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SURVIVE, THRIVE, AND DRIVE: SMALL BUSINESS STRATEGIES FOR THE ECONOMIC DOWNTURN

Stephen C. Betts, William Paterson University

ABSTRACT

Economic downturns create challenges for all businesses. Smaller concerns are particularly threatened because of the potential disproportionate economic impact on their specific market segments. However, they also might have unique opportunities to positively respond to changing market conditions. In this paper we explore strategies for small businesses to survive and thrive during the downturn and drive the economic recovery. We propose that small businesses can survive threats by addressing key vulnerabilities. They can thrive by creatively modifying their product/service offerings or implementing innovative processes. Finally we argue that by responding to changing market conditions with new products, services and processes, small businesses will drive the economic recovery.

INTRODUCTION

As of March 2009 the United States is in a recession by any definition of the term. The accepted definition of two successive periods of negative growth in the GDP was reached in the fourth quarter of 2008 (BEA, 2009). A more lenient description of a recession (NBER, 2003) allowed the NBER to proclaim that the US has been in a recession since 2007 (NBER, 2008), but even the stricter definition of an increase of 1.5% in unemployment (Black, 2008) was reached in early 2009. The recession was facilitated by a domestic real estate bubble, subprime mortgages and a number of other factors; however to the small business owner the key concern is not defining or identifying the causes, but dealing with the effects of the economic downturn.

In this paper we will address surviving and thriving as a small business in an economic recession. The paper starts with a description of the effects of a downturn on small business and the point that small businesses drive economic recovery. It then proposes a 'survive' and then 'thrive' strategy as a response. This is followed some advice to practitioners and academics.

ECONOMIC DOWNTURN EFFECTS ON SMALL BUSINESS

Calculated according to the dating procedure of the National Bureau Business Cycle Dating Committee (NBER, 2003) the current economic recession official started in December of 2007 (NBER, 2008). Under financial distress small firms behave erratically (Pindada, Rodrigues & de la Torre, 2006). Small businesses are already decreasing capital expenditures and profits are down (Monte & Castillo, 2009). However, an uptick in entrepreneurship is typical in recession (Rowell, 2008). As the economy goes into recession layoffs go up, but so do new start-ups (Crawford, 2009).

The governmental response is unlikely to be a great help to small business. Historically, stimulus packages have been harmful to small businesses (Bartlett, 1993). The current ‘bailout’ bill
has only $730 million in funding for the SBA, and almost all of it is small business funding related. There are also some tax changes, but analysts conclude Congress left out provisions that could have saved many US small businesses (Robison, 2009). In fact, many think that big government strangles small business (Keating, 2008). A sign of the times is the response of Small Business Development Centers (SBDC); they are going from helping star-ups to preventing shut downs (Heerwagen, 2009).

Entrepreneurs can lead US out of crisis (Hayes & Malone, 2009). If fact, around the world, small firms are most important employers in transition economies (Drnovsek, 2004). The stock market is down, but small businesses are not beholden to Wall St. (Bandyk, 2008). Because in past recessions it has always been small businesses that drive the recovery, it is important to examine strategies for them to survive and thrive.

SURVIVE, THEN THRIVE

There are two approaches available to small business for responding to an economic recession. The first is a defensive strategy to ‘hunker down’ and go into survival mode and the second is to be more proactive and re-engineer processes (Hammer & Champy, 1993). Both will cut costs but re-engineering prepares you for recovery (Rayner, 2002). However, without first taking step to shore up your business financially, changing your business processes may not be possible. A better idea would be to first be defensive then proactive. Doing both is a way to recession proof your business (Berson, 2009).

First be sure your business plan is sound operationally and financially (Berson, 2009). It is time to re-evaluate every part of your business plan (Fried, 2009). The specific considerations are different for every business, but in general to a small business a recession brings uncertainty about contracts, suppliers and customers. It brings changes in the availability of capital and changes in laws/regulations. The net worth evaluation of businesses might change drastically, as will the opportunities to sell the business. Consider such things as securing contracts, partnering, changing contract terms and maintenance agreements. It might be good idea to have those professionals that helped develop your business (accountant, lawyer, etc.) help with your analysis.

There are two basic approaches to aggressively pursue opportunities in a recession and position your business for the recovery. The first is the ‘internal’ approach of examining and changing business processes. Re-engineering business processes (Berson, 2009) and retraining your workforce (Bennett, 2009) are the keys to increasing your capacity and decreasing costs. What resources (cheaper technology, tax incentives, investors, and potential employees) are available to facilitate technology change? Times are tough for all sources of financing. Even venture capitalists are asking for government money (Stacey, 2009). However venture capitalists, angel investors and banks still need to invest and are less likely to invest in companies without a good track record (Needleman, 2009). They are looking for entrepreneurs as safe-seeking professionals instead of risk-taking heroes (Hytti, 2005). The alternative to investing in new companies is to invest in improvements of proven businesses.

The second approach to thriving in a recession is to adopt a ‘market orientation’. “Market orientation emphasizes competitiveness and profits based on identifying customer needs, wants and aspirations, and delivering compatible offerings that are competitively better than those offered by rival firms” (Blankson, Motwani & Levenburg, 2006). This approach generally works better for
small business and has the potential to be very effective in the changing landscape of a recession. Modifying marketing strategy can maintain or improve sales, market share and profitability (Köksal, & Özgül, 2007). Position yourself through existing relationships and adapt your marketing plan and (Berson, 2009). Seek business in areas that are counter cyclical (Wiersema, 2008). Is there a shit to generics and stockpiling? Avoid the middle market and become necessity based (Cardamone, 2008). In addition to general approaches, every type of business has specific tactics such as lawyers anticipating spikes in demand (Berson, 2009), repair businesses buying customer lists (Wiersema, 2008), or contractors seeking same day building permits (Enriquez, 2009).

**SUMMARY AND DISCUSSION**

For small business to survive and thrive in a recession and drive an economic recovery, they must take a systematic approach to responding to the recession. The first step is to review all areas of the business plan and take steps to be on a firm financial footing. Survive first, and then thrive. To thrive means to take a ‘generic strategies’ approach (Porter, 1980 and either concentrate internally, or re-engineer, with new technology, training and processes (cost leadership) or externally by responding with new products or modified products and services (differentiation & focus).

Management and Marketing professors should respond to the recession in two ways. First and foremost in the classroom they can and should look at business and government responses. Concentrating on small business provides an understandable situation and allows the students to put on their thinking caps and solve real problems. Second, it is up to academics to sort out the various claims of causes and effects of the economic downturn so that we can learn. Each discipline in the business school can address a different part of the puzzle and we can produce research that ‘really mattered’ (Hambrick, 1994).

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Rayner, B. (2002). As the recovery begins, expect those companies that re-engineered to outperform the cost-cutters. *EBN*, (1301), 24.


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HEART ENTREPRENEURS: AN ASSESSMENT OF THEIR TRAINING, MOTIVATIONS AND PROBLEMS

Mauvalyn M. Bowen, University of Minnesota

ABSTRACT

This study assessed the motivations, perceived successes, problems and needs of 39 micro and small entrepreneurs who were trained by the HEART Trust/NTA in Jamaica. These entrepreneurs were found within the urban informal sector of the Kingston metropolitan area and neighboring inner cities. Results showed that the entrepreneurs are motivated by the independence and intrinsic factors: to create a job for themselves, to increase their income opportunities, to be their own boss and control their own destiny, to grow and to achieve. Factors that are perceived critical for their success include: selling quality goods & services at competitive price, learning from seminars and workshops, seeking new markets/customers, increasing the number of their employees overtime, and participating in business related training. Major business problems were identified as: weak economy, lack of adequate financing/capital, low sales volume, inability to maintain accounting records, and poor infrastructure. Results also revealed some critical needs of the entrepreneurs to be: expansion of their business and business experience, increase in their volume of sales, access to information on markets, pricing & suppliers, and training in marketing/sales. Implications for policymakers, practice of entrepreneurship and training in Jamaica as well as other developing economies are also presented.
THE CHANGING ROLE OF THE ENTREPRENEUR: MODELS AND STRATEGY TO MASTER THE CHANGING ROLE OF LEADERS IN TODAY’S DYNAMIC BUSINESS ENVIRONMENT

Kelly Bruning, Capella University Alumni

ABSTRACT

The pressure to reengineer corporations is pronounced in today’s economy. The rapid pace of changing technology, the ever decreasing product life cycles, global competition, innovative processes and delivery modes, and many other factors demand a modern approach to business. These new ideas will come from innovative entrepreneurs willing to take risks and who have mastered the transitional roles of entrepreneurship to become great leaders. Bill Gates and Michael Dell made their fortunes in less than a decade by being creative risk takers. Companies like Intel and Netscape grew from small new ventures to market leaders in as little as five years. The entrepreneur relies on business skills, intellect and leadership abilities to successfully navigate the business through the entrepreneurial process of forming a new company. The executive will earn the title of entrepreneur by successfully conquering the challenges involved in business growth and new venture creation. This paper addresses the changing role of the entrepreneur in today’s global competitive marketplace and the author assimilates how this may impact corporate strategy and management. It provides entrepreneurial practitioners with models and strategy to master this changing role of leader in today’s dynamic business environment.

INTRODUCTION

As businesses evolved in the twentieth century, dynamic changes in management took place, creating new roles for the business executive. The onset of the computer age and the development of a global marketplace brought with it the need for executives that possessed innovative thinking who were willing to take risks, develop strategy, and utilize leadership concepts to capitalize on the changing marketplace. The name given to these rebels was entrepreneur.

The process of entrepreneurship has been defined as managerial behavior that consistently exploits opportunities to deliver results beyond ones own capabilities (Parston, 1998). Thomson (1999) states, “An entrepreneur is someone with a vision who spots a new opportunity and is minded to act on it and start something” (p. 209). Just as management evolved in the twentieth century, entrepreneurship will evolve in today’s global, dynamic marketplace. New and innovative technologies and a global economy have changed the face of business. The entrepreneur will be the change leader spearheading progressive strategies to capitalize on competitive advantages fueled by innovation, technology and the emergence of the global marketplace.
THE CHANGING ROLE OF THE ENTREPRENEUR

Timmons (1999) explains these various transitional periods as start-up, high growth, maturity, and stability in his book entitled *New Venture Creation: Entrepreneurship for the 21st Century*. Timmons theoretical view of business growth states that entrepreneurship is not static. New ventures grow through transitional phases and are eventually harvested. Entrepreneurs must transition from their roles from micromanagers to micromanagers. “Most important and most challenging for the founding entrepreneur or chief executive officer is coping with crucial transitions and the change in management tasks from doing to managing to managing managers, as the firm grows to roughly thirty employees, to fifty, to seventy-five employees, and then over seventy-five” (Timmons, 1999, p. 243). Figure three illustrates the crucial transitions during the growth and key management tasks of the chief executive officer or founder.

![Figure 3. Stages of Venture Growth, Crucial Transitions, and Core Management Mode.](image-url)  
*Source: (Timmons, 1999, p. 241).*

In the start-up stage the failure rate for new ventures is over sixty percent (Timmons, 1999, p. 243). This stage is considered by Timmons to be the most perilous stage and is characterized by the direct and exhaustive efforts of the lead entrepreneurs to stimulate growth of the company. In this stage consumer awareness and confidence is earned, while establishing competitive advantage and building relationships with stakeholders. Littunen (2000) supports Timmons stating that during the start-up phase of a firm, the important characteristics an entrepreneur must have include innovativeness and the will to act (p. 295).
Timmons found that the most difficult challenge for the founding entrepreneur occurs during the high-growth stage, when the entrepreneur finds it is necessary to let go of power and control over key decisions. Responsibilities need to be delegated, without abdicating ultimate leadership and responsibilities for results (Timmons, 1999, p. 243). From the high growth stage, a company then moves to the maturity stage where the key issue is no longer survival, rather it is steady, profitable growth. Only after successfully navigating through these stages will the stability stage follow. West (1997) states:

That while new ventures ordinarily arise out of opportunity recognition by insightful entrepreneurs amidst uncertain environments, theory and evidence suggest that entrepreneurs become less effective in recognizing and pursuing new opportunities once their companies have passed through the start-up phase. . . More generally, top managers of growing ventures tend to focus on existing strategies and existing life cycle dynamics, rather than adeptly anticipating upcoming challenges, next-stage problems, and related strategies with which their firms must engage. (p. 32).

Timmons’ research focuses on the dynamics of change within the organization as the business grows. As the business transitions through the business life cycle so too must the entrepreneur transition from that of micromanager to that of leader. Timmons stresses that delegating authority throughout the transitional stages provides time for entrepreneurs to sharpen their focus on the vision and mission of the company. These entrepreneurial transitions are summarized in Table 1.

Table 1. Entrepreneurial Transitions. Source: Timmons (1999, p. 244)

<table>
<thead>
<tr>
<th>Models/Stages</th>
<th>Doing</th>
<th>Managing</th>
<th>Managing Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>0 to $3 million</td>
<td>$3 to $10 million</td>
<td>$10 million or more</td>
</tr>
<tr>
<td>Employees</td>
<td>0 to 30</td>
<td>30 to 75</td>
<td>75 and up</td>
</tr>
<tr>
<td>Transitions</td>
<td>Characteristics: Founder-driven creativity Constant change, ambiguity and uncertainty Time Compression Informal Communications Counterintuitive decision making and structure Relative Experience</td>
<td>Probably crisis: Erosion of founders Confusion over ambiguous roles, responsibilities, and goals Desire for delegation versus autonomy and control</td>
<td>Probable crises: Failure to clone founders Specialization/eroding of collaboration versus practice of power, information, and influence Need for operating controls and mechanisms Conflict among founders</td>
</tr>
</tbody>
</table>

Timmons (1999) describes the entrepreneurial transitions as a series of shock waves caused by change that roll through a new venture. New technologies, new markets, new competitors, new processes, and obsolescence are among the shock waves that contribute to the change (and growth) of the company. Timmons explains the transitional roles of entrepreneurs as the organization
experiences different stages of the business life cycle. He refers to these stages as the doing stage, managing stage, and the managing managers stage (Table 1).

The doing stage is a time of extreme volatility as the founding entrepreneurs struggle to create the organizational structure while also developing the corporate climate and competitive advantage. The lead entrepreneurial team faces challenges with perpetual change and uncertainty as the organization strives to establish itself in the market place. The lead entrepreneurs immerse themselves in “doing” meaning that they design the corporate structure and establish chain-of-command within the organization. They are also busy with developing the vision and mission for the organization and writing policies to govern the business (Timmons, 1999).

The managing stage is a time of crisis. The creativity of the entrepreneurial founders erodes as individual autonomy and control become more important to the entrepreneur. At this stage, the entrepreneur must practice delegation rather than control decision-making. Entrepreneurs that do not delegate, often find themselves immersed in the day-to-day duties of the company rather than focusing on more important, long-term matters. The inability to delegate further erodes the opportunity for the founding entrepreneurs to focus on vision and growth strategies for the organization (Timmons, 1999).

During the high maturity and stability phase, controls and mechanisms must be put into practice to manage the growth of the company in both sales and number of employees. This process can cause disagreement among the founding entrepreneurs about how to control the growth of the organization. Timmons’ reference to “failure to clone founders” pertains to the failure of the lead entrepreneurs to bring in new employees into the company who can contribute and add value to the vision and mission of the organization. Entrepreneurs can lose creativity as they struggle with overseeing daily operations while also trying to spearhead innovation and strategy to form new competitive advantages (Timmons, 1999).

This loss of creativity by entrepreneurs is also explained by Don Dailey, partner-in-charge of Cooper & Lybrand’s Entrepreneurial Advisory Services Group in the Michigan-Ohio region states, “When you're encumbered with daily business issues, you're prevented from attending to the larger issues-business vision, customer relations, growth. That’s a fatal error we see in many small businesses. Daily stuff has to be done-somebody has to sign the checks-but if you’re doing that when you should be developing your next product or service, you’re limiting your future growth” (McGarvey, 1998, p. 77).

McGarvey (1998) stresses the need for the entrepreneur to relinquish authority over functions that can be delegated to other employees. McGarvey (1998) states, “The one major hurdle for entrepreneurs to jump occurs when employees start doing the work you’ve (the entrepreneur) delegated but their not doing it the way you would have done it” (p. 78). Dailey states, “This is a major issue for entrepreneurs. It’s painful for them to accept that there are other ways to get jobs done and that oftentimes, the way the employee did the task was good enough” (As cited by McGarvey, 1998, p. 78).

Research indicates that as the organization goes through the business life cycle, the lead entrepreneurs must transition into different roles. The entrepreneur must adapt to new roles to avoid stagnation and ensure the future growth of the company. Delegating responsibilities and adding new talent to the employment pool, frees the entrepreneurial team to develop strategy and future positioning of the company.
STRATEGY AND ENTREPRENEURSHIP

A company’s strategy is concerned with growing a business, satisfying customer needs, out-competing rivals, responding to changing market conditions, managing business functions, reacting to external environmental factors and establishing competitive advantage (Thompson & Strickland, 2001, p. 12).

Thompson & Strickland (2001) state:

Crafting strategy is partly an exercise in astute entrepreneurship—actively searching for opportunities to do new things or to do existing things in new ways. The faster a company’s business environment is changing, the more critical it becomes for managers to be good entrepreneurs in making both predictions and timely strategic adjustments . . . For a company to be successful, its strategy and business model have to be well matched to the company’s present and future environment. That won’t happen unless managers exhibit first-rate entrepreneurship in steering company activities in whatever new directions are dictated by market conditions and customer preferences. . . Good strategy making is therefore inseparable from good business entrepreneurship. One cannot exist without the other (pp. 13-14).

The lack of time of entrepreneurs to develop strategy is a major issue. Research reflects that the entrepreneurial process is a transitional process. Some entrepreneurs master their transitional roles naturally as they grow and become more confident in their leadership abilities. There are also those entrepreneurs who fail to make the transition and instead focus on micromanagement and control. When the entrepreneur does not have time to develop long-term strategy, the business suffers.

Thomson and Strickland (2001) state, “The two factors that separate the best managed organizations from the rest are: (1) superior strategy making and entrepreneurship and (2) competent implementation and execution of the chosen strategy” (p. 29). Timmons (1999) explains that the most frequently cited business failure fall into three broad areas: inattention to strategic issues, general management problems, and poor financial/accounting systems and practices (p. 536). The time to develop strategy and the commitment to reinvent it as the company grows is paramount for the lead entrepreneur. In order to allocate time to strategy, the entrepreneur must transition from doing to managing to leading.

CONCLUSION

The role of the entrepreneur continues to evolve as business and the economy act and react to the effects of the information age and the emergence of a global economy. Regardless, risk-taking, creativity, and innovative remain the hallmarks of the entrepreneur. They still seek competitive advantage through innovation while creating more successful barriers to market entry. Michael Dell (Dell Computer), Bill Gates (Microsoft Corporation), and Pierre Omidyar (e-Bay) capitalized on information technology and captured the global marketplace through aggressive
leadership, resulting in a widely recognized competitive advantage. These individuals are the entrepreneurial rebels of the new millennium.

The entrepreneurial process harnesses creativity, technology, knowledge and capital to form a synergy that creates growth and innovation for the company. Gibson’s Four Key Factors in the Entrepreneurial Process: (a) talent, (b) technology (c) know-how and (d) capital, are essential factors in the entrepreneurial process. Each is interdependent but together create synergy for the organization. Value creation is the outcome of these synergistic dynamics.

The research supports that entrepreneurs transition into different roles as their organizations grow. Pena introduces the Model for Business Start-up consisting of the Ex-ante Period, Gestation Period and Consolidation Period. Pena’s model depicts the business life cycle and the various roles and responsibilities of the entrepreneur during the growth stages of the organization. Pena’s model is supported with additional research by Timmons in his book *New Venture Creation: Entrepreneurship for the 21st Century*.

Timmons introduces the concept of venture growth, crucial transitions and core management. Timmons’ model illustrates that entrepreneurs must transition into different roles as the business matures and grows. As the business matures from startup to high growth and then maturity and stability, the entrepreneur must also mature through transitioning to different managerial and leadership roles. In essence, the entrepreneur must evolve to become a leader. The concept of micromanaging must be abdicated and responsibilities delegated freeing the entrepreneur to take on a new leadership role with the necessary time to redress vision, mission and strategy.

Supporting research literature also emphasizes the importance of strategy formation. Thompson and Strickland support the concept that developing good strategy is inseparable from good business entrepreneurship. Successful entrepreneurs only hold transitional roles as they navigate the entrepreneurial process of bringing a start-up company through the various stages of the business life cycle. Entrepreneurs that micromanage and do not evolve with the transitional stages of business growth will fail. They become intensely emerged in the day-to-day details of the business that they do not have time to plan and strategize leaving the company vulnerable to external factors and competing firms.

Entrepreneurship will continue to evolve as the marketplace become more globally competitive. New roles will be defined as the dynamics of change dictate. The pressure to reengineer corporations is pronounced in today’s economy. The rapid pace of changing technology, the ever decreasing product life cycles, global competition, innovative processes and delivery modes, and many other factors demand a modern approach to business. These new ideas will come from innovative entrepreneurs willing to take risks and who have mastered the transitional roles of entrepreneurship to become great leaders.

**REFERENCES**


THE EVOLUTION OF THE FAST FOOD PREP INDUSTRY

Marcy Courier, The University of Tampa

ABSTRACT

The fast food prep industry has seen a rapid rise and a rapid decline. This paper looks at the industry from 2002 to 2008.

INTRODUCTION

The Concept

Delicious, ready to heat and eat meals make life much easier for a professional woman who has little time to cook for her family. Nutritious home-cooked meals are more appealing than fast food or take-out. In just two hours, 6-12 meals can be prepared and only require thawing and heating. All of the ingredients and recipes are arranged for the customer who assembles the meals and places them into freezer containers for later use. The cooking time is determined by the entrée and whether it is frozen or not. The “super moms” who juggle work, children’s activities, and other obligations feel better about what they are serving their families for dinner. Singles, empty nesters, and seniors also frequent easy meal prep stores.

The Industry

New easy food prep stores open and close every day around the country. Most are privately owned, single stores; some are multiple stores; and more and more are franchises. The start-up costs for this industry are fairly reasonable. Many people believe that it is a straightforward business mode, and, therefore, no prior experience in the food industry is needed. Basically, all that is needed to set up a store is a commercial kitchen, a storefront in a heavily trafficked area, and an appealing interior design. The actual start-up costs are $20,000- $500,000, depending upon the type of store and the use of the funds. (See Table 1 for initial start-up costs). Franchises will have an additional cost of purchasing the franchise but will not have the costs of a website and software. Branding is difficult because there are very few ways to distinguish one store from another. New entrants merely have to look at the industry standards, evaluate some of the companies in the area, and incorporate best practices.
<table>
<thead>
<tr>
<th>Category</th>
<th>Low-cost</th>
<th>Typical</th>
<th>High-end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$12,000-43,000</td>
<td>$42,000-53,000</td>
<td>$42,000-73,000</td>
</tr>
<tr>
<td>Website and Software</td>
<td>$3,000-18,000</td>
<td>$8,000-18,000</td>
<td>$18,000-30,000</td>
</tr>
<tr>
<td>Build-out</td>
<td>$0-6,000</td>
<td>$50,000-100,000</td>
<td>$100,000-300,000</td>
</tr>
<tr>
<td>Upfront Marketing</td>
<td>$1,000-5,000</td>
<td>$2,000-20,000</td>
<td>$2,000-30,000</td>
</tr>
<tr>
<td>Recipes</td>
<td>$1,000-5,000</td>
<td>$2,000-5,000</td>
<td>$5,000-15,000</td>
</tr>
<tr>
<td>Losses before Breakeven</td>
<td>$2,000-20,000</td>
<td>$10,000-30,000</td>
<td>$10,000-50,000</td>
</tr>
<tr>
<td>Other</td>
<td>$2,000</td>
<td>$2,000-10,000</td>
<td>$2,000-10,000</td>
</tr>
<tr>
<td>Totals</td>
<td>$21,000-100,000</td>
<td>$116,000-236,000</td>
<td>$179,000-508,000</td>
</tr>
</tbody>
</table>


Easy meal prep stores are “neighborhood” stores similar to a supermarket. The surrounding community is the market. Therefore, it is not unusual to see stores opening up within a mile from each other. Large supermarket chains and upscale grocers are “getting into” the meal prep business. It is a natural product extension for a supermarket to enter the easy meal segment of the market. The incentive is enhanced by the fact that supermarkets frequently have lease agreements that specifically state that “no competitive stores may occupy a storefront in the strip mall in which they reside”.

According to the Easy Meal Prep Association (2008), in March 2007, there were 395 companies and 1270 outlets. Revenues in the industry are $270 million, and analysts predicted that by 2010, revenues will exceed $1 billion. The average store revenue in 2006 was $400,000. New stores tend to have less than 30% repeat business, while established stores can have over 50% repeat business. It was predicted that in 2007, 480 new stores (including franchises) would open, and 100 stores would close. As reported on August 2, 2006 by Mark Albright, St. Petersburg Times Staff Writer; a local entrepreneur stated, “People are starving each other out. Nationwide, average store revenues leave little after rent and expenses.”

The largest franchisers are: Super Suppers and Dream Dinners. Super Suppers and Dream Dinners have over 100 stores each. It is estimated that a Super Supper franchise requires an initial investment of $200,000. Clearly franchises enjoy economies of scale as they can reduce costs by purchasing supplies in large quantities. The total count for stores is down 36% in the U.S. in 2008 vs. 2007. Different regions in the U.S. have experienced varying loss of store, but all the regions are down at least 23% in that time period. The top three regions in 2006, Southeast, Pacific and North Central, represented 66% of total stores in 2007 and still represent 65% of total stores in 2009 which indicates that there is no significant growth in share by less developed regions in the past two
years. Share penetration in the four underdeveloped regions has not occurred as would have been expected. (See Table 2).

<table>
<thead>
<tr>
<th>Region</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>08 vs. 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>New England</td>
<td>1</td>
<td>3</td>
<td>42</td>
<td>56</td>
<td>43</td>
<td>-23.21%</td>
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<td>46</td>
<td>173</td>
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THE CUSTOMER EXPERIENCE

The typical customer is looking for convenience, time, location, ease of preparation, and quality of food. All buyers expect stores to be clean, the food to be fresh, and the staff to be helpful. Cost and menu selection may also be important. Most stores have web sites that provide general information, monthly menu selections, and open appointment times. Customers may register on-line for a session or call the store. When customers arrive, they are provided with aprons and containers for their entrees. Some stores provide snacks and beverages for their customers.

Meal Preparation. Customers move from one preparation table to another. Each station is stocked with all of the ingredients needed to prepare the various entrees. Recipes are provided with simple instructions, and even those who do not cook have no trouble assembling the meal. Customers combine the required ingredients and have the option of making minor changes to meet their individual tastes. The entrees are then packaged in containers provided by the store or brought by the customer.

Entrée Selection and Prices. Customers are given an option of preparing 8, 10, or 12 entrees per visit. Proven favorites are frequently repeated while new items are added monthly. Most of these entrees serve four to six people. Costs can vary for entrees. Some stores have different prices depending on the cost of the entree. Most stores charge a set fee for the session based upon the number of entrees prepared. Prices range from $169 to $225 for 12 entrees and $135 to $175 for 8 entrees. Side dishes and desserts are available for purchase at some stores.
MARKETING

Most stores have web sites with store information and registration capabilities. Store marketing techniques include: money-off coupons; newspaper, infomercials, radio advertising; newsletters; brochures; local event booths; and direct mailings. As competition increases, there are more creative ideas, major TV spots, incentives, strategic alliances, and gimmicks.

INCENTIVES

Stores offer various enticements to either grow the customer base or improve retention of existing customers. Summers are traditionally slow for the food prep industry so additional enticements such as entrée discounts, free sides and desserts, and free entrée preparation are offered. Frequent customers, and those who refer customers, receive incentives at many stores. New moms often receive several months free entrée preparation.

INDUSTRY CLASSIFICATION

According to the Easy Meal Prep Association, there is no specific industry classification for a meal prep business. It falls between a restaurant and a retail grocery establishment. However: In the US Census classification system, NAICS, most meal prep businesses are classified as: (1) 445110, Supermarkets and Other Grocery (except Convenience) Stores, (2) 445299, All Other Specialty Food Stores, and (3) 453998, All Other Miscellaneous Store Retailers (except Tobacco Stores). The most common class in which US trademarks are filed is, IC 043. US 100 101. G and S: Home meal preparation services. US insurance companies that write a lot of policies for meal prep businesses have started defining a special category. (Meal Prep Facts and Figures, 2008)

WHERE IS THE INDUSTRY HEADING?

The meal prep industry is still young, and it is still evolving. The forecast numbers presented previously illustrate that the industry as a whole is continuing to evolve. This section discusses some of the main changes that are occurring. These changes are generally healthy for the industry, but not necessarily good for people who like the “good old days” or for people who want to enter the market now in the same way that the pioneers did in the 2003 and 2004.

Growth has been slowing as the industry “retools” into more of a retail model where the customer buys already prepared items. According to the Meal Prep Facts and Figures Guide (2008), the growth rate will pick up to about 20% per year in 2009 and 2010 once this new model is established.

The failure rate for US meal prep businesses is increasing. Approximately 400 new meal prep businesses opened in 2005 while about eight closed, giving a 50:1 ratio. During the first nine months of 2006, these numbers were roughly 440 stores that opened and 44 stores that closed; for a 10:1 ratio. This is part of the natural progression of the industry. When the industry matures, the ration will be about 1:1 (Meal Prep Facts and Figures Guide, 2008). Total store counts are down 36% in the U.S. in 2009 vs. 2008. Some of the reasons for these closures include:
insufficient number of customers, poor management, food and/or other costs were too high, owners needed to sell because of personal reasons (i.e.: health or relocating), poor marketing, and poor training.

According to the U.S. Small Business Administration (2008), new businesses fail at a rate of 33% in the first two years, 54% in the first four years, and 69% in the first seven years. Overall, from 2007 to 2008, the Food Prep Industry saw a 36% decrease in number of stores. In the Hillsborough/Pinellas Counties region, 21 stores opened 2004-2006. By the end of 2008, 16 had closed. This closure rate of 76% during this time-frame indicates that the food prep industry has a great deal of volatility among areas.

People with prior financial and business experience are entering the market. In the early years of the food prep industry, stores were usually opened by mothers who understood the concept and wanted to put a store of this type into their community. This started to change in early 2006. Now, the new meal prep entrepreneurs typically owned and sold three previous businesses. (Meal Prep Facts and Figures Guide, 2008)

The average customer spends less today. Originally, customers typically spent $200 per visit. Stores are now offering smaller, less expensive packages to meet customer demand for smaller portions or quantities. Currently, the ticket for a meal prep customer is around $150.

More convenient products and services are being offered. The percentage of meals that are picked up pre-assembled by customers has been increasing. In December, 2004, this was approximately 10%. In December, 2007, it was approximately 50%. Sessions are increasingly being offered at flexible times. Customers are increasingly being allowed to drop in rather than schedule in advance. Stores are selling side dishes and other items such as cook books and toiletries.

**WHAT’S HAPPENING NOW?**

As of November 2007, there were over 1300 meal prep businesses in the USA. This is a significant increase from the four businesses that existed as of January 2002. However, the latest trend is for a decrease in number of stores. Store decline is roughly 36%. Franchise declines are consistent with total declines—about 36%.

The median revenue among meal prep businesses is approximately $20,000-25,000 per month. Of the 1000 stores that have been open since September 2004, the top 10% of stores have over $60,000-70,000 per month in revenues. Note that not all of these stores are profitable as some have very high cost structures. The bottom 10% of stores have less than $6,000-7,000 per month in revenues. These stores are not all losing money because some are part-time and have low costs (Meal Prep Facts and Figures Guide, 2008).

**HOW ABOUT THE FUTURE?**

In 2007, the Easy Meal Prep Company forecasted that industry revenues would exceed $370 million in 2007, a number that they predicted to double in the next five years. (easymealprep.com). In spite of this anticipated increase, stores are looking to develop new ideas and concepts to maintain a competitive edge. Some of these include:
New store models are being evaluated and tested. The next frontier is likely to also include different store configurations. The following are some examples of possible future models. (1) A cross-over concept between the custom dietary cuisine companies and a meal prep business and (2) A convenience store meal prep combo.

More videos and food photos will be posted on the websites. Research has shown that a dish that has a photo with it is much more likely to be purchased. In December 2004, less than 5% of websites had videos and less than 5% of dishes had photos. In December 2006, about 25% of websites had videos, and about 15% of dishes had photos. By December 2008, about 50% of websites will have videos and 50% of dishes will have photos.

More special sessions will be explored as stores search for a competitive advantage. These sessions include: vegetarian sessions, gluten free sessions, kosher meal sessions, diabetic food sessions, kids sessions, singles nights sessions, wine tasting combined with a session, seasonal sessions (such as a Thanksgiving dinner session), and sessions for seniors.

The business will become more of a retail model. The customer may attend walk-in sessions. Supermarkets are entering the Fast food Prep Industry. Various models may be used such as: (1) Supermarkets providing a restaurant and web ordering boutique. Safeway has done this with a test market. This business has all of the elements of a typical meal prep business except that the customer does not assemble the meals themselves. (2) Supermarkets provide part-time space for independent businesses, (3) Supermarket licensing meal prep concepts from existing brand. Piggly Wiggly chose to license the Dream Dinners concept to open a Dream Dinners meal prep store in their Columbia, South Carolina supermarket, and (4) Supermarkets providing full-time space to an independent meal prep business.

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ARE WE ON THE SAME PAGE ON FINANCIAL ISSUES? A COMPARISON OF ENTREPRENEURSHIP/SMALL BUSINESS AND FINANCE PROFESSORS’ REACTION

Paul Dunn, University of Louisiana at Monroe
Kathleen Liang, University of Vermont

ABSTRACT

Small business failures have been attributed to management failures, particularly financial management failures. Since entrepreneurship and small business is a growing discipline, and financial management is so important to them, we wondered if entrepreneurship and small business and finance professors agreed on some common issues of importance to entrepreneurs and small business people. There was general agreement between the disciplines about the issues studied. However, some professors in both groups did not agree. In addition, additional research is needed to determine if and to what extent these concepts are being taught to entrepreneurship and small business students.

INTRODUCTION

The rate of failures and discontinuances among small businesses is high especially during the first few years after startup. An often mentioned cause of small business failures is poor management, particularly poor financial planning and undercapitalization. Additionally, poor financial planning and management during the life of the enterprise creates challenges for small businesses owners, their families, business partners and lending agencies. Many colleges of business and other colleges have established entrepreneurship and small business classes and programs to prepare students for careers as entrepreneurs and in small business. Many faculty members in colleges around the world have designed courses and activities to help learners receive knowledge, skills and training in financial planning and management. The contents and quality of these courses/programs vary dramatically, and different faculty members have different interpretations of what might be important for entrepreneurs to learn. The purpose of this research is to explore what professors in different fields think about several important aspects of financial management and planning during various phases of small business firm’s life cycles. In particular, we collected information about professors’ perceptions of planning and managing fixed and current assets and presumably what they could or would teach their students about financing and managing assets during start up, survival, growth, and through various phases of the firm life cycle.

Why do we care about how different faculty members interpret the importance of various financial issues? We are in a very challenging time period now, many countries face financial crisis and economic downward spiral. Small enterprises are very vulnerable to the ups and downs in financial markets. Higher education needs to respond to the volatile economy by preparing learners
to be more flexible, more sensitive, more creative and more diverse in future careers. According to a database maintained by George Washington University, there are more than 200 schools and colleges offering courses in small business and entrepreneurship. Almost all of these courses are offered in colleges of business. Faculty members who are teaching these courses in small business and entrepreneurship curriculum also have various education background and experiences.

Given the complexity of the financial planning and management issues, it is not clear how different faculty members interpret the nature of these issues and how educational materials have been developed to fulfill the needs of entrepreneurs. Most of the finance faculty members come from conventional finance disciplines in the colleges of business, and there are very limited degree offering programs in entrepreneurial finance. In reality, many faculty members teach/research in small business and entrepreneurship field are trained/educated in management, marketing, business and economics. The bottom line questions are: “Does everyone teaching/researching in small business and entrepreneurship evaluate different financial issues in a similar manner?” “Do finance professors think about financial issues differently from faculty members teaching and researching in small business and entrepreneurship?”

This article presents some of the initial findings of a longitudinal study to examine if there are differences in assessing financial issues between small business/entrepreneurship professors and finance professor. We hope to use this article as a networking opportunity for faculty members to learn from each other, brainstorm new ideas and to exchange information for curriculum development.

To accomplish the research, a series of assertions about small business financial planning and management were presented to finance professors and small business professor via an online survey using Survey Monkey. The assertions were:

Start up equipment and fixtures should be financed using long term sources of funds,
In start up situations, using owner's money for purchasing buildings and land would be better than using the money for working capital,
During start up, owner's money should be reserved, as much as possible, to cover operating needs to cash flow breakeven,
Normally, it is better to cash certificates of deposits or use savings in the business rather than use them as collateral for loans,
Survival cash should be arranged for when negotiating start up financing,
Small business borrowers tend to overestimate sales and underestimate costs and expenses when planning a small business,
Small business borrowers typically underestimate their new firm's cash flow,
Small Business borrowers' estimates of working capital needs in start up situations are usually low,
In start up situations, basic inventory probably should be financed using terms longer than trade credit and/or other short term sources of funds,
Seasonal inventories can be reasonably financed using trade credit or short term sources of funds,
Rapid growth often creates cash flow problems for small businesses,
Cash balances should increase as a small business moves into the initial (downturn) phase of a business cycle and
In start up situations, small businesses that will extend credit should get enough cash to support anticipated basic accounts receivables using terms longer than 90 days.

**SUMMARY AND CONCLUSIONS**

The causes of small business failures have been attributed to management failures especially poor financial management. Since entrepreneurship and small business programs are becoming more prevalent, the authors were interested in whether or not entrepreneurship/small business professors and finance professors agreed on some common issues in financial management of entrepreneurial and small business ventures. This paper was designed to compare finance and entrepreneurship/small business professors’ reactions to selected financial management assertions. The comparisons indicate that finance and entrepreneurship/small business professors agree on most of the assertions. Entrepreneurship/small business professors were significantly, at the .07 level, more likely to agree that owner’s money should be reserved for working capital. This may result from the differences experienced by entrepreneurship/small business professors on a practical level. Since many consult with small entrepreneurial ventures, they see the results of spending owner’s money on the liquidity of the firms with which they work. In addition, working with start up business leads them to a more practical view of banker’s perceptions of the situation. Bankers are generally more inclined to make loans for fixed assets than for working capital. Significantly, at the .03 level, more likely to disagree that entrepreneurs should cash CDs and savings for use in financing the business rather than use the instruments as collateral for loans. Again, the difference is likely result of direct experience with new ventures. While finance professors may view cashing time deposits and using them in financing the venture as a less expensive method of financing, entrepreneurship/small business professors with a more intimate knowledge of entrepreneurs look beyond just the cost of funds to the discipline in using funds.

However, some finance and entrepreneurship/small business professors disagreed that fixed assets should be financed using long term sources of funds, a few that entrepreneurs underestimate their working capital needs, that basic inventory should be financed with longer term sources of funds, that owner’s money should be reserved for working capital, that seasonal inventory can be financed using short term sources of funds, that survival cash should be negotiated at the beginning, that cash balances increase during the decline stage of the business cycle, and that accounts receivables should be financed using longer term sources of funds. Some also agreed when disagreement would have been appropriate. We are sure these disagreements are honest ones. We do, however, think that entrepreneurship students may not be getting a good financial management education.

Clearly, there is general agreement among professors regarding these important financial management issues, but additional research is needed to determine if and to what extent our students are learning about financial management of firms during various phases of the firm life cycle. Those of us in entrepreneurship education need to be sure that our students have a good background in all phases of small business planning and management. To that end, we need to be sure that we understand what we are teaching. In addition, we may want to open a dialog with our finance counter parts and be sure that they understand our perspective on financial planning and
management and that, they understand the unique perspective of our students who aspire to become small business owners, not bankers and finance professionals.

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LEADERSHIP IN SMALL BUSINESSES:
THE IMPORTANCE OF THE NEED FOR
ACHIEVEMENT AS A MOTIVE IN PREDICTING
SUCCESS OF OWNER-MANAGERS OF SMALL
BUSINESSES

Josiane Fahed-Sreih, Lebanese American University

ABSTRACT

This study contributes to the understanding of the needs, traits and skills that govern the
behavior of leaders of small businesses in Lebanon. The data was collected using a questionnaire
that was filled out by 155 owners or managers of small businesses in Lebanon. The results showed
that the only significant independent variable pertaining to the success of owners and managers of
small businesses was the commitment to attain a standard of excellence. All the remaining traits:
satisfaction from experiencing success being the first in accomplishing a difficult task, preferring
jobs in which they can exercise individual initiatives in solving problems, and desiring frequent, and
concrete feedback about their performances, were not correlated with company success.

Keywords: Leadership, Small businesses, Lebanon, Company Success, Need for achievement
AN EMPIRICAL EXPLORATION OF THE IMPACT OF LEADERSHIP LONGEVITY ON INNOVATION IN A RELIGIOUS ORGANIZATION

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Nabil A. Ibrahim, Augusta State University

ABSTRACT

Navigating organizations through a changing environment is central to leadership. Thus innovativeness has proven to be critical to the process of achieving strategic competitiveness (Yukl, 1998). This skill is particularly needed when the firm is confronted with the unique challenges of a religious organization. The existence of innovation and the dependencies that encourage or restrict its existence in this environment are largely unknown. Utilizing a sample of 250 religious organizations in five geographical areas this research explores the impact of the leader tenure on the degree of organizational innovation.

An analysis of variance for the three groups was significant, F (2, 247) = 6.08, p < .01, which indicated innovation differences across the three levels of leader tenure. Post hoc analysis indicated that the low tenure leadership group was associated with lower levels of innovation than either of the other groups. Detailed findings are presented and the managerial implications and suggestions are provided. This research has strong implications for implementation of leadership development and strategic management of increasing number of socially conscious organizations and organizations with large volunteer components.

INTRODUCTION

Navigating organizations through a rapidly changing and challenging environment is central to leadership. A central tenant of leadership is the development of appropriate internal mechanisms and personal skills that enable the organization to exploit opportunities and to make appropriate adjustments. Thus innovativeness has proven to be critical to the process of achieving strategic competitiveness (Yukl, 1998). This skill is particularly needed when the firm is confronted with the unique challenges of a religious organization. Religious organizations are beset with both challenges and limitations to innovation. Arguably religious organizations gain a part of their strategic advantage via tradition and stability (Miller, 2002).

Managers must continually improve their products, services, processes, operations, and relationships with their numerous stakeholders. Generating strategic and operational initiatives and practices is crucial. Continuous innovation is the means through which this is frequently accomplished (Oldham and Cummings, 1996; Scott and Bruce, 1994). Innovative behavior “is essential for organizations to adapt and respond to environmental changes, such as consumer preferences, competitor actions, and technological developments” (Kellermanns et al., 2008, p. 6). Although there is widespread acknowledgement of the value for innovation it is arguably absent in
many religious organizations. To properly innovate requires an organization to examine its hidden assumptions, unlearn previous behaviors, and overcome substantial obstacles (Senge, 1990). Bantel and Jackson (1989) contend that, in some cases, innovative managers are those who decide to benefit from or adopt innovations developed by other organizations. Therefore, the ability to see innovative opportunities and adopt new practices from other contexts is a vital skill needed in a dynamic environment. The specific need to study innovation in religious organizations has recently emerged as an important construct closely linked to organizational performance (Pearce, Fritz, and Davis, 2009).

The critical question that emerges is what drives the degree of innovation and the willingness of an organization to adopt innovative practices? This study proposes that the characteristics of the top management are a prime driver of innovation. The impact of organizational leaders, has attracted significant attention from organizational researchers. Clearly, top managers are important (of critical importance) since they are charged with determining strategy and ensuring organizational effectiveness. Due to their prominent position within the organization, top executives are uniquely capable of recognizing environmental trends and initiating innovative measures (Elenkov et al., 2005).

A number of writers have expressed the need to study upper echelon characteristics in order to understand an organization's strategic processes (Leontiades, 1982). Upper Echelon theory asserts that strategic decisions reflect the background of the organization's most powerful managers and what the organization does could be explained, at least in part, by the profile of its top management. Thus the top executive is considered to be proxy for the organization. In their seminal paper on Upper Echelon theory, Hambrick and Mason (1984) articulated an ambitious research agenda by proposing a number of hypotheses for testing the relationship between organizational outcomes and certain demographic characteristics of top executives. Finkelstein and Hambrick (1996) noted that from 1984 to 1996, over two hundred studies pertaining to Upper Echelon theory were published. A number of these studies have shown that leaders’ demographic characteristics represent a major antecedent of organizational innovation. By virtue of their position within the organization, organizational leaders are more capable of perceiving and understanding relevant environmental trends and communicating them to the rest of the organization; this, in turn, leads to higher levels of organizational innovation (Papadakis and Bourantas, 1998). Another potential way that strategic leaders can positively affect organizational innovation is through the formulation of an exciting vision of the future which can only be achieved through successful innovation activity (Kanter, 1985).

Impact of Executive Tenure

Consistent with this view, a relatively small body of literature has focused on the effect of the demographic characteristics of top executives on a number of areas including organizational innovation. Executive tenure is one such characteristic that potentially impacts the degree of innovation. It “is usually taken to mean time of continuous service with a single organization” (Lovett and Cole, 2003, p. 4). It is interesting to note that, although it is consistently treated as a demographic variable in the literature, it is different from other variables such as age, race, or gender because it is based on personal choices. One can choose to remain in an organization or leave it.
Two major streams of research have addressed this relationship. The first has examined the role and impact of top management team tenure on organizational innovation. Unfortunately, the overall findings have been inconclusive.

While the literature has largely concentrated on top management teams, a limited number of studies have focused on the relationship between the tenure of individual top managers and organizational innovation. This research stream has yielded mixed results (see Table 2). Some studies have shown that long tenure produces beneficial outcomes, including innovative behavior. Simsek (2007) suggested that top managers’ tenure directly influences the organization’s pursuit of entrepreneurial initiatives and innovation. Top executives with a long tenure accumulate much information and experience; this makes it possible for them to select appropriate entrepreneurial behaviors and innovations (Levesque and Minniti, 2006). Additionally, “long CEO tenure may also allow the CEO to build valuable relationships among organizational constituents. These relationships may give the CEO more knowledge and comfort to pursue the risky decisions necessary to entrepreneurship.” (Kellermanns et al., 2008, p. 4). Furthermore, the executive succession literature has shown that new top management is positively related to strategic change and innovation (Kesner, Shapiro, and Sharma, 1994).

Finally, still others have concluded that the relationship between these variables depends on the environment in which an industry is operating. A longitudinal study of 98 CEOs in the relatively stable branded foods industry and 228 CEOs in the highly dynamic computer industry was conducted by Henderson, Miller and Hambrick (2006). They tested the proposition that a top executive’s tenure is a life cycle in which they learn rapidly during their initial time in office, but then become ineffective as inertia sets in and lose touch with the external environment. They reported that such a phenomenon occurs principally in highly dynamic industries in which old paradigm quickly become obsolete.

The considerable attention to this issue is an ongoing testament to the importance placed on the influence of top executives’ length of tenure on organizational innovation. Yet significant gaps in the literature remain. One area that has been largely overlooked and, therefore, warrants further investigation is the relationship between executive tenure and the degree of innovativeness within the context of a religious organization. This study begins a careful examination of this important question. Its purpose is to investigate the role of that the executive’s tenure plays in the development of innovative strategies in a religious organization. The results have clear implications for the growing number of religious organizations and for the many non-profits in general. Further research opens windows of insight into the management of the growing number of social enterprises where the dominant resource is human capital and success is largely influenced by relationship management.

**METHODOLOGY**

**Setting and Data**

The research questions were tested using survey data that was collected from 250 religious organizations that were concentrated in five different geographical locations. The target organizations were selected to provide a measure of control through the study design. All
organizations had the same theological stance (Lutheran) this was done to minimize variation in strategy that was due to denominational differences. Within these target locales 512 potential organizations were identified. A search of archival records indicated that 19 of the target organizations did not currently have a leader in place. To ensure the quality of the responses these organizations were eliminated from the pool and therefore the potential population included 493 organizations. A letter addressed to the specific pastor of each church was mailed followed by a postcard reminder. In all a total of 277 surveys were returned; 25 contained incomplete information and were eliminated. An empirical analysis of the dataset for multivariate normality indicated that 2 of the responses were outliers and had to be eliminated to ensure multivariate normality. Therefore the total usable response for the study was 250 observations yielding a return rate of 51%.

The demographics of the sample were as follows. Ninety-seven percent of the respondents identified themselves as the pastor of the organization. The responding churches averaged weekly attendance of 197. The average tenure of the pastors surveyed was 9.9 years with a standard deviation of 8.6 years. The average level of innovation was 11.89 with a standard deviation of 3.69.

Measures

As a part of a larger project several measures of entrepreneurial activity were identified as salient in a non-profit context. The measure utilized for this study was composed of three specific self-reported items measuring the level of innovativeness in the organization over the last three years. Since there no valid instruments were found specifically for the religious context specific measures were developed. The development of the measures included several steps. First, a discussion was held with several local pastors where previous measures utilized in for-profit organizations were reviewed and subsequently revised to ensure their understanding and validity in a religious organization. The innovativeness measured was based on the items widely accepted in entrepreneurial research (Covin and Slevin, 1989). The resulting measure was a semantic differential scale ranging from non-innovative behavior to innovative behavior. Each respondent indicated where on the scale his or her organization fell during the previous three-year period. Tenure was a self-report measure where the leader indicated the actual years that they had been leading the target organization.

RESULTS

First, the measures were validated and composite scores were developed. A confirmatory factor analysis was performed to test the reliability of the innovativeness measure. The three innovativeness questions all loaded on the same construct and were all above the .50 level indicating convergent validity (Fornell and Larcker, 1981). Convergent validity was further demonstrated by a Cronbach alpha for the construct above .70 (Nunnally, 1978). After validating the measurement properties for innovativeness a composite score was developed by summing the raw scores for each of the survey items.

Second, the tenure variable was utilized to develop three groups. The three group methodology followed the widely accepted practice of identifying high, low, and medium levels of the variable of interest utilizing the variation around the mean. Leaders whose tenure was less than
five years at the current organization were classified as “low.” Those leaders who had been at the current organization for more than 15 years were classified as “high.” The remaining leaders whose tenure with the current organization was between 5 and 15 years were as “medium.” This classification resulted in three groups with the following characteristics low tenure (mean = 2.4; n = 86), medium tenure (mean = 8.55, n = 102), high tenure (mean = 22.5; n = 62). The three tier grouping gave adequate numbers in each cell and the proposed break points were consistent with the logic of leaders in this population and thus had high face validity.

The primary research question was tested using analysis of variance (ANOVA) to assess the differences in innovative strategies across the three groups. The cell values for the ANOVA analysis are presented in Table 1. The overall $F$ of the ANOVA was significant, $F (2, 247) = 6.08, p < .01$, which indicated innovation differences across groups. An examination of Table 1 indicates a difference between the low tenure group and the other two groups. The difference between the middle tenure group and high tenure group appears negligible (.01). A post hoc analysis using the Tukey multiple comparison procedure confirmed that there were significant differences between the low and high groups and the low and mid tenure groups. The post hoc analysis did not indicate significant differences between the mid tenure and high tenure groups.

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**DISCUSSION**

The purpose of this study was to determine the impact of leader tenure on innovativeness in a religious organization. This study indicated that there was reluctance on the part of low tenure leaders to implement innovative strategies. This is arguably caused from several significant features. First, low tenure may lack sufficient knowledge of the organization and the environment. This limited information will prevent the leader from identifying opportunities or being able to develop solutions to those opportunities that may appear. New leaders in a traditional environment may arrive which high motivation and enthusiasm for implementing innovative solutions but lack the specific cognitive skills and history necessary to see the fit between the resources and opportunity. Second, a low tenure leader may lack the relationship capital needed to implement change in a tradition bound environment. Thus a newer leader may not be able to overcome strong institutional habits and the entrenched resistance that controls the behavior of the organization. Arguably this is the more significant limitation. New leaders of religious institutions should be
encouraged to build relationships and networks to enhance their leadership. The strong network and relationship will improve the efficiency of innovativeness and also help to overcome the initial limitations of limited knowledge and experience with the organization.

The movement from mid to high tenure status did not significantly increase the innovation. This finding adds support for our previous argument that the early limitation is a combination of skills, knowledge, and relationships. Once adequate member support has been gained by the pastor, an increase in knowledge and expertise has only a limited impact on the level of innovation in the organization. It is also possible that the increased innovative capacity of a high tenure leader is offset by the emergence of several limiting factors associated with high tenure. First is the possible increased sense of satisfaction in the status quo and reduced effort level that comes with security. Second, is that the changes associated with innovation now threaten what were the leader’s previous innovations.

The results of this research suggest several strategies related to leader tenure and innovation to be implemented by the institutional governing bodies and the leaders of religious organizations. First, new leaders should be encouraged to innovate early in their time at a new organization. Since the limitation is likely to be the lack of knowledge a proactive effort to enlist knowledgeable people in the organization in the task of innovation should be a priority. A high level of empowerment of the membership is indicated for low tenure leaders. As their experience level increases they can take on more responsibility for the changes since often it takes leadership to initiate significant change. Therefore the leader must navigate a transition by enlisting help when knowledge and expertise is needed and regaining leadership when tradition becomes a barrier to change. As tenure increases the leader must be conscious of the limitations to innovation that might come with their long standing presence and success with previous practices and routines.

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A REFLECTION OF A COLLEGE OUTREACH
BUSINESS PROGRAM FOR HIGH SCHOOL STUDENTS

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ABSTRACT

To address the persistent problems of poverty and underrepresentation of minority and first
generation college-bound students, governments, educational institutions and foundations,
philanthropies, service organizations, and others are creating initiatives for these students. Over
the past three years the University of La Verne's College of Business and Public Management has
been conducting a community outreach program for high school students. This paper represents a
two year outcome assessment of a community outreach program that targeted first-generation,
low-income, and minority students from various Southern California School Districts intended to
motivate students to seek college education in general and business education and entrepreneurship
in particular. The outreach program was developed with a mission to overcome issues that usually
restrict the college ambitions of the targeted population. Over the past two years (2007 and 2008),
one hundred and eighteen high school juniors participated in a three-week business camp that
introduced them to topics such as market and economics, success skills, management and
organization, entrepreneurship, financial literacy, business ethics, and creating an organization
website.

All classes were delivered by college professors and volunteer business and community
leaders. Before the program, a combined 78% of participants indicated their willingness to go to
college, while in the post assessment survey 96% indicated their desire to attend college. Only 2%
indicated as "not sure" and 2% abstained due to illness. Additionally, on the post test, 50%
indicated their desire to own a business in the future compared to 20% on the pre-test. Knowledge
gained as measured in pre and post tests were positive on all five variables (i.e. market/economics,
success skills, financial literacy, business ethics, and entrepreneurship).

The paper sets forth the business case for how an outreach business program devoted to
under-represented high school students can help their entrepreneurship knowledge increase and
create a positive impact on their desire to further their business education, attend college, and
pursue an entrepreneurship venture in the future. The effectiveness of this three -week summer
program is measured through the survey responses of participating students. This program could
serve as a model in motivating students to be the first in their families to attend college and prepare
for a career or a business.
SUCCESSFUL OUTCOMES OF-teaching minority undergraduate students entrepreneurial business planning concepts using andragogy and service learning

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ABSTRACT

Applying andragological techniques and service learning concepts to traditional college aged minority students can produce dramatic results. These learning techniques were applied to entrepreneurship classes at two HBCU’s in the New Orleans area from the fall 2005 to the present. Both universities have never competed in any form of entrepreneurial competition nor Students In Free Enterprise. Outstanding results have been accomplished including winning the Ford $100,000 HBCU Business Plan Competition and students opening their own successful businesses.

INTRODUCTION

Applying andragological techniques and service learning concepts to traditional college age minority students can produce dramatic outcomes. For example, from the Fall 2005 to the present semester, a Professor of Entrepreneurship at two New Orleans bases HBCU’s conducted two classes, (1) an Introduction to Entrepreneurship Class and (2) the capstone Entrepreneurship class, using the above mentioned teaching methodologies. The universities have never participated in any form of a business plan competition nor worked with SIFE (Students In Free Enterprise). The students while completing these two courses entered the Ford HBCU (Historically Black Colleges and Universities) Business Plan Competition. The Ford Competition received over 900 entries with 200,000 students and 119 universities participating, at the undergraduate and graduate levels participated in the competition.

A student team consisting of four students; two sophomores, one junior, and one senior with grade point averages ranging from 2.03 to 3.1; were placed as one of the top five teams in the nation. In April 2007, another student team taking the same courses won The Ford $100,000 HBCU Business Plan Competition.

Five SIFE students participated in the national competition and won the Rookie of the Year Award. Again, the student body has never participated in such an event.

Some students taking the classes have opened their businesses and are doing quite well. These businesses include an entertainment business, real estate, a subway franchise and a music recording business.
During the Summer of 2006, a sophomore pre-med student taking the Introduction to Entrepreneurship course won the U.S. Department of Commerce MBDA Student Business Plan Competition.

Over the past two years at another HBCU in New Orleans, where students are exposed to Andragogy and Service Learning Techniques the results have been exciting. Every semester at least two businesses have been formed and one business has expanded from the New Orleans Market to also serving the Houston Market.

Obviously, these are dramatic results when applying andragological concepts and service learning techniques to the teaching of HBCU students Entrepreneurship courses. Significant research needs to be undertaken over the long-term to ascertain whether or not students are developing their own businesses and the “success” of these businesses.

THE NOTION OF ANDRAGOLOGY

The advent of computer simulation for business subjects in the seventies and the change in college populations in the United States, due to the baby boomer effect, adult education has grown in importance. The concept of teaching adult learners has been evolving and changing since the sixties.

One change in the education of adult learners is the concept of ‘andragogy.’ The term andragogy was first coined in 1833 by the German educationalist, Alexander Kapp (Bedi, 2004). In the eighties, Malcolm Knowles used the term andragogy in relation to adult learners in his paper entitled, The Adult Learner: a neglected species.

Over the years business educators have evolved from pedagogies; such pedagogies have included the lecture method, the case method, and the computer simulation teaching methodology. Recently, andragogy was applied to teaching adult student business entrepreneurship.

This paper will reveal the history of andragogy as applied to case studies for entrepreneurs. The results of applying andragogy into an entrepreneur case-based curriculum for minority undergraduate students age 18-24 should prove to be successful.

PEDAGOGY

Ajay Bedi (2004, p.94), in his discussion of the history of pedagogy, indicated the word “pedagogy” is derived from the Greek words paid, meaning “child”, and agogus, meaning “leader of”. Thus, pedagogy was interpreted as the art of teaching children a set of beliefs, which evolved from the Middle Ages, in the monastic and cathedral schools of Europe to today.

Bedi asserts that Knowles believes that pedagogy assigns to the teacher full responsibility for making all the decisions about what should be learned, how it will be taught, and when that teaching will occur. It makes the learner submissive in the process of education and is by its essence teacher centered. Furthermore, Knowles argues that pedagogy assumes that, in order to move on in the education process, learners only need to know that they must learn what the teacher imparts (2004, p.94). Around the world many universities continue to use this methodology, such as state run schools in the Middle East, and require the adult learner to memorize facts and figures rather than learning critical thinking (Mancuso, Gallagher, & Hafez, 1998).
ANDRAGOGY – THE GUIDELINES

Knowles (Bedi, 2004, p.95) reveals the following guidelines as a process towards training adult learners in andragogy:

1) The establishment of an effective learning climate
2) Learners are involved in the mutual planning of curriculum and teaching content
3) Learners are involved in their own needs assessment
4) Learners are encouraged to formulate their own learning objectives and to devise their own resources and strategies to meet these objectives
5) Learners are offered support and facilitation to carry out their learning plans
6) Learners are facilitated in the evaluation of their learning.

Andragogy in regards to Knowles guidelines illustrate that for adult learners the concepts of learning and experience are central ideas in the thinking and practice of adult learners (Wilson & Hayes, 2002, p. 173).

Gundars Kaupins (2002, p. 319) reveals in his research that Knowles suggested that adults learn more effectively through active training methods (e.g., role plays) and application of knowledge based on real-life events (e.g., internships, live cases). Kaupins also shows that Keyes suggested that adults learn best through active involvement in the classroom, though many methods of training are acceptable.

THE NEXT STEP – APPLYING ANDRAGOGY TO THE TEACHING OF ENTREPRENEURSHIP

The study of entrepreneurship is on the threshold of helping the Gulf Coast region, state, nation and the world attain an economic outcome that will benefit all of mankind. William Walstad and Marilyn Kourilsky (1999, p. 15) in their book Seeds of Success Entrepreneurship and Youth stated that:

“…youth have a view of entrepreneurship that was much more positive than we had ever expected. When we asked youth, ‘Do you think you would want to start a business of your own?’ almost seven in 10 said yes.”

Walstad and Kourilsky (1999, p. 28) also noted that their study was not an aberration or a sampling fluke. The percentage of youth who stated they were interested in starting a business is essentially equivalent, within the margin of sampling error, to the results from another national survey of youth that the authors conducted.

According to Walstad and Kourilsky (1999, p. 19), the US Department of Commerce noted that black entrepreneurship has experienced significant growth in recent years; the youth responses also were studied for important differences by ethnicity. The authors noted that one indicator of this trend is the change in the number of black-owned businesses. From 1987 to 1992, the number of
black-owned businesses increased by 46 percent. By contrast, the total number of firms increased just 26 percent. Black-owned businesses also experienced substantial growth during the period, with sales and receipts rising by 63 percent, compared with a 50 percent increase for all firms.

Walstad and Kourilsky’s (1999, p.19) data showed:

“…that the number and size of black-owned firms are still relatively small and that they employ few workers. In 1992, they represented only 3.6 percent of all firms and accounted for approximately one percent of sales and receipts. Also, only 10 percent of these firms had employees, although they generated 70 percent of the sales and receipts for all black-owned firms. With the growth of our economy increasingly relying on entrepreneurship, these data indicate the need for more participation by black Americans.”

Since Hurricane Katrina struck New Orleans in August 2005, entrepreneurship is playing an important part in the recovery of Orleans Parish. Since Hurricane Katrina U.S. Census data has revealed a loss of nearly half of its pre-Katrina population and all of the city’s headquarter companies have left.

Promoting entrepreneurship is a key component to the state of Louisianas’ economic development strategies. The effectiveness of ongoing efforts of local New Orleans universities working to develop and expand local businesses will be enhanced by the establishment of an academic program in entrepreneurship. Due to the restructuring of the economy nationally and internationally, there is a critical need to augment the way young people at every educational level are prepared to participate in the economy – so that they are better able to evaluate and pursue available opportunities, to calculate risks, and to foster mutually supportive economic networks.

One local HBCU has recently won a grant from Ford’s Partnership for Advanced Studies in which one component will be to train high school teachers in the fundamentals of entrepreneurship. To accomplish this training task a six-course (eighteen semester hours) of coursework will be developed using andragogy as the infrastructure of the coursework training. The course delivery system will be placed on-line in Blackboard; because teachers are located throughout the State of Louisiana. Future research will show the various outcomes of this instructional methodology to high school teachers of entrepreneurship.

**APPLYING THE CONCEPT OF SERVICE LEARNING TO THE CURRICULUM**

Service learning is a teaching and learning method that connects meaningful academic learning with community service, personal growth, community involvement and civic responsibility. It is a method by which people learn and develop through active participation in thoughtfully organized service experiences.

In the students’ syllabus, students are told through service learning not only will they have an opportunity to learn academic concepts and skills, but they will understand the relevance of those concepts and skills in the real world.
There are five key elements of the Service Learning program:

Reciprocity - Reciprocity is the belief that Xavier University and the community have something to gain from each other. Each individual functions as both a teacher and learner. Community participants are viewed as partners in teaching and learning. Therefore, students work with, rather than do for the community.

Collaboration - Service learning requires a special partnership between Xavier University students and the community. Service expectations are clearly defined. It is a process of engaging partners to work together to share resources to meet an identified community need.

Orientation - The Service Learning Program and service agencies provide students with information about the project prior to beginning their assignment.

Accountability - The goals and objectives of students’ service learning assignments are clearly defined and each partner’s role and responsibilities are clarified.

Assessment - Evaluations are conducted to assess both community and student development and to improve the program structure.

The Entrepreneurship classes are using problem-based service learning activities. Problem-based service learning entails a team of students working with community members to understand a particular community problem or need. Students are relating to the community as their “consultants” working for a “client.”

This model presumes students will have some knowledge they can draw upon to make recommendations to the community or develop a solution to the problem, for example, business students might develop a marketing plan for a small business.

“Clients” are chosen by the various teams and develop a business plan for each client. During the test period the students completed numerous case studies, such as, a bed and breakfast located in Houston, real estate companies, music industry companies, entertainment companies, and a spa.

University students helping small business operations are also helping high school students understand the concepts of entrepreneurship. The 18-24 age college students are helping high school students in the Gulf Coast Region to understand there are business opportunities rather than criminal opportunities. The students use the Ford Partnership for Advanced Studies curriculum (Ford PAS Program) to train these young high school students. At the end of the high school session students competed in a business plan competition that was judged by business entrepreneurs in the Gulf Coast Region. Of course, it is too early for long-term results for the high school participants, but for the Fall Semester 2006, twenty-five percent of the new students entering the Business Program at Xavier were participants in the Service Learning Project.
ANDRAGOLOGICAL AND SERVICE LEARNING STUDENT ASSIGNMENTS

Table 1 presents a simplified application of andragogy and service learning concepts to one assignment given to the students in the advanced class for Entrepreneurship at Xavier University of Louisiana:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Example of a Typical Assignment Applying Andragogy and Service Learning Concepts to An Undergraduate Minority Entrepreneurship Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective: Course Project</td>
<td>Another component of the course is to conduct a live case study for a ‘real’ business client. The project will consist of the following elements:</td>
</tr>
<tr>
<td>♦</td>
<td>Research the problem of the Client</td>
</tr>
<tr>
<td>♦</td>
<td>Meeting with the Client to discuss various aspects of the business</td>
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<tr>
<td>♦</td>
<td>Analyzing the business data</td>
</tr>
<tr>
<td>♦</td>
<td>Creating a business plan and any other data appropriate for the client’s needs</td>
</tr>
<tr>
<td>♦</td>
<td>Presentation of findings to the client</td>
</tr>
<tr>
<td>Since the client is working at a real business the client will give you certain times that you can meet with him/her. Also he/she will give you an email address to send the client queries about his/her business.</td>
<td>The final project will consist of a written project and PowerPoint presentations.</td>
</tr>
<tr>
<td>It is important to note that you can place your business plans into various competitions such as the Ford HBCU Business Plan competition which awards the top three finalists a price package consisting of $100000.</td>
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</tbody>
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An examination of the assignment in Table 1 reveals the establishment of an effective learning climate by allowing the student to choose his/her client and the type of business the student desires to work with. Table 1 also reveals that the learners are involved in the mutual planning of curriculum and teaching content. For example, if a student and/or team have a problem with a learning concept in entrepreneurship, the student/team will discuss the area of concern with the instructor to get a better understanding of the concern. Of course, coupled with the previous andragological concept is the concept that correlates directly with learners are involved in their own needs assessment. Again, the student and/or team will work with the instructor to help the student/team with any theories that need to be addressed.

The sample assignment clearly shows how the student and/or team will formulate their learning objectives and to devise their own resources and strategies to meet these objectives. Certainly, the instructor will have weekly meetings with the student/teams to discuss their concerns about the assignment. Basically, in this learning situation, the instructor is a ‘coach’ providing necessary information, support, and facilitation to aid the student/team in the completion of his/her objectives. At the end of the assignment the student and/or team must make a presentation to their client. The ‘give and take’ and feedback from the client helps the student/team evaluate their learning outcomes.
Service learning is a teaching and learning technique that connects meaningful academic learning with community service, personal growth, community involvement, and civic responsibility. The assignment located in Table 1 reveals that the student and/or team is helping businesses in the New Orleans area. As the census data reveals in Fedstats, New Orleans is one of the poorest cities in the United States with thirty percent of the population in Orleans Parish below poverty level and the average income is $27,000. It is certainly necessary for the university students to aid in helping New Orleans out of the quagmire of poverty and into prosperity by helping to develop in the community entrepreneurial knowledge and savvy.

CONCLUSION

Since 2005, two HBCU’s have used in the teaching of entrepreneurial courses andragological concepts and service learning techniques to enhance the learning experiences of students taking these courses. The results have been dramatic where students have won major national awards and are currently opening successful businesses.

One HBCU in New Orleans now has the only major in Entrepreneurship in the State of Louisiana. Since the inception of this major, the program has grown to over five hundred majors with every semester since 2007 at least two businesses have been formed by students and the businesses are expanding from the New Orleans market to markets in Texas, Arkansas, Mississippi, Alabama, North Carolina, and Florida.

FUTURE RESEARCH

The short-term results of applying andragological techniques and service learning concepts to the curriculum of an HBCU (Historically Black College or University) have been positive. Certainly, proper research techniques indicate that a long-term research study must be undertaken to check the validity and reliability of earlier short-term results.

REFERENCES


Web site: www.fedstats.gov
PROLEGOMENA TO A NEW ECOLOGICAL PERSPECTIVE IN ENTREPRENEURSHIP

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ABSTRACT

Prior empirical work by the authors (citation obscured) found that an ecological perspective afforded new insight into the study of entrepreneurial failure. Ecology, a term coined by Ernst Haeckel, studies "the relations of living organisms to the external world" (Tamm 2004). The ecological perspective has been applied to a number of disciplines outside of the biological sciences. This paper offers preliminary discussion of a new ecological perspective in entrepreneurship research.

The ecosystem ontological platform has been useful in the study of industry clusters. The study of industry clusters has focused on the presumed impact that clusters have on regional economic development and national competitiveness (Rocha 2004, p.368). Studies into the cluster of entrepreneurship in Silicon Valley by English-Lueck (English-Lueck 2002), Kenney (Kenney 2000), Koepp (Koepp 2002) and Saxenian (Saxenian 1994) have highlighted the value of the holistic approach to research embodied in the ecological perspective. Similarly, the ecological succession ontological platform has been useful in studies of organizational evolution. Ecological succession can be traced to Hannon & Freeman (Hannan and Freman 1977) who analyzed the effects of environment on organizational structure and proposed this as an alternate to then dominant adaptation perspective. Ecological succession unites in a single coherent framework a concern for entrepreneurial outcomes and the processes and contexts making them possible using the basic concepts of variation, selection, retention and struggle over scarce resources (Aldrich 1999, p.21). These insights lead to

Proposition 1: The new ecological perspective embraces two ontological platforms: ecosystems and ecological succession.

The ecological perspective operates at four levels of analysis: group, organization, population and community. Currently, researchers in the field of entrepreneurship have tended to limit their focus to studies of groups and organizations. Dryzek (Dryzek 1983, p.26) has noted, "ecosystems exhibit a high degree of interpenetration." Interpenetration means that action at one level of analysis causes reaction as some other level of analysis. This broad perspective can be summarized in

Proposition 2: The new ecological perspective operates at multiple levels of analysis.

Homer-Dixon has developed a thesis that there is a gap between the scientific thinking that can be applied to the solution of social problems such as pollution, global acknowledgement of ecological problems and the humanistic thinking required to successfully define the problems within an acceptable social context. Hagen (Hagen 1992, pp.136-138) has noted that the holistic nature of ecological problems makes them non-reducible and thus difficult to conceptualize and to solve. This leads to the formulation of:
Proposition 3: Ecological problems are complex and often non-reducible. Studies of industry evolution by Arthur et al (Arthur, Defillippi et al. 2001) and Lindsay (Lindsay 2005) utilized complexity theory to develop new understanding of the development of industrial clusters. In both these studies, the researchers have found that that new insight can be derived from the ontological perspective of interpretive inquiry. This leads to the statement:

Proposition 4: The new ecological perspective requires a holistic approach to understanding.

A significant body of literature has built around the framework of what Jameson (Jameson 1997) described as the "cultural logic of late capitalism". Kottak (Kottak 2006, p.40) has noted that the new ecological perspective "blends theory with political awareness and policy concerns". Dryzek (Dryzek 1983, pp.150-156) has referred to this process as moral persuasion which can take a number of forms: education, propaganda, discussion, reasoning, linguistic manipulation and exhortation. These observations lead to the statement:

Proposition 5: New ecological perspective embraces theory and political reality.

Central to this new paradigm is a concept that Dryzek (Dryzek 1983) termed ecological rationality. Dryzek (Dryzek 1987, p.44) makes the claim that "in the absence of human interests, ecological rationality may be recognized in terms of an ecosystem's provision of life support to itself." Ecological rationality has been criticized for its circular reasoning (Princen 2005, p.46). However, Nobel Laureate, Smith (Smith 2003) contrasted ecological rationality with the constructivist rationality of the standard socioeconomic science model and came to the conclusion that both rational orders exist simultaneously and that both rational orders are essential for understanding of socioeconomic life. This leads to the statement:

Proposition 6: Ecosystems have their own rationality.

Researchers can gain important lessons from the new ecological perspective. Prior entrepreneurship research into industrial districts and industry clusters have proven fruitful both in increasing the understanding of entrepreneurship and increasing our understanding of the relationship between the entrepreneur and his or her environment. The implication of Proposition 1 is that new ecological perspective can provide a vehicle for gaining understanding of the entrepreneurial ecosystem. The implication of Proposition 2 is that the new ecological perspective can serve as a tool allowing researchers protocols for the study of entrepreneurship over time and space. Selvin and Covin (Slevin and Covin 1997) have noted: "The high-growth firm is in a constant battle against disorder and chaos." The implication of Proposition 3 for researchers using the new ecological perspective is that complexity theory offers a methodology suitable for the study of entrepreneurship. Cooper (Cooper 1993) has noted that research examining predictors of new firm performance has shown mixed results and limited findings to date. Proposition 4 suggests to researchers that the new ecological perspective is well suited to the development of explanatory theory. The implication of Proposition 5 for researchers is that the new ecological perspective deals with practical reality and is likely to be conducive to fieldwork methodologies such as active research (Reason and Bradbury 2001), institutional ethnography (Smith 2005) and case study (Scholz and Tietje 2002). Sarasvathy (Sarasvathy 2002, p.95) has made the claim: "economics has failed to develop a useful theory of entrepreneurship because of its inability to break out of the static equilibrium framework." The alternative framework that she suggests is effectuation theory (Sarasvathy 2001). The logic for Sarasvathy's effectuation theory is explained by Proposition 6.
Practitioners can gain two important lessons from the new ecological perspective. First, they can use this perspective as a new form of opportunity recognition; second, they can use this perspective as a means of better positioning their new venture in the community.

The paper concludes that the new ecological perspective warrants further attention of entrepreneurship scholars.

REFERENCES


TACTICS VERSUS STRATEGY IN ENTREPRENEURIAL POLITICAL VENTURES: MCCAIN VERSUS OBAMA DURING THE 2008 PRESIDENTIAL CAMPAIGN

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ABSTRACT

"Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat." - Sun Tzu, Chinese General, 500 B.C. The emergence of Senator John McCain and Senator Barack Obama as their respective party nominees in the 2008 presidential election produced several unique distinctions - for example, the oldest nominee, the first African American nominee, and the selection of two nominees with legislative versus administrative experience. This paper analyzes both campaigns by viewing them through the prism of strategy and tactics in their respective quest to succeed and ascend to the presidency.

Presidential political campaigns are complicated ventures, with many variables, factors and influences. However, this paper suggests that it is possible to use logical conceptual frameworks to distill much of the voluminous political commentary and political activity into concentrated core principles they reflect. These frameworks provide some illumination of certain aspects of the campaigns, and conclusions concerning the relative effectiveness of these ventures. Each campaign was in fact a new entrepreneurial venture, fraught with opportunities and challenges. Like any new venture, an effective understanding and implementation of both strategy and tactics would influence success. McCain's suggestion during the debate(s) that Obama did not understand the difference between 'strategy' and 'tactics' made these terms political buzzwords that were subject to a fair amount of commentary by the "chattering class" as well as some voters.

This paper suggests that a strategy/tactics prism provides a substantial framework to objectively evaluate some of the candidates' decision-making and concrete activities over the course of the campaign. The paper addresses the issues of what constitutes strategy versus tactics, and uses implemented examples to evaluate the effectiveness of each campaign's use of strategy/tactics in order to achieve their goals and objectives. It hypothesizes that while there are many reasons why a candidate may win or lose an election, one of the important contributing factors to the outcome of this presidential election was based the stark differences in each candidate's understanding and use of strategy and tactics.
EXECUTIVE COMPENSATION: A COMPARISON OF JAQUES’ EQUITY THEORY AMONG ENTREPRENEURS

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Pandora Major, Bahamas Telecommunications Co.
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Shawn M. Carraher, Cameron University
Camille Harris, Cameron University

ABSTRACT

Top managers and executives are a strategically important group whose compensation warrants special attention because of their significant ability to influence organization performance. The problem seems to be that in some companies, top executive pay is high regardless of profitability or stock market performance. One study found that CEO pay changes $3.25 for every $1000 change in shareholder wealth. Although this relationship was interpreted to mean that “the compensation of top executives is virtually independent of corporate performance, later work suggest this is not the case in most companies. This paper explores the types of executive compensation; ethical implication; performance and regulations in terms of Jaques’ equity theory among a group of 163 CEO/Entrepreneurs.

INTRODUCTION

Pay plans are typically used to energize, direct, or control employee behavior. Equity theory suggests that people evaluate the fairness of their situations by comparing them with those of other people. The issue of executive pay has been given widespread attention in the press. The topic has received more coverage than it deserves because there are very few top executives and their compensation accounts for only a small share of an organization’s total labor cost. Top managers and executives are a strategically important group whose compensation warrants special attention because of the significant ability to influence organization performance. The problem seems to be that in some companies, top executive pay is high every year, regardless of profitability or stock market performance [cite text book]. Excessive compensation and hefty severance packages or "golden parachutes" have been burning issues in recent years. Many companies have rewarded CEOs handsomely through multi-million dollar salaries, astronomical bonuses or attractive perks like country club memberships, extravagant automobiles, lavish travel arrangements via company jets, top notch living accommodations, and what may appear to be unlimited expense accounts. Annual studies conducted by both creditable and not so creditable sources relay the fact that executive pay has drastically outpaced the pay gains experienced by the average American worker. According to numerous reports, between 1996 and 2006, CEO pay rose approximately 45%, at a time when the average pay for an American worker grew only approximately 7%. Other studies
revealed that CEOs at more than 350 of the Fortune 500 companies took home $10.8 million in total compensation in 2006, more than 364 times what the average worker earned that same year.

Today companies pay their top executives through some or all of the following instruments: a salary, a bonus program, stock grants (usually with restrictions on the ability to sell them), grants of options on the stock of the firm, and long-term incentive plans that specify retirement and severance payments, as well as pension plans and deferred benefits Jarque, (2008). Recent drastic economic events have caused many to questions the ethics of executive compensation and should the level of compensation be directly related to company performance. In recent years, regulators have demanded and instituted methods of bringing a level of transparency to account practices surrounding executive compensations.

Types of Executive Compensation

Curious things are happening in the world of executive compensation. According to 2008 Executive Pay Watch, the chief executive of a Standard & Poor’s 500 company made, on average $14.2 million in total compensation in 2007 – preliminary data from the Corporate Library. Changes in financial statement reporting requirements and scandals; including the backdating of option grants and huge option payouts, have raised eyebrow and have stoked activist shareholder groups and policy-makers into greater vigilance. It is one of the more interesting conundrums in financial theory to observe the reaction of executive compensation committees to recent events.[cite equity based executive compensation]. According to Jarques, (2008), companies pay their top executive using any or all of the following methods: a salary, a bonus program, stock grants (usually with restrictions on the ability to sell them), grants of options on the stock of the firm, and long-term incentive plans that specify retirement and severance payments (golden parachutes), as well as pension plans and deferred benefits.

Data from the Bureau of Labor Statistics (BLS) show that the average CEO earns an annual wage of $151,370 (May 2007)—less than the average doctor (internist) and about $25,000 more per year than a lawyer. The annual wage of the average CEO today is about 3.5 times that of the average worker in the economy, and the evolution of this comparison over the last seven years has followed a similar pattern as that of other white-collar professions. [cite document].

Stock options have been advocated as a means of aligning Manager’s interest with firm performance measures. Schulz and Tubbs state that the issuance of company stock to top management has been a staple of executive pay in publicly traded firms for over half a century (Crystal, 1991). While historically the provision of company stock has been the province of company executives, broad based ownership, in which company stock options are issued to management and rank and file employees, is reported to be a growing phenomenon particularly among information technology (IT) workers (Ellig, 2001). Company stock ownership is typically made available to employees through stock options, in which an employee is provided the opportunity to purchase the stock of a company in the future at the current stock price. The employee generally has a designated period of time under which they can exercise their stock option and purchase the company stock. Schulz and Tubbs explain how this works; stock options permit employees to buy stock at a specific price. If the stock rises, the employee then exercises a right to buy it and can sell it for profit. But if the stock falls below the price at which the option was set, the
employee incurs no compensation (Godfrey and O’Neil, 2001). Research revealed that as of July 2003, Microsoft, the largest technology firm, ceased granting stock options, relying instead on rewarding restricted stock awards. By replacing stock options with stock grants, Microsoft also avoided potential accounting regulations that would require firms to record stock options as business expense. In contrast, as at February 2004, IBM issued options for which the exercise price exceeded the then current market price by ten percent. Issuing stock options through broad based stock ownership plans holds a number of potential inherent advantages for firms as it has performance company implications.

Using a sample of 163 executives and the pay satisfaction questionnaire and Attitudes Towards Benefits Scales (Buckley, Carraher, Carraher, Ferris, & Carraher, 2008; Buckley Carraher & Cote, 1992; Buckley, Carraher, Ferris, & Carraher, 2001; Buckley, Fedor, Veres, Wiese, & Carraher, 1998; Buckley, Mobbs, Mendoza, Novicevic, Carraher, & Beu, 2002; Carraher, 1991a; Carraher, 1991b; 2005; 2006a, 2006b; Carraher & Buckley, 1996; 2005; Carraher, Buckley, & Carraher, 2002; Carraher & Carraher, 2005; 2006; Carraher, Carraher, & Whitely, 2003; Carraher & Chait, 1999; Carraher, Gibson, & Buckley, 2006; Carraher, Hart, & Carraher, 2003; Carraher, Mulvey, Scarpello, & Ash, 2004; Carraher, Sullivan, & Carraher, 2004, 2005; Carraher & Whitely, 1998; Hart & Carraher, 1995; Paridon, Carraher, & Carraher, 2006; Scarpello & Carraher, 2008; Williams, Brower, Ford, Williams, & Carraher, 2008) we examine the felt fair pay and felt fair benefits portions of Jaques’ equity theory. As found previously his theories were accurate at explaining equity concepts with executive compensation for both benefits and pay. It is argued that more research should examine pay issues of executives and entrepreneurs (Carland, Hoy, Boulton, & Carland, 1984). While it is a popular area of discussion in the popular press little academic work is done in the area and even less of this research is empirical.

REFERENCES


OPPORTUNITY RECOGNITION AND NEW PRODUCT DEVELOPMENT RESEARCH DIFFERENCES

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ABSTRACT

The new product development (NPD) literature introduces new ideas and introduces "best practices" used by corporate managers to improve the efficiency of managing innovation within their companies. This study looks at the positive effects in the early steps of the process on the NPD program success and efficiency among entrepreneurs, and how it differs from the expected results predicted by long-standing beliefs from the researchers studying corporate managers and the NPD process.

The NPD literature makes no distinction between corporate managers and entrepreneurs with respect to prescribing early steps in the NPD process that created a filtration system to decrease costs and make companies' programs to develop new products more productive. Lately, there have also been revelations that organizational culture does have an effect on the methods used to develop new products. (Belassi, Kondra, & Tukel 2007) Does the difference in organizational culture between large corporations and entrepreneurial firms change the methods of success of managing innovation by emphasizing early steps in the process developed by Booz-Allen & Hamilton (1968, 1982) in the 60's and validated by most of the current research on the topic today? (Cooper & Kleinschmidt, 2007)

In entrepreneurial research, venture creation is the process that roughly begins with the idea for a business and culminates when the products or services based upon it are sold to customers in the market (Bhave 1994); and this process is similar to the NPD process that begins with the ideation stage and continues until the product is introduced into the marketplace. (BAH 1968, Cooper 1990) There are some questions that must be considered to decide whether to begin separate research distinguishing between entrepreneurs and corporate managers. Should the research in the development of new products in the corporate context be accepted and expanded by researchers of entrepreneurs, or should they look for distinctions in how entrepreneurs recognize and develop opportunities? The key questions to consider are as follows:

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<th>Question</th>
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<td>Is the introduction of new products into the marketplace by corporate managers similar to entrepreneurs introducing their initial new products?</td>
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<td>Is the process described in the NPD literature that surveyed corporate managers (to identify factors that improve the efficiency and success of new product programs) also relatable to entrepreneurs' initial and future products in the marketplace?</td>
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<td>Should researchers of opportunity recognition envelop the research from the area of NPD into their own research?</td>
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<td>Should there be a difference between how developments of new products and new opportunities are researched?</td>
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Although earlier research using the same survey results showed that entrepreneurs who have developed a process with consistent steps are more efficient and successful in their overall product development (Stovall, 2009), this study does not find that the extra effort in steps described in NPD literature as the "fuzzy front end" has any positive effects on the NPD programs among the entrepreneurs surveyed. This is counter to the findings that these steps help virtually all companies with their program. (Page & Stovall, 1994) This finding is important because it gives support to the OR research that suggests that entrepreneurs may have a different process to develop new products, ideas, and organizations.