteristics
Proceeds from the policy are assignable for financial purposes. Financial Institutions are assured payment in the case of default with a special assignment feature.

Special Features
Coverage for political risk only is possible. There is no deductible on the commercial risk initially. Five years is the maximum eligibility. The protection from commercial risk drops to 90% after two years.

Umbrella Policy

Product Eligibility
Same as New-To-Export policy.

Program Description
A blanket policy which covers all eligible short-term credit sales of exporter. Average annual sales for the past 2 years should be less than $2 million along with a 2 year limit on past use of FCIA coverage.

Eligible Applicants
An organization capable of administering the policy for multiple exporters.

Financial Coverage
Protection from political risk is 100%. Coverage for commercial risk is 90%. With bulk agricultural sales covered up to 98%. Interest coverage is the standard 1% above U.S. Treasury rate.

Repayment Period
Same as New-To-Export policy.

Fees Related to the Policy
Same as New-To-Export policy. The minimum premium is paid in advance.

Financing Characteristics
Same as New-To-Export policy.

Special Features
All communications with FCIA is handled by the policy administrator not the exporter. This includes premium payment. Because of this the exporter is not required to carry a commercial risk deductible.

Short-Term Deductible

Product Eligibility
Same as New-To-Export policy.

Program Description
All eligible short-term export credit sales are covered under a blanket policy.

Eligible Applicants
All financial institutions in the U.S.A. and all exporters of U.S. products or services.

Financial Coverage
Same as the Umbrella policy except the commercial and agricultural protection starts after the annual first-loss deductible.

Repayment Period
Same as the New-To-Export policy.

Fees Related to the Loan
The premium rate is determined by the by the following; history of export credit losses,
the insured's sales profile, the average term of repayment, and the size of the first-loss
commercial deductible.

Financial Characteristics
For financial reasons the policy proceeds are assignable.

Special Features
Coverage for political risk only is available. Some discretionary authority is given to the
exporter to sell on an insured basis without FCIA clearance of the buyer.

Medium-Term Policy

Product Eligibility
Capital equipment and services which include the following; automobiles/trucks, general
aviation aircraft, mining, construction, and agricultural equipment, processing and communications equipment and planning/feasibility studies.

Program Description
All eligible short-term export credit sales are covered under a one-year blanket policy.

Eligible Applicants
Same as Short-term policy.

Financial Coverage
Same as the Umbrella policy except for the bulk agricultural sales.

Repayment Period
Two years for contract values up to $50,000. Three years for sales up to $100,000. Four
years for sales up to $200.000. Five years for sales over $200,000.

Fees Related to the Policy
The rate varies depending on the terms and nature of borrower. It is between 1% to 6.5%
of the export receivables.

Minimum Payment
Payments are 15% of shipments.

Financing Characteristics
Policy proceeds are assignable. The obligations are in the form of notes payable. They usually are pegged at the market with a floating rate obligation. Also the payments are at least semi- annually.

Special Features
Coverage for Political Risk only possible. The annual commercial risk deductible is not required. Either single or repetitive sales to a single buyer are covered. Small Businesses have 95% commercial risk protection.

Combined Short/Medium-term Policy
Capital equipment including automobiles/trucks, construction, mining and agricultural equipment, and general aviation aircraft.

Program Description
Repetitive export sales to a single dealer or distributor are covered by the policy. Short-term inventory financing of seller is converted to medium-term coverage to handle receivables financing.

Eligible Applicants
Same as Medium-Term except services are not included.

Financial Coverage
Same as the Medium-Term policy.

Repayment Period
For the inventory phase the maximum is 270 days. Receivables can be financed for an additional 3 years.

Fees related to the Loan
The rates vary from 1.25% to 6.5% of the value of the receivables depending on the terms and the buyer.

Minimum Payments
There is no payment required for short term portion. A 15% fee is required when it is rolled over to medium term.

Financing Characteristics
Purchases of inventory by deal - which will not be rolled over to medium-term can be financed for 360 days. Again the policy proceeds are assignable for financial purposes.

Special Features
This is normally used to cover a revolving sales plan for one year. The annual commercial risk deductible is not required.

Master Deductible Policy

Product Eligibility
The same as the Short-Term and Medium-Term policies.

Program Description
A blanket policy which covers all eligible export credit sales.

Eligible Applicants
Primarily for exporter of U.S. products with sizable dealer networks overseas.

Financial Coverage
Same as Short-Term policy except that the commercial risk protection starts after deductible.

Repayment Period
Same as those for sales that are classified either Short or Medium-Term under those policies.

Fees related to the Policy
Same as the Short-Term policy.

Minimum Payment
Same as the Combined policy.

Financial Characteristics
Same as Short-Term policy.

Special Features
Same as Short-Term policy with some reduced premiums because of the blanket policy and the commercial risk deductible requirement. Also only Medium-Term coverage is available.

Medium-Term Bank Guarantee

Products Eligible
Same as the Medium-term policy.

Program Description
The EXIM Bank guarantee for export financing is extended to individual foreign buyers.
Sales can be either single or repetitive.

Eligible Applicant
An approved commercial banking institution in the U.S.

Financial coverage
Same as the Working Capital program except that the exporter and the bank participate
for 10% and 5% respectively.

EXIM BANK FINANCING PROGRAMS
There are four fixed interest rate financing programs; Medium- Term Credit, Small
Business Credit Program, Direct Credit program,the Direct Credit and Engineering
Multiplier program.

Medium-Term/Small Business Credit Program

Product Eligibility
A product or service which is usually sold on a 1-5 year basis.

Eligible Applicants
Any business with the right product. For the Small Business participation they must meet
SBA requirements.

Financial Coverage
The maximumis $10 mill under the regular program. For Small Business there is a $2.5
mill sure to one buyer of $10 mill. sure to one buyer of $10 mill.

Application Requirements
A 15% Cash payment is required from the buyer. Only Small Businesses are not required
to show evidence of subsidized foreign competition.

Where to Apply
Through a commercial bank.

Special Features
There is no credit risk protection. This program only provides the lender with fixed rate
financing.

Direct Credit Program

Product Eligibility
This is for major projects and products. The value of the project should exceed $10 mill.

Program Description
The EXIM Bank provides a fixed rate loan directly to the buyer of the U.S. goods and

services that are offered for export. This is done because commercial banks can not be competitive at the terms that are required.

Application Requirements
Any business with the right product that can show evidence of subsidized foreign competition. It also has to be demonstrate the need for EXIM Bank assistance.

Alternative Financial Packages

Alternative One
Cash payment of 15% by the buyer. EXIM Bank loan for 65% of sale. Private financing for the remaining 20%. An EXIM guarantee is often used on this portion.

Alternative Two
Cash payment of 15% by the buyer. EXIM Bank loan for 75% of sale coupled with a loan from the exporter for 10% of the contract at the same interest rate.

Alternative Three
Cash payment of 15% by the buyer. Private financing of 85% of the deal with EXIM Bank guarantees.

Private Export Funding Corporation (PEFCO)
PEFCO was established in 1970 in cooperation with the EXIM Bank by a group of banks and industrial corporations. It supplements EXIM Bank and Commercial Bank financing.
It is usually in the form of medium and long-term fixed rate loans at market rates. All PEFCO loans are guaranteed by EXIM Bank. Their loan limit is 85% of the contract price.

Preliminary Commitments
This is available for exporters who are making a marketing proposal that needs to include financial aspects.

Financial Coverage
The financial assistance the EXIM Bank is willing to offer the potential buyer is outlined along with the terms and conditions. The initial offer is made for 180 days with a renewal option available.

Once the foreign buyer makes a positive decision to purchase what he needs to apply to

the EXIM Bank to convert the offer to either a direct loan or a guarantee.
There are no fees attached to a preliminary commitment.

Eligible Applicants
A commercial bank or exporter in the U.S. along with the foreign buyer may apply for the preliminary commitment. The final application however must be made by the foreign buyer.

Engineering Multiplier program
This is a direct loan program designed specifically for architecture and engineering contracts.

Program Characteristics
The EXIM Bank offers fixed rate medium-term loans to foreign buyers. They are to finaproject related feasibility studies and pre-construction engineering and design services.

Product Eligibility
The potential follow-on sales have to be at least $10 million or twice the amount of the initial contract, whichever is greater.

Financial Characteristics
The EXIM Bank will make a loan for up to 85% of U.S. costs and offer a repayment guarantee for local foreign cost up to 15% of U.S. costs.

Special SBA/EXIM Bank Programs
The SBA was offering on its own a special Export Revolving Line of credit program. The maximum guarantee was $500,000. But with the cooperation of the EXIM Bank the limit has been raised to $1 million.

Application Procedure
Application is made through a commercial lending institution. There are also 119 district field offices for the SBA which authority to commit the SBA. With only one office in Washington D.C. the EXIM Bank depends on commercial lending institutions and primarily. It has also designated certain banks and district SBA offices with limited authority to commit them.

Financial Characteristics
The types of collateral that both accept are similar but there are some differences. The balance under the Co-Guarantee Arrangement can not exceed 90% of the collateral.

SBA guarantees a fix rate on its portion of the deal. 2.25% above prime is the maximum.
The EXIM Bank rate is negotiable between the bank and the exporter.

The highest maturity date for the SBA is 18 months including extensions. EXIM Bank limits are 12 months
Fees charged are also different. SBA's rates are .25% and 1% for less than and over 1 year respectively. EXIM's is 1% up to 180 days 1.5% for 180 days up to 1 year and .5% for 6 months additional.

RELATED INFORMATION
OECD Arrangements
OECD stands for the Organization for Economic Cooperation and Development. The U.S. and other industrial countries who are members of this organization have had detailed discussions about export credit. The government has required the EXIM Bank to work with export credit agencies in these countries to minimize competition in government supported-export financing. To Minimize this intervention these industrial countries have agreed to certain guidelines on export transactions. The guidelines deal with; cash payments, minimum interest rates, maximum payment periods, and local costs.
The EXIM Bank follows these guidelines when it sets the rates for its fixed rate financing arrangements. The rates are broken down even finer by the organization because of their classification of the world into three basic economic subgroups(Rich Countries, Intermediate Countries, and Poor Countries).

Depending on which group a country falls the interest rate its borrowers pay will be different.

Although a country is on the list and is designated to be eligible for certain financial consideration according to the OECD that does not mean that the EXIM Bank has to or will make loans to them. Because of this the Bank up dates its Country List periodically.
Get a current list you should contact the Washington Office.

The last section gives the highlights of a lender check list.

Lender Check List

Applications
Completed Form Completed Guarantee Request Item 9
information from the Application
form EXIM signed/returned copy of Guarantee and Agreement
Lender Signed/returned
Agreement with EXIM Fee

Protection of Receivables
Letter of Credit
Payment on Short Term Credit sales
Exporter and Banker satisfied with repayment risk
Exporter/banker perceives
Commercial/political risk
EXIM/FCIA Country List
FCIA Insurance purchased
Other Insurance

Medium-Term promissory note
EXIM/FCIA Country List
Exporter/lender have protection from EXIM/FCIA

GuaranteeFee
Available Commitment Date Date of Fee Payment
Disbursements
Date of First Disbursement

Expiration Information
Expiration Date
Renewal Date
Delinquencies
Date of Delinquency
30 Day Information
EXIM may request payment
60 Day Information
EXIM notified in writing and given monthly status report
120 Day Information deadline for requesting extension of
claim filing deadline dead line for making claim

Documentation to keep on file
Copy of application form
Signed EXIM Guarantee request
Signed EXIM Guarantee Agreement
Certified Loan Agreement
Executed promissory note
Evidence of Collateral
Evidence of signatures authority
Delinquency reports if applicable
EXIM Lenders instructions

"Opinions of Small Kansas Business Owners/Operators Concerning Hiring, Training and Advancement of Male/Female Nontraditional Workers in Kansas"

Ken Hoffman, Emporia State University

ABSTRACT

This study is an attempt to gather the opinions of small Kansas business owners/operators concerning issues faced in employment of non-traditional workers. Personnel directors and managers of small Kansas businesses reacted to 12 statements which contained a sample of the social issues faced by management in the employment of workers. Nontraditional meant persons who are not typically involved in the occupation as far as sex is concerned. The respondents reacted to the items and also made comments concerning these issues.

OBJECTIVE

Objective Statements

The purpose of this study was:

1. To identify, "from a cross section of employers," the attitudes and values of Kansas industry toward the role, place, and function of the non-traditional worker in small business.
2. To develop from employers a list of suggestions, cautions, hints, and advice about the social issues faced in the hiring, training, and advancement of non-traditional workers in the Kansas labor force.
3. To translate their suggestions, hints, cautions, and advice into guides for hiring, training, advancing, and promoting non- traditional workers.

METHODOLOGY

Trial of the Instrument

The researcher developed, from a review of the literature, a list of approximately 40 issues faced by the employer of non- traditional workers.

These statements were included in a questionnaire and submitted for testing on a trial basis to the Kansas Foundation For Marketing Education in August of 1982. Based upon this panels' reactions and advice, the items were consolidated, amended or otherwise changed to the 25 item questionnaire used in a study in 1983. Further condensation was performed in this present study to form a new 12 statement survey. (See Appendix)

Sampling Process and Data Collection

One hundred owners/operators of small businesses in Kansas were selected at random from the industry directories. These 100 firms were then contacted by telephone and advised of the survey and the use of the research, and asked if they would cooperate in completing one of the questionnaires. Representatives from one hundred firms agreed to complete the questionnaire that would be mailed later. Of the 100 questionnaires sent to the firms, 76 were returned and were useable.

The data collection was highly dependent on the cooperation of the small Kansas firms. The questionnaire was a revised two page form developed to allow respondents to reply quickly with a minimum of work time involved. Follow ups were made to those who had not completed their questionnaire.

SUMMARY OF QUESTIONS

The questionnaire consisted of twelve questions. Three basic areas were analyzed: Employment, Training, and Advancement of the non-traditional male/female worker.

The following items dealt with the employment of non-traditional male/female workers:

A. Avoiding jobs for fear of not succeeding.
B. Employment efforts directed toward usual worker.
C. Separating dreams from reality.
D. Assertiveness/Timidity.

In the area of training the questions included:

A. Forcing through barriers.
B. High visibility
C. Lower opportunities for advancement.
D. Lack of necessary skills.

Because the questions were somewhat general, the responses are subjective and depend on the respondent's views at the moment. Also, the type of worker they employ may be their only observational source. However, there is much to be gained from their reactions and comments on each question.

TYPE OF RESPONDENTS

<u>Type of Firm</u>
Manufacturing. 35
Transportation 3
Service. . . . . …. . . .6
Wholesale. 7
Retail . . . . ……19
70***(1)***

<u>Number of Employees</u>
1 - 4. . . . . …... 4
5 - 9. . . . . …..... . .
20
10 - 19. ….. . . . 17
20 - 49. ….. . . . 17
50 - 99. . . . . …. . . .5
100 - 199. . . . . …. .5
200 - 299. . . . . …. .1
500 - more*. 1
70***(1)***

<u>Scope of Sales</u>
City of our Firm 16
Regional within State. 18
State Wide 6
Nationally 16
Internationally. 14
70***(1)***

* 500 employees does not usually classify a firm as a small business, by all classifications. However, this firm's responses are integrated in this report.

(1) 6 did not submit this information

ANALYSIS OF RESULTS
Table 1 provides the weighted mean score and the percentage of agreement/disagreement
for each of the 12 items included in the questionnaire. Questions will be identified by
number in order to save space. For the entire question see appendix.

SUMMARY OF SIGNIFICANT RESPONSES
Using the Kolmogorov-Smirnov One Sample Test of the Goodness of Fit (Chi square
analysis), questions with a significantly high level of agreement (.01 level) are:
#2. Employment efforts are directed toward the ordinary or usual worker.
#3. Non-traditional workers must separate dreams from reality.

#4. Non-traditional workers must develop assertiveness and get rid of timidity.
#5. Non-traditional workers must be prepared for training material directed toward the typical worker.
#8. Be aware of problems caused by "pecking order".
#9. Force through barriers to gain advancement.
Questions with a significantly high level of disagreement (.01 level) are:
#7. Training programs are harder on the non-traditional male/female worker.
#10. In advancement, there is an advantage of high visibility to the non-traditional male/female worker.
#11. Lower opportunities exist for advancement of the non-traditional male/female worker.
#12. Decreasing advancement opportunities because of lack of skills or knowledge.

SUMMARY OF COMMENTS
Many comments were received. These comments are useful because they discuss factors which the non-traditional male/female worker must deal with when searching for and remaining in a job situation. These are perceptions at the grass roots level from persons who are in charge of their firm's personnel.

Some comments regarding the non-traditional male/female employee include:
1. The non-traditional male/female worker may feel uncomfortable in a job situation.
2. The non-traditional male/female worker needs to avoid the extremes of assertive/timid behavior. It is also important not to be over aggressive.
3. The non-traditional male/female worker may not have the practical experience that the traditional worker has.
4. The non-traditional male/female worker must be able to get around barriers and render them ineffective.
5. High visibility can backfire if improperly used.
6. Non-traditional male/female workers may lack polish of the peer group in that field.

Some general comments by the respondents were:
1. An ordinary or traditional worker is one who can comfortably deal with the public and thinks "on their feet."
2. A valued employee is one who can exceed the typical or traditional worker.
3. One manager observes that his employees are prejudiced because of their older age and the physical abilities involved in their work. He, however, feels a younger group of employees would not hold the same set of values.

An underlying thread contained in the responses indicate that ideas and attitudes are changing regarding traditional roles in the workplace. Respondents generally felt that job satisfaction depends on the desire to succeed, the abilities to perform, and the attitudes relating to the position.

TABLE 1

Summary of Opinions of Kansas Small Business Employers Concerning Hiring, Training, & Advancement of Non-Traditional Male/Female Workers in Kansas, Fall 1984

Question	Agree %	Disagree	Mean Response Score
1	55	30	2.74
*2	72	21	2.37
*3	89	7	1.83
*4	88	4	1.85
*5	89	6	1.91
6	31	33	2.98
7	27	57	3.30
*8	62	12	2.42
*9	76	15	2.20
10	26	59	3.26
11	27	55	3.25
12	21	59	3.45

n = 76

* = High level of agreement (.01 level of significance)

_ = High level of disagreement (.01 level of significance)

Note: Respondents indicated their level of agreement with statements on a five point scale as follows: strongly agree, agree, undecided, disagree, strongly disagree. Respondents were weighted 1 - 5 for mean score.

CONCLUSION
This study was designed to take the pulse of small businesses as they perceive the nontraditional male/female worker. The survey indicates that personnel managers and directors feel there should be no difference between a traditional or non-traditional male/female worker. They believe job opportunities exist equally for all, and that advancement should be based on qualifications and abilities.

In the area of training, however, the non-traditional male/female worker must be prepared
for programs and materials directed toward the traditional worker. Another problem faced
by non- traditional workers is the "pecking order" system in some firms.

Employers and workers alike should be aware of the problems a non-traditional
male/female worker may encounter in any job situation. Employers must lay aside biases
and employ, train, and advance the right person for the right job.

APPENDIX
Issues Statements From Questionnaire

1. Non-traditional applicant male/female workers may decide to avoid particular jobs
because they cannot enter the common training programs and succeed.

2. Employment efforts in your industry are directed toward the ordinary or usual worker.

3. When facing the prospect of employment, the non-traditional male/female worker
should be able to separate dreams from reality.

4. When facing the prospect of employment, the non-traditional male/female worker
should develop assertiveness and get rid of timidity.

5. When preparing for job training, the non-traditional male/female worker must be
prepared for programs and materials directed toward the typical worker.

6. Training programs with which you are familiar are sensitive to the social, attitudinal,
and behavioral challenges to the non- traditional male/female worker.

7. The training programs of most employers you know are harder on non-traditional

male/female workers than on others.

8. When facing the prospect of employment, the non-traditional male/female worker should beware of the problems caused for the new worker by the so-called "pecking order" system in some firms.

9. Non-traditional male/female workers should be able to force through barriers to gain advancement.

10. In order to be advanced and/or promoted, the non-traditional male/female worker will have an advantage because of his or her high visibility.

11. Opportunities for advancement for the non-traditional male/female worker are substantially lower than for other workers.

12. Advancement opportunities for the non-traditional male/female worker are decreasing because they generally lack skills and knowledge necessary for productive employment in traditional occupations.

DEVELOPING COMPENSATION PROGRAMS FOR THE SMALL-BUSINESS

Charles H. Fay, Rutgers, The State University of New Jersey
Steven D. Maurer,
University of Kentucky

ABSTRACT
Compensation programs can be a crucial factor in the success of the small business. A means of developing such a program, which will attract, retain and motivate qualified employees without putting the small business at financial risk is described.

INTRODUCTION
Most owners of small businesses will attest to the problems of developing a compensation program for their employees on any consistent rational basis. Very few entrepreneurs know whether their employees are being overpaid or underpaid. Still fewer know how to determine what their employees ought to be paid, or to coordinate all the aspects of compensation to develop an effective compensation program. Most traditional wage setting programs have been developed for organizations with several hundred employees occupying many different jobs. Such wage setting frequently cannot be applied to the organization employing under 100 workers and the expenses and expertise involved in many cases make such techniques impractical for the small business. This paper describes a means of developing a compensation program which will work for the small business, and can be used by employers with no advanced compensation expertise.

COMPENSATION AND COMPENSATION GOALS
Compensation is usually defined as anything of monetary value received by an employee in exchange for labor. Thus compensation includes wage and salary payments employee benefits, bonuses, performance related payments, and any services the employer may provide (such as a company lunchroom) which are of value to employees. In addition, compensation would include the provision of services such as group buying rates for employees which do not cost the employer anything but would be otherwise unavailable to the employee.

Regardless of the makeup of the compensation package, compensation analysts are agreed that the package should achieve three organizational goals. The first goal is the attraction of qualified personnel from the open labor market. The second goal is the retention of employees. The third goal is the motivation of employees to high levels of performance. These three goals must be sought under a major constraint: the compensation package must be affordable to the organization. Small businesses are particularly vulnerable to this constraint, although giant corporations such as Continental Airlines have found unaffordable compensation programs have nearly forced them into bankruptcy. Generally speaking, however, small organizations have less ability to absorb even temporary downturns when their compensation program is inflexibly based on good business periods.

EQUITY AND COMPENSATION PRACTICES

If the organizational goals of the compensation package are to be achieved, the organization must make sure that the package is equitable. Behavioral scientists have found that few people have any idea of how much their labor is worth in any absolute sense. Instead, most employees compare what they get for working in a specific job with what other workers in similar and different jobs get. Compensation theorists have recognized that when these comparisons are made, employees are looking for equity. If the work to compensation ratio for a worker is similar to the ratios of the other employees used for comparison, the worker will feel that equity exists. If the ratios are such that the worker feels other employees get a higher rate of return on their work effort, the worker will feel inequitably treated. The results of such feelings have been shown to include poor performance, absenteeism, and turnover. There are legal consequences of compensation systems which are felt to be inequitable as well. Indeed, the whole comparable worth argument is that jobs which are of comparable worth to the organization ought to be paid the same. Nurses, secretaries, and other women have made the equity comparison and have found their compensation wanting in that comparison.

Three forms of equity have been posited. The first, external equity refers to the comparison of similar jobs in different organizations. Thus, a secretary in one organization is likely to compare her salary and benefit package to the package offered secretaries by another organization. Organizations not meeting external equity demands of employees will find it difficult to attract or retain competent personnel.

The second form of equity, internal equity, refers to the comparison of different jobs in the same organization. Thus, an assembly line worker may compare her salary to that of a clerk. Even though the employer may keep salaries secret, some idea of the pay structure does pass about, although frequently the information is wrong. Employees who feel internal equity demands are not being met are fair game for union organizers, and if internal equity is generally felt to be lacking, the organization will find motivation and retention of employees in affected jobs is poor.

The final form of equity demand the organization must satisfy is individual equity. Individual equity refers to the comparisons made between individuals on the same job in the same organization. If no distinction in compensation is made between high performers and low performers on the same job, the organization is likely to see performance levels sink to the lowest common denominator.

Compensation professionals have developed three techniques used in creating compensation programs which meet external, internal, and individual equity requirements. To meet external requirements organizations conduct or purchase market surveys which track salary and benefits for key jobs in the organization. Indeed, when possible, some organizations try to get market data for every job in the organization.

A variety of job evaluation techniques have been developed to maintain internal equity. Briefly, the purpose of job evaluation is the creation of an internal worth hierarchy of all jobs in the organization. Techniques range from simple (and generally inadequate) ranking systems to elaborate and expensive point factor systems or statistically sophisticated multiple regression job pricing systems. Regardless of the system chosen, the job evaluation and market data are combined to create some sort of salary structure.

Organizations use some form of merit pay system to satisfy individual equity demands. Using performance appraisal data, the organization adjusts individual salaries within the salary structure so that individuals who contribute more to organizational goals receive more in return from the organization. Such merit pay may be based on group performance rather than individual and may be in the form of one-time bonuses rather than adjustments to base salary.

In rounding out the compensation program with benefits, organizations typically are concerned only with external and, to a lesser extent, individual equity. That is, employers try to remain competitive with respect to benefits as they do with wages and salaries, and some benefit levels may increase with seniority though not with performance. Most benefit packages do not differ significantly between jobs except for those that are based on some multiple of base pay (such as life insurance) and those that are reserved for a class of jobs (such as executive perquisites).

The following part of this paper looks at a combination of techniques to meet internal, external, and individual equity needs within the framework of the small business. Standards used in selecting this system included applicability to the number of jobs and employees likely in a small business, level of expertise available to the business in setting up and maintaining the compensation system, flexibility of the system to meet changing needs, vulnerability of the system to business downturns, ease of communicating the system to employees, and the probability that the system will help attract, retain, and motivate employees. In addition, the system developed should meet federal and state legal standards.

ORGANIZATION STRATEGY AND COMPENSATION PHILOSOPHY

The first step in developing any compensation program is to articulate organizational strategy and develop a compensation philosophy which will support that strategy. An

organization which envisions high growth will want to develop a compensation philosophy which will support attracting high-quality employees for key positions. A stable organization may prefer to emphasize cost-consciousness and will want to pay below market. Issues which must be settled include the organization's competitive stance with respect to the market, the balance between wages and benefits, and the degree to which individual performance or group performance will be recognized and rewarded.
The system described can be adapted to any combination of these policies within the small business framework.

MARKET PRICING

The key equity issue for most small businesses is external equity. Small businesses must be able to attract new employees and retain desired employees and insofar as compensation becomes an issue with small business employees, it is usually in terms of attraction and retention. Many small organizations have such a small number of different jobs that elaborate internal equity pricing mechanisms are not needed; market differentials are likely to reflect the organization's hierarchy of values fairly precisely.
Thus, a wage structure that is based on market pricing is desirable for small organizations.

The goal of market pricing techniques is to pay at some predetermined market level (e.g., pay at the average market price or at the 60th percentile level) based on compensation philosophy. The market will determine all salaries for jobs for which market information is available. For those jobs for which market information is not available, a simple model will be built which will provide an estimate of what the market would pay if such a market existed.

The first step in market pricing is the collection of job descriptions for each job in the organization. These job descriptions should include job title, major tasks and duties, major responsibilities (e.g., education. experience, special training, licenses). The second step is to get market survey data for each job. Market survey data is available from a variety of sources. The basic source is the Area Wage Survey. The Department of Labor conducts such surveys for every Standard Metropolitan Statistical Area (SMSA). While this data is somewhat out of date by the time it is published, it can be upgraded by estimating probable change since its collection. Other Bureau of Labor Statistics Surveys are available which cover a broader range of jobs. Many private groups publish extensive wage surveys. A local business library can provide help in tracking down the ones most relevant to the jobs and area for which data is sought. Prices, however, tend to be high-- perhaps several hundred dollars. A look at out-of-date surveys from the vendor will help ensure that the jobs for which information is needed are adequately covered by the survey.

The best bet for the small business, however, is an independent survey in which the business shares its wage information with other organizations. Many local chapters of the American Society for Personnel Administration conduct wage surveys for the area. So do local chapters of other professional societies. Some chambers of commerce conduct wage surveys as part of their services to members. The chance of finding and participating in a wage survey in most areas is quite good. An advantage to taking part in such a survey is that the small business will then have some influence on the data collected and the jobs chosen. Costs are typically much less for such surveys as well.

A final source of market salary data is the informal network most individuals in business have access to. It is always possible to give a call to contacts in other organizations who hire similar kinds of workers and ask for information on going rates. There are two things to be careful of in such practices. The information may not be forthcoming or, if forthcoming, not accurate if the survey organization is a competitor. A more serious problem in using the informal network is the possibility of charges of constraint of trade. Users of the network should concentrate on what has been offered for certain jobs and avoid future pay plans. Avoidance of even the appearance of wage- fixing is important.

Given as complete a set of market data as possible, the small business manager has the bulk of the data needed for the wage structure. Depending on the chosen competitive stance with respect to wage level, the compensation analyst chooses some level of the survey distribution of wages for each job. That is, the competitive stance may be to meet the market, in which case the average wage gathered in the survey will become the base wage for that job. If the company wishes to be highly competitive, the 60th or 75th percentile of each job's surveyed wage distribution may be chosen as the base wage for the job. The next step is to determine what the rate ought to be for jobs for which there is no market data available. For a small organization with relatively few jobs it is probably enough to make comparisons of market priced jobs with non-market priced jobs. The market priced jobs are arranged in descending order of market rate. Jobs which are not market rated are then compared with these jobs until the closest match in terms of responsibility, job requirements, and so forth is made. This information comes from the job descriptions gathered earlier. The non-market rated job is then priced in relation to the comparison job, with upward or downward adjustments made to reflect minor job differences.

For larger organizations (those with fifty or more priced jobs) a more sophisticated technique is possible. Jobs for which market rates are available may be evaluated with respect to compensable factors. Typical compensable factors (again gathered from job descriptions) are education required, training required, experience required, level of responsibility, working conditions, and so forth. A sample of a job evaluation scale is shown in Figure I. Total job evaluation scores for market rated jobs are used in a simple linear regression model and an equation showing the relationship between the job evaluation score and the market rate may be calculated. (Most hand calculators are programmed to carry out these calculations.) Jobs for which market data is not available are then evaluated and the evaluation points are used in the regression equation to give an estimated wage figure. When the expertise is available and the small business has access to a microcomputer, a multiple linear regression model may be used which may give a more precise estimate. Such packages are available at a very low cost.

At this point the organization has a single wage rate for each job that reflects what an

average worker in that position is (or is estimated should be) paid in the marketplace.
Both internal and external equity requirements are served by the compensation system
and a consistent and legally justifiable foundation for compensation has been reached.
The next stage is to recognize that internal equity needs are not served by treating all
workers as average.

PRODUCTIVITY REWARDS
Workers on the same job differ in experience and effort made. Most organizations
recognize that beginning workers will not contribute as much as workers who have been
on the job a while. There is, likewise, a difference in productivity even among
experienced workers. To promote internal equity many organizations differentiate
salaries on the basis of seniority and performance.

The small business can recognize seniority by having a starting salary or a job which is
lower than the single wage rate. Many organizations begin new workers at about 80
percent of the average rate and move people to the average rate over a year or two. On
the assumption that no new worker can be outstanding, the fixed increase is the only
increase for which new workers are eligible. However, workers who have been raised to
the single wage rate will get no further increases based on seniority.

Performance rewards for a small organization need to be sensitive to both the adequacy
of performance measures and the ability of the organization to pay. Individuals may
perform very well but in a declining market the organization may not have the resources
to reward them. Adjustments to base salary tend to increase the likelihood and severity of
this problem. Thus, the first issue the small business must deal with is the development of
an accurate performance appraisal system. Such a system should include both employee
outputs and critical behaviors. The output of the appraisal system (as far as compensation
goes) should be a single performance score. The organization then needs to set aside part
of the salary budget for a bonus pool. The size of the pool will be determined by the
ability of the organization to pay. This pool will be allocated to employees on the dual

basis of their base salary and their performance level. Since the base wage reflects what average performers are worth in the marketplace, no employee who is an average or lower than average performer would be eligible for the bonus. A high level performer earning $40,000 per year would receive a bonus twice as large as a high level performer whose base rate was $20.000. Such a bonus system allows the organization to preserve both internal and individual equity while recognizing the limits the business environment places on finances.

ADJUSTMENTS
A market pricing system needs to be adjusted to reflect changes in the marketplace annually. At that time individual rates need to be adjusted either upwards or downwards. Individual salaries, however, would not be adjusted downwards, but market bonuses could be adjusted to take into account the overpayment vis-a-vis the market. Similarly, as employees change jobs their salary is not likely to be lowered. If, in fact, the structure is internally and externally equitable, such adjustments would not be necessary except in case of demotion.

BENEFITS
To round out the compensation program, organizations provide employees with a number of employee benefits. Some are required by law and neither employers or employees may recognize these as "benefits". Such employee benefits include social security (employer's contribution), worker's compensation, and unemployment insurance. The two areas of benefits which many small organizations offer are insurance benefits and pension benefits. While the specifics of both pension and insurance benefit programs are beyond the scope of this paper, some general rules apply to any small organization. There are limits to what can be offered and paid for by the organization. Some estimate must be made of what the organization can afford. Even though the small business may not be able to afford to underwrite a complete benefits program in these areas the business can set up such a program and make it contributory. Thus, employees will contribute to the benefit plan but will receive the pension or insurance protection at a lower cost because

the employer administers and gets group rates. Insofar as the organization can afford to contribute, it should. In the pension area one means of contributing within an organization's financial means is through a profit-sharing program. When the organization does well, more money can go into the retirement plan; when times are bad, less money is contributed.

The other area of benefits the organization will usually provide is pay for time not worked. Holidays, vacation time. and sick leave are typical time benefits. Organizations frequently underestimate the cost of these benefits because there are no out-of-pocket costs that appear but only work that does not get done.

COORDINATING WAGES AND BENEFITS

In putting together the compensation package, managers of small businesses need to calculate an optimal package. It is important to recognize that benefits speak primarily to external equity issues; that is, employees compare benefit packages with those at other organizations. Since all members of the organization generally get about the same benefit package, internal equity is not a relevant issue for employees. Individual equity with respect to seniority may be served by the benefit package since employees with longer service usually get longer vacations. The key need, however, is to meet the competition.

Most employees have less awareness of benefits than they do of wages, both internally and in the marketplace. Thus, if an organization has financial limits on what it can offer, it is more likely to-be successful in concentrating on the base wage and bonus program it offers rather than benefits.

COMMUNICATING THE PROGRAM TO EMPLOYEES

If equity issues are to be served, employees need to be made aware of the compensation program. This does not mean that salary information is shared. Rather it means that the compensation philosophy of the organization is made known to employees. The means by which the base salary rate for a job is determined should be known. Policy with respect to starting salary and the time frame for moving to base rate should be communicated. The method for determining performance bonuses should be made known. The constraints on the organization with respect to the size of the bonus pool should be known by employees.

One approach to communicating compensation information to employees is through an annual individualized compensation letter. This letter would outline all the information noted above for the employee. In addition, it would provide detailed information for each employee on his or her compensation package. Such information includes base rate, seniority differential (if any), performance level and consequent bonus level (if any), and the added value of each benefit provided by the employer. A total figure of the complete compensation provided by the organization to the employee provides a "bottom-line" number that shows the employee what he or she received from the organization in exchange for work. Such a total figure emphasizes for the employee how much value the organization believes the employee has. Most employees are unaware of the size of this figure, being familiar only with the take-home pay they receive. Knowledge of the total can have a motivating effect on many employees.

AUDITING THE COMPENSATION PROGRAM

The small business should audit and evaluate its compensation program just as it does other business expenditures. Given that the role of compensation is to attract, retain, and motivate qualified employees within reasonable cost levels, three basic audit areas are suggested. The first area concerns attraction. How long does it take to fill open positions? Do applicants offered jobs but who turn them down mention compensation as a reason?

The second area is retention. What are the business's turnover rates, and do they differ substantially from the turnover rates of other similar organizations in the area? Do exit interviews suggest that salary is a key reason for individuals leaving? Do people go to similar jobs in the area, or do they leave to get promotions?

Finally, what is happening to productivity? Do areas of the business where the bonus money goes continue with high performance? Do low performers who got small or no bonuses improve? How much did the compensation program cost? How aware are employees of these costs?

SUMMARY
For small businesses compensation levels can be a key issue in determining success or failure. This paper has outlined a process which can help the small business develop a compensation program which will meet the needs of employees with respect to external, internal, and individual equity, and thus promote organizational objectives of attracting, retaining, and motivating employees within the constraints of economic reality.

FIGURE I SAMPLE JOB EVALUATION SCALE

(COMPENSABLE FACTOR NAME)	EXPERIENCE
(FACTOR DESCRIPTION)	This factor measures the time normally required, on related work AND on-the-job training in the job being evaluated, for an individual to attain satisfactory performance standards under normal supervision. In evaluating this factor it is important that only the experience which is in addition to the education or apprenticeship (including experience in lieu thereof) factor be considered and that any time actually spent beyond that necessary to attain satisfactory performance be disregarded.
(FACTOR SCALE DEGREES OR LEVELS)	1st Degree - Up to and including three months. 2nd Degree - Over three months, up to and including twelve months. 3rd Degree - Over one year, up to and including three years. 4th Degree - Over three years, up to and including five years. 5th Degree – Over five years.

AN EMPIRICAL EXAMINATION OF THE RELATIONSHIP BETWEEN EMPLOYEE EDUCATION AND PERCEIVED PERFORMANCE IN SMALL ORGANIZATIONAL UNITS

Sonny S. Ariss, The University of Toledo Sherman A. Timmins, The University of Toledo

ABSTRACT
This study examined the relationship between type of degree, level of educational achievement, and supervisor's perceptions of R's work performance in 14 management areas. Our findings indicate that the supervisors apparently feel that employees with master's degrees perform better in non-task-related areas than do those employees with bachelor's degrees. Moreover, employees with business degrees were perceived to be better in identifying subordinate's talents and capabilities, but employees with nonbusiness degrees were perceived to have more control over their respective areas of responsibility. Implications for small business management were also discussed.

INTRODUCTION
There have been many different approaches to examining the relationship between education and eventual performance at work. Schick and Kunnecke, for example, reported in their study of the relationships of such educational variables as grades, schools attended, and degrees achieved with such industrial/organizational performance measures as job security, employee retention, and salary progression. Their results suggested that such educational variables as these apparently have little or no relationship with performance measures in organizations (at least for engineering/ scientific personnel); that perhaps the prevailing opinion that "... the individual's characteristics are more important than where one goes to school and his or her academic achievements." While not very consistent with "common knowledge", this evidence still supports similar findings reported prior to Schick and Kunnecke's work (see, for example, (9;7). And such findings often draw counter-arguments (see the "Comment" to the Schick article, as written by Gullege and Peters).

RELATED LITERATURE
Information gathered from the trade literature, however, is questioning the value for practicing managers of business-related education and, sometimes, even the Wall Street Journal. Stevens (15) gave the illustration of K-Mart's common practice of utilizing the "... path from stock room to board room"; and that they feel that education has nothing to do with advancement at K-Mart. Similarly, Alexander (1) reported how businesses began questioning the hiring of MBA graduates while many of their senior officers "... came from a variety of educational backgrounds, heavy in the liberal arts." Alexander goes on to show how many firms -- certainly his own at American Can Company -- are expanding their hiring of the liberal arts graduates, and that the executives of the future will be selected from a "... cadre that is (more) diverse and versatile" (1, p. 16).

From a pair of studies at AT&T spanning the last 3 decades, researchers have shown that "... humanities and social science majors with a yen for business can become fine, even superior managers" (5, p. 16). While business majors may have the edge in administrative and quantitative skills, graduates with a degree in the humanities excel in communications, interpersonal skills, and creativity. And in general, the value of a master's degree is "...greater in administrative and interpersonal skills, and more motivation for status and money, but they're not any smarter" (5, 18).

While evidence is mounting in the education-performance area, conclusions are not keeping pace. Probably the most definitive point and counter-point articles in this area have been written by Wise (12) and then critically reviewed by Lazear (8). Wise attempted to examine the interrelationships of subjective quality of one's college, performance in that college, and then eventual job performance. He also questioned whether or not such a relationship was causal or not. His initial work attempted to measure "successful" organizational performance by way of salary and grade level -- yet this would seem to reflect simply more of a measure of perception of performance rather than any absolute measure. Wise did contend, nonetheless, that not only is there a relationship among these variables, but it may be indirectly causal in nature, and that "... academic achievement is an important determinant of job performance" (12, p. 353).

One attribute which many people seem to equate with business managers as decision makers is the need for achievement and/or the need for power (see, for example, 10; 6). But it would appear at first glance that MBA graduates would be more likely to display this attribute than would nonbusiness school graduates. This may, in fact, not be the case (9, p. 86). Livingston contends that the ability of the MBA to "perform better" at work may be more a function of the beliefs and perceptions of the MBA degree and the persons holding it rather than performance itself (9, p. 81). Wooldredge suggests that these perceptions of quality even carry over into the "high risk, high reward" fast-track programs made famous for MBA fast-trackers (9, p. 9). Indeed, Livingston pointed out that business executives "... believe that academic ability and achievement can be transferred (directly into) the business environment (9, p. 81).

Herbert tested this basic premise of direct transfer of academic achievement into the business world. Examining the performance of MBAs, Herbert found that MBAs were better at administrative tasks and getting results, but they were no better than non-MBAs in several other leadership abilities and were even poorer in human relations/communications skills (6, p. 38). A very disappointing finding for MBAs and graduate schools of business -- one which may have lent credence to Zaleznik's comments made almost 10 years earlier, even while MBA schools were climbing toward their zenith: "Business schools are ... withdrawn from reality The business community served by these MBAs would not miss the MBAs should the schools disappear" (14, p. 168). Further empirical support was offered by Gutteridge. He found that MBAs feel underemployed, unchallenged, and have too few opportunities to use their learned skills -- and that they have difficulty relating to and with others in the organization. He also argues that frequently the firm has mis-perceptions of the MBA's capabilities and expectations, leading to potential frustration for both sides (4, p. 296).

Purpose of the Study

It would appear from the literature, then, that about the only conclusive evidence is that higher education can be expected to lead to greater life-time earnings. But as prospective employers, there seem to be both advantages and disadvantages to hiring degree-holders -- and we know even less about the anticipated impact on work performance by type of degree. But one thing which the literature has not yet addressed at all is the issue of size of organization. Much of what has been done was done in larger organizations. Similarly, it can be expected that larger firms have more selection and hiring "savvy", and perhaps even a larger set of prospective hirees available to them. But what about smaller firms/organizations? And what about those management positions which may be less clearly defined than those for the "fast-trackers", where it is only vaguely felt that a degree is even necessary?

The purpose of this paper is to report our initial findings in this on-going research. We set out to examine the perceived differences in managerial performance of those employees in smaller organizations/organizational units who did hold master's degrees versus those who held a bachelor's degree. Similarly, we wanted to ascertain whether business-degree holders performed managerial tasks better than did non-business-degree holders.

METHODOLOGY

Our first concern was to make sure we could examine "management positions" which had little or no bias as to business/management skills required of the positions. We were able to gain the cooperation of several smaller' work units within the city government of a mediumsized city in the mid-west.

We were able to examine job descriptions and requirements for all city employees, and then we matched employees with specified selected college degrees in those positions. We also had to be certain that performance review records, and respective superiors who performed the reviews, would be available to us for interviews. This constituted our population from which we were able to draw our sample. Sixty-nine useable responses and interviews made up our final sample size. In addition to certain demographics, we wanted information about specific managerial tasks, generally consistent with the work of Herbert (6). A Likerttype 7-point scale was used. The managerial tasks measured were:

-Compliance with orders
-Control over area of responsibility
-Loyalty to the administration
-Identification of subordinate ability
-Improve subordinate deficiencies
-Ability to increase productivity
-Initiative -Budget preparation
-Firmness in making judgement
-Fairness in making judgement
-Internal management relations
-Public relations
-Communication skills with superiors
-Communication skills with subordinates

FINDINGS AND DISCUSSION
In an effort to investigate the results to determine specifically whether level and type of education has any effect on performance, A T-test was run on each performance measure separately.

The sixty-nine interview appraisals were tabulated in a frequency table which results in a total of sixty-six useable responses. Table I provides a description of the respondents according to level and type of education.

TABLE I
FREQUENCY TABLE FOR LEVEL AND TYPE OF EDUCATION

Level Frequency Percent Row Pct Col Pct		Type Business	 Other	 Total
Bachelors	0	13	28	41
	.	19.70	42.42	62.12
	.	31.71	68.29	
	.	72.22	58.33	
Masters	2	5	20	25
	.	7.58	30.30	37.88
	.	20.00	80.00	
	.	27.78	41.67	
Total	.	18	48	66
	.	27.27	72.73	000.00

It can be seen that the units within the city government apparently hire more undergraduate business majors (about onehalf -- 13 of 28 -- of all bachelor's employees were business majors ...), but they hire far more non-business majors at the graduate level -- 4 times as many in our case. These figures may represent expected norms for that kind of organization which has a greater likelihood of hiring non-business majors for daily operations. It is, however, consistent with Fraker's argument that there appears to be a trend toward recruiting and hiring more "liberal arts grads" rather than the MBAs for management positions (2, p. 65).

The results for the level of education are shown in Table II. A statistically significant difference was found in five measures. Control over area of responsibility, and identification of cordinate ability are significant at the 0.01 level. Loyalty, initiative and management relations were significant at the 0.05 level. The results show that master degree holders performed significantly better than bachelors degree-holders in these five areas.

TABLE II
COMPARISON OF MEANS FOR MASTERS AND BACHELORS

Measures	Masters (N=25)	Bachelors (N=41)	
Compliance	0.90	0.90	0.67
Control over area of responsibility	0.40	0.36	0.008**
Loyalty	0.79	0.77	0.012*
Identification of subordinate ability	0.55	0.48	0.002**
Improve subordinate deficiencies	0.79	0.78	0.58
Ability to increase productivity	0.69	0.69	0.79
Initiative	0.81	0.79	0.021*
Budget preparation	0.28	0.29	0.36
Firm judgement	0.29	0.26	0.14
Fair judgement	0.57	0.56	0.51
Management relations	0.14	0.11	0.014*
Public relations	0.32	0.34	0.43
Communicate well with subordinates	0.91	0.91	0.31
Communicate well with superiors	0.86	0.86	0.67

*P< 0.05
**P< 0.01

It is interesting to note that the five areas which supervisors feel master degree holding employees perform better can be argued to be non-task related! That is, employees holding bachelor's degrees apparently are perceived to do as good a job on task related areas (example, ability to increase productivity ...) as are employees with master's degrees.

The fact that master's degree-holders are significantly better at controlling their area of responsibility may be due to the fact that these employees in our sample generally held positions of greater authority and responsibility to begin with. This may lead their supervisors to simply perceive their having more control. Thus, perhaps it is not the degree so much as it is the position that explains the difference.

Respondents who held master's degrees also were found to be more "loyal" than were Rs with bachelor's degrees. This might be explained by the fact that they might have a stronger sense of identity with the administration and its objectives than do bachelor degree-holders. This may be because of their closer proximity to those making the decisions for the organization and the responsibility which is incumbent upon them for seeing that those decisions are implemented.

Moreover, because Rs who hold master's degrees are generally in positions of more authority and responsibility, they reflect greater initiative/motivation, and may be in

better positions than the bachelor-holders to develop and foster good interdepartmental working relationships. They also have greater access to interdepartmental information and channels of communication. Thus, these findings may be more inherent in the position than in the degree -- an area to be included in further research.
The results for the type of education are shown in Table III. A significant difference was found for two measures.

TABLE III
COMPARISON OF MEANS FOR BUSINESS AND NON-BUSINESS

Measures	Business (N=18)	other (N-48)	
Compliance	0.37	0.31	0.18
Control over area of responsibility	0.48	0.57	0.024*
Loyalty	0.83	0.84	0.69
Identification of subordinate abilities	0.14	0.04	0.001**
Improve subordinate deficiencies	0.50	0.47	0.55
Ability to increase productivity	0.20	0.13	0.09
Initiative	0.93	0.94	0.24
Budget preparation	0.94	0.93	0.70
Firm judgement	0.56	0.56	0.94
Fair judgement	0.34	0.32	0.69
Management relations	0.38	0.39	0.67
Pub lic relations	0.21	0.20	0.86
Communicate well with superiors	0.35	0.29	0.19
Communicate well with subordinates	0.98	0.98	0.61

*P < 0.05
**P < 0.01

Non-business majors showed a significantly higher performance for control over area of responsibility (0.05 level), whereas business majors showed a significantly higher performance for identification of subordinate ability (0.01 level). No other significant differences were found based on type of education, regardless of educational level.

These findings indicate that Rs with business degrees are more able to identify the talents and abilities -- the management potential-- of their subordinates than are their nonbusiness degreed counterparts. Perhaps this is best explained by way of the fact that business-degree programs more specifically expose students to different managerial skills that managers (should) have. Thus, these employees with business degrees are better able to spot subordinates who possess and/or display those skills.

On the other hand, our findings suggest that employees with business degrees are not perceived to be as good at controlling their areas of responsibility as are employees with non-business degrees. To the extent that such controls are one of the skills taught as being required of "good managers", it would appear that business majors are better able to spot it but non-business majors are able to perform it.

IMPLICATIONS AND CONCLUSION

The first implication of our findings would be that managers in smaller work units as described in our study may be better off hiring holders of bachelor's degrees for specific task requirements. But for certain managerial attributes as initiative, ability to control, greater loyalty, and better "fit" with managerial colleagues, it would appear to be better to hire holders of graduate degrees. But we also found that while these graduate-degreeholding employees can "spot" managerial talent more easily, they are apparently no better at improving subordinate deficiencies (X = 0.79 for master's; X = 0.78 for bachelor's; NS), nor is there any difference in their ability to increase productivity (X = 0.69 for master's; X = 0.69 for bachelor's; NS).

While our findings were interesting and important for management, perhaps equally as interesting was what we did not find -- why more variables were not found to be statistically significantly different across our sampled sub-groups? Thus, apparently the type of academic degree has less impact than does level of degree -- but even there the results are spotty. For management's decision making, then, it would be "cheaper" (more economical) to hire non- business degree-holders for specific tasks because differences in the perceptions of performance levels are negligible. Surprisingly, however, nonbusiness Rs were not necessarily better at communications and human relations skills as we might have expected.

Thus, while selection and hiring techniques of smaller firms are not as sophisticated as perhaps they should be, apparently this is not as problemmatical as might be expected. All that needs to be done for general hiring is to hire non-business bachelor's degree-holders to "get the job done", but hire master's level employees -- regardless of degree -- to move up into managerial positions.

[REFERENCES OMITTED]

THE EFFECT OF THE LEGAL FORM OF BUSINESS ON THE MANAGEMENT CONTROL SYSTEM

Henry Wichmann, Jr., University of Alaska, Fairbanks John Zublin, University of Alaska, Anchorage

ABSTRACT

The management control system is extremely important to both big business and small business. The purpose of this paper is to examine the effect of legal forms of business organization on the management control system. The management control system is often neglected in smaller owner-managed businesses because of the lack of an accounting system to provide information for control. Big businesses can afford elaborate management control systems, while small businesses may often lack money and time for a sophisticated control system.

INTRODUCTION

Currently, the United States boasts of more than seventeen million businesses. Total business revenues generated exceed $5.8 trillion. We are all direct beneficiaries of this activity through the availability of goods and services as well as employment to pay for the consumed product. An endeavor as large and important as this requires organizations which provide maximum utilization of each firm's resources. United States companies, therefore, have adopted three primary legal forms of business organization: Sole Proprietorship, Partnership, and Corporation. Each of these forms allows, in its own way, effective pursuit of an individual firm's respective goals.

Achievement of an enterprises goals are obviously not the automatic by-product of a selected business form. Functionally, the business form provides the platform to perform economic activities. The selection and subsequent application of the legal form of business does, however, impact the information flow needed for control. Hence, another element is introduced: The Management Control System.

The purpose of this paper is to examine the effects of legal forms of business organization on the management control system. Relevant characteristics of the three business forms will be identified and contrasted. The management control system model will be presented and explained. Finally, the impact of the legal form on the control system will be explored.

THE LEGAL FORMS OF BUSINESS CHARACTERISTICS

Business enterprises in the United States are found primarily in three legal organizational forms: the Sole Proprietorship, Partnership, and Corporation. All other business organizational forms are variations of these three primary formats. Both Partnerships and Corporations have variations to their basic structuring that alters some of their characteristics significantly. These variations will be introduced only when relevant to this discussion.

Selection of legal form attributes relevant to the topic results from analytical subjective evaluation. Some advantage, and disadvantages of each business form may be neglected due to lack of relevance or inconsistency of comparison. Characteristics deemed appropriate are: ownership entity life, management control responsibility, litigation capability, liability exposure, financing capability, and taxation responsibility. See Exhibit 1.

Sole Proprietorship

A sole, or single, proprietorship is defined as "a business owned by one person and operated for his (her) profit." The owner and the business are considered one and the same. Hence, ownership and management responsibility rest on one person. Considering this focus, all other identified characteristic categories center on this individual as well. Therefore, the occurrence of any external event to the sole owner will impact the business equally.

The effect, then, is an enterprise literally dependent upon the owner-manager for its existence. Capital funds availability is strictly related to the owner's personal assets and established credit. Concurrently, any liabilities incurred by the business are the responsibility of the owner to the full amount of his assets, both personal and business.

Litigation enacted on behalf of or against the business are directed by or at the single owner. The tax laws are consistent with this owner/operator principle in that Sole Proprietorship profits or losses are attributable to the individual owner's personal income tax return.

Partnership
Partnership are similar in many regards to the sole proprietorship. Instead of a single owner, it is "an association of two or more persons to carry on as co-owners a business for profit." Ownership is usually held equally by the partners, but may be fragmented via the partnership agreement. However, in the event of ownership fragmentation, enlarged multiple partners, or management control divesture, it is a good idea for all members to understand the rights, limitations and liabilities of their ownership share.

Normally, partnership ownership indicates management responsibility. An exception, though, is the Limited Partnership. Here partners exchange their investment for an equity interest without the rights of active management control. Without direct management participation, limited partners usually are not held accountable for any partnership liability in excess of their investment. All partnerships, whether strictly general or limited, must have management control responsibility in the form of active general partners. In a general partnership, responsibility for liabilities extends not only to the general partners' investment, but, as in sole proprietorships, to their personal assets as well. This unlimited liability feature is also true for the general partner of a limited partnership.

Individual assets of the partners, particularly general partners, are instrumental to the financing capability of the partnership. Additionally, the personal credit capability of the general partners is an important attribute for debt incurrence. The obvious point is that the greater the number of partners the larger the potential capital base.

The quantity of partners affects the litigation possibilities. While the partnership offers a separate legal status and may conduct litigation in its own name, the partners may also severally engage and be engaged in legal action. Liability, though, as noted previously, is unlimited for "general partners" but restricted to "limited partner's" investment.

Taxation responsibilities of the partnership are similar to the sole proprietorship. Profits or losses are distributed to the partner's individual income tax return. The difference is that the required distribution is in accordance with and income distribution plan set in the articles of partnership.

Corporations
Owner participation in business management, while the corner stone of sole proprietorships and partnerships, may not be the case in corporations. In fact, an overriding characteristic of a corporation is its ability to separate management and ownership. Legally, the corporation has been identified as an "artificial being"[1], or legal entity, having "the rights, duties and powers of a person" and "does not change its identity with changes in ownership, and one that may have perpetual life."[2] Ownership is established with the incremental exchange of equity in the form of stock. The stockholder may retain or divest the stock at whim, generally without impacting the business management. Aside from the ownership/ management separation aspect, this business form also provides a potentially tremendous capital base not necessarily available to the other forms. Accumulation of wealth to adequately finance new and existing enterprises is a major advantage of the corporation.

Generally, the owner/management separation minimizes liability exposure to the assets of the corporation. This is often thought of a protection "under the Corporate veil." Therefore, the business must "stand on its own two feet" in providing debt security. The concept of a separate entity extends to the litigation capability, allowing the firm to sue and be sued without severally impacting the owners.

Taxation responsibility is again consistent with the ownership/management separation definition. Profits and losses are usually attributable only to the corporation as a separate entity. Individual owners, or stockholders, are taxed on dividends received and additional stock value over purchase price at disbursement. An exception to this tax treatment is the "Sub-Chapter S" corporation. "S" corporations are established primarily to minimize owner liability exposure. Tax regulations require the distribution of all profits or losses to the shareholders' personal income tax return. "Sub-Chapter S" corporations are generally small business entities functioning managerially like a sole proprietorships even though legally management and ownership are separate.

At this point, a distinction should be made between two categories of corporations: close and open. Historically, corporations owned by family members and corporations converted from Sole Proprietorship and Partnerships are examples of close corporations. Usually, the stockholders are part of management, thereby denying the ownership/management separation. Stock shares are not available to the public but are closely held by a few individuals. It can be expected that management decision processes of closely held corporations are also similar, if not identical, to sole proprietorships or partnerships.

An open corporation is one having stock available for purchase by the general public. Corporations with stock traded on any of the public markets are examples. The term "Public Corporation" is often used synonymously and more frequently than an "Open Corporation."

THE LEGAL FORMS OF BUSINESS IN THE UNITED STATES ECONOMY
Comparison of Business Forms - Revenue Distribution
Analysis of the previously noted seventeen million businesses in the United States indicates that of the distribution of all business forms sole proprietorships comprise approximately 76%, partnerships about 8%, and corporations nearly 16%. See Exhibit II. Ranking by revenues received provide a distribution almost a mirror image of the business form distribution yielding approximately 88% to corporations and 4% and 8% to partnerships and sole proprietorships, respectively. Corporations, though they account for only a minority portion of entities, possess the lion's share of business revenues. This would seem to indicate that corporations represent "big" business while partnerships and

sole proprietorships are primarily related to small business.

Comparison of Small and Big Business Forms - Revenue Distribution

However, as previously mentioned, "S" and close corporations are generally small operations functioning somewhat like proprietorships and partnerships. Grouping business forms into two categories based on maximum revenues received, greater than $1.0 million and less than or equal to $1.0 million, will provide a rough adjustment for this problem. The combined total of all proprietorships, partnerships, and corporations with less than or equal to $1.0 million revenue per entity show that 97% of all businesses provide 20% of total revenues. See Exhibit III.

This data seems to lend credence to the concept that proprietorships, partnerships and "S" and closely held (close) corporations are predominately affiliated with small business. Further, such small businesses can be expected to utilize decision-making elements similar to each other. Conversely, "C" corporations (defined as corporations other than closely held ones) can predominately be expected to provide differing management control processes due to their large, or "big", business posturing.

THE MANAGEMENT CONTROL SYSTEM MODEL

A management control system is a series of processes allowing businesses to effectively coordinate activities to the achievement of stated goals. Perhaps more succinctly, it is "concerned with the attainment of goals through the implementation of strategies."[2] The management control model identifies the process phases as programming, budgeting, operating and measurement, and reporting and analysis. See Exhibit IV. Information is displayed as constantly being provided to each process. Information needed to control a business is provided by the accounting system, with the chief accountant called the controller. However, the management control system is defined as being broader than the accounting system. The starting point is the selection of goals and their subsequent strategies.

Goal and Strategy Selection

A business stated goals are specific end products sought by an organization quite often without a finite time period. A typical example in many firms is the goal of maximizing profit or investment return. Strategies are a derivation of selected goals designed "to provide a pathway to success in attaining (these) goals."[3] Goals, then, identify the war and strategies the battles to be fought in winning the war.

The selection of profit maximization as a goal is fairly common among profit oriented businesses. However, the actual pursuit of maximum profitability may not be representative of companies' behavior. According to Robert Anthony and others, there is little evidence to support the conclusion that business leaders actually behave in the way that the profit maximization model assumes...," and, in fact, "organizations pursue many goals, of which profit is one."[4] The suggestion is that goal selection can be multifarious, reflecting the multi-faceted requirements of an organization. The result, instead of maximization of profit or any other goal, is the selection of goals leading to a satisfactory return as demanded by the diverse requirements.

Program Selection

Programming is the necessary selection of activities in order to the satisfy the identified goals and their resultant strategies. Simply: the equipment (resources) to be used in the war. It follows that the quantity of goals and strategies selected can severely impact the programming phase. A firm seeking a single goal of profit maximization may select activities, or programs, being either small in quantity or singular.
Businesses responding to multiple and/or diverse goals may be expected to implement programs having a mutual, or satisfactory, goal realization.

Budgeting

Allocations of resources to the selected programs occurs in the budgeting phase. This may be viewed as a business' commitment to the goals selected. Some understanding of total available resources is ,implicit in the prior process phases. Budgeting, therefore, should become a resource distribution commitment. Assuming acknowledgement of a known fixed total resource level, the budget will reflect the firm's negotiated resource distribution aimed at a satisfactory goal achievement yield.

Budgeting often is a simple allocation of monetary funds. However, it quite possibly can lead to the more efficient and effective allocation of all of a business' resources. Aside from the obvious increases and/or decreases of personnel and/or existing equipment due to expected matching of revenues with expenses, the budget may also set the stage for providing additional funds through, among other things, a fresh look at capital structuring. The budgeting process may force the organization to reevaluate its asset utilization so as to provide debt or equity based funding for the accomplishment of selected goals via identified activities.

Operating and Management

This is the activity process; the point at which all programming plans and budgeting commitments are enacted. The firm's management is expected to closely observe the activities, recording outputs produced and resources consumed. Assuming properly selected programs and adequate resource allocation, the operations process will provide achievement of the required goals.

Reporting and Analysis

Certainty of goal achievement only comes through accurate reporting of actual operating results. Variations of these results from expectations require systematic analysis, providing management direction to effect changes to an appropriate process. Actually, some variations in actual operating results and expectations can lead to alterations in goals and/or strategies, as well. Goals selected and strategies implemented which are unrealistic compared to the business' available resources may turn up as wide discrepancies in this phase. This, of course, could be more the result of over-zealous of irrational management than caused by system failure.

The Information Link

Although information is not identified as a process phase, it is probably the most critical thing affecting the management control system. Information provides the link between and among the various processes to allow "fine tuning" of the system. Process phases of the system are not static in nature, each being performed as a specific pre-determined event without recourse to the preceding process. In fact, each process is dynamic, constantly receiving and sending stimulus among and between the other processes. Continuous communicating of information as resultant feedback to the appropriate process should allow a business to effectively recognize goals through constant efficient and effective utilization resources. The accounting system reports and analyzes much of the information in a business.

THE LEGAL FORMS OF BUSINESS - THE EFFECT ON CONTROL

Obviously, not all of the identified characteristics of business forms will significantly influence the management control system. As well, evaluation from the strictly defined categorical standpoint is likely to minimize some of the impact on management control associated with business form selection. Drawing from the business form redistribution by revenues in Exhibit III, an assumption is made that all businesses with revenues less than or equal to $1 million exhibit generally similar "functional attributes" when employing a management control system regardless of their legal form. Therefore, all sole proprietorships, partnerships, and corporations in this revenue classification will impact the control processes in a nearly identical fashion. The same assumption is made for businesses with revenues greater than $1 million.

Four businesses characteristics seem to provide the greatest effect on the management control model: Ownership, management control responsibility, financing capability, and taxation responsibility. These characteristics are compared to specific impacted control system areas.

Ownership/Management Control Responsibility Effect on Goal, Strategy, and Program Selection

Ownership and management control characteristics taken as a single impacting topic is a slight extension of the "functional attributes" assumption. Small businesses are expected to be managed by their primary owner. Large businesses are expected to provide ownership/management separation. The impact of these differences is significant to the quantity, type and diversity of goal, strategy and program selection.

Goal selection reflects the road an organization's management mandates the business to travel. Little, if any, separation between management's and owner's desired goals would be expected in a small business. It would be quite unusual for goal selection to be less than homogeneous. Large businesses, however, are quite different. Management may or may not be part of the owner body. If it is, it is likely not to represent a large enough portion to accurately reflect the overwhelming desires of the remaining owners. The reality is that large business ownership bodies have diverse and heterogeneous desires.

The conflict by a large, heterogeneous ownership impacts goal selection due to the effect on management in attempting to achieve a satisfactory return on those goals. The more diverse and numerous the demands by big business for goals, strategies, and programs the greater the spread between management control responsibility and ownership. Minimal spread should exist in small business, lending itself to congruent ownership and management goal, strategy and program selection derived from its somewhat homogenous nature.

One further note: The existence of ownership/management separation very often allows management to consider owner's desires to be secondary to management desires.
Obviously, when ownership and management are the same, owner's/management's desires are the same by definition often the case in small business.

Financing Capability Effect on Program Selection and Budgeting

The capability of a business to provide capital resources can be restricted by its legal form, as previously explained. The corporation may be capable of accumulating large amounts of wealth through stock issues, while the sole proprietorship may be limited to the owner's wealth. Fund limitations can sharply curtail the quantity of programs selected. Lack of understanding of accurate financial capabilities during goal or strategy selection may induce a business to select an overly ambitious of programs in an effort to implement the strategy. Additionally, should the overly large program quantity not be revised, the program quality may be significantly diminished due to the wide distribution of finite funds during the budgeting process.

Small businesses with a limited ownership base must be cautious not to over-commit to programs consuming limited resources. The small business ownership form may result in diversification limitations created by the lack of available funds. Additionally, the inability to increase either the program quantity or quality without jeopardy to the small business may be expected to provide a strong barrier to growth.

One of the primary advantages to the corporate form of business is the ability to sustain growth by trading increases in net worth for capital through stock sale. Programs may then be selected and budgeted with intermediate capital from, as an example, debt funding. The expectation is that the additional programs will provide higher equity value for the business, raising the cash level available from the stock sale. The dynamic nature of equity and debt financing for a corporation provides more flexibility in programming and budgeting to this legal form than found under either a proprietorship or partnership organization.

The flexibility of alternative financing possibilities obviously opens the door for the various segments of the large firm's management to promote a wide variety of programs. Negotiation for the quantity of programs may be extensive. Once agreed upon, program quality level may be negotiated equally as extensively in an effort to achieve as large an allocation of the resource pie as possible. Negotiation for programs and budgeted resources in small businesses should be relatively straight forward in that both ownership diversity and financing capabilities are limited.

Taxation Responsibility Effect on Goal and Strategy Selection

Diversity of the ownership body, as noted, may have a major impact on the goal and strategy selection. Taken as a separate characteristic, the responsibility for taxation may be nearly as influential. Small firm owner-managers are generally taxed by passing profits or losses through to their personal tax return. Separation of the business and taxation responsibility does not exist. Therefore, less incentive exists to retain profits within the business. Goals and strategies are selected mostly for the benefit of the ownermanagers.

Corporations, though, are taxed as separate entities. Income is taxed for the corporate entity, with net income being retained in the business. Owner-shareholders are "double taxed" on the distribution of excess retained earnings as dividends and any gain over the purchase price of stock. Management has no incentive, from a tax standpoint, to consider the ownership's distributions. Selected goals and strategies may be determined by their benefit to the business (and management) without consideration of the impact on the ownership.

Ownership Effect on the Information Link

Small businesses with direct owner-management ties are quite able to effectively communicate their demands into the management control processes. Equally as important, the reverse is true. Information transmitted from the management control process can very quickly be received by management if proper records are kept. Consequently, data distortion should be minimal in a small business.

Larger businesses naturally will be transmitting and receiving information from a greater quantity of programs. Additionally, the management-ownership separation may delay needed problem remedy until the manager responsible for the corrective action can be notified. Considering the dynamic nature of businesses and their management control processes, correction adjustments left unattended for a long period of time may bring disastrous results to the firm.

A pragmatic point worth noting is the difference in the availability of information between small owner-managed businesses and large corporations. Due to their inherent generally unweildly nature, large corporations usually have management information systems available to aid in communication of process results. The information may be easily obtained and detailed for big corporations; thus, aiding in accurate problem correction. Small businesses on the other hand, quite often rely on sporadic information or poor information systems due to limited funds. Untimely recognition may result. Problem correction may be swift, but due to the lack of necessary detail the answer may not be sufficient.

CONCLUSION

This comparison and evaluation of business form characteristics and their impact on the management control system model has ultimately focused on the ownership trait as the most influential. A business ownership form may determine how the other characteristics will interplay. Most significantly, the management control responsibility is determined by the firm's ownership. Proprietorships, Partnerships, "S", and Close Corporations, coming under the defined small business banner provide ownership and management control within the same individual or group. The impact on the management process, as noted, is seen as more direct and having straight forward control, with the owner-manager's desires at the forefront. The trade-off is found in the lacking flexibility for future growth.

Large corporations, offering separation between management and ownership, have the flexibility to pursue goals and programs more extensively due to their larger debt and equity capital base. The heterogeneous nature of the large bodies may create a management need to select diverse goals appealing to both management and ownership. Big businesses must have sophisticated management control systems to fulfill programs and goals.

In summary, a strong management control system is extremely important to both big business and small business. The management control system is often neglected in smaller businesses because of the lack of an accounting system to provide information for control. Sole proprietorships have owner-managers who often lack accounting ability and may be unable to hire accounting expertise, while large corporations have the wealth to hire a large accounting staff and controller. As a result, small business owner-managers must either acquire accounting ability or hire an accountant to compete in the market place.

(References provided on request.)

EXHIBIT I –
CHARACTERISTIC OF THE PRIMARY LEGAL FORMS OF BUSINESS

SOLE
PROPRIETORSHIP PARTNERSHIP CORPORATION

Ownership 1 Person 2 or More People
Stockholders (1 or
More People in
AK)
Entity Life Discretion of Owner Subject to Partnership
Indefinite
Agreement
Management Owner Owners (Excluding
Board of Directors Control Any
Limited Partners)
Responsibility

Litigation Owner Severally Partners and
Corporation
Responsibility Responsible Individuals Responsible
Responsible
(Excluding Limited (800 and
Officers Partners) may
be responsible
for negligence

Liability Owner's Company Owner's Company and Limited to
Company Exposure & Personal Assets Personal Assets
Assets
(Limited to Company
Assets of Limited Partners)

Financing Owner's Personal Owner's Personal Funds
Stock, Debt, Bonds, CapabilityFunds Private
Private & Conventional Debenture, Warrants,
and Conventional Debt Sale Options
Debt of Partnership Shares to
Limited Partners

Taxation Owner's Personal Partner's Percent of
Profits/Losses to Responsibility Income Ownership
to Personal Corporation only
Income Shareholder's
Taxed
on Dividends &
Gain/Losses of
Stock Value at
Sale

EXHIBIT II –
COMPARISON OF BUSINESS FORM AND REVENUE DISTRIBUTION

	Quantity of Businesses	Revenue
SOLE PROPRIETORSHIPS	76%	8%
PARTNERSHIPS	8%	4%
CORPORATIONS	16%	88%

EXHIBIT III –
COMPARISON OF SMALL AND LARGE BUSINESS FORMS
AND REVENUEDISTRIBUTION

	Quantity of Businesses	Revenue
SOLE PROPRIETORSHIP, PARTNERSHIP, AND CORPORATION: $1.0 Mil. and less	97%	20%
CORPORATIONS: $1.0 Mil. plus (+)	3%	80%

[EXHIBIT 4 OMITTED: PHASES OF THE MANAGEMENT CONTROL SYSTEM]

EVALUATION OF THE OPERATIONS OF SMALL FIRMS USING SOCIOTECHNICAL SYSTEMS DESIGN METHODS

David G. Watkin, The Pennsylvania State University

ABSTRACT

This paper proposes a method for diagnosing problems in the operations of small firms by identifying the tasks performed and recurring problems, and relating the occurrence of these problems to management practices, e.g., reward or communication systems. It proceeds from the premise that the social (human) and technical subsystems of the organization are interrelated and that the joint optimization of these subsystems will result in effective performance.

Two firms provided concrete settings to examine the approach. It was found that recurring problems could be observed and diagnosed using the framework. Technical problems were found to occur in the same areas that had identifiable "social" problems.

INTRODUCTION

This paper examines the usefulness of the sociotechnical systems perspective in diagnosing managerial problems in small firms. It is felt that this is a logical approach to gaining a better understanding of small firms for several reasons. First, in conformity with the popular "contingency" approach to studying organizations, this proceeds from an open systems perspective, in which the firm is viewed as a set of interdependent parts interacting with a larger environment, e.g., supplies, customers, competitors. Moreover, sociotechnical systems focus on a concrete setting; individual firms and their unique situations are the unit of analysis. Finally, the sociotechnical systems approach has as its goal the optimal "match" of production and human subsystems for the enhancement of the total system's effectiveness (Nadler and Tushman, 1983).

There are four specific research questions that this paper addresses. First, does the sociotechnical systems approach uncover significant problems in the operation of small firms? In addition, are the sources or causes of these problems isolated by this method?

Can action be suggested based on a sociotechnical systems diagnosis that can be expected to solve the problems once they have been identified and diagnosed? Finally, are there specific characteristics of small firms or their environment that might affect the application of the sociotechnical systems model?

Examination of these questions occurred in fall 1982 when two small Central Pennsylvania firms were studied intensively using a sociotechnical systems diagnostic model.

Sociotechnical Systems Design Concept and Method

The sociotechnical systems approach to work design posits that the production (technical subsystem) and human resource (social subsystem) sides of work are interconnected. Traditional approaches to job design have isolated these aspects of work. Recognizing sociotechnical systems as an interdependent whole provides a more comprehensive basis for describing the nature of the firm and for diagnosing problems involving both technical and social factors (Taylor, 1978).

Additionally, the sociotechnical systems view presents the organization as a system of interconnected subsystems. Each subsystem has boundaries; across boundaries the operation of the system are transacted. The objective of the sociotechnical systems design approach is to enable the various organization subsystems to control boundary conditions, thereby reducing uncertainty and consequent system problems (Susman, 1979).

This project adapted a six-step model for sociotechnical system analysis originally prepared by Emery (1969).

The initial scanning provided an overview of the history and current operations of the firm. This scanning is conducted during initial interviews with the management of the firm. A brief history is gleaned, including description of the founding and growth of the business. The technical system of the firm is determined along with the development of organizational charts in description of formal structures; job descriptions; descriptions of job incumbents; and a walking tour of the operations. The social system was likewise described. Specific attention is paid to the reward system, system of performance appraisal, and communication structure, since these aspects largely determine the nature of sociotechnical interactions.

On the basis of initial scanning, unit operations are identified and a "map" of the interrelated unit operations is constructed. In the sociotechnical model the unit operation is the basic organizational unit or subsystem. It is defined here as any site where there is either a change in the characteristics of the raw material or a change of location or storage of the raw material.

Technical variances are defined as deviations from standard procedures or outcomes that are nonrandom in nature. In other words, these are recurring problems occurring in the sociotechnical systems that are located either in the unit operations or in the transactions among unit operations.

Technical variances can result from the design of the technical subsystem or can reflect a "mismatch" between the social and technical subsystems. Use of the variance concept in system diagnosis involves definition of the variance and identification of where it occurs, or is observed, and where it is controlled, or caused. This information is summarized on a Table of Variance Control, which not only describes the location of problems, but guides action in reducing them.

The social subsystem includes the individual and interpersonal behavior of organizational members as it relates to the performance of work tasks. Two major facets were included in the social system analysis. First, an analysis of roles is conducted. Role analysis provides a conceptual and methodological approach to examining behavior within and among unit operations. In addition, the psychological needs of employees are assessed, e.g., with the use of the Job Diagnostic Survey (Hackman and Oldham, 1980).***(l)***

A fifth step is intended to identify the forces operating in the firm's environment (suppliers, market, policies, plans) that either affect the system's ability to reach its present objectives, or will change those objectives in the foreseeable future. There are two facets to this: determination of development plans and identification of general organizational policies that may impinge on the different unit operations.

It is significant that technical variances were identified in both of the businesses studied. Further, it was discovered that the primary source of variances in one case was technical in nature, and in the other, was seen as a mismatch between the social and technical subsystems. In both cases specific recommendations have been made to reduce these variances as the concluding step.

Application of the Model to Two Firms
One firm studied is a three-year-old firm offering a comprehensive range of aviation services including avionics (radios and electronic flight equipment), maintenance, parts, and ground services including fuel and hangar space. The other is a five- year-old discount outlet for "designer sample cut" fabrics. There were four retail stores at the time of the study. Subsequently, a fifth store has been opened.

Aviation Service
The initial interview disclosed that the owner of the aviation service firm has 27 years experience in aviation: he is a pilot as well as a licensed mechanic and avionics technician. He was the general manager of another aviation service firm until 1979 when he bought out the avionics operation and entered business independently. At that time of the study, the aviation service firm employed eleven paid employees, plus the owner and his wife, who served as bookkeeper.

One outcome of the initial scanning was the identification of five unit operations in the organization. The primary task involved movement of the aircraft among the five unit operations: avionics. maintenance, parts, hangars, and line services. The unit operations and their interrelationships are depicted in Figure 1:

Figure 1 Aviation Service Firm Unit Operations [Omitted]

Aircraft enter the system for several types of service: fueling, storage, maintenance (especially inspections), and installation or repair of avionic equipment. The Line Services operation involves fueling aircraft and moving them to the mechanics/avionics technicians and into an out of the hangars. Maintenance and Avionics are both served by the central Parts Department.

The three recurring technical problems or variances included the movement of planes to the maintenance/avionics hangar, damages to planes during ground transport, and duties of the part-time line employees not being performed. These are summarized in Table 1, the Table of Variance Control. It is evident they are all controlled by the Line Services Unit operation. Planes not being moved into the maintenance/avionics hangars on a timely basis create scheduling problems for the maintenance and avionics unit operations. Planes being damaged during ground transit typically occur as a result of misjudging clearance when aircraft were moved by a single line employee acting alone. Duties not being performed by the part-time employees include maintenance or aircraft (e.g., washing and waxing) and routine maintenance tasks (e.g., vacuuming the pilot's waiting room areas).

Table 1
Aviation Services Firm Table of Variance Control

Variance	Where Observed	Where Controlled
Planes not moved	Mechanics	Line
Planes damaged	Line/customers	Line
Duties not communicated/ Chief Performed	Part-Time Line	Line

Interview items suggest little role ambiguity or role conflict among the mechanics, avionics staff, or the new Parts Manager (hired during the course of this study). Generally there is an effective communications structure involving the owner and the supervisors and employees in these unit operations. The owner's background as a mechanic and avionics technician enables this group of employees to share expectations. Moreover, the mechanics and avionics technicians are guided in their work by standards and procedures established by manufacturers and mandated by the Federal Aviation Agency (FAA) and Federal Communications (FCC). The Parts Manager is experienced in this role, hence feels confident he knows his job requirements.

By contrast, the line personnel experience substantially higher role ambiguity and role conflict. They have no shared background with the owner. Consequently, they indicated that his expectations for the line services are not always made clear, and he often intervenes to personally direct some aspect of the operation. The Line Chief expressed great frustration over this intervention, a condition that would be labeled role conflict.

Results from the psychological needs analysis focused attention on the reward system, i. e., the extent to which compensation was associated with performance, and the items from the Job Diagnostic Survey (JDS) relating to internal work motivation and context satisfaction. The owner informally assesses employee performance twice a year and tries to tie it to pay increases. This is favorably received by employees, and in most cases, employees were satisfied with the reward system, perceiving it to be equitable and performance driven.

A review of the JDS responses reveals that all employees show high levels of intrinsic motivation. This is interpreted as reflecting an organizational climate supporting "self starters" and "getting ahead." Responses either reflected a genuine sense of motivation, or an awareness of the value placed on it by the owner. There is no reason to suspect that responses were not genuine.

Context satisfaction was found to be more discriminating. Satisfaction with supervision was found to be lowest in the Line Services Unit operation. It is important to note dissatisfaction indicated by the Line Chief over the termination of commission payments for fuel being dispensed. This created a sense of perceived inequity between performance levels and compensation.

Essentially, development plans are focused on taking advantage of business opportunities where there is little regional competition. In addition, the owner plans to introduce his son to the management of the firm in the next two years.

The results of the analysis of technical variances and the social system indicate the focus of change should be in the Line Services Unit operation. The goals of the change effort include:
(a) Improve the timeliness of aircraft movement to the mechanics and avionics unit operations;
(b) Reduce the incidence of aircraft damage during ground transit;
(c) Complete the routine maintenance tasks of the shift personnel; and a secondary goal; (d) Eliminate the day-to-day supervision by the owner to enable him to promote avionics sales.

In accordance with the goals of sociotechnical systems design the control of variances will be focused on the unit operation of origin. The overall strategy for this is the delegation of authority from the owner to the Lines Services Chief concomitant with the development of a scheduling procedure to coordinate unit operations and to ensure aircraft are moved when adequate line crew are present.

Fabric Retailer
Two initial interviews disclosed that the fabric retailer has been steadily expanding for the past 2.5 years. Sales are dominated by designer sample cuts: fabrics are purchased in bulk from major clothing manufacturers and sold retail at the rate initially paid by the manufacturer. Volume purchasing results in the maintenance of a large inventory; there has been a trial wholesaling program to supplement retail stores and reduce the inventory somewhat.

In addition to the owner, the staff consists of a full-time General Manager (who also manages one store) and three-fulltime store managers. There are also three part-time salespeople at each store. All sales and managerial personnel are women who average over twenty years sewing experience.

The primary task of the fabric retailer was defined as being a system in which fabrics are acquired when distributed to the various retail locations for sale. With this primary task, the unit operations were distinguised as shown in Figure 2:

Figure 2 Fabric Retail Firm Unit Operations [Omitted]

Designer fabrics are purchased in New York City and are transported by common carrier or by the company van (Unit Operation 1). Receiving activity typically occurs at the main store, where it is stored (Unit Operation 2). One of two things will subsequently happen. Either fabric is measured, bolted, and priced prior to distribution (Unit Operations 3a-4a), or it is distributed in bulk to the other stores (Unit Operation 3b), then displayed on the sales floor for sale to retail customers (Unit Operations 5-6). Those fabrics measured, bolted, and priced at the main store are distributed to the other stores for immediate display and sales (Unit Operations 4a-5-6).

Five technical variances were revealed in the analysis. First, competition among the store managers restricted the exchange of fabric among locations, sometimes costing sales. Pricing was also inconsistent; sometimes there were several different prices for the same fabric. There were also recurring problems in the storage of fabrics; they are chronically disorganized and utilize sales floor space in most locations. Sales personnel are often interrupted in their service of customers to receive materials and unload trucks. Finally, there was virtually unanimous agreement among sales personnel that information is lost between managers and sales personnel. The Table of Variance Control show in Table 2:

Table 2
Fabric Retail Firm Table of Variance Control

Variance	Observed	Controlled
1. Coordination	Sales	General Mgr./ Store Mgrs.
2. Pricing	Sales	Owner/Gen. Mgr./ Store Mgrs.

3. Storage Sales
Owner/Gen.
Mgr. Store
Mgrs.

4. Shipments Sales
Owner

5. Information Sales Store
Exchange
Managers

Two social system characteristics were found that can explain two of the technical variances. There were found to be communication problems at two levels that resulted in role ambiguity. Moreover, there was little satisfaction indicated with respect to the reward system, and the distribution of rewards did, indeed, seem to reinforce competition, not cooperation, among the store managers.

The analysis of roles disclosed role ambiguity among the store managers and the sales personnel. A recurring concern was with the reliance on verbal communication. Store managers feel uncertain about the expectations of the owner and general manager. Sales personnel likewise are uncertain about their task assignments, especially between shifts. The absence of a felt feedback opportunity reinforces the concern associated with verbal messages.

Employees generally indicated high levels of internal motivation in the analysis of psychological needs. They suggested they enjoyed sewing and enjoyed sharing their pastime with customers. On the other hand, the context satisfactions were rated much lower. Primary dissatisfaction centered on pay: sales personnel begin at minimum wage; increases were tied to longevity and were negligible. Dissatisfaction was found to be function of time in job; only the recent hires indicated satisfaction. Year-end bonuses were inconsistent. There was not incentive that related to company-wide sales. This may have contributed to the sense of parochialism and competition among store managers.

The owner's development plans include continued expansion in the future with an additional retail store planned. There has also been experimentation with wholesale distribution of fabrics. The owner is confident that he can maintain, if not increase, his supply of fabrics and that competition will not become a serious constraint.

Diagnosis of the communications problems suggests they likely result from the scope of operations extending beyond the owner and general manager's capacity to manage on a face-to-face basis. This implies the need for a more formalized approach to human resource management (i.e., establishment of policies and more structured information exchange). Development of such procedures must be balanced with the desirability of maintaining the commitment and motivation of store managers. Incentives would be effective if they are implemented based on overall firm performance rather than on a store-by-store basis. Pricing, storage, and receiving variances occur in the technical subsystem of the organization. All reflect the uncertainty involved in the raw material transactions beginning with the acquisition of fabrics in bulk. The solution to these variances appears to be to centralize these unit operations by instituting procedures for purchasing and inventory control under the direction of the owner along with physical centralization of receiving, inventory control, and distribution. As with the proposed changes in the social subsystem, these proposed changes are the result of growth and the need to effectively coordinate a larger organization. The firm has apparently reached a "critical mass" where more formal managerial controls are necessary to ensure continued viability.

Evaluation of Sociotechnical Systems Design Methods
The sociotechnical systems approach appears to provide an effective diagnostic framework based on the results from the two firms studied. Technical variances were identified in both organizations and action to control the variances was suggested, although substantially different proposals for change emerged. It is noteworthy that results from the firms in this study were consistent. This suggests that the nation of "sociotechnical match" does have utility, insofar as technical variances were associated

with role ambiguity and low context satisfactions in both firms.

The Table of Variance Control effectively summarized the technical variances and their control in both firms. This data made it possible to identify causes as well; without such systematic diagnosis cause-and-effect linkages are often difficult to establish. It is likewise instructive that variances were controlled at the one unit operation in both firms, and that these correlated with identifiable "problems" in the social systems.

Several characteristics became apparent during the course of the study that conceivably affect the social and technical processes in small businesses. For example, the background and experience of the owners were found to affect the way they related to the different employees (social system) and to the handling of uncertainty (technical system). In one firm, the owner had a background in mechanics and avionics. The role conflict and ambiguity were much lower in these areas than they were in, for instance, the Line Services Unit operations.

Size and distribution of employees also appear to affect sociotechnical systems. Both firms were approaching a size that would require more formal managerial controls. The proposals for change were directed at coping with this growth. The distribution of employees in space and time affected variances in both organizations. In the case of the retailer, the dispersion of stores and shifts created problems in the social system. At the service firm, the technical variances all occurred at the only unit operation characterized by shifts and some degree of geographic dispersion.

In sum, it appears that the sociotechnical systems approach is a valid methodology for investigating the technical and social processes of small firms. In the two firms studied, there were straightforward explanations of the social and technical "match" and its impact on system effectiveness. Moreover, the examination of subsystem interrelationships in a concrete setting provided a revealing view of the dynamics of small organizations.

(1) Copies of the data collection instruments used in this project are available from the author.

REFERENCES

(1) Emery, F.E. Systems Thinking (Baltimore: Penguin Press, 1969).

(2) Hackman, J.R., and G.R. Oldham. Work Redesign. (Reading, Massachusetts: Addison-Wesley, 1980).

(3) Nadler, D.A. an M.L. Tushman. "A General Diagnostic Model for Organizational Behavior: Applying a Congruence Perspective," in J.R. Hackman, E.E. Lawler, and L.W. Porter (eds.) Perspectives on Behavior in Organizations (2nd Edition). (New York: McGraw-Hill, 1983), pp. 112-124.

(4) Susman, G.I. Automony at Work; A Sociotechnical Analysis of Participative Management. (New York: Praeger, 1979).

(5) Taylor, J.C. "The Sociotechnical Approach to Work Design, in K. Legge and E. Mumford (eds.). Designing Organizations for Satisfaction and Efficiency. (England: Gower Press, 1978), pp. 95-107.

THE BUSINESS ASSESSMENT CENTER: AN INCUBATOR WITHOUT WALLS

Robert C. Camp, Fort Hays State University J. Dale Peier, Fort Hays State University

ABSTRACT
This paper describes an incubation progress which is not facility bound. The process identified includes venture assessment, management assistance, and venture capital procurement. A business venture assessment and management center" would be the focal point for the process. The center would act as a conduit for product development and venture capital financing.

THE TRADITIONAL INCUBATOR
The benefits/services that are provided by business incubators have been reviewed and assessed by David Allen, et. al [1]. Others [2, 3 & 4] have also identified, reviewed, or discussed the nature of the incubator process. However, the benefits/services are worth reviewing here. The most prominent benefits are:

1. product/project assessment;
2. management assistance;
3. subsidized facility;
4. shared services (answering service, copying service, accounting service, etc.); and
5. assistance in securing financing.

There are several possible yardsticks that might be used to determine the success of an incubator operation. The yardsticks depend, in part, on who is subsidizing the operation. In any event, a fairly high occupancy rate for a given facility is probably a necessary ingredient of success.

In sparsely populated areas prospective occupancy rates may not be high enough to warrant establishment of a traditional type facility. The availability of relatively inexpensive commercial/ industrial space may also suggest the lack of need for a traditional type facility.

Product development ideas may, nevertheless, be prevalent in areas with limited population and inexpensive available facilities.

Western Kansas. home of the authors of this paper fits the foregoing description fairly well. The authors, therefore, have proposed a form of incubation which is not facility based. This concept has been termed the "incubator-without walls."

A DIFFERENT TYPE OF INCUBATION
There is clearly a need in regions like Western Kansas for venture assessment, management assistance and venture capital procurement. The vehicle bringing all these functions together may be termed "a business venture assessment and management center." The center would essentially act as a conduit for product development and

venture capital financing. Its main function would be promotional.

It might be argued that the functions outlined above can be provided through Small Business Development Centers. Certainly, SBDCs are equipped to do venture assessment and provide management assistance. They are also in a position to assist with loan proposals, etc. However, it is the opinion of the authors that SBDCs are not a satisfactory conduit for product innovation development and venture capital financing.

The paramount function, then, of a business venture assessment and management center would be promotional. The authors envision a "traveling director" nay "ambassador" with part-time secretarial assistance and/or an answering service. This individual would be responsible for attracting product development ideas. This could be done by appearing before civic clubs, and other organizations with business community memberships. It might also be possible to have product innovation conferences and/or workshops. The director would also be responsible for attracting individuals and/or institutions interested in supplying venture capital. Actual venture assessment and management assistance would come from SBDCs.

The business venture assessment and management center would have to play an arm's length role in this equation. For example, the board of directors and ex officio directors of the center probably should not include individuals and/or institutions supplying venture capital. The business venture assessment and management center could be financed with either private or public funds. There would be no facility involved as there would be with a traditional incubator. Therefore, there would be no operating revenue unless a fee were contributed by the venture capitalist participants. The most logical source of funding would be some type of regional levy. The budget itself, would probably not exceed $100,000 to $120,000 per year. A very large part of this would be for travel expenses.

SUMMARY

In summary, then, the center would be involved in identifying viable ventures and acting as a conduit for venture capital financing. The emphasis here would be on nurturing viable ventures that already exist in a given geographic region rather than promoting the movement of businesses from one geographic region to another. Please refer to the appendix for a schematic contrasting the traditional business incubator with an incubator without walls.

REFERENCES

(1) Allen, David. J. Ginsberg, and S. Meiburger. "Home Grown Entrepreneurship: Pennsylvania Small Business Incubators" (University Park, PA: Institute of Public Administration, 1984).

(2) Campbell, C.,"Hatching New Business: A Summary of Small Business Incubators in the U.S." Planning (May 1984) pp. 19-24.

(3) Smilor R., and M. Gill. The New Business Incubator (Austin, Texas: Institue for Constructive Capitalism, 1984).

(4) U.S. Small Business Administration, Office of Private Sector Initiatives, "Incubators for Small Business" (June 1985).

APPENDIX

THE SMALL BUSINESS INCUBATOR

[Figure Omitted]

1. Services:
Product/Project Assessment
Management Assistance
Subsidized Facility
Shared Services
    Answering Service
    Copying Service
    Accounting Service
Assistance in Securing Financing

2. Eligibility:
New Business
Existing Business (Currently located elsewhere)

3. Community Benefits:
Job Creation
Income Creation

[Figure Omitted]

A COMPARISON OF THE LARGEST BLACKOWNED COMPANIES WITH THEIR WHITE COUNTERPARTS

Matthew C. Sonfield, Hofstra University

ABSTRACT
This paper-presents a comparison of the largest black-owned businesses in the United States with those mainstream firms that are most comparable. In an analysis focusing on sales volume, sales growth, survival rates, and business category trends, a variety of similarities and differences between the two groups are determined. The relevance of these conclusions to American public and private social policy is then discussed.

INTRODUCTION
In the past few decades, a relatively small number of black-owned business firms have become successful to the point where they have attained a degree of national recognition. These firms and their owners have been written about, have been included on lists of the largest minority businesses, and have been used as examples of the possible success that can be achieved within "Black Capitalism."

However, any study of even the largest and most successful black- owned businesses is in fact a study of small business. In 1984, within the one hundred largest black-owned businesses in the United states, only two had sales of more than $100,000,000 and all but eighteen had sales under $30,000,000. Similarly, only two had more than 1000 employees, and only seven had more than 500 employees.***(1)*** In comparison, the largest firm on the "Fortune 500" listing had 1984 sales of $88,000,000,000 and the number 500 firm had $418,000,000 in sales volume. By the standards of mainstream business, the largest black-owned firms may not be "mom-and-pop" operations, but almost all would in fact fall under the U.S. Small Business Administration's definitions of "Small Business."

The purpose of this paper is to study the available data on the largest (and, most successful) black-owned businesses in the United States, and to compare these firms, and their performance and attributes, to those mainstream firms that are most comparable. ("Mainstream" of course means largely white-owned rather than minority-owned.) Such a comparison should enable us to reach conclusions as to the level of progress and the current status of America's most successful black-owned companies, and furthermore, to develop some conclusions and perhaps some recommendations with regard to social policy.

METHODOLOGY
Since 1983, the magazine Black Enterprise (BE) has compiled an annual listing of "The Top 100 Black Businesses." This is a listing of those firms, at least 51% black-owned, in the fields of manufacturing or industrial or consumer services, having the largest sales volumes during the previous year. Since almost all of these firms are privately owned, without publicly traded stock, the information is collected from the firms themselves.

This is clearly the best listing available of the largest and most successful blackowned companies in the U.S.

The choice of a comparable "mainstream" listing is not so simple. The best known of the mainstream "biggest" lists is the "Fortune 500" published annually by Fortune magazine. However, as discussed above, the firms on this list are so much larger in size than those on the BE list that any comparative analysis would be virtually meaningless. Furthermore, the Fortune 500 listing is only for industrial firms (ie. more than 50% manufacturing), while the majority of the BE firms are in service fields.

There are several periodicals that focus on smaller business that publish annual listings of such firms. However, these listings are not of the "biggest" small firms (at what sales level does the biggest smaller firm leave the list and become a smaller large firm?), but rather are listings of those firms that are currently "hot": those with the highest growth rate or profit-to-sales ratio, etc., in the past year. These lists, then, would not provide a meaningful comparison to the BE listing either.

For many years, Fortune magazine also published a "Second 500" annual listing, giving firms ranking #501 through #1000 in size. While still considerably larger than the BE companies, these firms might have provided a certain degree of value for comparative purposes. Unfortunately, this listing was dropped by Fortune after the listing for 1981, because of a "lack of editorial interest." ***(2)*** Thus, the absence of recent data makes this listing inappropriate for the purposes of this paper.

The best published listing for comparison purposes is the Fortune "Service 500," also published annually. Several different service categories are included within this listing. One that might be comparable to the BE listing is the "100 Largest Diversified Service Companies," but this category was only begun for 1981. A more useful listing, however, is the "50 Largest Retailing Companies" category, which has been compiled for many years. While here too the listed firms are much larger than the BE firms, the majority of BE firms are in some form of retailing, and many more are in some other area of service. Thus, taking into considertation the significantly larger size of the Fortune "50 Largest Retailing" firms, it will be seen that the past ten years of this listing can be compared in many meaningful ways with the past ten years of the Black Enterprise listing.

While both the Black Enterprise and Fortune listings go back for more than ten years, this particular time period of 1975-1984 seems quite appropriate for analytical purposes.

ANALYSIS

In 1975 the largest black-owned business in the U.S. was Motown Industries of Los Angeles, with sales of $43,500,000 and 300 employees. This entertainment company was then (and still is) the best-known black-owned firm in the country, largely because of the national reputation of many of it's contracted entertainers. The 50th firm the BE 1975 list was Cedar Lee Chrysler Plymouth of Cleveland Heights, Ohio, with sales of $4,460,000 and 37 employees. Typical of most BE firms, this automobile dealer was not known beyond its own trading area.

In 1984, Johnson Publishing Company of Chicago was #1, with sales of $138,936,000 and 1786 employees. This company is the publisher of several black-oriented magazines, including "Ebony". Like Motown (#2 in 1984), it has been at the top of the BE listing every every year (it was #2 in 1975). Number 50 in 1984 was S.T.R. Corp. of Cleveland, a retail food company, with $19,400,000 in sales and 259 employees.

In comparison, the #1 retailing company of Fortune's 1975 list was Sears, Roebuck, with sales that year of $13,639,887,000. Number 50 was Mercantile Stores of New York, with $630,604,000 in sales.

Sears again topped the list for 1984 with sales of $38,828,000,000; while #50 that, year was Evans Products of Miami Beach, with $1,406,399,000 in sales.

While the black-owned firms are very much smaller than their mainstream counterparts, it is interesting to note that the percentage increases in sales volumes for the black and mainstream firms have been comparable. The BE #1 position sales volume rose 319% from 1975 to 1984, while the #50 position sales volume rose 435%. In the Fortune listing, the #1 position ales rose 51% and the #50 position sales rose 222%. Similar percentage increases can be calculated for other banks within the two listings. Thus, it does not appear that these mainstream firms have surpassed their black counterparts in terms of sales volume growth luring the past decade.

It is also useful to compare the number of firms that were on the 1975 listings that remain on these listings in 1984. Of the 100 firms on the BE list at the beginning of the decade, only 30 can be found on the most recent listing. On the other hand, 33 firms from the 1975 Fortune list (of 50) can be found on the 1984 list- a survival rate of 66%, more than twice the BE survival rate of 30%. Of course, not all firms that did not "survive" dropped below the list cut-off point or went out of business. A few of the BE firms moved into the mainstream by being acquired by a mainstream company or by at least 51% white ownership. Also, a few of the Fortune firms moved into the "Industrial" listing as the mixture of their operations changed.

Still another focus for analysis is the nature of the firms on these two lists. What types of companies were successful enough to reach these levels of sales volume, and what trends appear to have taken place between 1975 and 1984? In this analysis, however, it must be remembered that the Fortune listing is by definition limited to retail organizations, while the Black Enterprise listing can also include other types of service companies, as well as manufacturers.

The 1975 Fortune Retail listing was comprised largely of the major national or regional department store or general merchandise chains (Sears, Penney, etc.) and supermarket chains (Safeway, A&P, etc.), along with a few food service or franchising companies (ARA Services and McDonald's). Since 66% of these companies survived to be on the 1984 listing, it is obvious that the profile of the Fortune listing has not changed greatly in the past decade. We again see the major department or general merchandise chains (such as Sears, still #1), but now several of the names are specifically discount-type stores (K mart, etc.). The supermarket chains (Safeway drops from #2 to #3) also remain a major part of the listing. Again, a few food service or franchising operations make the list, as well as a few more specialized retail chains (Toys "R" Us, etc).

Thus, we can see that the "Fifty Largest Retailing Companies" are a rather consistent group of firms, requiring a national or at least regional market to achieve their large sales volume. Furthermore, for most of these firms, high levels of sales have been achieved by a generalist rather than a specialist marketing strategy.

In contrast, the nature of the firms on the Black Enterprise listings is a more complex one, with some clear trends appearing over the past decade. The majority of the firms on the BE listing are neither national nor even regional, nor are they generalist multi-product companies. Rather, most of these firms are single- location operations, serving a particular local market with a specific product line or service. Also, the markets served by these companies are most often largely black or other minority markets. Further-more, this profile has not changed in the past decade- about 10% of the BE firms in 1975 were national or regional rather than local, and the same percentage holds true in 1984.

The BE firms cap be categorized into the following groups:

Automobile dealerships
Construction/contracting
Fuel oil/coal retailers/distributors
Media (print & broadcasting)
Cosmetics and hair-products manufacturers
Entertainment
Computer service/retailing
Food/beverage wholesaling/retailing
Miscellaneous manufacturing
Miscellaneous service.

Figure I charts the number of firms in each category for each year's BE "Top 100" listing from 1975 through 1984. Figure 2 charts the percentage of the total sales volume for the one hundred firms held by each of these categories. This latter measurement provides a somewhat more accurate picture of the relative strength of each business category, given the wide range in sales volume between the top and bottom of the list.

A number of analytical points can be made. It can be seen that automobile dealerships constitute the strongest segment of the black business listing. Since the rise of "Black Capitalism" as a social goal in the 1960's, the various American (and more recently foreign) automobile manufacturers have felt a need to assist black entrepreneurs in acquiring or starting car dealerships in the inner cities. Thus, it is now quite common for urban areas having major minority populations to have one or more local minority-owned auto dealers.

It can be seen in Figures 1 & 2 that this automobile dealer segment of the BE listings is also the most volatile of the business groups. In fact, this segment's sales trend follows the national passenger car retail sales figures quite closely:

1975	8640 (000 cars-sold)
1976	10110
1977	11185
1978	11312
1979	10671
1980	8979
1981	8536
1982	7979
1983	9181
1984	10500 (est.) ***(3)***

Another obvious trend among the various business categories is that of computer service/retailing. Of course, there has been a national upward trend in both data processing services and in computer sales in the past decade, as can be seen in the national data:

COMPUTER EQUIPMENT SALES ($million)

1975	8560
1976	10388
1977	12924
1978	16558
1979	21466
1980	26594
1981	32032
1982	37403***(4)***

One further trend that can be seen in these charts is the rise in fuel oil prices in the late 1970's and early 1980's, and the leveling off of these prices in more recent years. While it may appear that other trends are indicated on these charts, in fact most of the other business category sales variations are more the result of the trends in automobiles, computers, and fuel oil, rather than meaningful trends themselves. Since both charts have a finite limit (100 firms or 100% of total sales volume), any significant rise in one category must result in a drop in another category, even if the second category is also rising, but at a lesser rate.

Thus, certain other business categories are well-represented on the BE listings, and have been relatively consistent in strength over the past decade. It is important to note that several of these categories, such as fuel oil and coal and construction/contracting, owe a portion of their sales volume to federal and local government procurement actions. In the best known program, Section 8(a) of the Small Business Act authorizes the U.S. Small Business Administration to subcontract federal awards for goods and services to businesses owned by minorities and other socially or economically disadvantaged persons. The total value of 8(a) contracts has risen throughout the decade, from $566 million in 1977 to $2.7 billion in 1984. ***(5)***

DISCUSSION

The Reagan administration concludes that minority business has made "modest gains" in recent years.***(6)*** Still, the performance gains of the "Top 100 Black Businesses" have been more than modest. This analysis has shown that the biggest and most successful blackowned firms have kept pace with the largest mainstream firms in terms of sales growth, with gains of 300% to 400% and more over the decade.

Yet the data also shows that even the largest black-owned firms are very vulnerable to fluctuations in the economy and other environmental factors. The survival rate on the BE list is less than half that on the Fortune list. Although specific reasons for this greater degree of weakness can be identified, such as the heavier burdens of debt that blackowned firms tend to carry in comparison to mainstream firms ***(7)***, this data also indicates a more general weakness of black-owned companies that goes beyond specific causes.

The data furthermore shows that certain industries or markets are more likely to be avenues to success for black entrepreneurs and business owners than are others. It is no coincidence that most of the firms on the BE listing fall into a handful of business categories. Government and major corporate efforts to promote Black Capitalism and the economic strength of urban minority markets have provided the opportunities for a majority of the BE firms.

Thus, most of these largest black-owned business firms are not really in the stream at all. Many may have a sizable mainstream segment within their market or customer roster, but the basis or their niche in the economy is still that they are black, and that for some reason being black is desirable in their particular business situation. In most of the business situations occupied by BE firms, the decision by a larger mainstream firm to combat the black firm for its business would result in a mainstream victory.

One example of this currently happening is in the hair-care products industry. In recent years, the large mainstream cosmetics and personal-care products companies have discovered that blacks individually spend three to four times more on hair- care products than do whites, and they have made major inroads into this formally black firm-dominated market. Firms like Revlon, Alberto-Culver, and Clairol have entered and gained about 40% of the market, and this penetration continues. Analysts attribute this to the much greater financial strength of the mainstream companies, and their ability to spend much greater amounts on advertising and promotion.

If federal, state and local procurement programs were to end, it is quite likely that many of the fuel oil, construction/ contracting, and other BE firms would find it very difficult to survive, or at least to remain among the "Top 100" black firms. Similarly, if the retail automobile industry were not constrained by a system of manufacturer's geographic franchises, many of the BE automobile dealers would find themselves under great competitive pressure from those dealers currently limited by their franchises to other geographic markets.

CONCLUSIONS

Black-owned firms can be successful. Fine examples of such success can be seen on the Black Enterprise "Top 100" listings. Yet these same listings also illustrate the precarious position and vulnerability of these very firms. Companies among the top ten on the BE list in one year may be absent from the entire list in the next, having gone bankrupt in the past twelve months.

As in the areas of employment and education, it is not sufficient to end discrimination and then leave smaller and weaker black- owned firms, and black entrepreneurs, to fend for themselves in competition against older and stronger mainstream firms. Rather, it is the social responsiblity of both the public and private sectors to take "affirmative action" to assist black and other minority business owners and entrepreneurs to gain a safe foothold in our economy.

Most of the appropriate "affirmative actions" already exist and are in place. Examples of government procurement and corporate franchising efforts have been previously discussed in this paper. Other existing public and private sector efforts provide debt and equity financing to minority businesses, particularly important because of the greater financial vulnerability experienced by most minority firms. Federally sponsored Minority Enterprise Small Business Investment Corporations (MESBIC's) have increased their financial aid to minority firms throughout the past decade. In still another area of effort, many major corporations also are engaged in procurement assistance, by working to increase the proportion of their purchasing from minority suppliers.

All of these efforts, and perhaps others not currently considered, must be continued and further strengthened. As federal, state and local government spending and deficits come under greater pressure, it is important that efforts in support of minority business not be diminished in favor of other budget priorities. Whether or not it is realistic to expect that black and other minority-owned businesses may ever achieve true proportional parity with mainstream business, it is clear that current affirmative efforts have been effective, and that they should be maintained as a component of American public and private social policy.

[FIGURE 1 OMITTED]

[FIGURE 2 OMITTED]

NOTES:

(1) Black Enterprise, June 1985, pp. 87-105.

(2) Telephone interview, Mrs. Benjamin, Fortune magazine editorial office, New York, May 15, 1985.

(3) U.S. Industrial Outlook, (Washington: U.S. Dept. of Commerce, January 1985), p. 36-6.

(4) Ibid., p. 28-9

(5)The State of Small Business: A Report of the President, Washington: May 1985), p. 353.

(6) Ibid., p. 339.

(7) Ibid., p. 348

(8) "Blacks Fight For Market Niche," The New York Times, June 1985, pp. Dl, D5.

(9) Most recent example: Vanguard Fuel Oil, Brooklyn, NY-#7 in 1983, bankrupt in 1984.

ENTREPRENEURIAL PATTERNS OF ASIAN AND BLACK BUSINESS COMMUNITIES

Samuel K. Moak, Virginia State University

ABSTRACT

This paper presents a comparative study on entrepreneurial patterns of Asian and Black communities. Asian community has shown vigorous expansions in all categories of industry, whereas Black community has lost its number of establishments such as food stores, hotels and educational services. Both Asian and Black business firms are spread widely all over the country, breaking away from the traditional areas of South and Pacific region. Black community has shown an outstanding growth in health service firms, but they need more balanced growth in other areas. This indicates that Black community needs an intensive entrepreneurial training.

INTRODUCTION

This study is to compare the entrepreneurial patterns of Asian and Black business communities in terms of the trends of selected industries, and regional trends of business establishments owned and operated by both minority groups.

This study is of particular importance to both educational institutions and business communities in view of the fact that an increasing emphasis has been placed upon the entrepreneurship courses in our higher educational institutions in recent years, and because of a great need for such a training to the minority students in this country.

Asian and Black business communities share a wide range of common characteristics and problems in their business environment, such as the shortage of capital availability, the customers, managerial difficulties, social and competitive environments. However, at the same time each group has a distinctive and differentiated cultural, psychological, economical, and historical background as immigrants in this country. Asian immigrants, for example, have had a shorter length of stay in this country compared to Blacks and the tend to display some of the distinctive characteristics of their nationalities. Blacks have resided in this country since the beginning of her history, thus they are ingrained in the outlook and social background of this land. Asian immigrants might have been exposed to a highly competitive social environment as most Asian countries have a high density of population. On the other hand, Blacks might have had more limited business activities due to economic and political restrictions imposed upon them.

The purpose of this study is to compare the fundamental similarities and dissimilarities of the two groups in their entrepreneurial patterns and to draw several constructive implications from the study. This study could serve as the basic ground to make the recommendations for future entrepreneurial education to both students as well as business community at large.

Limited studies were conducted in these areas, and few inferences can be made on these subjects. First, we want to compare the industrial groups.

GROWTH PATTERN OF INDUSTRY GROUPS

The trend of industrial group is shown in Table 1. It is obvious that in all industrial groups, Asian business community has shown a faster expansion than Blacks, except the category of, "other industries." Both groups have shown a significant increase in the wholesale trade between 1972 to 1977, by 77 percent in the Asian group and 30 percent in Blacks respectively. Historically, the wholesale trade owned by both minorities was comparatively smaller in the national total compared to the rest of the industry groups in 1972. It was only one percent of the national total. This implies that the wholesale trade may have been less competitive among the minorities, thus providing a favorable environment for expansion. With the rising number of retail establishments by the minority business, the wholesale trade has had a base to expand.

The second largest increase of the industrial group was registered in the manufacturing sector by the Asian group. It expanded by 72 percent during 1972 to 1977. In the case of Blacks, the second largest increase took place in finance, insurance and real estate by 28 percent. The smallest increase was seen in the category of "other industries" in the Asian group, whereas the retail trade has the smallest increase of 3 percent by lacks during the same period.

By comparing the industrial groups, it is interesting to note that the Asian group has expanded more rapidly in every industry group than Black community.

Black community registered very little expansion in the retail trade during the 1972-77 period, whereas Asian community reported a rapid growth in this category. This may be explained by the fact that the retail firms require an initial investment as small as $20,000 to $40,000, and this was a welcome relief to many Asian immigrants. A rapid expansion of the wholesale trade by Black community can be depicted by the fact that they have sufficiently a large number of retail bases (55,000 in 1977) to expand the wholesale business.

The gross sales of the wholesale trade in black community increased by 104 percent whereas the number of its establishment is up by only 30 percent during 1972-77 shown in Table 2. This implies that volume of business per unit of the wholesale firms was significantly up during this period.

It is particularly noteworthy that the manufacturing sector in Asian community has greatly increased in both the number of manufacturing establishments as well as the gross sales. The gross sales in the manufacturing increased by 147 percent, the highest increase among the industrial group. This expansion may have been ignited by the industrial expansion taking place in Asian hemisphere and its growing trade among the industrial nations of the world. This should be an encouragement to other industrial group as well as to the whole economy. This is especially significant in view of the fact that the employment in manufacturing has been proportionally declining for the past decades, compared to the service sector of the economy. In an overall analysis, Asian community proportionally appeared to be more active in generating the number of business firms and its gross sales than Blacks.

Table 3 shows selected industry groups in receipts of firms owned by Asian Americans during the period of 1972 to 1977. In terms of its number of industrial establishments, the largest increase was reported in the transportation services (SIC Code 47) in the Asian business community. It expanded by 155 percent. The second largest increase was registered in apparel and other textile products by 143 percent. The lowest increase was reported in the agricultural services (SIC Code 07) by only 4 percent. Food and kindred products (SIC Code 20) was actually decreased by one percent during this period.

In terms of the gross sales in Asian groups, food stores have registered the highest increase from $224,055 in 1972 to $1,301,377 in 1977, by 481 percent. Food store operations have been unusually popular among Asian community, because this business is relatively less risky and requires less capital. The second highest increase in the gross sales was reported in hotels and other lodging places by 357 percent. The lowest increase of 22 percent was registered in furniture and fixture gross sales. The second lowest increase in the gross sales was registered in the agricultural services. This trend is consistent with the national trend of decline in the agricultural sector.

Table 4 shows selected industry groups in receipts of firms owned by Blacks, 1972 and 1977. In terms of the number of establishments, the largest increase was noticed in the health services. This sector increased from 2,367 in 1972 to 14,560 in 1977 by 515 percent. This trend is important for Blacks as a large number of health-related business firms have been established in recent years. It is also significant to note that six industry groups such as apparel and other textile products, food store, eating and drinking places, hotels and other lodging places, educational services, and food and kindred products, have reported a loss in a varying degree. For instance, the hotel and other lodging places reported the highest loss by 21 percent. If these losses in the number of establishments were offset by the gain in another industry group, an overall industrial expansion could have been maintained. However, the evidence presented here is not sufficient to support the foregoing statement. An implication of these losses is that the Black business community requires an intensive promotion of entrepreneurial education and the sources of capital for these enterprises. These industry groups where the loss occurred are important sectors of our economy especially in urban setting. Only significant increase was seen in the health services, and this is a lopsided picture. What Black community needs is an overall and balanced growth in all the industry groups.

In terms of the gross sales, the greatest gain of 604 percent was registered in the health services. The health service reported an increase of $61,464 in 1972 to $432,534 in 1977. The second highest gain was registered in banking. The gain of 248 percent was reported during 1972 and 1977. And yet, the number of banking owned by Blacks was conspicuously small in terms of the national total.

No growth was reported in receipts of transportation service during the period. The rest of industry groups showed increment ranging 23 percent to 86 percent respectively.

REGIONAL PATTERNS

Regarding the number of business firms owned by Asian Americans by region, it is noted that the largest increase of the number of Asian owned firms was registered in South Atlantic by 146 percent as shown in Table 5. The lowest increase was shown in the Mountain region by 62 percent during 1972 and 1977. In terms of the gross receipts, the largest increase was reported in East North Central by 298 percent. The lowest growth was seen in the Mountain region by only 64 percent.

In terms of Black owned business firms by region, the largest increase in the business firms was reported in the Pacific region by 43 percent. The lowest increase was registered in East North Central by 13 percent. In terms of the gross receipts, the largest gain was reported in the Pacific region by 92 percent, whereas the lowest was in Middle Atlantic by 39 percent, as shown in Table 6.

CONCLUSION AND IMPLICATIONS

This study revealed a few startling observations. The Asian business community appeared to be more active and expansive in all categories of the industry groups. The Asian business firms were scattered all over the regions of the country. In fact, a rapid growth of business establishments has taken place in many regions other than in the Pacific region. The Pacific region was traditionally considered the area for most Asian immigrants and their settlement. This study revealed that this is no longer true. Due to the shortage of capital and experience, Asian immigrants were mostly engaged in food stores, transportation service and other light industry which require a relatively small amount of capital investment. It was a refreshing experience for Asian Americans to expand the number of manufacturing firms in this country. This may have a significant impact upon the growth of other industry groups as well as the productivity of labor. There is a sign that Asian business communities especially Koreans, Japanese, and Chinese business people are breaking away from the traditional pattern of operating small stores and move gradually into more complex management and capital intensive ventures.

Both minority groups have shown a healthy growth in the wholesale trade. The shortage of capital among Asian groups has been partially met by the community self-generating capital formation.

In the case of Black community, a surprising result was that many essential industry groups such as food stores, eating and drinking places, hotel and other lodging places, educational services and food and kindred products, were loosing its number of establishments. This was in a sharp contrast to the Asian business community where the growth of all categories of business has taken place. A lopsided explosive increase in the health services among Blacks was both encouraging and discouraging.

It is encouraging to observe that many Black business persons ventured into organizing and operating the health service firms. It is discouraging, because a lopsided growth in one industry group was taking place instead of a balanced growth in all categories of business firms. A preferable situation would be to achieve a business growth in all segments in order to establish a strong business community. The remedy should include intensive entrepreneurial education to potential and existing business people among Blacks. Capital generation is also crucial to the Black business communities. The entrepreneurial training should include both its conceptual approach and specific skill development required in each industry group.

REFERENCES

[1] Brimmer, A.F. "The Black Banks, An Assessment of Performance and Prospects," Journal of Finance. 26 (May, 1971).

[2] Choy, Bong-Youn. Koreans in America (Chicago: Nelson-Hall, 1979).

[3] Juhn, D.S. "Asian Entrepreneurship in the United States with Specific Emphasis on Korean Entrepreneurship." Small Business Directors' Association Proceedings, 1985.

[4] Lancaster, E.M. 1978 Annual Report of Savings and Loan Associations Owned and Operated by Negroes. U.S. Department of Commerce. (Washington, D.C. November, 1979).

[5] Moak, S.K. "Innovating Financial Institutions for Minority." Small Business Directors' Association Proceedings, 1983.

[6] Pickle, H.B. and Abrahamson, R.L. Small Business Management. (New York: John Wiley & Sons. 1984).

[7] U.S. Department of Commerce. Bureau of the Census. Minority-Owned Business. Asian Americans, American Indians, and Others. MB 77-3. (Washington, D.C. 1977)

[8] U.S. Department of Commerce. Bureau of the Census. Minority-Owned Business. Black MB 77-1 (Washington, D.C. 1977).

[9] Van Voorhis, K.R. Entrepreneurship and Small Business Management. (Boston: Allyn and Bacon, Inc. 1980).

Table 1.
Number of Business Establishments Owned by Asian and Black Americans by Industrial Groups 1972 and 1977

	Asian 1972	Asian 1977	Change (Percent)
Construction	2,941	4,201	(43)
Manufacturing	1,543	2,645	(72)
Transportation & Public Utilities	1,852	2,682	(45)
Wholesale trade	1,646	2,910	(77)
Retail trade	21,339	33,927	(59)
Finance, Insurance & Real Estate	4,104	6,189	(51)
Other Industries	7,723	9,246	(20)

	Black 1972	Black 1977	Change (Percent)
Construction	19,120	21,101	(10)
Manufacturing	3,664	4,243	(16)
Transportation & Public Utilities	21,356	23,061	(8)
Wholesale trade	1,708	2,212	(30)
Retail trade	53,924	55,428	(3)
Finance, Insurance & Real Estate	7,669	9,805	(28)
Other Industries	4,161	5,158	(24)

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Asian Americans, American Indians, and Others MB77-3. Washington, D.C., pp. 10- 11. Black MR-1, p. 10.

Table 2.
Seven Industrial Groups in Receipts of Firms Owned by Asian and Black Americans, 1972 and 1977

	Asian		
	1972	1977	Change (Percent)
Construction	$183.014	$377.066	(106)
Manufacturing	188,019	463,815	(147)
Transportation & Public Utilities	97,060	164,179	(69)
Wholesale trade	359,276	589,708	(64)
Retail trade	1,799,173	3,489,510	(94)
Finance, Insurance Real Estate	157,487	299,268	(90)
Other Industries	86,930	143,594	(65)

	Black		
	1972	1977	Change (Percent)
Construction	$627,026	$757,691	(2)
Manufacturing	363,806	613,665	(69)
Transportation & Public Utilities	357,830	509,443	(42)
Wholesale trade	325,343	644,052	(104)
Retail trade	2,404,628	3,352,331	(39)
Finance, Insurance & Real Estate	393,987	641,372	(63)
Other Industries	72,313	104,492	(44)

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Asian Americans, American Indians, and Others MB-3. Washington, D.C., pp.10-11. Black MB-1, p. 10.

Table 3.
Selected Industry Groups in Receipts of Firms Owned by Asian Americans, 1972 and 1979

		Firms			Gross Receipts (1,000)		
SIC Code	Description	1972	1977	Change (Percent)	1972	1977	Change (Percent)
07	Agricultural Services	6,025	6,246	(4)	$68,785	$94,049	(37)
23	Apparel & Other Textile Products	388	822	(143)	40,418	93,849	(132)
47	Transportation Services	219	558	(155)	13,084	37,233	(185)
54	Food Stores	4,164	6,195	(49)	244,055	1,301,377	(481)
58	Eating & drinking places	5,780	9,130	(58)	419,190	829,650	(98)
59	Miscellaneous	7,804	13,083	(68)	241,050	446,998	(85)
60	Banking	35	55	(57)	35,480	116,110	(227)
65	Real Estate	2,078	3,925	(89)	65,008	113,705	(75)
70	Hotel & Other lodgings Places	814	1,683	(107)	24,349	111,199	(357)
75	Auto Repairs & Garages	1,063	1,520	(43)	40,113	84,356	(110)
80	Health Services	-	3,166	–	-	912,383	–
82	Educational Services	1,057	1,564	(48)	8,598	15,219	(70)
20	Food & Kindred Products	150	149	(-1)	27,244	39,759	(46)
25	Furniture & Fixtures	54	62	(15)	18,570	22,648	(22)

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Asian Americans, American Indians, and Others MB-3. Washington, D.C., p. 10.

Table 4.
Selected Industry Groups in Receipts of Firms Owned by Blacks, 1972 and 1979

		Firms			Gross Receipts (1,000)		
SIC Code	Description	1972	1977	Change (Percent)	1972	1977	Change (Percent)
07	Agricultural Services	2,613	3,532	(35)	$43,315	$67,269	(55)
23	Apparel & Other Textile Products	224	203	(-9)	22,549	30,884	(37)
47	Transportation Services	1,039	1,445	(39)	25,812	25,774	(0)
54	Food Stores	11,887	10,679	(-10)	570,572	785,331	(38)
58	Eating & drinking places	14,346	13,008	(-10)	437,088	572,331	(31)
59	Miscellaneous Retail	16,005	20,880	(31)	396,685	589,727	(49)
60	Banking	99	152	(54)	40,416	140,497	(248)
65	Real Estate	5,071	6,606	(30)	85,140	141,267	(66)
70	Hotel & Other lodging Places	2,071	1,733	(-21)	49,995	61,349	(23)
75	AutoRepairs & Garages	5,367	6,890	(30)	105,020	184,555	(76)
80	Health Services	2,367	14,560	(515)	61,464	432,534	(604)
82	Educational Services	1,942	1,837	(-5)	27,441	20,835	(-76)
20	Food & Kindred Products	102	89	(-18)	59,716	95,025	(59)
25	Furniture & Fixtures	133	145	(9)	12,593	23,442	(86)

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Black MR-1. Washington, D.C., p. 10.

Table 5.
Number of business Firms Owned by Asian Americans by Regions, 1972 and 1977

	Firms			Gross Receipts (1,000)		
Regions	1972	1977	Change (Percent)	1972	1977	Change (Percent)
United States	63,692	110,837	(74)	$3,270,822	$7,319,916	(124)
New England	1,067	1,786	(67)	61,765	235,886	(282)
Middle Atlantic	6,212	13,247	(113)	175,742	544,662	(210)
East North Central	4,006	9,133	(128)	157,055	625,118	(298)
West North Central	1,066	2,232	(109)	49,298	113,587	(130)
South Atlantic	3,003	7,388	(146)	110,536	368,895	(234)
East South Central	599	1,231	(106)	40,732	99,468	(144)
West South Central	2,914	4,506	(55)	143,731	289,997	(102)
Mountain	2,598	3,607	(39)	148,048	242,468	(64)
Pacific	41,876	67,707	(62)	2,377,875	4,799,835	(102)
Others	356	-		6,040	-	

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Asian Americans, American Indians, and Others MR-3. Washington, D.C., pp. 44-45.

Table 6.
Number of Business Firms Owned by Blacks by Regions, 1972 and 1977

	Firms			Gross Receipts (1,000)		
Regions	1972	1977	Change (Percent)	1972	1977	Change (Percent)
United States	187,602	231,203	(23)	$5,534,109	$8,645,200	(56)
New England	3,444	4,397	(28)	112,740	184,208	(63)
Middle Atlantic	27,034	32,829	(21)	841,307	1,166,755	(39)
East North Central	33,174	37,643	(13)	1,208,275	1,931,735	(60)
West North Central	6,403	8,515	(33)	193,456	306,829	(59)
South Atlantic	52,646	65,878	(25)	1,409,196	2,073,659	(47)
East South Central	14,476	18,152	(25)	408,655	700,087	(71)
West South Central	25,716	31,799	(24)	615,435	958,113	(56)
Mountain	2,361	3,095	(31)	74,039	111,854	(51)
Pacific	20,241	28,895	(43)	630,062	1,211,960	(92)
Others	2,107	-		40,944	-	

Source: U.S. Department of Commerce. Bureau of the Census. Minority-Owned Businesses. Black MB- 3. Washington, D.C., pp. 24-25.

A REPORT ON THE TRANSFER OF THE SBDC AND SBI CONCEPTS TO THE IRISH EDUCATIONAL ENVIRONMENT.

Ben Lynch, Marketing Centre for Small Business, National Institute for Higher Education, Limerick, Ireland.

ABSTRACT
The SBDC model has been studied and adapted at NIHE, Limerick to suit the market requirements for such a concept in Ireland. It has emerged as the Marketing Centre for Small Business. The SBI concept has been tested without any significant change and early results suggest that it will be very successful in its well-known formula.
This paper comments on the transfer to Ireland of two successful American ideas.

INTRODUCTION
Recent developments at NIHE, Limerick, reflect a willingness to learn from the experience of others. The Institute owes much of its character to US technological universities and as well as being innovative in its own right has been prepared to borrow from others. Of late efforts have been made to transfer the successful SBI and SBDC concepts from their US bases and the early indications point to a bright future for these "imports" in Ireland.

BACKGROUND
Ireland, equally famous for its poets and its pints of Guinness, extends to an area of 27,000 square miles, yet only has a population equal to about a fifth of that of New York City. Emigration was a way of life for Irish people for generations as both population and employment figures declined consistently for more than a century after the Great Famine in the 1840's. It is hardly surprising therefore that unemployment has remained high. Efforts by the government to stimulate industrial employment during the 1930's were temporarily successful but only at the cost of extremely high tariff barriers. By the end of World War Two the protectionist policies had failed and national morale was low. During the 1950's emigration, mainly to Britain and US ran at the rate of 1.4% of the population each year.

Industrial Development
Publication of a document simply entitled `Economic Development' by T.K. Whitaker in 1957 led to a complete change in economic policy. Through the use of a combination of cash grants and generous tax incentives the Industrial Development Authority (IDA) has encouraged over 800 foreign companies to invest in Ireland. This led to an increase in industrial employment during the 1960's and 1970's and stood at 242,500 in November, 1984(1). During the earlier part of this period, the emphasis was placed on acquiring manufacturing units to provide employment for a largely untrained workforce. Little emphasis was placed on developing key activities such as research and development or marketing at Irish plants which ultimately depended on the parent company for new products and sales. These policies left the Irish subsidiaries exposed in times of retrenchment which inevitably led to closures. Such short-comings have received

considerable attention over the past few years and a commitment to the promotion of both R&D and marketing departments at the start-up stage now forms part of official industrial policy(2). However the problem of converting policy into reality has not yet been overcome.

IDA Small Industry Programme

As the dangers associated with dependence on foreign-owned manufacturing industry became apparent the IDA began a programme aimed at encouraging `home grown' entrepreneurs. The results of this programme are very encouraging. More and more businesses are now being run by owner-managers who would previously have seen their future in the Irish subsidiaries of multinational corporations. Yet the costs in terms of cash grants, tax incentives (all new manufacturing firms in Ireland pay tax at 10%, and many older firms have a zero tax rate until 1990) and also the wide range of advisory services (mostly free) make job creation an expensive business. The Marketing Centre for Small Business recently published a guide for small firms dealing with state-sponsored agencies that provide marketing assistance(3). We dealt with twenty different organizations and the list was not exhausted. The degree of overlap can be gauged from the fact that market research and grant aid are provided by nine different organizations, yet none provides a wide ranging marketing service for small firms. Many small firms are owner-managed and most owner managers have a technical rather than a wider-based business background. Although some display a flair for marketing it has become apparent to many that Ireland remains a production oriented rather than a market oriented economy.

The Role of NIHE, Limerick

NIHE, Limerick, became Ireland's first technological university when it accepted undergraduates in 1972. Since then the Institute has developed to the point where it can rival any other Irish university in the quality of its graduates. It has been to the forefront of economic life in Ireland's mid-west region through the development of Plassey Technological Park nearby where many of the region's hightech companies are based. Faculty members have been quick to identify areas where the Institute and its resources can be of benefit to the community and this has led to the involvement with small firms through the adapted SBDC and SBI.

ESTABLISHMENT OF THE MARKETING CENTRE FOR SMALL BUSINESS

Two years ago, Prof. Barra O'Cinneide, then Department Head of Business Studies, now Dean of the College of Business, realized that sufficient expertise existed in the marketing faculty at NIHE to contribute to a growing awareness that marketing in general in Irish firms was inadequate for the long term development of indigenous manufacturing industry. He sought and obtained support for the establishment of the MCSB from five state agencies ANCO, The Industrial Training Authority CTT, Ireland's Export Board ICC Ireland's Industrial Development Bank The Irish Goods Council and Shannon Development Company which has responsibility for the development of small firms in the mid-west region.

Private enterprise, in the form of Bank of Ireland, acknowledged the strategic importance of the Centre by staffing it with a full time manager for two years.

The Marketing Centre is modelled on the SBDC but differs mainly through its concentration on the marketing aspects of business. A further variation is our use of larger firms in the region to support the efforts of smaller firms. This is done through a 'big brother' role where the marketing departments of large firms provide advice on a one-to-one basis to firms identified as having potential for growth but without the marketing expertise to achieve their objectives.

This pilot programme has attained considerable interest in Ireland. Eight `big brother' firms agreed to participate and we set about identifying suitable partners. It may be several months before the success rate of the programme becomes evident but at present assistance is being provided mainly in areas of export marketing and strategic planning. The larger firms involved in the programme - four Irish owned, and four subsidiaries of multinationals - were very enthusiastic about their participation. Expansion of the programme will be dependent on the degree of benefit derived by the small firm. We are confident that sufficient large firms are interested to meet the demand. The service is provided free of charge, the Marketing Centre provides the introduction, after that it is up to the two companies.

Income is derived exclusively from consultancy charges. Fortunately, since the Marketing Centre was formally launched some months ago there has been a steady and encouraging demand for the expertise and resources available at the institute. A small airline company, the regional tourism authority which deals with a myriad of small operators and new firms at the start-up stage have each called upon our services and, we hope, have not been disappointed. All in all, an encouraging start to a concept which had to be adapted to suit the needs of a new market.

ESTABLISHMENT OF THE SBI AT NIHE, LIMERICK

Although firmly established in the US for many years the SBI approach had not been tried anywhere in Ireland until this year. We were very fortunate to have the presence of Prof. tugene O'Connor, CalPoly, San Luis Obispo, at NIHE for Trinity, 1985 term. Having arrived without a closely defined brief he immediately saw the potential for an SBI in Ireland. We all regretted our lack of foresight in this regard as there was little time available for preparation. The decision to go ahead with a pilot programme was taken during week 2 and by the end of that week eleven final year business students had volunteered to take Dart. Four projects were hurriedly selected and sponsored jointly by the Marketing Centre for Small Business and Shannon Development Company. The four projects covered the areas of new product search, the introduction of a pricing system and two market research projects.

There was an awareness of the dangers inherent in adopting a programme in its entirety and inevitably some difficulties have emerged. Nevertheless our approach needed to be positive if we were to derive the maximum benefit.

The major difficulty to be overcome concerns the structure of the final academic year for business undergraduates who spend the six month period ending in December off campus. As there is no full- time MBA programme (a 2 year part-time MBA programme commenced in 1984) it will not be possible to run the SBI on an ongoing basis. Thus we are left with the choice of

(a) Providing the service to suit the present academic timetable rather than the needs of industry or
(b) in some way restructuring part of the academic timetable to provide a year round service. There are no plans to alter the timetable for the present but this may have to be considered in the future.

It has been agreed for the moment to confine the programme to the January-June period as no viable alternative has emerged. The use of co-op students was considered unfair on the students who would lose out on six month's paid employment. However, there may be potential for using MIBA's in the future if demand for the service exceeds undergraduate capacity.

Many other problems need to be overcome such as the difficulty of students establishing their credibility but these are not unique to Ireland and are far outweighed by the benefits accruing to the client and to the students.

The embryonic SBI received a timely boost in October, 1985, when Shannon Development agreed to fulfil the same role as the SBA by funding the programme for 1986. This was agreed after they had carried out their own assessment of the pilot programme.

Stephen Pettitt, Lecturer in Marketing at NIHE, who has a particular interest in Small Business Management has agreed to become director of the SBI programme.
The SBI adds a further dimension to NIHE's commitment towards community interaction. Already every business undergraduate spends two periods of six months each in a working environment. Participation in the SBI programme will complement that experience.

SUMMARY

The early reaction to the programme outlined above has been very encouraging. The lack of experienced marketing people in small industry in Ireland has made our task easier insofar as those firms that acknowledge their shortcomings are prepared to look to NIHE for guidance. Yet the lack of appreciation of the concept of marketing which persists in many firms has not yet been overcome. The results can be seen in terms of the erosion of the market share of home producers for many different products. One of the biggest problems facing not only NIHE but also Ireland as an economy is convincing industry to place greater emphasis on marketing its products. Programmes like the SBI or the SBDC can contribute to a solution.

REFERENCES

(1) IDA Survey of Industrial Employment, Nov, 1984.

(2) Building on Reality 1985-1987, Government Publications, Dublin 1984.

(3) Marketing Services, A Guide for small firms in the mid-west region, NIHE, Limerick, May, 1985.

SBDC SUBCENTER CONTRACTING: THE HASSLE FREE APPROACH

Robert C. Camp, Fort Hays State University J. Dale Peier, Fort Hays State University
Susan Osborne-Howe, Wichita State University

ABSTRACT
The authors have developed an SBDC subcenter contract which relieves the subcenter from virtually all payroll and reporting responsibilities. This paper outlines the benefits from such an arrangement as well as the responsibilities of both the centers and subcenters.

REMOTE DELIVERY ALTERNATIVES
Many Small Business Development Centers are responsible for service over an extended geographical region. These institutions must decide how to deliver services at remote locations. There are essentially four alternatives:

1. Deliver services directly from the contracting institution;

2. Hire consultants located at/or near the remote sites;

3. Subcontract services for delivery by an institution located at/or near the remote sites;

4. Utilize some combination of the alternatives outlined above.

Direct delivery of services by the contracting institution at the remote site can be extremely inefficient because of the requisite travel time involved. In cases where distances are extreme it may be next to impossible to induce consultant cooperation and participation.

Hiring on-site consultants without a local institutional affiliation poses a different set of problems. The performance of such individuals may be difficult to evaluate and even more difficult to supervise. The on-site promotion of services without local institutional sponsorship may also be less than satisfactory.

The final alternative is to seek affiliation with a local institution through some type of contractual arrangement. The traditional method is to contract for a designated level of local service for a stipulated price. This method has the major disadvantage of requiring the local subcontracting institution to provide contract reportingand payroll support. An unrelated but still important consideration is that the local institution may not have the personnel to deliver a full range of services anyway.

THE HASSEL FREE CONTRACT
There is another alternative, however, and that is to subcontract with the local institution using a "hassle free" contract. The prescribed title of "hassle free" is related to the fact that local institution is relieved of virtually all paperwork (reporting and payroll)

responsibilities. The arrangement (contract) has the additional advantage of being somewhat unilateral.

The essential ingredients of the contract are:

1. The proposed subcenter institution agrees to establish and maintain a facility and answering service for the purpose of carrying out the functions of a Small Business Development Center.

2. In conjunction with 1 above the proposed subcenter institution agrees to:

Appoint a subcenter director (with approval of the parent center institution) to carry out the following functions:

Assign a secretary or secretaries to act as an answering service for the SBDC.

Act as a liaison with the parent center institution SBDC Director.

Assist the parent institution SBDC Director in assessing business assistance needs of small business owners/ managers in the specified area.

Coordinate and facilitate business management training and counseling in the specified area.

3. In conjunction with 1 above the proposed subcenter institution agrees to provide office and/or conference room space for individual counseling of prebusiness and existing business owners.

4. The parent center institution agrees to take direct responsibility for case assignments and the payment of counseling and training fees.

5. The parent center institution contracts directly with individual consultants (including the subcenter director if that individual plans to act as a consultant). In addition, the parent center institution pays all program expenses directly.

6. In exchange for being identified as a SBDC and having professional staff members reimbursed directly for counseling services, the proposed subcenter agrees to provide matching cash and inkind support in a prescribed amount. Such funds are related to the personnel and facilities required in the contract.

ADVANTAGES TO THE PARENT CENTER INSTITUTION
The parent center institution obtains numerous benefits from the type of contract outlined above. These benefits are enumerated below.

1. The parent center institution maintains control of the assignment of all cases and is able to select the most qualified consultants from either the onsite staff or the parent

center staff.

2. The parent center institution maintains direct involvement in all aspects of the subcenter operation. All training programs for example, are cosponsored. Because of this, substantial promotional benefits accrue to the parent center institution as well as the subcenter.

3. The parent center institution is involved in a simplified budget relationship with the subcenter. All counseling costs and promotional expenses are paid directly.

4. The parent center institution receives assistance with the "matching funds" requirement under its own contract. In fact, parent center institutions with extremely large territorial responsibilities might not be able to meet the matching fund requirement without "matching" participation by the subcenter.

5. The contractual relationship between the parent center institution and the subcenter is sufficiently unilateral that no fixed amount of dollars is committed to a particular site. It should be noted in the contract wording that a specified commitment on the part of the subcenter is required.

ADVANTAGES TO THE SUBCENTER INSTITUTION

The advantages to the subcenter institution may even be greater than those to the parent center institution as outlined below.

1. The greatest advantage to the subcenter is the lack of paper work. The parent center institution assigns cases, reports cases. and meets payroll and promotional expenses. Therefore, the only real paper work requirement is the contractual agreement itself and a statement at the end of the contract period verifying that the monies were spent according to the contract terms.

2. The subcenter does receive a substantial amount of promotional benefit or public relations benefit from the fact that a center is located on campus in spite of the nominal institutional commitment of time and support.

3. The subcenter does not have to concern itself with whether or not its staff can handle highly sophisticated cases.

SUMMARY

The benefits to both the parent center institution and the subcenter institution under the contract described in this paper are really rather extraordinary. Perhaps the contract should have been entitled, "No Muss, No Fuss, No Hassle, Small Business Development Subcenter Contract." The appendix contains a sample contract that was developed at Fort Hays State University.

APPENDIX

Small Business Development Center
Fort Hays State University Subcontract Agreement

This agreement (hereinafter "Subcontract") made this ____ day of_____, by and between Fort Hays State University, Hays, Kansas 67601, an agency of the State of Kansas (hereinafter "University") and
____ Name of Institution
____ Mailing address
____ (hereinafter "Contractor") witnesseth:

In consideration of the mutual premises hereinafter contained the parties agree that this Subcontract will be performed in accordance with the following conditions:

GENERAL CONDITIONS
I. Scope of Work
The Contractor agrees to maintain a facility and answering service for the purpose of carrying out the functions of a Small Business Development Center. Specific requirements regarding the facility and answering service are outlined in IV. The University will take direct responsibility for counseling case assignments and the payment of counseling and training fees. Details regarding case assignment and fee payments are listed in V.

II. Performance Period
The performance period of the subcontract will extend from the effective date_____ through_____, unless amended by written mutual agreement.

III. Staffing
The contractor agrees to:

* Appoint a subcenter director (with the approval of the university) to carry out the following functions:

* Assign a secretary or secretaries to act as an answering service for the Small Business Development Center.

* Act as a liaison with the Fort Hays State University SBDC Director.

* Assist the Fort Hays State University Small Business Development Center Director in assessing business management assistance needs of small business owners and managers in the __________________ area.

* Coordinate and facilitate business management training and counseling in the _______________ area.

IV. Facility
The contractor agrees to provide a facility for individual counseling of pre-business and existing business owners and managers of small forprofit companies. The facilities should conform to the following specifications:

* Office designated as SBDC with daily access (during working hours) and private counseling space:

* Signs outside and inside the building identifying the location of the SBDC.

* Telephone line listed and answered as SBDC.

* Parking available within two blocks.

* Accessible to the handicapped.

V. Case Assignment and Fee Payments
It is the intention of the SBDC Director at Fort Hays State University to have as many cases as possible handled by the professional staff located at ________________. Case assignments will be based upon the individual counselors background and expertise. The University will provide support in cases where additional expertise is required.

The Small Business Development Center at Fort Hays State University will pay professional staff counselors directly. The stipend will be between $10 and $30 per hour of service. The University will contract with each counselor individually for these services.

VI. Promotion
The University and ________________ will take cooperative responsibility for promotion of the SBDC located at _____________. The University will prepare brochures for dissemination by the ______________, and will pay directly for any advertising expenses associated with promotion of services.

VII. Budget Requirement
In exchange for being identified as a SBDC and having professional staff members reimbursed directly for counseling services, the contractor agrees to provide matching cash and in- kind support in the amount of at least $10,000. The required funds will be related to the personnel and facilities required under this contract. The contractor will attach a budget summary to identify this commitment. At the end of the contract period, the contractor will verify that the budgeted amounts have been expended for the purposes identified in this contract.

VIII. Termination by the University
If the University determines that termination is in its best interests because of lack of sufficient funds, or other substantial reason, the University may terminate this subcontract upon 60 calendar days written notice to the Contractor.

IX. Nondiscrimination
Title VI of the Civil Rights Act of 1964 (Public Law 88-352;42 USC.2000d-1) provides that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Title IX of the Education Amendments of 1972 (Public Law 92-318;20 USC. 1681-1686), prohibits the exclusion of persons on the basis of sex from any education program or activity receiving Federal financial assistance. By acceptance of this Subcontract, the Contractor agrees that it will comply with all the laws stated herein.

X. Records
The Contractor will maintain adequate financial records, in accordance with generally accepted accounting practices, to clearly and easily identify expenses of the Subcontract, to describe the nature of each expense and to establish relatedness to this Subcontract. All records related to the Subcontract shall be reasonably available for inspection by the University and/or the Federal Government. The financial records of this Subcontract will be retained for a period of three (3) years after completion of the Subcontract Performance Period if audit to the satisfaction of the University and/or Federal Government has occurred by that time. If such audit has not occurred by that time, the records must be retained until audit or until 5 years following the end of the Performance Period to which they pertain, whichever occurs first. In all cases, records must be retained until resolution of any audit questions mentioned above.

SPECIAL CONDITIONS
The Special Conditions, if any, are attached hereto and by reference incorporated as a part of this contract. In case of any conflict between the General Conditions and the Special Conditions, the latter will prevail. Approved and agreed:

Fort Hays State University	Contractor
By:________________________	By:____________________
___________________________ (name)	_______________________ (name)
___________________________ (title)	_______________________ (title)
___________________________ (date)	_______________________ (date)

THE FEASIBILITY OF SBI CLIENT USER FEES

Pamela S. Schindler, Wittenberg University Lowell E. Stockstill, Wittenberg University

ABSTRACT
The uncertainty of future SBA funding creates the need to investigate alternate sources of financing for SBI programs. One option is to charge client user fees for SBI consulting services.

This paper examines responses from former SBI clients, addressing the appropriateness and the desirability of client user fees. Client perceptions regarding the extent and value of student consulting services are examined, along with the client's ability to pay for those services.

INTRODUCTION
The small business sector continues to be a major growth area in the American economy. It even led the way in terms of national output in many industries. Concerning new employment rates, small business-dominated industries are more than double those of large business-dominated industries [1, pp. 1-10].

Despite this overwhelming success in the small business sector, plans to dismantle or at least drastically alter the Small Business Administration (SBA) are currently under serious consideration. [2, p. 63] As a consequence, Small Business Institute (SBI) programs may experience negative impact.

SBI clients agree that they receive valuable information from student consulting teams. Implementation rates are high, and there is a catalytic effect that causes client-initiated changes. A majority of clients find SBI projects an aid in many functional areas of their businesses. [3, pp. v-viii]

METHODOLOGY
A random sample of past SBI clients was compiled from alphabetically filed case documents provided by the SBA Columbus, Ohio office. The list included 162 former SBI clients prior to march 1985. A questionnaire (see Exhibit i) and postage-paid return envelope were mailed to each May 14, 1985, with response requested by May 22nd. Sixty businesses responded (37.0%), of which forty-seven (29.0%) were useable. Eleven letters were returned as undeliverable.

THE SAMPLE
Retail and service organizations, respectively, comprised 34.0% and 31.9% of the sample. The remainder included manufactures (17.0%), wholesalers (6.4%), and construction and other (10.6%). More than half (53.2%) were in business less than five years, and all respondents were located in south central Ohio (see Figure 1).

FIGURE 1: SAMPLE COMPOSITION TYPE AND AGE OF BUSINESS
[Omitted]

LIMITATIONS

Limitations surface in several areas. The methodology introduces potential non-response bias, and potential problems with small sample sizes. A larger problem lies with the requirement that the respondent use hindsight. Memory decay may have caused the respondent to either over- or under-estimate specific data. This study is, however, highly compatible with large national samples which lends credibility to the respondent representativeness [3, pp. 11-13].

FINDINGS AND INTERPRETATIONS

Respondents rated their SBI experience as generally positive, as in previous studies [3, p. 27]. However, some inconsistencies surfaced in translating this perception into monetary value.

Factors Affecting Evaluation

Respondents who were unhappy with their SBI experience noted substantive student shortcomings. Limited effort (66.7%), lack of student knowledge (55.5%), and/or impractical recommendations (55.5%) were perceived as problems.

Few respondents (11.1%) saw their own unavailability as a contributing factor to projects that were fair or poor. Yet the mean time spent by owner/employees was 10.6 hours per project, with fewer than 30.0% contributing 20 or more hours.

On the other hand, not all who rated the project good or excellent spent more time with their student team. While there is some positive relationship between business effort and evaluation, it is weak.

The clients perceived that the student teams spent a mean of 36.0 hours per project. This equates to less than 9.5 hours per student assuming the average team size of 3.8 students. The evaluation of the total experience somewhat positively correlates with the perceived level of student effort (see Figure 2).

FIGURE 2: PERCEIVED CLIENT VS STUDENT EFFORT BY RESPONDENT EXPERIENCE EVALUATION
[Omitted]

Assuming a three semester hour five quarter hour class with a minimum of one preparation hour for each class hour, this equates to approximately ninety hours per student or 342 hours per team. The average client perceives little more than ten percent of a hypothetical minimal student effort.

Although clients indicate that SBI projects are valuable experiences [3, p. 24], their valuation of the experience is discouraging. While the median value placed on the project was $450.00, 41.7% valued it at $200.00 or less. Retail and service organizations consistently valued the SBI experience above the median.

If student hours are valued at $5.00 per hour, the mean value still calculates to only 90 team hours on the average. Although a closer approximation of estimated time spent (342 hours), this still only correlates to slightly more than 25% of a minimal student effort.

Who Should Pay
Three potential funding sources seemed feasible: the user, a government entity, and/or big business. While former SBI clients perceive the user (and the SBA) as the most appropriate sources of funding, the user was ranked as the least desirable source of funding. A small percentage even suggested that the educational institution or the student absorb the cost since they were being provided with a learning laboratory. While only a small percentage felt other specific sources were appropriate (e.g., big business, 16.7%), such sources ranked high in desirability. (see exhibit i)

Ability to Pay
A larger problem existed with those businesses which found the SBI program valuable yet did not have adequate financial resources. The median ability to pay was $200.00, with 48.6% able to pay $100.00 or less (see Figure 3). Nearly 23% felt they could pay nothing for the service. Only 28.1% could pay $400.00 or more, the equivalent of the current case allocation. These figures contain optimism since they were derived from a group holding generally favorable attitudes toward their SBI experience.

FIGURE 3: EST VALUE VS WILLINGNESS TO PAY BY RESPONDENT EXPERIENCE EVALUATION
[Omitted]

CONCLUSIONS
Former clients perceive that very few hours are expended in SBI projects. They also underestimate the value of such consulting services.

If users of SBI consulting services are ever to become a source of financial support it will be necessary for them to understand the nature, extent, and value of services received. The user of SBI consulting services is a highly appropriate source of funding. However, the small business community places very low priority on utilizing themselves as a source.

The average user attaches an understated value to SBI consulting services, and his ability to pay is less than half the perceived value. Nearly 25% of the potential clients would be unable to participate if any user fee were levied. In addition, if the user fee were $400.00, the current case rate, almost 75% of potential clients would currently be eliminated.
The SBI client is, at best, a weak potential source of financing. Even nominal user charges will eliminate the potential clients that need SBI most. Although some voluntary contributions may come from small business clients, they are not a viable source of SBI program financing.

RECOMMENDATIONS If SBI clients are ever to become a viable source of financing, their perception of service value must be elevated. One alternative is to issue a "Statement of Charges" at the end of the project. Although no or few charges are usually assessed, the statement allows the opportunity to indicate the extent of costs including overhead. One can also provide the user with an itemized list of project hours and activities with corresponding consulting rates (see Exhibit ii).

In lieu of the SBI user, we need to explore other alternative sources of financing to maintain the SBI program's health and vitality. Some options include other federal agencies, state or local governments, big businesses or business sponsored organizations.

REFERENCES

[1] The State of Small Business: A Report of the President. Transmitted to the Congress May, 1985. Washington D.C.: Government Printing office, 1985.

[2] "Abolish the Small Business Administration?," U.S. News and World Report, Vol. 98, March 11, 1985.

[3] Weaver, K. Mark. Small Business Institute Perceived Value Analysis 1981-1982. Washington D.C. U.S. Small Business Administration, Office of Management Assistance, 1982. See also: Weaver, K.M. and Solomon, G., "A Review of the Small Business Institute Evaluation Project for the Period 1981- 1984." Small Business Institute Directors' Association Conference Proceedings. San Diego, CA: n.p., 1985.

EXHIBIT ii
Typical SBI Client, Inc. Statement of Charges
For the Term Ended June 30, 1985

	Cost	Charge
Professional hours		
45 @ $35.00 per hour	$1,575.00	NC
Student hours		
282 @ $5.00 per hour	1,410.00	NC
University overhead		
(facilities, computer services, clerical, etc.)		
@.40% of direct labor	1,194.00	NC
Printing reports		
(600 pages @ $.08)	48.00	NC
Miscellaneous supplies copies, phone, etc.	37.95	NC
Travel - 6 trips of 90 miles		
@ $.18/mile	97.20	97.20
	---------	-------
Gross Cost/Charge	$4,362.15	97.20
Less: University Contribution	$4,264.95	-0-
	---------	-------
Net charge	$ 97.20	$ 97.20
	=========	=======

Exhibit i
SBI PROGRAM EVALUATION

INSTRUCTIONS: Answer each question by marking an "X" next to your selected answer or filling in the blank with the requested number. If you have had more than one SBI counseling team work with your business, answer all questions referring to the last team that worked with your business.

1. During what year did you receive the counseling services of an SBI team?

Before 1982, 2.8%; 1982, 8.3%; 1983, 27.8%; 1984, 52.8%; 1985, 8.3% (4,5)

2. What is the zipcode of your business?

Various, from 43040 to 45865 (6-10)

3. Please classify your business: (11)

36.1% Retail	36.1% Service
13.9% Manufacturing	8.3% Wholesale
2.8% Construction	2.8% Other

4. How old was your business in the year you received SBI counseling assistance? (12)

16.7% Start-up	16.7% 3-4 years
22.2% 1-2 years	8.3% 5-6 years
36.1% greater than 6 years	

5. In which of the following areas did you receive recommendations?
(Check all that apply)

83.3% Marketing (13)	19.4% Finance (16)
38.9% Operations (14)	13.9% Personnel (17)
22.2% Recordkeeping/ Accounting (15)	11.1% Other (18)

6. For each area in which recommendations were received, indicate the percentage that were implemented (100% being the highest).

Mean	Median	Mean	Median
62.8%	60.0% Marketing (19-21)	70.8%	75.0% Finance (28-30)
56.9%	50.0% Operations (22-24)	75.0%	62.5% Personnel (31-33)
39.0%	50.0% Recordkeeping/ Accounting (25-27)		Other (34-36)

7. Please rate the experience you had with your student counseling team? (37)

38.9% Excellent	5.6% Poor
36.1% Good	5.6% Unacceptable
13.9% Fair	

8. If not "EXCELLENT" or "GOOD," which of the following statements best explains your response?

55.5% Students were not knowledgeable in problem areas (38)
22.2% Student working schedules did not coincide with my available time (39)
55.5% Student recommendations were not practical or feasible (40)
66.7% Students did not put forth adequate effort (41)
11.1% Due to uncontrollable factors, I was unavailable to work with the student team (42)
_____ Other:____

9. Approximately how many hours did you and your employees spend with your counseling team? 0 to 45 hours (45-48)

Mean 10.6; Median 10

10. How many students were on your counseling team? 2 to 9 (49)

Mean 3.8; Median 3

11. Approximately how many total hours (including on-site visits, research, analysis and evaluation of information, and travel) do you feel your student team members collectively spent working on your business? 0 to 120 hours

Mean 36; Median 30 (50-53)

12. In today's dollars, how much would such a counseling service be worth to you? $0 to 5,000 (54-57)

Mean $665.00; Median $450.00

13. Given your financial situation at the time of the counseling experience, how much would you be willing to pay for this service in today's dollars? $0 to 2,5000 (58-61)

Mean $41.14; Median $200.00

14. Whom do you feel should pay for small business counseling services? (Please indicate which funding sources you feel are appropriate, then rank order the appropriate sources with "1" being your first choice and "2" your second choice, etc.)

Appropriate?	Weighted Rank?	
61.1% (62)	1 (69)	Federal Agency (SBA)
19.5% (63)	2 (70)	Federal Agency (other)
27.8% (64)	4 (71)	State or Local government agency
61.1% (65)	6 (72)	User of the service
16.7% (66)	2 (73)	Fund supported by "Big Business" contributions
25.0% (67)	5 (74)	Local or National Chamber of Commerce
16.7% (68)	_ (75)	Other: Students/University

15. In your opinion, which, if any, of the SBA Management Assistance Programs should be continued? (Please indicate which programs with "1" being your first choice for continuation and "2" being your second choice, etc.)

NOTE: Few respondents were knowledgeable about these programs.

Appropriate?	Weighted Rank?	
55.6% (4)	2 (10)	SBI
27.8% (5)	1 (11)	SCORE/ACE
19.4% (6)	6 (12)	SBDC
27.8% (7)	4 (13)	406 Private Consultants
25.0% (8)	5 (14)	Trade Association counseling
30.6% (9)	3 (15)	Chamber of Commerce Resource Centers

Thank you for your assistance. Please fold this survey and mail it to us in the accompanying postage-paid return envelope. If you would like a copy of the results of this survey, attach your business card or write your name and address below.

INTEGRATION OF SBA PROGRAMS TO ENHANCE SBI EFFECTIVENESS

Elizabeth A. Kendall, North Adams State College Peter J. Markou, North Adams State College

Abstract
An approach to expanding SBI services to encompass a year-round availability and access to all SBA programs. This approach involved the establishment of an SBI office in a downtown location away from the campus area, the founding of a SCORE chapter, the invitation to the nearest SBDC to share the downtown facilities on a regularly scheduled basis, the development of a library of SBA Small Business Assistance publications, and the addition of an assigned student intern as an additional resource. The paper then analyzes the effectiveness of this program by looking at the utilization figures for the first six months of operation.

INTRODUCTION
North Adams State College is located in the northern half of Berkshire County in the state of Massachusetts. This area is one of only two areas within the state that have experienced high levels of unemployment and a downturn in the general economy.
The Northern Berkshire area has had a large number of plant closings and layoffs during the past year. In one week in mid-September, four firms laid off 555 workers. Since August, 1984, nearly 1,000 workers have been dislocated by closings and/or layoffs.
An additional 900-1,200 workers could be faced with layoffs or plant closings by the end of 1985. This loss of plants and jobs means that this area is in dire need of help. It needs help to assist remaining business to grow and expand and it needs help to bring in or to develop new business to take the place of departing firms.

The Governor has pledge his help to the area and the SBA has done the same. The Small Business Administration has increased the number of cases assigned to the college from 10 to 15 cases per year with the stipulation that the SBI concentrate its efforts in helping existing or new firms in the Northern Berkshire area. The increase in the number of cases assigned will aid the area in its economic development efforts, but it also compounded a problem that the SBI has faced since its inception on the campus.

North Adams State College was originally a teacher training institution and residents of the area continue to view it in this role. Neither residents nor the business community were aware of the existence of the Department of Business Administration and Economics which has functioned since 1969. Thus the SBI faced the task of educating business firms in the area to look to North Adams State College as a source of assistance.

DEVELOPMENT OF AN INTEGRATED SBI FACILITY
With the economic problems of the area now at a critical stage, the college initiated discussion concerning establishment of a community resource center. Both the Department of Business/ Economics and the Small Business Institute were invited to participate. These discussions resulted in the assumption that the Dep. of Business/

Economics establish as a high priority special programs that would be made available to the greater Northern Berkshire community, especially those programs that impact the economy.

The first major goal of this assumption was to make SBI more visible to the community at large. A major problem of the SBI in North Adams has always been lack of public awareness. This has always created difficulties in identifying cases for the SBI programs. Local firms have no real awareness of the SBI's existence nor of its function. The SBI director had to recruit firms that required assistance.

The second problems that arose was that after advertising the SBI program and increasing business awareness, if the contact occurred during the semester, there was no mechanism to provide immediate assistance. We strongly felt that if the college could provide an off campus location these problems could be resolved. Time was of the essence and we felt that the college in some way should show its concern and willingness to come to the aid of the community.

We first identified several possible locational choices and then approached the Small Business Administration. We met with the management assistance officer assigned to N.A.S.C. and with the district director from the Boston office to explain our concept for an integrated facility and the various alternatives sites available to us. It was suggested that an affiliation with the Northern Berkshire Development Corporation (NBDC) presented the best locational arrangement to accomplish our goal.

We approached the Northern Berkshire Development Corporation, a group of Businessmen who formed a private corporation to assist the economic development of the Northern Berkshire area. This organization works with both existing business that wish to expand and new firms that either want to start up or to move into the area.

Since this appeared to be a good source of referrals for assistance, we proposed that they provide office space for the SBI in their downtown location. NBDC was receptive to the idea but had reservations as to how it would work and how it would impact on its operation.

After months of negotiation, we were successful in designing a program that met both our needs and didn't place a burden on the NBDC and its resources. We agreed to place a student intern in the NBDC office on a weekly schedule to handle the business people who came to the office seeking assistance. Thus the NBDC only provided SBI the space within their office for the intern and the SBA publications that we planned to house there. The second phase was the physical move off the campus and into the new office. Clients could now make appointments and gain access to the programs through the NBDC. The Small Business Administration also provided a complete collection of all free and paid publications to assist small business. This collection is housed in the downtown location providing local firms the opportunity to access SBA publications at the same time that contact with the SBI occurs.

'The third phase was to meet with the Small Business Development Center and to invite them to also share the office space. The SBDC was receptive to the invitation and within a month had started regularly scheduled visits on a biweekly basis. Again access to this program was through the NBDC office.

The fourth phase was to establish a SCORE chapter for the Northern Berkshire area. Over the next few months, interested parties were contacted and a local chapter was established with a total of fourteen active members.

Thus in one location a firm can come in and gain immediate access to either SBI, SCORE, or the SBDC. In reality, clients often utilize the services of one or a combination or in several cases, all three programs. A real spirit of cooperation exists with referrals made from one program to the other.

The final component of this SBA help center is one that exists at North Adams State College, but may not exist at other institutions. NASC has an active student internship program for its juniors and seniors. This program allows qualified students to enroll in 3 to 12 credits of internship experience with local firms during any given semester. To provide staffing for the downtown location, the internship coordinator approved a permanent slot for an intern for the downtown office. So far, a total of three students interns have worked in the office and have provided continuous coverage from the opening in March to the end of August, 1985. There is now a student intern identified and assigned to the office from September, 1985 to June, 1986. The office has year-round coverage by senior Business Administration majors. If a firm or individual seeks assistance in the middle of the semester or the middle of the summer, there is someone immediately available to provide that assistance.

We believe that it is this combination of SBA programs, the existence of the internships and the willingness of local economic development people that makes this program work effectively. The student intern can meet with the prospective client and then identify the appropriate source of help from among the programs offered, The student intern can also provide direct assistance.

Student interns work under the direct supervision of the SBI director and they are required to keep a daily log of client consultations. In addition each client fills out a request for assistance, similar to the form used by the SBA so that a permanent record is maintained on the firms that have received assistance.

All information and advice given to the client by the intern is maintained in written form so that the supervisor can evaluate the work. The SBI director maintains close contact with the student intern so that any questions that arise or any problems that occur are handled quickly. The intern is also able to assist a firm in deciding what type of help it would need from an SBI team. This makes the case start up easier for the team assigned since it has good written documentation of client needs.

ASSESSMENT OF THE PROGRAM

The SBI has maintained the downtown location since February, 1985. Initially, the only resources available were the student interns assigned to the office and the SBA publications provided by our MAO. During the course of the Spring semester, other resources were added until by June, we had assembled the complete operation as we had first envisioned it and it was functioning as we had planned.

The SCORE chapter has one morning a week set aside to provide assistance to local firms. They have been in operation for two months and they have served six clients. The SBDC has one morning every other week set aside to provide assistance to local firms. The SBDC officer meets with four clients each time he comes to the office. Some are repeats, but he is picking up two or three new clients each month. The SBDC has been in operation for five months.

The main office of the SBDC is located in Springfield which is an hour's drive from the North Adams area. Having the SBDC come here is a distinct advantage to the local firms. The student interns have been available three mornings each week and they have met with eighteen different firms. Nine of those clients required some direct assistance from the student intern. Nine of the requests were for information about the programs and what the firm had to do to get help.

Of the nine firms that required direct assistance from the student interns, five firms requested assistance in developing business plans for new businesses that they hoped to start. Two of those who requested help with business plans are now in operation. Two firms requested assistance in gathering market research data and this was provided to them. One firm requested data on how to price his firm since there was an individual interested in purchasing it from him. One individual wanted to purchase an existing business and requested help in assessing the asking price and in developing a business plan that he could take to the bank to obtain funds for the buyout. Four of the clients that made contact through the downtown location over the summer are now SBI clients for the fall semester.

The downtown location seems to have successfully solved the two problems that we wanted to solve. It is proving to be a steady source of clients for the SBI and it provides the facility where immediate help can be obtained by local firms seeking assistance from SBA programs.

At the start of the Fall semester, there were seven firms that had been assigned to the SBI for assistance and student teams were established to consult with them. These teams were asked if they wished to utilize the services of the SCORE volunteers in meeting their client needs. Five of the students teams were receptive to such assistance and the SCORE chapter was then con- tacted to identify members who would be willing to assist the students. A total of 3 SCORE members volunteered their time and we now have 4 teams that are a combination of SBI student and SCORE counselors assisting the client firms. In addition there are several other benefits that have been derived from this effort. Not only the SBI but North Adams State College has become more visible to the business community. The SBA has also improved its ability to provide services to an area in need of this type of aid.

The downtown location provides access to some of the economic development activities that are occurring in this area and provides both the NBDC and other developmental agencies with a recruiting tool to help attract new businesses to the area.

The existence of an institution of higher education and access to programs such as the SBI and student interns are positive factors in helping to attract new firms to the area. The existence of the downtown location and its easy access on the main street has encouraged several residents who are now out of work to come in and to explore the possibilities of starting a business of their own.

One of the SBI clients for the fall semester is a management group from a local manufacturing firm that is in the process of buying out a segment of the business which they will then operate as a separate firm. Another client for the Fall semester is a group of workers who were displaced by a closing that have formed a collaborative and now plan to start a new business of their own. Both of these start ups have developed good business plans and are at the stage of gathering their financing and should be in full operation before the end of the semester.

In addition to our success at our present location, we have been approached by another town in the Northern Berkshire area, they may utilize the services of the student intern and of the SBI program to help attract new firms and to help existing ones in their town. They view our downtown location and easy access as a developmental tool that they would like to utilize in the future.

TWELVE PROFILES OF SMALL BUSINESS INSTITUTES: A CORRELATION ANALYSIS

D. Lynn Hoffman, University of Northern Colorado R. John Freese, University of Northern Colorado

ABSTRACT
This paper presents the second series of results of a questionnaire survey of Small Business Institute Directors. This research utilized a correlation analysis to derive the profiles of four distinct groups of Small Business Institute Programs. Each combination of techniques used to obtain students, obtain clients and other variables presents a "profile" of each of the groups. A Small Business Institute Director can determine which group best represents his/her Small Business Institute based on the number of contracted clients and the size of their surrounding population. The director can then use the profile to better understand which combination of techniques are associated with greater or lessor difficulty in obtaining students, clients, and faculty support.

INTRODUCTION
This research is part of an ongoing program for the review and improvement of the University of Northern Colorado's Small Business Institute. The first phase involved a review of every Small Business Institute case from 1979 to the present including interviews with past clients. We were aware that our program had difficulty obtaining good clients, qualified students, and had little faculty support. The survey of other Small Business Institute Directors was undertaken to determine if other Small Business Institutes had similar problems, how they marketed their programs, general could be improved.

The initial results of this survey were presented at the SBIDA conference in 1984 in San Diego, California. The research used a regression analysis to derive three regression models for the difficulty of obtaining students, the difficulty of obtaining clients and the degree of faculty support. The first regression' model determined that, in general, the stronger programs had more SBDC referrals, more faculty support, and had more referrals to other activities such as training and workshops that would serve to inform the potential clients that an SBI program existed to aid them. The second model found that those schools which had difficulty obtaining qualified students tended to be AACSB accredited, obtained clients through ACE or SCORE referrals, and through personal visits to the clients. The third model found that those schools with less faculty support tended to be the AACSB accredited schools, were in large metropolitan areas, and did not use public service announcements to promote their program.

CURRENT RESEARCH OBJECTIVES
The current research was undertaken to provide a more discriminatory analysis of four groups (to be defined) of SBI programs; to determine what factors were related to each group's success (ease of obtaining clients and students), and why they were effective or ineffective. The authors started with the assumption that those techniques which would work for a large SBI program in a larger metropolitan area might not work for smaller

SBI programs, particularly those in rural or small urban areas. Consequently, the questionnaire results were divided into four distinct subgroups based on the number of clients in the SBI contract and the size of their surrounding population. These divisions provided clearer data results, which seemed to coalesce into meaningful seemed to clusters. The previous research determined three regression models using the whole database. This research determined for each group, separately, the correlation matrix of all variables with the variables of interest: difficulty in obtaining the faculty support, difficulty in obtaining qualified students, and the difficulty in obtaining clients.

METHODOLOGY

The questionnaires were visually screened for obvious errors and edited for invalid or out-of-range values. Any errors were resolved by referring back to the questionnaire filled out by the respondent. If the answer appeared incorrectly marked or not obvious to the authors as to the participant's intent, the answer was coded as missing. The entire data set was then listed and again checked for accuracy. Finally, the data was again checked by computer analysis using "IF" and "IF THEN" features to detect out-of-range values. A number of the questions were categorical and could not be justifiably scaled as interval/ratio variables. The responses to these questions were recoded as sets of binaries for the data analysis. The list of the variables associated with the questions and their labels is presented in Appendix 1.

All data analysis and manipulation was accomplished using the University of Northern Colorado's Amdahl computer and the statistical software package, the Statistical Analysis System (SAS). The first step was to create four distinct data sets from the original data. The data was divided on the basis of the number of contracted clients and the size of the surrounding population.

After visually examining the resulting data set distributions, 15 was used as the break point for the number of contracted clients and 100,000 as the break point for the size of the surrounding population. These break points occurred at approximately the median for both distributions. These divisions yielded four distinct approximately equally sized subgroups.

The first subgroup is composed of SBI programs that are contracted for 15 or fewer clients and whose surrounding area is less than 100,000. These programs do not have a large industrial base from which to draw clients. The University of Northern Colorado's program falls into this category. It has been the experience of the authors that the program has suffered from the inability to draw qualified clients, qualified students, and has limited faculty support.

The second subgroup is composed of programs that are contracted for more than 15 clients in an area of less than 100,000 population. Here we would have a larger program in an area with a potentially small industrial base.

The third subgroup is composed of programs contracted for 15 or fewer clients in an area of greater than 100,000 population. In this case we have a small program in a larger industrial base.

Subgroup four is composed of those schools that are contracted for more than 15 clients and whose surrounding population is more than 100,000. Although such programs have to obtain more qualified clients, they have a much larger industrial base with many more small businesses and SBA borrowers. Comments from SBI directors whose programs meet these characteristics indicate little difficulty in obtaining clients; in fact, some of the programs have even had to turn away good potential clients, as has sometimes been the case in metropolitan Denver. The authors' assumptions were (1) that those programs in the smaller areas would have to use different techniques to promote their programs than their counterparts in the larger industrial areas; and (2) different combinations of techniques would be detrimental or helpful depending upon the size of the program. For example, depending on SBA referrals has not worked at the University of Northern Colorado. It may work, however, if the school has an SBDC where potential clients are attracted by the workshops, seminars and other SBA and SBDC activities.

ANALYSIS OF DATA

The questionnaire used for this survey contained 16 questions that were subsequently broken down into 75 binary and 11 continuous variables. Correlations were computed for the three conditions of interest (ease of obtaining clients, ease of obtaining students, and faculty support) for each of the four subgroups with the aggregate set of 86 variables. Each group was analyzed separately, using these computed correlations. Reduced sets of variables were determined for the conditions of interest for each group. A variable was included in a reduced group if its probability of a non-significant correlation with at least one of the three variables of interest was less than 10. The four reduced sets of variables are presented in Appendix II. They represent three distinct profiles for each of the four groups, pointing out those conditions that either improved or reduced the likelihood of obtaining clients, students, or faculty support of the program. Thus, there are a total of twelve profiles, based on the three dependent variables and the four subgroups. The interested reader should review the detailed relationships presented in this appendix.

SUMMARY OF THE HIGHLIGHTS OF APPENDIX II

The primary objective of this section is to summarize and highlight some of the more interesting and informative implications of the data of Appendix II, rather than present an exhaustive verbal discussion of each item of this appendix. As a general observation, it should be noted that many of the variables being analyzed are interdependent and collinear. For example, from the first analysis of last year it was clear that difficulty obtaining students and difficulty obtaining clients appear to be directly related and dependent; however, it should be noted that both of these variables were related to many of the other variables in the study, making a simple relationship between them difficult to evaluate.

GROUP I

For Group I, using SBA referrals reduces the difficulty in obtaining clients, as do referrals from banking and lending institutions. Conversely, it was difficult to obtain clients if student referrals were used, or program promotion was through students or public relations work in the community. This latter result substantiates the experience of the UNC SBI program: use of students to obtain clients was not effective nor was the use of students as a way to promote our program. An initially surprising result is that student qualifications for the entry of students into the SBI program are related to the difficulty that the program had in obtaining clients. For example, the use of only those students who have senior standing is related to more difficulty in obtaining clients, while the use of students who have completed core requirements is related to less difficulty obtaining clients. A possible explanation could be that the two dependent variables, difficulty obtaining clients and difficulty obtaining students, are related. Thus the items that make it more difficult to obtain students (such as the requirement that they have senior standing) are indirectly related to the difficulty obtaining clients. Conversely, using students who have completed the business core increases the number of potential students who qualify which reduces the difficulty obtaining students and so indirectly reduces the difficulty obtaining clients.

Difficulty obtaining students is reduced if students of senior standing are used, if clients are obtained through SBA workshops or through bank referrals. Difficulty obtaining students increases if clients are obtained through student referrals, SCORE, ACE, generated publicity, public service announcements, or if student qualifications are restricted to business administration majors. These results support the finding above, that variables relating to difficulty obtaining students are also indirectly related to difficulty obtaining clients.

Finally, faculty support is enhanced if the community is small or if the client referrals are through a Chamber of Commerce. Faculty support tends to diminish if client referrals are through an SBDC, the Chamber is used to promote the program, the school is AACSB accredited, and where there is a large undergraduate or business program. A possible explanation is that as a school becomes larger (indicated by large number of undergraduates and business majors, supporting an SBDC, being AACSB accredited) additional demands are placed on faculty members' time, especially in the areas of professional consultation and scholarly research/publication, which effectively reduces the faculty members' time for SBI involvement.

GROUP II

This group consists of those SBI programs that have more than 15 clients and the surrounding population is less than 100,000. This group has less difficulty obtaining qualified clients if they use generated publicity to promote the SBI program. They also have less difficulty as the number of undergraduate students increase and the number of business majors increase. An explanation is that the difficulty of obtaining students and clients are related. Therefore, as the total number of undergraduates increase and the number of business majors increase, the school has less difficulty finding qualified students and thus obtaining clients.

All of the variables which were significantly correlated with the degree of faculty support do not, at first glance, appear as if they "should" be related to faculty support. However, the interpretation is that these variables as a whole present a "profile" of a school. If they tend to use referrals from banks, use word-of-mouth referrals to obtain clients, and only use graduate students, then they are a school that will also tend to have less faculty support.

GROUP III

This group consists of those SBI programs who are contracted for fewer than 15 clients and whose surrounding population is greater than 100,000. In general, this group has more difficulty obtaining clients if they use personal visits to obtain clients and promote the SBI program with public service announcements. In addition, if they tend to use only those students with senior standing or if the number of business majors increases, then they tend to have more difficulty obtaining clients. Conversely, they have less difficulty obtaining clients if they use word-of-mouth to obtain clients. Only one variable was significantly correlated with faculty support; the use of word-of-mouth to obtain clients was related to less difficulty in obtaining faculty support.

They have more difficulty obtaining qualified students if the population increases beyond 150,000, they tend to use personal visits to obtain clients, use SBDC referrals to obtain clients and use grade point average as a student qualification for the program. They are a program who tends to have less difficulty obtaining students if the clients contact the program.

GROUP IV

Group IV consists of all SBI programs that have clients greater than 15, and whose surrounding population is greater than 100,000. This group has more difficulty obtaining clients if they use personal visits to obtain clients or rely solely in SBA referrals to obtain clients. They tend to have less difficulty obtaining clients if they use word-of-mouth among clients.

A significant correlation was found between AACSB accreditation and less faculty support for the SBI program. An interpretation is that those schools with AACSB accreditation place greater demands on their faculty for scholarly research, which restricts the time available for SBI activities. Conversely, the program has more faculty support if the primary method of obtaining clients is through word-of-mouth.

APPENDIX I

LISTING OF QUESTIONS AND VARIABLES

QUESTION #1: What connection do you have with small business?

Q1N1	SBI
Q1N2	SBIDA
Q1N3	Small Business Development Center
Q1N4	Teaches Small Business Courses, Classroom instructor
Q1N5	Administrator, Dean, Department Chair

QUESTION #2: AACSB Accredited?

QUES2 1 = yes; 0 = no

QUESTION #4: Your institution is within a surrounding population of:

Q4N1	Under 50,000
Q4N2	50,000 to 99,999
Q4N3	100,000 to 149,999
Q4N4	150,000 and over

QUESTION #5: There are approximately how many students enrolled either part-time or full-time in an undergraduate degree program?

QUES5 Actual number recorded

QUESTION #6: How many of #5 above are business majors?

QUES6 Actual number recorded

QUESTION #7: How many Small Business Institute clients are you contracted for by SBA during this academic year (1983-1984, including summer)?

QUES7 Actual number recorded

QUESTION #8: Will you meet this quota?

QUES8 1 = yes; 0 = no

QUESTION #9: List the three most common ways that you obtain your consulting clients.

Q9N1	Personal visits, contacts
Q9N2	Client contacted the SBI
Q9N3	Referred by SBA
Q9N4	SBDC referrals, activities
Q9N5	Referrals from banks and other lending institutions
Q9N6	Client attended SBA workshop
Q9N7	Referred by SCORE or ACE
Q9N8	Client contacted university or college
Q9N9	Referred by faculty at university or college
Q9NlO	Student referrals, contacts
Q9N11	Referrals from previous clients
Q9N12	Referred by trade association
Q9N13	Friend of client
Q9N14	Word-of-mouth referral
Q9N15	Chamber Of Commerce referral
Q9N16	SBI publicity
Q9N17	Private business sector
Q9N18	Local government offices

QUESTION #10: Of the three you have listed in #9 above, which brings you the most clients?

Q10N1 through Q10N18, same choices as question #9, above.

QUESTION #11: Difficulty in obtaining small business clients is:

QUES11	Actual scale value recorded, on a scale from 0 to 60, with 0 indicating 'not difficult' and 60 indicating very difficult
QUES11B	0 if QUES11 between 0 and 30; 1 if greater than 30

QUESTION #12: Please list any activities you do that are designed to promote your consulting program.

Q12N1	Advertise print media
Q12N2	Advertise radio
Q12N3	Advertise television

TABLE I Cont.

Q12N4	Public services announcements, all media
Q12N5	SBA workshops and seminars
Q12N6	SBDC promotions
Q12N7	Word of mouth; personal selling by respondent
Q12N8	Newsletters
Q12N9	Slide shows, movies and speeches
Q12N10	Advertise with the Chamber of Commerce; Rotary
Q12N11	Advertise or promote through banks
Q12N12	Advertise through students
Q12Nl3	PR work in community, private/government organization
Q12N14	Through SCORE or ACT: co-op
Q12M15	Continuing education
Q12N16	Hot-line consulting
Q12N17	Advertising through faculty
Q12N18	Through trade association
Q12N19	Develop market

QUESTION #13: Is an SBI assignment required in any academic business program at your institute?

QUES13	1 = yes; 0 = no

QUESTION #14: If an SBI assignment is not required at your institute, indicate the degree of difficulty you find in obtaining qualified students.

QUES14	The actual value recorded, on a scale between 0 and 60, where 0 indicates 'not difficult' and 60 indicates very difficult
QUES14B	0 if QUES14 between 0 and 30, 1 if greater than 30

QUESTION #15: What are your student qualification requirements?

Q15N1	Senior standing
Q15N2	Graduate student
Q15N3	Business Administration major
Q15N4	Grade point average
Q15N5	Work experience
Q15N6	Substitute for business policy course
Q15N7	Prior small business administration course
Q15N8	Personal interview
Q15N9	By permission or recommendation
Q15N1O	Completed business core
Q15N11	Required for graduation

QUESTION #16: If you are an SBI director, do you receive release time?

QUES16	1 = yes; 0 = no

QUESTION #17: The faculty members at your institution support your SBI program.

QUESl7	The actual value recorded, on a scale from 0 to 60, where 0 indicates 'agree strongly' and 60 indicates 'disagree strongly'.
QUES17B	0 if QUES17 between 0 and 30, 1 if greater than 30

APPENDIX 2

Group #1

CONTRACTED CLIENTS: <15 POPULATION SIZE: <100,000

Have more difficulty obtaining clients

-Obtain most of their clients through student referrals.

-Promote their program through students, PR work in community.

-Use only students who have senior standing.

Have more difficulty obtaining qualified students

-Use student referrals to obtain clients.

-Obtain clients through SCORE or ACE.

-Obtain clients through generated publicity.

-Promote the program through public service announcements.

-Use Business Administration majors.

Have more difficulty obtaining faculty support

-Are between 50,000 and 99,999

-Use SBDC referrals to obtain clients

-Only requirement for the students is Business Administration majors.

-If school is AACSB accredited.

-As number of undergraduates increases.

-As number of Business majors increases.

-Use Chamber to promote the program

Have less difficulty obtaining clients

-Use SBA referrals

-Use Referrals from banks or other lending institutions.

-Use students who have completed core requirements.

-Use SBA referrals as one of the most used sources of clients.

Have less difficulty obtaining qualified students in the program

-Obtain classrooms through the SBA workshops or bank referrals.

-Use students who have senior standing.

Have less difficulty obtaining faculty support

-Are under 49,999.

-Obtain clients through the Chamber of Commerce.

GROUP #2

CONTRACTED CLIENTS: >15 POPULATION SIZE: <100,000

Have more difficulty obtaining clients

-No correlations were significant at .10.

Have more difficulty obtaining qualified students

-No correlations were significant at .10.

Have more difficulty obtaining faculty support

-Use referrals from banks and lending institutions.

-Word of mouth to obtain clients.

-Use above as primary method to obtain clients.

-Use only graduate students.

-Use any student who completed Business core.

Have less difficulty obtaining clients

-Use generated publicity to promote the SBI program.

-As the number of business majors increases.

-As total number of undergraduates increases.

Have less difficulty obtaining qualified students

-No correlations were significant at .10.

Have less difficulty obtaining faculty support

-No correlations were significant at .10.

Group #3

CONTRACTED CLIENTS: <15 POPULATION SIZE: >100,000

Have more difficulty obtaining clients

-Use personal visits.

-Promote program with Public Service Announcements.

-Use only students with senior standing.

-As number of business majors increase.

Have more difficulty obtaining qualified students

-As population goes over 150,000.

-Use personal visits as most used method to obtain clients.

-Uses SBDC referrals to obtain clients.

-Uses SBA referrals as primary means of obtaining clients.

-Advertise through SBA seminars and workshops to obtain clients.

-Uses GPA as a student qualification.

Have more difficulty obtaining faculty support

-No significant correlations at .10 or less

Have less difficulty obtaining clients

-Use word-of-mouth to obtain clients.

Have less difficulty obtaining qualified students

-Clients contact the SBI.

Have less difficulty obtaining faculty support

-Use word-of-mouth to promote the program.

GROUP #4

CONTRACTED CLIENTS: >15 POPULATION SIZE: >100,000

Have more difficulty obtaining clients

-Personal visits to obtain clients.

-Have clients referred by SBA.

-Use above method as the primary method.

Have more difficulty obtaining students

-No significant correlation at .10

Have more difficulty obtaining Faculty Support

-If school is AACSB accredited.

Have less difficulty obtaining clients

-Use word-of-mouth to obtain clients.

Have less difficulty obtaining students

-No significant correlation at .10.

Have less difficulty obtaining faculty support

-Use word-of-mouth to obtain clients as the primary method. -Advertise through TV.

-Advertise through newsletters.

-SBI student requirement is a Business Administration major.

STUDENT COUNSELOR SATISFACTION WITH THE SBI PROGRAM: A NATIONAL SURVEY

Max E. Douglas, Indiana State University Steve W. Lamb, Indiana State University

ABSTRACT
This paper reports the results of a national survey measuring the satisfaction of Small Business Institute student counselors. Student satisfaction was theorized to be comprised of at least four partially independent subcomponents: (a) student-client interaction (b) team cohesiveness (c) student-faculty director interaction and (d) critical experiential learning experiences. A Likert scale (1-5) varying from very dissatisfied to very satisfied was used to operationally define the construct of satisfaction. Scalar responses to each of the four constructs reflected a positive mean range from 3.65 to 4.07. A composite measure of SBI student satisfaction was indicated by a grand mean of 3.91. Although the overall results indicated a near moderate level of SBI student counselor satisfaction, a more microscopic analysis of individual subcomponents seem to indicate that program improvements could be made in specific areas. Implications regarding these "potential" pockets of student counselor dissatisfaction are discussed.

INTRODUCTION
It is frequently acknowledged that the 14 million small businesses in the U.S. create the majority of new jobs and provide a seedbed for innovation. Unfortunately thousands of small businesses in our country have failed each year. Over 90 percent of these small business failures have been attributed to poor management. [4]

In an effort to provide additional opportunities for management assistance to small business firms in the United States, the Small Business Administration established the Small Business Institute Program. The Small Business Institute (SBI) is a cooperative program between universities and the Small Business Administration. Specialized on-thesite management counseling is provided by a team of seniors and/or graduate students to both SBA clients and others at no cost to the client firm. Faculty serve as mentors for student counselor teams. Students usually receive academic credit for their participation. [10]

Since the program's inception in 1972. SBI's have been organized at over 500 universities and college campuses. As of fall, 1983, over 220,000 students had participated in the SBI program providing gratis consultation to an estimated 73,000 small enterprises. [13]

BACKGROUND
The level of student and client participation in the SBI program clearly demonstrates that this management consultation service has matured beyond the experimental stage. Although the primary goal of the SBI initially was to provide professional management assistance at no cost to small businesses, a mutually beneficial aspect of the program has been the educational enrichment opportunities for student participants. Students are challenged to apply their knowledge and skills in a non-simulated environment. Through

this experience with "live" cases, student consultants are allowed to bridge academia with the business world. In short, the SBI program adds relevance to the curriculum of higher education while simultaneously providing thousands of students with the chance to apply their knowledge in a pragmatic fashion.

Up to this point, however, the success of the SBI program has been largely determined by feedback from faculty and small business clients. SBA sponsored evaluations have generally been favorable regarding the effectiveness of the SBI program; however, the focus of their investigations has centered mainly on the perceptions of small business clients. [15] This scope seems logical since the SBA is concerned with the retention and growth of small business as well as safeguarding the loans they underwrite or extend. Non-funded research also tends to measure SBI program success through the eyes of clients. [2,9] Research has also been conducted soliciting faculty feedback regarding the success of the SBI program. [3]

The forgotten "client" in the evaluation of this consulting experience has been the student participants. Formal research focusing on determining student reactions to the program has been sparse. With the exception of a regional investigation conducted by the authors, other reports of student participant reaction to their SBI experience have been limited greatly by research design. [5,6,8]

If the SBI program is going to continue as a viable educational complement to the classroom, it must be perceived as academically sound. Buck stresses that the academic integrity of the SBI program must show that students are satisfied with their learning experience; data is needed to enable documentation of the student's evaluation of the SBI consulting experience. [2] The purpose of this article is to report student counselor satisfaction with selected dimensions of the Small Business Institute Program.

Methodology

The population for this study was the Small Business Director's Association 1984 Membership Directory. One third of the membership roster was randomly selected for participation in the survey. Fifty-six schools were sent letters of inquiry explaining the purpose of the survey and requesting their participation. The letter of inquiry was designed so that each respondent could check items of information at the bottom of the letter and forward back to the authors. Pre-addressed stamped envelope were included to encourage responses from SBI directors. Of the 49 who responded, 36 agreed to participate. Most non participants indicated that their school was not offering the SBI program for the first semester, 1984.

Multiple copies of the Small Business Institute Student Satisfaction Questionnaire were sent to each participating SBI director. The Small Business Institute Satisfaction Questionnaire measures satisfaction with four key aspects of the students experience in the SBI program. These are: (a) student- client interaction (b) team cohesiveness (c) student-faculty director interaction and (d) critical experiential learning opportunities. Student satisfaction has been theorized to be comprised of at least four partially independent subcomponents as mentioned above. The construct of satisfaction has been defined in the broad attitudinal sense rather than the narrower view of need deprivation. [12] A Likert scale was used to operationally define the construct of satisfaction. Students were asked to respond to thirty-four statements related to aspects of their SBI experience using a 1-5 scale varying from very dissatisfied to very satisfied. Participating SBI Directors distributed their respective instruments to their students at the end of their fall term, 1984. Pre-addressed envelopes accompanied each self- reporting instrument so that student respondents could seal their then completed questionnaires before mailing. SBI directors were asked to have the questionnaires completed at one sitting and to mail them in bulk. Student anonymity was guaranteed but questionnaires were coded so that schools and geographical regions could be identified. Twenty nine out of the 36 participating schools forwarded their completed questionnaires without additional follow-up. A reminder note sent to the other seven schools resulted in two additional sets of questionnaires bringing the total number of participating schools to thirty-one. The Statistical Package for Social Sciences was used to analyze the questionnaire results.

Analysis of Results

The thirty-one participating SBI schools represented twenty-two states and nine SBI regions. Figure one shows a map with the SBI regional breakdowns. The arabic number in each respective region represents the number of participating schools. Region three forwarded no responses. The regions with greatest representation were 5, 6, and 7. A total of 629 useable student questionnaires were received. Based upon the estimated number of student participants provided by each SBI director, the response rate was 84 percent.

Table I provides a macro view of SBI student counselor satisfaction according to each dimension. Students tended to be at least moderately satisfied with these four aspects of the SBI program. This concept is supported by the scalar results for each construct component as well as the grand mean of 3.9. Team cohesiveness shows the strongest level of scalar satisfaction (4.066) although nearly 13% of the respondents reported dissatisfaction with this component. The component entitled student-faculty director interaction followed a similar pattern in that the scalar results of 3.86 showed a positive level of satisfaction although nearly 11% of the students expressed dissatisfaction. The greatest source of student dissatisfaction seems to be in the area of student-client interaction. Although the mean of 3.649 reflects a positive satisfaction level, 21% of the students reported dissatisfaction with the student-client interaction component.

A more microscopic view of student responses is presented in Tables 2 through 5. Table 2 provides an in-depth look at student responses regarding aspects of their interaction with their clients. The average of the student scores for each of the statements measuring the student client interaction indicates that in general the students appear less than moderately satisfied with all aspects of the client relationship. All mean scalar responses to each statement comprising this component were less than four. Students seem particularly troubled by the lack of access to client information and even more dissatisfied with the quality of the client's records. Both of these subcomponents show a mean satisfaction level that is marginally positive coupled with a fairly high level of dispersion. Over 35% of the students responded 1 or 2 regarding their dissatisfaction with the quality of client information, whereas about 27% responded similarly to assessibility of needed client records. Another apparent source of frustration for student consultants was their client's lack of technical competence. Although the overall satisfaction level was marginally positive, 21% of the respondents indicated they were dissatisfied with this aspect of their consulting assignment. Three other subcomponents (client cooperation, availability of client for meetings, and effectiveness of client communication) seem to show more than a nominal percentage of dissatisfied students.

TABLE 1
AVERAGE SATISFACTION SCORES, STANDARD DEVIATIONS AND % OF DISSATISFIED STUDENTS WITHIN THE DIMENSIONS OF STUDENT SATISFACTION

Satisfaction Dimension	Average Level of Satisfaction	Standard Deviation	% of Students with a mean less than 3
Student-Client Interaction	3.649	.886	21.1
Student-Faculty Director Interaction	3.856	.699	10.8
Critical Experiential Learning Opportunities	4.063	.656	5.4
Team Cohesiveness	4.066	.855	12.7
Grand Mean	3.909		

[FIGURE 1 Omitted]

TABLE 2
AVERAGES, STANDARD DEVIATIONS, AND % OF DISSATISFIED RESPONDENTS WITHIN THE DIMENSION OF STUDENT-CLIENT INTERACTION

Items Measuring Student-Client Interaction	Average Level of Satisfaction	Standard Deviation	% of Student-Counselors Indicating Dissatisfaction
Quality of information from client's records	3.115	1.191	35.4
Access to needed client records	3.427	1.313	27.4
Technical competence of client	3.591	1.207	21.2
Effectiveness of communication with your client	3.753	1.046	15.3
Availability of client for meetings	3.769	1.252	18.8
Degree of client cooperation	3.924	1.218	17.2
Amount of communication with your client	3.940	.949	8.9

Table 1 demonstrates that student-faculty director interaction received a more favorable composite response from students than client-student interaction. However, response patterns to a few subcomponents in Table 3 may indicate pockets of dissatisfaction. Students expressed a marginal level of satisfaction (3.17) regarding the amount of time the faculty director spent with their client. This result is further supported by the fact that 17% of the students indicated dissatisfaction with this role expectation. Two other subcomponents may warrant further consideration. First, almost 13% of the respondents expressed dissatisfaction with their orientation to the consulting assignment. Secondly, over 14% indicated a degree of dissatisfaction regarding their director's mentoring during the consulting process. All other aspects of this dimension showed mean satisfaction levels ranging from 3.56 to 4.34 and respective percentages of dissatisfied students of less than ten.

TABLE 3
AVERAGES, STANDARD DEVIATIONS, AND % OF DISSATISFIED RESPONDENTS WITHIN THE DIMENSION OF STUDENT-FACULTY DIRECTOR INTERACTION

Items Measuring Student-Faculty	Average Level of Satisfaction	Standard Deviation	% of Student-Counselors Director Indicating Interaction Dissatisfaction
Amount of time faculty director spent with client	3.165	.944	17.0
Rapport between faculty director and your client	3.557	.997	9.2
Method of student evaluation used by faculty director	3.728	.959	9.6
Effectiveness of your orientation regarding consulting assignment	3.759	1.016	12.8
Effectiveness of director's guidance during consulting process	3.813	1.106	14.4
Frequency of communication with your faculty director	3.946	.973	7.7
Deadlines imposed by faculty director	4.099	.943	7.2
Availability of faculty director for consultation	4.156	.981	7.3
Level of expertise of faculty director	4.220	1.008	8.8
Amount of decision given to students by faculty director	4.339	.835	4.1

The third dimension of student-counselor satisfaction focused on critical experiential learning opportunities. Students seem favorably disposed toward a majority of these criteria. Table 4 shows that six out of seven subcomponents had scalar means greater than four indicating a greater than moderate level of satisfaction. The main exception that created apparent frustration for the student counselors was the financial condition of the client's business. The scalar mean response of 3.083 reflects a marginal level of student satisfaction. Over 32% of the respondents were dissatisfied with the economic condition of their client; this percentage is complemented by a standard deviation of 1.27.

TABLE 4
AVERAGES, STANDARD DEVIATIONS, AND % OF DISSATISFIED RESPONDENTS WITHIN THE DIMENSION OF CRITICAL EXPERIENTIAL LEARNING OPPORTUNITIES

Items Measuring Crititical Experiential Learning Opportunities	Average Level of Satisfaction	Standard Deviation	% of Student-Counselors Director Indicating Interaction Dissatisfaction
Financial condition of client's business	3.083	1.267	32.2
Preparation and presentation of results to faculty director	4.045	.865	4.9
Preparation and presentation of results to client	4.103	.87	4.1
Opportunity to integrate knowledge learned from previous courses	4.252	.868	4.3
Overall educational value of consulting assignment	4.258	.932	6.4
Chance to apply your decision- making skills	4.315	.851	4.3
Challenge of defining and analyzing business problems in a non-simulated environment	4.329	.887	4.5

The components of the last dimension of student counselor satisfaction, team cohesiveness, are shown in Table 5. Seven of ten subcomponents demonstrate a mean level of satisfaction of greater than four. Another subcomponent asking about the sharing of the workload among (between) team members came very close to a moderate level of satisfaction, 3.997. This tendency towards moderate satisfaction with this dimension of student satisfaction may need to be tempered by the double digit percentages of dissatisfied students with certain aspects of team cohesiveness. For example, over 21% of the respondents indicated a degree of role ambiguity regarding their assignment within the team. Another potential pocket of dissatisfaction may be the sharing of workload among/between team members. This "free ride" problem is reflected by a 15% dissatisfied response rate. Lack of initiative from other team members may also be a potential red flag. This subcomponent showed a slightly less than moderate level of satisfaction (3.9); in addition, over 14% of the respondents expressed dissatisfaction with this aspect of their team affiliation. Some students may desire more of a voice regarding formation of teams. This subcomponent received the lowest level of mean satisfaction among the 600 plus respondents. Nearly 14% expressed dissatisfaction with the selection process for teams. Lastly, two other subcomponents (competencies of other team members and closeness with which team members worked) had double digit percentages of dissatisfaction in contrast to an above moderate level of mean satisfaction.

TABLE 5
AVERAGES, STANDARD DEVIATIONS, AND % OF DISSATISFIED RESPONDENTS WITHIN THE DIMENSION OF TEAM COHESIVENESS

	Average Level of Satisfaction	Standard Deviation	% of Student-Counselors Director Indicating Interaction Dissatisfaction
Selection process for your team membership	3.759	1.139	13.6
Initiative of other team members	3.920	1.127	14.4
Extent to which members of team carried their work load	3.997	1.205	15.0
Closeness with which team members worked	4.078	1.052	11.0
Clarity of your role assignment within team	4.108	.934	21.2
Competencies of other team members	4.112	1.033	10.7
Amount of cooperation demonstrated among team members	4.128	1.013	8.6
Effectiveness of communication between/ among team members	4.152	1.016	9.1
Frequency of communication between/among team members	4.179	.906	6.5
Personalities of other team members	4.195	.961	6.4

SUMMARY & IMPLICATIONS

The results of this national research endeavor suggest that student counselors are close to moderately satisfied with a majority of aspects related to their SBI consulting assignment. The examination of the scalar responses to each of the four constructs comprising student counselor satisfaction with the SBI program reflected a positive mean range from 3.65 to 4.07. A global measure of SBI student satisfaction is reflected by the grand mean of 3.91. A more microscopic analysis of each dimensional subcomponent of student counselor satisfaction revealed that seventeen mean responses were > 4 while the other 50% of the variables were between three and four. The consistency of these scalar responses helps affirm the students positive view regarding their participation in this "hands-on" educational experience.

Certain caveats should be noted, however, since a few of the subcomponents of each dimension of student satisfaction showed a marginal level of satisfaction coupled with a double digit percentage of dissatisfied respondents. The construct that seemed to contain the greatest percentage of dissatisfied students (21%) was student-client interaction. Team cohesiveness and student-faculty director interaction both respectively contained about 13% and 11% of dissatisfied respondents. The construct critical experiential learning opportunities contained the fewest number of dissatisfied respondents (5.4%).

Although the results of this data analysis affirm the students overall positive perception of the SBI program, a few areas may need to be scrutinized more closely. One such aspect seems to be the working relationship between students and their respective clients. The authors suggest the client screening procedures need to be further refined. Faculty mentors need to have a better profile to share with student teams regarding their SBI client. Perhaps some clients need to be more aware of their role in the consulting assignment. Faculty mentors need to stress the importance of client readiness--that is being prepared to share quality information with these student teams. Since nearly 19% of the student respondents expressed dissatisfaction with the availability of clients for fact-finding meetings, this role expectation needs to be emphasized. Stockstill & Schindler report that SBI Program Directors have been inconsistent in exercising their discretion to select clients. Critical screening variables are not always the ones used to select clients. [14] The authors emphasize that reciprocity of the student-client relationship is a critical input affecting the professional success of the project. These impasses during the consulting assignment may also be the result of client stereotyping of students as non professionals. Perhaps an informal meeting could be held for all participating clients and teams in order to help break communication barriers. A more formal discussion of mutual role expectations could be incorporated in a focus forum that included a panel presentation of former clients and SBI students. Ideally this "meeting of the minds" should take place in a neutral setting such as a seminar room at a local motel. A short film or slide presentation explaining the SBI program would be a good starting point. To the extent possible, students must be perceived as professional business persons prepared and interested in solving problems. Fry has reinforced that client cooperation is a significant factor affecting students' academic performance and hence their overall level of productivity. [7] In short, the minimization of student dissatisfaction with client interaction may best be eliminated by an initial orientation of both actors at the front- end of the consulting arrangement.

Another important area affecting student satisfaction with the SBI program is the faculty mentoring process. In general, faculty directors received favorable marks regarding their guidance. However, faculty may need to clarify their role for the student so that the director does not spend too little or too much time with a client. Faculty directors need to time their interventions so that the authority of the student teams is not undermined. At the same time, it seems that some students may think their assignment is "dumped" on them and a "sink or swim" mental set dominates the experience. Faculty mentors need to clarify their role as a resource person although a reasonable level of monitoring team progress should be expected. Sonfield reinforces that the SBI faculty director must educate both client and student counselor regarding the primary tasks of the intervention process. [11]

Finally, SBI directors are seemingly faced with the challenge of overcoming the "free rider" tendency that develops within work groups. [1] Perhaps students should be required to complete an organizational behavior course prior to enrolling for the SBI program. Faculty directors may need to review the group maturation process with students and provide resources that students can read regarding group dynamics. This seems crucial since the primary tasks of consulting are collapsed into a semester or quarter. Periodic peer and client evaluations may also provide faculty directors insights regarding team performance. Since many SBI participants may already know many class members, it may be helpful to allow limited input regarding team formation. Perhaps the faculty director could ask students to name a colleague in class that they would least like to work with. This process may help eliminate personality clashes and foster a more productive group atmosphere.

In short, this national survey has demonstrated that SBI student participants appear to be moderately satisfied with their consulting experience. The authors have attempted to extrapolate from the data to provide suggestions for further program improvement. With minor program refinement and faculty-student- client cooperation, the SBI will continue to play a key role in the field of experiential education.

REFERENCES

[1] Albanese, Robert, and David D. Van Fleet, "Rational Behavior in Groups: The Free-Riding Tendency" Academy of Management Review, Vol. 10, April, 1985, pp. 244-255.

[2] Buck, Allison, "Measuring the Effectiveness of the Small Business Institute Program," SBIDA National Proceedings, New Orleans, 1981, pp. 115-131.

[3] Burr, Patricia L., and George T. Solomon, "The SBI Programs Four Years Down the Academic Road," Journal of Small Business Management, Vol. 15, pp. 1-8, April, 1977.

[4] Certo, Samuel C., Max E. Douglas, and Stewart W. Husted, Business (Dubuque: Wm. C. Brown, Inc., (1984), p. 108.

[5] Douglas, Max E., "Interactive Elements in Student Counselor Satisfaction," Proceedings of the Midwest Small Business Administration Meeting, April, 1979, pp. 20-28.

[6] Douglas, Max E., and Steven W. Lamb, "Identification of the Constructs Comprising Student Satisfaction Within the SBI Program Through Factor Analysis," SBIDA National Proceedings, 1980, pp. 89-95.

[7] Fry, Fred L., "The Determinants of Successful SBI Projects From The Academic Perspective," SBIDA National Proceedings, San Diego, 1985, pp. 32-37.

[8] Peterson, Gertrude P., "Student's Perception of the SBI Program at the University of Utah," SBIDA National Proceedings, San Francisco, February, 1982, p. 138.

[9] Sampsell, Martha, "An Evaluation of One SBI Program by the Small Business Owners," SBIDA National Proceedings, Denver, 1984, pp. 102-108.

[10] _________, "SBI, A Management Consulting Service," Pamphlet distributed by Small Business Institute Directors Association, 1984.

[11] Sonfield, Matthew C., "The Application of Argyris' Intervention Theory in a Small Business Institute Consultation Context," SBIDA National Proceedings, San Diego, 1985, pp. 82-87.

[12] Steers, Richard M., and Lyman W. Porter, Motivation and Work Behavior, (New York: McGraw-Hill, Inc., 1975), pp. 234-235.

[13] States, George B., "The Small Business Institute--An Agent of Change: Factors Affecting Student-Consultation Predisposition Toward Small Business Entrepreneurship," April, 1984, Unpublished Doctoral Dissertation, pp. 3-4.

[14] Stockstill, Lowell E., and Pamela S. Schindler, "Improving the SBI Client Selection Process," SBIDA National Proceedings, San Diego, 1985, pp. 38-47.

[15] Weaver, K. Mark and George Solomon, "A Review of the Small Business Institute Evaluation Project for the Period 1981- 1984," SBIDA National Proceedings. San Diego, 1985, pp. 67- 74.

Financial support for this national survey was provided by the Indiana State University Research Committee, Indiana State University, Terre Haute, Indiana.

AN INTERACTIVE MODEL FOR SBI TEAM ANALYSIS OF CLIENT FIRMS

Fred L. Fry, Bradley University

INTRODUCTION

A problem that many SBI teams have in analyzing the needs of their clients is the inability to analyze the total firm instead of a few parts of it. Team members tend to see the firm as having a marketing problem, or a finance problem, or an inventory problem. In most cases, however, the firm has either a number of problems simultaneously or they have a highly complex problem that involves many facets of the firm.

For example, consider the firm that asks for some help with a marketing campaign. The temptation is to treat this singularly as a marketing problem which can easily be handled by a team with one or more astute marketing students. On closer inspection, however, implementing a marketing campaign may require more financing than the owner has available. In addition, if the marketing campaign is to be successful, additional inventory must be purchased to be available at the time the campaign is executed. And still further, personnel should be hired before the campaign is launched in order for them to be trained sufficiently. Thus, what appeared to be a very simple project became a very complex one.

Another example that perhaps all SBI directors have encountered is the SBA form 641 in which "lack of sales" is indicated as the main problem. Is the problem one of lack of advertising, or lack of products, or lack of quality products, or bad store location, or unfriendly clerks, and so on? There is a need to insure that SBI teams take the systems approach to solving a client's problem, regardless of the nature of the problem. This paper proposes an "internal matrix" to be used in SBI team analysis.

WHAT IS AN INTERNAL INTERACTION MATRIX?

An internal interaction matrix is a square matrix with functional areas for analysis on both the horizontal and vertical dimensions. The cells are the relationships between the functional areas. The rows are the influencing factors and the columns are the influenced factors. Thus, for any cell, we have the influence of a change in the row item on the column item. Figure 1 shows this for a four by four matrix. For this simple example, the four items are inventory level, marketing budget, number of salespersons, and cash flow position.

In this example, row 1, column 2 is the influence of a change in inventory level on the marketing budget. If we measure these in a -5 to +5 scale, we might have a -3 in this example. That would say to us that if we increase the inventory level substantially, it would have a moderate negative impact on our marketing budget. The implication would be that if we spent many dollars on increasing inventory, we would not then have the money to increase advertising in order to sell it.

Row 4, Column 3 represents the impact of the cash flow position on the number of sales persons. This would logically be a positive relationship since a favorable cash position would allow the hiring of more sales people. We continue on in this fashion until our matrix is completely filled.

It should be noted in the figure that Row 2, Column 3 is not the same as the number in Row 3, Column 2. For example, increasing the marketing budget would allow us to add more salespeople -- a positive relationship. On the other hand, adding more salespeople, by itself, will have a negative impact on the marketing budget since there would be less funds for other types of marketing. The relationship between the cash flow position row and each of the columns should be positive since an improved cash flow position should allow greater dollars for marketing, inventory, and sales force. The relationship between the cash flow position column and the three rows is negative, because increasing any of those items would have a negative initial impact on cash flow. (Actually, the final impact might be positive, but the initial impact would be negative.)

FIGURE 1
INTERNAL INTERACTION MATRIX

	Inventory	Marketing	Salespersons	Cash
Inventory Level	____	____	____	____
Marketing Budget	____	____	____	____
Number of Salespersons	____	____	____	____
Cash Flow Position	____	____	____	____

It is also important to note that the particular means of measuring the relationship is not particularly important. The above example suggested a -5 to +5 continuum. It may be sufficient, however, to simply have pluses and minuses with perhaps double pluses or minuses for extremely strong or critical relationships.

In most cases the matrix would be quite large, rather than a four by four cell matrix. In fact, it is quite conceivable that the matrix could be so large as to be unmanageable. However, much can be gained by constructing perhaps a ten by ten matrix using carefully chosen items. These items would vary from case to case depending on the nature of the client's needs. It might even be advisable to have the client and the students work together to arrive at the ten most important issues facing the client.

As the name indicates, the "internal matrix" is designed to assist SBI teams in analyzing the internal aspects of the client's firm. The matrix can be used with some adjustment to include external factors. In this case some of the cells would be blank (or zero) since changing an internal factor would have no affect on most external factors. On the other hand, a change in an external factor (IRS laws, competitor actions, the price of raw materials, etc.) could have a dramatic effect on the internal factor.

USING THE MATRIX

Assuming the concept of the internal interaction matrix makes sense, attention is now turned to how to use the matrix in a client situation. The process requires three steps. Step one is to identify relevant factors to study. As mentioned above, these factors will vary with the case. If the problem were primarily marketing, then many of the factors would be marketing or product related. If the assignment was to analyze a manufacturing process, a completely different set of factors would be selected. In most cases, financial and/or cash flow variables should be included in some manner.

Step two is to determine the relationships between the factors, being careful to fill out the entire matrix. Determining the strength of the relationship is somewhat arbitrary and might even be ignored if desired. It is quite important, however, to determine the direction of the relationship, i.e. the positive or negative relationship.

The third step is to then assess the current position of the variables. Does the marketing budget, for example, seem extremely low? Is the warehouse jammed with outdated merchandise? Figure 2 illustrates this in a column just to the left of the row variable. This, too, could be rated numerically such as a -5 for an extreme problem or weakness and a +5 for a strong point in the company. We now have a matrix with the relationships among variables, along with a rough measure of the current position of the variables.
It may appear at first that we have spent a considerable amount of time on an academic exercise. Further analysis, however, will show that we now have an assessment of key variables on the left, and the relationships among those variables in the matrix. We can then look at those problem areas (the ones with the low or negative scores) and see what the effect of a change in them would be on other parts of the firm.

FIGURE 2
INTERNAL INTERACTION MATRIX
(WITH CURRENT POSITION ADDED)

Current Position		Inventory	Marketing	Sales	Cash
____	Inventory Level	____	____	____	____
____	Marketing Budget	____	____	____	____
____	Sales Staff	____	____	____	____
____	Cash Position	____	____	____	____

AN EXAMPLE
Suppose a maker of stuffed animals, which we will call Joy's Toys, comes to us indicating that they just are not making any money in spite of modest sales. Our SBI team, in their analysis uncovers the following facts.

1. Sales appear to be lower then the client indicated they were.

2. Advertising as a percent of sales was quite low.

3. There did not appear to be an adequate distribution system.

4. The workers seemed to be spending an excessive amount of time on reworking defects.

5. The cash flow position was weak due to the seasonality of the product. On the other

hand, there seemed to be some good points.

6. Management seemed to be knowledgeable.

7. The bank was willing to work with the owner in the short run to solve problems by extending additional working capital loans.

8. There was sufficient room in the warehouse for expansion of either operations or inventory. In fact, the firm was not using its space efficiently.

We can develop the following matrix for our client. For this example, we have rated the current position on a -5 to +5 scale and the relationships among the variables with pluses, minuses, or zeroes. In some cases, there will be a combined rating such as 0/+ indicating that in the short run there will be no impact, although there may be a lagged effect or an indirect effect through a third variable.

EFIGURE 3
INTERNAL INTERACTION MATRIX FOR
JOY'S TOYS

		SL	AP	Di	De	CP	KM	Bk	Wh
-3	Sales Level	X	O	-	-	+	O	+	O
-2	Advertising Percentage	+	X	O/-	O/-	-/+	O	O/+	O
-3	Distribution	+	O	X	-	+	O	O/+	O
-4	Defects	+	O	-	X	+	O	O/+	O
-1	Cash Position	+	+	+	O	X	O	+	O
+3	Knowledgeable	+	O	+	+	+	X	O/+	O
+2	Willing Bank	O	+	+	O	+	O	X	O
+2	Warehouse Space	O	O	O	O	-	O	-	X

The task now is simply to look at the matrix to see what relationships exist, and what the effect of improving a variable will have on the others.

We should note two easy patterns first. The zeroes in the sixth and last column suggest that none of the necessary changes will have an effect on either management's knowledge or warehouse space. This is because the team determined that those two items were of sufficient quality and/or quantity. Similarly, the Warehouse Space row consists of all zeroes except Cash Flow and Willing Bank. This suggests that improving the warehouse space even more would not help anything and would only reduce our cash position and possibly cause problems with our banker.

Our primary attention should be focused on the negatives. (Incidentally, since this is only a hypothetical example, one should not be overly concerned with the author's assessment.) The negatives represent adverse impacts on one variable caused by attempting to solve problems of a second variable. Look, for example, in Row 1. Note the negative relationship between Low Sales and both Distribution and Defects. This suggests that anything we do to stimulate sales will make the distribution and defects problems even worse.

We can also look at the Low Sales column. Are there items that could be improved that would also help sales? From the matrix, we have that improving our distribution and solving our defects problems would both help sales. We also note that increasing our advertising percentage would be helpful as would improving our cash position. But increasing our advertising percentage, by itself, would not help because of the problems with both defects and distribution. Further, it was noted that the bank appeared willing to underwrite working capital somewhat.

The matrix, then, suggests some possible answers that would have a beneficial systems effect. First, the distribution problem must be solved if anything else is to be worth while. Doing anything that would increase sales would not be successful if it would exacerbate the distribution problems. Second, we need to increase the advertising percentage, but we need capital for that. Capital may also be needed to some extent to solve the distribution problem. A trip to our friendly banker does seem to be called appropriate at this time. Third, management must give its attention to the defects problem. (Can some of the warehouse space be used to give workers more room to work?)

It should be clear now that the interaction matrix can help focus attention on the complexities of SBI cases. Using the matrix can assist student teams to consider both the beneficial impacts as well as the adverse impacts of changing single variables. And it can be used to highlight the fact that improving one variable by itself may not solve the problem -- as in the case of the defects and distribution problem.

As in any model, it is not claimed that using this model will solve all the SBI team problems. But a class period spent in discussing the underlying concept of the model may improve the work our SBI teams do.

A MODEL FOR SBI PARTICIPATION IN REGIONAL ECONOMIC DEVELOPMENT ACTIVITY

John C. Howard, Alfred University

ABSTRACT
A theoretical description of networking that SBI's can establish to broaden their benefit beyond individual firms. A practical model is developed and concluded with empirical experience. The Model addresses the natural tendency for SBI's to be included in Economic Development activities, including Planning, Execution and Control of efforts to build an economic base conducive to capital formation.

INTRODUCTION
In many areas of the country the Small Business Institute, based in institutions of higher learning, has become a fixture upon which local entrepreneurs have to rely. The program may be as old as a decade and have developed a reputation as a source of reliable professional advice and consultation. As a particular Small Business Institute's fame increases, local reliance on its advice and expertise will naturally increase apace. There will be more requests for the Director to speak at business associations, merchandiser's associations, downtown businessman's associations and Chambers of Commerce. Eventually, as the concept of centralized economic planning gains acceptance, the SBI Director will receive requests that the SBI participate in economic planning and the execution of economic development activities. Since SBI's are usually set up to deal with the problems and opportunities of individual firms, their directors may not be equipped to systematically approach the process of economic development. This paper discusses a model for SBI participation in economic development, and an example of such participation, to enable those SBI'S, so petitioned, to exercise their expertise in pursuit of general economic growth.

THE MODEL
Regardless of the approach and sequence of steps in which a locale engages in an attempt to stimulate economic development, the three major steps of management, planning, execution, and control must be taken. The model assumes that any execution must be preceded by conscious planning and followed by evaluation and control. While haphazard economic development activity sometimes results in short- term benefits such as the receipt of grants and temporary employment increases, a long-term benefit can only be realized with a sound planning-execution-control approach.

Planning
This is the stage in which the participants in economic development typically decide in which areas to exert effort and to what degree. The Small Business Institute can be helpful in the following ways:

A) Analysis of Potential: It would be suboptimal to allocate scarce resources to activity that is declining at an increasing rate or which is of so little moment to economic development that it should remain below the threshold of notice of economic developers.

Small Business Institute activities can concentrate on the identification of specific entrepreneurial activities that are beneficial to the development of a geographic locale. This would include a cross-sectional determination of economic activities classified by size and by direction and rate of change. The rationale is that despite shrinkage in, for example, steel production, this activity accounts for such a large percentage of capital allocation and employment that it should not be ignored. Alternatively, smaller servicetype activities, though accounting for a small percentage of total local gross product, should receive attention because expenditures on these services is increasing at an increasing rate.

1. Jury of Experts. The Small Business Institute, by virtue of its direct contact with numerous local entrepreneurs, bankers and government officials, is in an excellent position to convene a panel of knowledgeable individuals' whose consensus is able to identify the rate of growth and shrinkage in various commercial enterprises. A possible method of tapping this resource is to establish focus groups of approximately six to twelve members, with each group representing important income producing segments of the economy. These segments might include small business, the banking and financial community, agriculture and extractive industry, education, social services, and business services. These groups can be asked to identify such things as the most likely sources of economic growth in the future, barriers to growth from these sources and government action that might remove these barriers. While the results of such groups are certainly not projectable, they enable the SBI and its partners in economic development to identify theories that might otherwise remain uncovered. In addition to the director's disinterested association with members of the focus groups, these groups are superior to secondary data concerning potential, since the latter is often either out-of-date or inapplicable because it does not speak to the needs and resources of a locale.

2. Projectable Sample. Once possible sources of economic growth are identified, the SBI and other participants can, through random sampling, determine the market for economic activity suggested by the experts. In this stage, mail or telephone questionnaires can be applied querying respondents concerning spending habits, employment, travel required for purchase of specific goods and services, and any other areas that might generate a background concerning economic and capital formation potential.

B) Communication Of Potential To Entrepreneurs. From the preceding step the economic development participants should have established an idea concerning the potential markets for various types of goods and services. In this step the SBI can be particularly valuable because it is a credible, non-partisan source of information. The Institute's task, here, is to inform investors of those areas in which there is unrealized profit potential. This can be done in the following ways:

1. Newsletter. The Small Business Institute can develop a mailing list of thousands of entrepreneurs presently active in its locale. It can use this mailing list to disseminate a newsletter devoted to assisting these entrepreneurs in their efforts to realize profits. Additionally, for the purpose of economic development, the newsletter can be a vehicle to inform these risk takers that there is unrealized potential identified by the jury of experts, the projectable example and a gap analysis. Investors interested in pursuing any of these potential enterprises should naturally request assistance from the SBI who is the originator of this information.

2. Direct Mail. As sources of sales and profit are discovered, the most likely individuals to invest in them are those people who are already doing so in other locales. It appears to be a logical next step to recruit, through direct mail, interested investors from this cadre of people who are familiar with these potentially profitable new activities. Again, the Small Business Institute is the natural source of information concerning both potential and methods of realizing this potential.

3. Advertising. There may be individuals who are inaccessible through both a newsletter and a direct mail solicitation who are searching for investments of exceptional potential. The only methods of accessing these individuals may be media advertising. Business opportunities sections of classified newspapers, display advertising in financial publications and run- of-the-page advertising in institutional publications all stand an excellent chance of attracting attention. This advertising would disclose the types of businesses identified as high potential and the name and number of the resource persons or agencies to contact. The Small Business Institute would, again, naturally be one of the gatekeepers of this information.

Execution

In this portion of the economic development activity the Small Business Institute director and student counsellors can participate in the following activities:

A) Formation of an SBA 503 Development Company. This corporation would have broad development responsibilities and later administer other developmental funds. If properly formed and constituted it could also function and act as a regional development corporation. The Small Business Institute can participate by supplying board members, both students and faculty, who are knowledgeable concerning likelihood of success of various entrepreneurial activities.

B) Formation of Functional Boards. If in the planning stage a particularly fertile area is identified, such as tourism, the Small Business Institute can participate in the formation of a tourism board whose goals are to stimulate investment and provide counseling for new and existing managers.

C) Direct Counseling. This, of course, is the strong point and area of particular expertise for the Small Business Institute. At start-up and peril points for individual businesses, Small Business Counsellors can assist in the usual functional ways. The packaging of loans, development of advertising, production set-up, personnel activities and establishment of marketing goals and practices are all the aegis of the SBI.

D) Partnership with Government Agencies to Offer Counseling. At this point in an economic development scheme other government agencies, probably locally funded, will arise with the specific purpose of stimulating and counseling entrepreneurs. This is an especially promising area for SBI participation. Such government agencies will hire professional, full-time consultants who will offer their expertise to local managers. These professionals can establish partnerships with student teams and divide responsibilities for activities. The professional could, for example, in consultation with the manager determine that a capital investment loan is necessary, and the entrepreneur could commission an SBI team to develop the financial statements and ratios necessary for the loan package. Parallel activities could be carried on in marketing, production and other functional management areas.

E) Seminars For Start-Up And Identification Of Potential. In many areas, the recovery from the recent recession is much slower, or even nonexistent. As a consequence there are pockets of high unemployment, and in these locales the unemployment popula is spending its capital on small business establishments. It is a natural outgrowth of the SBI director's and counselor's knowledge to hold seminars whose purpose is to point out areas of business potential and the pitfalls in entering them.

Control

Once economic development activities have been established, the SBI in-field objectives are to assure that these objectives are being adequately achieved.

A) SBI Counseling. The single most useful area for SBI participation is in steering entrants and participants in the right direction. SBI consultant's primary objective is to ensure that business people are following the proper steps, theorizing worse case scenarios and not dissipating their financial resources needlessly. Once new entrepreneurs are established or engage in new activities it should fall more on the SBI's shoulders to monitor their progress than any other agency or group.

B) Partnership With Other Consulting Agencies. Economic development activities should recruit as many sources of information and consultation as possible. This would include such agencies as S.C.O.R.E., A.C.E., and any local small business assistance organizations that may arise as a result of economic planning. It only makes good sense to divide the responsibilities of all of these agencies with the Small Business Institute. The members of these agencies should sit on the SBI steering committee so that counselor's activities can be directed to those areas where they will do the most good.

C) Membership on Boards. Since the SBI should be directly engaged in the planning and execution of economic development activities, it should also have direct responsibility for setting policy. This is best done by sitting on the board of any corporations or groups formed for the purpose of stimulating economic development. This would include the 503 corporation mentioned above as well as any of the functional boards, such as tourism or manufacturing. Additionally, there may be a central board whose objective is to stimulate the execution of this model, i.e. planning execution and control. It is imperative that Small Business Institute membership be established on all such boards.

The Fact

The Alfred University Small Business Institute has engaged in all such activities outlined in The Model. The director participated in a three-county steady commissioned by the Appalachian Regional Commission. The purpose of the study was to identify high potential sources of growth and barriers to such growth. This study resulted in the formation of an SBA-503 corporation with direct participation by the Small Business Institute. Additionally, the SBI conducted seven separate juries of experts and identified high-potential retail outlets. It established a newsletter, direct mail and advertising campaign to communicate this potential to investors. As a result, several new businesses have opened and successfully established their market position. As a result of participation in these activities, the Alfred SBI was assigned a full-time counselor who worked directly with student teams as both a resource and clearing center for clients. The Small Business Institute requested a Title VI grant to develop a 3000-name mailing list to be used to target entrepreneurs as recipients of a newsletter and attendees of regular seminars concerning start-up and functional business areas. The final result of this SBI participation in economic development has included five full-time employees, consultation with federal government agencies, the establishment of employment producing new businesses and ongoing and increasing contact with the small business community. Given the responsibilities of small business to increase employment, capital formation and innovation, agencies such as the Small Business Institute must consider economic development as a corollary effect of their activity, if not a primary goal.

THE SBI EXPERIENCE
REACTIONS OF STUDENT TEAM LEADERS

Dennis J. Elbert, University of North Dakota
Donald G. Anderson, University of North Dakota

ABSTRACT
This paper represents an assessment of the extent of satisfaction by student leaders of SBI teams with their counseling experience. Leaders were positive about the value of SBI projects in developing their leadership capabilities and in providing real world experiences. Conversely, leaders cited problems of role responsibility, delegation and coordination. Based on this evaluation, suggestions for SBI program administration by faculty facilitators are provided.

INTRODUCTION
Small enterprises have had access to counseling assistance from the Small Business Institute (SBI) since 1972 when the Small Business Administration initiated the program. The SBI program makes use of the resources available at colleges and universities to provide the small business organization with management assistance counseling. Typically teams of senior level or graduate business students, under the guidance of a faculty director, provide counseling to small business firms on a variety of business problems. The SBI program is the largest source of management consulting for the SBA.(1) In 1984, 8600 clients were counseled by student teams representing more than 500 colleges and universities.(2)

The operational philosophy of the SBA regarding SBI programs is one of cooperation and mutual benefit. Small business organizations are rewarded with up-to-date management assistance at no cost, faculty coordinators are able to stay involved in the business community and students gain from the "real world" involvement with the client. As noted in the SBI Student Counselor's Manual...

> The most exciting aspect of the SBI Program is engendered by the students who participate in it. Students today are much concerned, with relevance in education. Many of them ask, "Will these courses prepare me to make actual decisions when I am confronted with real problems?" They feel a need to test their knowledge through an exercise which requires solutions to real problems, not by a textbook case which may be static or even contrived.
>
> The SBI's small business clients and their problems provide an excellent mechanism for satisfying this need for relevance. The problems of the business community are brought into the classroom and students are given an early opportunity to test their ability to use problem-solving tools on these actual problem situations. The ability of the students to integrate the various business administration disciplines they have studied is also tested. Participation in the SBI Program makes students more mature and prepares them for fulltime positions in

the business world. It may also lead some of them to decide to become small business entrepreneurs themselves.(3)

The logistics of coordinating SBI courses for faculty coordinators can often be overwhelming. For all practical purposes they are to be held accountable for their performance by the SBA, their academic administrators, the SBI client, and the students on the SBI teams. Since their students are the counselors, faculty must work to insure successful project completion.

Sky Records, an Assistant Regional Administrator/Management Assistance(ARA/MA) from SBA Region X suggests twenty SBI case Pitfalls be avoided to insure successful program operation. From these the following appear to be particularly relevant to student teams...

*Poor match of students' areas of expertise with clients' needs.

*Not preparing a "statement of work" that clearly outlines exactly what students will do, define the problems or tasks they will address, and gives a firm completion date.

*Not planning the project to define its scope, assignment of workload and areas of responsibilities, development of a time schedule for stages of completion, coordinating team members, determining the objective.

*Not calling the client to arrange in advance for site visits and meetings with the client.

*Not having an "exit interview" where the student team personally presents their recommendations to the client and answers questions. The resulting discussion among the student team, client, professor, and SBA Management Specialist can be the most rewarding and valuable part of the project, both to the client and to the student team.(4)

In order to avoid these pit falls, faculty coordinators must constantly review their team format, procedures and practices. It is often too easy to fall into the "I'll just do what I did last semester," type of planning.

PROGRAM DESCRIPTION

As shown in Figure 1, the SBI organization at our university is structured to enable students to participate in an SBI course related to their major field. A faculty member who teaches an SBI related course within a department serves as the departmental Small Business Institute Director. These SBI faculty members confer with the Dean of the Business College to determine the, allocation of cases to various departments. Historically most cases in our geographic area have been apportioned to the Marketing Department. In addition, the Department works with numerous small firms who are not clients of the SBA. For example, during the two year time period discussed in this paper the Marketing Department handled 25 cases through its small business course alone, whereas the SBA allocation was 12 cases per year for the entire college. Once cases are assigned, student teams are formed and team leaders are chosen. Through experience, we have found that the most satisfactory process for the selection of leaders is to allow each team to select its own leader. We attempt to reduce, if not eliminate, the likelihood that leaders will be elected primarily on the basis of popularity by stressing the key role of the leader in the successful completion of the project. Leaders are expected to assign responsibilities within a group and are held principally responsible for the satisfactory completion of the project.

OBJECTIVES

This SBI course review was undertaken to assess the extent of SBI team leaders' satisfaction and/or dissatisfaction with their SBI experience and to solicit suggestions for improving the course operation. To attain these objectives, the specific categories of the review included:

1.an assessment of the areas of positive reactions of SBI team leaders to the SBI experience.

2.an assessment of the areas of negative reactions of SBI team leader to the SBI experience.

3.a solicitation and evaluation of recommendations by SBI team leaders with regard to course improvement.

FIGURE 1: SBI ORGANIZATION CHART
[Omitted]

METHODOLOGY

Over a two year period of time, twenty five small business student team leaders from a spring semester small business marketing course were asked to provide anonymous written input regarding their reactions to the course and their recommendations for improving it. The anonymous written comments by the leaders were developed under the three categories of positive comments, negative comments and recommendations. Most leaders chose to develop 2-3 paragraphs under each heading. The comments were then classified into categories.

TABLE 1

POSITIVE COMMENTS WITH REGARD TO SBI PROJECTS

PROJECT BENEFITS	NUMBER
Improved leadership/organizational skills	24
Provided real world/non-text type of experience	22
Improved ability to work with small group or team	8
Honed ability to stand up and defend work	7
Gave better perspective on how small business copes	6
Enhanced skills of tact and communication style	4
Developed trust in others	4
Developed self confidence	3
Provided involvement with Chamber/SCORE	2
Other	5
TOTAL	85

RESULTS

As might be expected SBI team leader after bearing the weight of responsibility for their project, had some very definite comments about their experience. Table 1 contains a classification of positive comments by SBI team leaders. The great majority of positive comments on project benefits from SBI team leaders were in regard to improved leadership and organizational skills. Many of the comments focus on improved time management skills and delegation requirements. The following are typical SBI team leader positive comments regarding leadership/organizational skills...

*The class gave me a taste of what it is like to keep everything on schedule and a good "hands on" experience of what it is like to plan events such as meetings.
*Being the leader made me learn to delegate.

*Being a group leader I gained valuable experience in motivation, time management and meeting deadlines!

*I found that my role as the group "leader" was most effective in the areas of organization and coordination.... Another positive aspect of a group leader is in problem solving or having someone who could come across with a "final decision" when there was indecision among group members.

*I feel the most beneficial part of being a group leader is that of learning how to delegate duties and keep things rolling.
A second major group of benefits, as shown in Table I related to opportunity for real world/non-textbook types of experience. Typical of the comments related to the experience factor are those that follow:

*The hands-on experience of this class is as valuable as an internship

*I would highly recommend this class to anyone who is in a position to take it. It was a great hand-on learning experience.

*It gave us the advantage of working directly with a business on a one to one basis and not simulating some type of problem out of a textbook.

*Biggest plus was working with a real world type of business.

*It was satisfying to know that the team's work would actually be helping a client; applying our knowledge to a real life situation.

Remarks by team leaders that were negative toward the operation of the projects are shown in Table 2. It is interesting to note that some aspects of time management and delegation were also considered negative. It was expected from the verbal comments to the instructor during the semester that leaders would complain about the limited number of course credits awarded for the amount of work expected of them. However, only two individuals mentioned this issue and so it was combined with other minor comments in the "other" category. Typical of the negative types of comments are these:

*It was negative from the standpoint that as group leader, I had to initiate most of the activity and conjure up the majority of the ideas that were then carried out by the other team members.

TABLE 2

NEGATIVE COMMENTS WITH REGARD TO SBI PROJECTS

PROJECT SHORTCOMINGS	NUMBER
Group did not mesh into a team	12
Not all of team was interested/involved	10
Delegation problems	10
Came to "resent" reader/boss role	8
Time management problems	7
Problems with client not giving information/ changing priorities	7
Needed more guidance from instructor	5
Weekly progress reports were a burden	3
Want a guidebook/manual	3
Other	8
TOTAL	73

*As in most groups the biggest complaint was not enough participation from some of the group members. This was mainly evident in the beginning of the semester, as some members felt there was no hurry to get going on the project.

*I ended up coming up with the suggestions and ideas--when tried to get their input--

silence made enemies within - found it is true - one person does get stuck with most of work - the leader - had difficult time getting members to look at this class as different from other classes.

*Our group had a problem with several members not doing their share of the work.

*A lack of rigid structure as far as areas to cover in reports and presentations.

The third class of comments as shown in Table 3, is the recommendations of student team leaders with regard to improving and changing the course structure. Major issues centered around group size, mandatory meetings with leaders, structured guidance in the form of a booklet or outline, and no out of town clients. Typical recommendations follow:

*Create instructor manual that outlines parameters of class and how things are to be done.

TABLE 3

RECOMMENDATIONS WITH REGARD TO SBI PROJECTS

RECOMMENDATION	NUMBER
Provide guidance in form of booklet, outline etc.	7
Make group size smaller	6
Desire more feedback on project status	5
Require mandatory meetings with leaders alone	5
No out of town cases	4
Require mandatory meetings with groups	4
Change leader's title to group coordinator	2
Require assistant leader	2
Make class worth 6 or more credits	2
Randomly assign groups	2
Divide groups based on student academic major	2
Other	17
TOTAL	58

*Maybe what I'm really trying to say is "I want my hand held" but I question whether that's a function of the course. Perhaps's there's a happy medium between what I want and what's good for me -- maybe a little more direction and guidance is what would be most beneficial in the long run for me as a student.

*Feedback and specific recommendations throughout the semester would be beneficial. The end of the semester is a bad time to know whether our efforts throughout the semester were adequate or went in the right direction.

*I think it would work better if people picked their preferred topic and from there, form groups, rather than letting students form their own. But the students will never be totally satisfied about selection of group members.

*Instead of giving someone the "group leader" label, it would be better to choose a "group coordinator," which would infer his/her duties would be that of setting up times and places, and also would suggest more of an even level of responsibility in the group.

*Keep groups down to 4 people. The assignment of clients seemed "different" but fair -- a couple of people who were "switched" from another group felt it was unfair. I liked the weekly reports - they kept you thinking.

SUMMARY AND CONCLUSIONS

The purpose of this review was to assess the reaction of SBI student team leaders regarding their role in SBI projects and to develop course modifications to enhance student learning and small business client assistance. A thorough review of all the comments indicates that SBI team leaders take their responsibility very seriously. The aspects of leadership development and real world experiences were foremost in their positive comments. Negative comments included role responsibility, delegation problems, coordination problems within the team and motivational problems. As a result, the following procedures will be incorporated into our SBI course:

1.A written guideline regarding report and format will be developed for student use.

2.A copy of A Manual for Student Counselors of the Small Business Institute will be given to each student team leader.

3.A series of structured, specific deadlines will be established throughout the semester.

4.Mandatory team leader/team member meetings will be held periodically throughout the semester.

5.Further research should explore the team members role in SBI.

REFERENCES

(1)Johnson, Dewey E. and Frank, Ruth. "Betrayal of Trust: A Challenge To The SBI Program," Small Business Director's Association Proceedings, 1985, p.21.

(2)Lacho, Kenneth, Stearns, G.Kent and Zuzan, Freda A. "A Study of the Readability of Small Business Management and Enterprise Textbooks," Small Business Director's Association Proceedings, 1985, p. 126.

(3)Soll, Harriet P. ed. A Manual for Student Counselors of the Small Business Institute (Washington, D.C.: U.S. Small Business Administration), p. 2.

(4)Records, Sky "A Few Words to the Wise Succinctly Stated," Small Business Institute Review, edited by Harriet Soll, (Washington, D.C.: U.S. Small Business Administration, 1984), pp. 17-18.

RESEARCH AND DEVELOPMENT IN SMALL HIGH-TECHNOLOGY FIRMS

Ali R. Malekzadeh, Northeastern University Edwin Tiffany Hawks, University of Texas at Arlington

ABSTRACT
This empirical study examines the state of R&D in a sample of 100 small hightechnology firms in SBA Region VIII. The six areas of investigation were firms' R&D personnel, products, support facilities, funding sources, financial positions, and general comments for policymakers.

INTRODUCTION
Original products or processes played an important role in the advancement of technology in the U.S., with small businesses being responsible for a majority of these inventions until the 1970's. Over two-thirds of the major inventions during the decade 1946-1955 resulted from the work of small firms (9). Also, between 1953 and 1973, more than fifty percent of all major innovations were by smaller firms, and about twenty five percent by firms with less than 100 employees (14). Other studies have correlated innovation with size (2;3;12), but most found inconsistent results (1).

In recent years, due to increased competition, tax laws, and aversion to risk, the total dollar amount budgeted to R&D has declined in the U.S. (6). This decline may be of special significance to small firms. Hughes (10) argued that small firms may revert to improving existing products, from the riskier task of developing new products. The profound impact of such a trend on the U.S. economy can not be ignored. Carland, et al (5) suggest that one of the critical factors distinguishing an "entrepreneurial" firm from a "small" firm is the degree of innovation. "The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in business" (p. 358). Glueck (8) also based entrepreneurship on strategic planning and on the preservation of distinctive competence by hiring and retaining of qualified personnel. Thus, the trends suggest that more "entrepreneurial" firms are losing their innovative zeal (10) and are turning into "small businesses" with relatively low growth potential.

Furthermore, the short-run profitability of staying with proven products and thus budgeting less R&D dollars would impact adversely small companies' long-term survival (10). Profitability of small firms has been linked to their planning (7;11;16;17;18), and to their use of outsiders in strategic planning (15;21). Robinson and Pearce (16) emphasize that "the revitalization of the 'revolution' of the economy and its technological base will require a major extension of the innovation initiatives traditionally characteristic of small entrepreneurial firms" (p. 136).

The present study investigated the state of R&D in a sample of small high-technology firms in SBA Region VIII (Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming). Six areas of concern were: 1) R&D personnel, 2) products or contributions to technology and innovation, 3) support facilities and source of information and motivation, 4) funding of R&D projects, 5) financial position of the firm and 6) general comments from respondents for policymakers.

METHOD

The research design of this study was a regroup, ex post facto exploratory field study. The objective of the design was to examine the relationships among selected variables common to small high-technology businesses in order to determine the state of R&D in this region. Small business was defined as a firm with fewer than 500 employees. Questionnaires and interviews were used to gather data.

Subjects of the survey were 100 small high-technology businesses randomly elected from Dun and Bradstreet's "Million Dollar Market" (net worth $1 million or greater), "Middle Market" $500 thousand to $999 thousand), and from listings obtained from Chambers of Commerce in leading cities.

The six states of SBA Region VIII composed the area of interest (Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming). Subject companies were requested to complete a mail questionnaire, and some were interviewed personally.

The instrument used to gather data was a 21-item, mail questionnaire supplemented by personal interviews. These interviews followed the general questionnaire format. The questionnaire focused upon six primary areas: (a) research and development personnel, (b) products or contributions to technology and innovation, (c) support facilities, source of company information and motivation, (d) funding of the projects, (e) financial position of the firm and (f) significant comments for government policymakers. Responses to questions were scored by a frequency count and as a percentage of the total number of responses to each question. A total of 58 firms (58%) responded to the survey.

RESULT

R&D Personnel

Small businesses were asked to specify the total number of their R&D personnel: 69 percent had from 1 to 5 employees and 17 percent had from 6 to 10. Compared with the number of scientists employed by big businesses and the fact that most inventions have been traditionally from small businesses, the data suggest small firms may have a higher rate of success with fewer people.

The annual turnover rate in R&D personnel averaged about 10 percent. A much higher figure was expected due to lack of incentives that small firms could offer key personnel" ... historically, it was only through the use of qualified stock options with incentives for capital appreciation that first-class people could be induced to leave large companies for the tenuous rewards associated with a speculative business venture" (19, p. 6). The educational level of R&D employees was moderately high: most had completed some college work, some had masters degrees, and a few had doctoral degrees.

In order to gain some insight into the recruiting methods of small firms, respondents were asked to list their sources of employee recruitment and the degree to which they used each source. About one-half of the companies identified internal means as their primary recruiting source -- 70 percent of their personnel had been promoted internally. Referrals by company employees were named by 30 percent of the firms as their primary source of employee recruitment -- 50 percent of their R&D people were obtained this way. Advertising was identified as the next most used source. Surprisingly, most small businesses bypassed college recruiting. Of the few who used this method, only a fraction used it more often than 25 percent of times. Private and public agencies, vocational/technical institutions, and former employees were rarely used as sources for new employee recruitment.

R&D Products

The total number of original products or methods that high- technology firms developed annually doubled in the five years previous to this study. At least 100 new products were developed annually between 1975 and 1979, an increase from 50 new products in 1974.

In addition to this increase in new product output, in the two years previous to this study, the product or process development time (period between conceptualization and production) had become shorter; availability of qualified personnel and improved technology were specified as essential reasons by 65 percent of the respondents. Competition inside the industry and availability of capital were also mentioned by a few companies. Seventy-five percent of the high-technology firms stated that increased complexity of development and restrictive government regulations were the primary reasons for longer development times. Lack of capital, qualified personnel, and R&D facilities were other significant factors.

Most of the companies surveyed still had their recent inventions in the conceptual stage of development, although about one-half had their products either in working-prototype or production-prototype stages. Lack of capital and restrictive government regulations were the two primary obstacles to the production of products already developed according to 50 percent of the respondent. Technical difficulties in solving production problems was another obstacle, as were making accurate sales projections and lack of qualified personnel. Only a few companies stated their products were not being produced because they were superseded by developments of others.

In the five years previous to this study the R&D companies applied for 125 patents and were issued 80, many of which were still pending. Very few firms licensed their innovations to other companies. Within these firms, a total of 735 proprietary (nonpatented) products existed whose owners were reluctant to apply for patents for various reasons. One owner stated:

> Patent laws leave a lot to be desired. There are a lot of ways to get around patents and, therefore, they offer no, or at most, limited protection to the owner.

Another company complained:

> We are really hard pressed to know what to do about trying to gain some type of

> proprietary protection for our developments. Our biggest problem is patents.

R&D Facilities and Sources of Information and Motivation
Small R&D businesses used frequently the facilities and personnel of independent laboratories, universities, private institutions and libraries. About 80 percent of these businesses used these facilities at some time. Medical facilities, industrial parks and government facilities were seldom used. A common complaint about government laboratories was that they were often in indirect competition with small high-technology companies because they had a preferred position to receive government funding for R&D (19).

According to the survey, industry and educational institutions were the most utilized sources of technical information. Private institutions and specialized libraries followed. Government agencies were used by only 10 percent of high-technology firms. "The National Science Foundation reports that Federal funding for technical information activities alone is currently running about $500 million per year," (13). However, 90 percent of the firms surveyed did not use the government as their primary source of technical information.

Motivation for research and development was another area of interest. Financial return and market demand were cited by 95 percent of small businesses as their primary motives for operation. Competition, social needs, environmental protection requirements and government funding and grants were some of the other forces mentioned by a few companies.

R&D Funds and Contracting Procedures
High-technology firms used most frequently their internal resources (profits and depreciation) for financing their R&D projects; joint ventures, private investors and financial institutions were other frequently mentioned sources. Only 10 percent of the respondents received government grants for their projects. Federal Government has been the biggest source of research and development funds ($26.3 billion proposed expenditure in 1978); however, less than 4 percent of that investment has been with small firms (20). "Many experts view with alarm the declining Federal dollar commitment to R&D, which has dropped from 3 percent of GNP in 1963 to just 2.2 percent this year (1978)," (4).

Small enterprises complained that government contracting procedures were too costly and cumbersome. The following were some of the comments made by R&D firms:

> It is getting to the point where no one in the industry wants government contracts .... We will get a hundred pages of regulations and maybe four or five pages of technical parts which make our job very complex and difficult.
>
> To help encourage small businesses to do more R&D, the government should allow the companies exclusive rights to a new invention even when working on government contracts.

In testifying before the Congressional Joint House and Senate Small Business, committees, Richard S. Morse, (13) an expert on matters affecting technological development in the United States, stated:

> The small technical venture is very vulnerable to the complex and costly Government contracting procedures, inordinate time delays and competition from Government laboratories, the so called 'non-profits' and the large Government contract- oriented corporations.

Respondents complained that increased interest rates, lack of R&D tax credits and increased capital gains taxes have made it extremely hard to maintain longrun research projects. Serious cash deficiencies have prevented small firms from expanding their areas of concentration.

Financial Position
Companies surveyed had from $250,000 to $59 million in assets. For firms with total assets below $10 million, the average annual growth rate for the past five years previous to the study was about 20 percent. For companies with above $10 million in assets, the average growth was about 40 percent. Sales figures ranged from $180,000 to $72 million. For businesses with sales below $10 million, the average growth rate was nearly 23 percent. For businesses with sales over $10 million, the average growth rate was 16 percent.

The growth of the total R&D budget of companies with sales below $10 million showed an 8 percent increase in the five years previous to this study. For other companies the data were not conclusive. About 50 percent of the firms had not specified their R&D growth rates.

A Profile
A profile of a typical high-technology firm evolved from this survey. This was a small business in Region VIII which had all the characteristics of the majority of the businesses in this area:

1. The corporation had been in business for over 20 years.

2. It employed from 1 to 50 people, with 1 to 5 persons directly involved in R&D.

3. Most of its R&D personnel had B.S. degrees; a few had M.S. degrees.

4. They were recruited by employee referrals.

5. The firm developed three new products in the last five years.

6. The production development time had become longer recently because of government regulations and complexity of development.

7. Its 1979 products were still in the conceptual stage of development.

8. Lack of capital and increased government regulations were preventing the production of last year's product.

9. The company applied for 10 patents and received 7 in the past 5 years; the firm owned 20 proprietary products.

10. Independent and university laboratories and personnel were used for its R&D projects.

11. Industry provided the firm with most of the necessary technical information.

12. Most of its R&D funds were generated through depreciation and profits.

13. The firm was reluctant to bid for government contracts.

14. The company had $1 million in assets, $500,000 annual sales and $100,000 R&D expenditures. Its average growth rates for these categories were 20 percent, 23 percent, and 8 percent respectively in the past 5 years.

DISCUSSION

Based upon the concerns of small businessmen identified in this research, the following recommendations are put forth:

1. Reduce government regulations:

(a) Revise OSHA--safety requirements are too lengthy and too specific to provide any real benefit; give small firms more time to comply before fining them.

(b) Revise EPA--many small firms cannot comply with costly environmental protection requirements; they need federal funds to reduce this burden.

(c) Revise EEOC--small firms voluntarily provide equal employment opportunity and should not be required to complete numerous forms to please EEOC.

(d) Enforce "Sunshine" laws--a popular and effective way of reducing regulations.

2. Reduce government "red tape":

(a) Reduce paperwork--small firms have to hire additional personnel just to complete numerous government forms; they cannot afford the cost.

(b) Eliminate overlapping of agencies.

3. Increase availability of capital:

(a) Improve depreciation methods, basing them on replacement costs.

(b) Relax SBA loan procedures--require fewer financial forms; accept inventory as collateral.

(e) Provide more low interest, federally guaranteed loans for small businesses.

(d) Reduce interest rates.

4. Tax incentives

(a) Decrease capital gains tax.

(b) Increase investment tax credit.

(c) Implement R&D tax credit.

5. Revise contractual procedures:

(a) Increase ratio of R&D contracts to small businesses.

(b) Reduce the time and cost for contract proposals -- simplify procedures as much as possible.

(c) Grant small firms proprietary rights to innovations that evolve from government contracts.

6. Effective patent protection:

(a) Decrease cost of obtaining a patent.

(b) Enact laws that shift legal costs to companies that infringe on others' patents.

7. SBA improvements:

(a) Create a high-technology office to evaluate loans for high technology firms.

(b) Improve its management services--most companies are unaware of their existence.

(c) Provide more technical information for high-technology firms.

CONCLUSION

The current study investigated to state of R&D in a sample of 58 small high-technology firms in SBA Region VIII. The small businessmen of Region VIII were frustrated by government's lack of a foresight and responsiveness. They were required to file massive numbers of forms to comply with one or several regulations or to receive a permit, a license or a contract. Completing such forms was often too costly and time-consuming for a small firm. Companies felt that new laws were frequently inflationary and impossible to comply with. Before the passage of a bill, legislators were urged by small firms to require a cost and benefit analysis from government agencies. Such a requirement, it was believed, would make the bureaucracy more accountable to the constituency.

Small high-technology institutions lacked government's financial support; they felt SBA loan requirements were too strict to stimulate any research and development. Even after a firm acquired the necessary capital and developed a new product, numerous engineering, design, tooling, manufacturing and marketing problems needed to be resolved. Most companies thought they could solve all of these problems if they could receive an ample tax incentive and if they could be relieved from the burden of regulations. Fewer dollars were being invested in basic research and development projects with long-run benefits; small firms had to receive an immediate payoff from their R&D efforts to be able to continue their operations. Also, high interest rates had made it extremely difficult to obtain the necessary R&D capital at a reasonable cost.

Small high-technology businesses of Region VIII were in accord in demanding less waste in government operations, better management of the economy, fewer regulations and less paperwork, more recognition of their innovative role and more sensitivity to their needs and wants by the Federal Government.

REFERENCES

[1] Abbey, A., & Dickson, J.W. "R&D work climate and innovation in Semiconductors." Academy of Management Journal, 1983, Vol. 26, No. 2, PP. 362-368.

[2] Aiken, M., & Hage, J. "The organic organization and innovation." Sociology, 1971, Vol. 5, NO. 1, pp. 63-82.

[3] Baldridge, J., & Burnham, R. "Organizational innovation: Individual, organizational and environmental impacts." Administrative Science Quarterly, 1975, 20, pp. 165-167.

[4] Business Week "Vanishing Innovation," (July 3, 1978).

[5] Carland, J.W., & Hoy F., & Boulton, W.R., & Carland, J.A. "Differentiating entrepreneurs from small business owners: A conceptualization." Academy of Management Review, 1984, Vol. 9, No. 2, pp. 354-359.

[6] Crawford, C.M., & Tellis, G.J. "The technological innovation controversy," Business Horizons (July/August 1981) PP. 76-88.

[7] Gilmore, F.F. "Formulating strategy in smaller companies." Harvard Business Review, 1971, Vol. 49, No. 2, PP. 71-81.

[8] Glueck, W.F. Business policy and strategic management. New York: McGraw-Hill, 1980.

[9] Hamberg, D. "Innovation in the Industrial Research Laboratory." Journal of Political Economy. (April, 1963).

[10] Hughes, E.R. "Responding to changes in process technology:strategies for the small business."
Journal of Small Business Management, 1984, Vol. 22. No. 1, pp. 8-15.

[11] Kelley, A.C., & Young, J. "Is your small business ready for planning." Journal of Small Business Management. (January 1983), pp. 28-33.

[12] Mohr, L.B. "Determinants of innovation in organizations." American Political Science Review, 1969, 63, PP. 111-126.

[13] Morse, R.S. "A government takeover of R&D?" New York Times, (December 19, 1976).

[14] Norris, W.C. "Rebirth of technological innovation via small business." Address to the American Physical Society on March 23, 1979, Chicago; Cited in Robinson, R.B., & Pearce, J.A. "Research thrusts in small firm strategic planning." Academy of Management Review, 1984, Vol. 9, No. 1, pp. 128- 137.

[15] Robinson, R.B. "The importance of 'outsiders' in small firm strategic planning." Academy of Management Journal, 1982, Vol. 25, No. 1, pp. 80-93.

(16] Robinson, R.B., & Pearce, J.A. "Research thrusts in small firm strategic planning." Academy of
Management Review, 1984, Vol. 9, No. 1, pp. 128-137.

[17] Steiner, G.A. "Approaches to longrange planning for small business." California Management Review, 1967, Vol 10, NO. 3, PP. 3-1.

[18] Stoner, C.R. "Planning in small manufacturing firms: A survey." Journal of Small Business Management (January 1983), PP. 34-41.

[19] U.S. Congress, Joint House and Senate Small Business Committees, testimony of Richard S. Morse on "the utilization of small business and the national efforts to encourage innovation." (August 9, 1978), Pp. 1-10.

[20] U.S., Office of Federal Procurement Policy, "Small firms and federal research and development." (March 10, 1977).

[21] Wheelwright, S.C. "Strategic planning in the small business." Business Horizons, 1971, Vol. 14, No. 3, pp. 51-58.

A Study Of The Ethics Of Small Business Managers

Peter J. Gordon, Southeast Missouri State University Charles R. Wiles, Southeast Missouri State University Judith A. Wiles, Southeast Missouri State University

ABSTRACT
This paper explores the attitudes of small business people toward business ethics and several practices which may be perceived as unethical. It also presents similarities and differences of opinions on business ethics between small business people and executives of large corporations and the general public. The findings are based on a mail survey of small business people and were compared to a Wall Street Journal survey conducted by the Gallup Organization, in which it was reported how executives of large corporations and general citizens perceived the nature of business ethics as well as their reported behavior toward certain ethical situations.

INTRODUCTION
Concerns about eroding standards of business ethics have grown dramatically over the past two decades. This interest has been shared by business managers, academicians and the general public. According to Kenneth E. Goodpaster, speculation abounds as to why this renewed level of interest has developed: institutional self-examination after Watergate, the environmental movement, concern over employee rights, the increased number of working women, affirmative action regarding minorities, new challenges on the health and safety front, competition and comparisons with European and Asian business practices, and so on." (2) In addition, various questionnaire results have indicated that inadequate ethical training may be a reason for low ethics. (1)

During October and November 1983, the Wall Street Journal printed a series of articles on ethical behavior. The Journal had commissioned Gallup to poll a sample of general citizens and executives of large corporations regarding their perceptions of business ethics and how they reported their behavior toward certain ethical situations. There were many differences in attitudes and reported behavior between the business executive group and the general public group. However, no attempt was made to measure the attitudes of the small business person toward ethics. One would assume that the decision making environment facing small business managers is vastly different than that facing large corporate executives and, therefore, ethical standards may differ. Interestingly, although no small business persons were specifically polled by the Wall Street Journal, one finding of the poll did relate to small business people. Sixty percent of the business executives and 45% of the general public group surveyed think that 50% or more of small business people cheat on taxes. (7)

The purpose of this study includes the comparison of the attitudes toward business ethics of the small business manager with those reported in the Wall Street Journal in 1983 for executives of large corporations. (5;6;7;8)

Both academicians and business managers share this interest of ethical training. The study of ethics is considered essential by the American Assembly of Collegiate Schools of Business (AACSB) Since they mandate that accredited business programs integrate ethics into the standard business courses that cover the common body of knowledge. With an increasing number of business school programs focusing on small business, the discussion of business ethics in small business textbooks is most notable by its absence. One central question that this study attempts to answer is do small business persons perceive the same need for some ethical studies that the AACSB mandates, yet textbooks in the area substantially ignore?

METHODOLOGY

A systematic random sample of 507 small business owner/managers was selected from the rosters of the Chambers of Commerce in the southeast Missouri area. Each business was sent a questionnaire by mail during the week of August 2, 1985. (See Appendix for copy of questionnaire.) A cover letter was printed on university letterhead and signed by the director of the Small Business Institute (SBI). In addition, a self-addressed-stamped envelope was inserted with the cover letter and questionnaire. The university's return address was on the outer envelope. There was no pre-notification nor any follow up. Responses were requested by August 15, 1985.

The questionnaire elicited reactions toward certain ethical behavior. Many questions used a 5-point Likert scale to determine intensity of the attitude expressed, while other questions employed development of a situational scenario and asked respondents which of two options they felt was the more appropriate action. One unstructured, open-ended question, plus a space for additional comments allowed the respondents further opportunity to fully express their thoughts on the matter. Additionally, some demographic information was requested. (See Appendix)

RESULTS

One hundred and eighty-seven questionnaires were returned, resulting in a response rate of 37%. Such a response rate is highly acceptable, particularly considering the low involvement subject matter and the absence of either incentives or follow- ups. A sample size of 187 yields a maximum error rate of approximately ñ 6% with a 90% confidence level. By comparison, Kanuk and Berenson reported the response rates to over 63 mail surveys. Response rates for those surveys without multiple follow-up generally were clustered in the 30% to 50% range. (4) Huxley reported a summary table of 6 major mail studies, with respondent groups such as the general public, new car buyers, dormitory students, magazine subscribers, and a variety of industrial marketing intermediaries. Based upon aggregated sample size of over one hundred and thirty-one thousand, the overall mean response rate was 44%, which included high involvement sample groups as well as multiple respondent contacts. (3) Consequently, the 37% response rate seems quite satisfactory.

The Wall Street Journal study on ethics, completed by the Gallup Organization during the summer of 1983, polled a representative national general public sample of 1,558 adults by personal interviews and a sample of 396 middle-level big-company executives by mail. (5;6;7;8) The results of the Wall Street Journal study were compared to the results of the small business manager survey.

Cross-tabulations were performed among several responses to determine if any significant relationships existed. The responses to the 5-point Likert scale questions were collapsed into a 3-point scale in order to reduce the problem of large numbers of cells with expected frequencies of less than 5, which tends to reduce the reliability of the analysis. Additionally, the 5-point scale responses were collapsed to 3-point scale responses for more effective comparison with results presented in the Wall Street Journal study.

When asked if the respondent thought business ethics in America in the past decade had risen or fallen, 62.3% stated ethics had declined. (Response rates for each question are printed on the questionnaire presented in the Appendix.) Approximately the same number of respondents thought ethics had risen a little or had stayed the same, 19.9% and 17.7% respectively. These figures show considerable variation to those reported by the Wall Street Journal. In their study, 49% of the general public claimed business ethics had declined, while only 23% of corporate executives shared this belief. (5)

When asked about the changing frequency of five common unethical practices, the majority of respondents in every case perceived that the incidence of the behavior had risen. Table I summarizes the findings. Clearly the problem of improper financial statements is the most pronounced, followed by a similar practice of falsifying documents.

According to a cross-tabulation related to answers presented in Table 1, there was a relationship between those who said business ethics had risen and those who said the frequency of these unethical practices had declined. Those indicating ethics had declined also agreed these practices had risen.

Questioned about the appropriate action toward a supplier company which offers a purchasing agent a case of liquor at Christmas, 62% of the small business sample suggested the offer should be declined. In contrast, the Wall Street Journal study indicated that 75% of big business executives said the offer should be declined. However, only 29% of the general public would decline. (6) The small business study showed a relationship between age of the respondent and response on this question. A greater percentage of those aged 36-65 suggested declining versus the other age groups. In addition, the greater the number of employees within the small business firm, the greater the response was to decline.

Several questions related to business meals and business entertainment. For example, when asked about the ethics of ordering the most expensive item on the menu when the company is paying for it, 78.5% thought it was wrong. On this question, small business managers expressed a noticeably stronger propensity to this practice than did either big business executives or the general public. Only 23% of big business executives and 29% of general citizens thought it wrong. The small business study also displayed a relationship between the number of employees and this response. The fewer the number of employees, the greater the response that this practice was wrong.

TABLE 1
RESPONDENTS OPINIONS ON CHANGES IN FREQUENCY OF UNETHICAL PRACTICES DURING THE PAST FEW YEARS

Practice	Risen	Stayed the Same	Declined	No Answer
Bribes	43.4	33.9	19.6	3.2
Falsifying Documents	55.0	28.0	12.7	4.2
Bid Rigging	50.3	28.0	16.4	5.3
Improper Financial Statements	58.2	29.1	9.0	3.7
Price Collusion	51.3	25.9	16.4	6.3

Numbers reflect percentages of the sample size of 187.

When asked if wine or cocktails with dinner should be charged to an expense account, 61.4% thought it OK. This answer also reflects considerable divergence with the Wall Street Journal sample of big business executives, where only 11% thought such a practice was unethical. (6) A cross-tabulation of the small business group revealed a greater percentage of Catholics thought charging wine or cocktails was OK as compared to Protestants whose responses were split between yes and no. Additionally, the greater the number of employees, the greater the percentage who thought it was alright.

When asked if business executives should eat at the very best restaurants on business trips, 48.9% of the small business- persons thought it to be unethical. Those claiming it to be ethical amounted to 39.9%. This closely parallels the 39% of big business executives who reported it as being unethical. (6) When the small business responses were crosstabulated with religious affiliation, a greater percentage of Catholics answered "yes" whereas the Protestants most frequent answer was negative.

The next question asked if it was ethical for an executive to accept an invitation from a supplier to an expensive restaurant for spouse and self. Both businessperson groups thought this practice was ethical, the small business group by almost 80%, the Wall Street Journal group by 61%. (6) Those small business respondents aged 51 and older had a greater percentage response in agreeing with this as compared to the younger respondents.

Four questions were asked concerning business travel. Use of a business car for personal trips was the subject of one question. The majority of the small business sample, 52.7%, thought it unethical compared to 40.4% who thought it was OK. Only 44% of the Wall Street Journal sample thought it was unethical. (6) A relationship between the response and age as well as the response and number of employees was evident with the small business group. Those over 65 had a greater percentage of "no" response as compared to those younger.

Those respondents with companies having over 20 employees had a greater percentage agreeing to use a business car for personal trips as compared to those with under 20 employees whose greatest response was that it should not be done.

Next, respondents were asked about flying first class. A greater percentage of the small business group thought this practice was unethical than the Wall Street Journal executives, considering that 59.1% small businesspersons disagreed with first class flying as compared to 28% of the big business executives. (6)

Another travel-related question was whether taking a spouse along on a business trip at the company's expense was ethical or not. The small business respondents indicated greater reservations about this since 66% thought it was un-ethical. The Wall Street Journal study indicated only 32% of the business executives had reservations about this and 52% can actually do this with their company's permission. (6) Age of the small business respondent had a relationship since a greater percentage of those over 65 thought this practice was unethical as compared to responses by the younger respondents.

An additional business travel question asked if it was OK for an employee to list on his expense account a $5.00 cab ride when the employee actually chose to walk. Over 95% agreed this was wrong, while only 3.2% thought it right. Neither business executives nor the general public stated such a high level of negative answers--76% and 52% respectively. (6)

Responses were also requested to questions pertaining to the use of business equipment and supplies. One question inquired about the use of the company telephone for personal long-distance calls. The small business group overwhelmingly thought this was unethical with 91.4% indicating this response. The Wall Street Journal study did not indicate whether their respondents felt this practice was unethical or not, rather they indicated the actual practice reported by the respondents. Seventy-eight percent of the business executives and 15% of the general public interviewed indicated they made personal long distance calls on their companies' phones. (5)

The practice of taking home a few office supplies (pencils, paperclips, etc.) was also questioned. The small business group's response of 88.9% disapproval was greater than the Wall Street Journal's survey of business executives and general public who each numbered 50% disapproval. However, 74% of the Wall Street Journal business executives indicated they had actually succumbed to the temptation and only 40% of the general public had done so. (5) A relationship did appear to exist between the responses made by the small business group with the number of employees in their firms. Those with over 100 employees had a lower percentage expressing disapproval as compared to the other groups with fewer employees.

Using a photo-copy machine for personal use elicited a stronger disapproval, 67%, by the small business respondents than the Wall Street Journal business executives who voiced disapproval by only 20%. The general public interviewed by the Journal numbered 25% disapproval. (6)

Another question asked whether it was OK for an employee to call in sick for personal reasons when he/she was not ill. Although actual behavior was not queried, 94.7% of the small business group thought this practice was unethical. The Wall Street Journal study asked for actual behavior and discovered 31% of the general public and 14% of the business executives reported they had actually done this. Interestingly, the Wall Street Journal indicated those in the suburbs, 21%, were less likely to call in sick when not ill than the big city residents, 35%. (5)

One finding of the Wall Street Journal poll related to attitudes toward small business people. The findings were that 45% of the general public and 60% of the business executives believed 50% or more of small business people cheat on taxes. (7) A question was asked on this small business study about whether it was OK for a business executive to overstate deductions on tax forms. The small business respondents definitely considered this unethical as displayed by their response rate of 93.6%. The Wall Street Journal survey indicated 35% of the business executives and 13% of the general public overstated deductions somewhat. (5)

Several scenarios were used to determine the respondents' attitudes toward possible unethical situations a person might be in. The first scenario involved a 56-year-old middle manager with children in college who discovers the owners of his company are cheating the government out of several thousand dollars a year in taxes. Since Jim is the only employee who is privy to this information, should he report the owners to the IRS or disregard to avoid placing his livelihood in danger? The small business managers indicated a slightly stronger response of 59.1% to disregard the discovery as compared to the Journal study's business executives who expressed the decision to disregard by 52%. The general citizens who suggested disregarding amounted to 49%. (8)

The next scenario dealt with an employee padding his expense account. An employee requests a raise, however, his boss replies that the company's budget won't allow this at the present time. Instead, the boss suggests the employee pad his expense account for awhile since the company won't look too closely for a period of time. Should the employee take the roundabout raise? There was a great difference between the big business executives surveyed by the Journal and the small business group. The corporate executives had a high percentage, 91%, to turn down the roundabout raise as compared to the small business group of 73.8%. The general citizens agreeing to turn down this questionable raise amounted to only 65%. (8)

A greater divergence on opinion was evident in the next two scenarios. The first one dealt with an employee who claimed to have a college degree, although he actually never graduated. Should his boss dismiss him or overlook the false claim since the employee has proven to be, conscientious and honorable? The small business group held the highest percentage response, 73.6%, to having the boss overlook the matter. The Wall Street Journal survey revealed that 66% of the general public agreed with this and an even lower amount, 43%, of business executives thought the matter should be overlooked. Also, 50% of the business executives suggested dismissing the employee whereas much lower percentages of the small business group, 26.4%, and general citizens, 22%, expressed that he should be dismissed. (8)

Greater ethical decisions were reported by small business people to the next question. Should an employee report a fellow employee who regularly makes about $100 a month worth of personal long-distance calls from an office telephone? The small business group, 93.2%, overwhelmingly agreed the employee should report the practices of her fellow employee. The Wall Street Journal reported only 76% of business executives and 64% of general citizens agreed with the reporting of the employee. (8)

A closer agreement between small business managers, big business executives, and the general public was evident in the responses to the final scenario. A plant manager discovers his plant is creating slightly more water pollution in a nearby lake than is legally permitted. Revealing the problem will bring unfavorable publicity, hurt the resort town's business and cost the company over $100,000. The violation poses no threat to people, however, it may endanger a few fish. Should the manager reveal the problem? Revealing the problem, despite the cost was the most favored response among all respondent groups. The small business respondents favoring this answer amounted to 67.1%. Seventy percent of the business executives and 63% of the general public surveyed by the Wall Street Journal also agreed that the problem should be revealed. (8) Interestingly, in the small business study a cross-tabulation of this response with that of the number of employees in the respondent's firm revealed the smaller the firm size (number of employees), the greater the percentage toward revealing the problem. However, those with over 100 employees had a higher percentage response for disregarding the situation.

Including business ethics as part of the curriculum of colleges was also addressed in the survey. Small business managers were asked if business ethics should be a required course at colleges and universities. Seventy-two percent agreed that it should be. A fairly equal number were split between disagreeing and not knowing--14.5% and 13.4% respectively. When asked if business ethics should be emphasized more in existing courses, 91.9% of the small business managers agreed whereas only 3.8% disagreed and 4.3% were not sure.

CONCLUSIONS

The findings from this small business study on business ethics suggest that small business people express stricter views on ethical issues than big company executives and the general public. Although small business managers had a more pessimistic outlook on America's business ethics during the past decade, they seemed to express more ethical opinions toward questions than did those in big business or the general public.

The Wall Street Journal poll indicated that "older, less-educated and non-urban people tend to have stricter views on these issues than younger, educated citizens from larger cities." (6) The small business study portrays stricter views by small business people who are non-urban residents in the midwest, fairly well- educated and a good proportion who are young. (Those 21-35 years old--29.3%; 36-50 years old - 44.1%; 32.4% with some college education; and 34% were college graduates.)

Cross-tabulations within the small business study revealed the size of the firm in terms of numbers of employees had significant relationships with several responses. Of those in which a relationship was found, the greater the number of employees, the more lenient the views were toward the ethical situations. The smaller the company, the more strict the responses were.

In conclusion, this study suggests that stricter views on ethical issues may also be related to the size of the business in which one is a manager. As previously stated, results from this small business study indicate the small businessperson expresses more ethical opinions than the big business manager. Additionally, the study displayed the concern of small business people toward educating future generations on business ethics since a strong recommendation was made to require the subject as a course in higher education institutions. Plus a virtually unanimous vote favored having business ethics emphasized more in existing courses.

LIMITATIONS

In this study, the small business sample was obtained from midwestern, non-urban communities and compared to a nationwide sample of large corporate executives and the general public. The sampling frame for small business persons was made up of businesses in southeast Missouri which could be considered a conservative area of the country. Therefore, a nationwide study of small business managers should be conducted before generalizing to the entire small business community.

In addition, the mail questionnaire elicited opinions from respondents on their ethical behavior. However, actual behavior cannot be tested in this manner. The questionnaire itself could be improved by inserting questions in the organizational structure of the firm (sole proprietorship, partnership, corporation) and asking the individual his/her status or position within the firm.

APPENDIX

Below is a reproduction of the four page questionnaire instrument used in this small business study. The frequencies of responses are indicated as a percentage typed beside each response category. Non-responses were eliminated by using adjusted frequencies. The response rates are based on a sample size of 187.

Small Business Institute

This is a questionnaire concerning business ethics. Please take a few minutes of your valuable time and help us gather some information about how small business people feel about this subject. You will be helping students complete some of their coursework and you will be contributing to a national study. Your opinions are valuable, even if you have no direct experience in the areas being questioned.

INSTRUCTIONS

All questions, except #2, can be answered by circling the letter representing your answer.

****

1. In my opinion, business ethics in America in the past decade have

a. risen a lot	b. risen a little	c.stayed the same	d. declined a little	e. declined a lot
(1.6)	(18.3)	(17.7)	(39.2)	(23.1)

2. What do you feel is the major single cause of the change in business ethics that you indicated above. (If "stayed the same" go to Q #3)

<u>The types of answers were so diverse that it is impossible to summarize here.________</u>

____

3. How do you feel the frequency of each of the following practices has changed in the past few years:

A. bribes	a. risen a lot	b. risen a little	c. stayed the same	d. declined a little	e. declined a lot
	14.8	30.1	35.0	16.9	3.3
B. falsifying documents	a. risen a lot	b. risen a little	c. stayed the same	d. declined a little	e. declined a lot
	18.8	38.7	29.3	11.6	1.7

C. bid rigging a. risen b. risen c. stayed d. declined e. declined a lot a little the same a little a lot 20.7
32.4 29.6 14.5 2.8
D. improper financial statements

a. risen b. risen c. stayed d. declined e. declined a lot a little the same a little a lot 23.6 36.8 30.2 6.6 2.7
E. price collusions
a. risen b. risen c. stayed d. declined e. declined a lot a little the same a little a lot 19.2 35.6 27.7 14.7 2.8
4. A supplier company offers a purchasing agent a case of liquor at Christmas. Should the purchasing agent:
a. definitely b. possibly c. not d. possible e. definitely accept accept sure decline decline (7.5) (21.5) (9.1) (16.7) (45.2)
5. Ordering the most expensive item on the menu when the company is paying for it seems:
a. definitely b. possible c. not d. possibly e. definitely right right sure wrong wrong (2.2) (13.4) (5.9) (28.0) (50.5)
6. Is it ok for an employee to list on his expense account a $5.00 cab ride when the employee actually chose to walk?
a. definitely b. possibly c. not d. possibly e. definitely right right sure wrong wrong (1.1) (2.1) (1.6) (7.4) (87.8)
7. Do you think executives should charge wine or cocktails with dinner to their expense account?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (21.2) (40.2) (3.7) (11.1) (23.8)
8. Do you believe that business executives should: A. Eat at the very best restaurants on business trips?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (3.2) (36.7) (11.2) (25.0) (23.9)
B. Accept an invitation from a supplier to an expensive restaurant for dinner for spouse and self?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (25.5) (54.3) (5.3) (10.1) (4.8)
C. Use a business car for personal trips?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (5.9) (34.6) (6.9) (19.7) (33.0)
D. Fly first class?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (4.8) (28.2) (8.0) (26.1) (33.0)
E. Take wife on business trips at the company's expense?
a. definitely b. possibly c. not d. possibly e. definitely yes yes sure no no (2.1) (26.6) (5.3) (19.7) (46.3)
9. Is it OK for an employee to use the company telephone for personal long-distance calls?
a. strongly b. agree c. undecided d. disagree e. strongly agree disagree (1.1) (2.7) (4.8) (30.3) (61.2)
10. Is it OK for an employee to take home a few office supplies (pencils, paperclips, etc.) from work?
a. strongly b. agree c. undecided d. disagree e. strongly agree disagree (0) (7.4) (3.7) (30.7) (61.2)

11. Is it OK for an employee to call in sick for personal reasons when he/she is not ill?
a. strongly b. agree c. undecided d. disagree e. strongly agree disagree (1.1) (1.6) (2.6) (21.2) (73.5)
12. Is it OK for an employee to use photo-copying machines for personal use?
a. strongly b. agree c. undecided d. disagree e. strongly agree disagree (1.6) (17.6) (13.8) (32.4) (34.6)
13. Is it OK for a business executive to overstate deductions on tax forms?
a. strongly b. agree c. undecided d. disagree e. strongly agree disagree (1.1) (2.1) (3.2) (30.3) (63.3)
14. Jim, a 56-year-old middle manager with children in college, discovers that the owners of his company are cheating the government out of several thousand dollars a year in taxes. Jim is the only employee who would be in a position to know this. Should Jim report the owners to the Internal Revenue Service at the risk of endangering his own livelihood, or disregard the discovery in order to protect his family's livelihood?
a. Jim should disregard his discovery in order to protect his family (59.1) b. Jim should report his findings to the Internal Revenue Service (40.9)
15. When Joe asks for a raise, his boss praises his work but says the company's rigid budget won't allow any further merit raises for the time being. Instead, the boss suggests that the company "won't look too closely at your expense accounts for a while." Should Joe take this as authorization to pad his expense account on grounds that he is simply getting the same money he deserves through a different route, or not take this roundabout "raise"?
a. Joe should turn down the roundabout raise (73.8) b. Joe should take this as authorization to pad his expense account (26.2)
16. Bill has done a sound job for over a year. Bill's boss learns that he got the job by claiming to have a college degree, although he actually never graduated. Should his boss dismiss him for submitting a fraudulent resume or overlook the false claim since Bill has otherwise proven to be conscientious and honorable, and making an issue of the degree might ruin Bill's career?
a. Bill should be dismissed (26.4) b. His boss should overlook the matter (73.6)
17. Helen discovers that a fellow employee regularly makes about $100 a month worth of personal long-distance telephone calls from an office telephone. Should Helen report the employee to the company or disregard the calls on the grounds that many people make personal calls at the office?
a. Helen should report the employee to the company (93.2) b. Helen should disregard the calls on the grounds that many people make personal calls (6.8)
18. Bill discovers that the chemical plant he manages is creating slightly more water pollution in a nearby lake than is legally permitted. revealing the problem will bring considerable unfavorable publicity to the plant, hurt the lakeside town's resort business and create a scare in the community. Solving the problem will cost the company well over 100,000. It is unlikely that outsider will discover the problem. The violation poses no danger whatever to people. At most, it will endanger a small number of fish. Should Bill reveal the problem despite the cost to his company, or consider the problem as little more than a technicality and disregard it?
a. Bill should reveal the problem despite the cost to his company (67.1) b. Bill should consider the problem as little more than a technicality and disregard it (32.9)

19. Should business ethics be a required course at colleges and universities?
a. yes (72.0) b. no (14.5) c. don't know (13.4)
20. Should business ethics be emphasized more in existing courses?
a. yes (91.9) b. no (3.8) c. don't know (4.3)
21. In what category does the business you work for (or own) fit best? a. retailer (32.4) d. service (43.6) b. manufacturer (8.0) e. other (3.7) c. wholesaler/distributor (12.2)
22. How many employees does your business have?
a. 1-10 (44.4) d. 51-100 (8.6) b. 11-20 (21.9) e. over 100 (8.0) c. 21-50 (17.1)
23. What is your age category?
a. under 21 (0.5) d. 51-65 (19.7) b. 21-35 (29.3) e. over 65 (6.4) c. 36-50 (44.1)
24. What is your sex?
a. male (86.8) b. female (13.2)
25. What is your religious affiliation?
a. Catholic (22.9) d. other (3.2) b. Protestant (70.7) e. none (2.7) c. Jewish (0.5)
26. What is your highest level of education obtained?
a. less than high school graduate (1.6) b. high school graduate (13.8) c. some college (32.4) d. college graduate (34.0) e. some graduate school (18.1)
Any other comments? ____

REFERENCES

(1) Benson, George C.S., Business Ethics in America, (Lexington: D.C. Heath and Company, 1982), p. 5-24.
(2) Goodpaster, Kenneth E., "Business Ethics: The Field and the Course," Proceedings of the Fifth National Conference on Business Ethics, Bentley College, 1983.
(3) Huxley, Steven J., "Predicting Response Speed in Mail Surveys," Journal of marketing Research, V.XVII, February, 1980, p. 63-68.
(4) Kanuk, Leslie, and Conrad Berenson, "Mail Surveys and Response Rates: A Literature Review," Journal of Marketing Research, V.XII, November, 1975, p. 440-453.
(5) Ricklefs, Roger, "Executives and General Public say Ethical Behavior is Declining in U.S.," Wall Street Journal, October 31, 1983, p. 33, 42.
(6) Ricklefs, Roger, "On Many Ethical Issues, Executives Apply Stiffer Sandard Than Public," Wall Street Journal, November 1, 1983, p. 33.
(7) Ricklefs, Roger, "Public Gives Executives Low Marks For Honesty and Ethical Standards," Wall Street Journal, November 2, 1983, p. 33.
(8) Ricklefs, Roger, "Executives Apply Stiffer Standards Than Public to Ethical Dilemmas," Wall Street Journal, November 3, 1983, p. 33, 37.

SKIP TRACING: CLIENT COUNSELING AFTER THE CLIENT SKIPS

George H. Thompson, Trinity University

ABSTRACT
Crushing disaster threatens students whose clients skip beyond the reach of the consulting team. But some valuable learning may fill the gap and make the students the better for it. Reviewing Trinity University's experience since 1973 turns up such events which profited the students.

Small business failures will increase in numbers through the 1980s, seriously impacting the SBI program when assigned for consulting. Tracing owners who abscond with assets and records lays beyond the typical SBI expertise. Other choices may serve the students better.

THE PROBLEM

The Small Business Administration under its SBI program endeavors to furnish the student counselors with successful clients who request management assistance. From time-to-time, however, a problem client gets assigned to a team of consultants and then skips. The discontinuance of the firm or its failure or its bankruptcy darken the hopes of the student consultants that their client will succeed like the best and that they may complete their academic project on time. What educational value lies in such death? How do students learn and benefit from consulting a client who never shows up? Or worse yet, abandons the firm? What should the team do for its semester's work? Increasing Problem "The dramatic increase in the number of business bankruptcy filings in the U.S. since 1978 results from 1) the economic malaise of the economy 1980-1982 and 2) deterioration of firm liquidity..." (1, p. 41).

Resurgence of high interest rates and recurring recessions (even mild ones) will spark small business failures through the rest of the 1980s. Thus, students in the SBI program may expect more problems in the future.

Unemployment's Impact

Unemployment also leads to business failures. In the first place, protracted high unemployment increases business formation. "As the unemployment rate increases, and relatively more people are out of work, the number of business startups increases" (17, p. 24).

. . . Because unemployed individuals have no wages to give up, their cost of starting a business is lower than the cost to an individual who must give up other work on a voluntary basis (17, p. 25).

Thus, unemployment leads to business formation. In the second place, more business formation heralds more business failures. As Altman (1, p. 40) points out:

. . . The rate of business formation can effect the failure rate in subsequent periods, since it is well documented that there is a greater propensity for younger firms to fail than for more mature companies.

By the law of averages, then, SBI teams throughout the 1980s will confront problem cases and with some of those cases the inevitable skips. Knowledge about predicting distress and the process of tracing missing persons should help.

METHOD OF STUDY

U.S. Marshalls padlocked the doors of one such client and activated this present study. The owner had no further claim on his assets and no access to them. A subsequent auction by the feds cleared the premises and paid something on the long-overdue note. When the Marshalls padlocked the business, the owner skipped, and the Trinity team traced him to his mother's kitchen where they consulted for him till semester's end.

The team profited in ways no textbook could provide. The owner described to his team the despair, desolation, and depreciation he suffered as his dreams dissolved. He displayed his simple lack of knowledge or experience in setting up a business and managing it. He showed how swiftly the cash flows out of a distressed firm. In the end, the owner through what pride remained would not implement the team's recommendations, and the team chipped in $10 so that he could file for bankruptcy—he was that out of cash.

In subsequent semesters, occasional skips led to various responses. For this present study, the method of study consisted in reviewing the responses which student teams of consultants performed. In searching the present literature for information on tracing missing persons and detecting business failure, a number of works came to light. This present report shows the outcome of those searches.

LITERATURE ASSISTANCE TO THE STUDENTS

Keyword searches in contemporary literature yield little at all under "Skip Tracing." Apparently the term circulates as an idiom in the banking vernacular. The search yields more payoffs under "Missing Persons" and "Business Failures."

Skip Tracing

Two articles (15;18) in credit union serials focus on skip tracing as a means of delinquency control. They state that a debtor should be considered a skip when the post office returns a collection letter or notice stamped "Address Unknown." Use of "Address Correction Requested" on the envelope notifies the sender when a debtor changes addresses. Telephone calls to the homes of relatives and to the local credit bureau may lead to the debtor's whereabouts. The secretary of state may show a new address on the skip's driver's license. The articles point out that collection agencies which adhere to the Fair Debt Collection Practices Act have the expertise and time to trace skips, better than lawyers.

Missing Persons
Begg (4) accounts for the dramatic disappearance of persons who vanish into thin air. Clinkscales (8) narrates the forcefully effective search for missing persons.

Colander (9) pictures heroic efforts to trace the mysterious disappearance of a celebrated character.

Gallagher (10) confirms the phenomenon which many persons separately observe of adult dropouts.

Nash (12) adds historical perspective to the missing persons events from 1800 to now.

Williams (20) examines the trauma experienced by persons close to those now missing and the Salvation Army's response.

Zoglio (21) details techniques and resources to utilize in tracing missing persons.

Business Failures
Altman (1, p. 40) proposes systematic business failure prediction. "Collapse of firms occurs not suddenly but with clear signposts of impending disaster. Many of these indicators are management oriented." Altman (1, pp. 147-149) details Beavers' 1967 analysis to distress prediction and Edmister's 1972 analysis of predicting the failure of small businesses. Altman (1, pp. 266, 307) catalogs early warning studies for selected industries.

Selected authors (2; 3; 5; 6; 7; 11; 14; 16) discuss causes for business failures and steps to follow through bankruptcy or to reduce the high incidence of failures among small businesses.

Newton (13, pp. 34-36) depicts stages of financial failure. He specifies The Failing Company Model with its 12 measures (p. 40). The author discusses the rigorous process of discovering irregularities such as concealment of assets--"Trucks had been seen loading up at the door of the bankrupt's store within a few days preceding the bankruptcy" (p. 405).
Wiener and Christian (19, pp. 67-87) detail the desperate measures to which a businessman in distress will resort.

TRACING THE MISSING
The Missing Persons literature taken together portray a strange profession of serious not trivial pursuit. SBI students do not have the time nor the expertise generally to perform detective work for bettering the economic life of the community. Therefore, one good try to trace an absconded owner must suffice. Skip tracing takes a lot and students don't have a lot. The team may have to leave it to the bank to skip trace and then get on with other work.

If the trace works and the team locates the owner, two options arise.

Choices When Trace Works
1. Provide management and/or technical assistance as in all other SBI cases, focusing in this case on the firm's financial straits with an insolvency audit, discovering irregularities, identifying management considerations to cope with discontinuing the business, and profiling the client's other strengths and options. OR

2. Return the case to the SBA and work on a second case. Public disgrace of skipping or the cause for the business failure which resulted in skipping in the first place may leave emotional scars too hurtful for the SBI team to treat. The financial straits may leave no assets (including good credit) for turning the firm into a profitable venture.

If the trace does not locate the owner, the SBI team has three options.

Choices When Trace Fails
1. Refer skip tracing to the bank, return the case to the SBA, and work on a second case. Allot additional time for catchup. OR

2. Perform a marketing study: competition; customer profiles; detailed promotional program including cost-benefit analysis of various media, sample broadsides, and direct mailings; demand forecasts; demographic trends in market territory; trends of products and substitutes in the industry; national trade association prognoses; business survey to test awareness of client's firm; store location analysis.

File the finished report with the SBA as though to rejuvenate the firm if and when the skip returns.

The absence of accounting and financial records seriously dampens the complete analysis which the owner deserves and which the SBI team aspires to deliver. SBI teams every semester face the recurring problem of owner reluctance and refusal to turn over the books for analysis, despite the owner's prior agreement to provide the books. A comprehensive marketing study may have to suffice.

In proper cases, building rapport with the owner

1. strengthens the students skills in relating to adults,

2. elicits information from the owner about the business essential to proper analysis, and

3. prepares the owner to hear and accept the team's eventual recommendation for improving the firm.

In the owner's absence, the case takes on the educational properties of a textbook case except that it involves a nearby site which the students visit, examine, visualize, and analyze at to locational advantages and chances for success. OR

4. Conduct a comprehensive study of the small business owner's various options when faced with financial failure.

In Trinity University's experience, only one team in hundreds conducted such a study. By phone conversations the owner put off meeting with his team until well into the semester and then he skipped. The team agreed to investigate the conditions besieging the sole proprietor with unlimited liability for all the debts of the business. The team interviewed a federal bankruptcy court judge and staff and attended a bankruptcy hearing of a creditors committee as a private company.

Their study serves subsequent teams as a resource on the procedures, rights, and obligations of the failed firm. But once completed this comprehensive study does not constitute a recurring option for the SBI program at the school.

SUMMARY

Though business deaths pain the observer, still they constitute considerable learning value for the SBI team. Though problem cases occasionally confront the SBI team with an owner who skips during the semester, still the construction of a realistic view of the firm's distress challenges an SBI team to select reliable external sources for documenting the firm's chances for future success. For Trinity's students and for other schools as well, client counseling after the client skips constitutes one possible extension of painful but profitable learning experience. What else can the students do?

REFERENCES

(1) Altman, Edward I., Corporate Financial Distress: A Complete Guide to Predicting, Avoiding, and Dealing with Bankruptcy. New York: John Wiley & sons, Inc., 1983.

(2) Ault, T.J. and Mabry Miller, "Eliminate Small Business Failures: Twelve Basic Rules," Small Business Institute Directors' Association Proceedings, pp. 302-308, 1985.

(3) Barrickman, Ray E., Business Failures: Causes, Remedies, Cures. Washington: University Press of America, 1979.

(4) Begg, Paul, Into Thin Air; People Who Disappear. Devon, England: David & Charles, 1979.

(5) Bradley, Don B. and Homer L. Saunders, "Profile of Small Business Bankruptcy in the Little Rock- Central Arkansas Standard Metropolitan Statistical Area During 1981 and 1982," Southwestern Small Business Institute Association Proceedings, 1984, pp. 90-106.

(6) ____________, "Bankruptcy: A Management and Marketing Problem," Small Business Institute Directors' Association Proceedings, 1985, pp. 296-301.

(7) Burger, Robert E. and John J. Slavicek, The Simplified Guide to Personal Bankruptcy. New York: Crown Publishers, 1975.

(8) Clinkscales, John Dixon, Kyles Story, Friday Never Came: The Search for Missing People. New York: Vantage Press, Inc., 1981.

(9) Colander, Pat, Thin Air: The Life and Mysterious Disappearance of Helen Brach. Chicago: Contemporary Books, 1982.

(10) Gallagher, Robert S., If I had it to do over again ... America's Adult Dropouts. New York: Dutton, 1969.

(11) Mancuso, Joseph R., Bankruptcy: How to Survive Chapter 11, Worcester, Mass: Center for Entrepreneurial Management, 1979.

(12) Nash, Jay Robert, Among the Missing: An Anecdotal History of Missing Persons from 1800 to the Present. New York: Simon & Schuster, 1978.
(13) Newton, Grant W., Bankruptcy and Insolvency Accounting: Practice and Procedure, 2nd ed. New York: John Wiley & Sons, Inc., 1981.

(14) Rutberg, Sidney, Ten Cents on the Dollar: The Bankruptcy Game. New York: Macmillan, 1968.

(15) "Skip-Tracing," Credit Union Magazine, Vol. 48, No. 9, September 1982, pp. 17-18.

(16) Sullivan, George Edward, Boom in Going Bust, New York: Macmillan, 1968.

(17) The State of Small Business: A Report of the President. Washington: United States Government Printing Office, 1985.

(18) "Tracking the Skip," Credit Union Magazine, Vol. 51, No. 3, March 1985, pp. 66-68.

(19) Wiener, Robert A. and Roger W. Christian, Insolvency Accounting. New York: McGraw-Hill Book Company, 1977.

(20) Williams, Richard, Missing. London: Hodder & Stoughton, 1969.

(21) Zoglio, Michael J., Tracing Missing Persons: A Professionals Guide to Techniques and Resources. Doylestown, Pa: Tower Hill Press, 1980.

THE FEDERAL GOVERNMENT AS A SOURCE OF INFORMATION

Charles R. Kuehl, University of Missouri-St. Louis

ABSTRACT
The Federal government, through its Bureau of the Census, can provide much of the information needed to determine whether to start a new business or to modify an existing one. This session will examine some of the issues confronting the individual interested in gaining access to government data. Effective use of government information requires that the entrepreneur understand both its nature and location.

INTRODUCTION

Inadequate planning is the cause of the failure of countless small businesses. This inadequacy is often the result of decision-making in the fact of incomplete, out-of-date, or inaccurate information. With reliable information planning is a demanding chore, without it, it's an impossible one. Much of the necessary information for planning in small business is available through the Bureau of the Census of the U.S. Department of Commerce. Its availability is meaningless, however, for many entrepreneurs due to the fact that they are unaware of it, or have no idea as to where to find it or how to use it.

Topics Covered

How Census Facts Are Published - The data which are collected are made available to the public in a wide variety of forms: printed reports, microfiche, computer tapes, wall maps, etc. Among the more important census publications are:
Statistical Abstract of the United States,
State and Metropolitan Area Data Book,
County and City Data Book.

What Census Facts Are Available - The data collected by the Census Bureau covers a wide range of topics from Agriculture, Businesses and Construction to People and a wide variety of economic indicators.

Where Census Facts Can Be Found - Libraries and city planning offices throughout the country store many census reports. In addition, the entrepreneur can receive help from 12 regional Bureau offices, 52 State Data Centers and their 1,300 affiliates. The U.S. Government Printing Office sells many census publications.

ADVOCACY AND THE SBIDA

Robert A. Kemp, Drake University

ABSTRACT

Historically, smaller businesses in the United States have a grand record of creating new products and making the manufacturing or marketing decisions that generate additional jobs, profit, and economic growth. Government at both the state and national levels recognize this potential for economic growth and support this growth. Advocacy is one of the methods of support. Many others exist. SBIDA and its activities is another method of support. This paper describes the development and presentation of a symposium that brings representatives of these two groups together to present, discuss and understand the services that each group sponsors. This symposium could be repeated at regional or state SBIDA meetings with great benefit.

INTRODUCTION

A unique problem facing the Small Business Administration and each of its action programs is the coordination of effort and understanding of the functions of each program agency or office. This problem is compounded for the individual members of SBIDA at their schools, colleges and universities. Often times, this faculty member is literally alone in attempting to insure that the program offered to students and small business clients is both balanced and utilizes the best of SBA assistance. The program developed in this paper applies a total approach by bringing together practitioners to describe and discuss both on-going operations and plans.

By using a unique delivery system and concept of presentation, the program described exemplifies the type of managerial assistance that is available to the smaller firms when the elements of SBA work together. Program development rests on bringing together an understanding of the needs of managers in the smaller firms and the capabilities of the agencies involved. The symposium provides a unique set of tools for building this understanding. By fostering an open dialogue and interaction between the group representatives, both groups will have an increased awareness of the capabilities and activities of the other groups.

To increase program acceptance by members of both agencies, program content must emphasize the opportunities for both sets of members and the people they support. Two methods to build this emphasis are co-sponsorship of the programs, and use of local presenters. Both require considerable coordination but will pay off with success.

SYMPOSIUM CONCEPTS

Symposia are defined as a gathering or conference for a serious discussion of some subject. Hence each presentation must be reasonably brief but of sufficient detail to both increase knowledge and motivate discussion. A topic may be explored from several perspectives or several related topics may be presented in an attempt to develop relationships. In either case, the follow-up discussions must come to closure by increasing both awareness and knowledge.

The elements of SBA involved in this workshop are the Office of Advocacy and representatives of the SBIDA. Representatives from the action office of the 1986 WHITE HOUSE CONFERENCE ON SMALL BUSINESS will also participate. The moderator will be the author and represent SBIDA.

Topics to be presented are:
"Resources of the Office of Advocacy"
"Growth of Family Owned and Home Based Businesses"
"Employment Growth in Small Businesses"
"White House Conferences"

The presentations will be made in sequence with discussion then to develop and expand the set of interlocking ideas. Other sequences of presentation are equally appropriate. For example, each presentation could be followed by discussion that could be guided by the moderator to introduce the next topic.

In the field, at subsequent meetings SBIDA regions or state groups would want and need to adjust the topics to center on those topics of most interest and need to the group. In all cases, however, it is important to include presentations on agency mission, responsibilities, and operations.

FOLLOW UP
From this symposium, the SBIDA members should have a better understanding of advocacy, how advocacy works, and how to host a symposium on advocacy. More importantly, directors of the SBI program will have an increased proficiency at motivating their students to better apply a larger package of techniques to the identification, analysis and recommended solutions of problems for SBI clients.

This symposium at the national level and subsequent meetings at regional or state level could have these benefits:

1) better coordination between the elements of SBA at the operational level,
2) research and publication opportunities for SBIDA members, and
3) other symposia involving other SBA or even state agencies.

CONCLUSION
Symposia and workshops are excellent tools to increase both the level of awareness and level of knowledge, and willingness to understand operations of other agencies. The challenge is ours in SBIDA to take these ideas and apply them to increase the total benefit of the SBA program by better understanding and coordinating our programs with the programs of other SBA agencies as well as other state or federal agencies.