Volume 12 | Number 2 Article 1

2009

New England Journal of Entrepreneurship, Fall 2009

New England Journal of Entrepreneurship

Fall 2009 Volume 12 Number 2

NEJE

John F. Welch College of Business SACRED HEART UNIVERSITY

New England Journal of Entrepreneurship

New England Journal of Entrepreneurship is a semi-annual publication (Fall and Spring) of the John F. Welch College of Business, Sacred Heart University, 5151 Park Avenue, Fairfield, CT 06825-1000.

Annual subscription rate for two issues is $12.00 for individuals and $50.00 for institutions. Copies are mailed via second-class postage. Library of Congress ISSN 1550-333X.
For subscriptions or reprints of articles, call (203) 371-7854 or email: shuartj@sacredheart.edu.

See our website at www.sacredheart.edu/neje.cfm.

Editorial Consultant: Miccinello Associates, Branford, CT.

New England Journal of Entrepreneurship

Fall 2009 Volume 12 Number 2

New England Journal of Entrepreneurship

Call for Articles and Reviewers

New England Journal of Entrepreneurship (NEJE), published twice a year by Sacred Heart University's John F. Welch College of Business, is an invaluable forum for exchange of scholarly ideas, practices, pedagogy, and policies in the field of entrepreneurship and small business management.

The *Journal* is currently seeking original contributions that have not been published or are under consideration elsewhere. The scope of the articles published in NEJE range from theoretical/conceptual to empirical research, with maximum relevance to practicing entrepreneurs.

The *Journal* will consider practitioner interviews, book reviews, experiential exercises, cases, and articles dealing with entrepreneurial education. The Journal appeals to a broad audience, so articles submitted should be written in such a manner that those outside of the academic community would be able to comprehend and appreciate the content of the material.

Format

Manuscripts submitted to *NEJE* should be written in Microsoft Word or saved in RTF (rich text format). All papers should be submitted electronically, via e-mail attachment, to herbert.sherman@liu.edu.

Accompanying each manuscript, as a separate file, should be (a) an abstract of the article (100 words maximum), (b) a biographical sketch of the author(s), and (c) a page with manuscript title and the order of authors as well as the primary author's name, mailing address, preferred e-mail, phone and fax numbers.

Authors' names should not appear anywhere in the manuscript including Word document properties.

Papers are to be double-spaced with one-inch margins. References should be included on separate pages at the end of the paper. Manuscripts should he no longer than 20 pages of text and 25 pages total, including abstract, text, tables or illustrations, notes, and works cited. Please consult APA style guidelines for all formatting details.

Copyright

The copyright of published articles will belong to the publishers of *NEJE.* Authors will be granted permission to reprint or otherwise use portions of their articles published in the *Journal* upon written request.

Review Process

All articles will be double-blind refereed. Authors will normally receive reviewers' comments and the editors' publishing decision in approximately 90 days of submission.

Submission

All snail-mail and electronic correspondence should be addressed to:

Herbert Sherman, Ph.D., Professor of Management
Long Island University
School of Business, Public Administration and Information Sciences
1 University Plaza, H700
Brooklyn, NY 11201
718 488-1150
herbert.sherman@liu.edu

Visit our web page at http://www.sacredheart.edu/neje.cfm.

Sample Copies

Sample copies of previous issues are available from Joshua Shuart, Associate Editor, on a first-come, first-served basis. Please contact him via e-mail at shuartj@sacredheart.edu.

New England Journal of Entrepreneurship

From the Editors:

The Wall Street "meltdown" has garnered a tremendous amount of media attention as the ripple effects of that meltdown work their way through the world economy. In the United States unemployment is up, consumer spending is down, foreclosures and business closings are at record highs while home values are dropping precipitously. Interestingly enough, the media has not been flooded with a plethora of articles focused on how the meltdown will affect small businesses. A recent Google search by the editor using the terms "small business and the wall street meltdown" yielded only 1 article in the top 20 hits that actually dealt with the problems small businesses face in this market downturn (i.e., lack of credit, higher cost of risk management, and reduced consumer demand) as well as the short-term strategies for addressing the meltdown (i.e., keeping less than $100k in bank accounts in fear of bank failures, availability of top talent at low salaries, and more use of and lower cost of outsourcing).

A similar search, however, substituting the term "entrepreneur" for "small business" produced far better results with at least 10 of the articles noting that in economic downturns there are opportunities for entrepreneurs to "go green," become more socially responsible, and "scavenge" for customers that larger firms can no longer service. Understanding that this research methodology lacks what our reviewers would characterize as "validity and reliability" we are nonetheless left asking the question, "What is the significance of these nonscientific findings?"

Reflecting for a moment, and left to conjecture, one can hypothesize several reasons for the apparent difference in coverage. One reason perhaps is that entrepreneurship was originally defined by Schumpeter as innovation and technological change coming from "wild spirits" of the entrepreneurs (called Mark 1) and then later redefined as big companies that have the resources and capital to invest in research and development (Mark 2). With larger firms receiving the brunt of media attention (given the impact that a single large firm has on the economy relative to a small firm), it is then not surprising that small businesses are taking a backseat to large corporate bailouts.

It is therefore with great pride that we present this issue of NEJE, which focuses predominately on small businesses and family firms using both empirical research and the case method. This issue, however, kicks off with an interview of Ted Leonsis, founder of AOL and owner of the Washington Capitals. In another installment of Miles Davis's (Shenandoah University) ongoing series of CEO interviews addressing spirituality in the workplace, this discussion documents "Uncle Ted's" humble beginnings in Brooklyn, New York, and how his life was shaped by both his early childhood and the transformational experience of a crash landing. Ted discusses not only his successes, but also why he feels failure is important. Along, the way he offers his perspective on corporate social responsibility and why it is so important for individuals and companies to give back to society.

Continuing the theme of social responsibility, the first empirical article entitled "Ethical Compliance Behavior in Small and Young Firms: The Role of Employee Identification with the Firm" by Susan M. Houghton, North Carolina A&T State University, and Mark Simon, Oakland University explores whether employees in smaller, younger firms would be more ethically compromised, and whether employee identification moderates this relationship. The authors collected survey data from 154 working professionals enrolled in an MBA program in the southeastern United States and found that employees of smaller, younger firms selected more compromised ethical choices than employees of larger, older firms. Contrary to their expectations, employee identification had no effect in smaller, younger, firms yet in larger, older, firms identification reduced ethical compliance, suggesting that there is not a simple relationship between identification and ethical compliance.

In the second empirical piece we move from ethics to mentoring and story telling. In "Mentoring and Perpetuating the Entrepreneurial Spirit within Family Business by Telling Contingent Stories," Robert Smith focuses on family stories as transmitters of familial and family business values across generations as narrated entrepreneurial capital. Also, in considering the family unit as an entity separable from the family business and in examining the perpetuation of family values into the business sphere this work takes a step forward by linking both to narrative and narration—for it is in stories which circulate within business communities that one makes sense of families in business. Smith concludes that future generations of entrepreneurs will continue to hear stories from their grandparents, their uncles and aunts and in this way to paraphrase "be better off for it" and that entrepreneurial narrative in its many forms may lean toward being a practical theory. However, the problem with advocating practical theories is that they just don't look and sound like theories at all making the argument for telling contingent stories even more convincing.

We continue to examine family businesses but in this case in the international arena. Omotayo Adegbuyi of Covenant University in the article entitled "Strategic Marketing Practice Considerations in Family Business in Nigeria" presents a case study that examines an owner-managed medium-sized firm in Nigeria. Many of these firms remain family companies and constitute an important reservoir of business initiative. The results of this case study suggest that neither the existing typologies of small firm approaches to marketing nor the formal models of marketing attributed to big companies necessarily characterize the marketing planning and management of family business in Nigeria.

In the fourth article "Developing an Entrepreneurial Education in a Residential College: An Exploratory Case Study," Jim McAlexander, Rachel Nelson, and Chris Bates describe Western State University's Harvey Entrepreneurship Program, which is integrated into their Enterprise Residential College. The Harvey program provides a socially-embedded experiential learning approach to entrepreneurial education. Faculty, students, entrepreneurs, and technical experts are drawn together in an environment that provides space for business incubators and an entrepreneurially focused curriculum. In this article, the authors employ a qualitative research methodology to explore the benefits and challenges of creating such a program. The Enterprise Residential College is examined through the perspectives of program administrators, faculty, and students. The findings reveal evidence that a residential college can form a powerful nexus of formal instruction, experiential learning, socialization, and networking to influence entrepreneurship.

"Mason Biodiesel: A Family's New Venture in a New Industry" by Matthew Eriksen and George H. Tompson, the last article in this issue, describes the trials and tribulations of the Mason family who have chosen to enter an industry with undefined markets, growing (but uncertain) demand, some evidence of excessive production capacity, complex tax incentives, and a product that is unfamiliar to many Americans. In spite of all these uncertainties, the Masons moved quickly to study the industry and then invested their time, energy, and money. The case is a great illustration of entrepreneurs who are willing to take action instead of waiting for the "perfect opportunity" to arise.

As always, we are indebted to the authors, reviewers, associate editors, and production staff who have contributed their time and talent to the publication of this journal. Most importantly, we would like to thank you our readers for your continued interest in our journal.

Sincerely,

Herbert Sherman Editor	Joshua Shuart Associate Editor and Web Master	Lorry Weinstein Editor Emeritus

How a Plane Crash Changed My Life

Ted Leonsis
Serial Entrepreneur

In 1983 Ted Leonsis survived a crash landing of a plane he was on. This fateful event proved to be a pivotal point in his life. One of the byproducts of that near-death experiences is Leonsis' list of 101 things to do before he died—a "bucket list" before the movie of that title came out.

Leonsis has managed to accomplish more than two-thirds of the things on his list including owning a sports franchise (the Washington Capitals), changing someone's life via a charity, sailing the Caribbean, and being on the cover of a magazine. As impressive as these accomplishments are, they do not reveal the person underneath these accomplishments or what has driven this serial entrepreneur.

In previous interviews appearing in NEJE, we have explored how a person's faith tradition impacts how they run and manage their businesses. In this interview Leonsis reveals how his life was shaped by both his early childhood and the transformational experience of a crash landing. This interview examines not only what drove Leonsis to success, but also why he feels failure is important. Along, the way he offers his perspective on corporate social responsibility and why it is so critical for individuals and companies to give back to society. And finally, Leonsis shares what he has learned about the secret to happiness.

NEJE: What motivated you to get into the Internet industry?.

Leonsis: There was this wonderful New Yorker cartoon in 1993 of a computer and a dog. The dog was hitting the keyboard and it says "On the Internet no one knows you are a dog." You know on the Internet nobody knows if are fat, if you are black, if you are a Jewish, if you are gay. [We thought] it's this enabling tool we're creating. There is my mission right there.

NEJE: "To build a global medium that is central to people's life like telephone or television even more valuable"? [Editor's Note: This is the mission statement in the foyer of AOL's headquarters in Ashburn, Virginia.]

Leonsis: That is a much higher calling for a company mission than "we want to be a billion dollar company" that's in whatever telecom space. That's finding the higher calling. Now a part of that training came to me as a result of my college experience.

I went to Georgetown University, which has a deep Catholic Jesuit underpinning. The Jesuits belief was that their job was to output students who were capable of connecting a lot of dots. Intellectually they called it "interdisciplinary studies." During my senior year you had to do a senior thesis, but then there were two days of oral comprehensives. The conversation would start: "A Martian has landed and it's 1949 and he's got 48 hours to figure out what's happening on your earth. And he is going to feed that information back. He is most interested in politics, economics, history, art, and culture. What's going on and how does it all fit together? Discuss."

So if you just studied art or you just studied politics or just studied business you could not synthesize what was happening. This was right after the war, right before the 1950s. There was the GI Bill and America feels all of a sudden that it is the most righteous powerful country in the world. It just defeated its enemies. There is a Cold War starting and a general is now running for president. What does it all mean? Interdisciplinary studies connected the dots. That's what they preached. What is your role in that? What do you want your role to be? Then, as you start that journey, always try to find the higher calling in that.

NEJE: Tell us a little bit about where you grew up. Some of the influences that were part of you as you grew up.

Leonsis: It's ironic because I don't have any people that at a young age I can say influenced me. My father was a Greek immigrant, my mother was a high school graduate. They were first generation [immigrants]. My dad was a waiter and my mother was a secretary. And they did not have a very broad frame of reference. They did not travel, they were not educated, and their aspirations were not really high.

I grew up in Brooklyn, New York and the majority of people were immigrants. It was a lower middle class neighborhood. The aspirations, the role models were so-and-so's father is a truck driver, so-and-so's father owns a pizzeria, so-and-so's father is a policeman. There were no high inspirational goals.

The only doctors I had ever met were the doctors I went to. I had never met a lawyer, so I did not have a frame of reference growing up of what was possible.

What I did have though was the negative. When I was 14 years old, I saw my friend, my neighbor who I walked to school every day, shot and killed while trying to rob the pharmacy because he had developed a drug problem. And, I had a lot of friends who went the other way. I knew I did not want to do that, but I did not know what I wanted to do. So what I knew was what I call "don't touch the hot stove, because bad things happen." But I did not know where my path would take me.

NEJE: Considering this background, it appears you started your entrepreneurial activity at a young age.

Leonsis: I started my first business when I was in college. A couple of things that I did in high school had the smell of success around them and the feeling of success. I have to say that negative of growing up in Brooklyn and seeing all the bad things that could happen only reinforced that I did not like the way that felt.

When you would do some good things and you get positively reinforced I really liked that. It became a little bit self-fulfilling. I helped a guy run for office and he won. That's how I ended up coming to Georgetown [University]. He ended up saying to me: "If you work this hard and this efficient in your business, you will be a millionaire by the time you are 25." I'll never forget him saying that.

In college I started a business. I sold red, white, and blue snow cones. My junior year I ended up being academically very successful. My senior year I ended up being first in my class and I won a prize. That was the first thing that I had ever done that I was the best at something. I was competing with people when I first entered Georgetown. I told myself "I could not compete." All of their mothers and fathers went to college, they had cars, and they were people of wealth. My mom and dad had never gone to college. I visited two college campuses in New York. First time I ever saw Georgetown [University's] campus, was the time that I came to move in. The first time I ever saw the SAT exam was the day that I took it. It is so different now when I look at my experience. My son gets to go look at 10 [universities], takes the PSAT, takes 2 SATs, and takes advance placement courses. It is very just different [than when I was growing up]. I did not really have a role model or aspiration when I was growing up.

NEJE: So you went to Georgetown University, launched a couple of businesses and then from there?

Leonsis: My first job out of college was with a computer company called Wang Laboratories, which was a very hot, growing company. It was headquartered in my parents' hometown of Lowell, Massachusetts. We had moved out of Brooklyn to Lowell my junior year of high school because my neighborhood got too tough. My parents lived in Lowell and Wang Laboratories was headquartered in Lowell. Because I had a lot of student loans and student debt, I moved in with my mother and father and got a job with this computer company. I was able to get that job, because in Georgetown I had written a paper that used a computer to prove a theorem. I did some work around Ernest Hemingway writings using this computer. It was novel at the time. It was 1976. There was one computer on a whole campus.

NEJE: The size of the whole room probably?

Leonsis: Yes. I started at Wang Laboratories right before mini-computers and you could tell that personal computers would be on the horizon. I moved up very aggressively in that hierarchy until I was director of marketing for their word processing programs. Wang was a leader in word processing. Then I had a vision to start my own company. When I was 24 year old, I started a company called "LIST" which stood for "Leonsis' Index for Software Technology." The first product kind of looked like TV Guide. The front of the book was about new software, the people who make software, and interviews with software developers. The back of the book featured reviews and descriptions of the software and what hardware it worked on. That business exploded and became very profitable. It was acquired a couple of years later for $60 million by a big company called International Computers and Tabulators. At a very young age I had started a company and had great economic success.

NEJE: You were 25 years old. After you sold that business what led you to launch other businesses?

Leonsis: The seminal event was: I grew the company, I sold it, and I made a lot of money. I was traveling a lot. I built a house and bought cars because I grew up in an environment where, although we had a lot of spirit and good familial relationships, I did not have a lot materially. A friend of mine said I was like an innercity black kid who signs a big pro college contract. I bought my mother and father a house in Florida. I bought them cars. I bought a big house, cars—and then I got on a plane that crashed. That was very life changing for me, because I honestly realized: (1) I did not want to die and (2) deaths are very natural, everyone who is born naturally dies. I wanted to die with a smile on my face and this was as far away from having a smile on my face as possible.

NEJE: How old were you at the time?

Leonsis: I was 26 years old. As you are praying and thinking, none of the things that you had were the things that you were going to miss. It was not like "Oh, if I only bought that third car." So you just go through this and think "I just have so much more to do and when you do die there will be an obituary now, it will be he was a young guy, he was smart and made a lot of money." Is that what I want my obituary to be? That's why I prayed hard. With the rest of my life I'll do good work, I'll try to have a higher calling. Obviously, we made it through. I have tried—I am not as good as I could be or want to be. But, I am moving through my list and in the business that I created, the charities that I helped start, and the mentoring I tried to do. It is all kind of payback for having a second chance. Also, so that when I do finally pass away, whether it is tomorrow or 45 years from now—my father is 95 years old, and I am working on 50—if I die today, the body of work in the last 25 years is substantial. I've given more than I've taken.

NEJE: Is this perspective from a particular religious or theological framework?

Leonsis: Yes. I would say it's more about having a life-altering experience. I know I am blessed. I know the last 25 years were payback for the first 25 years. I don't want it to sound like there is God and he is keeping a general ledger. I am not without sin, but I do think I get more joy out of creating businesses or helping charities or mentoring than I do making an investment and being able to say I just made a couple of million bucks with it.

NEJE: Aside from you changing personally and your outlook on life, was there any impact on the way you run your businesses, particularly your interactions with employees or organizational structure?

Leonsis: Yes, very much so. I think you have to lead by example. AOL had its ups and downs. There have been some controversial times in [AOL's] leadership and regime changes. There have been lots of investigations. The reason I am still here is because I always took the right path. When I ask our company to do something they believe in me, because they know I lead by example. I do the work; I've done the right thing the right way. I do think there is a positive outcome from acting with belief and integrity.

Secondly, I think that I've been authentic and true to myself. When we owned a small company or big company, when I was poor or rich or really rich or less rich, I've been the same person. There is a consistency and people know how to talk to me. They trust me and they don't think that I am changed and I am not connected to them or what they are doing, their jobs or their liking. Because of that it made me a better manager. Because of that the flow of communication has remained pretty good. People include me and confide in me, tell me things that other people maybe don't want to hear. That's maintained my effectiveness as a leader.

NEJE: If I were to ask employees how they view you, what do you think the most common adjective would be to describe you?

Leonsis: They would say "heart and soul of the company, the person with the founding vision, who kept the flame going. Uncle Ted."

NEJE: What are the challenges that come up when you are trying to be "heart and soul" and are trying to do the right thing? Is there tension that exists between doing what your heart, your spirit, and your soul would want to do and the financial realities of the company?

Leonsis: We had an executive [at AOL] once who made a decision to lay off about 1,000 people, 300 of them were in my shop. It was on a Friday. He took off that Friday and went on his boat. I was here, I went into two meetings, and I did many of the layoffs myself. I always felt that when you lay someone off, you failed because you hired them, because you were a bad planner. You did not hire someone with a notion that you will fire them. There was something wrong with your plan, you did not grow as fast, or your financial model was not correct. That was painful, but people also appreciated it that I did not run off from my responsibility. It is the most painful thing to do in the business. It is very hard for people to understand because you are laying them off, but you are making billions and billions of profits.

Those are responsibilities that come with running a public company and you have to weigh the benefits that come from running the business to every part of the value chain. There are investors, who expect a certain return, there are suppliers who expect a level of business and payment, there are employees, there are customers and you are constantly weighing what is in the best interest of every one of those constituents. I had to sell businesses, had to lay off people. It does not make you less human. It bothers me when people can do it and not understand the humanity wrapped around it. I don't like those kinds of executives.

NEJE: Is there framework, something, and anything that you used that helped you in dealing with those challenges in different competing stakeholders if you will?

Leonsis: I believe you must be a growth company and a growth business—that growth is everything. Nothing bad happens when you are growing. Business is pretty simple when you can grow your top line faster than you can grow your G&A [general and administrative] expenses. Everyone is going to be happy. You get in trouble when you are growing your expenses assuming that your top line is going to grow. You are assuming you are going to grow 30 percent, and then you grow 20 percent, which is good growth, but not if you exceed it at 30 percent with your expenses.

I try to keep business simple. Simple business models communicate what the goals are and the results. The employees are smart. They know that if you are not meeting your goals, there will have to be a change. The goal is if you have a successful company many of the people that you have ended up laying off you bring back, you know that in your heart of hearts you will end up with a good job. Mostly, because you are in a good industry and they got great training and having AOL in their resume is helpful. So while you feel terrible you know it is going to be ok for them.

NEJE: Some final questions. How do you look at the issue of corporate social responsibility?
Leonsis: I strongly stress our corporate social responsibility. I believe one of the deliverables that companies have to give back to their employee base and to the community that they serve. It becomes difficult for many companies because dollars that you are giving come off of your bottom line. We are fortunate we have scale in size. We can be dollar givers, but we also can give people's time. We have volunteer days or we allow people to take time off to go in and help a charity, or we can provide the services of the online part of it to the charity. We are very active. I think that the times that we have been most active is the time when our morale was much better.

NEJE: Why even do these things? Why do the things that distract the time from the bottom line?
Leonsis: Because it is good business. It makes you feel good and there is responsibility to it, but the companies that have the most satisfied employees and the best employee retention are the ones that have the most active giving programs. So there is a correlation that if you have employees who are satisfied, they work longer hours, they will tell their friends about your company and will recruit them to business. It helps your business. It is the right thing to do, but also a right thing to do for your business.

NEJE: How do you transfer or do you even try to transfer your perspective of running the business to your organization so that it is spread out throughout the organization?
Leonsis: I think there are three things.

1. Having a very clear mission, and really being consistent with that. Google says: "Do no evil." Pretty simple.
2. Having an operating and financial plan consistent with your mission and vision.
3. Executing on it and rewarding when people execute it the right way. Then you've got lots of opportunities to communicate big and small.

I have founded companies that are transparent and open, listen to their employees, and have that feedback mechanism. With some companies, the more they are successful the more hierarchal they become. Someone on the top says here's what we got to do. Someone in the middle takes the orders and the general working population executes it, without it being connected to the mission.

NEJE: Am I correct in understanding that you have commissioned an interesting study that finds the secret of happiness?
Leonsis: I have been involved for a number of years in a bunch of studies. Because I think we all are into the happiness of self-actualization. As people we want utility. Google is a great example. They give you the best search results the fastest. So you use them more and more and they become a utility like electricity or running water. They tell you how fast it was to get the search and they are meeting a bunch of needs. There are other companies and needs. Take Starbucks, for example. On Saturdays or Sundays I drive to the bookstore and buy some magazines and newspapers. Then I go into Starbucks and buy two coffees to bring home for me and my wife. There is something I like about it. They are filling that need and they know it. They want you to go in and smell the coffee being roasted, hear the barista making the foam, look around at other people that you know and like who are there. They packaged up that experience really well. They turned a cup of coffee into utility. I wake up and I need my coffee has been turned into "I am going to drive and stay in line and pay $4 for something that I love." I love the experience. I am very interested in what makes people happy.

My conclusion is—after a lot of reading of every article and every book, and seeing and participating in these studies—it really comes down to four simple things. First, active participation in multiple communities of interest. I have sports lives, school lives, charity lives and I mix them together. Second, you show gratitude and give back. It's very important. So I do volunteer and I mentor. I am involved. There is not a day, not a single day, that there is not some kind of charity work that I budget some time and energy to. Third, personal expression. We all want to be heard, be seen or have our opinion matter. There is a reason that there are 70 million blogs and I blog every day. The more I blog the happier I am. Last, is that you see a bigger picture and higher calling in your pursuits. I tell our players that. I am not trying to make [the NHL] playoffs; I am not even trying to win a Stanley Cup. I want you [the players] to be immortal, bring our city closer together. I want your name on that cup [Stanley Cup] for all eternity. That's what we all have to strive for. Win the first championship in Washington, bring our city together and have immortality. I don't want to just make the playoffs. So finding this higher calling in everything I have found rallies the troops, gives you so much more satisfaction when you get there. Our name was America Online. We got America Online we are now looking for our next act.

NEJE: Is there anything I should have asked you about, anything that is important to share that our readers might be interested in knowing?

Leonsis: When you interview people who are successful they talk about what works. But, failure is really important. Failure and lack of fear, when you have failure, I'll never forget an episode. I had an employee and we were very close, we grew up together. He was one of our first employees. He ran a piece of business for us. I went to a meeting. We got fired from this piece of business, threatened with a law suit. It was a stunning reversal.

This guy was devastated because we did not expect this was going to happen. He offered his resignation. I am shocked, don't know what to say. I am responsible and I am thinking "should I offer my resignation too?" We were outside talking, it was a beautiful day and he asks, "Did you hear what I said?" "Yeah, I heard what you said. Look is the sky falling? You just witnessed what is the worst that could happen. The worst that could happen happened. It is not that bad. We will get through it, we'll find another account, and we'll cut back some expenses. You are good man. You should not resign. I am not going to fire you."

Until you find that experience in seeing what is the worst that can happen and seeing that you can bounce back, you will not realize you can overcome failure. Everyone wants to be successful, no one wants to fail. But I do think that to be successful you do have to fail. I do look at sports where everybody looks at a guy who hits 300 [in baseball], which means he is making an out 70 percent of the time. He could win the batting title not fearing failure and learning from failure—a very undersold commodity and a lot of it comes from experience.

—Miles Davis

Ethical Compliance Behavior in Small and Young Firms: The Role of Employee Identification with the Firm

Susan M. Houghton
Mark Simon

We explored whether employees in smaller, younger firms would be more ethically compromised, and whether employee identification moderates this relationship. We collected survey data from 154 working professionals enrolled in an MBA program in the southeastern United States. We found that employees of smaller, younger firms selected more compromised ethical choices than employees of larger, older firms. Contrary to our expectations, employee identification had no effect in smaller, younger, firms, yet in larger, older firms, identification actually reduced ethical compliance, suggesting that there is not a simple relationship between identification and ethical compliance.
Keywords: small business; ethical compliance; employee identification; ethical decision making

In this age of colossal global corporate ethical disasters worldwide, thought leaders of many disciplines are desperately searching for clues to understand the underlying pressures that affect ethical choices made every day inside all organizations—small and large, young and old. Executives are eagerly and anxiously instituting corporate codes of ethics to formalize behavioral guidelines (e.g., Schwartz 2001; Somers 2001; Stansbury and Barry 2007). Whole careers are emerging in the compliance and ethics field (e.g., Murphy and Leet 2007; Weber and Fortun 2005). From a judicial perspective, the U.S. Sentencing Commission amended the Federal Sentencing Guidelines in 2004 to allow firms that create "effective compliance and ethics programs" to receive better treatment if prosecuted for fraud. In the academic realm, management scholars are more systematically investigating the ethical decision-making context in organizations to determine if there are identifiable pressures that enable or impede organizational efforts to improve the ethical choices of all employees (e.g., Neubaum, Mitchell, and Schminke 2004; Schminke 2001).

Despite the attention paid to improving corporate ethics, we suggest that smaller and younger firms experience constraints that may limit their ability to systematically imbed compliance and ethical routines into their organizations. Both smaller and younger firms typically lack resources for full-time compliance officers, formal ethics programs, or sophisticated structural procedures addressing compliance and ethical issues (Ciavarella 2003; Eisenhardt 1988). If these resources are genuinely beneficial for instilling ethical behavior in organizations, then it follows that smaller and younger firms may suffer in their efforts to institute such ethical climates, or that smaller and younger firms must rely on other tactics. Consequently, we believe that a more rigorous understanding of the effects of firm size and age on the firm's ethical decision-making climate will assist thought leaders as they target solutions for these distinct types of enterprise. This leads to our primary research question: *Do employees in smaller and younger firms make choices that are more ethically compromised than employees in larger or older firms?*

What happens if these smaller and younger firms *do* exhibit weaker ethical contexts, based on their employees' choices? How can these firms overcome the lack of structural procedures to help guide ethical behavior? One possibility lies in the employees themselves. Individuals who demonstrate a strong personal identification with their organization may be more likely to favor the company's long-term interests over their own interests in ethical dilemmas, especially in smaller, younger firms (Cole and Bruch 2006; Reynolds 2003; Trevino and Victor 1992; Victor, Trevino, and Shapiro 1993). This possibility leads to the secondary research question: *Does the extent of identification an employee feels toward the firm moderate any effect of firm size and age on ethical choices?*

To address these research questions, we collected data from 154 working professionals enrolled in an MBA program in the Southeastern region of the United States via an anonymous, voluntary survey instrument. We next develop our theory and hypotheses, and then explain our research design and findings, and finally discuss the implications of findings for thought leaders in the ethics and compliance fields.

Theory Development and Hypotheses

Organizational size and age are key structural features of every organization (Pfeffer 1991). Broadly, the concept of structure includes organizational size, the number of hierarchical levels, formalization, and centralization. Importantly, organizational size and age tend to covary and are strong indicators of the presence of underlying structural dimensions of hierarchy, formalization and standardization (Hannafey 2003; Pfeffer 1991; Scott 1998). Pfeffer reminds us that employees are embedded in social structures that can be delineated and have a substantive impact on employees' outcomes (Oldham and Hackman 1981). In this spirit, then, we argue that the organizational size and age aspects of structure may affect the ethical choices that employees must make. Supporting this perspective, Robertson and Anderson (1993), using ethical scenarios, determined that certain features of organizational structure influence how salespeople resolve ethical conflicts.

Organizational Size, Age, and Ethical Choice

Organizational size and/or age may constrain the establishment of ethical guidelines for employees when they are faced with ambiguous ethical or compliance dilemmas. For example, the U.S. Sentencing Guidelines present specific steps that organizations should take to instill satisfactory behavior and an ethical climate that will reduce sentencing penalties. Many large, established firms have adopted the guidelines to assist them in setting an appropriate climate. But smaller and younger firms may lack sufficient resources to establish such complex formal control systems. We next discuss the structural constraints that smaller firms face that may inhibit their ability to implement effective ethical behavioral control systems. Then, we present similar arguments for younger firms to develop our first hypothesis.

Smaller Firms and Ethical Choice. Smaller firms typically have fewer hierarchical levels, less formalization, and more centralization of decision making. These factors mean they have less need of formal structures to implement organization-wide ethics policies. Instead, leaders in smaller firms may feel that they have a direct pulse on each employee and therefore they can directly intervene in inappropriate behavior, and proactively set the ethical guidelines for the firm with their own behavior (Ciavarella 2003; Eisenhardt 1988). Larger firms, on the other hand, have increased organizational slack, formalization, and structured human resource practices that may facilitate the firm's ability to instill ethical standards of behavior (e.g., Scott 1998).

There is little evidence that establishing an ethical climate is a pressing priority for leaders of smaller firms. For example, in a survey of more than 1500 small business managers in the Atlanta, Georgia, region, researchers asked managers to identify their primary business concern. The number one concern was human resource issues, followed by financing issues, and then the economy. None of the respondents identified ethics or compliance within their firm as a key issue (Oviatt 2007). Of course, the evidence that ethical or compliance issues are not first does not mean that they are irrelevant to the managers.

Younger Firms and Ethical Choice. Younger firms have special challenges, such as liability of newness and liability of legitimacy (Aldrich and Auster 1986; Barron 1998). Younger firms have higher operational risks, heightened uncertainty, and much less organizational slack in terms of financial resources, human resources, and intangible resources. This resource-constrained environment, coupled with heightened strategic and organizational uncertainty, may put additional pressures on the organization to cut corners, or to emphasize more strongly short-term results over long-term behavioral consequences (Eisenhardt 1988). Older, established firms, in contrast, have much higher survival rates than younger firms. Therefore, it is possible that in new ventures, the organizational leaders are more intensely focused on organizational survival and less attentive to establishing professional norms of conduct. Therefore, younger firms may lack the commitment to long-term ethical standards when management is struggling with issues of competition, cash flow challenges, and ill-defined human resource practices (Morris et al. 2002; Neubaum, Mitchell, and Schminke 2004).

Hannafey (2003) explores some of the key reasons that entrepreneurial organizations make ethically compromised choices in his literature review of entrepreneurship and ethics. He notes that beyond the stressful and complex environment within which entrepreneurial organizations function, these young firms "may encounter acute leadership and managerial difficulties" (p. 104) as well as an unformed ethical culture, which could range the gamut of highly ethical to very weakly ethical, depending on the founder's choices and actions. Consistent with Hannafey's arguments, Neubaum, Mitchell, and Schminke (2004) found that entrepreneurial settings were less associated with the ethical climate category that emphasizes a cosmopolitan locus, that is, that embraces considerations for the larger societal interests and more associated with instrumental ethical considerations (Victor and Cullen 1988). Similarly, Morris et al. (2002) found that four different ethical clusters emerged for entrepreneurial firms, but only one of them, representing a small percentage of firms in their sample, encompassed prosocial ethical standards, which they labeled "superlatives." Therefore, in an entrepreneurial environment, it is possible that many employees have fewer organizational incentives for engaging in compliance behaviors above and beyond the legal requirement. Therefore, employees may err on the side of pragmatic short-term outcomes, rather than long-term ethical implications when they are faced with a potential ethical or compliance situation.

Thus, in smaller and younger businesses, the manager faces too many pressing issues that all seem important, and the firm lacks the structural resources to delegate, prioritize, and systematically address each issue. This structural flexibility may be very effective in certain competitive environments, but it may be detrimental to issues that require consistent, long-term approaches, such as compliance and ethical codes of conduct. The above arguments suggest the following hypothesis:

H1: Employees of smaller firms and of younger firms are more likely to respond in a less ethical manner when confronted with an organizational ethical dilemma than employees of larger firms and of older firms.

Organizational Identification and Ethical Choice

Although the organization's structural dimensions of organizational size and age may be powerful influences on employees' ethical decisions, we suggest that when employees feel a strong sense of connection with the organization, they are going to support that organization with highly ethical decisions, independent of the firm's size or age. A widely accepted precept of social psychology, labeled social identity theory, explains that an individual's sense of self, or personal identity, is strongly influenced by his or her perception of inclusion in certain groups, such as nationalities, political parties, and organizations (Tajfel and Turner 1986; Tolman 1943; Turner 1984). An individual gains stronger self-esteem from identification with prestigious groups when he or she "perceives themselves as psychologically intertwined with a group's fate, sharing its common destiny, and experiences its successes and failures" (Mael and Ashforth 1995: 310). An important subset of this generalized theory is organizational identification, which focuses on the extent to which an individual identifies with his or her work organization. Thus, organizational identification is the extent to which the individual internalizes the characteristics of the organization as his or her own (Cole and Bruch 2006). For the purposes of this article, we are interested in the extent to which organizational identification motivates prosocial ethical behavior within the firm. To understand this rationale more fully, we turn our attention to the theoretical and empirical evidence of organizational identification and its consequences.

Individuals are motivated to hold positive self-images, which improve psychological health and well-being (Brockner 1988). When the organization is viewed positively, therefore, individuals may seek to strengthen their personal identification with the organization. They experience pride, positive self-esteem, and a greater desire for ongoing affiliation with the organization (Dutton and Dukerich 1991; Dutton, Dukerich, and Harquail 1994; O'Reilly and Chatman 1986). However, when the firm's image is sullied, employees suffer (e.g., Dutton and Dukerich 1991).

When employees have strong organizational identification, they will engage in behaviors that sustain, reinforce, and strengthen a positive image of the organization. Dutton, Dukerich, and Harquail (1994) argue that strong organizational identification will stimulate interorganizational cooperation, citizenship behaviors, commitment, and loyalty while O'Reilly and Chatman (1986), using a more generalized construct of organizational commitment, find that it increases psychological attachment. Foreman and Whetten (2002) propose that strong identification fosters more organizational involvement and internalization of organizational goals. Ashforth and Mael (1989), similarly, predict more commitment and loyalty from employees who have strong organizational identification, and Reger et al. (1994) explain that organizational identification improves employees' acceptance of change. Mael and Ashforth (1992) found that stronger identification with an alma mater was associated with increased financial giving and willingness to advise others to attend the university. Weak organizational identification, on the other hand, is associated with higher turnover (Cole and Bruch 2006; Mael and Ashforth 1995), and less commitment to organizational goals (Cole and Bruch 2006).

When individuals have strong organizational identification, we expect that they may be more inclined to act in prosocial ethical ways that put the organization's reputation, image, and integrity above other concerns. As Fiol (2002) points out, this can become self-reinforcing behavior. Behaviors of cooperation and extra-role activities that connect the individual more strongly to the goals and image of the organization simultaneously bind the individual's identity more closely to the organization. This tight association may increase the employee's trust in the organizational overall.

This trust becomes crucial when employees face ethical choices within the organization. Ethical choices, by definition, are fraught with uncertainty about how to weigh personal, direct, and immediate consequences, with organizational, indirect, and long-term consequences. Further, because organizations are complex social entities, it is not always immediately obvious how the organization would prefer the employee to respond, especially in murky situations that are not amenable to an instrumental, rule-based decision calculus. If the employee has strong identification with that organization, then the employee may be more confident that he or she can divine what actions the organization would prefer in a given situation, and the employee may have more motivation to uphold that organizational preference. Thus, only when the employee trusts that the organization will support such decision making will the identification result in prosocial ethical behaviors. Put simply, employees who identify strongly with the organization will want to act ethically to help the organization. Given the above rationale, we hypothesize the following:

H2: Employees who report strong identification with their organization are more likely to respond in a more ethical manner when confronted with an organizational dilemma than employees who report less identification with their organization.

While organizational identification may be valuable in its own right for encouraging ethical decision making among employees, we argue that it is especially useful when other structural policies and procedures are absent, as in smaller or newer firm. Larger firms are less dependent on individual relationships to the firm in order to facilitate an ethical climate. As the U.S. sentencing guidelines illustrate, there are many formalized policies, procedures, and training programs available to the larger, older, firms that can afford them, in terms of time, financial resources, and human resources. But in smaller and younger firms, which probably lack such formalized systems, an individual's strong bond of organizational identification may be an important component to building an ethical climate for decision making. Thus, we expect that organizational identification may moderate the relationship between firm size and age and employee decision making.

H3: The effect of firm size and age on the extent of ethical response is moderated by the strength of the employee's identification with their organization.

Methods

Sample

Our sampling frame consisted of 638 working professionals who were current MBAs at a university in the Southeastern region of the United States. We sent emails to these individuals requesting they complete a survey instrument. A total of 154 students responded by filling out all items, generating a response rate of 24 percent. Twenty-nine percent of the companies the respondents worked for employed less than 200 people and 19 percent of the firms were nine or less years old. Eighty-one percent of the sample worked in the service sector, while 19 percent worked in the manufacturing sector. Finally, 68 percent of the individuals were between 25 and 35 years old, and 61 percent of the sample was male and 39 percent female.

Measures

Dependent Variables. Ethical decision-making constructs are generally measured using hypothetical vignettes to illustrate various compliance situations that employees might encounter (Barnett and Vaicys 2000; Buchan 2005; Rothwell and Baldwin 2006). Asking respondents about hypothetical scenarios, rather than about actual behavior, reduces demand effects caused by the desire to avoid questionable choices or choices that might lead them to get in trouble.

We, therefore, constructed a vignette involving a potential ethical compliance situation to measure the extent to which the individual exhibited ethical compliance behavior (see Figure 1). The vignette focused on a breach of confidentiality situation, raising the dilemma of whether to report a colleague who had shared confidential information inappropriately, and if so, how to go about reporting it. We told the subjects to respond to the vignette assuming it had just occurred and it involved their current employer. The person chose one of 6 different possible actions, ranging from one that was patently compromised to one that represented pure compliance. The response choices were presented in random order. Responses were then coded, ranging from 1 to 6, with 1 representing the patently comprised choice and six representing pure compliance. Thus, the scores on each vignette were used to rate the respondent's propensity to act in an uncompromised compliance manner. Higher scores on this measure indicate greater willingness to select an ethical response. The survey presented the vignette first to reduce any cueing effect that the organizational identity questions may have had on the respondents.

Independent Variables. The organizational structure dimensions of firm size and firm age are known to covary in practice (e.g., Scott 1998). Consistent with this, the reliability score for these two dimensions is 0.66 in our sample. In addition, we relied on similar underlying theoretical arguments to hypothesize a relationship between these two organizational structure dimensions and ethical decision making. Therefore, we collapsed firm size and age into a single variable, labeled "size/age," for theoretical and statistical clarity. To capture size/age, we first assessed each firm's age. If the firm was nine years old or less, we coded it with a one, indicating the firm was still likely to be in the adolescent stage. Older firms were coded with a two. Next, we divided firms into one of two categories based upon size. We coded firms with less than 200 employees with a one and firms with 200 employees or more with a two. We then combined the size and age items into one variable by adding them together and dividing by two. High scores on size/age indicate the firm is larger and older than other firms in the sample.

We measured organizational identification using six Likert-type items developed by Gioia and Thomas (1996). The six items in our sample generated a Cronbach's alpha of 0.84, consistent with Gioia and Thomas' reported alpha of 0.82. We also performed a factor analysis using principal components analyses with a varimax and promax rotation as well as maximum likelihood extraction using varimax and promax rotation. All methods generated a one-factor solution, confirming that the six items in the organizational identification scale are a measure of a single construct. We added the six items and divided by six to calculate the variable.

Controls. As past research indicates that gender might influence compliance (Hoffman 1998; McDaniel, Schoeps, and

Lincort 2001; Peterson, Rhoads, and Vaught 2001; Schminke 1997), we included it as a control variable. Males were coded as "1" and females as a "2." Similarly, we controlled for each respondent's age because age may affect level of compliance (Peterson et al. 2001). As described in Figure 1, we divided age into five categorical variables, where the lowest numbers represent the younger respondents.

Analyses

We employed hierarchical multiple regression to examine the study's hypotheses. Using ethical compliance as the dependent variable, we conducted the analysis in three steps. First, we controlled for respondent age and gender in step 1, and then entered the independent variables, size/age and identification in step 2. Finally, in step 3, we entered the interaction term, size/age X identification, to determine if it had

Ethical Compliance
To measure compliance, we analyzed individuals' responses to the following vignette.

Last week you had lunch with a close colleague and his wife in a local restaurant. During lunch, your colleague describes an upcoming working trip to Buenos Aires, Argentina, and reveals that the purpose of the trip is acquiring Sonos Enterprises, a competitor that is headquartered there. His wife expresses interest in the business and casually adds that her aunt is always looking for a great investment. As a result of the lunch conversation, you would most likely:

A) After considering the conversation, pull your colleague aside and suggest that he file a report indicating that he may have released nonpublic information. (score = 2)
B) After considering the conversation, discuss it in detail with your supervisor. Your supervisor tells you that such a conversation would damage the reputation of the entire company and to keep it to yourself. You report the conversation. (score = 6)
C) Report the conversation directly without seeking any other person's advice. (score = 5)
D) After considering the conversation, discuss it hypothetically with your supervisor. Your supervisor says that it is in the past and the news will come out eventually and not to worry about it. You, therefore, don't worry about it and don't proceed further. (score = 3)
E) Do nothing. (score = 1)
F) After considering the conversation, discuss it in detail with your supervisor. Your supervisor tells you that you must report the colleague. You report the conversation. (score = 4)

Identification
To measure identification, we used the scale below. Individuals recorded their response to each statement using a 1-to-5 scale, ranging from strongly disagree to strongly agree.

1. People who work for my current employer, ranging from top managers down to entry-level employees, identify strongly with the company.
2. When someone criticizes my current employer, it feels like a personal insult.
3. I am very interested in what others think about my current employer.
4. When I talk about my current employer, I usually say "they" rather than "we." (Reverse coded)
5. My current employer's successes are my successes.
6. If a story in the media criticized my current employer, I would feel embarrassed.

Age
We used the following scale to measure age:

1 = individual is less than 25 years old
2 = individual is between 25 and 30 years old
3 = individual is between 31 and 35 years old
4 = individual is between 36 and 40 years old
5 = individual is between 41 and 45 years old
6 = individual is over 46 years

Figure 1. Vignette

additional explanatory power beyond the control and independent variables. Consistent with past research (Aiken and West 1991), to capture the interaction of size/age and identification we first centered and scaled each variable and then multiplied them together to compute their product. We examined the coefficient for the variables after we performed all steps and standardized the variables to compare their relative impact.

Results

Table 1 displays the intercorrelations among the study's variables. All correlations were below .50, suggesting multicollinearity is not a problem. Table 2 provides the result of the hierarchical regression analysis. The full equation was significant (adj. R2 = .12, p < .001). As predicted, size/age was positively and significantly associated with the ethical compliance (ß = .33, p < .001), supporting Hypothesis 1. Hypothesis 2, that identification was directly related to ethical compliance, was not supported (ß = .03, n.s.). The interaction of size/age and identification was significant (ß = -.15, p < .05), supporting Hypothesis 3. The control variable, age, was positively related to ethical compliance (ß = .12, p < .10) at the 10 percent level of significant, which indicates that older respondents were more likely to select a more ethical compliance choice than younger respondents. The coefficient for gender was not significant (ß = .09, n.s.).

Table 2. Results of Hierarchical Regression Analysis

	Compliance		
Predictor Variable	*Model 1*	*Model 2*	*Model 3*
Step 1: Controls			
Individual age	.11†	.11†	.12†
Gender	.05	.08	.09
Step 2: Independent			
Size/age		.33***	.33***
Identification		.03	.01
Step 3: Interaction			
Size/age*Identification			-.15*
ΔR^2, change from prev. model		.11	.02
ΔF, change from prev. model		9.07***	3.78*
R^2	0.01	.12	.14
Adjusted R^2	0.00	.10	.12
F	.94	5.06***	4.88***

† p = < 0.1, * p = <0.05, ** p = < 0.01, *** p = < 0.001
n = 154, One tail tests results are reported

Discussion and Conclusion

Academics, public policymakers and executives are all searching for ways to improve the ethical and compliance behavior of organizations. We believe that organizational context may be a key factor in ethical compliance behavior. Not all organizations face the same environmental pressures and survival challenges. One critical distinction is organizational size/age. Smaller firms have more intimate relationships, fewer formal control structures, and fewer resources to invest in systematic plans to guide ethical behavior and to ensure compliance. Similarly, younger firms, which are still experiencing substantial entrepreneurial risks and constraints (Aldrich and Auster 1986), may have very different orientations towards compliance norms. In particular, the high stakes involved in sustaining a new business, given the well-documented liabilities of newness and legitimacy, present extraordinary pressures for generating sufficient positive cash flow for survival through each quarter. These pressures, arguably, focus the firm on short-term goals and may encourage shortcuts that skirt the edges of compliance. We hypothesized that smaller and younger firms may be less successful in creating climate of uncompromised compliance behavior than larger, older firms because the firm's attention is so intensely oriented on short-term survival and these types of organizational lack access to formal structural guidelines (Neubaum, Mitchell, and Schminke 2004).

Table 1. Means, Standard Deviations, and Correlations

Variables	*Mean*	*Std. Dev*	*1*	*2*	*3*	*4*
1. Compliance	2.55	1.32				
2. Size/age	1.26	.37	.32**			
3. Identification	3.56	.86	.01	-.07		
4. Individual age	3.04	1.19	.10	.00	.02	
5. Gender	1.39	.49	.03	-.08	.12†	-.19†

† p = < 0.1, * p = < 0.05, ** p = < 0.01, *** p = < 0.001
n = 154, One tail tests results are reported

In addition to the influence of firm size/age on ethical compliance choices, another motivator of more ethical compliance choices may be the extent to which the employee experiences a strong identification with the organization. When employees report strong organizational identification, they exhibit behaviors inside the firm that reflect their personal loyalty and commitment to the firm (Ashforth and Mael 1989; Mael and Ashforth 1992, 1995; O'Reilly and Caldwell 1980). We expected that this would extend to the realm of ethical compliance behavior. We hypothesized that employees who report strong organizational identification were more likely to indicate that they would act in an uncompromising manner to protect the organization in situations that require a judgment about how vigilantly they would respond in an ethically challenging business vignette. Further, we expected that identification would not affect firms of differing sizes and ages in the same way.

To address the hypothesized relationships, we received survey responses from 154 working professionals enrolled in a top-ranked part-time MBA program in the southeastern region of the United States. We found that organization size and age were strongly associated with ethical compliance, supporting our first hypothesis. When firms are small and young, their employees are less attentive to ethically rigorous standards of compliance, relative to larger, older firms. This may be the result of the extreme competitive pressures that smaller, younger, firms face. These types of firms may be more concerned about survival, rather than superior performance. A survival orientation, arguably, is more drastic and the immediacy of the issues faced by managers in these firms may their divert attention from longer term issues of ethical codes of conduct. Similarly, these firms may lack standardized policies and procedures to guide ethical compliance choices that larger, older firms have the opportunity to institute.

While our predictions about the effects of organization size and age were supported, we were surprised by our findings about organizational identification. In our sample, we did not find a direct relationship between employees' identification with the organization and their willingness to support the organization via a more ethical compliance choice. Although identification has been demonstrated to instill more organizational loyalty and commitment in other studies (e.g., Ashford and Mael 1989; Mael and Ashforth 1992, 1995), it does not influence the specific incidence of ethical compliance choice in our research. One explanation for this finding is that it is not clear to employees which choice is in the best interests of the organization. This may be a feature of ethical dilemmas in general, especially in the absence of an organizational code of ethics, but it may also be an artifact of the specific ethical vignette that we used. Clearly, there is more future research to be done to understand more closely the dynamics and ramifications of this finding.

Despite the finding of no overall effect of organizational identification on ethical compliance choice, our hypothesis that identification did not equally affect firms of different sizes and ages was supported. However, our results highlighted a peculiar effect. Organizational identification affected only larger, older firms. In these established organizations, employees who expressed greater identification with their organization were *less likely* to select the more ethical compliance choice (see Figure 2). Instead, this group was more likely to select a decision that kept the problem within a small circle of peers and colleagues, either discussing the problem directly with the offender, or deferring to the judgment of the direct supervisor, which may supersede the best interests of the firm, overall. In these instances, the respondent was reluctant to use a more final, direct solution that ensured that the problem could not be covered up. Thus, we did find that organizational identification moderates the relationship between organization size and age and ethical compliance choice, but not in the direction expected. Instead, it appears that employees who identify strongly with their firm, when the firm is large and established, are not willing to select an choice that makes them feel uncomfortable with their immediate peers, even if the choice is good for the firm, overall.

Our findings suggest several implications for managers, policymakers and management researchers. With respect to managers of smaller, younger firms, the ethical choices of their employees may need closer control and monitoring. Certainly, many small, young firms are extremely ethical. The implications of our findings, however, are that, on average, smaller, younger firms have weaker ethical expectations than their larger, older counterparts. Many entrepreneurs decide to found their own firms to escape the bureaucratic red tape they experienced in larger firms. Without these bureaucratic control systems for ethical conduct, however, the founder must assume yet another responsibility to embody personally the ethical code of conduct that he or she wishes to instill in the firm. Under these circumstances, the entrepreneur must make active, special efforts to clarify and convey his or her ethical expectations for the firm, rather than assuming that individual employee characteristics, such as a strong identification with the firm, are going to be adequate for guiding ethical choices.

Policymakers, who are anxious to motivate ethical behavior, may consider funding more special services for smaller and younger firms. For example, the U.S. Small Business Association's (USSBA) website lists eight categories of services it provides, and underneath each of these categories is a list of four to nine subcategory hotlinks, except for compliance, which has no subcategories. It appears that the services related to compliance are less developed and specialized than other services such as "financial assistance" and "disaster assistance." The USSBA does offer an online training and tutorial to help small businesses establish a compliant, ethical environment. However, given the extent of pressing concerns that small business managers face, as witnessed by the many rich categories of services provided by the USSBA, we are not confident that these managers will seek out specific assistance in building an ethical climate. We recommend developing targeted outreach programs that might deliver ethics training directly to small and young businesses

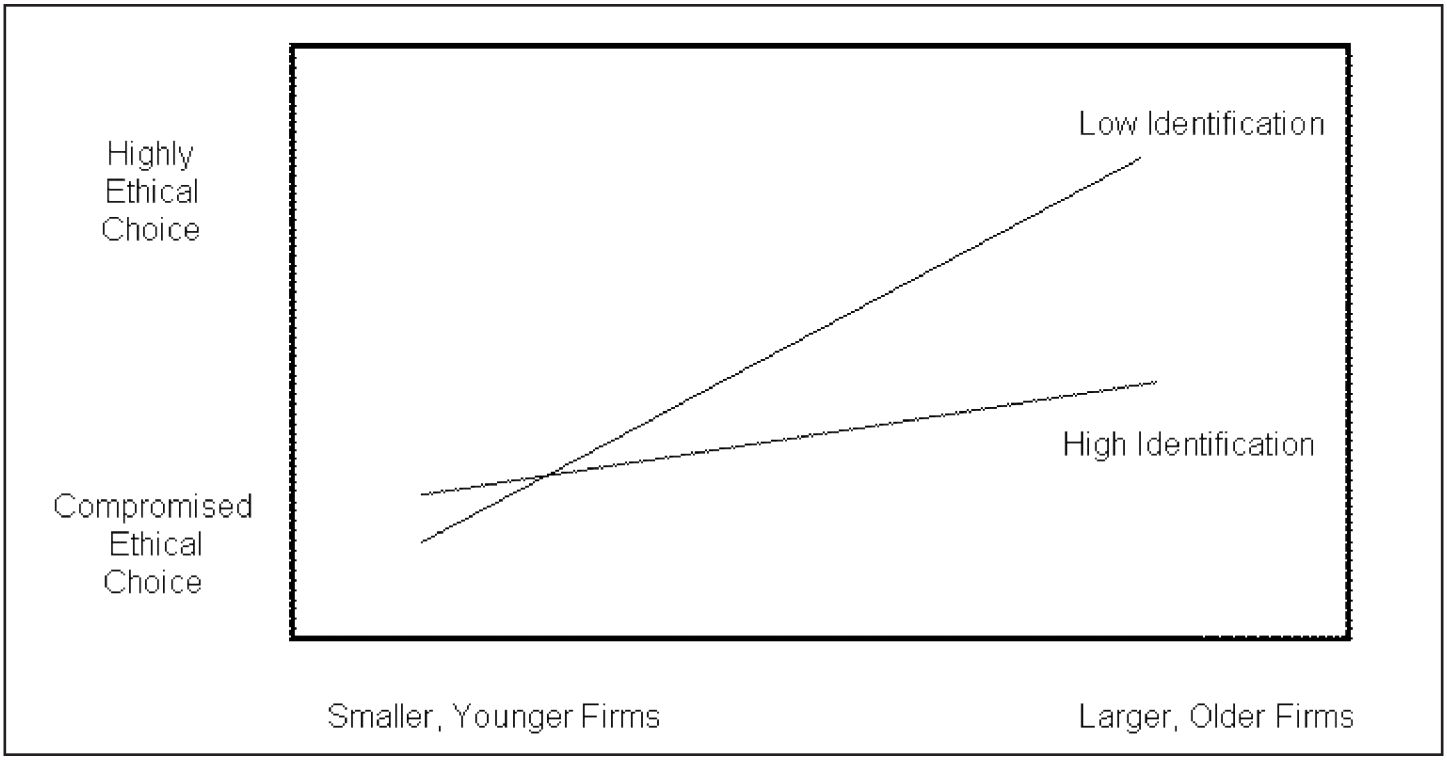

Figure 2. Interaction of Identification with Size/Age on Ethical Compliance Choice

because, as we know, imprinting is a strong factor in organizational evolution: cultures and values that are established early in firms are likely to be sustained as the firms age and grow (Ciavarella 2003; Stinchcombe 1965).

Management researchers should continue to examine the effects of organizational size and age on ethical decision making. Specifically, we believe that our research could be extended by studying a broader range of ethical vignettes. Also, we believe that future studies could include an explicit measurement of the presence of formal ethical controls such as codes of conduct and other compliance systems such as ombudsmen, anonymous ethical reporting channels, and human resource training in ethical choices. In our research, we assumed that these formal systems were more likely to be present in larger, older, firms. Although this assumption is warranted by other research (e.g., Kazanjian 1988), the theoretical interpretation of our findings would be strengthened with an explicit measure of such systems.

We also look forward to future studies that examine the effects of organization identification more closely. Do employees who identify with their organization in larger, established firms, limit their ethical response to a localized, peer-involved solution because their identification is primarily with that more direct social unit rather than to the whole organization? Or, conversely, do employees perceive the use of the purely unqualified choice that goes directly to upper management despite what the local supervisor might recommend, as a disloyal choice that may harm the overall firm in some way? As a similar instance, manufacturing plants that count numbers of safe work hours may inadvertently discourage the reporting of an injury or a safety incident, so that the safe work hours number is not jeopardized. Finally, our research was limited to U.S. managers, but it is possible that these effects vary across country lines (e.g., Vitell and Hidalgo 2006).

In conclusion, we find that smaller, younger firms experience less ethical decision making by their employees, when compared with employees from larger, older firms. Further, we find that employee's identification with the organization does not improve ethical choice in smaller, younger firms, and is associated with compromised ethical choices in larger, older firms. These findings highlight the vulnerability that smaller, younger firms face when trying to establish a highly ethical climate in their firms. Clearly, this area is ripe for more research to understand these influences more broadly.

Acknowledgement

The authors thank Joan T. A. Gabel for her substantial assistance with this project.

References

Aiken, L. S., and S. G. West. 1991. *Multiple Regression: Testing and Interpreting interactions.* Newbury Park, CA: Sage.

Aldrich, H., and E. Auster. 1986. Even dwarfs started small: Liabilities of age and size and their strategic implications. *Research in Organizational Behavior* 8: 165–198.

Ashforth, B., and F. Mael. 1989. Social identity theory and the organization. *Academy of Management Review 14*(1): 20–29.

Barnett, T., and C. Vaicys. 2000. The moderating effect of individuals' perceptions of ethical work climate on ethical judgments and behavioral intentions. *Journal of Business Ethics* 27: 351–362.

Barron, R. A. 1998. Cognitive mechanisms in entrepreneurship: Why and when entrepreneurs think differently than other people. *Journal of Business Venturing* 13: 275–294.

Brockner, J. 1988. *Self-esteem at work: Research, theory and practice.* Lexington MA: D.C. Heath.

Buchan, H. F. 2005. Ethical decision making in the public accounting profession: An extension of Ajzen's theory of planned behavior. *Journal of Business Ethics* 61: 165–181.

Ciavarella, M.A. 2003. The adoption of high-involvement practices and processes in emergent and developing firms: A descriptive and prescriptive approach. *Human Resource Management* 42(4): 337–356.

Cole, M. S., and Bruch, H. 2006. Organizational identity strength, identification, and commitment and their relationships to turnover intention: Does organizational hierarchy matter? *Journal of Organizational Behavior* 27: 585–605.

Dutton, J. E., and J. M. Dukerich. 1991. Keeping an eye on the mirror: The role of mage and identity in organizational adaptation. *Academy of Management Journal* 34: 517–554.

Dutton, J. E., J. M. Dukerich, and C. V. Harquail, C. V. 1994. Organizational images and member identification. Administrative *Science Quarterly* 39: 239–263.

Eisenhardt, K. M. 1988. Agency and institutional theory explanations: The case of retail sales compensation. *Academy of Management Journal* 31: 488–511.

Fiol, C. M. 2002. Capitalizing on paradox: The role of language in transforming organizational identities. *Organization Science* 13: 653–666.

Foreman, P., and D. Whetten. 2002. Members' identification with multiple-identity organizations. *Organization Science* 13: 618-635.

Gioia, D. A., and J. B. Thomas. 1996. Identity, image, and issue interpretation: Sensemaking during strategic change in academia. *Administrative Science Quarterly* 41: 370–403.

Hannafey, F. T. 2003. Entrepreneurship and ethics: A literature review. *Journal of Business Ethics* 46(2): 99–110.

Hoffman, J. J. 1998. Are women really more ethical than men? Maybe it depends on the situation. *Journal of Managerial Issues* 10(1): 60–73.

Kazanjian, R. K. 1988. Relation of dominant problems to stages of growth in technology-based new ventures. *Academy of Management Journal* 31: 257–279.

Mael, F., and B. E. Ashforth. 1992. Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior* 13: 103–123.

Mael, F. A., and B. E. Ashforth. 1995. Loyal from day one: Biodata, Organizational identification, and turnover among newcomers. *Personnel Psychology* 48: 309.

McDaniel, C., N. Schoeps, and J. Lincourt. 2001. Organizational ethics: Perceptions of employees by gender. *Journal of Business Ethics* 33(3): 245–256.

Morris, M. H., M. Schindehutte, J. Walton, and J. Allen. 2002. The ethical context of entrepreneurship: Proposing and testing a developmental framework. *Journal of Business Ethics* 40: 331–361.

Murphy, Joseph E., and Joshua H. Leet. 2007. *Building a career in compliance and ethics.* Minneapolis, MN: Society of Corporate Compliance and Ethics.

Neubaum, D. O., M. S. Mitchell, and M. Schminke. 2004. Firm newness, entrepreneurial orientation, and ethical climate. *Journal of Business Ethics* 52: 335–347.

Oldham G. R., and J. R. Hackman. 1981. Relationships between organizational structure and employee reactions: Comparing alternative frameworks. *Administrative Science Quarterly* 26: 66–83.

O'Reilly, C., and D. Caldwell. 1980. Job choice:The impact of intrinsic and extrinsic factors on subsequent satisfaction and commitment. *Journal of Applied Psychology* 65: 559–565.

O' Reilly III, C., and J. Chatman. 1986. Organizational commitment and psychological attachment:The efforts of compliance, identification, and internationalization on prosocial behavior. *Journal of Applied Psychology* 71: 492–499.

Oviatt, Ben. 2007. Atlanta small business survey, 2005. Produced by The H.J. Russell, Sr. International Center for Entrepreneurship, Georgia State University,Atlanta, GA.

Peterson, D., A. Rhoads, and B. C. Vaught. 2001. Ethical beliefs of business professionals: A study of gender, age and external factors. *Journal of Business Ethics* 31(3): 225–232.

Pfeffer, J. 1991. Organization theory and structural perspectives on management. *Journal of Management* 17(4): 789–803.

Reger, R. K, L. T. Gustafson, S. M. DeMarie, and J. V. Mullane. 1994. Reframing the organization: Why implementing total quality is easier said than done. *Academy of Management Review* 19: 565–584.

Reynolds, S. J. 2003. Perceptions of organizational ethicality: Do inflated perceptions of self lead to inflated perceptions of the organization? *Journal of Business Ethics* 42(3): 253–266.

Robertson, D. C., and E. Anderson. 1993. Control system and task environment effects on ethical judgment: An exploratory study of industrial salespeople. *Organization Science* 4(4): 617–644.

Rothwell, G.R., and N. Baldwin. 2006. Ethical climates and contextual predictors of whistle-blowing. *Review of Public Personnel Administration* 26(3): 216–244.

Schminke, M. 1997. Gender differences in ethical frameworks and evaluation of others' choices in ethical dilemmas. *Journal of Business Ethics* 16(1): 55–65.

Schminke, M. 2001. Considering the business in business ethics: An exploratory study of the influence of organizational size and structure on individual ethical predispositions. *Journal of Business Ethics* 30(4): 375–390.

Schwartz, M. 2001. The nature of the relationship between corporate codes of ethics and behaviour. *Journal of Business Ethics* 32(3): 247–262.

Scott, W. Richard. 1998. *Organizations: Rational, natural, and open systems*, 4th ed. Upper Saddle River, NJ: Prentice Hall.

Somers, M. J. 2001. Ethical codes of conduct and organizational context: A study of the relationship between codes of conduct, employee behavior and organizational values. *Journal of Business Ethics* 30: 185–195.

Stansbury, J., and B. Barry. 2007. Ethics programs and the paradox of control. *Business Ethics Quarterly* 17(2): 239–261.

Stinchcombe, A. L. 1965. Social structure and organizations. In J. G. March, ed., *Handbook of Organizations.* Chicago: Rand McNally.

Tajfel, H., and J. C. Turner. 1986. The social identity theory of intergroup behavior. In S. Worchel, and W. G. Austin, eds., *Psychology on intergroup relations.* Chicago: Nelson-Hall.

Tolman, E. C. 1943. Identification and the post-war world. *Journal of Abnormal and Social Psychology* 38: 141–148.

Trevino, L. D., and B. Victor. 1992. Peer reporting of unethical behavior: A social context perspective. *Academy of Management Journal* 35(1): 38–64.

Turner, J. C. 1984. Social identification and psychological group formation. In Tajfel, J., ed., *The social dimension: European developments in social psychology.* Cambridge: Cambridge Press.

U.S. Small Business Administration, on-line ethics tutorial: http://www.sba.gov/smallbusinessplanner/manage/lead/SERV_BETHICS.html.

U.S. Small Business Administration, services listing: http://www.sba.gov/services/index.html.

Victor, B., and J. B. Cullen. 1988. The organizational bases of ethical work climates. *Administrative Science Quarterly* 33: 101–125.

Victor, B., L. K. Trevino, and D. L. Shapiro. 1993. Peer reporting of unethical behavior: The influence of justice evaluations and social context factors. *Journal of Business Ethics* 12(4): 253–263.

Vitell, S. J., and E. R. Hidalgo. 2006. The impact of corporate ethical values and enforcement of ethical codes on the perceived importance of ethics in business: A comparison of U.S. and Spanish managers. *Journal of Business Ethics* 64(1): 31–43.

Weber, J., and D. Fortun. 2005. Ethics and compliance officer profile: Survey, comparison and recommendations. *Business and Society Review* 110(2): 97–115.

About the Authors

Susan Houghton (smhought@ncat.edu) is an associate professor of strategic management at North Carolina A&T State University. She received her BA from Yale University, and her MBA and PhD from The University of North Carolina at Chapel Hill. Her research focuses on ethics, small business management, and managerial cognition. She has publications in *Academy of Management Journal, Journal of Business Ethics, Entrepreneurship: Theory and Practice,* and *Journal of Business Venturing.*

Mark Simon (simon@oakland.edu) is an associate professor of strategic management, at Oakland University, Michigan. He received his bachelors of science from Babson College with a concentration in entrepreneurship. He obtained an MBA and PhD from Georgia State University. He has published in the area of entrepreneurial decision making in multiple journals including *Academy of Management Journal, Entrepreneurship: Theory and Practice,* and *Journal of Business Venturing.*

Mentoring and Perpetuating the Entrepreneurial Spirit within Family Business by Telling Contingent Stories

Rob Smith

Family businesses do not perpetuate themselves. Entrepreneurs must nurture and propagate the values that led to the creation of the very thing most precious to them—their business. This of course depends on stability. Nor do these cherished values propagate themselves. To be made meaningful for others, and for future generations, family experiences, values, and achievements must be communicated to others via language, narrative and storytelling, or other forms embedded in the narrative such as symbols. Often a variety of different socially constructed stories may be necessary contingent upon situation, purpose, or need.

Keywords: entrepreneurial narrative, familial fable, mentorial tales, dynastic tales, contingent stories, biographical analysis

> Used to be that my grandmother told me stories. They weren't her stories, exactly. They were stories that she had heard from her parents, and grandparents, and her uncles and aunts on the family farm in Lixnaw, in North Kerry.

These are the evocative words of the master storyteller Charles P. Pierce, a native of Massachusetts and author of American Stories (www.charlespierce.net). Pierce wrote of "communal memory" and of "telling the tribe its stories, so that the tribe might be better for it…." Although narrated in relation to itinerant stories, it is of significance to scholars of entrepreneurship and family business because it is in this very manner that much of the lore of business and entrepreneurship is passed down through generations, as a portable form of narrated philosophy. It is in such everyday (re)tellings that entrepreneurs and other family members pass on their stories to the rest of their tribe. Consideration of individual entrepreneurs and their families belonging to a collective tribe is profound because it invokes images of collective belonging. In this context, entrepreneur stories and their many variant forms can genuinely be regarded as tribal stories that transcend individual families.[1]

Nevertheless, all tribes are made up of families. Statistically, family businesses are the predominant business model worldwide, but there are different models and structures of families, be they nuclear, patriarchal, matriarchal, or single-parent. This has important implications for developing theories of entrepreneurship and family business because it suggests that structure alone cannot be responsible for the domination and success of the family business model and that other contingent social forces must be at play. This invites consideration of the possibility of their being a contingency theory of entrepreneurial behavior influencing how we narrate entrepreneur stories. This is but one possible explanation. This work explores powerful narrative influences underpinning this dominance. Nevertheless, irrespective of what familial model is in play, the family operates as a hierarchical unit of organization in which a dominant individual(s) directs and influences the fortunes of other family members and to succeeding generations. In capitalist Westernized culture, the entrepreneur is often presented as a dominant individual to be eulogized. Few would deny entrepreneurs, as a genre, their success stories but such constructions are but one of many possible renditions available. Family units act as a unifying framework for individual and collective actions but are often taken for granted, or considered irrelevant to individual success. Families and family business are often conflated but are separable entities, thus this article weaves narratives of entrepreneurship and family business closer together.

This article examines such narratives as a private stock of stories told and retold as *Familial Fable* or, where there is no immediate family, Mentorial Tales. Bourdieu (1996) articulated the importance of habitus to families and narratives form part of habitus. This study focuses on family stories as the medium for transmitting familial and family business values across generations. Moreover, narrated values influence the operational effectiveness of family businesses.

Despite a call by Chau et al. (2003) to extend the theoretical horizons of family business research, the publication of qualitative research particularly in the area of narrative and narrative theory per se remains minimal. In considering why this is so it became apparent that there may be deeply philosophical and fundamental reasons behind this. It is obviously preposterous to suggest that entrepreneurial narrative is atheoretical because the subject matter of any phenomenon is capable of being theorized at an abstract level. However, being rooted as it is in the oral tradition and perpetuated as an everyday life philosophy, entrepreneurial narrative has little need of theory. This is because narrative encasement has become its naturalized habitat for presentation and consumption. In passing on knowledge, we tell appropriate stories, not swap theories. By appropriate, the author means contingent on circumstances, time, and setting. Interestingly, Gibb and Wilkens (1991) call for better stories, not better constructs. This article also makes a contribution to extant literature (and thus theory) by considering the place of stories and storytelling in a wider theoretical framework. In such a narrative-based framework, all forms of narrative transcend the theoretical because of their philosophical basis as portable life philosophies of action in an everyday context. This is so because to be an entrepreneur does not entail understanding the theoretical, it may merely entail enacting and engaging with a script. This article also addresses a question not covered by Kickul et al. (2005: 5–8) who proffered no advice on how to measure stories. Indeed, how exactly does one measure stories? By their veracity, their prosaic quality, their narrative values or aesthetic pull? Obviously measuring stories is problematic. The author suggests we do so by virtue of their contingency in addressing the task/purpose in hand.

The five sections in this article collectively construct and develop a narrative theory for explaining how familial edifices act as incubators for the entrepreneurial spirit. In doing so, these sections address the what, how, why, where, and when questions that Whetten (1989) suggested are necessary for a paper to make a theoretical contribution. This protean narrative theory relating to the propagation of the entrepreneurial spirit in a mature business environment is relevant to any person who is or becomes an entrepreneur and to their families. The first section explores the role of the family unit and how entrepreneurial families help in the generation and perpetuation of value and values. Second- and third-generation entrepreneurial family dynasties are considered, as is the role of mentor figures in instilling values. Section 2 considers entrepreneurial proclivity within family business and conducts a literature review. Section 3 considers how mentoring can be conducted using narratives that instruct and inspire future generations to act entrepreneurially. It reports on empirical research identifying examples of such stories within a business community. Section 4 considers the roles of storytelling and mentoring in perpetuating virtuous circles of knowledge, value, and practice. Section 5 suggests avenues of future research. This article develops and extends theory in the field of entrepreneurship by considering the role of contingency theory in mediating how we tell entrepreneur stories.

Exploring the Role of Family in Business

This section highlights the importance of family and family values to entrepreneurship focusing on the family unit and family business in an everyday context where the entrepreneur spends a considerable amount of his or her working life. Being an entrepreneur is not a nine-to-five routine and the delineation between work and family time is often blurred. Also, it highlights an often untold story of the privileged (but nonetheless heroic) entrepreneur who gets a helping hand from family members. These are the entrepreneurs whom Stolze (1999) described as being among the most successful having the good fortune to be the sons and daughters of professional and entrepreneurial families. For Stolze they benefit from parental mentoring and inherited family contacts.

The Family Unit

Family units are important constructionist building blocks and breeding grounds for entrepreneurial proclivity. To Bourdieu (1996:19/21) definitions of family and words associated with it, such as house, home, household, while seeming to describe social reality actually construct it becoming collectively recognized at a hidden, more or less universally accepted level. For Wetherell (1997:309) families create a web of meaning socially reproduced across generations. This social reproduction of values as narrated via familial stories, permit the accumulation and transmission of capital (of all forms) across generations making families significant to entrepreneurship. Bourdieu (1996) argued that families generate economic, symbolic, and social capital. In family businesses the symbolic capital (name) and social capital (the collective familial business experience) are crucial. This cultural capital is socialized within families and influences the development of particular styles, modes of representation, confidence, and levels of accumulated self-assurance. One is socialized into becoming entrepreneurial and stories and storytelling play a significant part in this process which Bourdieu (1996:24) calls the transmission of "economic heritage." Also, Marwick (1996:61) argues that "social assumptions, moral attitudes, and everyday behavior are first learned at home" and for Kirby (2003:55) entrepreneurship "tends to pervade family life." Families are a repository of storied individual enterprise and values upon which enterprise thrives, creating a virtuous circle in which entrepreneurship and entrepreneurial families flourish.

Entrepreneurial Families and the Perpetuation of Value

Entrepreneurial and business families play a significant part in the genesis of the entrepreneurial spirit. By entrepreneurial family, the author means a family unit orientated toward achievement irrespective of whether the parents or siblings are or become entrepreneurs. It has more to do with productivity and being enterprising than with entrepreneurship *per se.* However, the concept of the entrepreneurial family is not synonymous with the concept of an entrepreneur's family.

Children raised within the immediate family of an entrepreneur may grow up in their shadow and rebel against the values espoused particularly if the entrepreneur (or spouse) is egotistical, tyrannical, stressed, and prone to bullying. This may even occur if the entrepreneur is successful and a fabulous parent. Nevertheless, there is social capital to be gained by being raised in such families where the everyday practice of entrepreneurship becomes naturalized and taken for granted.

Much of the material in relation to entrepreneurial families comes to us from the burgeoning small business literature under business families (Leach 1991). For example, Cooper and Dunkleburg (1987), Duchesneau and Gartner (1988), Scherer et al. (1998), Aldrich et al. (1997), Delmar and Gunnarsson (2000) and Aldrich and Cliff (2003) all examined the link between family background and entrepreneurial propensity and the effect of having a self-employed parent on starting a business. As a general rule, children raised in an entrepreneurial family are more prone to display entrepreneurial propensity than those who are not (Scherer et al.1989). This is in keeping with the notion of the "family influence repertoire" (Wetherell 1997:259), which relates to familial influence on career choice. It holds that if one's parents/relatives are engaged in a particular occupation, then descendents may follow suit. Anderson and Miller (2003:17-8) explored how entrepreneurial family background impacts the development of social and human capital resources, finding that entrepreneurs from humble socioeconomic family origins appeared to have limited social capital assets. One's chances of becoming socialized into entrepreneurship may be influenced by whether they are raised in a working class, or middle class family. Anderson and Miller (2003:32) found that persons from lower socioeconomic family backgrounds with a subsequent poor educational development were hindered in their development of human and social capitals. This is similar to the habitus argument expounded by Bourdieu (1996) as different social classes possess different social scripts. Thus, levels of entrepreneurial proclivity may be contingent on familial circumstances.

Research by Scherer et al. (1989) demonstrated that the presence of an entrepreneurial parent resulted in an increased expectancy of a child pursuing an entrepreneurial career because the parent provides a positive role model, which influences the child via social learning theory and by providing an insight into networking mechanisms turning perception into reality. Further research by Schindehutte et al. (2001) into female entrepreneurs and their children in entrepreneurial families looked at implications for family life, career aspirations, and entrepreneurial perceptions. Moreover, Aldrich et al. (1997) talk of a passing on of privilege from self-employed parents to children, while Delmar and Gunnarsson (2000) found that self-employed parents of nascent entrepreneurs contribute to the entrepreneurial proclivity of their children. In a similar vein, Aldrich and Cliff (2003) argue that families play a pervasive part in the formation of entrepreneurial propensity with entrepreneurship being embedded within business families at a tacit level where children learn from the experience of other family members. Such experiences are brought to us in stories. Katz (2004:233) stresses that he "grew up around parents who were business and civic entrepreneurs, which is to say that I grew up in a world of stories." Indeed, Katz likens life among entrepreneurs as being a storybook life in which compelling narratives resonate with one's emotions. For Katz, being weaned on such personal examples of entrepreneurial narrative both inspired and enlightened him and he talks of moving from telling a story to living it. This resonates with the tribalistic words of Charles Pierce.

One of the most basic values that contribute to the virtuous circle is morality as embedded in old-fashioned family values. Stanley (2000:172) emphasizes the influence of a stable family upbringing in the future success of self-made millionaires, citing happy marriage, love, personal qualities, frugality, running productive households, and thrift as being family values associated with the self-made rich. According to Stanley (2000:266) they place a value on attending their children's school events and extracurricular sporting activities; attend church together and generally make time for their family issues. The perpetuation of family values transcends the self and selfishness because in passing on important life lessons one influences the conduct of one's children and their offspring.

However, little has been written about the mentoring of values within entrepreneurial families; or of second- and third-generation entrepreneurs (Osborne 1991; Venkatapathy 1996); and entrepreneurial dynasties. This may result from eulogizing first-generation entrepreneurs; the association of entrepreneurship with nascence and individuality; embeddedness; and how we expect typical entrepreneur stories to be told. Moreover, scholars of entrepreneurship often focus on the role of the individual entrepreneur within a story ignoring the parts played by family members who mentor and support the entrepreneur. The absence of families in the cultural motif of entrepreneurship perhaps has its roots in narrating entrepreneur stories as heroic tales of overcoming adversity in childhood (e.g. the tragic entrepreneurs described by Kets de Vries [1977] who clashed with family). Admittedly, families exert a push-and-pull influence on the emotions of entrepreneurs but despite the veracity of poor-boy-made-good stories not all entrepreneurs come from broken families—yet coming from a bourgeoisie family makes it difficult to narrate such tales of adversity.

The question of whether entrepreneurial propensity is transmittable across generations as a social capital is relevant and is influenced by quality of parenting. For example, Sarachek (in Casson 1990:442–446) categorized entrepreneurs by the nature of their childhood father–son relationship, finding that 50 percent of entrepreneurs had authoritative, supportive fathers who were invariably self-employed businessmen who influenced and shaped the actions of their entrepreneurial sons by supporting them emotionally; fostering an interest in the development of their character and business abilities; allowing them room for failure while striving for excellence by projecting masculine images of competence and strength. Sarachek also discussed mentorial brothers and mothers.

The notion of entrepreneurial families pervades the writings on Quaker entrepreneurship. Walvin (1997:39) argues that Quaker women were encouraged into education becoming schoolteachers, actively participating in creating a climate and culture in which entrepreneurship flourished. Quakers established their own system of schooling—teaching bookkeeping and making their children numerate and literate and thus highly employable within business circles. Quaker children were encouraged to read and tell stories. This virtuous system of mentorial communal learning was carried over into the workplace with the sons and daughters of the less successful friends apprenticed into the practice of business in loco parentis by the successful (Walvin 1997: 49–50).

Entrepreneurial Dynasties as Entrepreneur Stories

Acknowledging the existence of entrepreneurial dynasties runs contrary to accepted entrepreneurial mythology (of the self-made first generation parvenu), which ignores the importance of familial values in shaping entrepreneurs. Moreover, it accentuates the individual and individuality per se, distancing the individual from the family unit obscuring the influence of the entrepreneurial family in propagating and perpetuating entrepreneurial narrative. Hoy and Verser (1994:19) introduce the concept of "inter-preneurship" to describe the process of intergenerational entrepreneurship and the transformation of fortunes across generations. Hamilton (2001) refers to the complex, dynamic interplay between the different generations in a family, and between the individuals and the businesses they are running. Ram and Holiday (1993) discuss the influence of familial culture on the perpetuation of business. The influence of intergenerational entrepreneurship is visible in the biographies of individual entrepreneurs. Moreover, Smith and Wade (2005) argue that although traditional entrepreneur stories are seldom present in mature small family businesses, the entrepreneurial narrative is still present as an adventure story or business romance. Table 1 narrates two family business stories that relate to business dynasties of a very different nature—namely those of the Guinness and Hammer families.

We can learn much from such stories, albeit they were not written by the entrepreneurs themselves. The Guinness family story is a living monument to the collective energies of several generations of one family who have maintained their identity and lineage. The story of the Hammer family shows that a success story may have its roots in several generations of collective business knowledge. Both examples relate to trading upon entrepreneurial social capital. What is also apparent from reading these stories is that the type of entrepreneur stories each generation could tell was directly contingent upon their family upbringing.

A family name is a form of dynastic capital, making the study of family—histories, trees, genealogies, and dynastic tales—essential. Indeed, family stories form a significant part of our personal constructs. Who we are and where we came from is important to us. Family stories expand the life story of the individual embedded in a wider context of the family unit and its socioeconomic relations to society, communities, and posterity. They are part of our heritage and form a mental legacy recounted as anecdotes with the power to influence future events. Indeed, Sarachek (in Casson, 1990:439) argues that "family aggrandisement" motivated many a businessperson; and Steyaert and Bouwen (1997) consider "great family stories" a distinct category of entrepreneurial stories. Entrepreneurs are shaped by their heritage, upbringing, and attitudes and family names and ambitions are an integral part of this social process.[2] Also, Levin (1993:82) argues that within family structures each person's experiences can be unique, albeit they can be mapped. Mapping entrepreneurial propensity across generations is problematic because much of the knowledge is not in the public domain but buried within life stories, biographies, and family journals. Family stories are also an active form of mentoring.

The Role of Mentor Figures in Instilling Values

Entrepreneurial knowledge within individual families is frequently passed down to future generations from grandparents, aunts, uncles, cousins, and extended family members via emotional kinship and mentoring. Such personages may not be the heroic entrepreneurial figurehead, but a background figure such as a mother or grandmother who perpetuates familial ideology via stories with a purpose. Hamilton (2001) argues that such support networks, such as family and domestic partners, impact significantly upon both the development of the entrepreneur and small firms. Furthermore, Sarachek (in Casson 1990:453) examined sponsor–protégé relationships echoing Warner and Abegglen (1955) and Collins and Moore (1964), stressing that successful businesspeople often encounter an influential mentor figure who proffer advice, personal influence, business contacts, loans, apprenticeships, and so forth.[3] Having considered the pre-

Table 1. The Importance of Families in Perpetuating Entrepreneurial Dynasties

The Guinness Family (Wilson 1998)

This story illustrates the process of intergenerational familial entrepreneurialism in action. The Guinness family are a legendary entrepreneurial dynasty, producing first-, second-, third-, and fourth-generation entrepreneurs. As a family with entrepreneurial flair they grasp their opportunities. The founder, Richard Guinness, fits the classic profile of the first-generation entrepreneur, being of modest beginnings—homeless "Protestant Anglo-Irish" underclass descent. The industrious Richard was of privileged status in comparison to his Catholic counterparts. He gained employment with the Rev. Arthur Price and rose to become a land agent at the sharp end of English v. Catholic oppression. Price moved among the privileged circles in Irish society and Richard rose with his patron. Richard fathered six children and acquired a modest parcel of land. Legend has it that he brewed the dark distinctive beer. Despite his skills at social climbing Richard was no entrepreneur—it was his sons Arthur, Benjamin, and Samuel whose sound business instincts laid the foundations of the family fortunes. Richard's life work set his sons on an entrepreneurial trajectory in a new entrepreneurial age. On Price's death in 1752, Richard and Arthur both received stipends of £100 (the proverbial millionaire's dime). Richard bought an inn, but the enterprising Arthur consolidated his existing businesses and acquired more land and property. The Guinness family joined the business community on the back of Arthur's mercantile athleticism. Unlike other entrepreneurial Irish they prospered at home.

Armand Hammer (Hammer and Lyndon 1987)

This hagiographic account of the now disgraced American entrepreneur Armand Hammer is deliberately written as an entrepreneur story replete with humble beginnings—living in a cold-water New York slum. Although Hammer sought to model himself upon America's self-made, he came from a long line of Russian businessmen. Evidence of his desire to narrate his life as an entrepreneur story comes from the prologue in which Hammer (one suspects insincerely) recites his personal creed as being "given the strength to help deserving people as much as I was able." Hammer apparently said this as a childhood prayer to God. Armand's peripatetic grandfather Jacob was the son of a wealthy shipbuilder who tragically lost his inheritance in a natural disaster. Jacob's first wife died and he married Victoria, the daughter of a prosperous merchant. The calamitous Jacob fancied himself as a shrewd businessman but his list of failures generated a negative form of familial fable. Jacob and Victoria's daughter married a wealthy entrepreneur Alexander Gomberg who turned the family fortunes around. Hammer attributes his business sense to mentoring by Gomberg. Jacob and Hammer's father Julius moved to America. Julius became a foundry worker before gaining employment in a drug store. He worked hard and bought out the elderly owner. Soon Julius had a chain of pharmaceutical shops but hankered to be an M.D. Julius's half brothers also owned drug stores. One family member was a successful salesmen and another was the owner of a traveling circus. It is thus not surprising that young Armand determined to become an entrepreneur. He narrates that he was inspired by his readings of the novels of Horatio Alger. A more plausible explanation is that his family history is steeped in business lore. Hammer also read the biographies of great American entrepreneurs such as Carnegie and became a child prodigy and millionaire by the age of 21. Following in his fathers footsteps, he took over the running of the family drug stores. Hammer learned to tell a good entrepreneur story but, as with so much in his life, he was perhaps just being disingenuous as he was later unmasked as a Soviet spy. His story highlights powerful familial forces at play in creating the social capital from which the family dynasty benefited.

ceding, it is incumbent to explore the role of family business in generating entrepreneurial proclivity as acknowledged by Baines and Wheelock (1997:1).

Family Business and Entrepreneurial Proclivity

This section explores family business as a channel for entrepreneurial activity. Family business is located at the margins of entrepreneurship, nonetheless, parallels exist between both literatures, in that individual family businesses, like the entrepreneur, are eulogized and share similar mythologies. One has to distinguish between myth and reality. In the family business literature, misconceptions and myth-conceptions abound. The most serious being that family businesses are nonentrepreneurial, yet, both revolve around the creation of value (Gartner 1990).

From a review of the literature on family business, namely Kets de Vries (1992), Storey (1994), Hamilton (2001), and Casson (1991, 1995, 2000), an interesting picture emerges from the overlapping literatures (as appreciated by Hoy and Verser 1994; Brockhaus 1994; and Baines and Wheelock 1997). Brockhaus (1994) points out that family business and entrepreneurship share a lack of common definition.

Gibb and Handler (1994:80) discuss various nexus points between entrepreneurship and family business, including—early family experiences, family involvement and support in start-ups, employment of family members, and the involvement of family members in ownership and management and entrepreneurial succession. Goffee (1996) suggests that there are three main typologies of business owners—entrepreneurial, paternal, and familial custodial. Such differences may influence how individuals perform their roles within the family businesses. It is obvious that their stories will differ, albeit family business narratives continue the entrepreneurial adventure. Carsrud (1994:40) introduced the notion of the family business as an "emotional kinship group." Certainly, families can be a difficult dynamic to manage as arguments and tensions spill over into the business environment.

Perhaps the true value of family business to entrepreneurship is that it engenders the spirit of contradiction, opposition, and tension prevalent in entrepreneurship. Moreover, family business is a breeding ground for future entrepreneurs, providing them with the necessary experience and social capital to succeed, encouraging the spirit of insubordination necessary for the production of entrepreneurial flair. Fournier (1996) refers to a domestic imperative inherent in family business. Entrepreneurship and family business accommodate flexibility and diversity, but family business blurs the separation of market and home (Fletcher 2000) and often shapes individual entrepreneurs (Ram 1994). It is apparent that entrepreneurial values are socially (re)produced and embedded in family and familial structures and enterprise cultures. Family businesses permit the practice of inter- and intra-generational entrepreneurship, providing a natural setting for mentoring others by telling stories.

From an analysis of the above literature, it is apparent that the type of entrepreneur story that one can convincingly narrate is contingent on one's family background, one's life experience, and whether one has access to family members or mentors with entrepreneurship experience. Having discussed entrepreneurship, families, and family businesses from a theoretical perspective as encountered in the existing literature, it is helpful to discuss this theoretical insight in relation to some empirical research conducted by the author.

Mentoring Others via Storytelling

The author's interest in mentoring was first aroused by an appreciation that entrepreneur stories act as inspirational tales from which persons can learn how to become an entrepreneur (Smith 2002). The story acts as a surrogate mentor. In reading the biographies of entrepreneurs, the author developed an appreciation of the power of narrative as an aid to understanding the complexities of the entrepreneurial process. Common themes began to emerge between and across stories as hidden influences became visible in the form of mentoring within families, by significant others, and from external patrons and friends as well as in apocryphal stories. This section considers two types of narrative mentoring—familial fable and the mentorial tale (Smith 2002) as well as reporting on empirical research locating examples of both story types told by respondents.

Familial Fable

Exposure to narrative is a process of social construction and reconstruction that begins in childhood. Yet, entrepreneurship is essentially an adult paradigm. If children are not raised in a business environment, their knowledge of entrepreneurship may be limited. Buried deep in biographical rendition one finds nuggets of naturalized wisdom expressed as maxims, or proverbial sayings, pitched as sagacious homely advice often articulated by a family member reminiscent of familial fable. Such fables are eulogistic narratives relating to the exploits of a specific named individual, acting in the manner of a parable, embodying the themes of success and morality to inspire other family members to emulate them as role models personified. These hand-me-down-tales contain strong themes of proprietorial pride, morality, and success and exemplify MacIntyre's (1997:104) *Home Spun Philosophies* and Wetherell's (1997:304) "remembered sayings and philosophies of parents." These forms of narrated advice/internalized scripts have the propensity to influence and guide future behaviors. Table 2 details examples from the biographies of famous entrepreneurs providing theoretical underpinning.

Again we see that their ability to narrate examples of familial fable is contingent on them having access to such vignettes.

Mentorial Tales

The advice dispensed by external mentor figures is similar to that of familial fables and contains elements of parable and proverb. Entrepreneurial mentors also generate stories to be perpetuated by others as variations of the craft based master—apprentice narratives. Mentorial tales are eulogistic narratives relating to the exploits of a specific named individual acting in the manner of a parable embodying the themes of success and morality to inspire protégés to emulate them as role models personified. This definition mirrors that of familial fable.

Empirical Research Reporting on Examples of These Phenomena

In addition to locating examples of familial fable and mentorial tales in novels and in biographies about entrepreneurs, the author also conducted empirical research—face-to-face interviews with eight small business owners/entrepreneurs located in northeast Scotland. It was apparent that their life stories also contained evidence of familial fable and significant levels of mentoring by others. Table 3 provides details of the respondents and their microbiographies.

The stories are about families in business not of family businesses per se. Nevertheless, they serve to illustrate the power of entrepreneurial narrative as portable philosophies. Of the eight respondents interviewed, four were classified as

Table 2. Examples of Mentoring from the Biographies of Entrepreneurs

A familial fable (and perhaps an apocryphal story) relating to the legendary Irish entrepreneur Tony O'Reilly contained in the book *The Player* by Fallon (1994) hints at O'Reilly's alleged propensity for commercial deception, selling orange peels to classmates. It is a story told by his devoted mother and appreciated by his family.
Haines (1998:154), in discussing Robert Maxwell's favorite anecdote ("If a gentleman of the establishment offers you his word or his bond, always go for the bond"), is also illustrating the power of such advice. Maxwell appears to have been obsessed with dispensing wisdom in the form of maxims, homilies, and advice particularly where they related to his own experiences. Had his business empire survived these would no doubt have become familial fables.
In his autobiography, *It's a Long Way from Penny Apples* (Cullen 2002), Bill Cullen, a successful Irish entrepreneur, provides further evidence of the influence of the matriarch and of the power of familial fable when he recounts some of the homespun advice he received as a child from his mother. These vignettes/homilies are powerful motivators and include such examples as "You'll never meet a man better than yourself" and "Do your best at everything."
In the autobiography of Armand Hammer (Hammer and Lyndon 1987:58–59), there is an interesting example of reverse mentoring in which the seven-year-old Hammer as a protégé figure is introduced into the economics of the workplace by a family friend and farmer Mendal Kornblatt. The prodigious Hammer helped out at a Farmers' Market and arranged the produce for sale. According to Hammer he soon realized that his mentor was overpricing and told him so. When the market ended and his mentor had half his produce unsold, Hammer hectored him into hawking the fare around the grocery shops, late into the night, lest he suffer a loss. This (apocryphal story) weds Hammer to the American myth of childhood prodigies, hard-working days, and a flair for commercial acumen.
In the biography of Sir Thomas Lipton by Mackay (1998), it is interesting to read the paternalistic advice proffered by Lipton's mother. For example, "You're doing fine, Tom, but dinnae kill yersel working oor hard" (1998:73). This couthy advice is reminiscent of the familial fable. Mackay (1998:189) also discusses Lipton's chilling maxim "Never do business with an unsuccessful man." Furthermore, Mackay (1998:66-69) narrates the advice of Lipton's father that they were "only humble folks and should not build castles in the air for fear of riding for a fall." It is an admonishment against committing the entrepreneurial sin of hubris.

entrepreneurs by attitude and example and four as small businesspeople. All were male and between the ages of 30 and 60. The originators of the familial fables were all charismatic, enterprising individuals, who generated stories in abundance of achieving success in the face of adversity and of being moral. They were inspirational at two levels, having acted as role models and dispensers of practical business advice. This advice was packaged in the manner of moralistic "couthy, pithy wisdom" or sensible folklore. Examples of the advice include "They don't shoot you if you go bust," "Dinnae be a thief, but take your profit," "Make a profit, everyone expects it." They inspired others by virtue of their basic honesty, character, and kindness and by propagating the work ethic by personal example. Such fables are replete with examples of stubborn pride, of hardship faced in the early years—searching jacket pockets for money to pay bills on time, of facing hunger rather than not paying a bill, and of overcoming financial losses. The power of such fable lies in its ability to inspire others to act and emulate the feats of their mentor. None of the respondents strike one as being Stolze's privileged entrepreneurs, and all give the appearance of being rooted in the working classes. However, the families in which familial fable circulate are privileged in that they possess a social capital that transcends the class restriction as envisaged by Anderson and Miller. Also, echoing Stanley's assertions about the importance of family values, seven out of the eight respondents had strong marriages with supportive families. None had reached the maturity that is necessary to legitimately tell dynastic tales or great family stories.

The content of actual familial fables is absorbed in childhood and may impact future entrepreneurial actions. General narratives, the parables, myths, and stories found in the public domain may also raise entrepreneurial awareness, but these personal tales acted as a directly inspirational and directive device. A striking point is that such personal tales inspire because they are so very personal and that they are also very limited in exposure. Respondents made comments such as, "I've never actually told anyone about this before...," "Only a few folk know this about my father...," "actually, he kept this very quiet, he was a modest man." Nonetheless it was made clear to the author that these tales had been influential in later shaping their conduct in business life. The significance of such stories is that outside business families few children appear to be exposed to them making it a privileged form of social capital. Two respondents were gifted their businesses by benevolent mentor figures who had no suitable offspring and were thus prevented from perpetuating familial fable. Instead they chose to propagate their life work by benevolent entrepreneurial transference. This arrangement is not unusual as Arlacchi (1983:80) refers to the pragmatic Southern Italian social practice of appointing Commessi or agents to run family businesses. These appren-

Table 3. Personal History of Respondents Divided into Inspirational Typologies

Angus E1	F.F	A full-time entrepreneur until recently, Angus was inspired by familial fables regarding an enterprising uncle and by other familial business influences. Angus entered the pub trade at age 20 and built up a chain of city center pubs, which he sold to a rival before entering the manufacturing trade. He later sold this and went on to set up a thriving building business. Angus is indebted to an aunt who provided support in the form of familial fable and couthy advice such as "They don't shoot you if you go bust." Angus is blessed with an equally entrepreneurial wife. Together they have propagated the familial fables to their sons who are both in business in their own right.
Jay E2	F.F	A part-time entrepreneur inspired by his upbringing in his father's business, Jay was thus socialized into the entrepreneurial ethic and practices it effortlessly in many sidelines. He pursues a full-time career and benefits from multiple income streams from selling and repairing cars, selling free range eggs, as well as clothing on the Internet. Entrepreneurship appears to be in his blood and he still turns to his father for advice.
Bill E3	E.M	A retired full-time entrepreneur with no prior business experience influenced by an external mentor, Bill was the son of a farm laborer who overcame childhood illnesses that affected his education. Apprenticed as a motor mechanic, he quickly acquired responsibility in the running of the garage business where he was employed. He came into contact with "self-made-men" who inspired him. Serendipity, in the shape of a benevolent and mentorial bank manager, played a hand and he bought a garage premises. For more than 40 years with the assistance of his wife, he built a thriving rural business employing 12 people. Bill became respected for his fair dealings and for the advice he dispensed. He remembers the advice he was given by senior members of his peer group at the start of his business career, "Dinna be a thief . . . but take your profit." Unusual for a Scotsman, he was critical of "business conducted over a dram." His success resulted from his hard work and unstinting attention to the operational problems of the business. He never sought to be a "big shot" or to broadcast his success. He built an image of honesty, integrity, and probity. Many regard Bill as a paternalistic businessperson and not an entrepreneur. Bill was an inveterate storyteller and loved nothing more than to wile away the quiet hours by telling stories of business and of life. Having no sons he selflessly tutored a number of employees to enter business. He retired at 70.
Dan E4	E.M	A solo entrepreneur, Dan had no prior business experience. Apprenticed as a mechanic, he set out to seek his fortune in the burgeoning oil business. He married and got a job on a pipeline. He was mentored by his father-in-law who was a trader. Dan saved and opened a garage but this first venture failed. Penniless, Dan worked on a pipeline in the Middle East to accrue capital. Back home from his travels, Dan dealt in second-hand cars and lorries before setting up in the oil business. He did well until wiped out by the taxman. Dan worked hard and recovered and now travels the globe buying and selling second-hand oil equipment and scrap, acting as a middleman for other companies. He trades in older oil rigs but still lives by his wits buying and selling cars on the side. He taught himself about finance and offshore banking, developing a vast network of business contacts. He spends his time scouring the network for new deals. He is now into property development as well as property deals in Africa and South America. He is aided by his equally entrepreneurial wife.
Danny SB1	B.E.M	Until recently Danny was a full-time businessperson. He worked for a local joiner he considered his friend. The employer who was childless died, leaving the modest business to Danny, his lifelong friend. Danny shouldered the responsibility he had never sought nor believed he would ever have to carry. He kept the business ticking over, but was not a businessperson by nature. He made a success of it but later merged his business with that of his sons. He is still working at 75.
Vick SB2	F.F	Vick, the family-orientated son of SB1, was inspired by his father and is now on his way to becoming an entrepreneur. At school, Vick made modest progress and entered the same builder's firm that his father worked at. He steadily learned his trade and became a "jack of all trades." He was a quiet, industrious child by all accounts. Vick worked for his father until in his mid-20s but did not want to live all his life under his father's shadow. Inspired by his father's progress, he decided to take the plunge. Through a friend in the trade, he was offered a building contract but he had to buy the materials himself. Newly married with a small child, he nevertheless used all his savings and ran up a considerable overdraft before the deal finally paid off for him. His memories are of sitting at the kitchen table in the evenings wondering how he would pay his debts and feed his family. Slowly, Vick began to prosper. He bought an old van and was soon employing two local men. Over a period of two years his business expanded and he employed several other laborers. He prospered because of his hard work, long hours, and his meticulous attention to costs and details. His reputation grew and he took on council contracts. He diversified into other areas such as landscape gardening, property speculation, and house building. He bought his father's firm and now as he nears his mid-40s employs 29 men.

Table 3 continued

Alan SB3	B.E.M	Alan is a full-time businessperson who, like SB1, was practically gifted a business by his former employer who, having no sons, tutored him over several years and sold him the business cheaply. This benevolent mentor tutored him as a surrogate son. Alan is a bachelor and has two other careers that he pursues in his spare time.
Alfie SB4	E.M	A retired full-time businessperson who had no prior familial business experience, Alfie was raised in a rural village environment in the 1930s. He began work as a farm laborer and then as a joiner. In his 20s he married. He was friendly with other young men who were the sons of shopkeepers, bakers, publicans, and small business owners. He socialized with them and over a pint in the pub would listen to their stories of business success and failure. He became a well-respected joiner noted for his craftsmanship and skill. When the local joiner retired, Alfie bought the business. It was a steep learning curve. He remembers searching his jacket pockets for pennies to pay a bill. He often went without food himself to pay his bills on time. Alfie worked hard and slowly saved money. He employed two local men but chose to remain small. He saw from watching his peers that expanding rapidly and being the big man did not always pay. He took pride in his expanding bank balance. When the local undertaker died, Alfie diversified and between the two businesses prospered. He is a deeply moral man and a devoted husband. It is a classic case of a family in business as opposed to a family business.

tices were trusted boys from poor local families. Often they married the boss's daughter and were gifted the business upon marriage, infusing native entrepreneurial talent from below.

Contingent Stories, Mentoring, and the Virtuous Circle

The entrepreneurial spirit can reinvigorate family businesses via physical and narrative processes forming a virtuous circle of knowledge, values, and practices that surrounds the family unit. Whetten (1989) argues that the construction of diagrams assists in the theory-building process. Figure 1 illustrates how contingent narratives mentor and initiate enterprise within the family unit and business environment. By a process of assimilation, this spirit is infused into the family business environment.

The entrepreneurial mentee stands between the family unit and business, drawing inspiration from three related narrative spheres: family, external mentor, and family business. The family unit generates familial fable, entrepreneur stories, great family stories, and dynastic tales. The mentee can draw inspiration from external sources such as a mentor figure, mentorial tales, or self-educate by reading inspirational texts about entrepreneurs. The family business generates its own story that in time may influence familial fable. A series of linked stories emerge as each family member contributes to the family business in different ways. Thus, the male father figure may adopt the role of entrepreneur. The mother may direct the play (Hamilton and Smith 2006) behind the scenes, or act as an equal partner. The siblings may enact managerial roles as entrepreneurs-in-waiting. It is a complex interaction of narrated behaviors and the type of story a family member chooses to narrate is contingent on a variety of circumstances both personal and social, depending upon the setting. To one person the male head of the family business may narrate a traditional entrepreneur story and to another he may emphasis the family business story. His wife may narrate the exploits of her husband with pride as an entrepreneur story. In different circumstances she may narrate the same events as an adventure or romance story where both she and her husband are entrepreneurs. Alternatively they can also legitimately narrate their story as part of a wider dynastic picture. Figure 2 continues this theme, showing where the above elements fit into the anthology of stories available to the entrepreneur and their families.

Thus, the mentee–entrepreneur is surrounded by a self-reinforcing virtuous circle of stories from which it is possible to construct their moral universe, shape character, guide attributes and beliefs forged by events and doxic scripts in a potentially bewildering variety of ways. Which story they can and do tell will be contingent on the purpose behind the telling. All the possible stories may be appropriate, but it is the contingent circumstances surrounding the narration that will dictate which story is the most situationally specific. The construction of the diagrams led to a realization on the part of the author of the power of contingency theory in helping make sense of families in business.

Making Sense of Families in Business

This study focused on family stories as transmitters of familial and family business values across generations as narratable entrepreneurial capital. Also, in considering the family unit as an entity separable from the family business and in examining the perpetuation of family values into the business sphere, this work takes a step forward by linking both to narrative and narration—for it is in stories that circulate within business communities that one makes sense of families in business.

We have come to expect our entrepreneur stories to be about energetically overcoming hardships and succeeding. Stories of matured entrepreneurship such as those discussed in this article as familial fable are about stamina, renewal of

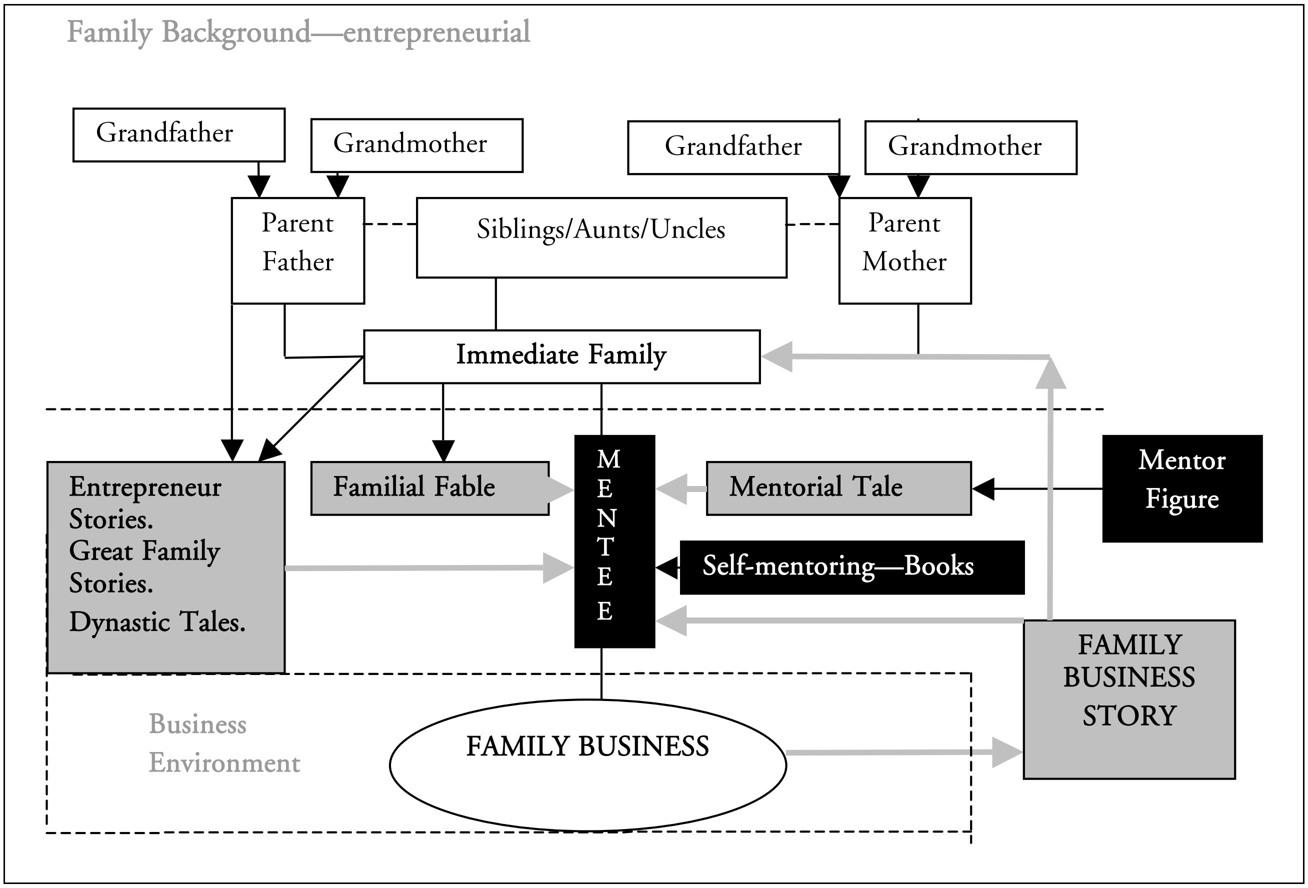

Figure 1. The Contingent Nature of Narratives of Family Enterprise

values, and dealing with change. The stories are part of the same genre because the entrepreneurs discussed herein are no different from the other first-generation entrepreneurs, only the way in which they can tell their stories differ. Nevertheless, holistic approaches help us make sense of the complex issues that obscure how knowledge of entrepreneurship, small business, and family business is passed on to future generations. Acknowledging the existence of this rich stream of narrated knowledge circulating within business communities is a major contribution. When familial fable and mentorial tales are placed alongside existing narrative categories such as great family stories, dynastic tales, family business stories, and entrepreneurial family stories, one senses the importance of narrative as a sense-making device. Over time, social commentators and academics lost sight of the importance of families and family values in propagating and perpetuating the entrepreneurial spirit. They forgot about the most directive social organizations in the world—the family. To make sense of entrepreneurship enacted in small and family businesses, researchers would benefit from listening to stories from the business milieu and attempt to map and understand what they mean collectively because in theory and in practice, entrepreneurship manifests itself in many forms. Thus, one story does not fit all.

The author considers entrepreneurship to be a modus operandi or method of operating with actantial, as well as communicational elements. The propagation of entrepreneurial narrative makes it a practice. Despite the existence of a significant body of literature on narrative theory, narrative inclines more toward the practical. Furthermore, the author also considers entrepreneurial behavior (as recounted in narrative) to be more of a peripatetic philosophy than a theory being a portable wisdom embedded in stories that can be passed onto others as we walk and talk through life. In relation to the familial fable and mentorial tales discussed, it is dispensed by those who care about us, so it has a powerful, authoritative effect. Perhaps entrepreneurial narrative is more akin to being a peripatetic form of philosophy than a theoretical construct. As such it is resistant to theorizing, which is just too dispassionate and analytic an activity for everyday situations. Attempts to conceptualize it as one theory fail to convince because they lose sight of the complex humanities and essences expressed in entrepreneurship. Narratives and stories convince because they can convey

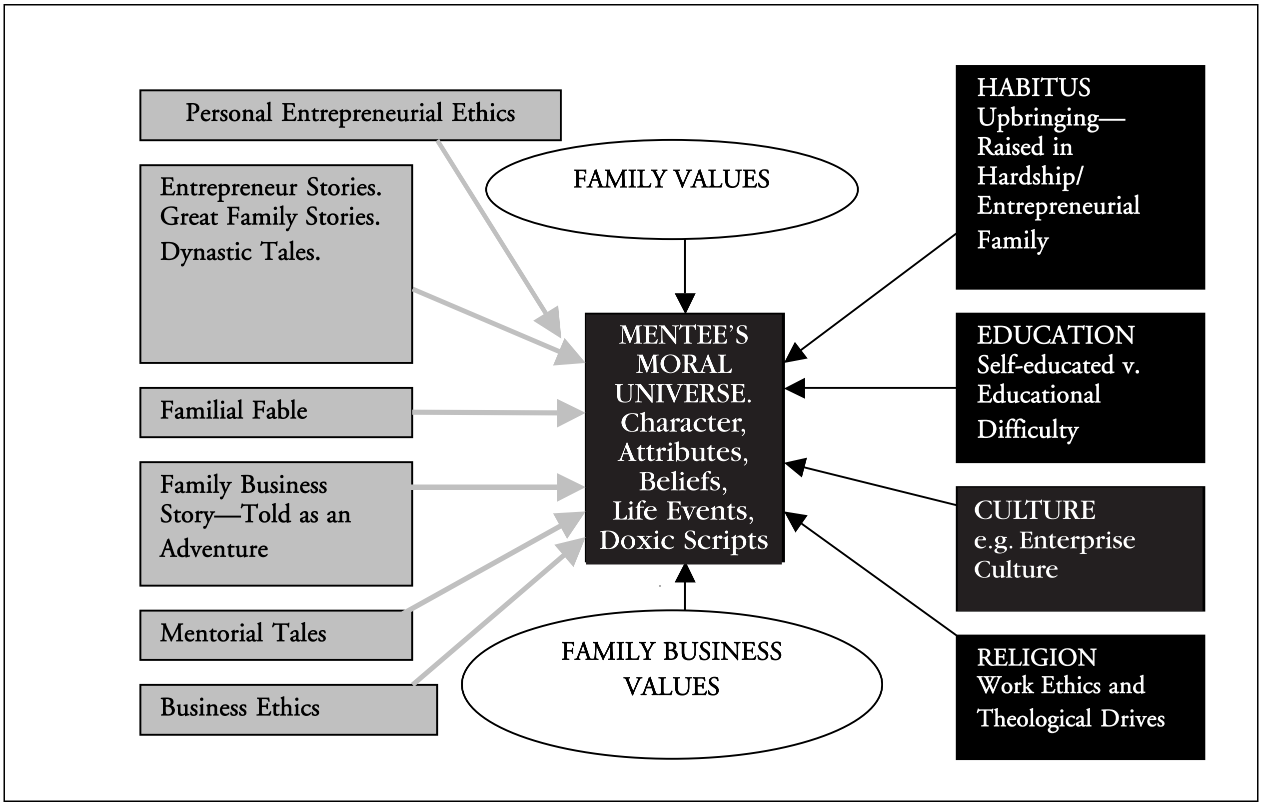

Figure 2. A Self-Perpetuating Virtuous Circle of Morality within Family Business

emotions and essences with greater humanity than can be achieved in theory. The author appreciates that even in identifying a contingency theory for telling appropriate entrepreneur stories that it will make little difference to the actual stories told.

This article has the potential to make a contribution by informing future research by providing a unifying theoretical platform to incorporate the many narratives, stories and other theoretical stances associated with entrepreneurship such as the behavioral approach, the trait approach, and so forth. These can be accommodated as enacted stories and storylines. It does not matter that one story does not fit all because of the adaptability of contingent stories.

Moreover, simply proposing that entrepreneurship is a philosophy of the everyday variety does not end the debate because it is not one philosophy either. Being a philosophy one can buy into the elements that resonate with one's ideals and belief system and ignore those that do not. The belief system as discussed in the article is that of moral entrepreneurship but the author accepts that immoral, amoral, and criminal belief systems can be brought into play in practicing entrepreneurship. Framing entrepreneurship as a portable life philosophy does not necessitate the application of a theoretical framework of philosophy incorporating other philosophical theories and theorists. This is because everyday philosophy works with the pool of knowledge at hand bypassing the theoretical. It enables us to move on to the practical and the practice of entrepreneurship, acting as a conceptual bridge between theory and practice. The philosophical element enables practical application.

There is a double problematic in that stories have to be told, memorized, practiced, and repeated to be effective. They have to be collected and faithfully reproduced or they lose their purpose. Stories contain their own morale and are self-contained moral universes/cosmologies. Stories illustrate and transfer values in everyday contexts. To be effective they have to contain embedded cultural aesthetics and one has to stick very much to the script. Also, character aspects are paramount in telling convincing stories. Future generations of entrepreneurs will continue to hear such tribal stories from their grandparents, their uncles, and aunts and in this way, to paraphrase Pierce, "be better off for it."

To conclude, entrepreneurial narrative in its many forms may lean toward being a practical theory (as proposed by Rae 2004). However, the problem with advocating practical theories is that they just don't look and sound like theories at all, which makes the argument for telling contingent stories even more convincing.

Notes

1. The author accepts that by making the deliberate decision not to review/discuss narrative theory he is holding himself a hostage to fortune. However, the author has tackled this elsewhere (see Smith and Anderson 2004).
2. However, for Casson (2000) entrepreneurship is only one form of social advancement with intermarriage into/and between entrepreneurial families being another option. Beaumont (2002) refers to the judicious marriage as an entrepreneurial strategy and Walvin (1997) documents intermarriage as a Quaker dynastic strategy.
3. In the novel Captains and Kings, Taylor Caldwell's heroic entrepreneur Joseph Armagh is mentored by a senator and a crooked businessman.

References

Aldrich, H., L. Renzulli, and N. Laughton. 1997. Passing On Privilege: Resources Provided by Self–Employed Parents to their Self—Employed Children. Paper presented at the American Sociological Association.

Aldrich, H. E., and J. E. Cliff. 2003. The pervasive effects of family on entrepreneurship: towards a family embeddedness perspective. *Journal of Business Venturing* 185 (9).

Anderson, A. R., and C. J. Miller. 2003. 'Class matters': Human and social capital in the entrepreneurial process. *Journal of Socio-Economics* 32, 17–36.

Arlacchi, P. 1993. Men of dishonor: *Inside the Sicilian Mafia* (M. Romano, Trans.). New York: Morrow.

Baines, S. and J. Wheelock. 1997. *A business in the family: An investigation of the contribution of family to small business survival, maintenance and growth.* Institute for Small Business Affairs, Research Series—Monograph No. 3.

Beaumont, R. 2002. *The railway king: A biography of George Hudson railway pioneer and fraudster.* London: Headline Book Publishing.

Bourdieu, P. 1996. On the family as a realized category. *Theory, Culture and Society* 13 (3), 19–26.

Brockhaus, Sr., R. H. 1994. Entrepreneurship and Family Business Research: Comparisons, Critique, and Lessons. *Entrepreneurship, Theory & Practice* 19 (1), 25–38.

Caldwell, Taylor. *Captains and kings.* 1977. London: Fontana.

Carsrud, A. L. 1994. Meanderings of a Resurrected Psychologist or, Lessons Learned in Creating a Family Business Program. *Entrepreneurship, Theory & Practice* 19 (1), 39–48.

Casson, M. C. 1991. *Economics of business culture: Game theory; Transaction costs and economic performance.* Oxford: Clarendon Press.

Casson, M. C. 1995. *Entrepreneurship and business culture.* Aldershot: Edward Elgar.

Casson, M. C. 2000. *Enterprise and leadership: Studies on firms, markets and networks.* Aldershot: Edgar Elgar.

Chau, J. H., J. J. Chrisman, and L. P. Steier. 2003. Extending the theoretical horizons of family business research. *Entrepreneurship Theory and Research* 29 (4).

Collins, O. F., and D. G. Moore. 1964. *The enterprising man.* East Lansing Bureau of Business and Economics Research. Graduate School of Business Administration. Michigan State University.

Cooper, A.C., and W. C. Dunkleburg. 1987. Entrepreneurial research: old questions, new answers and methodological issues. *American Journal of Small Business* 11 (93), 219–234.

Cullen, B. 2002. *It's a long way from penny apples.* London: Hodder.

Delmar, F., and J. Gunnersson. 2002. How Do Self-Employed Parents of Nascent Entrepreneurs Contribute? Paper presented at the Babson Entrepreneurship research Conference, Wellesley, M.A.

Duchesneau, D.A., and W. B. Gartner. 1988. As of dominant religions to enterprise in Japan and England, profile of new venture success and failure in an emerging industry. In Kirchhoff, B.A. et al., eds., *Frontiers of Entrepreneurship Research.* Babson College, Wellesley, M.A, 372–386.

Fallon, I. 1994. *The player: The life of Tony O'Reilly.* Hodder and Staughton.

Fletcher, D. 2000. Family and Enterprise. In S. Carter and D. Jones-Evans, eds. *Enterprise and Small Business: Principle, Practice and Policy.* Pearson Education Limited.

Fournier V. 1996. The concept of the profession and its inscription in the discourse of enterprise. Paper presented at the ISA Working Group 02—Occupations and Professions: Changing Patterns, Definitions and Classifications, Nottingham.

Gartner, W. B. 1990. What are we talking about when we talk about entrepreneurship? *Journal of Business Venturing* 5, 15–28.

Gibb D. W., and W. Handler. 1994. Entrepreneurship and Family Business: Exploring the Connections. *Entrepreneurship Theory and Practice* 19 (1), 71–83.

Gibb, D. W., and A. L. Wilkens. 1991. Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt. *Academy of Management Review* 16 (3), 63–69.

Goffee, R. 1996. Understanding family businesses: issues for further research. *International Journal of Entrepreneurship, Behaviour and Research,* 36–48.

Haines, J. 1988. *Maxwell.* London: Futura.

Hamilton, E. 2001. Myth and Misconceptions. Lancaster University Business School—Internal Report.

Hamilton, E., and R. Smith. 2006. Directing the Play. Unpublished Working paper.

Hammer, A., and N. Lyndon. 1985. *Hammer: Witness to history.* London: Coronet Books.

Hoy, F., and T. G. Verser. 1994. Emerging Business, Emerging Field: Entrepreneurship and the Family Firm. *Entrepreneurship, Theory & Practice* 19 (1) Fall, 9–23.

Katz, J. 2004. Reading the storybook of life: telling the right story versus telling the story rightly. In Hjorth, D. and C. Steyaert, *Narrative and discursive approaches in entrepreneurship: A second movements in entrepreneurship book.* Cheltenham: Edward Elgar.

Kets de Vries, M. F. R. 1977. The entrepreneurial personality: a person at the crossroads. *Journal of Management Studies* 14 (1), 34–57.

Kets de Vries, M. F. R. 1992. *The family firm: An owners manual.* Fountainebleau: INSEAD Discussion Paper 92/03/OB.

Kickul, J., N. Krueger, and S. Maxfield. 2005. Measurement issues in entrepreneurship studies. *The New England Journal of Entrepreneurship* 8 (2), 5–8.

Kirby, D. A. 2003. *Entrepreneurship*. London, McGraw-Hill.

Leach, P. 1991. *The family business.* London, Kogan Page.

Levin, I. 1993. Family as mapped realities. *Journal of Family Issues* 14 (1), 82–91.

MacIntyre, B. 1997. *The Napoleon of crime: The life and times of Adam Worth—the real Moriarity.* London: Harper Collins.

Mackay, J. 1998. *The man who invented himself: A life of Sir Thomas Lipton.* London: Mainstream Publishing.

Marwick, A. 1996. *British society since 1945.* 3rd ed. Harmondsworth, UK: Penguin.

Osborne, R. L. 1991. Second-Generation Entrepreneurs: Passing the Baton in the Privately Held Company. *Management Decision* 29 (1), 42–47.

Rae, D. 2004. Practical theories from entrepreneurs' stories: discursive approaches to entrepreneurial learning. *Journal of Small Business and Enterprise Development* 11 (2), 195–202.

Ram, M. 1993. *Managing to survive: Working life in small firms.* Oxford: Blackwell.

Ram, M., and R. Holiday. 1993. Keeping it in the family: Small firms and familial culture. In F. Chattenden, M. Robertson, and D. Watkins. *Small Firms, Recession and Recovery.* London: Paul Chapman.

Scherer, R. F., J. S. Adams, S. S. Carley, and F. A. Wiebe. 1989. Role Model Performance Effects on Development of Entrepreneurship. *Entrepreneurship Theory & Practice* 13 (3), 53–71.

Schindehutte, M., M. Morris, and C. Brennan. 2001. Female entrepreneurs and their children: Implications for family life, career aspirations and entrepreneurial perceptions. Paper presented at the Babson 2001 Conference, Jonkoping Sweden.

Smith, R. 2002. Inspirational tales: Propagating the entrepreneurial narrative amongst children. Paper presented at the Babson-Kauffman Entrepreneurship Research Conference, Boulder.

Smith, R., and A. R. Anderson. 2004. The devil is in the e-tale: Form and function in the entrepreneurial narrative. In Daniel Hjorth and Chris Steyaert, eds., *Narrative and discursive approaches in entrepreneurship.* Cheltenham, UK: Edward Elgar.

Smith, R., and G. Wade. 2005. Selling Selves and business: The communication of value in lived business narratives. Paper presented at the 4th Annual Rural Entrepreneurship Conference, Aviemore, November.

Stanley, T. J. 2000. *The millionaire mind.* Kansas City: Andrews McMeel Publishing.

Steyaert, C., and R. Bouwen. 1997. Telling stories of entrepreneurship—towards a contextual epistemology for entrepreneurial studies. In R. Donckels, and A. Mietten, eds., *Entrepreneurship and SME research: On its way to the next millennium.* Aldershot.

Stolze, W. J. 1999. *What makes an entrepreneur?* www.morebusiness.com. Accessed on June 6, 2006.

Storey, D. J. 1994. *Understanding the small business sector.* London: Thomson.

Venkatapathy, R. 1996. First and Second Generation Entrepreneurial Types. *Journal of Social Behaviour and Personality* 1, 471–472.

Walvin, J. 1997. *The Quakers, money and morals.* London: John Murray, Abermarle Street.

Warner, J., and J. Abegglen. 1955. *Occupational mobility in American business and industry*. Minneapolis.

Wetherell, M. 1997. *Identities, groups and social issues.* London, The Open University, Sage Publications.

Whetten, D.A. 1989. What constitutes a theoretical contribution? *Academy of Management Review* 14 (4), 490–495.

Wilson, D. 1998. *Dark and light: The story of the Guinness family.* London: Weidenfeld and Nicolson.

About the Author

Rob Smith (r.smith-a@rgu.ac.uk) has always been an avid reader of books and stories. His PhD by research at The Robert Gordon University into the social construction of entrepreneurship rekindled his passion for storytelling. This article is but one of many that struggle to articulate the nuances of entrepreneurial narrative, entrepreneurial identities, social constructionism, and semiotics which pervade the genre. Dr. Smith also has an interest in gender and entrepreneurship, rural entrepreneurship, and criminal entrepreneurship.

Strategic Marketing Practice Considerations in Family Business in Nigeria

Omotayo Adegbuyi

The purpose of this study is to fill a gap in the literature by examining a medium-sized firm. Most modern economies are characterized by a significant group of middle-sized firms, still owner-managed, but with multimillion naira turnovers. Many of these remain family companies and constitute an important reservoir of business initiative. One such family business is the focus of this research. The results of the study suggest that neither the existing typologies of small firm approaches to marketing nor the formal models of marketing attributed to big companies necessarily characterize the marketing planning and management of family business in Nigeria.
Keywords: Depth evaluation, family companies, medium-sized firm, modern economies, multimillion naira turnovers.

For sustained profitability, business has to identify and approach its potential customers in an informed, organized, and controlled way. Business has to offer customers some benefit at a price they are willing to pay and at the same time organize its affairs to ensure that it makes adequate profit. Irrespective of the people involved and the methods adopted, success requires analysis, planning, and control (Kotler 1984). This paper is concerned with the strategic marketing activities.

Family firms are rarely recognized as aggressive growth companies (Blake and Saleh 1995), yet growth is important to family firm survival (Ward 1987). Poza (1989) indicated that family firms must consider growth strategies to avoid the decline or loss of the family business, to promote continuity and family unity, and to save jobs and create wealth. Unique challenges arise in achieving growth while also maintaining control of the family business (Goffee 1996). To date, research-based insights into family firm growth strategies and implementation approaches are quite limited (Sharma, Chrisman, and Chua 1997), and comparative studies are rare (Dyer and Handler 1994). The current study seeks to address this shortcoming by examining the strategic marketing practice considerations in family business. Specifically, the research seeks to explore the following questions: What are the strategies family firms use to pursue growth? Are these strategies different than those used by large and small firms? What specific marketing tools do family firms use to implement the strategies?

Background

When the austerity measures failed to work in Nigeria in 1986, the Structural Adjustment Programme (SAP) prescribed by the World Bank and the International Monetary Fund (IMF) was introduced. SAP was the all-powerful prescription, which the World Bank and IMF recommended as the last resort for bailing developing nations out of their strangulating debts. It is normally a very bitter purgative pill. It is gratifying to say that SAP, in spite of all the criticisms against it, has succeeded to some extent in correcting the anomalies in the Nigerian economy.

Among the reasons for the introduction of SAP by the Babangida administration in 1986 was to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports. The expected impact of these measures was the discouragement and consequent reduction of importation on the one hand and the stimulation and consequent increase in the local production of goods and services formerly imported on the other.

Active persuasive measures by the SAP helped Nigeria to ban items such as bottled water, soft drinks, carbonated drinks, and stout. This opened the way for indigenous industries, which are mostly family-owned businesses, to take on the challenge to turn out new local alternatives to foreign-made goods. Thus, marketing outlets today display innovations of invariably all types of consumer goods formerly imported into the country. In particular, the recent growth in the soft drink chain industry has resulted in fierce competition. Classic Beverages Nigeria Limited (a family-owned business) has responded to this challenge with the introduction of Lacasera to compete with other soft drinks in the market.

Literature Review

No general agreement exists among academicians as to the definition of "family business." Several authors have called for definitions that use multiple conditions to identify family business; many use requirements such as (1) family ownership and control, (2) family influence on decision-making, and (3) intent to transfer the firm to the next generation (Chua, Chrisman, and Sharma 1999). Unfortunately, there is no consensus as to how much ownership is necessary to qualify a firm as a family business. Ward and Dolan (1998) suggest that ownership should be measured by voting power because this may better indicate the behavior and structure within the family business than as a measure of relative economic interest. Chua et al. (1999) state that there is no specific delineation of how much ownership is necessary to qualify the firm as a family business. Ward (1986) defines control by percent ownership of stock, with 50 percent ownership considered "in control" for privately held firms and 30 percent for publicly held firms. In this study the 50 percent ownership criteria is used.

Several researchers have called for studies that investigate strategic planning and implementation in family firms. In a review of the literature, Wortman (1995) noted the paucity of research into generic strategies and the use of strategic marketing concepts. He pointed out that our understanding of family business strategy (Hoy and Verser 1994) specifically called for research into the strategies family firms use to achieve venture growth. Little is known about growth-oriented family firms or how they compare to large and small business.

There is a presumption, based on both empirical and anecdotal evidence, that family firms are not growth oriented and therefore achieve lower growth in sales than nonfamily firms. Family firms are thought to suffer from an absence of a growth vision (Poza 1988), little or no desire to grow (Ward 1997), and a lack of growth-oriented business goals (Tagiuri and Davis 1992). Even when family business members verbally commit to business practices that would encourage firm growth, they still employ relatively conservative business strategies (Habbershon 2001).

Strategic Marketing Practices: Business Strategies and Growth Outcomes

Porter (1997) suggested that there were four generic business level strategies. He argued that a firm could carry out either the overall cost leadership or the differentiation strategy broadly, by targeting a large market, or more narrowly, by targeting a particular segment of the market. Porter referred to the targeting of a narrow segment of the market as focus strategy. Since Porter's seminal theoretical work, many other researchers have empirically examined these generic business level strategies and have suggested additional strategies that a fast-growth business might use to outperform other firms in the industry, thereby achieving success (Baum, Locke, and Smith 2001; Ireland and Hitt 1997).

One way to gauge the effectiveness of a firm's selected business strategies and the resulting financial allocations that are made to support the strategies is to evaluate growth outcomes. While many growth outcomes are possible, the focus here was on expansion of products and services that offered growth in new customers and sales to new customers. To the extent that family firms reflect a "defender" orientation in the Miles and Snow schema, they should prefer a market penetration strategy. This conclusion suggests that family firms might be less inclined to introduce new products to new customers. However, as the author does not believe the defender stereotype necessarily applies, it is hypothesized that there will be no difference between family and large and small businesses with respect to growth in new products or services.

Methodology

The Reason for Qualitative Research Design

An important research issue in attempting to conceptualize marketing as a practice by entrepreneurs relates to the search for common meanings of terms. Entrepreneurs' understanding of management terminology comes from book definitions as well as from other entrepreneurs. In a critique of the quantitative/deductive designs prevalent in family business research, Gibb (1990) gave the following examples of how things could go wrong.

> Firms are asked if they are moving into "new markets" or if they are developing "new products." Those well acquainted with the entrepreneur will know that these terms are likely to be interpreted in a variety of ways. The term "market" is open to all kinds of ambiguity, as any detailed discussion of marketing with entrepreneurs will indicate.

Gibb (1990) concluded that the search for representativeness through large sample questionnaire surveys was frequently misplaced in researching the small firm sector, and he called for the use of more inductive reasoning based on ground theory with greater emphasis on quality of data. Researchers investigating the marketing and entrepreneurship interface responded to such recommendations by using qualitative and longitudinal research to supplement the "snapshot" quantitative profiles of entrepreneurs. This study is part of this body of work, and utilizes a combination of qualitative methods—in-depth interviews and longitudinal focus groups.

Methodologically, this look at strategic marketing process in one company constitutes a qualitative case study. Such studies may sometimes be viewed as utilizing only one tool of quantitative research (Hari Das 1983) but they may, as in this case, embrace a number of techniques (Bryman 1989). While data collection was primarily by observation, largely semiparticipant observation was supplemented by both unstructured and structured interviews and by scrutiny of whatever company documentation we requested. To some extent, information received verbally could be validated by reference to this documentation. In addition, the researcher was able to check and cross-check other pieces of information by respondent validation and by colleague validation. Some elements were partially validated on a spot-check basis, by speaking to customers and market channel intermediaries.

The study was designed to find out what strategic marketing practice activities a specific firm undertook, rather than to obtain quantifiable information such as how often particular things were done or how many people were involved in them. As with most qualitative research, the study was open ended in the sense that its purpose was not precisely set out in advance (Bryman 1988). We sought, as open-mindedly and dispassionately as possible, to observe and learn what strategic marketing planning was undertaken and why the company did things the way they were done.

The following account includes information about the company and the product–market background against which its marketing activities and decision-making take place. This is to assist those readers who wish to interpret things in their own way. Of course, the selection of reported data and the interpretation given here are, inevitably, the author's alone.

The Company

Classic Beverage Nigeria Limited markets the soft drink Lacasera for final consumers. The company markets to both restaurants and households, both at various locations in major cities in the country. The company's products include cola drink, black currant drink, orange drink, apple drink, and bottled water.

Established in 1999, the company has experienced continuous, unspectacular growth and currently employs 330 people in Nigeria, all but 196 of whom work in the factory. The latter figure includes a field sales force of 120; management and secretarial staff number only 76. The managing director is the son of the company's founder and a college graduate. Other directors are college graduates and professionally qualified. The marketing manager and two of those working with him hold professional marketing qualifications. It is important to state that the company possesses no organizational chart and all managers enjoy relaxed, informal contact with each other and with the managing director. Marketing decision-making is, for the most part, highly participative and neither work nor social pressure is evident in the many, informal daily contacts. To date, it has been company policy to remain close to the original product of soft drinks and not to diversify out of the product range. Nearly all the product categories are manufactured and marketed in a range of qualities. It is noticeable, though not surprising in such a mature market, that the scope for product innovation is limited and that the company's steady stream of improved and new products has not given rise to any dramatic improvement in volume or profitability.

The Market

The market(s) served by the company are relatively stable. In the domestic sphere, the company sells to the following categories of customers: (1) retail chain stores (key accounts), (2) major wholesalers and distributors (key accounts), (3) kiosk (field sales force), (4) restaurants (field sales force), and (5) schools (field sales force).

In briefly examining the markets served by the company, it is helpful to answer this question: How do the categories of customers buy?

Retail chain buyers from the large do-it-yourself (DIY) superstores are one of the company's most important customers. They currently account for approximately half of the annual turnover. They buy centrally; lay down their volume, packaging, and transportation requirements and then bargain hard on price. Some require only own-label products, some dual branding, some want a mix of company brand and own label. A second category of "key account" customers is a more diverse group of big buyers of company-branded product. They include wholesalers and trade centers and a few other worthy of special attention and service on account of their future potential. Together they account for some 7 percent of turnover. Again, price is a major concern. The remaining buyer categories (3)–(5) above comprise the "traditional" business of the company; in order of contribution to turnover: kiosk; restaurants, and school. These categories are important because they afford the company higher unit profitability than the high volume buyers. They are serviced by the field sales force so the company is able to exert considerable influence at the point of sale through merchandizing aids and advice.

Company Marketing

As stated above, company marketing is in the hands of 8 senior people with a highly experienced sales office of 8 supporting them. There is no other full-time marketing staff at the head office. There are 44 representatives in the field plus five regional sales managers. The marketing manager and his assistant are the initiators of most marketing action. The decision-making is collective, often embracing other managers. Although discussion is continuous, it is informal and ad hoc; there are very few formal meetings involving only company personnel. Leaving aside the days spent away from the office with prospective customers and other appointments involving people outside the company, roughly half their time is spent on the detailed administration of their marketing responsibilities. The other half is spent, typically, with the sales manager discussing possible new product improvements and other product-related initiatives. They are responsible for advertising, brochures and promotional support, publicity, and public relations. They also take the lead in new product and product improvement ideas. The two "major" account managers are together responsible for servicing and negotiating some 60 key accounts. Thirty of these comprise the company's biggest customers while the rest are potentially major customers the company has targeted for special attention and action. The latter include a few large customers who have been lost, some particularly "hard-won" accounts of middle size, but mostly potential customers currently monopolized by rivals, which the company wants "to court really seriously." What follows is an evaluation, a partial audit, of the company's approach to the 4Ps and the marketing mix as a whole.

Product Policy

The company has three product groups:

1. Fruit juice (bottled)
2. Fruit juice (carton)
3. Bottled water

Of these, the first two, together, are seen as the core business; the third is viewed as an "extra" that is now ripe for serious development and effort. All three utilize the same channels of distribution. Within these channels the company actively seeks end-buyer and distributor feedback. New products come on the stream at least once a year. There is no test marketing in the textbook sense and it is the sales figures and feedback from the channel that determines the fate of these items. New product ideas are not formally researched for customer attitude or acceptance. Indeed, new product initiatives are not costed with precision unless they are bought in or require the purchase of new capital equipment.

The company has not given serious consideration to diversification outside its three established product ranges, existing distribution, and outlets. Rather surprisingly, expensive packaged "designer" yogurt, targeted at female buyers, has not been placed in any nontraditional channel or outlet. Arguably, this is an opportunity foregone. For the present, the company regards itself as too small to tackle diversification into sectors that lie outside its traditional knowledge base.

Some members of the marketing team, though, see the potential of "household" products from a broader perspective and view it as a step toward eventual diversification away from fruit juice. Individually, members of the marketing team think through issues relating to new products in the knowledge that some ideas will gain the approval of the sales director and managing director. Agreement is not necessarily expected. Formal recommendations are not made until lengthy, informal discussion has taken place. Issues and problems are assessed with market data and competitive products at hand. Yet these initiatives, even when given the final go-ahead, are not subject to written planning; timetables are argued through and agreed but not committed to paper.

Pricing Policy

Major pricing policy issues, such as discount structure changes and the likely outcome of the annual negotiation with a major chain buyer, are discussed and agreed in a framework that embraces formal meetings, boardroom lunches, and much informal chat among a group, which includes the financial director and the managing director. Formal changes to published price lists, to keep abreast of information and to ensure inclusion of new lines, is agreed at ad hoc informal meetings. The cost of changing published lists is not without significance to the company and changes are made reluctantly and infrequently. All prices are set with primary regard to what the market will bear but, in addition, precise market objectives for individual lines or even specific items do play a part. As a result, company pricing corresponds closely with what professional marketers would recommend. Some items are priced to achieve particular objectives though, generally, pricing is constrained by the need to keep the various quality ranges quite distinct right across a large number of line items.

In the area of household items, the nature of competition in the marketplace is significantly different from that facing the other products. There is a discontinuous supply of very cheap products imported on an opportunity basis from several developed countries. As a consequence it proves impossible to maintain relative steady prices in this category. The company is currently analyzing how best to position the "shifting sands" of cheaper imports of mixed quality.

The prices, which have to be set, are not simply list prices but also the selection of discount rates applicable to particular volumes or category of buyer. Pricing is given exhaustive attention in a highly structured manner with production and distribution cost data at hand. A continuing tension exists between the need to meet the demands of major buyers and the need to remain within the discount limits, so as not to alienate other categories of buyer. All involved in marketing decision-making understand this tension and support the decisions made. However, despite all the prior discussions there may be in a particular instance, no customer is ever aware of internal differences of view.

Distribution Policy

All company-controlled physical movement of product is put out to tender. No new bidder is accepted without careful, discrete, prior inquiry about their reliability. Movement is mostly a matter of contract haulage by road transport. About one-third of the production is simply collected from the factory by the trucking nominees of major account customers who prefer to handle distribution themselves. All company-controlled movements are arranged and monitored by the marketing team.

Promotional Policy

The promotional activity of the company embraces advertising, deliberate publicity, sponsorships, and public relations activities, as well as matters of packaging, point-of-sale material, brochures, merchandizing equipment, and material for trade displays and exhibitions. All product packaging is selected or designed by the marketing team. This is a full promotional mix. For almost half a decade, the company advertised its products nationally in the press. Since 2004, however, the cost of such national advertising has been judged too great. Nevertheless the company brand name remains the best known in its field; partly due to the national advertising of 2000 and 2001. Today, the entire advertising budget is used in a highly selective, targeted way in special interest magazines and, to a significant extent, in relevant trade journals. To get beyond the rather narrow reach of these specialized media, without great cost, the company puts considerable effort and ingenuity into the generation of publicity that will put its name before the general public. The offer of company products as "prizes" at public events is one such means. The provision of company products free of charge to television companies and advertising agencies as "props" is another. The same thinking lies behind a number of small, local sponsorships. Careful attention is also given to any PR option that might strengthen the "image" of the brand in the trade, where, throughout the history of the firm, another manufacturer has for generations been regarded as the maker of better quality products.

Overview of the Mix

The marketing team gives individual and detailed attention to each element of the marketing mix and evaluation is continuous. There is also a total understanding of the need for the mix of elements to reinforce one another and give consistent signals to buyers. The researcher found nothing wanting in day-to-day, short-term activities and plans. What is lacking is a framework for consideration of longer term issues, threats, and opportunities.

Analysis

This study presents the case of a mature company with mature products servicing a mature market. Managers are few in number and work in an informal, flexible structure with regular, easy access to its board. Marketing planning in the company is observable daily. A small group of professional marketers, with the full support of the managing director, actively keep their company firmly market-focused and responsive to customers.

There is effective utilization and integration of all the elements of the marketing mix. Activities tend to be planned, timed, and coordinated with some skill. Yet all this is entirely tactical and short in focus. There is virtually no long-term, strategic orientation in either action or thought. While at the operational level qualified people are working professionally, what longer term thinking does take place remains locked up in the minds of individual managers. The very informality, which is so productive in generating cohesion and quick responses, appears to limit strategic thinking to the totally informal. Consequently, the strategic thinking that does take place is apparently devoid of impact. The partial explanation is the informal nature of business policy formulation overall.

There is no explicit company statement. There is no formal SWOT activity and no gap analysis. There is no explicit product portfolio analysis. Formal strategic marketing planning is absent. Very little time is devoted to the long-term development of the company, and the marketing team undertakes no formal strategic marketing planning. In particular, the pros and cons, estimated costs, and potential benefits of any feasible diversification are not addressed. Yet, theoretically at least, the company has long been at the point where realistic option of moving into "younger," higher growth market has merited evaluation.

In a nutshell, we see a company totally professional at one level but apparently lacking the desire or will to be other than short in orientation. This professional yet nonstrategic orientation could easily be changed. The managers have the capacity and education and could make time available (MacInnis and Heslop 1990); they certainly possess both the insight and the commitment required (Colleran 1985) yet they do not.

The character of marketing in this company does not readily fit the "evolutionary" models of growing marketing professionalism found in the literature. Most of these models suggest that a company progresses through four phases, stages, or levels of marketing sophistication. In terms of the "entrepreneurial marketing–opportunities marketing–responsive marketing–diversified marketing" sequence suggested by Tybee et al. (1983), the company reaches the final "diversified" stage in short-term matters without addressing the long-term ones at all. In terms of Carson's (1985) approach, the company's marketing team does detail how their products impact their competition and they do use the marketing mix proactively and with skill. The firm has developed "an integrated and pro-active approach" so the company reaches the final "sophistiticated" level but, again, without undertaking strategic analysis. In the case of the more complex model of Leppard and McDonald (1987), the company very clearly falls into a hole between levels three and four of that model. That is, marketing planning (short term only) is taken "very seriously" and backed with resources in a manner consistent with level four but the company does not recognize that "marketing planning…could fundamentally change the direction and nature of the business."

In terms of the nine key questions used by Carson and Cromie (1989) to place small businesses on a continuum of marketing sophistication, the company falls easily into the "sophisticated marketing" category. The company utilizes data productively in the three internal categories of "promotions, price and service" all the time. This study fully confirms the relevance of the questions, but also suggests a need to further refine the "sophisticated" category in a way that brings out the presence or absence of strategic thinking. The study suggests there might be a category of company that succeeds in developing quite sophisticated marketing at the operational level without undertaking strategic marketing at all. Indeed, the value of this case study from a theoretical perspective is that it shows how highly professional, integrated marketing can be managed for a long period of time without ever "maturing" into a forward-looking strategic process.

Conclusion

One may conjecture that the fundamental reason for the absence of strategic marketing planning, and of strategic thinking in general, in this company is its status as a private family company. Strategic issues may be regarded by all as the exclusive preserve of the owner. Yet the perspective of the players themselves is different. They point out how few they are in number and how their lack of resources precludes them from considering ambitious long-term projects or costly diversification. In other words, as was said by Balig and Burton (1979), the implementation of marketing is more than attitudes; it is a matter of resources, personnel, and money.

References

Balig, Helmy H., and Richard M. Burton. 1979. Marketing in moderation—The marketing concept and the organizations structure. *Long Range Planning* 12, 2:93–102.

Baum, J. R., E. A. Locke, K. G. Smith. 2001. A multidimensional model of venture growth. *Academy of Management Journal* 44, 2:292–303.

Blake, C. G., and S. D. Saleh. 1995. A model of family owned small business performance. *Family Business Annual* 1, 1: 22–31.

Bryman, Alan. 1988. *Quantity and quality in social research.* London: Unwin Hyman.

Bryman, Alan. 1989. *Reseach methods and organization studies.* London: Unwin Hyman.

Carson, David J. 1985. The evolution of marketing in small firms. *European Journal of Marketing* 19, 5: 7–16.

Carson, David, and Stanley Cromie. 1989. Marketing planning in small enterprises. *Journal of Marketing Management* 5, 1: 42–50.

Chua, J. H., J. J. Chrisman, and P. Sharma. 1999. Defining the family business by behaviour. *Entrepreneurship Theory and Practice* 23, 4: 19–40.

Colleran, John F. 1985. Strategic considerations for the small firm. *European Journal of Marketing* 19, 5: 17–25.

Dyer, Jr., W. G., and W. Handler. 1994. Entrepreneurship and family business: Exploring the connections. *Entrepreneurship Theory and Practice* 19, 1: 71–83.

Gibb, A. A. 1990. Organizing small firms research to meet the needs of customers of the 21st century. *Toward the 21st Century: The Challenges of Small Business.* Mcclefield: Nadamal Books.

Goffee, R. 1996. Understanding family business: Issues for further research. *International Journal of Entrepreneurial Behaviour and Research* 2, 1: 36–48.

Habbershon, T. 2001. Improving the long-run survival of family owned firms. *The Wharton FCCP/Banco Popular Research Report* 1, 2: 1–7.

Hari Das, T. 1983 Qualitative research in organizational behaviour. *Journal of Management Studies* 20, 3: 301–305.

Hoy, F., and T. Verser. 1994. Emerging business, emerging field: Entrepreneurship and the family firm. *Entrepreneurship Theory and Practice* 19, 1: 9–24.

Ireland, R. D., and M. A. Hitt. 1997. Performance strategy for high-growth entrepreneurial firms. In *Frontiers of Entrepreneurship Research,* P. D. Reynolds, W. D. Bygrave, N. M. Carter, P. Davidson, W. B. Gartner, C. M. Mason Park, eds. Babson College, 90–104.

Kotler, P. 1984. *Marketing management: Analysis, planning and control.* New Jersey: Prentice Hall International.

Leppard, John, and Malcolm McDonald. 1987. A re-appraisal of the role of marketing planning. *Journal of Marketing Management* 3, 2: 167–177.

MacInnis, Michael, and Louise A. Heslop. 1990. Marketing planning in a high tech environment. *Industrial Marketing Management* 19, 2: 107-115.

Porter, M. E. 1997. *Competitive strategy.* New York: The Free Press.

Poza, E. J. 1988. *Smart growth: Critical choices for business continuity and prosperity.* San Francisco: Jossey-Base, Inc.

Poza, E. J. 1989. Managerial practices that support entrepreneurship and continued growth. *Family Business Review* 1, 4: 339–359.

Sharma, P., J. J. Chrisman, and J. H. Chua. 1997. Strategic management of the family business: Past research and future challenges. *Family Business Review* 10, 1: 1–35.

Tagiuri, R., and J. A. Davis. 1992. On goals of successful family companies. *Family Business Review* 5, 1: 43–62.

Tybee, T. T., A. V. Bruno, and S. H. McIntyre. 1983. Growing ventures can anticipate marketing stages. *Harvard Business Review* 61, 1: 64.

Ward, J. L. 1997. Growing the family business: Special challenges and best practices. *Family Business Review* 10, 4:323–327.

Ward, J. L. 1987. *Keeping the family business healthy.* San Francisco: Jossey-Bass, Inc.

Ward, J. L. 1986. *Family ownership business strategy and performance.* Paper presented at the Annual Academy of Management Meeting, Chicago, IL.

Ward, J. L., and C. Dolan. 1998. Defining and describing family business ownership configuration. *Family Business Review* 11, 4: 305–309.

Wortman, Jr., M. S. 1995. *Critical issues in family business: An international perspective of practice and research.* Paper presented at the United States Association of Small Business and Entrepreneurships Annual Meeting.

About the Author

Omotayo Adegbuyi (omotayoadegbuyi@yahoo.com) is a marketing lecturer and Ph.D. researcher in the Business Studies Department of Covenant University, Ota, Nigeria. His research interests are in contemporary marketing strategies, small business and entrepreneurship management, agricultural marketing, and strategic marketing management. His research has been published in a number of scholarly journals and proceedings of major national and international conferences. He is a 2007 recipient of the F. S. Idachaba Foundation grant for research and scholarship. He is a member of the National Institute of Marketing of Nigeria and the International Academy of African Business and Development.

Developing an Entrepreneurial Education in a Residential College: An Exploratory Case Study

James McAlexander
Rachel Nelson
Christopher Bates

Entrepreneurship is a source of innovation, job creation, and vibrancy for local and regional economies. As a direct result, there is a profound interest in creating an infrastructure that effectively encourages entrepreneurship and incubates entrepreneurial endeavors. Western State University has responded to this call by developing the Harvey Entrepreneurship Program, which is integrated in the Enterprise Residential College. The Harvey program provides a socially embedded experiential learning approach to entrepreneurial education. Faculty, students, entrepreneurs, and technical experts are drawn together in an environment that provides space for business incubators and an entrepreneurially focused curriculum. In this article, we present a case study in which we use qualitative research methods to explore the benefits and challenges of creating such a program. The delivery model that Enterprise Residential College provides for entrepreneurial education is examined through the perspectives of program administrators, faculty, and students. The findings reveal evidence that a residential college can form a powerful nexus of formal instruction, experiential learning, socialization, and networking to influence entrepreneurship. We discuss relevant findings that may aid others considering similar endeavors

Keywords: experiential learning, residential college, entrepreneurship

> Success will be demonstrated by the number of businesses that have started at Western State and that show a direct link to our program.
>
> —Dean Klein[1]

As a source of innovation and job creation, policymakers and political leaders look to entrepreneurship for its capacity to deliver economic growth and vibrant communities (Garavan and O'Cinneide 1994). Consequently, there is intense interest in programs that effectively encourage and support successful entrepreneurial ventures. Higher education is often viewed as a supportive resource (see for example Bechard and Gregoire 2005). Institutions of higher education and their constituents have responded by building entrepreneurially focused academic programs, and directed supportive scholarly attention to such important tasks as identifying the characteristics of the business environment (e.g., political environment, culture, industry structure) and the qualities of the individual entrepreneur that impact entrepreneurial success (see for example Collinson 1999; Delmar and Davidson 2000; Cooper and Dunkelburg 1987).

There is a general understanding that the requirements of entrepreneurial education differ from the traditional business curriculum (see for example Busenitz and Barney 1997; Fiet 2000; Shane 2000; Maranville 1992). Despite considerable efforts, entrepreneurship education is often criticized for its lack of impact and efficacy (see for example Kolvereid and Moen 1997; Garavan and O'Cinneide 1994). The harshest critics argue that there is no real connection between education and entrepreneurship. The compelling concern is an underlying sense that fundamental aspects of entrepreneurship cannot be taught but instead relate to innate or idiosyncratic qualities as personality, life experiences, or even access to resources like capital or social networks (see for example Abbott 1988; Cooper and Dunkelberg 1987; Dobrev and Barnett 2005; Driessen and Zwart 1999; Kolvereid, Lars, and Moen 1997; Newton and Shreeve 2002; Ronstadt 1988; Vesper 1980).

Such criticism has pushed educators to think more creatively and to be more entrepreneurial in their own approaches to program development and delivery (cf. Kolvereid and Moen 1997). For example, business schools are finding new partnerships with diverse programs that are engaging in entrepreneurship education including engineering, medicine, and the arts (Katz 2006). Another notable development has been the emergence of living and learning communities (Zhao and Khu 2004) that focus on entrepreneurship (Shinn 2005). The underlying premise of these residential colleges is that there is tremendous value to be found in immersing students in a living community that shares common interests, integrates programmatic educational experiences, and fosters productive relationships with faculty and professionals (Shinn 2005).

This article reports an exploratory study of an innovative university program designed to encourage entrepreneurship and address perceived shortcomings of traditional approaches to entrepreneurial education. This program involves the creation of a residential college devoted to providing a socially embedded experiential approach to entrepreneurial education. In addition to meeting the usual expectations of higher education regarding the formal curriculum, the residential college draws together faculty, students, entrepreneurs, and technical experts in a living environment that includes active business incubators, professional mentorship, and an informal curriculum. As the current study explores this innovative educational approach, we hope to identify ways in which program-related decisions, actions, and activities bear upon the educational experience in order to inform and assist others in their efforts to encourage and development of entrepreneurship.

Methods

In that our research interest is an exploratory investigation of a contemporary academic program as it exists in its contextual environment, the case study method was deemed an appropriate research approach (Yin 1994). In that our desire is to broadly understand the experiences and interactions of relevant stakeholders (including students, faculty, and administrators), qualitative research methods are best suited for this study (Yin 1994; Stake 1995). The following discussion introduces the fundamental contextual information with regard to the research setting and describes our research methods.

Research Setting: Enterprise Residential College

Interest in a residential college and related entrepreneurship programs at Western State University came from discussions between the Dean of the College of Engineering and the Provost. There was a sense among these campus leaders that the university needed to contribute in more compelling ways to economic development and commercialization of technological innovation. These discussions led to a broader initiative that brought together the leaders of the College of Business (COB) and the College of Engineering, the business community, and the leadership of University Housing and Dining Services (UHDS). This effort energized the evolution of Enterprise Hall, a dormitory that had fallen into disrepair and had been unused for more than a decade, into the Enterprise Residential College (ERC) and home of the Harvey Entrepreneurship Program (HEP). In 2004 a Harvey family gift of $4 million was dedicated to the renovation of Enterprise Hall and development of physical spaces to support entrepreneurial education. Our data collection was conducted during the second year of operations for the ERC and HEP.

The ERC is centrally located on the Western State University campus. College leadership promotes the fact that the ERC is the largest residential college devoted to entrepreneurship in the country, housing 290 students; similar programs typically have fewer than fifty students (Shinn 2005). Currently the student population is evenly divided by gender. Twenty-five percent of the residents are undergraduate engineering students, a similar portion are business students, and the remaining students are from other campus programs. The student population is divided into five living groups that are served by seven student Residential Assistants (RA). In addition to the typical amenities of student housing, residents have access to incubator spaces for business start-ups, a library, a board room for meetings, classrooms, and a coffee shop. In the second year of operation, the incubator spaces housed three student-created businesses and a consultative entity that partners business faculty with students to assist the business community.

In addition to the spaces dedicated to students and educational experiences, the ERC provides living space for a Resident Faculty (a tenure-track business faculty whose apartment lies within the hall), temporary lodging for Visiting Fellows (usually successful entrepreneurs), and office space for the program director and staff.

Qualitative Methods

To broadly explore the development of this entrepreneurial program and to accomplish triangulation of data, we employ multiple methods: in-depth interviews, participant observation, and a review of informational media (Miles and Huberman 1984). Our research deliberately focuses on the shared contributions of the leadership team, Resident Assistants (RAs), and students. Recruited for their diverse perspectives, we engaged 13 key informants in a series of in-depth interviews that explored broadly the experiences of the participants. These interviews occurred through two academic quarters. The sample included the HEP leadership team (see Figure 1): Dr. Feather (Program Director), Dr. Andrew (ERC Resident Faculty), Mandy Flower (Program Manager), Katie Getty (Assistant Director of University Housing and Dining Services), Dr. Klein (Dean of the College of Business), and Brandon Stipe (Resident Director). We also interviewed seven student informants (see Table 1), three of whom are RAs. Our interviews with RAs reveal the way that these service providers influence the program as they work closely with students to deliver elements of the HEP. Our interviews with students are also instructive as they "co-create" the program and are important to its success (see for example Arnould and Price 1993). Key informant data are supplemented by participant observation data, which the research team collected at Enterprise Hall events. These events included "fireside chats" and dinners with visiting fellows that are designed to provide students opportunities to interact with successful entrepreneurs and business leaders. We also observed and interacted with the key informants

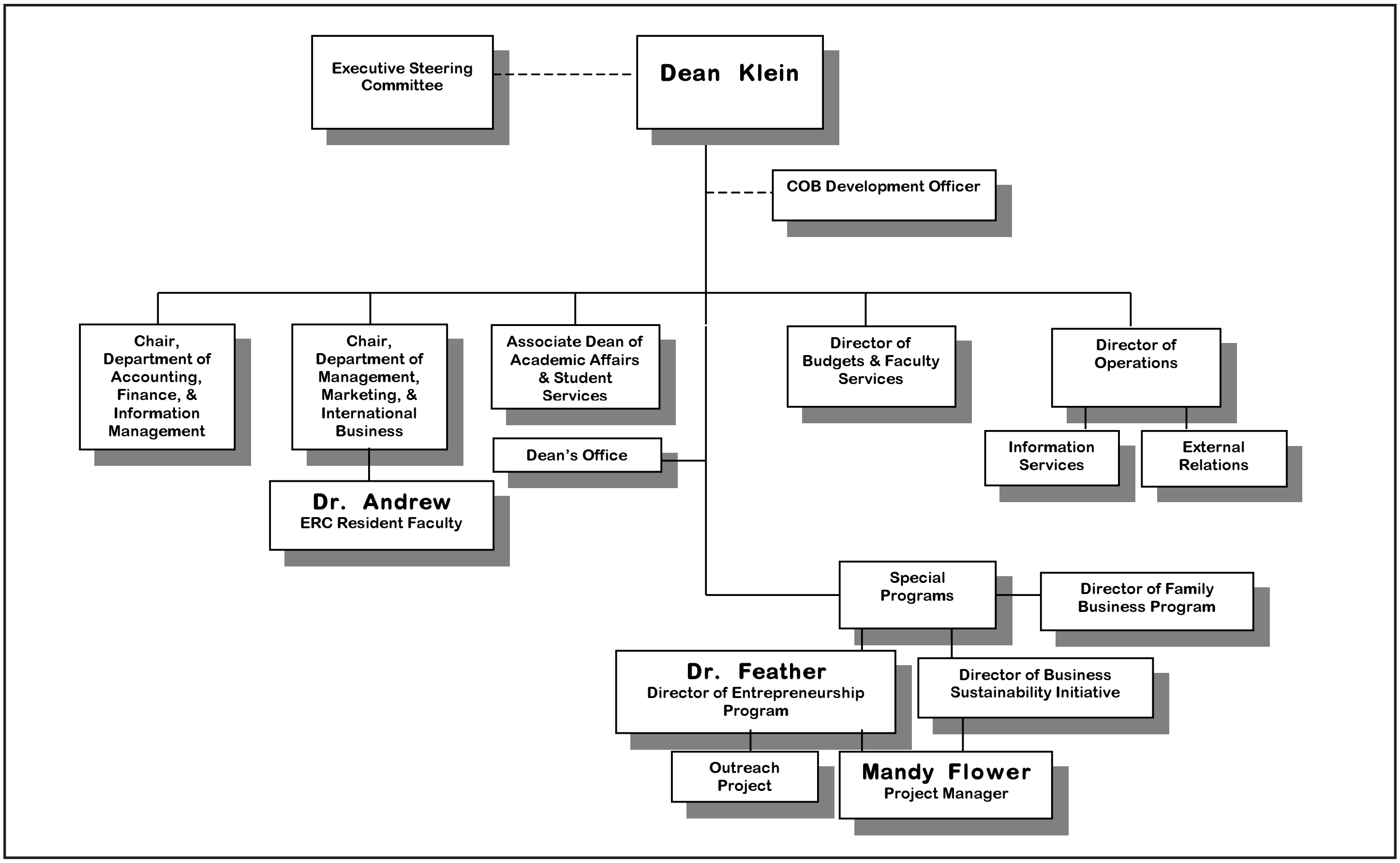

Figure 1. College of Business Organization Chart

that we interviewed and other students in routine settings (for instance, coffee shop, dorm rooms, and lounges). We closely reviewed informational media developed by the administration and students, including websites and press reports.

Our data consists of videorecorded interviews, transcripts of interviews, field notes, memos, and archival materials. Data analysis was emergent, as our mixed-gender research team engaged in a process of constant comparative analysis throughout the study (Glaser and Strauss 1967). As findings emerged and developed thematically, we engaged in a process of devil's advocacy (Schouten and McAlexander 1995) in which findings were contested and exceptions explored and resolved. As we developed the manuscript, we shared the document with informants as a means of conducting a member check (Belk, Wallendorf, and Sherry 1989) to gain informant perspectives regarding the way in which our findings correspond with their experiences and perceptions. We organize the discussion of our findings around the perspectives of key program stakeholders. We find that priorities and perceptions are strongly impacted by the participant's role in the process. It is from the points of convergence and divergence of these perspectives that we gain our most valuable insights into the challenges of program development.

Findings

Although the initial impetus for the HEP and its integration into the Enterprise Residential College came from discussions among a broad range of stakeholders (e.g., leaders at the University level, College of Engineering, and business community), the leadership team of the COB has assumed primary responsibility for refining the concept, designing programs, securing necessary capital, and overseeing implementation. The leadership team aptly describes the subsequent development of the HEP itself as an "entrepreneurial venture." As Dr. Feather, the director of the HEP explains:

> the program is very young . . . so in a lot of ways I kind of think of myself as modeling entrepreneurial behavior and sort of thinking about the program the way an entrepreneur might. That is, what are the right opportunities to go after? How do we get resources to pursue those opportunities? [How do we] build the team to do more activities and to create this long-term self-sustaining program that will overall grow in its impact?

Table 1. Student Informants

Year in School	*Major*	*Year in Enterprise*	*Level of Activity*	*Alias*
Freshman	Exploratory Studies	First	High	Lauren
Junior	Industrial Engineering	First	Medium	Sam
Senior	Business Administration	First	Medium	Kris
Freshman	Pharmacy	First	Low	Alex
Sophomore	English	Second	High	Val
Sophomore	Business Administration	Second	High	Pat
Freshman	Undeclared	First	Low	Drew

Brief Bios of Participants:

- Lauren: At the beginning of the year he was in exploratory studies but then switched to a business major. He was first attracted to the building because of its magnificent architecture and location. In addition to the appeal of the building, Lauren also has an entrepreneurial background, being an active entrepreneur throughout high school. He became heavily involved in the program and continued the following year as an RA.
- Sam: Had minimal interest in the program before living here and was actually pulled from a different residence hall to live in the residence college. After being reassigned to the hall, he learned about the program and became active as far as his time commitments would allow. He stayed on for his senior year as an RA in the program.
- Kris: Kris decided to become an RA and live on campus for her senior year because of the program within this hall. She has an active interest in the program and feels it provides prestige to the building and that it is more than just another residence hall.
- Alex: Alex chose the building because of its features and location, and has very little interest in the programs. He has joined a fraternity and will not return next year.
- Val: Val is in her second year in the building. She chose this building because her roommate and good friend wanted to live here. She is highly active in the program, and enjoys the time she spends working in it. She plans on moving off campus next year, as her roommate is studying abroad and cannot live in the building next year.
- Pat: Pat is in her second year in the building. She initially chose this building because of the entrepreneurship program and sincerely enjoys being a part of it. She will be studying abroad next year, so cannot live in the building. She intends to remain an active participant in the program.
- Drew: Drew is an undeclared freshman. She chose the building because of the features and location, and has no interest in the entrepreneurship program. She has joined a sorority and does not plan on returning to the building next year.

As entrepreneurs, the leadership team recognizes that the success of this venture is dependent on establishing a collaborative network that can obtain the essential social, economic, and political resources necessary for building the academic program that have not been sufficiently provided by the university or other interested stakeholders.

Perspectives: Program Leadership

The COB leadership team views the success of the HEP as a strategic imperative. Among the most important hurdles confronting the leadership team is the challenge of building and maintaining support among faculty for the HEP initiative. Faculty members were initially resistant as they were concerned that the allocation of scarce resources (faculty time and college budgets) for a new initiative would come at the expense of the needs of existing and strained programs. Overcoming this hurdle required the development of a coalition of a supportive faculty that perceived the compelling interest of stakeholders (including the university administration and donors) and the potential value of this opportunity to the college for finding additional resources. These faculty members aided in the design of curriculum and building support among colleagues. Through the combined efforts of the leadership team and facilitating faculty, the entrepreneurship program has made progress. An important marker of success to the leadership team has been the approval by the faculty of a minor in entrepreneurship designed by a task force of interested faculty in both the COB and College of Engineering.

To develop a highly ranked and nationally prominent program is viewed as the ultimate marker of success. The college leadership team is optimistic about their ability to achieve this goal. They feel that the distinctive capacity of the residential college to integrate formal instruction, experiential learning, and social networking can provide a unique environment to address the needs of entrepreneurial education. Further, as Dean Klein looks forward, she expects a broader impact among the college's students in that "every graduate with a College of Business degree will understand the entrepreneurial process."

As they work to accomplish the vision, the leadership team recognizes considerable additional challenges. Important among them is the feeling that there is no real "roadmap" to guide them. The leadership team observes that there are no other programs of the size and scope of the HEP, denying access to models or mentors that can provide "next steps." The leadership team feels tremendous pressure as it faces the complex challenges of simultaneously developing infrastructure for new academic programs in entrepreneurship and building a supportive culture of faculty and students within the residential college.

Important stakeholders also have lofty expectations that add stress. University leadership, for example, anticipates that the HEP will contribute to the process of technology transfer in ways that will generate institutional profit. Another stressor is that the renovation of the physical facility moved more quickly than the college's ability to develop and approve new curriculum, recruit faculty, and develop student recruitment plans. As a result, despite an application process that sought to prioritize students with entrepreneurial interests (students were required to write an essay conveying their interest), most students that live in the residential college have no real entrepreneurial interest; economic realities dictate that the dorm rooms must be filled. Also, with a curriculum that is still evolving, Dean Klein laments, "How do we set up the game when time is a scarce resource?"

Establishing Infrastructure: Acquiring Capital. According to reviews sponsored by the AACSB, the accrediting agency for the COB, the COB has long been underfunded. As a result, the pursuit of the HEP initiative requires identifying and securing alternative funding sources. A significant capital campaign targeting COB alumni and supporters raised $6 million that was dedicated to the building renovation. The university has not provided or promised supplemental funding for the programs of the HEP. The COB has "boot-strapped" the HEP by subsidizing the eEnterprise program at a very modest level, with a current year expense of nearly $250,000.[2] The COB anticipates an annual investment in the next few years of $750,000 as additional faculty are hired to deliver the formal curriculum upon its approval by the faculty. As this budget allocation may compromise other college programs, this funding source is deemed unsustainable. As with many entrepreneurs, the college has sought alternative sources of funds (with a goal of acquiring an additional $7 million endowment).

As another source of funding, the COB has proposed program fees for HEP students. College leadership seeks to assess an annual fee of $750 for each of the 290 resident students, which would generate about $215,000. As long as students perceive value, administrators believe that students will accept the fees. The leadership team also believes the new fee may deter students with little interest in the curriculum from living in Enterprise Hall. They feel that the current mix of students is a burden to the program's development and a more focused student body would be advantageous. Nonetheless, the proposed fee does not fully provide for the program's economic needs, so the leadership team is seeking funding from corporate sponsors, grants, donations, and fee for service revenue streams.

Establishing Infrastructure: The Residential College. Although technically owned, managed, and controlled by UHDS, Enterprise Hall is a key component of HEP's infrastructure. The historic building itself is a visible and iconic campus landmark. Its distinctive architecture and central location give the building a unique position in the minds of alumni and the campus community. As one informant describes, "Enterprise provides a tangible, unique resource to build a program." The history of the hall is rich with entertaining and inspiring stories of entrepreneurial student activities and the production of successful entrepreneurially oriented graduates.

Dr. Andrew, HEP Professor in Residence, values Enterprise Hall with its 290 residents for its capacity to be a "Big Tent." Conceptually, the Big Tent presents an opportunity to introduce fundamental concepts of entrepreneurism to large groups of students as they begin college careers. Dr. Andrew sees the Big Tent as a desirable alternative to the smaller and more focused programs that are the norm. Dr. Andrew observes that students can develop entrepreneurial interests at any point in life. He sees the Big Tent as serving students who may immediately develop new businesses and, also, by building "sleeper capital," those who generate new ideas and businesses much later. Dr. Andrew suggests that "success could be years out and the seemingly most unlikely seed could germinate."

Establishing Infrastructure: Academic Programs. The entrepreneurship curriculum has both formal and informal elements. The formal curriculum began with the design of the minor that was launched during the HEP's second year and that is structured especially for the perceived needs of engineering students (see Figure 2). An undergraduate entrepreneurship option (similar to a major) has been proposed but has not yet received university approval (see Figure 3). In the coming year, the college will introduce two new courses offered exclusively to Enterprise Hall residents. The first is a one-credit class that provides "an introduction to life on campus and in an entrepreneurial dorm." The second is a class describing "the entrepreneurial process" that is required for all business and entrepreneurship minors.

The informal curriculum is perceived as fundamental to introducing student residents to entrepreneurship. As initially conceived, the essential elements of the informal curriculum were to include presentations and meetings provided by visiting fellows, student participation and leadership in clubs (such as Students in Free Enterprise, known as SIFE), and special events. Dr. Feather (HEP Director) feels that the success of HEP rests in the program's ability "to attract students willing to engage in informal curriculum." Unfortunately initial student participation was very disappointing, something that Mandy Flower (Program Manager) attributes to the fact that "the majority of students here are not independent entrepreneurs. Only a few are drivers that have the 'entrepreneurial gene.'" To encourage student participation, Dr. Andrew (Resident Faculty) devised what has become the centerpiece of the informal curriculum, the "Team, Individual, Community, and Knowledge" competencies, most commonly called TICK (see Figure 4). As curriculum, TICK is designed to help students develop interpersonal skills and the skills to work as a team to solve problems. TICK helps to build social networks among students and with business professionals in order to find complementary talents and facilitate mentoring.

The mechanics of the TICK curriculum have students participate in a "blog-and-bank" process of logging learning experiences over the Internet. These experiences include participation in seminars (most often provided by entrepreneurs, faculty, and industry leaders), completion of reading assignments, programmed events (e.g., fireside chats), coursework, and experiences in campus activities. The online tracking system provides students a tangible, structured, and progressive record of achievement. The completion of TICK competencies results in the provision of a certificate. HEP leadership feels the certificate has value to students. As explained by Mandy Flower, TICK "gives students a running start on applied resume experience" that demonstrates relevant experiences.

Continuing Challenges. The HEP leadership continues to work toward curriculum development and building additional and stronger ties to the business community. There have been disappointments. In a college that has been underfunded and understaffed, faculty members have been slow to embrace new programs. In faculty meetings, some voice skepticism regarding perceived additional burdens of supporting a new curriculum and related business outreach expectations in ways that they feel may threaten existing programs and scholarly efforts. This faculty reticence places a burden on the HEP leadership team as they have the additional task of building faculty support while they reach out to encourage student participation and create the formal and informal curriculum.

Participation in HEP's informal curriculum has still been weak and the Visiting Fellows are unhappy with poor student turnout at their presentations. TICK participation rates are low as only 35 out of 290 (12%) Enterprise students have submitted any TICK competencies. Of the 35 contributors, only 25 have made significant progress toward the professional certificate. Very similar to the dean's description of her leadership team's efforts to build the HEP program, the program director laments that "learning how to convince and engage students in the value of an entrepreneurship endeavor makes Enterprise an entrepreneurial endeavor." Despite low participation, there is continued optimism about the TICK program. Dr. Andrew states, "The measure of success is by exposure to entrepreneurial processes—providing students with the broad TICK exposure. The system and model is right, [we] just need to follow through."

Required classes	
Required Courses—24 Credits	
BA 215	Money and Investment: Manager, Lender, Investor Viewpoint (4)
BA 260	Introduction to Entrepreneurship (4)
BA 351	Managing Organizations (4)
BA 360	Introduction to Financial Management (4)
BA 390	Marketing (4)
ECON 201	*Introduction to Microeconomics (4)
Elective: Select one of the following courses	
BA 230	Business Law I (4)
BA 440	Corporate Finance (4)
BA 442	Investments (4)
BA 452	Leadership and Team Building (4)
BA 453	Human Resources Management (4)
BA 460	Venture Management (4)
BA 463	Family Business Management (4)
BA 467/ ENGR 467	New Venture Laboratory (4)
BA 492	Consumer Behavior (4)
BA 495	Retail Management (4)
BA 497	Global Marketing (4)
Total=28	

Figure 2. Entrepreneurship Minor

	REQUIRED COURSES	NUMBER OF SECTIONS		
		F07	W08	Sp08
BA 260	Introduction to Entrepreneurship (4) (Sophomore standing)	1	1	1
BA 464	Venture Financing (4) (students graduating 2007, take BA 440) (BA 260, BA 360, Senior standing)	-	-	-
BA 458	Product & Service Development (4) (BA 357, BA 390, Senior standing) (students graduating 07, take BA 468)	-	-	-
BA 460	Venture Management (4) (BA 360, BA 350, BA 390, Senior standing)	2	-	1
BA 467	New Venture Lab (4) (BA 458, BA 464, BA 460, Senior standing)	-	1	-
BA 406	Entrepreneurship Colloquium (3 times, 1 credit each) (See advisor or Entrepreneurship faculty for details)	1	1	1
SELECT ONE (1) ADDITIONAL COURSE FROM:				
BA 440	Corporate Finance (4) (BA 360, Senior standing)	-	4	2
BA 447	Topics in International Business (4) (BA 347, Senior standing)	1	1	1
BA 463	Family Business (4) (Senior standing, Instructor approval)	-	-	1
BA 468	Technology Commercialization (4) (BA 460 previous term, Senior standing)	-	1	-
BA 491	Personal Selling (4) (BA 390, Senior standing)	1	-	2

TOTAL: 27 credits + Senior Core Courses

Figure 3. Proposed Entrepreneurship Option

The HEP leadership also notes that too few Enterprise Hall residents are interested in entrepreneurship and too many are attracted only to the dorm's central location and aesthetic appeal. They also observe that nearly 60 percent of residents are freshmen and that these young students have many compelling personal agendas and adjustments that compete for program participation time and energy. The leadership notes that even the more experienced students encounter mid-term exams, projects, and assignments that require personal flexibility and time commitments that hinder participation in HEP activities. Retaining more senior students is also difficult, as students are drawn to off-campus apartments, fraternities, and sororities.

Finally, the college leadership team perceives that even though HEP began as a collaborative university effort, a disproportionate share of the development burden has been placed on the College of Business. Economic and programmatic support from stakeholders on campus has not been forthcoming to the degree that was anticipated.

Perspectives: The Resident Assistants

Among those with formal program responsibility, the RAs maintain the closest bonds with the students. Like their colleagues in other residential halls, the RAs in Enterprise Hall are accountable to UHDS. Their appointment is unique, though, in that they are also accountable to the HEP program. This dual accountability has resulted in role confusion among the RAs. As the HEP and ERC continue to evolve, the RAs' role and performance expectations also change, creating additional stress.

An Evolving Agenda: Responsibilities. The RAs in the ERC are well aware of the fact that their position is much dif-

What Is TICK?

We are proud and excited to launch the Harvey Entrepreneurship Program at Enterprise Hall informal curriculum this Fall! Throughout the past academic, the Harvey Entrepreneurship Program partnership has designed a robust and cutting-edge curriculum, structured to both enhance the residential college experience in Enterprise, and provide learning opportunities designed to complement classroom learning that will enable residents to gain the competencies (outside the classroom) that are necessary to meet the challenges of today's (and tomorrow's) dynamic business and societal landscapes.

The HEP-TICK curriculum is focused on four pivotal areas that will prepare students with a comprehensive skill and knowledge base.

Teamwork
Individual development
Community building
Knowledge related to entrepreneurship
...HEP-TICK

Each area consists of competencies that, once achieved, will better prepare Enterprise residents for the challenges of entrepreneurship and/or to be especially ready for a career in innovative companies, where creativity, self-confidence and dynamism are key. Enterprise residents will stand out from the crowd.

Competency development is evaluated by exhibited cognitive development and practical application. Residents will observe, attend and participate in, a variety of forums, then discuss and reflect on their learning outcomes before preparing and submitting a one-page comprehensive but succinct demonstration that each competency has been achieved. There are 12 competencies.

As students develop their competencies, their portfolio will develop, as will their competitive edge. Students will track their competency development through HEP-TICK, the web-based curriculum interface.

Curriculum Key Elements:

- Competencies are developed through participation and reflection in seminars, readings, programmed events, coursework, and personal experience including involvement in across-campus activities.
- Online competency tracking and portfolio development.
- Incorporates entrepreneurs, business professionals, industry leaders and real-world applications by offering multiple levels of commitment to participants. That is, Weatherford "Dreamers that Do," learning from "Doers"
- Effort = Achievement
- Curriculum suited for all disciplines and academic interests.

Figure 4. TICK Program: Promotional Example

ferent than that of other RAs on campus. As one noted: "The responsibilities for Enterprise include more stuff than just a regular RA. In other halls, RAs have just the usual stuff. Here, you have to do all that, plus host visiting fellows, inform students about TICK, and make sure they do competencies."

The HEP leadership also expects RAs to serve as business mentors to the residents. One of the RAs mentioned that while it is not necessary for an RA to have a business background, a basic understanding of business and the HEP are practical necessities.

The Challenge of Freshmen Residents. Like the leadership, the RAs feel their position is complicated by the large portion of freshmen residents. As one of the RAs said, "As far as curriculum goes, freshmen just aren't interested. I don't blame them. We all know how it goes. First time you're on your own, you don't think about starting a business."

The RAs are well aware of the stresses and new opportunities that freshmen confront. The RAs mentioned that their biggest challenge is to get the attention of the students and motivate them to participate in the program and events. Charged with maintaining enthusiasm within the Hall and creating excitement for the program, the RAs have found that some freshmen are more interested in parties and dances than they are in entrepreneurship. As one RA put it, the freshmen at Enterprise have ". . . more of a party attitude." Another RA explained, "If students hear the words 'learning opportunity,' it is not an enticement to attend." The RA further noted, "Enterprise is not a dorm of MBA students, it's a dorm of freshmen."

Enterprise Hall. While the HEP and university leadership appreciate the iconic values of Enterprise Hall, the RAs feel that the popularity of the building itself creates challenges. The problem, as described by one RA, is that "a lot of students just BS the application to be able to live here."

Although the students profess a passion for entrepreneurship on the application, their only real interest is in living in the renovated Hall, which makes it difficult to generate excitement about programs. The RAs acknowledge, though, that the building's appeal does help attract some dedicated students and that they, themselves, enjoy residing in the Enterprise Residential College.

The RAs cite the historic reputation of the building for housing entrepreneurial and creative students as key to the Enterprise Hall culture and that the specialized facilities are also supportive to the program. They laud the lounge areas as they facilitate group work, the apartments that provide living spaces for the Resident Faculty, and the Visiting Executive Suite and conference rooms that host Visiting Fellows. One RA explained that each residence hall on campus has a unique character and that, over time, Enterprise will create its own distinctive niche in entrepreneurship.

Emergent Programs. RAs perceive the integration of the HEP into Enterprise Residential College as a unique combination that has no precedent. They feel tremendous pressure to succeed in their responsibilities to build the program. RAs comment that they lack a blueprint to guide them as they assist the administration in the creation and implementation of new programs or even as they seek to define their own roles. As the program develops in a fluid and dynamic way, the RAs feel stress as their working environment is one in which "there's something new right after another." The introduction of the TICK program was an illustration of this difficulty. The RAs had not had the chance to complete it themselves and were learning about it in tandem with the residents, which challenged their mentoring responsibilities.

The newness of the residential college and HEP also came up when the RAs discussed the ways in which the academic and local community perceives them and the programs. Though they are optimistic about the future, the RAs voice concern that the program lacks reputation and, as a result, participation would not make that much of a difference with prospective employers of its graduates. They feel, though, that as the program matures it will attract students with more focus and motivation and continue to improve.

Communication Frustrations. The RAs often mention that communication problems complicate their jobs. Communication with the residents is frequently described as a frustrating process. RAs complain of "poster-blindness," a term they use that reflects the inability of residents to notice or acknowledge informative posters placed around the building. One of the RAs remarked, "Lack of communication has been the biggest reason that the students don't know about the offices in Enterprise. I think if Madonna came to talk, the lack of communication would cause them to not know."

In response to poster-blindness, RAs work to create new and exciting posters that they hope will attract student attention. The RAs describe other ways they communicate, which include knocking on doors and talking with students in the halls. One RA described an event in which he was told that the speaker was an especially important and visible executive and that resident attendance was critical. He sensed the attendance would be low, so he went around knocking on student doors pleading for students to come to the event. In the end, attendance was adequate but still not impressive. The RA expressed deep disappointment with the attendance in light of his considerable efforts. Another RA explained his frustration with the pressure he receives from administrators to motivate students. "If we knew why the students don't know things, we would be doing something different," he explained. RAs also voiced concern over an "ethical" line between doing their duty and placing undue pressure for resident participation in activities.

Another important flow of communication is between RAs and the leadership. RAs are generally pleased with the frequency and quality of their communications with the HEP director and the resident faculty member, especially with regard to student life in the building and events. There are times, however, when communications are not quite as effective. These communication problems seem most prominent when the RAs are dealing with the more dynamic issues of program development as the HEP leadership developed new initiatives to address emergent issues. One often-cited example had to do with the assignment of Hall Mentors (who are outside professionals) to assist RAs with their interactions with hall residents. When the mentor assignments were made, RAs were given little guidance regarding the mentor's intended responsibilities. For most of the RAs this confusion created a situation where most of the mentors were unable to effectively engage with students.

The Student Experience

Our interviews confirm a population with varying degrees of entrepreneurial enthusiasm. While the students recognize the essential symbolic fusion of Enterprise Hall and HEP, in practice, with only 35 students actively engaged in HEP programs, students feel that they are separate entities. Personal enthusiasm for entrepreneurship influences strongly the way in which students approach living in the residential college and participation in the curriculum. Nonetheless, nearly all students share an appreciation for Enterprise Hall.

It's About the Building. Drew is typical of those students who have no interest in the programs associated with the residential college. These students typically reside in Enterprise Hall owing to its "newness, location, and beauty." Drew knew very little about HEP upon achieving residency. A virtual tour suggested that Enterprise Hall was nicer than the other dorms, and she was attracted to its private bathrooms, and cleanliness. Despite having to prepare an essay articulating personal interest in entrepreneurship as a prerequisite to admission into ERC, Drew feels no connection to the HEP curriculum. She reports that "others talk about it as inspiring or really boring," but she is "not really into it like others."

Like Drew, Alex was attracted to the physical features of Enterprise Hall. He found it to be an alluring place to live because it was a "super new" building. For Alex, though, the RA has been influential in developing a connection between the facility and the HEP curriculum. He has shown interest in the entrepreneurially-oriented opportunities available to him. Extracurricular interests (e.g., intramural sports), however, remain higher priorities and Alex has completed only 3 TICK competencies of the 17 required for a certificate. This is of no concern to Alex, for he does not feel that HEP has a significant part in either his current studies or future career.

Students with a keen interest in entrepreneurship appreciate the history and related symbolic meanings of the building. Loren emphasized those connections when he indicated that the HEP could not exist without Enterprise Hall. He cites the value of the facility's spaces, such as the suites for visiting fellows and incubator spaces as they foster constructive community interaction. Sam similarly shared how the spaces of Enterprise Hall make it easier for him to "get to know people," a process that he has been taught is essential to entrepreneurial success. Sam reported, "There is a lot of social and business networking going on here at Enterprise. It is a good venue to partner with engineers or whoever."

The varied levels of interest in the HEP expressed among students sometimes lead to stress, resentment, and frustration. The core issue is that the entrepreneurially oriented students feel that the presence of other students diminishes the quality of their own experiences and places greater program responsibilities upon them. Participating students complain that other students are not willing or open to doing the "extra work," even when that work does not seem overly burdensome. Sam notes, "A core group of resident entrepreneurs runs the risk of being spread thin by regularly being part of the 7–15 people in attendance to meet a visiting fellow." Kris voiced frustration about students who openly say "I'm not interested." She stated, "People should not live here if they are not going to be involved." She feels that even students who do not have a current desire to become entrepreneurs should be able to find value in the program, and noted that "the purpose of Enterprise is not to make entrepreneurs but to make students think in terms of entrepreneurship and networks." Val denigrates nonparticipating students as "freshman in-fill."

The Programs Matter. Students who have taken the initiative to participate see themselves as partners in the process of developing the Enterprise Residential College. Students have found inspiration and gained knowledge through the informal curriculum. Sam sees the TICK program as important for its broad contributions to his education, "It applies to life as well as business." In a similar vein, Loren remarked, "You will take what you learned and use it here. Once you have done it you will know it forever. It's like riding a bike. The class is the bike and the TICK program teaches you how to balance and turn pedals."

The dynamic ways in which the curriculum has unfolded have produced other valued experiences. For example, inspired by one of Dr. Andrew's weekly entrepreneurship sessions, a student suggested the creation of an e-challenge. The e-challenge was structured as a competitive entrepreneurial venture for students. Living sections within Enterprise Hall formed teams to develop small start-up ventures to see who could build and maintain a successful venture (in this case, garbage disposal for residents) for the term. The successful teams were able to assess resources and build networks quickly. An informant reported, "The E-challenges provide a venue to show what was learned."

Other residents have participated in a chapter of SIFE. As an organization SIFE encourages education and experiential learning to benefit students and the community. SIFE supports the spirit of Enterprise Hall and serves as "a student component generating ideas for experiential learning." One such opportunity is the "Business in a Box" concept (a 10-step process to aid in the business paperwork for a start-up business). SIFE also offers a "Preparing All Students for Success" (PASS) session to high school students. The PASS session is presented as a formal dinner to provide students an introduction to proper dining etiquette and social interaction with business professionals. The dinner also provides the students an opportunity to meet ERC administrators.

Information Deficits. Despite the efforts of administrators and RAs, students perceive information deficits. Drew notes that she is aware of "fireside chats" and visiting fellows, but does not know how to find the library where the chats occur. Some indicated that, prior to moving into the Hall, they knew very little about the programs housed within the residential college. Most had a basic understanding that living in Enterprise meant participating in entrepreneurial learning, but the elements of the program were not understood. One student indicated that others do not even see the connection between Enterprise Hall and the HEP. Other students are challenged by the way in which new programs are revealed. Val felt that she was caught off guard when TICK was introduced without prior knowledge. She feels that "students need to know this information before coming in."

Some of the entrepreneurially oriented students note that they did not have a clear understanding of the HEP's focus or "culture" prior to enrollment, which has led to dissatisfaction. These students were looking to entrepreneurship as a socially responsible alternative to the "scary" domination of corporations and greed. Val, for example, finds that the visiting fellows often give the impression that entrepreneurship is about the "one big cash-in." To her, the program seems to be focused on "one big money-making idea rather than starting and maintaining small businesses." Students such as Val find that the program is different from what they expected and feel left out and intimidated.

Discussion

It is evident that all of the players involved in the HEP's launch feel a need to accomplish much, as quickly as possible, and with limited resources. The university and HEP leadership are responding to the expectations and demands of business and governmental leadership to produce entrepreneurs who will launch ventures soon after graduation, provide assistance with timely commercialization of innovation, and in other ways contribute to economic development. RAs feel pressed by the challenges of evolving responsibilities of their positions and delivery of emerging programs to a mix of students, some of whom whose presence comes from nothing more than a need to fill empty dorm rooms. This is especially difficult for the program as students share responsibility as creators of curriculum and resident life experiences.

By framing their experiences in the HEP as the embodiment of entrepreneurial activity, the program leadership and RAs have been able to moderate feelings of frustration or dissonance. As a result, the experiences of building the program are viewed as a vital part of the educational program itself. This mindset has produced creative solutions to "growing pains." The TICK program and e-challenge are two such examples created to address issues of student disengagement and the need for programs to deliver entrepreneurial experiences and knowledge.

Given the emergent nature of the program, it is much too early to gauge its success in terms of cultivating a new generation of successful entrepreneurs. However, participants in the program report a growing sense of an entrepreneurial culture and enthusiasm, as reflected in Pat's reflections on her experiences as a student:

> It's always an evolving process. It gets better every year. Growing up I didn't know what entrepreneurship was. Putting it all together, I've learned so much. Makes me look back, and apply these concepts to it. . . . We're going to be running companies some day, so us planning and doing things now, will develop our skills to achieve our goals. These objectives are being accomplished. They are moving to the right direction.

The incubator spaces in the residential college that contain entrepreneurial ventures developed by students, RAs, and faculty are also tangible demonstrations of success. There is evidence of entrepreneurial enthusiasm. Nonetheless, as HEP leadership considers the ventures that have occupied incubator space, they have begun to recognize that these student-generated enterprises are not likely to evolve into the types of businesses that will be of the nature or scope that was initially envisioned. Further, a significant portion of residents have not been actively engaged in the HEP, the formal curriculum after two years is still limited, and the program has had limited success in generating strong faculty support, suggesting that much still needs to be done.

Lessons Learned

Our research highlights a number of important issues that bear upon the development of entrepreneurial education in a residential college and may be helpful to others seeking to pursue similar endeavors.

Lesson 1. The most important finding from our study is evidence that a residential college can form a powerful nexus of formal instruction, experiential learning, socialization, and networking. Although the HEP is still unfolding, the leadership team, faculty, students, and business community have begun to realize the integrative value of the residential college (as evidenced by the enthusiastic participation of Visiting Fellows, use of incubator spaces, informal student comments, and the increasing numbers and value of financial gifts).

Lesson 2. The hurdles of creating an entrepreneurially focused residential college are considerable. These include the design and creation of appropriate physical facilities (e.g., incubators, places to accommodate social interaction); development and implementation of formal and informal curriculum; recruitment of motivated and talented faculty; recruitment and training of enthusiastic and knowledgeable RAs; and the recruitment and selection of interested and capable students. It is inevitable that the development cycles of these important program components will vary. Of particular importance, too, is the perception of the HEC leadership that they are working without role models or roadmaps. No doubt, these perceptions play a part in the dynamic and sometimes frustrating ways in which this program is unfolding. It would appear that the successful launch of similar programs would benefit from a well-developed and necessarily adaptable project management plan. Hopefully, the design of such a plan can benefit from the insights developed from the HEP experience.

Lesson 3. A Resident Faculty member is important to success. This faculty member is an important liaison between the College of Business and the programs of the residential college. The Resident Faculty member serves as both a student mentor and instructor. Important, too, is the fact that this faculty member is close to the students in a way that allows for dynamic adaptation of the program and timely intervention when problems appear.

Lesson 4. There must be a good fit between the targeted student population and the program's goals. The social needs and educational deficits (including core business knowledge) of the younger students really suggest that the residential program would be better served by recruiting more mature students (juniors, seniors, and graduate students). Even so, programmatic goals that emphasize the production of successful entrepreneurs in the immediate future are not really within the control of the program; as the entrepreneurship literature reveals, successful entrepreneurship is typically associated with characteristics that include personality (cf. Markman et. al. 2002; Newton and Shreeve 2002), personal experiences (Abbott 1988; Cooper and Dunkelberg 1987; Dobrev and Barnett 2005; Ronstadt 1988), and access to instrumental personal and financial resources (Vesper 1980). Further, identifying and successfully recruiting the ideal "target market" students is clearly a daunting prospect. Absent the resources and enrollment controls that would be necessary to successfully identify and recruit these students, the program's goals should be established in ways that acknowledge other diverse markers of success. As others have noted, entrepreneurship education is not always about launching new businesses, it has other valued and broader outcomes (Kolvereid and Moen 1997). A redirection of program objectives and markers of success into realms provide for goals that are "educational" and/or relevant to building an entrepreneurial culture are receiving strong consideration among the HEP leadership.

Lesson 5. Student motivation and satisfaction are influenced strongly by their peers. One could argue that it is desirable to recruit students who share a strong interest in entrepreneurship. Our student entrepreneurs were quick to suggest recruitment strategies that would accomplish that task, like recruiting students from high school DECA or FBLA programs. However, there is intuitive appeal to what Dr. Andrew describes as the "Big Tent." In a facility as physically large as Enterprise Hall, a resolution of the paradox of successfully meeting a need for homogeneity in academic focus and a desire to influence a broader group can perhaps be found in strategically segregating these different populations. They can be physically segregated within the Hall and programs can be designed into components that serve enthusiasts distinctively and other segments that can be designed to mix with other students.

Lesson 6. The importance of the RA cannot be overstated. These individuals have the closest and most frequent interaction with students. An RA who is interested or experienced in entrepreneurship and has business knowledge should serve this important mentor role. Additionally, it is important for the RAs to have frequent and meaningful communication with HEP leadership .

Lesson 7. As Garavan and O'Cinneide (1994) comment, a successful entrepreneurship program is dependent upon significant resources. It takes much time and effort to design and deliver a formal curriculum, to create and coordinate the informal curriculum, and to closely interact as mentors with students. Unlike the large lecture halls that are common on many college campuses, this residential college demands a "higher touch" approach to education. Any trade-offs with regard to efficiency and educational effectiveness clearly need to be made judiciously with careful attention to their impact upon the broader system (to include faculty workload and other college programs) and the perceived student experience.

Acknowledgements

The authors wish to acknowledge the Kauffman Foundation for the grant that supported the research reported in this article. We also thank Professor John Young, Professor Koenig, Nikki Brown, and others of the C2C Project team for their important contributions.

Notes

1. All names are pseudonyms.
2. About $170,000 of the initial expenses are associated with salaries for the HEP leadership team. The next largest expense is payment to University Housing for program space of $35,000. Other relevant annual expenses (none exceed $5,000) include event catering, printing, fundraising, supplies and services, and $2,500 allocated to "faculty development" to encourage faculty participation in scholarly activities directed toward entrepreneurship.

References

Abbott, Andrew. 1988. *The system of professions: An essay on the division of expert labor.* Chicago: University of Chicago Press.

Arnould, Eric J., and Linda L. Price. 993. River magic: Extraordinary experience and the extended service encounter. *Journal of Consumer Research* 20, 1 (June), 24–45.

Bechard, Jean-Pierre, and Denis Gregoire. 2005. Entrepreneurship education research revisited: The case of higher education. *Academy of Management Learning and Education* 4, 1, 22–43.

Belk, Russell W., Melanie Wallendorf, and John F. Sherry. 1989. The sacred and the profane in consumer behavior. *Journal of Consumer Research* 20 (June), 1–38.

Busenitz, Lowell W., and Jay B. Barney. 1997. Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing* 12, 1, 9–30.

Collinson, Elaine. 1999. The entrepreneurial curriculum—equipping graduates for a career in the SME sector. *Journal of Research in Marketing and Entrepreneurship* 1, 1 (Fall), 18–23.

Cooper, Arnold C., and William Dunkelberg. 1987. Entrepreneurship research: Old questions, new answers, and methodological issues. *American Journal of Small Business* 11: 1–20.

Delmar, Frederic, and Per Davidsson. 2000. Where do they come from? Prevalence and characteristics of nascent entrepreneurs. *Entrepreneurship and Regional Development* 12, 1–23.

Dobrev, Stanislav D., and William P. Barnett. 2005. Organizational roles and transition to entrepreneurship. *Academy of Management Journal* 48, 3, 433–449.

Driessen, Martyn P., and Peter S. Zwart. 1999. The role of the entrepreneur in small business success: the entrepreneurship scan. In G. Capaldo and M. Raffa, eds., Innovation and Economic Development: *The Role of Entrepreneurship and SMEs.* Edizioni Scientifiche Italiane.

Fiet, James O. 2000. The theoretical side of teaching entrepreneurship. *Journal of Business Venturing* 16, 1–24.

Garavan, Thomas N., and Barra O'Cinneide. 1994. Entrepreneurship education and training programs: A review and evaluation—Part 1. *Journal of European Industrial Training* 18, 8, 3–12.

Glaser, Barney G., and Anselm L. Strauss. 1967. *The discovery of grounded theory*. Chicago: Aldine.

Katz, J. A. 2006. And another thing…. Coleman White Paper on Entrepreneurship Education, Presented at the Annual Meeting of the U.S. Association for Small Business and Entrepreneurship, Tucson, AZ.

Kolvereid, Lars, and Oystein Moen. 1997. Entrepreneurship among business graduates: Does a major in entrepreneurship make a difference? *Journal of European Industrial Training* 21, 4, 154–160.

Maranville, Steven. 1992. Entrepreneurship in the business curriculum. *Journal of Education for Business* 68, 1, 27. *Academic Search Premier.* 8 August 2006. http://search.epnet.com.

Markman, Gideon D., David B. Balkin, and Robert A. Baron. 2002. Inventors and new venture formation: the effects of general self-efficacy and regretful thinking. *Entrepreneurship: Theory and Practice* 27, 2(Winter), 149–164.

Miles, Matther B., and Michael A. Huberman. 1984. *Qualitative Data Analysis: A Sourcebook of New Methods.* Beverly Hills, CA: Sage.

Newton, Jon, and David Gary Shreeve. 2002. An investigation into the relationship between the characteristics and live experiences of entrepreneurs. *Journal of Research in Marketing and Entrepreneurship* 4, 1, 16–36.

Ronstadt, Robert. 1988. The corridor principle. *Journal of Business Venturing* 3, 1: 31–40.

Shane, Scott. 2000. Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science* 11 (July–August), 448–469.

Shinn, Sharon. 2005. The business dorm. *BizEd* (March/April), 36–42.

Schouten, John W., and James McAlexander. 1995. Subcultures of consumption: An ethnography of the new bikers. *Journal of Consumer Research* 22 (June), 43–61.

Stake, Robert E. 1995. *The art of case study research.* Thousand Oaks, CA: Sage.

Vesper, Karl H. 1980. *New venture strategies.* Englewood Cliffs, NJ: Prentice Hall.

Yin, Robert K. 1994. *Case study research.* Thousand Oaks, CA: Sage.

Zhao, Chun-Mei, and George D. Kuh. 2004. Adding value: Learning communities and student engagement. *Research in Higher Education* 45, 2, 115–138.

About the Authors

James McAlexander (Jim.McAlexander@bus.oregonstate.edu) is currently the Dean's Professor of Marketing in the College of Business at Oregon State University. He also serves as the Executive Director of the Close to the Customer Project (C2C Project). The C2C project offers experiential learning opportunities for students and provides market research services to a variety of clients across diverse industries.

Rachel Nelson completed her master's degree in applied anthropology at Oregon State University. She currently works as a marketing professional for Intel.

Chris Bates studied anthropology at Oberlin College. He earned a Masters of Arts at Oregon State University where his anthropology studies focused on natural resources and community values.

Case Study

Mason Biodiesel: A Family's New Venture in a New Industry

Matthew Eriksen
George H. (Jody) Tompson

This case describes a real family that has been running a labor-intensive business since 1992. The father, Phil Mason, runs the business with the help of his wife and two of his sons in southwestern Rhode Island. The business is a franchisee of ServiceMaster Clean. In 2006, the franchise employed 20 full-time employees and was the 50th largest ServiceMaster Clean franchise among the approximately 1,200 franchises located in the United States. Annual revenue is approximately $2.5 million. In late 2005, one of Phil's sons began researching the biodiesel industry. As he was growing weary of the labor-intensive nature of his franchise business, Phil fully researched the industry himself. By the middle of 2006, Phil was convinced that he could profitably manufacture biodiesel in his spare warehouse space. In July 2006, he formed Mason Biodiesel, LLC and financed the $1.5 million start-up costs through a combination of personal savings and bank debt.

At the end of fall 2007, Phil Mason grumbled under his breath as he wrote a check from his personal account. At the end of each month, he felt frustrated that he was still writing checks to cover the monthly operating losses of his second start-up company, Mason Biodiesel. At the same time, however, he was optimistic that the company was on the right track to eventually become self-sufficient and a reliable source of income for his and his sons' families. When he and his three sons launched Mason Biodiesel in April 2006, he planned to carry the company's losses until January 2008. Now, in October 2007, the company was still in its prerevenue stage but had just achieved an important milestone. An independent testing lab in Nevada had certified that the company's product was suitable for sale on the open market. Before the certification was received, Mason Biodiesel was only producing biodiesel for use in its own vehicles and giving it away to friends and family.

Background of Phil Mason

Phil Mason's professional career began in the corporate dining services industry. His first jobs were in Washington, D.C., where he worked for ARA Serve for nine years as an executive chef at the Pentagon and the National Academy of Sciences. Later, he moved to the higher education division of ARA Serve, where he became the food service director at Marist College, Lyndon College, and the American School for the Deaf. In 1990, he took a job at a regional dining services company working at the IBM facility in Somers, New York. But within six months of his last move, he lost his job in a downsizing initiative.

As he wondered what to do next, Phil reconsidered his lifelong dream of owning a business. During his career in the food service industry, he had saved some money so buying into a franchise was financially feasible. Despite his food service background, he was not interested in the restaurant industry. Instead, in 1992, he seized the opportunity to purchase a ServiceMaster franchise in Stonington, Connecticut. As well as a great business opportunity, it allowed him and his family to live in Rhode Island. As Phil stated, "We were beach bums. Having a chance to live where you always want to go, it was the perfect thing. Owning your own business combined with living where you want to live is, I think, the perfect combination."

ServiceMaster was founded in 1929 and incorporated in 1947. In 2007, it had more than 4,500 franchisees located in over 40 countries around the world. ServiceMaster, a cleaning and disaster restoration business (www.servicemaster.com), was a publicly traded company headquartered outside Chicago. It controlled several well-known residential home service brands such as Terminix (pest control), TruGreen (lawn service), and Merry Maids (cleaning service).

In 1993, Phil's franchise became the first ServiceMaster Clean franchise to independently conduct large-loss drying for industrial customers and to support other local ServiceMaster Clean franchises across the eastern United States with their large cleanups. The initial investment in the large-loss cleanup equipment was only $75,000. At the time, there were only about six companies in the United States that had the ability to do large-loss clean-up. By 2007, there were more than 100. But there were only two ServiceMaster Clean franchises that provided the large-loss drying and the other franchise was located in Chicago.

Although he had been working part time for his father, in September 2001, at the age of 20, Ryan Mason joined his father in the ServiceMaster Clean business full time. Ryan is the oldest of three sons in the family. He started at the bottom and worked his way up to an ownership position in the business. His first job in the family business was as a cleaning technician. In this job, Ryan did the physical labor required to clean the buildings or houses that had suffered water or fire damage. By 2004, he had gained experience in each area of the business and was well respected for his knowledge and work ethic by the other employees.

In 2004, an opportunity arose to purchase three ServiceMaster Clean franchises in eastern Connecticut. Phil and Ryan decided to purchase these franchises, and Ryan became a part owner of the franchises with his father. After this purchase, the Masons' service area covered eastern Connecticut all the way to Hartford and the southern part of Rhode Island. The Masons consolidated all of the franchise offices into two locations, one in Westerly, Rhode Island, and the other in Wyndam, Connecticut.

Since Ryan became his father's partner, annual sales revenue doubled to more than $2,500,000. In 2006, the Mason ServiceMaster Clean franchise employed 20 full-time employees and was the 50th largest ServiceMaster Clean franchise in terms of sales revenue among the approximately 1,200 franchises located in the United States. Phil's ServiceMaster Clean franchise revenue had grown every year since its inception, except in 2006 due to an unusually warm winter.

As Phil gained more and more experience in the business, he has reached the point where he understands the local market and business of ServiceMaster Clean better than the home office of the franchisor in Chicago. Also, the home office's expertise is lacking when it comes to providing meaningful support to the larger ServiceMaster Clean franchises. This reality is captured in Phil's statement: "As a franchisee, you have the support of a home office but once you get beyond a certain size and scale and experience it almost becomes a nuisance more than a help."

Personal Philosophy of Phil Mason

Based on his business experience, Phil has developed a few fundamental beliefs about what makes a business entrepreneur successful. Number one, Phil believed that to be successful, an entrepreneur has to develop "honest relationships" with a lot of people by doing a job honestly, even when it hurt. "Developing those relationships goes a long way. We've been burned before by being upfront and honest with people but overall we have made out a lot better." Even at the cost of being burned sometimes, Phil believes it is valuable to always be honest and upfront in every business transaction to develop trusting relationships with insurance companies, other franchisees, municipalities, businesses, banks, and school systems. "They have come to trust us when they call because they have to call us after a disaster. When they call us they understand that we are going in there with honest numbers and are able to handle the job. It is about trust and confidence." Through trust, Phil has been able to develop long-lasting and profitable relationships with clients.

Second, Phil believes that by providing a quality service or product he will always have customers that remain loyal to him. In conversation, Phil often communicates his business beliefs through the use of metaphors from the restaurant business (e.g., "How good are you? You are as good as your last meal" and "Do a good job, make a nice meal, and people will appreciate that and will pay you for that"). These metaphors pointed toward his belief that a company's reputation is only as good as its last job and that high-quality work will always attract profitable customers.

Third, Phil recognizes in himself a permanent optimism that he did not always see in competitors, vendors, or other small business owners. All three of Phil's sons were state champions in high school wrestling, so he believed his values of optimism, hard work, and perseverance have been passed along to his children. His youngest child, a daughter, had competed through three seasons on the state champion high school track team. Overall, he felt that his family was blessed with common sense and a "we can figure this out" attitude.

The Diesel Industry

In 1892, a German engineer named Rudolf Diesel invented the engine that now bears his name. The engine received a German patent in 1893 and a U.S. patent in 1898. In 1900, Diesel demonstrated his engine at the World's Fair in Paris. At that time the Diesel engine burned peanut oil for fuel.

In the global economy, the transportation sector uses more liquid fuel than any of the other three sectors (residential, commercial, industrial) of the economy. According to the Energy Information Administration, the transportation sector consumed about 58 percent of the world's liquid fuel demand in 2004, and is projected to demand 63 percent of the total by 2030. The growth is expected based on forecasted world economic growth, which would require more vehicles on the roads based on the increased transfer of products, people, and materials around the world. For example, in the United States, vehicle miles traveled by freight trucks are expected to increase at a rate of 2.2 percent annually through 2030. In the United States, the transportation sector burned about 140 billion gallons of diesel per year (Svoboda 2007). In China, energy use for transportation is projected to grow by an average of 4.9 percent per year over the same period and India's annual growth is forecasted at 3.3 percent. Figure 1 shows the worldwide consumption of all liquid fuels, classified by sector. The transportation sector demands the largest portion of the total.

In 2007, diesel engines were less common than gasoline-powered engines, but the popularity of diesel engines was growing. Typically, passenger cars with diesel engines were

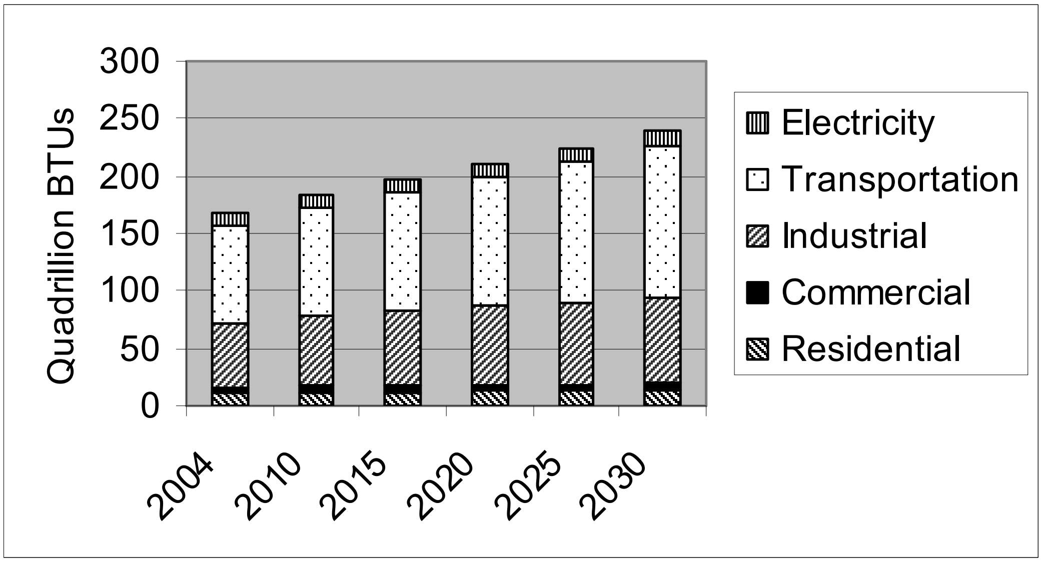

Figure 1. World Liquid Fuel Consumption by Sector

more fuel efficient than cars with gasoline engines. On average, the benefit was about 5 miles per gallon. Consequently, passenger vehicles are a growing source of diesel consumption. According to R. L. Polk & Company, the number of passenger vehicles with diesel engines increased by about 80 percent from 2000 to 2005 in the United States (see Figure 2). In 2005, about 3.5 percent of new passenger vehicles were equipped with a diesel engine. By 2015, forecasts indicate that diesel-powered cars will account for about 10 percent of all new passenger car sales. According to a study by the U.S. Department of Energy, if diesel-powered cars accounted for 30 percent of new car sales, oil consumption in the country would be reduced by about 340,000 barrels per day.

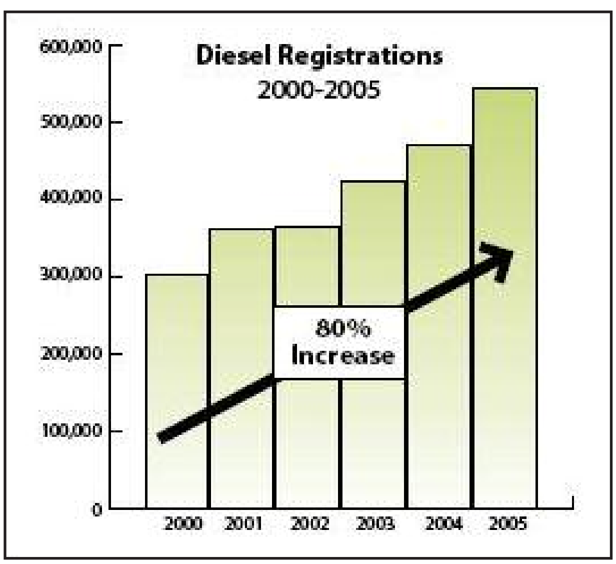

Figure 2. Growth in Diesel Passenger Cars in the United States
Source: R.L. Polk & Company, 2005

In contrast, diesel engines accounted for 50.2 percent of new car sales in Europe during 2006 (Road to Data Euro Index, www.rtdeuroindex.com). Furthermore, Europe's demand for diesel fuel exceeded the demand for gasoline, and the difference is increasing (see Figure 3).

In the United States, compared to passenger vehicles, diesel engines were more common in commercial transportation vehicles like buses, heavy trucks, tractor trailers, and even trains.

The Home Heating Oil Market

Another important market for biodiesel, especially in the Central Atlantic and New England states, is the home heating oil market. Home heating oil, also known as "Number 2 Heating Oil," is similar to diesel and is burned in home furnaces during the winter months. Tests show that up to 20 percent biodiesel can be blended with home heating oil with excellent results. According to Krishna (2001:3), "The results demonstrated that blends of biodiesel and heating oil can be used with few or no modifications to the equipment or operating practices in space heating. The results also showed that there were environmental benefits from the biodiesel addition to home heating oil in terms of reductions in smoke and in nitrogen oxides (NOx)."

In the United States, 8.1 million households used heating oil to heat their homes, and about 6.3 million of those were located in the Northeast region of the country. In 2005, 5.1 billion gallons of heating oil were sold to residential con-

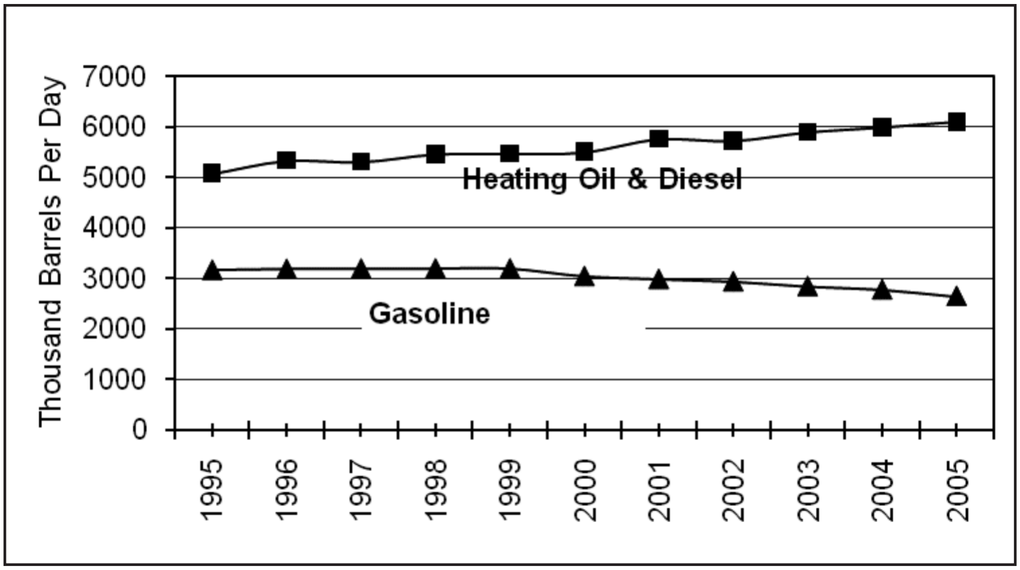

Figure 3. European Petroleum Consumption
Source: Energy Information Administration website

sumers in the Northeast; this was 83 percent of total residential fuel oil sales. In April 2007, the average price of No. 2 heating oil was $2.48 per gallon in Rhode Island and $2.50 in Connecticut (Energy Information Administration website).

The Biofuels Trend

A biofuel is any kind of fuel that was derived from biological material. The definition excludes organic material that has been transformed into a fuel (like coal or petroleum) by a geological process. The popularity of biofuels has increased because they burn cleaner than fossil fuels and create less greenhouse gas emissions. The main ingredient in biofuels is renewable crops, commonly known as "feedstock" within the industry. Specifically, corn is commonly used in the United States to produce ethanol (a substitute for gasoline) and soybean oil is commonly used to produce biodiesel (a substitute for petroleum diesel). Other common feedstocks are canola, rapeseed, and palm oil. The U.S. government set a goal for the country to consume 35 billion gallons of biofuel by the year 2017, which could decrease gasoline and diesel consumption by about 15 percent. In 2006, the United States consumed about 5.2 billion gallons of ethanol and about 250 million gallons of biodiesel (*Wall Street Journal*, 2007). The goal is to increase production and consumption of biofuels by a factor of 7 during the next 10 years. Proponents have described many benefits of using biodiesel instead of petroleum diesel. The two most important are probably the lower tailpipe emissions that biodiesel produces and the fact that it is a renewable energy that can be produced locally, thereby reducing the country's dependence on importing petroleum. According to a study by the U.S. Environmental Protection Agency (EPA), a vehicle run on pure biodiesel produced 50 percent less harmful particulates than conventional diesel, and reduced carcinogenic hydrocarbon emissions by over 75 percent (EPA 2002).

According to McKinsey & Company, three variables impact the profitability of biofuels: (1) cost and availability of feedstock, (2) government regulations, and (3) conversion technologies (Caesar, Riese, and Seitz 2007). All three variables influence the cost of producing biodiesel and the retail price per gallon that consumers pay. While the environmental benefits of biodiesel are compelling, the cost to produce it was higher than petroleum diesel, so the retail price of biodiesel remains higher. For example, Table 1 presents a comparison of the cost of the most popular feedstocks [soybean oil and waste vegetable oil (WVO)] used to produce biodiesel versus the cost of petroleum used to produce gasoline.

Table 1. Forecasted Production Costs for Biodiesel by Feedstock versus Petroleum
(in 2002 U.S. dollars per gallon)

Year	Soybean Oil	WVO	Petroleum
2004/05	2.54	1.41	0.67
2005/06	2.49	1.39	0.78
2006/07	2.47	1.38	0.77
2007/08	2.44	1.37	0.78
2008/09	2.52	1.40	0.78
2009/10	2.57	1.42	0.75
2010/11	2.67	1.47	0.76
2011/12	2.73	1.51	0.76
2012/13	2.80	1.55	0.75

The cost and availability of feedstock is crucial because in most biofuels, feedstock represents 50 to 80 percent of total production costs. Consequently, the cost of feedstock has had a huge impact on the profitability of the producers in the industry. In 2007, ethanol (a replacement for gasoline) was more common than biodiesel, so farm acres dedicated to corn have increased substantially in recent years. According to the U.S. Department of Agriculture, total corn acreage is estimated at 92.9 million acres in 2007, up 19 percent from 2006 and14 percent higher than 2005. Demand for corn has grown so much that many farmers have switched from growing soybeans to growing corn. Total soybean acreage in 2007 was 15 percent lower than in 2006. When the Masons were researching the economics of producing biodiesel in 2006, they planned to pay about $0.24 per pound for soybean oil. By the time they were ready to begin buying supplies and producing fuel, the price had increased to $0.34 per pound. At that price, the cost of feedstock represented about 80 percent of total manufacturing costs for Mason Biodiesel.

U.S. government regulation of biodiesel has occurred in two main areas: tax credits that give incentives for companies to produce biodiesel and usage mandates that require some fuel users to switch to biodiesel. A tax credit reduces a taxpayer's liability by the full amount of the tax credit. In 2004, the U.S. Congress passed a biodiesel tax credit, which gave blenders (i.e., companies that blend biodiesel with petroleum diesel) a $1.00 tax credit for each gallon of biodiesel that they blended. The bill also provided a tax credit of $.10 per gallon for manufacturers of biodiesel. The purpose of the credit is to encourage more companies to produce biodiesel. The tax credit made it easier for the companies to produce biodiesel profitably. However, with the tax credit set to expire on December 31, 2008, Congress devised the Renewable Energy and Energy Conservation Act of 2007, which extended the tax credits for two more years, to December 31, 2010. In June 2007, the act passed the Ways and Means Committee of the U.S. House of Representatives.

One example of a usage mandate occurred in San Francisco in April 2007. Mayor Gavin Newsom announced that by the end of 2007, all city-owned vehicles with diesel engines would be using B20 fuel (a blend of 20% biodiesel and 80% petroleum diesel). The mayor believed that by switching the city's fleet of almost 3,000 vehicles to B20, the city would have cleaner air and would be less dependent on petroleum. While the announcement by the mayor of San Francisco was a good sign that biodiesel was gaining credibility at the level of local governments, federal agencies are also involved in mandating biodiesel usage. Beginning June 1, 2005, all U.S. Navy and Marine nontactical diesel vehicles began to operate on a B20 biodiesel blend as part of the military's efforts to increase the use of domestic and clean fuels.

Of the three variables that influence the profitability of biofuels, the impact of conversion technologies is the most uncertain. Producing biodiesel is a relatively simple process. Neither extreme heat nor high pressure is needed in the production process, and the ingredients are simple to acquire. But despite new mandates to use biodiesel and tax incentives, the retail price of biodiesel typically has remained at least $.50 per gallon higher than petroleum diesel. However, experts predict that as conversion technologies improve, the costs will also decline.

One promising technology involves using algae as biodiesel feedstock instead of soybean oil. According to research conducted at Washington State University, an acre of soybeans could produce about 48 gallons of biodiesel, rapeseed could produce about 127 gallons, and palm oil could produce about 635 gallons (Collins, et al. 2006). Researchers at the University of New Hampshire Biodiesel Group studied the biodiesel yields of algae (University of New Hampshire website). They claim that algae farms could produce enough oil to yield more than 5,000 gallons of biodiesel per acre (personal interview with I. Farag).

Several entrepreneurs have responded to the research and started companies with the goal of producing biodiesel from algae. Some examples are GreenFuels Technology Corporation in Massachusetts and Solix Biofuels in Colorado. The upshot of these conversion technologies is that by the middle of 2007, a dominant design still had not emerged in the biodiesel industry. There are at least three methods for producing biodiesel, and there are several varieties of feedstock that are already being used, or are showing some promise in the future.

Launching Mason Biodiesel

Background Conditions

Before Ryan joined ServiceMaster Clean, Phil was content with the level of sales revenue and profitability of his franchise. He was earning more money than he needed and thus, had no motivation to expand his business. He came from a very modest upbringing and had continued to live a lifestyle similar to that of his family's during his childhood. However, when Ryan joined ServiceMaster Clean, he became motivated to grow the business. As he passed his 50th birthday, Phil noticed the "entrepreneurial itch" beginning to emerge in him again. For two reasons, he began considering launching another business.

First, he had owned the ServiceMaster Clean franchise for 15 years, and it was a hard, labor-intensive career. When clients called in the aftermath of a fire or flood, there was no time to spare. Calls for disaster recovery came in the middle of the night, on weekends, and during times when Phil thought he was "on vacation." One of the most memorable jobs was two days before Thanksgiving. A call came in for a big and lucrative job. It was an especially eventful Thanksgiving, because

Phil was hosting a family reunion at his house. Since he was an executive chef in his first career, he was planning to cook the whole meal for the family. Sue, his wife, was terrified of the prospect of having to cook the large meal all by herself. In spite of the personal sacrifice, Phil and Ryan drove all night with a crew and their equipment to the disaster site. They arrived at the jobsite in the morning, worked all day and part of the next night, rented a hotel room that night, then drove home the next day and arrived home just in time for Thanksgiving dinner. All the way home on his cell phone, Phil coached his wife through the cooking of the turkey, gravy, and other dishes for the dinner.

Sacrifices like these were necessary to grow the business. But Phil wondered whether another type of business could be equally rewarding, yet require less physical labor, unpredictable scheduling, and being on call around the clock.

Second, Phil's middle son, Tyler, majored in physics at the University of Rhode Island and after graduation, while living in Vermont, developed a personal interest in renewable energy. He started and owned a small solar panel installation company. In January 2006, he saw a television program about renewable energy on Vermont public television. He became intrigued with the idea of actually producing biodiesel. "It really sparked my interest and created a taste for energy efficiency." Immediately, he began to conduct "Google searches" to learn as much as possible about biodiesel. Initially, he was thinking about starting a small biodiesel plant just large enough to fuel his car and sell to his neighbors in Vermont. As his interest in biodiesel grew, Tyler began to devise more ambitious plans. A few months later, he presented the idea to his father, trying to convince him to build a biodiesel production facility.

Since she and her husband would be taking on major financial risk, Sue Mason's buy-in was essential to expanding the family business into biodiesel manufacturing. After returning home from the Netherlands where they had examined the BioKing® biodiesel equipment, Sue became excited about the possibility of a new family business venture and the opportunity to bring a new industry into her local community. She loves the fact that everyone in her family is involved. Sue has even become the bookkeeper for the Mason Biodiesel, a role that is new to her. But of course, this also exposes everyone in the family to the financial risks and volatility of the new business in an emerging industry which can be quite stressful. She often feels the stress of leveraging their personal assets to support the biodiesel business in its nascent state. Thus, she believes communication among family member is of utmost importance; no one can be left out of the loop. Since she works from home, Sue sometimes feels a little disconnected from the daily activities of the company and wonders if Phil might not communicate certain challenges the business is facing to protect her. But, in the end, the fact that her whole family is involved outweighs any of these concerns and challenges.

Research Continues

Tyler's initiative became the catalyst for Phil's and Ryan's interest in opening a biodiesel production facility. After seeing Tyler's enthusiasm, they also began actively researching biodiesel production industry. In April 2006, Phil and Ryan visited Keystone BioFuels, Inc. (www.keystonebiofuels.com) in Harrisburg, Pennsylvania. The purpose of the trip was to have first-hand exposure to a family-owned business that was already producing biodiesel from soybean feedstock. Keystone opened its facility in March 2005 and was the first biodiesel manufacturer in the state of Pennsylvania. After visiting Keystone, Phil's interest in biodiesel remained high. He was getting a clear picture of what was required to open and operate a biodiesel manufacturing facility. The next step was to consider what equipment he might buy to build a facility in his existing warehouse. Google searches led him to discover the next step in the process.

In early summer 2006, Phil and Sue traveled to the Netherlands to visit BioKing (www.bioking.nl), a manufacturer of biodiesel production equipment. After studying the equipment of many manufacturers, Phil chose BioKing because he believed he and his sons could install the equipment themselves. BioKing was willing to sell them the equipment only, while the U.S. vendors required a customer to buy the equipment and then pay the high fees for installation. Phil knew that the installation would require a lot of hard work, but it would also provide a considerable cost savings. Typical U.S. manufacturers charged about $1/gallon of production capacity to install the equipment. Since the Masons planned to build a 3 million gallon facility, the cost would have been approximately $3 million to purchase the equipment and have it installed. BioKing® was willing to sell the equipment only, without installation, for about one-third the price of U.S. equipment manufacturers.

Figure 4. Production Equipment at Mason Biodiesel

The Masons had three choices of production processes: batch, continuous flow, and a modified batch system. A batch production process, as its name suggests, produces batches of products. The production processes is broken down into distinct operational steps. Each step must be completed on a batch of product before it moves on to the next step in the production process. This type of production process allows great flexibility. As opposed to the batch process, a continuous flow production process runs without any interruption but is not very flexible. The modified batch process is composed of both batch and continuous flow processes.

Although the continuous flow system is the most efficient because it can run 24/7 and requires less labor, its purchase price was prohibitive. Since the modified batch system was affordable and more efficient than the batch system, it was chosen.

The Decision to Launch Mason Biodiesel

Phil began to realize he owned two resources that could serve as the basis for the biodiesel venture. First, the ServiceMaster Clean franchise office and warehouse space he owned in Rhode Island was larger than he needed to run the franchise. The extra space could be dedicated to setting up a biodiesel production facility. From his research, he knew that making biodiesel was not too complicated and the process required only a few steps. In fact, many people made biodiesel as a hobby and several websites provide instructions and discussion forums on the topic (www.biodieselathome.net/; biodieselcommunity.org).

The warehouse contained almost 10,000 square feet of available space. Furthermore, the town of Westerly had rail service that would allow direct delivery of soybean oil from the Midwest. In fact, one line ran just behind the Mason's warehouse and in the future, it could be used to accept delivery of soybean oil directly from a rail car into the Mason Biodiesel storage tanks. Currently, the oil is delivered at a rail terminal in downtown Westerly and then trucked to the Mason's tanks.

Second, Phil Mason had well-established relationships with several banks in Westerly. While Phil knew these banks would not finance the start-up of Mason Biodiesel on its own, he was willing to collateralize the loan with the assets of his ServiceMaster Clean franchise. For these two reasons, it made sense to open a plant in Rhode Island rather than Vermont. With his brother's assistance, Phil wrote a business plan and presented it to a local bank. It was accepted by the bank in June 2006, and he was approved to borrow approximately $700,000 to partially fund Mason Biodiesel. Phil formed Mason Biodiesel as a Limited Liability Corporation (LLC) in July 2006.

In the end, including the installation costs, the Masons estimated the cost to build the plant at about $.50/gallon ($1.5 million total cost). Although the cost was substantially lower than the quotes from several U.S. providers, the Masons had to do all the installation themselves. Since they were one of BioKing's first customers, they had to resolve many technical problems without much help from BioKing. For example, the electric motors were 50 hertz and 360 volts (European standard) versus 60 hertz and 480 volts in the United States. Thus, the Masons needed to purchase transformers so that the European equipment could run on U.S. voltage.

Setting up the plant and getting their biodiesel certified took much longer than they had anticipated. The Masons incurred a lot of unexpected costs and experienced "a nasty learning curve" (interview with R. Mason, May 16, 2007). With some input from BioKing, the Masons changed the floor plan (footprint) of the facility three times to find the most efficient layout. The "do-it-yourself" engineering reduced the start-up costs for Mason Biodiesel, but also slowed down the production schedule. The Masons were reliant on subcontractors for semiskilled labor like plumbing, electrical, and welding. Hiring subcontractors was something they were unaccustomed to doing in their ServiceMaster Clean business. The lack of responsiveness of the subcontractors also slowed down the build time.

Delays in setup and production created stress for the family. The bills piled up with no revenue coming in and thus, there have been unexpected cash flow crises. Mason Biodiesel has borrowed more money than it intended, the cost of soybean oil has increased, potential profit margins have shrunk, and the timeline to expected stable profitability has lengthened. Most disturbing was that the point at which the Masons believe they can fully replace the revenue of their ServiceMaster Clean franchise has moved from five to eight years. This would delay the sale of their ServiceMaster Clean franchise and Phil's goal to leave this demanding, labor-intensive industry.

While managing his Service Master Clean franchise and simultaneously launching Mason Biodiesel, Phil has seen his time, energy, and cash flow dwindle. Now that the factory is able to produce certified biodiesel, his efforts could change from engineering and testing the biodiesel to sales and marketing. He wondered whether he should focus on one market, or pursue any customer that seemed interested in buying biodiesel. He also wondered where in the industry value chain he should compete—wholesale, retail, or both? In any scenario, Phil remained confident that public interest in biodiesel would continue to grow, and eventually customers would recognize Mason Biodiesel as a reliable source for a renewable fuel.

References

Caesar, W., J. Riese, and T. Seitz. 2007. Betting on biofuels. *The McKinsey Quarterly* 2: 53–63.

Collins, H., R. Boydston, A. Alva, A. Hang, S. Fransen, and P. Wanderschnieder. 2006. BioFuels variety trials factsheet. www.pacificbiomass.org/documents/OilSeed/BiofuelsVarietyTrialsHalCollins.pdf.

Energy Information Administration website http://www.eia.doe.gov/.

EPA. 2002. A comprehensive analysis of biodiesel impacts on exhaust emissions. United States Environmental Protection Agency Draft Technical Report (EPA420-P-02-001). October.

Farag, I. 2007. Personal interview at University of New Hampshire, Durham, NH. Part of the UNH Biodiesel Group. http://www.unh.edu/p2/biodiesel/index.html.

Krishna, C.R. 2001. Biodiesel blends in space heating equipment. National Renewable Energy Laboratory. U.S. Department of Energy, Brookhaven National Laboratory Upton, NY. www.nora-oilheat.org/site20/documents/biodiesel_blends_in_space_heating_equipment.pdf.

Svoboda, E. 2007. The fuel cell. *Popular Science* (July): 76.

University of New Hampshire Biodiesel Group website http://www.unh.edu/p2/biodiesel/.

Wall Street Journal. 2007. Energy report (February 12).

Note: The instructor's manual is available upon request from the author at meriksen@providence.edu

About the Authors

Matthew Eriksen (meriksen@providence.edu) is an associate professor of leadership and organizational behavior at Providence College where he teaches leadership development and organizational behavior. He is an associate editor of *Culture and Organization.* Previously, he was employed as a professor at the University of Tampa, U.S. Coast Guard Academy, and University of New Haven. At the University of Tampa, Dr. Eriksen served as associate director of the TECO Center for Leadership.

Dr. Eriksen has also taught courses on organizational design, strategy, organization theory, corporate social responsibility, and finance. He has published articles in the *Journal of Organizational Change Management, Journal of Management Education, Culture and Organization, Intervention Research: International Journal on Culture, Journal of International Business and Entrepreneurship, Central Business Review, Academic Exchange Quarterly,* and *Tamara Journal for Critical Organization Inquiry*. Prior to joining academia, he worked at Ford Motor Company as a financial analyst. In 2002–2003, Dr. Eriksen served as the acting director of the Leadership Institute at Transportation Security Administration (TSA).

George H. (Jody) Tompson (jtompson@ut.edu) is an associate professor of management and entrepreneurship in the Sykes College of Business at the University of Tampa. He earned a PhD in strategic management from the University of South Carolina in 1995. Before joining UT in July 2000, he lived and worked in New Zealand for four years. At UT, he teaches courses in entrepreneurship and strategic management to both undergraduates and MBAs. His research interests are top management team decision making, turnaround strategies, and new venture strategies. He has published articles in *Strategic Management Journal, Entrepreneurship Theory & Practice, Small Business Economics,* and *Journal of Business Venturing.*

New England Journal of Entrepreneurship
John F. Welch College of Business
Sacred Heart University
5151 Park Avenue
Fairfield, Connecticut 06825-1000

New England Journal of Entrepreneurship Volume 12 Number 2 Fall 2009