PROFILING ENTREPRENEURIAL VETERANS
EXPLORATORY RESEARCH FINDINGS

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ENTREPRENEURIAL MOTIVATION:

A Survey of the Literature

The entrepreneur occupies an important place in business-related research. The attention he has attracted may be due in part to his economic and social significance and in part to his mythical and patriotic appeal. The small business owner-manager has been cited by presidents, economists, and historians as critical to economic growth and development (Hull, Bosley, and Udell, 1980; Kilby, 1971). In the United States, this economic function of entrepreneurship has complemented a mythical function. The small businessman has been seen not only as the backbone of our free enterprise system and economic greatness but also as the symbol of the quintessential American dream--the self-made man.

THE NATURE OF THE LITERATURE

The literature on entrepreneurship is at the same time rich, diverse, inconsistent, and suggestive. While this body of literature provides many tantalizing clues pointing the researcher in promising directions, its diversity and inconsistency do not facilitate developing a coherent, consistent portrait of the entrepreneur, his characteristics, motivation, and behavioral patterns. Nevertheless, such is the objective of this review.

Much of the apparent contradiction and inconsistency of the research findings is due to the fact that researchers have studied very different groups in very different ways. They have drawn divergent conclusions because they have peeked at the dynamics of entrepreneurship at different stages in the process and from different points of view. Some have examined only successful entrepreneurs, eliminating the vast majority whose ventures fail; their conclusions may relate more to the charcteristics of success than to those of entrepreneurship per se. Others have explored entrepreneurial potential, categorizing subjects on the basis of their expectations of starting a business in the future. The accuracy of these self-predictions, of course, is subject to question. Some researchers have based their findings on pen and pencil tests, others have used projective techniques, while still others have relied on observation, anecdotes, or depth interviews.

Of all the issues in the study of entrepreneurship, one of the most fascinating research questions is, "What or who is an entrepreneur?" The very different answers researchers have devised to this question contribute to the inconsistent and often unrelated research findings.

Definition of the Entrepreneur

The definition of an entrepreneur has been explored by economists, sociologists and business researchers (see summary in Brockhaus, 1980b). Mill, for example, saw the function of risk-bearing as central to the distinction between entrepreneurs and managers. Schumpeter emphasized the innovative role as critical to entrepreneurship. Taking a different tack, Weber defined the entrepreneur as the ultimate source of formal authority in an organization. Brockhaus (1975; 1980b) defined the entrepreneur as a major owner and manager of a firm which is independently owned and operated and is not dominant in its field of operation; he also specified that the entrepreneur is not employed outside his firm.

The complexity of the definitional issue can be illustrated by a passage in which Vesper (1980) described some of the offerings in the literature:

Although many publications refer to "the" entrepreneur as if there were only one type, a closer look quickly reveals many. Webster's definition refers to "one who organizes, manages, and assumes the risks of a business or enterprise." Schumpeter added the notion of innovator and former of new combinations. Observing that "dictionary definitions are not very good," Schallenberger associates entrepreneurus with a host of synonyms ("bold, venturesome, risk-taker, doer") versus antonyms ("conforming, conservative, routine"). Leavitt has offered another distinction by observing, "what we really need is the white-hatted entrepreneur; the innovator and relater, the developer; not the shady, expedient, unethical, black-hatted fellow." In a 1969 discussion of alternative definitions, Komives suggested that an entrepreneur is simply one who starts a business, Cole added that self-employed individuals, such as independent insurance agents, should be included, Bostrom argued to include one who assumes the financial risks, and Collins distinguished between independent versus internal or "administrative" entrepreneurs.

Mescon and Montanari (1981) defined entrepreneurs as founders of new businesses; they noted that franchising is a new and growing type of business formation attracting entrepreneurs. Powell and Bimmerle (1980) also argued that entrepreneurship is typically taken to mean the creation of new enterprises. Collins and Moore (1970; see also Collins, Moore and Unwalla, 1964) also restricted their definition to those who have created new businesses. Working from the notion of entrepreneurs as "organization builders", they distinguished between independent and bureaucratic entrepreneurs, noting that they differ most sharply at the stage of new venture creation. While the bureaucratic entrepreneur manipulates financial and managerial resources with the goal of advancing in the organization, the independent entrepreneur uses his craft and strikes out on his own. The two types are reported as differing in family background, education, and early career experiences as well as in role conceptions and relationships to organizations.

Webster (1975 and 1976) also distinguished between what he called independent and administrative entrepreneurs and focused on the former. He refuted the idea that the entrepreneur is typically a risk-taker and proposed that he is more likely to be a risk-avoider and, to the extent that he develops new and risky opportunities for investors, a risk-creator.

A Model for this Review

In an attempt to impose some order on this complex and loosely structured body of literature, it is useful to assume some model of entrepreneurial motivation and behavior. The model underlying this review focuses on the entrepreneurial process at the point at which an individual faces the question of whether or not to operate a business of his own. Factors precipitating this decision point could include inheritance of a family firm, loss of a job, or growing dissatisfaction with an existing job. The central question, of course, is why some people facing this decision choose to embark on a new venture while others answer "no" and seek another job or merely cope with the existing situation. This model proposes two types of inputs into the decision. Internal factors include psychological characteristics, experience, and demographics. External factors include resources and constraints, such as the availability of financing, the extent of family obligations which could diminish risk-taking, and the availability of support, including personal emotional support as well as help from government, educational, and technical assistance programs. Figure 1 below illustrates the model which underlies this survey.

MAJOR MODELS IN THE LITERATURE

Before examining the literature related to specific components of this model, it will be helpful to "set the stage" by reviewing several major pieces of research in the field. They will help demonstrate the interaction of various model elements, and their widely different approaches will suggest the diversity of the literature.

Cultural and Personal Backgrounds of Entrepreneurs

One of the most dramatic characterizations of entrepreneurs was drawn by Collins and Moore (1970; see also Collins, Moore, and Unwalla, 1964) on the basis of their study of men who created their own manufacturing enterprises between 1945 and 1958 in Michigan. The researchers relied on depth interviews and projective techniques and compared their sample of white male entrepreneurs to a sample of business leaders in corporations and to the adult male population of Michigan. The entrepreneurs emerged as a group alienated from their families and major social institutions

Figure 1

FACTORS INFLUENCING THE ENTREPRENEURIAL DECISION

The following represents a brief outline of the factors which have an impact on the entrepreneurial decision.

A. <u>Precipitants of a Free Decision Period</u>
       "Push" - dissatisfaction with previous job
              displacement (firing, lay off,
               separation from service)
     Inheritance of family firm
     Identification of needed product, market,
       innovation, etc.

B. <u>Internal Factors in Decision Process</u>
       Childhood experiences
       Exposure to role models
       Demographic characteristics (age,
         education)
       Psychological traits
         --locus of control
         --need for achievement
         --attitude toward authority
         --risk-taking propensities
         --need for independence

C. <u>External Factors in Decision Process</u>
       Constraints
         --familial obligations
         --financial limitations
       Resources
         --financing available
         --support of others
         --support from programs

and unwilling or unable to adjust to life in large organizations. They were more likely than corporate executives to be immigrants, and their childhoods were stormy and stressful, filled with crises and dominated by deprivation and by threatening and non-supportive adults. Many were forced by poverty or absent or non-supportive fathers to be on their own early. Compared to business leaders, whose fathers were more likely to be executives, entrepreneurs were more likely to be sons of small business owners, farmers, or skilled or unskilled workers. While better educated than the general population, entrepreneurs ended their formal schooling earlier than did business leaders. This pattern may reflect their inability or refusal to cope with large institutional systems; it would also tend to cut them off from advanced positions in established businesses.

Collins and Moore observed that the entrepreneurs spent time early in their careers in either drifting or short-term relationships with mentors. These experiences taught basic technical skills, including deal-making, and an orientation to human relations as short-term and transactional. Immediately prior to embarking on their own ventures, the entrepreneurs reached a crisis point in which previous patterns and roles broke down. They left military service, were unemployed, or reached a point at which they could not continue to accommodate the demands of working for others. This crisis brought both freedom and insecurity. Some, who had learned to distrust others and external organizations as sources of security, saw the creation of their own business as a means of escape from a life that had betrayed, that had promised but not delivered protection and security. It was an option for those unable to accept the authority of others, particularly of strong male authority figures. While lacking strong mobility or advancement needs, the entrepreneurs were seen by the researchers as driven by their own relentless standards to be hardworking to the point of overextending themselves.

Displaced Persons

Shapero's (1975) description of the entrepreneur demonstrates the role of both external and internal factors in entrepreneurial action. Focusing on those who start new ventures, he described most entrepreneurs as "D.P.'s, or displaced persons who have been dislodged from some nice, familiar niche and tilted off course" (1975, 83). Most causes of displacement are negative, such as firing or blocked opportunities for advancement. However, the cause also may be internal, such as the realization that one does not want to continue on the same path for the rest of one's life. How a person responds to the forces of displacement depends in large part on individual characteristics. Among those characteristics cited by Shapero as typical of an entrepreneur are the need for independence and an internal locus of control. Discussed in detail in a later section, such a belief means an expectation that the outcomes in one's life will be determined primarily by one's actions rather than by chance or powerful others. Shapero described those with an internal locus of control as self-reliant, desiring independence and

autonomy. The potential entrepreneur must also perceive the risks as not overwhelming and must be able to see himself undertaking the venture. Exposure to role models, parents or others who owned their own businesses, can help engender a belief in the credibility of such ventures. Other characteristics observed by Shapero are membership in specific ethnic groups and experience in small rather than large corporate units. Finally, resources are critical: most venture capital, he noted, is supplied by entrepreneurs themselves or their friends or relatives.

The Role of Dissatisfaction in Entrepreneurial Motivation

Draheim (1972) and Susbauer (1972) reported that dissatisfaction with previous work is a major factor contributing to the decision to start one's own business several years before Shapero identified it as a source of displacement. Some of the major work related to this variable has been conducted by Brockhaus (1980a) and Brockhaus and Nord (1979). They studied three groups of thirty-one members each: entrepreneurs who had recently opened their own businesses, managers who had recently changed positions within an organization, and managers who had recently changed organizations. Brockhaus and Nord (1979) identified two discriminant functions useful in distinguishing among the groups. The elements of those functions included:

> educational level
> years of residence in the local area
> fear of dismissal from a previous position
> number of places of prior employment
> satisfaction with the promotional opportunities of the
> previous job.

Compared to promoted managers, entrepreneurs had lived in the local area longer, had less formal education, and saw less likelihood of promotion in their previous jobs. Compared to managers who transferred, entrepreneurs had less education and had worked in fewer other jobs. This combination of factors suggests that entrepreneurs faced fewer opportunities for success in established firms. The researchers found support for what they termed a modfified "push" theory, which factors the decision to start a new firm into two steps: the decision to leave previous employment (due to dissatisfaction) and the decision of what step to take (based on perceived opportunities in existing firms versus a new owned firm).

In research reported by Brockhaus (1980a) the Job Description Index developed by Smith, Kendall, and Hulin was used to assess job dissatisfaction. Except for the anticipated finding that managers who recently changed jobs within an organization, usually as a result of promotion, gave their previous jobs the highest ratings for opportunities for promotion, the three groups did not differ significantly on the job dissatisfaction scales. However, when the scores for the entrepreneurs were compared to the normative data developed by Smith, Kendall, and Hulin, entrepreneurs were found to be generally less satisfied, and the

job element with which they were least satisfied was the actual work itself. Brockhaus labeled this "a major source for a 'push' from one's job" (1980a, 41), especially when one is also dissatisfied with co-workers and supervision and does not believe promotion to a better position is likely.

Clearly, of course, dissatisfaction is not peculiar to entrepreneurs. The transferred managers may also have been unhappy; why did they choose jobs in other firms while the entrepreneurs opened their own firms? Brockhaus ventured an explanation: entrepreneurs have become so dissatisfied that they feel it is unlikely they will be able to gain a satisfactory position in another firm. To substantiate his "push" theory, he noted that 59 percent of the entrepreneurs had a desire to start their own firms before they had a product or service idea, while only 15 percent had the idea first. This, he argued, suggests that entrepreneurs are pushed from their previous jobs rather than pulled by attractive business opportunities.

In a subsequent article, Stoner and Fry (1982) questioned the applicability of such theories to entrepreneurs who had done well at previous jobs and for whom the primary influences on the decision to launch a new venture were the desire for challenge, opportunity, and a chance to capitalize on previous experience. Their research suggests a factor that distinguishes between those who fit this model and those who are consistent with Brockhaus's theory is whether the new venture started by the entrepreneur is similar to or different from the kind of work performed in the previous job. Stoner and Fry found that those who founded new businesses similar to their old work were more satisfied overall with the previous job than those who launched new firms in different lines. Those who began "similar" businesses also had spent significantly more years in their previous jobs. The two groups differed significantly in their reasons for leaving their previous jobs. Those in the "similar" group more often cited reasons related to a desire for freedom and independence and greater income potential; they were drawn by entrepreneurial opportunities and growth prospects. By contrast, those who started "different" businesses were more likely to cite reasons related to dissatisfaction with the previous job, including lack of promotional opportunities, economic dissatisfaction, and frustration or conflict. Stoner and Fox concluded that while dissatisfaction with actual work in a previous job may be an impetus to entrepreneurship, as Brockhaus proposed, the converse was not upheld. "Underlying job dissatisfaction does not appear to be a critical and necessary condition of entrepreneurial motivation" (1982, 43).

Liles's Model of Decision-Making

Patrick Liles (1974) dealt with job dissatisfaction as one of many variables in his fairly complex model of entrepreneurial motivation, which pulls together several of the research suggestions discussed above. Liles identified three types of potentially attractive ventures. The first is a

unmanageable risks. Several noted, however, that in retrospect they believe they did not fully appreciate the risks at the time; assessing the risks from their current perspective, they noted, makes them "feel sick". Several self-employed members demonstrated a philosophical attitude toward the risk they assume: experience has taught them that the risks, crises, and set-backs they encounter can be weathered and survived.

Much of the literature on risk-taking propensities has focused on the relationship with need for achievement. McClelland (1961) and Atkinson (1957) proposed that a high need for achievement tends to be associated with a preference for moderate degrees of risk. When the probability of success is moderate, the value of skill is most important in the outcome and the feeling of achievement following success is likely to be greatest. There is some evidence that entrepreneurs prefer moderate degrees of risk, but so do people in general. Mancuso (1975) found that established entrepreneurs tend to be moderate risk-takers, but Brockhaus (1980b) did not find entrepreneurs different from two groups of managers. The lack of any difference, he suggested, may be due to the fact that a preference for moderate risk is a component of any managerial job. Hull, Bosley and Udell (1980) found that a scale related to risk was the most useful in differentiating between entrepreneurs and non-entrepreneurs (whether the distinction was based on involvement in creation of a business or simply on ownership) and in predicting entrepreneurial intentions. The creativity/risk scale developed by Hull, Bosley and Udell was adapted for use in the mail survey, and entrepreneurs were found to exhibit slightly higher propensities for risk and creativity than non-entrepreneurs.

Some focus group participants summed up in layman's terms the internal factors which may be associated with the decision to enter self-employment. The traits that make an entrepreneur, they said, are an "inherent part" of one's personality, a combination of drive, inquisitiveness, "guts", a willingness to take risks, and an inclination for "wheeling and dealing". Several members felt that these characteristics are not limited to the self-employed but also are found in entrepreneurs employed by others or in large organizations.

External Factors in the Decision Process

External factors are those outside the individual which have an impact on the choice made during the free decision period. They include both negative factors -- constraints which create impediments to the choice of entrepreneurship -- and positive factors -- those which facilitate the transition to self-employment. Three major types of factors can be identified: familial, financial, and other resources.

The wishes of the immediate family may be a major consideration to a person considering self-employment. The willingness of family members, especially the spouse, to accept the financial risks, the potentially long period before financial rewards are assumed, and the significant demands placed on time and energy by self-employment may weigh heavily in the

of various good and bad events occurring. The second is the perceived consequences of those events, and the third is the perceived seriousness of those consequences. The individual's perception of risk will influence how he responds as he seriously considers a new venture. Liles has identified four types of risks faced by entrepreneurs:

1. Financial risk: the risk of loss of income and savings, and the ultimate risk of bankruptcy.

2. Career risk: the risk of being unable to find another job if the venture fails.

3. Family risk: the risk that the family will suffer as energy, time, and emotions are diverted to the new business.

4. Psychic risk: the risk that failure of the venture will reflect on and shatter the one or very few persons with which it is closely identified.   As Liles noted, the entrepreneur himself is always one of the reasons when a business fails. A failure can destroy self-confidence and with it the ability to function in career and personal life.

These summaries of major research reports have provided a context within which to consider the entrepreneurial decision. The findings cited tend to clarify some of the precipitants of the moment of decision and shed some light on the factors which lead entrepreneurs facing a decision to elect a new venture. In the following section some of the major variables that research suggests may be characteristic of entrepreneurs are examined in detail.

SPECIFIC VARIABLES AFFECTING THE ENTREPRENURIAL CHOICE

Psychological Variables

In this section several major psychological variables will receive detailed attention. They include achievement motivation, locus of control, and risk-taking propensity. Less specific discussion of several other variables identified by researchers is also included.

Achievement Motivation. The work of David McClelland (1961, 1965, and 1966; McClelland and Winter, 1969) focused attention on need for achievement as a key characteristic of entrepreneurs. McClelland observed three personality characteristics frequently present in entrepreneurs, a group in which he included officers of large firms and salesmen as well as business owners. He never connected achievement motivation directly with the ownership of a business. These three characteristics were:

1. A strong need for individual responsibility.

2. A strong need for achievement.

3. A strong success orientation.

McClelland (1966) went on to note that businessmen tend to score high on need for achievement, or nAch, especially if they have real responsibility or are salesmen. Among the characteristics of persons high in achievement motivation are:

1. A concern with personal achievement rather than with the rewards of success per se.

2. A tendency to set moderate, achievable goals.

3. A dislike of gambling.

4. A propensity to spend time thinking about how to do things better.

5. A strong preference for work situations in which they receive concrete feedback on how they are doing.

A need for achievement develops in response to special training from parents who set moderately high achievement goals for their children but who are also warm, encouraging, and non-authoritarian in helping the children reach these goals. The contrast between these parental roles and the reports of parents of entrepreneurs described by Collins and Moore (1970) must be noted. McClelland and his colleagues also found that training which purports to develop achievement motivation in adults appears to be fairly successful; those who participated in such training, stressing goal setting and self-understanding, performed better in terms of earnings, promotions, and business expansion than comparable men who did not take the course. (See also Patel, 1975, concerning achievement training.)

Although nAch is usually measured using individually administered and hand-scored projective tests, early research focused heavily on it as a characteristic of entrepreneurs. Komives (1972) found entrepreneurs score high on achievement and decisiveness, for example. Using Lynn's (1973) scale of achievement motivation, Borland (1975) and Hull, Bosley, and Udell (1980), however, found nAch to be a weak or ineffectual predictor of stated intentions to open one's own business. Overall, the relation of need for achievement to entrepreneurial tendencies is inconclusive, especially if entrepreneurs are defined as those who own and operate their own ventures.

Locus of Control. The concept of locus of control seems to have much greater potential for shedding light on the characteristics and behavior of entrepreneurs. The concept derives largely from the work of Rotter

(1966), which in turn is based on social learning theory. Basically, Rotter defined locus of control as a generalized expectation for internal or external control of reinforcement. A person is considered to have a belief in external control if he perceives that reinforcement follows but is not entirely contingent on his own actions; typically he believes that the reinforcement is the result of chance or luck, is unpredictable, or is under the control of powerful others. In contrast, a belief in internal control is said to be characteristic of a person who "perceives that the event is contingent upon his own behavior or his own relatively permanent characteristics" (Rotter, 1966, 1). In other words, a person with a belief in internal control sees himself as able to control the outcomes he experiences--the reinforcements are contingent on his own actions.

Rotter saw that the idea of a generalized expectancy has clear implications for behavior. Compared to a person with a more internal locus of control, when a person who believes in external control experiences reinforcement, the experience is less likely to increase his expectancy of future reinforcement. When he fails to receive reinforcement, he is less likely to reduce his expectations or to move away from the behavior. For a person with an internal locus of control, however, the perceived relation of behavior and reinforcement is much closer, and expectancies are more directly influenced by reinforcement. Rotter noted that compared to an "external", an "internal" is more alert to environmental clues which might be useful information for future behavior, and he is more likely to take steps to improve his environmental conditions. As he sees a relation between ability and reinforcement, he places greater value on skill or achievement reinforcement and generally is more concerned with his ability, especially his failures.

In his summary of literature on locus of control, Lefcourt (1982) observed that the research indicates internals are generally more perceptive to and ready to learn about their environment and are more curious and efficient processors of information. Maqsud (1980) observed that internality increases with age, and that internal children tend to have more realistic aspiration levels.

Rotter (1966) found that the degree of internality of locus of control seems to be associated with socio-economic status (SES), with the lower class generally more external than the upper or middle classes. Lefcourt reported on research which suggests that perceived control is positively associated with access to opportunity. "Those who are able, through position and group membership, to attain more readily the valued outcomes that allow a person to feel personal satisfaction, are more likely to hold internal control expectancies" (1982, 31).

Part of the observed relationship of SES and internality may be traced to the antecedents of locus of control beliefs. The development of an internal expectancy depends on access to opportunity for contingent responses at home and in the larger social setting. The environment must be responsive and fair, nurturing but not suffocating. An "attentive, responsive, critical, and contingent environment is a percursor of the development of an internal locus of control" (Lefcourt, 1982, 146).

The relation of locus of control beliefs and need for achievement has challenged many researchers. Rotter (1966) noted that the work of McClelland and Atkinson suggests that individuals with high achievement motivation probably have some belief in their own ability to determine the outcome of their own efforts. He noted that research has generally supported the expected relation between internality and high need for achievement (see McGhee and Crandall, 1968; Gurin, Gurin, Las and Beattie, 1969; Lao, 1970; Stake, 1979). While most empirical studies have focused on academic performance, the intuitively appealing relation between internality and achievement-related behavior and delayed gratification has yielded inconsistent results (Lefcourt, 1982).

Rotter's research yielded a twenty-nine item scale which was ideologically oriented (focusing on beliefs about the general relation of people's behavior and outcomes, rather than on beliefs about the individual's own life). Rotter's conclusion that this generalized expectancy is predictive of logical behavioral construct referants and can be measured reliably stimulated considerable research on its relation to entrepreneurial tendencies. Brockhaus (1975) explained the intuitive appeal of a connection between the two: a person with an internal locus of control tends to believe that he can affect the success or failure of his ventures, that he can be responsible for outcomes. Without this belief he would be unlikely to expose himself to the relatively stiff penalties of failure. Thus, one would expect entrepreneurs to believe in an internal locus of control, and the research has tended to bear this out. The development of simplified and abbreviated I-E scales has helped to facilitate research (Tudor, 1972, for example). King, Murray, and Atkinson (1982) reported on a four-item scale developed at the University of Michigan Survey Research Center and used extensively in surveys of the United States population.

Brockhaus (1975) studied the relation of entrepreneurial intentions, perceived locus of control, and participation in a graduate business course in entrepreneurship. He used both ideological and personal control scales as well as the I-E (internal-external) total score. He found that locus of control may be a good predictor of intentions. Further, the personal scale was a better predictor than the ideological scale, but the total score worked best. Interestingly, he found that taking the entrepreneurial course did not change I-E scores. In discussing the limitations of his researh, Brockhaus noted that because the subjects were MBA students, the results were probably biased in the direction of internality. Most students probably enter MBA programs in the belief their actions--going to school--will affect future success. Further, the fact that Brockhaus's subjects had selected an entrepreneurial course also may have introduced some bias.

In her study of entrepreneurial intentions of business school students at the University of Texas, Borland (1975) used Levenson's Locus of Control Scales. She found significant differences in internality of locus of control between students who expected to start their own businesses and those who did not. Her findings also suggest some interaction between

locus of control and achievement motivation. Among students with relatively low achievement needs, those with more highly internal locus of control beliefs had greater expectancies of starting their own businesses. Among those with relatively high nAch, however, the degree of internality was unrelated to the expectancy of starting a business.

In research conducted at the University of Oregon in connection with the National Science Foundation's Innovative Center Experiment, Hull, Bosley, and Udell (1980) also relied on Levenson's Locus of Control Scales. They included subscale P, which relates to internality, in the forty-one item, seven scale questionnaire they developed to elicit an interim, substitute measure of the proportion of students who would become entrepreneurs. They found no relation between internality and entrepreneurial intentions or experience.

In contrast, Brockhaus (1980a) found internal locus of control and general dissatisfaction with the previous job to distinguish successful from unsuccessful entrepreneurs three years after the founding of their businesses. The successful entrepreneurs reported more internal belief structures; they were also more likely to be married and were younger than the unsuccessful entrepreneurs. In an study based in India, Paney and Tweary (1979) studied the locus of control scores of applicants for funding for small businesses; the committee deciding on approval for funding based their decisions on their determination of the entrepreneurial potential of applicants. The researchers found that successful applicants showed more internality in their I-E scores than did unsuccessful applicants.

In other research, Brockhaus and Nord (1979) found that locus of control did not distinguish entrepreneurs from managers who transferred or were promoted recently, but all were more internal than the general population on which scores are available. Similarly, in their study of fifty-one real estate brokers, Mescon and Montanari (1981) found that entrepreneurs tended to earn locus of control scores which were very internal in comparison with national sample norms.

Risk-Taking Propensities. The notion of risk also has been central to the research into entrepreneurship. McClelland (1961) and Atkinson (1957) proposed a relationship between high need for achievement and a preference for moderate probabilities of success. They hypothesized that in this range skill is most important in determining outcome and that the potential for feelings of achievement based on the exercise of skill is greatest. Touhey and Villemez (1975) further explored the relation of achievement motivation and risk preference. They found that independent of level of need for achievement, students low in task ability consistently selected more intermediate risks than high-ability subjects. These findings were inconsistent with the more frequently proposed model in which persons with strong achievement needs prefer intermediate levels of risk, as outcomes under these conditions provide the most information about personal attributes and abilities. Low nAch persons, on the other hand, were predicted to prefer either high or low levels of risk, which provided more information on task than on personal characteristics.

Davidshofer (1976) attempted to relate risk preferences and vocational choice in his study of undergraduates. Subjects were classifed as high or low risk-takers on the basis of three measures. They were asked to rate occupational titles on their perceived success potential and probable income, both risk proxies. Finally, subjects were asked to indicate their vocational choices from lists of occupations. No relation was found between risk-taking preferences and vocational choice. The latter, of course, was measured only by self-reported intentions in adolescence, not by adult behavioral choices.

Mancuso (1975) noted that established entrepreneurs tend to be moderate risk-takers. He did not, however, provide empirical support for this assertion, nor did he address the issues of what risk-taking preferences were operational at the time of the decision to start a firm or of what prerequisites characterize entrepreneurs who do not succeed or become established.

In his discussion of the risk-taking propensities of entrepreneurs, Brockhaus (1980b) noted that a preference for moderate risk may be a function of the managerial component of any job; if so, entrepreneurs will not differ from other managers whose jobs involve entrepreneurial functions without ownership. (Concerning preferences for moderate risk, see also Schollhammer and Kuriloff, 1979; Powell and Bimmerle, 1980; and Vesper, 1980.)

Brockhaus defined the propensity for risk as the situation characteristically facing a potential entrepreneur as he confronts the decision of whether or not to launch a new business. The propensity for risk is the "perceived probability of receiving the rewards associated with success of a proposed situation, which is required by an individual before he will subject himself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation" (1980b, 513).

In his study of new entrepreneurs and newly promoted and newly transferred managers, Brockhaus used the Kogan-Wallach choice dilemma questionnaire, which elicits probability preferences in twelve hypothetical situations. There were no significant differences in the scores of the three groups, nor did the entrepreneurs differ significantly on this risk preference measure from the undergraduates studied by Kogan and Wallach. The researcher concluded that the distribution of risk-taking propensities among entrepreneurs mirrors the distribution found in the general population. He noted that this deviates from widely reported findings that entrepreneurs are the more moderate risk-takers. This is not to say that entrepreneurs do not prefer moderate risks--over 64 percent of those studied by Brockhaus had preferences for moderate risk--but the same pattern is true of people in general--68 percent of the population would be expected to fall into the moderate range on risk preferences. Brockhaus concluded that, "the level of risk-taking propensity does not distinguish new entrepreneurs from managers or from the general population" (1980b, 519).

In contrast, in their study of University of Oregon alumni, Hull, Bosley, and Udell (1980) found a four-item scale related to risk to be the most useful in distinguishing between those who had and those who had not owned a business, had and had not been involved in the creation of a new business, and did and did not expect to start a business in the next three years.

Palmer (1971) added a slightly different twist to the subject of risk-taking propensities. He described the entrepreneurial function as involving risk measurement and risk-taking within a business or organization. He recommends that testing of entrepreneurial potential address the perception and handling of risk; he identified specifically the willingness to deal with uncertainty and the area of decision-making under uncertainty as warranting attention.

It must be noted that the studies of risk-taking propensities deal with only one of the three components of risk salient to entrepreneurial decisions. The other two, the perceived possibility of failure and the perceived consequences of failure, may be more a function of environmental conditions, including the availability of information and role models, than of internal personal characteristics.

Other Variables. Hornaday and Aboud (1971) used a battery of objective tests with a sample of successful entrepreneurs who had started new businesses which lasted at least five years and which employed at least eight persons. Their goal was to identify factors which would distinguish successful entrepreneurs from people in general. They found that compared to men in general, successful entrepreneurs scored significantly higher on scales related to nAch, independence and effectiveness of leadership and lower on need for support. On subjective self-ratings, entrepreneurs rated themselves significantly above average on nAch, self-reliance, competitiveness, initiative, confidence, versatility, perseverance, resilience, innovation, and physical health.

From his study of three hundred entrepreneurs in the Northeast, Mancuso (1975) concluded that entrepreneurs tend to be high achievers and moderate risk-takers who calculate their risks and are aware of the consequences of failure. Their primary motivation for starting their own businesses was a need to be independent. Typically these men could not work for anyone else and had to be the boss. This is consistent with Collins and Moore's (1970) finding that the entrepreneurial personality is characterized by an unwillingness to submit to authority. Interestingly, Mancuso found that the pattern of entrepreneurial traits tended to become evident by high school or college age and manifested itself in business sidelines undertaken at that age.

Based on his analysis of entrepreneurs of new, high-tech firms, Cooper (1973) proposed that the characteristics of the entrepreneur are one of three sets of influences on the decision to start a new firm. The other two components are influences related to the "incubator organization" in

which the entrepreneur worked previously and external factors. Among the salient personality variables Cooper observed were higher than average scores on achievement, leadership, aesthetic and theoretical orientation, and lower than average scores on religious orientation, need for support, practical mindedness, and need for conformity. The entrepreneurs also demonstrated a more single-minded devotion to their careers than was true of hired executives.

Other Personal Characteristics

Researchers studying entrepreneurship have examined several other variables which are not psychological traits but nevertheless are characteristic of individuals. In his study of three hundred entrepreneurs, for example, Mancuso (1975) identified a tendency for them to be the first born in their families. Numerous researchers have pointed out that entrepreneurs tend to have had fathers who were small business owners, farmers, or independent professionals (Collins and Moore, 1970; Cooper, 1973; Roberts and Wainer, 1971; Shapero, 1971; Susbauer, 1969). Borland (1975), for example, found that the most important variable in predicting graduate business students' expectancy of becoming busines owners was whether or not their fathers had started companies. The importance of access to other role models whose experience makes small business ownership seem credible also has been discussed (Cooper, 1973; Lamont, 1972; Shapero, 1971; Susbauer, 1972).

Age at time of the entrepreneurial decision has been studied frequently (Howell, 1972; Liles, 1974; Shapero, 1971). Cooper (1973) found that most entrepreneurs in new, high-technology firms were in their thirties when they started their firms. Mancuso (1975) noted a tendency for this age to become younger. He found that most of the entrepreneurs he studied started their firms while aged 30-35 in the late 1960's and early 1970's. He noted that this represented a decline in age in the last twenty years and predicted that in the 1980's the twenties would be the most characteristic age for starting new ventures. The findings regarding educational level have differed greatly depending on the group studied and the date of the research. Mancuso (1975) found that most entrepreneurs in his sample had received masters degrees, and Cooper (1973) determined that most entrepreneurs in the new, high-tech firms he studied had at least a B.S. In comparative studies, many researchers (Brockhaus and Nord, 1979; Collins and Moore, 1970) have found entrepreneurs to be less well educated than business managers in larger organizations.

Mancuso (1975) also addressed the marital status of the entrepreneurs in his sample. He found that most of the successful men had exceptionally supportive spouses. Those whose wives were not supportive were likely to have seen their marriages end in divorce.

The vast majority of entrepreneurs are white males, and few studies have explicitly addressed the issue of minority or female entrepreneurship. DeCarlo and Lyons (1979) compared minority and

non-minority female entrepreneurs and found them to have a great deal in common. There was a pattern of difference on some test scores with non-minority entrepreneurs scoring higher than their minority counterparts on needs for achievement, support, recognition, and independence and lower on needs for conformity and benevolence. Compared to non-minority subjects, the minority women tended to have started their businesses somewhat later in life and more often alone and had somewhat lower educational levels, although these levels were still higher than those of the female population in general.

VETERANS STUDIES

A recent search has uncovered no research which examines the specific question of entrepreneurship among veterans. There are, however, two main areas of immediate relevance to the current project. The first examines the relationship between military service and subsequent attitudes and adjustment of veterans. The second addresses the relationship between military service and occupational and earnings patterns.

The research of Schreiber (1979) can be taken as representative of the first group. He examined the enduring effects of military service on attitudes in several areas: trust in government, international affairs/cosmopolitanism, and authoritarianism-related, violence-related, and military-related opinions. He found that for World War II and Vietnam veterans, "except for military-related opinions, the data do not indicate enduring effects of military service in terms of systematic and significant opinion differences between veterans and non-veterans" (Schreiber, 1979, 824). Thorn and Payne (1977) found that those with armed forces experience expressed more disapproval of unethical behavior than did those without such experience.

Considerable attention has been directed to what some researchers consider the unique conflicts and stresses faced by Vietnam-era combat troops and the evidence of post-traumatic stress-related syndromes among veterans of this period. Thienes-Hontos, Watson and Kucala (1982) identified some of the factors other researchers have cited as related to the alleged incidence of post-traumatic stress disorder among Vietnam vets: skepticism over the value of the war, the special combat conditions encountered, the public's response to the veterans, drug abuse, and the constricted economy to which they returned. The researchers studied 58 Vietnam and Korean war veterans hospitalized for psychiatric problems within 9-36 months of their return from the war zone. They found that stress disorder was not unique to nor inordinately common among the Vietnam veteran group. One may question, of course, the extent to which findings can be generalized from a sample of psychiatric in-patients to the veteran populations in general.

Strayer and Ellerhorn's (1975) study of Vietnam veterans indicated that heavy combat involvement tended to be associated with adjustment

problems.   However, those with higher goal orientations had less
adjustment difficulty, a higher rate of employment, and more positive
self-concepts, and were more likely to be internals on the locus of
control scales.   Pilisuk (1975) suggested that Vietnam veterans were more
likely to come from poor and working class backgrounds while their
wealthier, upper class counterparts received college deferments.
Nevertheless, both faced the same social issues and general attitudes
toward government not determined by war participation. Pilisuk also found
low utilization of GI Bill entitlements among Vietnam veterans.

Many studies have addressed the economic effects of military service
on subsequent civilian employment. The research findings have conflicted
(see summaries in Little and Fredland, 1979; Martindale and Poston, 1979),
but there has been a pattern of evidence that in the short run military
service has a negative effect on earnings, but long-run studies suggest
that service enhances socio-economic status, especially for minority
groups, for whom military service may be a "bridging environment". This
has been seen among World War II and Korean war veterans. For Vietnam
veterans, however, the tendency has been toward a negative or neutral
effect.   The study by Little and Fredland (1979) focused on veterans'
earnings in 1966, some 15-20 years after service; the findings suggested
that military service had a positive effect, independent of training
received, especially for minority groups.   Using 1970 Census data,
Martindale and Poston (1979) found that black and Mexican-American
veterans tended to have higher incomes than non-veterans of the same races
and were better able to convert their compositional characteristics, such
as education, into earnings. This trend was less striking for Vietnam-era
veterans than for veterans of World War II or the Korean War. Among
whites, veterans who served in World War II or the Korean era had higher
incomes than non-veterans in their cohorts, but the pattern was reversed
for Vietnam veterans.

CONCLUSIONS

This review of the literature suggests several key variables which
should be considered for inclusion in a survey of business school
graduates to assess entrepreneurship. In developing this list it is
important to keep in mind, of course, that the research to date is by no
means unanimous in substantiating that these variables are associated with
entrepreneurial motivation. Rather, the literature suggests that they may
be promising avenues to explore, and sufficient justification exists for
their inclusion in the survey.

The following list identifies the more promising candidates for
inclusion.   Where appropriate, definitions are provided. Operational
definitions will be developed as the survey design process continues.

A. Descriptive Information
1. Respondent Profile
   a. Age
   b. Sex
   c. School from which degree received
   d. Type of degree (e.g., BBA, MBA)
   e. Year degree received
2. Veteran Status
   a. Served on active duty
   b. Years of service
   c. Combat experience
3. Career Path
   a. Current position
   b. Number of years of full-time work experience
   c. Number of different organizations worked for
   d. Size of organization currently employed by
   e. Entrepreneurship
      1. Has respondent ever owned his own business?
      2. Age at time of first entrepreneurial undertaking
      3. Does respondent now own business?
      4. Would respondent like to own his own business?

B. Variables Related to Entrepreneurial Motivation
1. Exposure to role models
   a. Was a parent a small businessman or independent professional?
2. Psychological variables
   a. Need for achievement: the extent to which the respondent is strongly motivated toward achievement and derives personal emotional satisfaction and need fulfillment from achievement. Lynn's scale will be considered for use.
   b. Locus of control: the extent to which the respondent sees the outcomes and reinforcers in his life as contingent on his own actions as opposed to on fate, luck, or powerful others. Levenson's scale will be considered for use.
   c. Risk-taking propensities: the extent to which the respondent sees himself as willing to take various degrees of risk. The scale used by Hull, Bosley and Udell will be considered for inclusion.
   d. Attitude toward authority: the extent to which the respondent is willing to work for and accept the authority for others.
   e. Need for independence: the extent to which the respondent needs to or wants to work for himself and to be his own boss.

3. "Push" theory factors
   a. Is respondent satisfied in current job? (Or, if respondent is now or was self-employed, was he satisfied with the job he held before going into business for himself?)
   b. If respondent is now or was self-employed, immediately before going into business for himself, had he lost a job, left the service, etc?
4. External factors
   a. Constraints
      1. Family situation (marital status, number of children)
      2. Does respondent see financing for small business as available to him?
   b. Resources
      1. Financing (same as above)
      2. Does respondent feel family members or others would be supportive of entrepreneurship?
      3. Does respondent see support as available from government programs, business schools, and other sources?

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SUMMARY OF FOCUS GROUP INTERVIEWS

During the period of December, 1983 - February, 1984, four focus group interviews were held in conjunction with this SBA-funded research project. The purpose of the interviews was to gain insights and ideas which could be translated into specific hypotheses for testing in the mail survey portion of the project. In addition, the groups provided information about the perspectives of, and language used by, the target population, which will be useful in questionnaire wording and design.

The groups were held at the business schools of four of the six universities participating in the project: the School of Business Administration of the College of William and Mary, the College of Administrative Science at the University of Maryland, the College of Business and Management at the Ohio State University, and the School of Business at Norfolk State University. Each school selected a convenience sample of alumni to invite; the 101 invitees included a large proportion of active alumni and donors. The thirty group participants included twenty-three men and seven women; their ages ranged from twenty-three to seventy. Eighteen of the members had received bachelor's degrees in business, ten had master's in business, and two had J.D. degrees. The number of years of full-time work experience reported by participants ranged from two to thirty-eight. Sixteen of the participants were veterans; their periods of service ranged from World War II to the Vietnam era.

Nine participants were self-employed. This entrepreneurial group included attorneys who owned businesses in the fields of insurance, finance, and real estate; a restauranteur; a manufacturers' representative; and owners and operators of a variety of firms, including an accounting firm, a heating and air conditioning concern, a large home furnishings retail outlet, a metalworking and machine tool company, and a development and real estate venture. Most of the entrepreneurs had had experience working in large corporations before going into business for themselves. The other twenty-one participants were not self-employed at the time of the interviews, although a few had worked for themselves in the past. These non-entrepreneurs were employed by a wide variety of organizations: universities, banks, consulting firms, a trade association, brokerage firms, a wine distributor, a publishing company, a retail chain, and a school system. Their positions spanned a wide range from teacher to middle management to chairman of the board.

FACTORS INFLUENCING CAREER CHOICE

Group discussions focused first on the question of the factors which had influenced the career choices of participants. Specific factors mentioned by participants included:

> Challenge, flexibility, and a setting in which one can take pride in and receive recognition for one's work.

Consistency with education and previous experience.

Type of education (several members voiced the belief that accounting majors are steered by faculty toward employment by big-eight public accounting firms as if there were no alternatives).

The entree graduation from a "good" school provides to large accounting and consulting firms.

Reputation of employer.

Opportunities for advancement.

Advice of successful elders or faculty members.

Familial role models, opportunities, or pressure.

Salary and opportunities for income growth.

Job availability (especially for black alumni).

The nature of job demands (e.g., time and travel demands) and their fit with familial obligations.

Respondents were asked how important size of employer was to them. A few participants who had worked for large accounting/consulting firms reported an intense dislike of the competition, corporate politics, and "back-stabbing" they felt characterized such large organizations. Others who were working for large organizations felt that size was not an issue so long as they were allowed to function somewhat independently and to exercise responsibility and initiative, and promotional opportunities were present. At least one participant specifically welcomed the support a large organization provided in terms of training, product development, and protection from financial risks.

ENTREPRENEURSHIP

Group members who were self-employed were asked why they had gone into business for themselves. Those who worked for others were asked whether or not they would like to go into business for themselves and why. These questions generated considerable discussion of the nature of entrepreneurship and the reasons for its attractiveness.

There was considerable agreement among the five groups as to the reasons why the entrepreneurs had gone into business for themselves and the reasons why the non-entrepreneurs would like to undertake such ventures. Among the attractions identified were:

1. The desire to be one's own boss. As one of the self-employed group members put it, "I don't see how people can work for anybody (else)." Some members felt this desire to be the boss could in some cases be associated with an inability to get along with others and a resentment of the authority of others.

2. The freedom and independence afforded by self-employment. This freedom refers to the ability to control both one's time and the ways in which tasks are accomplished. Participants felt that entrepreneurs want to be able to do things their own way and to be able to take time off when they wish. They noted, however, that the hypothetical control a small businessman has over his time may not be operationalized because the demands of the business often seem to "run him" instead of vice versa.

3. The ability to gain control of the work environment and escape the politics and dysfunctional competition some saw as characteristic of large firms.

4. The opportunity to move ahead quickly. Participants seemed to feel that for the self-employed person, the only barriers to achievement are due to the person himself; the organization's policies and hierarchy do not block advancement as in large firms. A few members noted that this opportunity may be especially important to those who find avenues for advancement cut off in established firms because of age, education, or some other factor.

5. The desire to reap the financial rewards of one's own work.

6. The example set by family role models.

7. The challenge afforded by self-employment. Some saw entrepreneurship as inherently more challenging that employment in large organizations because a small businessman is responsible for all facets of the firm, and the environment and work are generally less formally structured. Others believed that equally challenging jobs exist in large firms, but that such positions might not be ones for which participants reasonably could aspire.

Several group members believed that at least part of the "drive" toward self-employment comes from inherent characteristics in the nature of the person. They believed that, "You cannot make an entrepreneur." They defined this entrepreneurial personality as including several traits: creativity, "guts", inquisitiveness, a willingness to take risks, and a tendency to be a "wheeler-dealer". Several group members pointed out that persons with these entrepreneurial traits were not necessarily self-employed. They could be happy and productive in large organizations; indeed, these could be the very qualities required for success in some firms and positions.

Participants generally saw self-employment as entailing more work and responsibility than working for someone else. Several members stressed the importance of a supportive spouse, while one group emphasized that the financial rewards of self-employment often are not realized for several years. Self-employment generally was perceived as entailing significantly more risk than employment by someone else or a corporation. This risk was usually described as financial risk, with bankruptcy identified as the ultimate risk. Several members with experience in this area said that generally entrepreneurs do not appreciate fully the risks when they undertake them. These men described feeling "sick" when they look back on the risks they have taken. However, some participants also reported that experience had taught them that the crises and financial risks encountered were not "fatal" and that with perseverance one could weather them. One group emphasized the importance of prior planning to anticipate and minimize risks.

Finally, those who reported that they would like to go into business for themselves but had not yet done so were asked what would have to happen to make them "take the plunge". Acquiring capital was mentioned as the most important prerequisite; participants also said they would have to locate the right opportunity and a good marketable idea. One member said that she would have to become dissatisfied with her current job before she would make any move.

THE ROLE OF MILITARY SERVICE

Discussion was initiated of how military service affects career decisions and the role it plays in the decision of whether or not to go into business for oneself. Much of the resulting discussion focused on the perceived contributions military service can make to the attitudes and skills veterans take to later jobs. There appeared to be significant differences between veterans who served during World War II and those who saw only peace-time service, usually in the mid- to late 1950's. World War II veterans generally saw their service experience as being very meaningful and felt a strong patriotic pride in serving. Post-Korean era veterans, on the other hand, were more likely to describe their active duty experience as frustrating and meaningless and were less likely to feel that they had accomplished anything valuable in the military.

Among the reported benefits of military service which were seen as affecting career decisions or performance were:

1. Opportunities to work under skilled leaders.

2. Exposure to people one probably would not otherwise work with, which engendered understanding of other types of people.

3. The development of maturity, self-confidence, and discipline, which in some cases made it possible for veterans to return to college and succeed where they had failed earlier due to immaturity.

4. Opportunities for advanced education, either through the G.I. Bill or through education at business schools provided while in the military.

5. The development of organizational skills and a sense of responsibility, order, and commitment.

6. A chance to make valuable contacts.

Some veterans reported that their exposure to the disadvantaged lives of natives in other countries and the lack of freedom in those economic and political environments heightened their appreciation of the benefits of the American way of life and of the free enterprise system. For one young man, the desolation and lack of ambition and opportunity he encountered in Vietnam kindled a desire to "do something" with the rest of his life.

Only one group felt military service directly affects the decision of whether or not to enter self-employment. Most members of this group believed that military service encourages entrepreneurism among young enlisted men who serve short tours of active duty. This effect, they said, results from the tendency of military service to help young men mature and develop self-confidence and the opportunity it provides to develop managerial skills and to save a nest egg for capital. Most important, they felt, were the training and experience in trades, crafts, or skills which could serve as the bases for small businesses. The group tended to feel, however, that military service is less likely to encourage entrepreneurism among officers than among enlisted men. This difference they credited to their belief that enlisted men work in crafts or skilled areas while officers generally are managers. This seemed to be associated with a perception of small businesses as being based on crafts. One member noted that the long service period of career officers, who were well represented in this group, tended to to develop a dependency on functioning in a large organization.

BUSINESS EDUCATION AND ENTREPRENEURSHIP

Group members were asked how their business educations had affected their career choices and whether and how their educations had influenced their decisions of whether or not to go into business for themselves. The general consensus was that the conceptual and logical skills learned in business schools were more important in later life and work than specific course content. Several group members stressed the value of training in logical thinking, problem-solving, and exercise of judgement. One person

noted that business school taught her a willingness to learn, which she felt was most valuable in her career. Most members of one group of successful businessmen expressed the belief that the maturational skills gained were crucial; they were referring to undergraduate education and stressed the need for young people to have a chance in college to grow up, to develop social and organizational skills, to learn how to get along with others, and to develop the ability to apply themselves.

Most participants did not feel business education specifically prepares students for entrepreneurial careers. Given the emphasis on the conceptual and personal developmental aspects of business education, however, there was no clear indication that they felt education should prepare students for self-employment. One member noted that as a small businessman he felt that the main way business school prepares entrepreneurs is by teaching them about resources available if problems occur. Several members stressed their belief that training in accounting was most useful; it should be noted that all the schools involved have strong accounting programs and that most of the participants had backgrounds in this area.

Members of two groups noted that class and case content focuses almost entirely on large organizations and corporations. One member noted that he was trained to run U.S. Steel and the Pennsylvania Railroad but not to run his own business. In many subtle ways small business ownership is not presented as a viable career alternative. Suggestions for how business schools could encourage entrepreneurship included endowing chairs in this area, offering classes in venture and small business management, including small businessmen in placement activities, admitting more students who have owned their own firms, and encouraging student-run businesses. One member proposed more programs for small businessmen who want to come back to school. He felt they would be more motivated to learn and have the practical backgrounds necessary to assimilate and put into action the course material.

In two groups there was considerable discussion of how well or poorly prepared young business school graduates, particularly those coming from baccalaureate programs, are to function in the "real world". While several members felt this problem was inherent in the youth of the students, there was consensus that business schools should include in their curricula internships or co-op placements in which students would be placed in firms for some vital experience in how business is conducted in the real world. Members also suggested that schools place more emphasis on vital communication skills, on using common sense, and on integrating the functional areas involved in business management.

OTHER PROGRAMS FOR ENTREPRENEURS

The entrepreneurs in the two groups in which this topic was discussed had had little direct contact with SBA programs. One planned to attend an

SBA seminar in the near future, while another helped clients of his accounting firm apply for SBA loans. Two members of one group discussed the availability of programs for small businessmen. One noted that there are sufficient programs for small business, although many people are not aware of them and do not know where to go for help. He also criticized the advice offered by most programs, including those of the SBA, as too general to help with an individual's specific problems. He blamed this on the real threat of liability and litigation. Some members of this group focused on the need to provide managerial assistance as well as funding; they described the problems many potential entrepreneurs have in developing good business plans and managerial skills. Specific suggestions included contracting with successful entrepreneurs to help individual small businessmen and emphasizing to applicants the value of trade association services.

The members of this group believed that funding is available for potential entrepreneurs through the SBA. One of the participants, however, voiced a belief that the amounts of loans should be higher, that they should be on a "draw down" basis rather than being awarded as lump sums, and that repayment should be delayed until the businesses are fairly well established. These measures, he felt, would help reduce the rate of failure due to under-capitalization, inadequate working capital, and debt service pressures.

In another group, entrepreneurs praised the programs operated by SCORE and the Young Presidents Organization. They mentioned other valuable programs operated in their city, such as an "entrepreneurs' group" which sponsored seminars. In another, Chamber-of-Commerce sponsored program, volunteers with specialities in relevant functional areas worked closely with retailers whose businesses were in trouble.

FOCUS GROUP INTERVIEW AT THE COLLEGE OF WILLIAM AND MARY

The first of four focus group interviews was held on December 19, 1983, at the School of Business Administration of the College of William and Mary. A total of seven alumni participated, including five who had received MBA's and two who had received BBA degrees. The group included four men and three women; ages ranged from 25 to 64. The number of years of full-time work experience ranged from 2 to 38. None of the participants currently were self-employed. All four of the men were retired career military officers who had spent 20-29 years on active duty as officers. They ranged in age from 52 to 64. All had attended William and Mary near the end of their active military service or shortly after their retirement. One now worked full-time in a small business owned by someone else, two taught in business schools, and one was retired but helped his daughter in her small business. The three women included one young woman who currently was enrolled in the MBA program at another university after working for two years in a New York bank and one middle-aged woman who completed her BBA after years of being a housewife and currently was an account executive with a large brokerage firm. The third woman went back for her MBA after working for universities for several years; she currently worked for a college and taught part-time.

FACTORS INFLUENCING CAREER CHOICES

The discussion began with the general topic of "What is success in terms of work or career?" As expected, participants quickly jumped from this question to a consideration of the kinds of things they wanted in their jobs and in the organizations they work for. Among the definitions of success mentioned were:

1. Fulfillment and a feeling of accomplishing one's goals.

2. Feeling like one is doing a good job.

3. Earning money (although another member said he felt that earning money is not as important as being proud of one's work).

4. Seeing young people with whom one has worked succeed.

5. Contributing to the common good of the organization.

When discussion evolved into consideration of the things participants looked for in jobs, specific factors mentioned included challenges, flexibility and the opportunity to work in an atmosphere in which one can be satisfied with one's work and be recognized for that work by those for whom one is working.

Participants were asked about the specific factors which influenced their most recent job choice. One man noted that he chose his jobs because the type of work involved was consistent with his education and previous experience. When asked if he considered the size of the organization, he said that he had not done so with his initial job choices but that as he gained experience he felt it was important for him to choose an organization which was not so big that he would get lost nor so small that he would not have challenges. A young woman reported that she chose a large organization because of its reputation, which would make it easier for her to move from her first job. She noted that in looking at jobs she felt that the kind of people with whom she would be working was important; she wanted to be able to respect and enjoy them, as she felt she would be spending large amounts of time with her colleagues. An older woman who had gone back to school at the age of 38 wanted a job in which she would not have to spend a great deal of time rising through a heirarchy in order to get where she wanted to be; in choosing an organization, she wanted to work for "the best".

Participants were asked whether they felt the factors that were important in career choices changed over time. One woman felt that they did not, but noted that she had worked for only four years. A man in his sixties felt strongly that they did change; in his case he moved from being an achiever who was involved in competition and working for recognition to placing more emphasis on being able to contribute to the organization and to motivate and develop younger persons.

ENTREPRENEURSHIP

Group members were asked whether they would like to own and operate their own businesses. Only one man said he definitely would not; he had had a career in staff-type military positions, which he believed did not lend itself to developing a desire for small business ownership. Another retired officer had been involved in a small partnership and a small corporation, while a third was developing plans to launch his own small consulting firm because he felt his current teaching job no longer was challenging. One of the women also would like to open a consulting business, which she felt would be more challenging than continuing to teach. A second woman would like to own a business if she could buy an existing business but felt she lacked the creative idea which she saw as essential to beginning a new venture. She would be more comfortable with the management-type problems she saw as characteristic of an established firm. A third woman would also like to own her own business because she felt it would be challenging, although she believed that the responsibility an entrepreneur assumes entails more work than jobs in non-owned organizations.

Several members of the group considered small business ownership as an option which might meet their need for challenge in their work. However,

when asked if self-employment would be more challenging than working for someone else, one woman noted that there are many challenging jobs in large organizations, although they may not be jobs for which one is eligible. Another man felt that the nature of small business ownership lends itself to greater challenges. He explained that operations in a small firm are not so "cut and dried" and structured as in a large organization, so the entrepreneur has more opportunities for diverse work challenges. He also is responsible for all facets of the firm and faces more changes.

When asked why people would want to open their own businesses, participants mentioned that some people want to be their own bosses because they have had difficulty getting along with others or resent authority. One woman discussed "aggressive types" who find that other avenues, presumably in established firms, are closed to them, perhaps because of educational or other requirements, and who, therefore, see small business ownership as a way to get ahead quickly. Another motivation mentioned was the wish to earn the profits of one's own labors. One young woman felt that most people vacillate between seeking comfort and desiring challenge; she felt that small businessmen tended to choose challenge over comfort. One man gave a description of the "small business type" who he felt could be found in large organizations and the military as well as in small ventures and who could be characterized as a risk-taker. He used the line-staff dichotomy to describe the type and noted that the entrepreneur is typically a "command type" who is enthusiastic, likes people, likes to work with the public, and enjoys change. Another man described the entrepreneur as someone with creativity, imagination, and "guts". He used as an example the man who started the firm for which the participant now worked and contrasted him to the entrepreneur's sons who now were assuming control. While the sons were better prepared for formal management, they lacked the vision to save the firm if it began to get into trouble. He cited as another example of an entrepreneur a man who continually makes deals, a "wheeler-dealer" who keeps trying new ventures.

Group participants tended to see small business ownership as more risky than working for someone else. Specific risks they mentioned included the ultimate risk of bankruptcy. Another young woman identified the risk she felt was inherent in the responsibility the entrepreneur assumes for those who work for him. When asked if she would assume this risk, she said, "Yes", although she felt she would have to do so soon, as she believed that with age people became less likely to assume risk. Another woman agreed, noting that as one gains more in terms of possessions and family one is less likely to take risks. One man disagreed, feeling that a risk-taker is always a risk-taker, although he admitted that such a person's ability to take risks may vary with external circumstances.

Participants spent some time discussing what they saw as the difference in the types of skills needed to set up a new business and to

manage it on an on-going basis. They felt that one person may not have both types of skills; the founder of Apple Computer was cited as an example.

Those who would like to own their own businesses were asked what would have to happen in their lives to make them act on that desire. One woman said she would have to become dissatisfied or "stymied" in her job or feel that she could not progress. She noted that as long as she was happy with her current job, she would not make the move, especially as her job as an account executive allowed her to feel almost as if she were working for herself. She also felt she would have to acquire capital and an idea for a business before feeling motivated to strike out on her own. Another woman said she would have to develop more confidence in her skill in her chosen area, which she felt would take another year.

THE ROLE OF MILITARY SERVICE

The general consensus of the members was that military service could encourage entrepreneurship in young enlisted men (non-officers) who serve for a limited number of years. Members explained that service helps young men mature and develop self-confidence, and it provides opportunities to manage and supervise people and to save a nest egg. Most important, they felt, were the training and hands-on experience which provide young men with a trade, craft, or skill around which they can build a small business. Only one of the veterans disagreed; he felt that military service makes men less likely to open their own businesses than if they had stayed at home and worked for others who owned small businesses. He said that a man who stays home and cooks in a "mom and pop" diner is more likely to launch his own restaurant than a man who cooks in a commissary. Apparently he felt that exposure to role models is important. This person said that military service primarily teaches one how to function in large organizations.

Members were asked if the same pattern held true for officers. While they were less interested in discussing this, group members generally seemed to feel that military service is less likely to encourage entrepreneurship in officers than in enlisted men. One man noted that an officer is a manager, while an enlisted man has a skill. He seemed to feel that a craft or specific skill is essential for small business ownership and that officers are not taught such skills. Another veteran noted that the longer one stays in the military, the more dependent one becomes on functioning in an organization. He felt that a college graduate who joins any large organization, whether military or corporate, is less likely to become an entrepreneur than one who goes into a small organization.

BUSINESS EDUCATION AND ENTREPRENEURSHIP

The final topic of discussion was whether business education does or should encourage entrepreneurship. One participant, who did not want to own his own business, felt that business education should not necessarily encourage entrepreneurship. He believed that while small business ownership was once the American dream, it is no longer consistent with our economic system. Most other members seemed to feel that business education programs generally do not encourage entrepreneurship; they noted that cases and classes usually are geared to large organizations. One man noted that while the skills taught may be as applicable to small business as to larger organizations, business schools do not even present small business as an alternate career path. Another member noted that business education tends to discourage small business ownership to the extent that it opens doors for graduates in large organizations and mitigates against the need to turn to self-employment to succeed.

The group generally seemed to feel that this pattern is changing and that business schools are moving toward more preparation for entrepreneurship. They listed several ways in which business schools could do more in this area, including establishing chairs in entrepreneurship and offering small business courses. One member suggested bringing in representatives of small businesses as part of the placement activities. This would both channel graduates into specific small business jobs and highlight the small business route as an alternate career path. The member who was now in graduate school in business recommended that schools also should admit students who have had experience in owning their own firms and that these students could give forums on related topics. These measures, she felt, would give students exposure to role models of people who had actually owned and operated their own businesses. Finally, another member recommended that small businesses be established and run within schools; such ventures as bookstores could give students experience in small business management.

FOCUS GROUP INTERVIEW AT THE UNIVERSITY OF MARYLAND

The second of four focus group interviews was held on January 19, 1984, at the Rossborough Inn at the University of Maryland in College Park. Invitees included twenty-three alumni of the College of Business and Management of the University. It should be noted that members probably were not typical of the total alumni population; those invited tended to be active in alumni affairs and important donors to the school.

The thirteen participants included eleven men and two women. Their ages ranged from 23 to 70, with an average of 43. Seven of the group members reported that a BBA or other undergraduate degree was the highest degree they had received. Three members had received MBA's, and three had J.D.'s. Six currently were self-employed; this included two attorneys, both of whom also were involved in several other businesses. One of the practicing attorneys ran an insurance operation, while the other was active in two savings and loans and real estate and in hotel/motel ventures. Another entrepreneur had worked for large and small consulting firms before launching his own businesses in the restaurant, real estate, and construction fields. Another member was self-employed as a manufacturers' representative, and one was president of a large home furnishings retail operation. The sixth entrepreneur was president of a metalworking and machine tool business. In addition, one young woman worked in a family-owned home construction business. Five participants worked for others in large organizations. One woman was an administrator at the University, and another member was an investment representative for a brokerage firm. The group also included a young man who supervised financial analysts for a bank, handling loans to entrepreneurial businesses, a consultant for a large accounting firm, and the senior vice-president of a trade association (he previously had worked for the government). The last member was a retired hospital administrator who had worked for both private hospitals and the Veterans Administration system. The number of years of full time work experience reported by members ranged from 2 to 37 years.

This group included eight veterans. Four had served during World War II, one served during peace time in the 1950's, and three served between the late sixties and the early seventies, during the time of the Vietnam conflict.

FACTORS INFLUENCING CAREER CHOICES

Members identified the factors that had been important in their career choices largely by describing their personal histories. One member initially had selected electronic engineering because it was consistent with the training he received in the military. While studying engineering, he began working for his father's insurance business. He

then entered law school on the advice of successful insurance representatives. Although at the time he did not plan to practice law, he developed a full-time practice in response to requests for legal services from acquaintances. In his case several factors can be identified: consistency with prior training, familial role models and opportunities, advice from successful entrepreneurs, and unanticipated opportunities and pressures from others.

A second member described his career path from a large to a small consulting firm to advertising and marketing manager to owner of several small business ventures. The factors influencing his career choices included attending a "good" school, which enabled him to join a large, well-known firm on graduation, and an intense dislike of time-consuming corporate politics and "back-stabbing", which caused him to leave that firm. When asked if he believed these problems were characteristic of large organizations, he answered that he felt they were more symptomatic of the intensely competitive nature of large accounting and consulting firms. He then joined a small consulting firm because it would allow him to escape politics and find a more cooperative atmosphere; he left that firm when he felt his products were not being used by clients and his job was not providing the "meaning" he needed. He joined another firm as advertising and marketing manager and left to open his own business when he saw that his work was generating significant "returns" and he wanted to reap those rewards himself. Another, much younger member agreed that she left a large consulting firm because she, too, disliked the politics and the fact that she did not get to keep the financial rewards of her work. She is now working for a family business and would like to go into business for herself. A third member, now employed by a major accounting firm, said he also dislikes his job, primarily because of the politics, and likes only the fact that he has succeeded at it. In his current consulting role he is working actively with small businessmen, talking to venture capitalists, and evaluating investment opportunities; this exposure, coupled with his dislike of his job, had stimulated his interest in going into business for himself.

In a somewhat similar vein, another member explictly identified financial rewards as the primary factor in his career choices. He initially chose to become a sales representative rather than an assistant dean because the former offered a higher salary; he entered this field strictly for money and "hated it with a passion." He left sales and entered business for himself after accidentally seeing the compensation records of some older sales representatives he admired and finding that they were much lower than he had thought. He was dismayed at the prospect of working all his life and earning no more than the senior salespeople; he decided that if he was ever going to be a success, he should venture out on his own, and that the time to do it was right then. He did so, becoming a manufacturers' representative. In response to later discussions, however, he stated that he felt the most important criteria in selecting a job is that the person feel "comfortable" in it.

Group members who worked for larger organizations were asked what they liked' about the size and type of the firms for which they worked. A trade association executive with government experience said he liked the fact that his superiors had always let him "run my own operation as if I were an independent operation." He reported that as long as he could exercise responsibility and ingenuity and "move up", he was satisfied working for others. His comments implied that he would not make a major change unless he were dissatisfied, probably with promotion outlooks. Another member, an investment representative for a brokerage firm, appreciated the training, products, product knowledge, and support his firm provided while allowing him to function fairly independently. He noted that in good years, both made more money, while in bad years he was protected against downside risk, because he was not responsible for overhead costs. This protection from risk appears to have had considerable appeal for him; he explained that while he was risking his time, he was not risking "my house, my family, my total livelihood" as an independent small businessman would.

Type of education also was identified as a factor influencing career choices. One member noted that accounting undergraduates are psychologically oriented toward entering public accounting, and that receiving an offer from a major accounting firm is their goal. He also believed that accountants are not, by their nature, risk-takers, which would tend to steer them away from entrepreneurial ventures. This observation was not consistent, however, with the fact that several entrepreneurs in the group had accounting backgrounds.

ENTREPRENEURSHIP

Group members were encouraged to identify the traits that led some people to want to own and operate their own busineses. In addition to those suggested in the preceeding section, several factors generated considerable discussion. There was general consensus that small businessmen often are drawn to self-employment by a desire "to be the boss". Several members mentioned this, and one said, "I don't see how people can work for anybody (else)." A related reward he identified was that of having subordinates: "If you really like working for yourself, you like people working for you." A second major draw of entrepreneurship, mentioned by several participants, was the opportunity to reap the financial rewards of one's own labors. The nature of relationships among co-workers also can be important. One member sought self-employment as a means of gaining control of work and of creating an environment of sharing and open resolution of conflict to replace the politics and "mind wars" of a large firm. Another reward or advantage of self-employment mentioned by one of the small businessmen present is the fact that "your time is your own." While he noted, and the experience of several other members would validate the phenomenon, often businesses seem to "run you", if a self-employed person "really wants to do something (take time off), you don't have to ask anyone, you just do it."

The contribution of role models explicitly was mentioned. For example, a member followed his father into insurance; the parent gave him direction, and the son was inspired by seeing "what he was able to do." The experience of working in a family business has made self-employment credible for a young woman; she has gained confidence and motivation from seeing how great the rewards of the business are. Role models also can be important for those who join large organizations; one member reported that because his father and grandfather were bankers, banking was "in his veins."

The element of risk also commanded attention. A woman said the experience of seeing a family business thrive, survive bankruptcy, and come back taught her that the risks are manageable and that "you don't die" due to financial problems. Another member believed that the key to success is understanding that there is no "total crisis": situations may become "distasteful, but with tenacity and other virtues, eventually you can work your way out." One member suggested that entrepreneurs may not appreciate fully the risks they are taking; he reported that looking back now at the risks he took makes him "sick." Another man's comments indicated that self-confidence is what enables the entrepreneur to take extensive financial risks, putting "everything on the line".

THE ROLE OF MILITARY SERVICE

The large number of veterans in this group allowed significant discussion of the role of military service in career decisions. Only one man felt his service had not influenced his career path; he served after college in peace time in a field unrelated to his training. He described the experience as a "waste of time" from his perspective. The general feeling, however, was that military service yielded important and permanent benefits; this feeling was shared, albeit for different reasons, by World War II and Vietnam era veterans.

Among the benefits of military service identified were that it helps young men mature and provides opportunities to manage others, to work under skilled leaders, and to be exposed to people whom one otherwise would never meet, stimulating understanding. A World War II veteran who mentioned all these benefits said service as a naval officer definitely affected his career choice: it led him to change his field from agricultural economics to business and afforded him training, through military programs, at the Wharton and Harvard business schools. Other members suggested other aspects of military service which enhance later careers. A veteran reported that service gave him confidence and a sense of direction which contributed to his success when he went back to college after separation, despite failure before service at another university. Another credited the service with allowing him to go to college at all; the GI bill not only covered the costs but also encouraged him to enroll despite the fact that he grew up in a community in which higher education was rare. A third member reported that the service taught him

organization and a sense of responsibility, order, and commitment. A fourth noted that his contacts through the reserves enabled him to gain experience with a total cross-section of the business community in every area in which he lived.

An enlisted man who was a combat veteran in Vietnam reported that the exposure to military service and combat generated within him a sense of urgency and motivation to succeed as a civilian. After contact with the Vietnamese, and the limited opportunities and horizons they face, and the typical American enlisted man and "lifer", who he saw as lacking ambition, this young man said to himself, "I have got to do something better with my life." He called the service a "tremendous motivator". He also felt it taught him the value of time; the feeling that he had "lost" two years stimulated him to use his time to move quickly when he returned. His sentiments appear to have been shared by a proud World War II veteran participant who said that, above all, the service "makes you a believer in the free enterprise system."

BUSINESS EDUCATION AND ENTREPRENEURSHIP

Group members were asked to comment on how their business education had affected their career choices and how business education prepares--or should prepare--students to own and operate their own ventures. The comments below are interesting both because of the specific suggestions made and because they reflect the views about business education of the many small businessmen in the group.

One young woman said that she has found most helpful the training the university provided in logical thought. One group member felt strongly that his business school training prepared him well for his later career in law and several small business ventures. He felt it taught him problem-solving skills and the ability to exercise judgment; he cited finance and personnel courses as especially helpful. Several members felt their accounting training was useful, although one man now believes he would have benefited from more finance classes to complement the accounting courses.

Several members were critical of the extent to which business graduates are prepared for the "real world". One man felt very strongly that while the university did an excellent job of preparing professionals, the bachelors level business graduates were not prepared to do anything and, yet, were not amenable to training once they joined a firm. He believed that the universities are so interested in their graduate programs that they have neglected one of their fundamental responsibilities to their communities--the "mundane job of preparing the people who make our business community run." He said, "I would like to see the University of Maryland and other state institutions feed the business community people who are prepared to take a place in that community and be productive small business people." He cited the program at High Point

College in North Carolina, which he said prepares graduates to enter the furniture industry. The situation has, in his view, deteriorated to the point that his firm will no longer hire college graduates. His own training at Wharton and Harvard, he said, was no exception; he learned how to run U.S. Steel and the Pennsylvania Railroad but not how to run his own small business.

Several members criticized the communications skills, both oral and written, of college graduates. This, they feel, is a critical area for business. One young man went on to identify several areas in which he believes universities fail to prepare potential businessmen: they do not teach common sense about business, they do not teach how to integrate the many needs of a firm, and they fail to teach "the basic bread and butter things about running a business." He proposed as a solution field studies, in which students would spend time in business firms as part of their studies, learning "some of the basic things that are the ingredients in a successful business." He cited the program of the Babcock School at Wake Forest as a model. Several other members seconded his suggestion, proposing internships and co-op programs. One noted that schools need to form a bridge between the academic system and the "real world", which can begin with the way faculty conduct themselves and the expectations they have of how students will conduct their business of going to school.

Some members were skeptical about the extent to which universities could train students to be ready for business, especially at the undergraduate level. Some seemed to think that the youth of the students is an obstacle. One noted that many students are not serious during college, then "surface" two or three years later, ready to work. He and another member credited military service with giving them the time and maturity to settle down and benefit from college after separation from the service. Another member noted that all a university can do is provide opportunities for academic achievement for students who wish to take advantage of it, but it cannot force excellence. The extent to which a student does so, said another member, depends on his maturation and motivation. A fifth member saw an inherent conflict between the nature of undergraduate education and the demands other group members wanted to place on the system. He said that undergraduates are on campus to go to school, which includes some social and "play" elements, and not to learn how to be businessmen. They write papers, take tests, and read texts; they do not make decisions or take risks.

A group member suggested a specific way in which business education could serve better the needs of small businessmen. He recommended "remedial" training for those who are already in business for themselves and want to come back. He felt such students would be "focused" on their business needs and well-motivated, unlike undergraduates who "do not understand what business is." He seemed to doubt the effectiveness of teaching small business management skills to students with no experience. Another member proposed that business schools should work to enhance the image of business and show that "profit is a six-letter word, not a four-letter word."

FOCUS GROUP INTERVIEW AT OHIO STATE UNIVERSITY

The third of four focus group interviews was held at the Ohio State University on January 23, 1984. Invitees included approximately twenty-five alumni of the College of Administrative Sciences of the University. Actual participants included six alumni, five men and one woman. The group could be characterized as high-powered and successful. All were chairmen, CEO's, presidents, or vice-presidents of their firms. They were articulate and verbal and clearly held well-considered opinions on the issues under discussion.

Ages of the participants ranged from 45 to 62, with an average of 53. Five members had received Bachelor of Science degrees in business administration, and the youngest member had an MBA. The number of years of full-time work experience reported ranged from 20 to 38.

Two group members currently were self-employed. One was president of his own heating and air conditioning firm with fifteen employees. Prior to launching his own firm he worked for two small firms; he reported that his "whole background and orientation" was in small business. The other self-employed member was CEO of his own firm. After working for his father for 1-1/2 years, he had launched his own business building apartment complexes; it expanded into eighteen states. He sold this business to Bethlehem Steel and worked for Bethlehem for four years. He then returned to self-employment, forming several concerns, merging them with his father's business, and acquiring a couple of other firms.

Four members were not currently self-employed. One was chairman of the board of a firm that operates a number of newspapers; he previously had owned his own business and also had spent ten years in public service. A second member was president and CEO of a chain of supermarket and department stores; he had worked for the chain since college. A third was chairman of the board of a firm that had been a family business, went public, and merged with another firm; he had had experience in self-employment. The fourth member of this group, the only woman, had been in retailing and fashion reporting for twenty years before becoming a stockbroker. She had moved up to vice-president of the brokerage house.

Four of the six group members were veterans. Two had served during World War II and two were on active duty between 1955 and 1957.

FACTORS INFLUENCING CAREER CHOICES

The discussion began by asking group members what factors influenced their choices about jobs and the kinds of organizations for which they wished to work. Several members cited the advice of faculty in the

business school at OSU as being significant; one man described it as having a "great influence" on not only his first but also all subsequent job decisions. One faculty member in particular was mentioned; he advised students not only about general fields to enter but also about specific firms to choose. When asked what he was looking for in a job when he consulted this faculty member, one group participant, a self-employed businessman, said that he was seeking independence and a "broad job" which would allow him to learn all aspects of a business.

Another factor cited was opportunities for promotion in one's general area of interest. The group member who was CEO of a retail chain had worked part-time for the firm during college and was offered an opportunity to move into a better position on graduation. Originally he did not especially want to stay with the firm, as it was only involved in food retailing, about which he felt he had learned all he could, and he was interested in department store retailing. The fact that the president of the firm personally encouraged him to join seems to have convinced him to take advantage of the offer. This member reported that he had never been interested in owning his own business.

Family pressure was another factor identified. One member entered the service immediately after graduation during World War II. Upon separation he wanted to get into retailing, but "my father got hold of me and sort of shook me by the shoulders, and I went to work for him." The family business grew significantly, and the group member rose to become chairman of the board.

Dissatisfaction with a previous job was a primary factor for one member; it may be significant that this dissatisfaction arose while working in a family business. This member served in the Navy after college, then succumbed to considerable pressure to join the family business. The son was unhappy and, he said, "terrible" at the job his father wanted him to perform. His wife encouraged him to leave the firm; the member reported that, "I didn't know any better, so I started promoting or entrepreneuring on my own." His father not only would not help but was such a hindrance that the son had to leave the city to succeed. He felt that the support of his wife was very significant in encouraging him to take the risks involved; apparently the fact that the risks did not appear as ominous at the time as they do in retrospect also enabled him to take the plunge.

The sole female member described sex discrimination as a factor in her career choices. She entered retailing because in the 1950's it seemed to be one of the few areas in which a woman could have a real chance at a career. After twenty years, she left retailing as she perceived that promotion opportunities were blocked for women unless they were exceptionally capable or related to top management. She was the second woman hired by her brokerage firm in the city, and she has been a top performer. She sees brokerage as suitable for women because, "how much you can do is dependent only on yourself." This member also described some of the elements of life in a large organization which she found

frustrating.   Middle managers,   she said, are barred from involvement in the "big decisions", and one's ability to do anything is dependent on the approval of one's superiors, who may lack vision or courage.

ENTREPRENEURSHIP

When asked why some people are drawn into entrepreneurship, group members generally reported that tendencies in this direction are an inherent and inborn part of entrepreneurs' personalities. One man said it is a "natural, ingrown thing", and another said, "You can't make an entrepreneur."   The latter felt that creativity and broad-ranging inquisitiveness are characteristic of entrepreneurs.

The independence afforded by self-employment was seen by group members as a major part of the appeal of entrepreneurship. One self-employed group member likes the "freedom and independence of making my own day and changing it halfway through and making decisions. Basically I'm on my own and my time's my own." Another member explained this as "wanting to do your own thing, do it on your own time, and do it the way you want to do it."   When asked if he meant a desire to be the boss, he said that this was part of the phenomenon, but basically, "you want to do it in your own style . . ., and the satisfaction of seeing it happen is very gratifying."

Several members did not feel that the characteristics of entrepreneurs were limited to the self-employed. The CEO of a retail chain said that he gets the same thrill of bringing things about but never wanted to be self-employed.   He, too, took risks and "took the same attitude that an entrepreneur would."   He noted that in his position as CEO his compensation is dependent on profits, which entails some financial risks on his part. Another member felt that people with the characteristics of entrepreneurs could be happy in large organizations. He had built his own firm and sold it to Bethlehem Steel; he was very happy working for Bethlehem following the acquisition and described it as a "wonderful organization."

One group member felt that the opportunity to reap the financial rewards of one's work stimulated entrepreneurship. He said that one could "make entrepreneurs" by developing highly leveraged venture capital deals, setting high financial goals, and promising the managers involved half the profits.   A self-employed group member disagreed, saying, "I never did things for the dollars and cents".

The issues of risk and security generated considerable discussion. The group member who had, with his wife's encouragement, left his promising job with his father said that, "If I knew what I know today, I probably would never have gone out on my own. . . . You look back, and you look at the pitfalls and all, and you'd say, 'No way'". In discussing the

importance of a supportive spouse in making the decision to take these risks, he noted that, "A lot of women, and men, look at security and dollars and (say), 'Well, we'd have a pretty decent life'". This attitude discourages one from taking risks and making the sacrificies, like short-term income cuts, which can be involved in launching one's own business. Another group member felt that much of the decision about careers comes down to the question of whether a person "wants security or wants to take calculated risks for the greater opportunity". He felt that young people today want security and are less likely to take risks than his generation (he was 62). Another member, aged 51, felt that there are young entrepreneurs today but that the group's members just do not encounter them.

THE ROLE OF MILITARY SERVICE

There were significant differences between those who served during World War II and those who saw peace-time duty in the mid- to late 1950's. While the former could see the value of their service and felt a strong sense of patriotism, the latter tended to find their service experience more frustrating and were less likely to feel that they had accomplished anything meaningful. One post-Korean era veteran was so discouraged by the inefficiencies he saw that he felt that, "military service teaches you that you don't want any part of it."

Even this veteran, however, believed that all young people should do some service. Two different reasons were cited by group members for mandatory service. Several members felt that going into the military between high school and college allows young men in particular needed opportunities to mature. Others believe that all young people owe their country some service, and that everyone should spend two years in the military, Peace Corps, conservation corps, or some type of national service. One veteran said it would help develop understanding and respect for the country.

Other benefits of military service cited by the group were that it provides experience with other men and women and teaches the value of higher education. While service would affect career decisions and outcomes indirectly through these effects, no specific direct effects of military service on career paths or on entrepreneurial decisions were suggested.

BUSINESS EDUCATION AND ENTREPRENEURSHIP

Group members were asked if business education is important to success in business. The general consensus appeared to be that the specific content of undergraduate business programs is less influential in the long

run than the maturational benefits and conceptual skills gained. One member, a small businessman, felt that unless one is in a professional program such as law or medicine, what one learns in school is a "really minor" determinant of whether or not one is successful later. The degree, he believed, will help one get a job or gain entrance, but after that hard work is the important determinant of success. He felt that the most important thing college teaches is to apply oneself and to get along with people. He saw it as an experience that "rounds you out", and several members agreed. The member who proposed these ideas also said that his fraternity was a critical influence: the conflicting demands of social and academic life were so intense that those who managed to graduate were "survivors" who became "incredibly successful" because they had learned to apply themselves. Another member suggested that fraternity life teaches young men social skills, goal-setting, and organizational and managerial skills.

Members were asked whether their business education had prepared them for entrepreneurship. One member who had owned his own firm felt that the primary way in which business school prepares entrepreneurs is by teaching them where to get advice when they get into trouble. A business graduate, for example, would know the good public accounting firms to go to for help, he said. Another member said the degree of preparation depends on one's major. Based on his experience (he was in college forty years ago), he believed that accounting majors were well prepared, but general business or marketing majors were no better prepared for business than liberal arts majors.

One member was critical that he did not learn how to sell in business school, and he felt this skill was essential to any small businessman. This comment elicited considerable debate on whether or not salesmanship can be taught, but the member who made the initial comment believed that certain basic guidelines, such as how to organize a presentation, could be taught.

Another member suggested that business schools can teach a willingness and ability to learn. She noted that as an undergraadute she took a course titled "Personal Adjustment to Business". The most important thing she gained from the course was the realization that while business school had taught her how to think, she would do the real learning out in the business world. It cautioned her against feeling that she already knew everything because of her education. Later, when she hired assistants, she was very impatient of those who were unwilling to learn.

The idea of internships for business students generated considerable interest. Several members felt students should spend some time in a placement in the "real world". As employers, however, they would be reluctant to take students for short, one-quarter placements of 2-1/2 to 3 months. They recommended a six month placement as more feasible from the employer's point of view.

A member with experience in both business and publishing recommended that changes be made in the business education of all students, not just business majors. He felt that students in all disciplines should be required to learn about the basic "business system and know how it works and what makes it work." He saw this economic education, as he labelled it, as especially important to journalism majors who will later be writing about and judging events in the business world.

OTHER PROGRAMS FOR ENTREPRENEURS

Group members were asked if they had had any experience with programs for entrepreneurs operated by the Small Business Administration or other sources . One, who had had his own business for twelve years, was planning to attend an SBA session "out of curiosity" in the near future. He previously had taught a course at a local college on how to run a small business. He believed that the course had been very productive for the students, all small businessmen, because it afforded an opportunity to get together and talk about common problems.

The SCORE program was praised by one member. He reported that in a nearby community the SCORE group offered a wide range of expertise and became very involved with their client businesses. He felt the involvement was also beneficial for the retired volunteers. The same member described a program he had worked with which he felt was very helpful. Sponsored by the Chamber of Commerce, it involved a group of several volunteers, including a banker, a retailer, and a marketing person, who worked with local small retailers who were in serious trouble. They "went into the business, analyzed it, and gave advice."

Another member recommended the programs offered by the Young Presidents Organization as "really first class." He said that the group, the members of which were very successful entrepreneurs, put on "great seminars". Another group in the Columbus area, described only as the "entrepreneur group", also sponsored seminars and talks by successful entrepreneurs and put on a workshop at least once a year. Members believed that in the central Ohio area there were many educational and support resources for entrepreneurs.

FOCUS GROUP INTERVIEW AT NORFOLK STATE UNIVERSITY

The last of four focus group interviews conducted for this project was held at Norfolk State University on February 9, 1984. The invitees included twenty-six alumni of the School of Business of this urban, public, predominately black institution. Norfolk State is unique among the universities at which interviews were held in that it is not yet accredited by the American Assembly of Collegiate Schools of Business, although this is the primary objective of the new Dean. Participants in the group session included four alumni, three men and one woman, and the Dean. All four alumni members had received Bachelor's degrees in business from Norfolk State; one also had received an MBA from another university, and one had earned an M.Ed. The ages of the group members ranged from 31 to 47, with an average of 38. The number of years of full-time work experience varied from 6 to 23, with an average of 14 years. None of the members was a veteran.

Only one member was self-employed at the time of the interview, although the Dean had owned his own accounting firm before joining the university. The self-employed group member had operated an accounting firm for seven years; prior to going into business for himself, he had spent sixteen years working for several large organizations, including Norfolk State University, Ford Motor Company, Polaroid, and Gulf Oil. The only woman member had been a teacher since receiving her degree from NSU in the mid-1960's; she currently was employed as a business education teacher in a local school system and was very active in local and state educational association activities. The remaining two members both worked for Norfolk State University. One was the Budget Director; after graduation he went to work for Naval Audit Servcies, then joined NSU, working his way up to his current position. The other was Assistant Internal Auditor. Prior to joining the university, he was employed by a major state bank as an auditor.

FACTORS INFLUENCING CAREER CHOICES

The primary factor cited by group members as dominating their job choices immediately after graduation was job availability. One member said that graduates took "the jobs they could get". This attitude is somewhat different from that voiced by members of the other focus groups; the Norfolk State alumni described a job selection process which focused more on taking what was available than on searching for a job which would meet pre-defined personal criteria related to internal needs or individual preferences. This attitude probably reflects the necessity of accommodating the relatively limited opportunities for blacks in the environment into which the group members were graduated. It should be noted that this attitude was shared by those who were graduated in the middle 1970's as well as those who finished college in the 1950's and 1960's.

One member said that the second most important criterion to her in selecting a job was salary. Surprisingly, this came from the member who was a teacher and who considered herself significantly underpaid. She also cited as another factor influencing her decision, her love of teaching. A fourth factor was the nature of the job demands. Since she was married, she felt she could not travel as much as she would have to in order to succeed in an accounting firm, and teaching posed far fewer such demands. This factor was mentioned by another group member, who left the audit staff of a bank for that of the university to escape the heavy travel demands of the bank position, which conflicted with his marriage.

The sole self-employed member said that the most important factor in his job choices was opportunity for upward mobility. When he was graduated, he found jobs in business administration very limited; the few openings available were in business education. He was "fortunate" to be offered a job in the Norfolk State University business office, where he worked his way up to college Cashier. He left this position for Ford because he was "interested in moving a little faster." He left Ford when it undertook an austerity program and took a "good offer" from Polaroid. He left Polaroid to work full-time toward his MBA after finding that many of his co-workers in the Boston area had the advantage of master's degrees. After completing his MBA, he accepted Gulf Oil's offer, with a significant salary increase. Finally, he left Gulf to start his own firm. Despite his varied experience, this member felt that the factors which were important to him had remained stable over time. Opportunity for promotion was specifically cited, and salary was an implied factor in several career moves.

ENTREPRENEURSHIP

Discussion was steered toward the question of entrepreneurship, including the extent to which group members saw small business ownership as attractive and the reasons for its appeal. The self-employed member said that he went into business for himself because, "Sometimes in a corporation you don't get the opportunity to move as rapidly as you think you should move, and there's a lot of politics always going on." Two other members said they would like to own their own businesses. The teacher explained that, "I could be the boss." She went on to explain that in large organizations, or when one is employed by someone else, "It's somewhat frustrating to feel (that) you know better ways of doing things, yet you have to exist with the way they are, or otherwise you are . . . a complainer." She referred to "the politics" of working for others, noting that often suggestions are perceived as evidence of troublemaking rather than as positive contributions. She said that she did not necessarily want to do things her own way, but she wanted to be able to make changes when indicated. A second member, the auditor, seeks the "challenge" he sees in self-employment. He said that, "You wonder if you can do it, make it work." He has considered several opportunities, including athletic shoe sales, truck rental, and, more recently, computers.

One member, who was employed as Budget Director at the university, said he had never given any thought to being self-employed. Another member who works with him observed that his position with the school probably provided many of the same satisfactions that others seek in self-employment. The second member felt that generally people are more likely to consider self-employment if they are dissatisfied with their jobs in larger organizations, particularly if those jobs fail to meet their needs for self-esteem, independence, power, and responsibility. The same member also felt that those who have done well in corporations are less likely to seek self-employment than those who have not done well, who have fewer opportunities for promotion, or who have not been able to obtain jobs in their fields because of poor academic records. Such people, he said, would be "more likely to feel they have missed their chance and start looking at ways to increase their income"; self-employment is one of the primary ways they consider.

The same group member identified some of the factors contributing to the appeal of business ownership. It involves many of the same problems as are found in larger organizations, he said, because one still has to work with and through others, "but you are independent and you are your own boss." For this reason, self-employment is the "typical dream that most people have." He thinks people see self-employment as lucrative and associate it with living well and driving large cars. Once self-employed, however, they find "it's not the money, but do you enjoy it." He and several others mentioned that often the rewards of self-employment take years to appear, and that one has to be willing to make a long-term commitment.

Group members discussed the importance of having a "very, very understanding spouse" if one is to be able to launch one's own business. The demands of self-employment, particularly the long hours involved, require the "support and dedication" of one's family and those with whom one works. One member observed that usually spouses can be "sold" on the idea fairly easily, for potential entrepreneurs usually can cite definite advantages they expect to accrue from the arrangement. The problems, he felt, are more likely to appear later, when the rewards of self-employment are slow to materialize. Another member cited the need to obtain a "long-term commitment", spanning many years, from one's spouse. Group members did not believe that the situation was any different when a wife was seeking self-employment from when the husband was the potential entrepreneur.

Group members were asked to compare the demands and rewards of self-employment and employment by larger organizations, given their feelings about working for themselves. Several members believed that those who are self-employed have to work longer hours. The man who owned his own firm explained, "It's not a 9 to 5 day. You have to work to get the job done", even if it takes 12 hours a day or more. Not all people, he said, can do this. The auditor believed self-employment would demand much more work than his current job, while the teacher felt that if her unpaid professional activities were considered, there would be no

difference. Two members now working for the university noted that working for others also often involves long days and late hours.

Several members felt that one element was common to both career paths: the need to motivate and work through other people. One observed that even if one is an entrepreneur, "You aren't (really) your own boss. You depend on others to meet your goals."

The member who was not interested in self-employment talked about the pros and cons of employment in large organizations. He identified as a drawback the levels of management through which one must push one's ideas in order to have them implemented. He described this as time-consuming and discouraging. He noted, however, that he felt rewarded when something he recommended "finally gets through". He said that he would recommend employment in a corporation over self-employment to any graduate. He noted that while it is difficult to gain entry to established corporations, significant opportunities exist in new, small, high-technology firms.

Members were asked about the importance of security in their job decisions and their perceptions of the relative security and riskiness of self-employment and employment by others. One member, a university employee, cited the security offered by large corporations. The sole small businessman present said self-employment is risky, because it takes time to build a firm into a success. He felt, however, that careful planning could help to control the risks; he said that an individual launching a business has an obligation to prepare carefully and to take care of his responsibilities through pre-planning. The Dean seconded this emphasis, noting, "The key is to plan a small business and be aware of the financial aspects of it, including repaying the SBA loan. I don't think you consider the risks so much."

Group members who said they would like to open their own businesses were asked what would have to happen to make this a reality. The teacher said that she would have to obtain funding and an idea which she thought would be successful. Over the years she had considered several ideas; they varied with what was popular at the time. The other interested member said that he would have to have "financing, the right opportunity, and the right timing." After two other group members said they felt that financing was available through sources such as SBA loans, the two potential entrepreneurs were asked how this information would affect their movement toward self-employment. The replies were very general: the teacher said she was "giving it serious thought" and talking to her husband, while the other member said he was "working toward it now."

BUSINESS EDUCATION AND ENTREPRENEURSHIP

Group members were asked how their business educations had affected their career choices and whether their educations had influenced their decisions as to whether or not to go into business for themselves. At least two group members said that they believed the schools had tried to

direct them toward specific types of jobs, in that undergraduate accounting majors were steered toward public accounting and large CPA firms as if there were no alternatives. One man said the majority of the faculty expressed this belief, and students had no other career counseling. Another member said that he felt his education, concentrated in accounting, geared him toward an established organization or a CPA firm.

The self-employed group member felt that while his undergraduate and graduate academic work in business was relevant when he entered self-employment, it was only a part of his preparation. He had a great deal of experience to bring to the task, including both his involvement in family businesses when young and his experience in several corporations.

The Dean of the School of Business was especially interested in the issues of the purpose of business education and preparation for entrepreneurship. He believed that preparing students to operate their own business is not the appropriate mission of business schools, largely because of the maturational level of students and graduates. Young people, he said, are "not ready to handle a business when they graduate." He believed that the typical 22-year old graduate requires several years of employment experience to develop the maturity needed to succeed in his or her own business. A graduate also needs several years to develop the network of contacts, "people to rely on, customers, etc.", which he felt is crucial to success, and to save the funds needed to start out without a staggering load of indebtedness. He said that if business schools were to undertake the preparation of entrepreneurs, it would be necessary to have internships in small businesess, "case courses in small business successes and failures, and practicums". Finding enough students interested in these small business specialties may be difficult. Basically, he said, the function of universities is to train people to think, so they can benefit from "continuing education" on the job, rather than to train them for specific tasks.

Group members recommended that students interested in entrepreneurship develop the habits of reading a broad range of periodicals and of attending conferences. Through such conferences, it was suggested, entrepreneurs can talk to others about common concerns and follow trends in their industries.

OTHER PROGRAMS FOR ENTREPRENEURS

The two group members who expressed an interest in owning and operating their own businesses were asked what kind of help they would seek if they were to enter self-employment and what assistance they would expect or desire from the government. Both said that they would seek the advice and assistance of people who they felt are knowledgable in the specific area and industry they chose to enter. The woman would want to

know where to go to find help with specific problems; she would find this out by asking people she felt should know. The man would want to have access to an expert who could make "a lot of suggestions and contacts" and who had a background in finance and management. All he would look for from the government would be contracts; he felt that he would not be able to depend on the government for other forms of help because it is "too slow to respond".

The entrepreneur in the group had had no personal contact with government programs to assist small business, although his firm put together packages for clients to obtain small business loans. He noted that some Federal departments, such as Transportation and Energy, sponsor loan programs for small business. Some also offer management assistance. He also cited the Norfolk Business Center, which helps potential entrepreneurs put together financing requests and also offers management assistance. He believed that there are sufficient programs for small business, although many people do not know where to go to find the help which is available. His criticism was that much of the advice available, including that provided by the Small Business Administration, SCORE, and professional associations, is too general to be useful with an individual's problems. He cited the threat of liability and litigation as the force deterring these programs from providing more specific advice.

The same group member said that he felt that many potential entrepreneurs experience problems in finding help in developing good business plans and managerial skills. He believed that the lack of good business plans undermines many ventures. Further, some skilled craftsmen lack managerial abilities. He did not feel it is the government's responsibility to help such craftsmen and potential entrepreneurs develop these skills; it is the individual's responsibility to obtain what he needs. Another member suggested that the funding source, whether a bank or an alternative, should put more emphasis on short- and long-term goals and objectives in evaluating proposals and also should help applicants develop needed skills if the project is worth investing in. This, he felt, would be preferable to just "sending him out on his own", presumably to "sink or swim". He suggested that lenders could, for example, put on short courses in critical areas for entrepreneurs.

Another member suggested that the Small Business Administration should place more emphasis on helping loan recipients develop needed skills and strengths. He suggested that the SBA emphasize the importance of trade associations and the training and contacts they offer. He proposed that it would be preferable to hire an experienced entrepreneur to help a specific small businessman rather than setting up a center of "generalists who cannot help any specific business".

The same member was very concerned about the financial problems faced by small businessmen and the resulting rate of failure. He believes that the the loans available through SBA programs are too small. He also suggested that the current system of lump-sum payments be replaced with a "draw-down" or line-of-credit system. Further, loan recipients should have a "grace period" of perhaps two years before they begin repaying their loans; this will allow them to become established before they are faced with the drain of repayment.
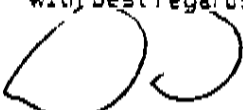
Fourth, I previously divided pollution abatement operating costs by value added to get the RHI. I am now dividing by sales (value of shipments). The ratio of pollution abatement operating costs to sales has more economic meaning. It tells us what fraction of final product price is due to pollution abatement operating costs and therefore gives us a gauge of how economically important some of these costs are. The average fraction is .3 cents per dollar of sales. There are only about 40 industries that have a fraction as high as 1 cent per dollar of sales. (The correlation between the new and old version of the RHI is .85.)

The end result of all of these changes is that it is not   possible to find any industry in which small businesses are prevalent, there are scale economies, and pollution abatement costs are economically important. I take economically important to be a penny per dollar of sales, a measure that Kevin tells me is often used by EPA to assess to economic importance of individual regulations it imposes.) I have consequently decided to drop the Small Business Hardship Index since that index now fails to identify any small business hardship cases.

Since completing the May version of the report I have spent quite some time double checking the numbers in the report. I am confident that the numbers in this version of the report accurately reflect the PACE data that were provided to us. The data are most unequivocal in showing the absence of scale economies in pollution abatement operating costs and pollution abatement investment costs.

I look forward to any further comments or suggestions you or Kevin might have.

With best regards,

David S. Evans

DSE/kj
encl.
cc: Kevin Bromberg, Office of Advocacy