Proceedings of the
Association for Small Business and Entrepreneurship

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Memphis, TN
September 24-26, 2014

Editor
Eugenie Ardoin
University of Louisiana at Monroe
Dear Participants,

As stated in our constitution, the purpose of the Association for Small Business and Entrepreneurship (ASBE) is to “Provide an active vehicle for increasing the effectiveness and impact of small business and entrepreneurial education.” As you can see from this year’s program, we have a broad array of topics such as gender differences, natural disasters, the linkage between strategy and performance, legal issues, and social media that directly support our purpose. I am sure each of us will garner insights that we can implement in our own research, teaching, and service.

It was a pleasure to work with a great slate of ASBE officers this year. Eugenie Ardoin, ASBE’s new president, and her incoming administrative group are sure to give us another excellent year. Henry Cole and the many track chairs deserve kudos for putting together an outstanding conference program. Many thanks go to William (Bill) Jackson for managing the conference site negotiations and implementation as well as working closely with the program chair to coordinate the review of papers and awards for the Journal of Business and Entrepreneurship and the innovative awards introduced last year. It is always a pleasure to recognize and support outstanding research, teaching, and support for our cause. Daniel James Scott, initiated into the officer ranks of ASBE this year, ably handled the membership tasks, and we appreciate his desire to be elected next year’s vice-president of programs. I would also like to extend special thanks to the members participating in this year’s program – we wouldn’t have a conference without you. Finally, I would be remiss if I did not thank Paul Dunn who introduced me to this organization. The past six years that I have been active in this organization have refocused my research and teaching interests significantly. Even though my term as president is over, I will remain an active member and supporter of this organization throughout my career, and I sincerely hope you do, too. I challenge each one of us to personally recruit other members from our own institutions and disciplines.

I hope that you enjoy the conference, and I look forward to learning about your research and enjoying good Memphis BBQ with old and new friends. See you next year!

Sincerely,
Laurie A. Babin, President
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Memphis, TN, September 24-26, 2014
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Does Gender Matter in Small Business?

Henry S. Cole, University of Louisiana at Monroe
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Stan Williamson, University of Louisiana at Monroe

Abstract

Over the last several decades, research has indicated that customer orientation and ethics can be important in the success of a small business. To explore these variables further, this study looked at possible gender differences in customer orientation, ethics, and sales revenues of small businesses. Small business owners across the U.S. were surveyed with 154 men and 167 women responding. Higher levels of customer orientation and ethics were both positively related to sales performance in this sample. There were no significant differences between men and women in either ethics or customer orientation. However, this study indicated that male owners’ operations generated significantly higher revenues than the operation of female owners. Findings further revealed that male owners tend to spend an average of 28% more time at work per week than their female counterparts.
Goliath vs. David: Why Small Businesses Need To Be Aware Of the Lanham Act

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Deborah Golemon, University of Louisiana at Monroe
Melissa Melancon, University of Louisiana at Monroe

Abstract

Section 43(a) of the Federal Lanham Act allows businesses to sue other businesses for engaging in false or misleading claims. This paper explains the Lanham Act and two recent Supreme Court rulings. The March 2014 decision in *Lexmark International v. Static Control Components* extended the scope of the Act to include cases against businesses that fall within the “zone of interests,” not just the stricter requirement of being a direct competitor. The second decision handed down in *POM Wonderful v. Coca-Cola* in June 2014 ruled that competitors can sue under the Lanham Act even for misleading claims that are acceptable by the Food and Drug Administration, such as saying a product is “99% natural” on the label. Though neither of these decisions is directly related to small businesses per se, each can have a negative impact on small businesses for a couple of reasons. One, small businesses can fall within the “zone of interests” of a large corporation, and many small businesses are seeing increased legal pursuit from corporate Goliaths that have a mightier legal arsenal than most small businesses. Second, the reason for this increase in legal pursuit of smaller businesses by the corporate Goliath’s is due to the Internet making it increasingly easier to discover the potentially misleading claims some small business owners unwittingly make to market their products and services. Thus, this paper concludes with guidelines for small businesses to ensure product claims cannot be construed as misleading.
IPO Investor Reactions to Female Directors: Evolving Role Congruity

Dr. Christopher R. Reutzel, Sam Houston State University
Dr. Carrie A. Belsito, Western Illinois University

Abstract

We examine the influence of female directors on initial public offering (IPO) underpricing in this study. IPO underpricing represents an undesirable outcome for growing firms and their owners. We also consider the influence of changing societal perceptions of female directors on the relationship between female presence in the board room and IPO underpricing. The hypotheses we develop in this study are tested using a sample of 565 IPO firms from the calendar years of 1997 and 2007. The results of this study suggest that female director presence is weakly associated with IPO underpricing in general. We also find the influence of female director presence on IPO underpricing to be stronger in earlier years than in later years.
The Strategic Move to Adopt a New Technology. SMEs Trends to Incorporate Wireless Business in Their Business Model.

Michael Stoica, Washburn University
William Roach, Washburn University
Anca Gata, “Dunarea de Jos” University of Galati,

Abstract

Adoption of new technology, in particular mobile commerce, can serve as a catalyst for improving quality of life and reducing the digital divide between different regions with different development degrees. One of the most important changes for society through the adoption of Information and Communication Technology appears to be the way that business is conducted. The Internet and related technologies are creating new communication systems for a variety of businesses in many varied industries. The proliferation of smart telephones offers a platform for unprecedented penetration on the Internet and services such as m-commerce.

Adoption of new technology is dependent upon variables such as: surrounding environment, organizational culture, firm’s strategy, as well as age and size. Several hypotheses that explain the relationships between firm’s strategy and business performance in the context of the new technology adoption process are formulated. A sample of small and medium-sized businesses from rural America that adopted, or are in the process of adopting, wireless technology is used to test these hypotheses. The methodology, results, and managerial implications are discussed.

Keywords: wireless business, new technology adoption, business strategy
Successful Small Businesses and Their Owner-Managers

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Abstract

This paper examines small businesses from the perspectives of organizational life cycle, entrepreneurs who function as owner-managers and factors which contribute to long-term survival and profitability. Ethics, quality, continuous learning, leadership, and management are explicated. A model for small business success which was developed from the perspective of entrepreneurs and owner-managers is presented, and the model elements and the need for their alignment are elucidated. Challenges and precautionary suggestions are also included so that owner-managers can better understand the potential for small business failure and their respective roles in risk mitigation and failure prevention. Finally, conclusions and implications are provided that will be of interest to academicians as well as small business entrepreneurs and owner-managers.

Introduction

Beer (1984) indicated that he spent 30 years developing the “Viable Systems Model, which sets out to explain how systems are viable – that is, capable of independent existence” . . . and to elucidate the laws of viability in order to facilitate the management task” (p. 7). The intent of small businesses is that they would be systems that are capable of long term viability. However, d’Amboise and Muldowney (1988) lamented that “knowledge about small business management is fragmented” (p. 226). They also suggested that “researchers must agree on common terms and parameters . . . and common conceptual frameworks must be established”
(d'Amboise and Muldowney, 1988, p. 237). Over twenty years later, Leitch, Hill, and Neergaard (2010) concluded that “at this stage of the field’s development, the quest for a comprehensive theoretical model, which adequately explains entrepreneurial and business growth (and viability), may be tantamount to tilting at windmills” (p. 258).

Burgess and Wake (2012) acknowledged a gap in research and presented an approach that uses “the VSM (previously mentioned viable systems model) as a diagnostic tool for SMEs to undertake an audit of viability” (p. 30). In so doing, they define a system as “viable if it can maintain a separate existence, has problem-solving capabilities and can survive disturbances from its wider environment” (Burgess and Wake, 2012, p. 31). As noted, there have been a number of serious attempts to search for, and/or apply, various theories and models to small business management. However, there continues to be a significant need to study and delineate, and/or develop, theories and models that are applicable to small businesses and useful for their owner-managers.

Small businesses continue to be the fuel for economies in developing countries as well as economies in the most developed countries in the world. According to the U.S. Bureau of Labor Statistics (2014), between 1993 and mid-2013, small businesses created 63% of the net new jobs. Thus it is important to study not only their impact, but also factors that contribute to the organizational growth, survival capability and success of small businesses. There is much preparatory work for owner-managers who are starting a small business, including writing a business plan and identifying how much capital is needed and acquiring it. In addition, they must be prepared to successfully operate their small businesses. This paper examines the organizational life cycle as it pertains to small businesses, the impact of entrepreneurs who function as owner-managers, and some of the factors which contribute to long-term survival and
profitability for small businesses. In addition, in Figure 2, this paper presents a model that depicts, from the perspective of the entrepreneur and small business owner-managers, elements required for small business success and the need for their alignment.

Organizational Life Cycles

According to Ionescu and Negrușa (2007), “the most general model of the organizational life cycle has three stages: birth, youth and maturity/decline” (p. 5). Miller and Friesen (1983) indicate that organizations typically progress through five life cycle stages—birth, growth, maturity, revival, and decline. They note that the revival stage could occur multiple times. Pryor, White and Toombs (2007, 1998) describe the organizational life cycle as “activation, growth, maturity/stabilization, decline, and demise” (p. 11-20). See Figure 1.

Whether from the perspective of a general model or a more specific model, the organizational life cycle is relevant to the study of small businesses and their capability to survive and flourish over the long term. Therefore, it is important for entrepreneurs and owner-managers to understand that organizations have a natural life cycle but that organizations (particularly startup operations) can go into a downward spiral at any stage of the life cycle. So they must contemplate “what if” scenarios and be prepared to intervene, or assist with appropriate interventions, as necessary. Those interventions may include rapidly streamlining processes, training to ensure skill capability and procedural compliances, requiring specific behavioral changes or other types of interventions. The purpose of interventions would be to prevent, or minimize the potential for, organizational decline and demise.
Of the impactful ingredients in the success of small businesses, the entrepreneurs and owner-managers themselves and their attitudes, values, characteristics, and capabilities have the greatest potential for impact on long term viability.

**Impact of Entrepreneurs (Owner-Managers)**

**Values and Ethics**

Arend (2013) contends that “small- and medium-sized enterprises . . . depend on their good ‘ethical stature’ to survive” (p. 1). This ethical stature involves acquiring and maintaining the trust of customers, suppliers, communities and other stakeholders in order to “enjoy sufficient legitimacy to conduct their business.” (Arend, 2013, p. 1). This ethical reputation is based on the capability to exercise moral judgment which is “important in managerial work because managers have discretion and are likely to deal with ambiguous, ethically charged issues” (Loviscky, Trevino, and Jacobs, 2007, p. 263).
The ethical foundation of a small business often materializes from the principles and core values of the owner, the entrepreneur who started the enterprise. Therefore, it is essential for entrepreneurs to realize the extent to which their core values will impact the culture of their respective organizations. In fact, those core values will gradually be integrated into the fabric of the organization. Entrepreneurs must be positive role models for those with whom they interact and refrain from anything that would have negative impact on the ethical foundations of their organizations. “Ethical charismatic leaders use power in socially constructive ways to serve others. They are genuinely concerned about contributing to the welfare of followers” (Howell and Avolio, 1992, p. 44). The leader of an organization must demonstrate a high level of ethical behavior before employees can be expected to behave ethically (Butcher, 1991). In addition, organizational core values should be formalized with input from co-workers. According to Ye’s (2012) research, “results indicate that organizational values have significant and direct impact on employees’ organizational citizenship behaviors by the mediating effect of organizational identification and organization-based self-esteem” (p. 35).

While owners of small businesses who also function as managers may find their time very limited and feel that they don’t have time for much paperwork, it is essential for them to ensure that policies, procedures, and codes of conduct relating to ethics and legalities are established, formalized and communicated to employees and other stakeholders. In addition, such ethics policies and procedures must be updated as changes occur in laws, technology, and other factors which impact the respective organizations (Stansbury, 2009).

Because of the internet and other technological capabilities, small businesses have opportunities to do business globally. However, Nganga (2012) cautions that there are “ethical challenges that stifle the participation of small businesses in the global value chains . . .
particularly in developing countries” (p. 19). This is another reason for owner-managers to understand the potential impact of ethical considerations in their organizations.

Commitment to Quality

A commitment to quality is a commitment to integrity in terms of ethical decision making and actions. According to Pryor (Pryor, et al, 2007, 1998) “Quality is the extent to which products, services, processes and relationships are free from defects, constraints, and items which do not add value for customers” (p. 2-3). Small business owners must understand that the very survival of their organizations depends on providing quality to their customers and other stakeholders. This includes quality relationships with employees, suppliers, communities, creditors, et al. This is more than reputation. This means that the owner-managers and their respective co-workers believe in, and work toward achieving, excellence from their own personal perspectives as well as for their organizations. In other words, quality (excellence) is an integral part of who they are, not just what they do. In addition to understanding and ‘living out’ excellence, owner-managers must understand the concept of value. Even if the products, services, relationships, and processes are all perfect, they mean nothing if customers and other stakeholders do not believe that they add value for them. Two questions that must be answered are: (1) Were what the customers and other stakeholders received worth what they cost in terms of time and money? and (2). Were what they received what the customers and other stakeholders needed/required?

Attitude toward Continuous Learning

Maurer and Weiss (2010) note that “employee competence at continuous learning is becoming increasingly important in organizations” (p. 1). They go on to say that “competence at
continuous learning is increasingly a key part of successful careers and effective organizations” (Maurer and Weiss, 2010, p. 2). Learning takes time, but it is not nearly as time consuming as trying to operate a business without continuous learning and without trying to stay up-to-date on knowledge that can positively impact the strategic and tactical operations of a small business. Once owner-managers include continuous learning as an integral part of their daily routines (and those of others in the organization), they will be pleasantly surprised as things they learn can be used to simplify and streamline operations, thereby saving the organization additional time and money as well as contributing to product, service and relationship excellence.

**Attitude toward Risk**

Gilmore, Carson, and O’Donnell (2004) caution that “there is a strong association between small business owner-managers/entrepreneurs and risk by virtue of the high failure rates of small firms” (p. 349). Their research found that the owner-manager entrepreneur interviewees considered the following as risky situations: cash flow (i.e., being able to maintain sufficient cash flow); company size (growing too quickly); entering new markets or areas of business; and entrusting their co-workers with responsibilities (Gilmore, et al, 2004).

The capability to handle risk mitigation is a necessary skill for owner-managers because on a daily basis small businesses potentially face numerous risks. However, the attitude of complete risk avoidance can often be just as deadly for a small business as risks are. Plus, one’s attitude toward risk can result in excessive stress for owner-managers and their co-workers. Learning how to objectively evaluate potential risks contributes to the health of the people involved as well as to the financial health of their small businesses.

**Leadership and Management Capabilities**
A common phrase is that leaders lead people and they manage resources. However, people are also resources, so they must be managed as well. Owner-managers must understand that managing resources includes knowing how many and the cost of those resources. They can include their co-workers in the human resources decisions as well as other operational decisions. As mentioned previously, being a part of the decision making and action execution processes positively impacts people so that they feel ownership of an organization and its success.

People who have followers are leaders whether or not they are in formal authority positions within an organization. Such leaders may have positive impact or negative impact on an organization, depending on their personal integrity, values, and commitment to organizational success. Both leadership and management skills and behaviors can be learned. However, some people learn one or both of them at very early ages. Those people may seem like natural leaders since others come to them for assistance and advice. Owner-managers need to function as both leaders and managers if they are to make the highest level of contribution to the success of their respective organizations. Again, leadership and management skills and behaviors can be learned, and not all learning has to occur in a classroom setting. Just listening and observing can often expedite learning.

Lu’s (2014) study found that “ethical leaders have characteristics that indicate they are trustworthy, such as benevolence and consideration. They care about Employees’ feelings and induce affective trust in them” (p. 386). This trust encourages employees to more fully engage in the achievement of expected outcomes.

Along this same line, Pryor (Pryor, et al, 2007, 1998) emphasizes the following about leaders:

“Therefore, the world, people know the real leaders. They are the ones with credibility – the ones you can trust. They understand that there is no zero place in history. All people sometimes lead and sometimes follow. Each person must
choose whether to lead in a positive or negative direction and whether to become a primary leadership force in the history and future of the world. People who inspire others to follow them are great leaders, but the BEST leaders encourage and inspire people to follow themselves” (p. 9-2).

Humphreys and Einstein (2003) indicate that “transformational leaders operate out of deeply held value systems that include things like justice and integrity” (p. 86). Burns (1978, p.20) explains that transformational leadership occurs when people “engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality” (as cited in Humphreys and Einstein, 2003, p. 86). Burns (1978, p. 20) goes on to say that “transforming leadership . . . raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both” (as cited in Humphreys and Einstein, 2003, p. 86). Small business owner-managers need to function as transformational leaders which will enable them to “achieve higher levels of performance among followers than originally thought possible” (Bass, 1990 as cited in Humphreys and Einstein, 2003, p. 86).

**Small Business Model for Success**

Entrepreneurs and small business owner-managers are quick to point out that their schedules are tight and that anything that takes time detracts from the real business of supplying their customers’ needs. So they need a simplistic model that helps them remember factors that are beneficial to their stakeholders and to them personally. For such a model, see Figure 2.

In order for small business owner-managers to help their respective organizations to enjoy long-term survival and profitability, they must ensure that they are able to survive. The factors or characteristics that must become an integral part of who they are as entrepreneurs and/or small business owner-managers are depicted in Figure 2 and are as follows:
1. Knowledge and Skills. Owner-managers must make a commitment to continuous learning for themselves and the workers so that their knowledge and skills do not become obsolete. Also, if owner-managers care about quality, there are free resources from the Baldrige National Quality Award website (http://www.nist.gov/baldrige/) and other national and state quality websites. You don’t have to hire a consultant to learn about improvement initiatives or new technologies. You can join a professional organization, interact with local universities, and listen to experts who work in your organization.

2. Ethics, Mutual Trust, and Mutual Respect. As previously mentioned, integrity and ethics are the foundation for decision making and actions as owner-managers interact with people within their organizations and external to their organizations. Their commitment to, and practice of, integrity and ethics serve as a trigger for trust and respect from the stakeholders with whom they interact. This gradually becomes the basis for mutual trust and mutual respect. As a result, when customers, suppliers, and other stakeholders believe in and respect the owner-managers, relationships as well as processes can be streamlined.

3. Positive Energy. Integrity, ethics, mutual trust, and mutual respect establish a basis for positive energy to flourish. However, more is required. In the beginning of a startup business, few processes will have been established, money may be limited, customers may be fickle, suppliers may not want to supply small quantities, and many other frustrating things may occur. Instead of letting negativism thrive or trying to solve all the issues themselves, owner-managers should use the frustrating issues as opportunities to involve employees, customers, suppliers, university students and professors, community members and others in thinking of innovative ways to solve frustrating problems. Of course, discretion should be used. Not all of these stakeholders should be involved at the same time.
4. Perseverance and Resilience. Physical, mental, and emotional stamina are required of people working in a startup operation. The capability to persevere while establishing new processes and procedures, interacting with new stakeholders, and working long hours is a requirement
for personal as well as organizational survival and success. Leader resilience is toughness, the ability to think and be proactive as one strives to prevent or manage stressful situations (Everly, 2011). Some ‘back to basics’ thinking will be required (e.g., eat healthy, take time to exercise, get enough sleep). This can require less time if you really are focused on doing things that will make you and your organization more successful.

5. **Empowerment and Accountability.** Owner-managers of startup organizations understand the requirement for their own empowerment and accountability for success. However, they tend to not empower the people who work with them, sometimes because they do not understand how empowerment works and sometimes because they want to be in charge of everything themselves. If employees are empowered and understand the requirements for organizational success, they are much more likely to function as owners themselves and be accountable for customer satisfaction and other key performance indicators.

6. **Effectiveness and Efficiency.** Owner-managers must understand the difference between effectiveness (doing the right thing) and efficiency (doing things right). Also they should be able to assist their co-workers in understanding those concepts as well.

**Potential for Long-Term Survival and Profitability**

Whether small business survive or fail, they impact people, organizations, communities, the economy, and society in general. When people first think about starting a small business, they begin to put in place things that will either positively or negatively impact it. Therefore, entrepreneurs should do the required things for starting a business (e.g., writing business plans, identifying sources of capital, understanding their roles in functioning as owner-managers of their respective organizations, etc.).
About half of all new small businesses survive five years or more, and about one-third of them survive 10 years or more (U.S. Bureau of Labor Statistics, 2014). Since a large percentage of small businesses do not survive, it would behoove owner-managers to learn about their respective organizations potential for long-term survival and profitability before they actually start the business (and spend money). However cautious and knowledgeable the owner-managers are, they cannot predict many things, such as the following:

1. Weather related problems (e.g., tsunamis, tornadoes, hurricanes, earthquakes, floods) where they and/or their suppliers are negatively impacted;
2. Economic downturns in their respective countries or globally;
3. Terrorism throughout the world where the terrorists attack businesses, civilians, government buildings, and other people and places; and
4. Changes in laws globally and in their own countries.

It is important for entrepreneurs and owner-managers of small businesses to prepare for things under their control that will impact the long-term viability and success of their organizations. While they can neither predict nor control some factors, they can be aware of them and of the extent to which their organizations may be impacted if they occur.

Rita Gunther McGrath, Columbia Business School professor, warns that managers need to be able to recognize imminent crises. She suggests that impending crises might include organizational inertia as well as trouble with an organization’s business model because of the increasing speed of everything, inter-industry competition, and disruptions from business models that offer “better customer experiences instead of simply products” (Cliffe, 2011, p. 96).

**Conclusions and Implications**
Various models and theories exist that can be utilized by entrepreneurs and small business owner-managers. Over the years, researchers have discussed how many of those models and theories can contribute to the long-term viability of small businesses. However, statistics show that about half of all new small business survive five years or more, and only about one-third of them survive ten years or more (U.S. Bureau of Labor Statistics, 2014). Perhaps these survival percentages could be increased if entrepreneurs and small business owner-managers understood that their organizations are at risk because of natural organizational life cycles. Of course, they would also have to learn how (and when) to intervene or assist with interventions that can postpone (or perhaps prevent) the decline and demise phases of their respective organizations’ life cycles. While entrepreneurs and small business owner-managers can neither predict nor control some factors, but they can be aware of them and of the extent to which their respective organizations may be impacted if they occur. Even factors outside their control may still require interventions to prevent their organizations from moving into the decline or demise phases of the organizational life cycle.

Entrepreneurs and owner-managers also need to understand how they can personally impact their respective organizations from the perspectives of their: (1) values and ethics, (2) personal commitments to quality, (3) attitudes toward continuous learning, (4) attitudes toward risk, and (5) leadership and management capabilities. Finally, they need to understand the small business model for success, its elements and the alignment thereof, that we developed from the perspective of entrepreneurs and owner-managers. This very simplistic model depicted in Figure 2 enables entrepreneurs and small business owner-managers to better understand what is required of them in terms of the long-term survival and viability of their respective organizations.
A preferred, although admittedly optimistic, next step would be to involve entrepreneurs and/or small business owner-managers in the implementation of various concepts, theories, and models in this paper and to study immediate and long term impact of the implementation. At minimum, the concepts of organizational life cycle and the Small Business Model for Success (Figure 2) would be positive, constructive additions to college and university small business and/or entrepreneurship courses.
References


Analyzing the Link between Strategy and Performance: Comparing Small Business Owners and Professional Managers

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Abstract

This study examined the differences in the strategic choices of business owners and professional managers in the small-business context. Hypotheses posited that owners and managers would choose differing strategic orientations based upon their concern for long-term organizational success versus short-term profits. In addition, the role of education in strategic orientation for these two groups was examined. The results of this study support the contention that organizational position (owners versus managers) can impact the relationship between strategic choice and firm performance. However, we did not find a significant relationship between the educational level of the business owners or managers and strategy and performance. These findings provide insight into the strategies used by small businesses, as well as the strategic orientation differences between owner-operators and professional managers hired to run small businesses.

Numerous reports have shown that small businesses serve as a key element of innovation and job creation within the U.S. economy (Small Business Administration, 2012). However, research has shown that these businesses are started by creative people with varying intentions, and then managed and operated based on different types of strategic choices. Some of these
individuals are more entrepreneurial in nature while others are better defined as small business owners. This study examines the strategic choices of entrepreneurs versus small business managers to determine how they may differ in developing and growing the business venture. Specifically, we examine the use of internal and external strategies and the impact these strategic choices have on firm performance (see Figure 1).

Entrepreneurs and small business owners come from a wide variety of backgrounds and experiences, and their business ventures are managed based on these difference intentions and perspectives. Adopting Penrose’s (1959) resource based view that organizations are groupings of resources, capabilities and competencies leads to the premise that a manifest competitive advantage can be developed when one’s resources and/or competencies are unique and hard to reproduce (Penrose, 1995). Organizational performance has also been examined in the literature as a function of distinctive human resources (Miller & Ross, 2003) and how a firm blends its resources and its product or service capabilities (Wernerfelt, 1984). Furthermore, the role of business strategies and practices have been emphasized by numerous researchers (Gibson, 2012; Gibson, McDowell, & Harris, 2011; Harris, McDowell, Zhang, & Gibson, 2011; Sriram, Mersha, & Herron, 2007) as key aspects impacting organizational performance. Greater knowledge of all these factors typically accompanies experience; this learned expertise of more experienced business owners likely plays a significant role in determining their patterns of business startup and organizational performance (Harris & Gibson, 2008; Harris, Gibson, & Mick, 2009; McDowell, Harris, & Gibson, 2010).

Starting and sustaining a successful business represents a substantial challenge regardless of the past experiences of the owners. Augier and Teece (2009) argued that the distinction
between the functions or entrepreneurs and managers has necessarily diminished as a result of today’s open economies. If this is true regarding their functions, our objective is to learn more about the strategies used by these individuals in small businesses and to determine if the type of manager (entrepreneur/owning-manager versus non-owning manager) impacts these strategic choices. Small business owners are often faced with substantial challenges during both the startup and growth phases of business development and any additional knowledge can be used to better prepare others interested in new venture creation. Our findings may also help small business assistance programs offer more tailored strategic counseling based on the owners’ background and intentions.

**Literature Review**

**Strategic Focus**

In order to be successful, a business must create a set of resources that lead to a competitive advantage. Examples can include both tangible items (e.g. capital, equipment, location) and those resources that are more difficult to quantify such as specialized knowledge, managerial acumen, or business processes and procedures. Research by Mazzarol, Reboud, & Soutar (2009) indicates there is a relationship among business resources, strategic approach and organizational performance. For small businesses, these resources are often highly correlated with the talents and skills of the business owner (Runyan, Huddleston & Swinney, 2006); research by Brush, Greene, and Hart (2001) indicated that the intangible knowledge of a business owner was a key resource for business start-ups. Furthermore, the owner shapes the strategic orientation of the new venture (Becherer, Finch, & Helms, 2006; Gilbert, McDougall, & Audretsch, 2006; Lumpkin, McKelvie, Gras, & Nason, 2010). For businesses to be successful,
business owners must marry their organizational competencies with their individual resources in a manner that yields sustainable advantage; these resource combinations help explain firm performance in the resource-based view.

Strategic knowledge is a perquisite for firm success and long-term viability; knowledge about the marketplace, the opportunities within the marketplace, and the correct business approach to take advantage of opportunities is necessary for success (West and Noel, 2009). Likewise, Wiklund and Shepherd (2003) suggest that new venture creation is predicated upon an understanding of strategic approach and this knowledge is often the result of similar prior business experiences and situations.

There are two dominant directions that firm strategy may take, internal or external. An internally oriented strategic approach is characterized by those that focus their energies toward developing the inner workings of the organization such as human resources management, structural efficiencies, and expenditure control and management (Gibson, McDowell, Harris, 2011; Verheul, Risseeum, & Bartelse, 2002). Common outcomes of an internal strategic orientation include an emphasis on product efficiency, process improvement, and/or financial objectives. Furthermore, product innovation and development may stem from an internal focus as a result of deeper understanding of one’s merchandise or services (Pett & Wolff, 2007).

Alternatively, firms may pursue a more externally focused strategy. These organizations are characterized by adopting business strategies that promote sales growth and new customer attainment (Gibson, McDowell, Harris, 2011; Kumar, Subramanian, & Strandholm, 2001; Trinh & O’Connor, 2002). Relationship building, marketing, and/or customer service are hallmarks of externally focused strategies (Pett & Wolff, 2007). An external focus can facilitate exploring strategic relationships with other organizations and new target markets; an external orientation is
also exceedingly important to small businesses when contemplating international expansion (Pett & Wolff, 2007).

Edelman, Brush, and Manolova (2005) suggest that resources alone do not explain firm performance; a small business must make the best strategic choices based on its available resources. Similarly, Pett and Wolff (2007) believe that business performance is dependent upon the best fit between a firm’s internal resources and strategic orientation and its external market conditions. The proper alliance between firm resources and strategic choices is needed to best achieve business growth and financial profitability (Edelman, Brush, & Manolova, 2005).

**Educational Attainment**

Education has been shown to be an important influence on owner-manager behavior (Storey, Watson & Wynarczyk, 1989) and contrary to the media-endorsed stereotype, the literature shows and numerous studies support the notion that entrepreneurs are better educated than the general population (e.g., Cooper & Dunkelberg, 1987; Robinson & Sexton, 1994; Kilpatrick & Crowley, 1999; and Scott, Rosa, & Klandt, 1998). In fact, a recent large survey conducted by Wadhwa, Aggarwal, Holly, and Salkever (2009) indicated that most successful entrepreneurs are well educated; 95.1 percent of those surveyed had earned bachelor's degrees, and 47 percent had more advanced degrees. In addition, 70% of those surveyed indicated education was important. This is not inconsistent with very early academic assertions; as cited by Kiesner (1984), esteemed economist Samuel Aluko stated:

“About 80% of all small business failures are attributable to inadequate planning, poor accounting, inadequate control mechanism, inability to read and understand financial statements, and the inability to accept technical and economic advice. That is the absence of sound business
education and training.” (Kiesner, 1984, p. 17).

Surveys of small business owners also indicate that they perceive their college education as instrumental in their business decision making; according to Al-Zubeidi (2005) entrepreneurs reported that college education helped them run their business (69%), identify business problems (52%) and make necessary business changes (51%); each of these is consistent with choosing an appropriate business strategic focus. Indeed, anecdotal evidence indicates that returning to the classroom is a common trend among entrepreneurs. David Port (2010) cites entrepreneur Gayle Reaume as saying: "Growing a company means you need to know how the whole company works--every part of it. I've always been strong at certain things, like marketing, but I could see I was struggling with the intricacies of building and running a growth-oriented company.” It seems that entrepreneurs are making the link between education and effective business strategies.

Researchers have posited that having a formalized business plan is paramount to engaging in strategic planning as it serves as the basis for making and taking strategic decisions and as a monitoring mechanism (Deakins and Freel, 2003). Richbell, Watts and Wardle (2006) found that for entrepreneurs, education was positively correlated with having engaged in business planning thereby indicating that the more educated recognized the need for structure and the role that strategic planning play in long term success.

Small business owners and managers must have a strong understanding of their business environment and capabilities and use this knowledge to adopt the most appropriate strategic choices. The research clearly indicates that education is believed to play a role in making good strategic decisions and engaging in the strategic planning associated with successful firms. What is unknown is whether or not educational differences among owner-managers and non-owning
managers result in different strategic orientations stemming from their potentially conflicting goals of long term sustainability versus immediate profit generation. Edelman, Brush, and Manolova (2005) suggest that resources alone do not explain firm performance; a small business must make the best strategic choices based on its available resources. Similarly, Pett and Wolff (2007) believe that business performance is dependent upon the best fit between a firm’s internal resources and strategic orientation and its external market conditions. The proper alliance between firm resources and strategic choices is needed to best achieve business growth and financial profitability (Edelman, Brush, & Manolova, 2005).

**Hypotheses**

The strategies used by small business owners can be greatly influenced by knowledge gained from previous experience (Harris & Gibson, 2008). This experience can enhance their understanding of the potential obstacles in business startup, and the resources necessary to successfully operate the venture. It also provides a greater understanding of strategic analysis and decision making, and how these choices impact business performance. As proposed by Runyan, Huddleston, and Swinney (2006), the most successful small businesses have owners or managers capable of using their individual talents and experiences in a manner that creates a sustainable competitive advantage for the firm.

The strategic orientation pursued by business owners may very well be impacted by their past experiences; past research has linked strategy with business knowledge and performance (Edelman, Brush, & Manolova, 2005; Pett & Wolff, 2007; West & Noel, 2009). Whereas inexperienced business owners and managers naturally focus on customer service and their network of relationships (external orientation) as a means to develop relationships with others
and thereby overcome resource and knowledge shortages (Lumpkin, et al. 2010), experienced business owners are able to rely upon their existing knowledge of process and structural efficiencies and financial objectives which is more consistent with an internal strategic orientation (Mitchell, Smith, Seawright, & Morse, 2000). Reliance upon internal strategies has been associated with stronger performance by traditional small organizations (Edelman, Brush, and Manolova, 2005).

Business owners are often more focused on establishing the foundations for organizational success, whereas managers will be more focused on the short-term success of the already established organization. Owners are also generally more concerned about operations and customer service while managers are more focused on the sales and revenue growth. This would indicate that business owners often choose internal strategies focused on long-term business development, whereas managers adopt a more external strategic approach where short-term growth is emphasized. Thus, the following hypotheses are offered and the relationship is shown in Figure 1.

H1: There is a positive relationship between internal strategic focus and performance for owner-operators.

H2: There is a positive relationship between external strategic focus and performance for non-owner managers.

----------Insert Table 1 here----------

In addition, education level of the owner or manager has been shown to impact the types of strategic decisions they make. We expect business owners with higher educational levels have a better understanding of the need for structure and long term success than those with lower levels of education and will be more likely to emphasize internal strategies. Conversely, non-
owner managers with higher educational levels are expected to emphasize an external strategy because their studies have likely emphasized the importance of achieving immediate results. Therefore, we offer the following hypotheses:

H3: Owner-operators with higher educational levels will be more likely to utilize an internal strategy.

H4: Non-owner managers with higher educational levels will be more likely to utilize an external strategy.

Methodology

Sample

The sample for this study included small business owners in North Carolina who worked with or sought help from the North Carolina Small Business Technology and Development Center. The data were collected via a survey emailed to approximately 1500 small businesses. There were 237 usable responses from the 270 surveys received which is an 18% response rate. Of the respondents, 55% were male, 50% indicated they were ethnic minorities, and they had an average age of 49.2 years old. The age of the businesses ranged from zero to 68 years with an average of 10.5 years. Of all the business surveyed, 53.5% indicated that they were in service, 13.1% indicated manufacturing, 13.1% retail, 10.6% construction, 6.6% medical, and 2% not-for-profit.

Measures, Data, and Scale Analysis

The survey collected information on gender, age, years of current ownership, and whether or not they were the owner operator or a non-owning manager. In addition, the respondents were also asked several questions that indicated strategic emphasis (Gibson, McDowell, & Harris, 2011) which assessed strategic focus. In order to evaluate construct
validity of the item scores, an exploratory factor analysis was conducted on the items assessing strategy. Using factor analysis with an Eigenvalue greater than one rule (Kaiser, 1960), these items yielded two factors with Eigenvalues of 5.301 and 1.756 respectively. The first six items indicated an internal strategic focus and the next seven items indicated an external strategic focus. The factor pattern/structure coefficients including Eigenvalues and Cronbach’s alphas to examine reliability can be found in Table 1.

---------------------Insert Table 1 here---------------------

Organizational performance was measured using 10 questions on performance (Gibson et al., 2011). These items assessed satisfaction on multiple areas of performance within an organization. Previous empirical evaluations have found these subjective measures are highly correlated with objective measures (Dess & Robinson, 1984; Venkatraman & Ramanujam, 1986) used in the business literature (Covin, Prescott & Slevin, 1990; Greenley, 1995; Slater & Narver, 1995; Subramanian, Kumar & Strandhold, 2009). These results also indicated a good fit to the data with the items combined into a single performance measurement. The factor pattern/structure coefficients including the Eigenvalues and Cronbach’s alpha for performance can be found in Table 2.

---------------------Insert Table 2 here---------------------

Regression analysis was used to examine the data and test the hypotheses. The data were split into two groups in order to test these hypotheses. The first group is defined as the owner/operators and the second group is defined as the non-owning managers. The control variables, which included organizational size (number of employees) and the number of years they had been working with this company, were regressed against performance in step one of the
regression analysis followed by the independent variables, internal strategic focus and external strategic focus, in step two of the two-step process. In order to examine the effect in both models, F, statistical significance of the model, beta weights and structure coefficients, the adjusted $R^2$, and the statistical significance of the independent variable are reported and examined. Each model was tested using the research model below where $Y =$ performance, $X_1 =$ number of employees, $X_2 =$ number of years with the company, $X_3 =$ internal strategy, and $X_4 =$ external strategy.

Model: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

**Results**

The purpose of this study was to examine the relationship between strategic orientation and performance for small business owner operators and non-owning managers. In addition, we examined the relationship of education level and strategic focus for owner/operators as well non-owning managers with strategic focus. We hypothesized that there would be a positive relationship between internal strategic focus and performance for owner/operators and that there would be a positive relationship between external strategic focus and performance for non-owning managers. In addition, we hypothesized that higher levels of education would be associated with a positive relationship between ownership and strategic focus with owner/operators being more internally focused and non-owning managers being primarily externally focused.

To test Hypothesis 1 and 2, the data were split into two groups, those who are owner/operators and those who are non-owning managers. Ownership was determined with the
use of a single question asking the respondent if they are an owner. The analysis of the first group yielded a good fit to the data. Step one of the regression analysis included entering the control variables, employee size and years of working with the business, into the model. The size of the organization has been shown in previous research to affect specific organizational processes such as communication and specialization, thus affecting performance (Indik, 1965). The age of the business was also included as a control due to the increased institutionalization (Dimaggio & Powell, 1983) that can occur the longer a firm continues to operate. After entering the control variables in step one, the predictor variables of internal strategic orientation and external strategic orientation were added in step two. The first model consisting of the control variables resulted in an ANOVA with an F-value of 2.430 ($p = .093$). The second model, with the control variables and internal and external strategy, resulted in an F-value of 8.316 ($p = .000$). While the first model was significant at the $p < .1$ level, the inclusion of internal and external strategy improved the fit with an $R^2$ of .248 and a $\Delta R^2$ of .203 that was statistically significant ($p = .000$).

In addition, the relationship of the strategy items as predictors to performance were examined utilizing standardized and unstandardized coefficients, statistical significance, and confidence intervals. For a summary of this analysis, see Table 3. The results of the regression analysis indicate that for businesses operated by the business owner rather than a manager, an internal strategic focus is statistically significantly related to performance, thus supporting Hypothesis 1.

-----------------------Insert Table 3 here-----------------------

The analysis was then run with the group of non-owning managers. The model was again statistically supported with an F-value of 1.488 ($p = .236$) for the first model and an F-value of 34.
7.009 ($p = .000$) for model 2. Model 2 improved the fit with an $R^2$ of .369 and a $\Delta R^2$ of .313 that was statistically significant ($p = .000$). The results of this regression analysis supported Hypothesis 2 in that external strategic focus was positively related to performance for non-owning managers. Table 4 provides the analysis summary.

In order to test Hypotheses 3 and 4, the data were again split into two groups, owner/operators and managers. A correlation analysis was completed to determine the relationship of means of each group’s educational level with both internal and external strategic focus. The sample was limited as there were only 137 of the owner/operators and only 65 of the managers who indicated their educational level. For the owner/operator group, the Pearson Correlation of educational level with internal strategic focus was not statistically significant with a value of -.148. The relationship with external strategic focus was statistically significant with a value of -.234 at the $p < .01$ level. Thus, Hypothesis 3 is not supported. Additionally, for the manager group, the Pearson Correlations between educational level and internal strategic focus and external strategic focus were not statistically significant with values of -.094 and .077 respectively. Thus, Hypothesis 4 is also not supported. These correlations as well as the means and standard deviations can be seen in Tables 5 and 6 below.

Discussion

The results of this study support the first two hypotheses, indicating that organizational position (owners versus managers) can impact the relationship between strategic choice and firm
performance. However, we did not find a significant relationship between the educational level of the business owners or managers and strategy and performance. These findings provide a greater understanding of the strategies used by small businesses, as well as the strategic orientation differences between owner-operators and professional managers hired to run small businesses.

As hypothesized, our findings indicate that owners are more concerned with internal process and product refinements while managers adopt business strategies that promote sales and customer growth. Fortuitously, both a sustainability orientation and short term sales and market growth are instrumental to a firm’s success. Experienced business owners are often knowledgeable about organizational processes and efficiencies, which is consistent with an internal strategic orientation (Mitchell, Smith, Seawright, & Morse, 2000). It is not surprising to find that owners are more concerned with strategies that promote long-term growth and development while managers promote more short-term sales growth. Although compensation was not analyzed in this study, managers often receive compensation packages that can be maximized based on short-term success.

Research by Morrissey and Pittaway (2006) indicated that inexperienced owners or managers are likely to become emotionally involved with customers and learn through social interaction rather than formalized business practices. In addition, owners or managers with limited education often face greater obstacles when starting and operating a business (Lussier & Pfeifer, 2001). Because of these prior findings it was surprising that educational level was not significantly related to the strategic choices of either business owners or managers. More specifically, it was interesting to note that education level was not significant with either internal or external strategies for managers, but there was a significant negative relationship between
business owners with lower educational levels and the use of an external strategy. This indicates that owners with lower educational levels tend to adopt strategies with a short-term focus that might sacrifice long-term viability. Perhaps these owners have a limited knowledge base compared to more educated business owners and therefore they are more focused on external strategies that produce rapid short-term gains.

Small businesses generally have access to limited resources making it important to understand how to strategically operate the venture in a manner that can best impact firm performance. As these firms gain more strategic flexibility they are better able to refine business capabilities and improve performance (Kelly, 2007). Our findings indicate a difference in the strategic choices of small business owners compared to the professional managers they hire to grow these business ventures. Perhaps the motivations of these different groups play a role in strategic choice. Business owners are often more concerned with long-term viability while managers may be more focused on short-term financial growth to demonstrate their effectiveness and possibly enhance their compensation package. One way to moderate this distinction may be to include firm-ownership as part of managers’ compensation packages.

Research has shown that without effective strategic choices there is often a waste of resources and lack of direction and sustainability in small businesses (Mazzarol, Reboud, & Soutar, 2009; West & Noel, 2009). West and Noel (2009) suggest that business owners must be rational in investing resources to start a new venture. This includes the development of the most appropriate strategies to guide the firm through the various stages of business development. One of the greatest challenges for small business owners is determining when to hire a professional manager to assume control of the business. Owners devote time and resources to develop the business, making this both a financial and emotional investment.
Once owners hire someone else to manage their businesses, they often relinquish some control of the strategic direction of the business. Our findings indicate that once organizations experience significant growth and shift from an owner-manager model to a professional manager model, decision-making is likely to transition from an internal strategic orientation to a more externally oriented strategy focused on objectives such as sales growth and customer expansion. In order to ensure a smooth transition it is imperative for business owners to select professional managers they are confident can both operate the business profitably in the short term and ensure future success. Owners and managers must share a common framework of expectations regarding both operations and the strategic direction of the business.

**Future Research**

While this study examined the differences in the strategic choices of business owners and professional managers, additional research is needed to offer more definitive conclusions. Future research should consider examining other individual and firm factors that may impact the link between strategic orientation and firm performance within the small business context.

It is important to examine other individual characteristics of owners and managers that may impact strategic choices. In addition to owner status and level of education, other factors such as prior entrepreneurial experience of the owner/manager, total wealth of the owner/manager and the social network of the owner/manager could all have major impacts on the strategic orientation the owner adopts. These and other individualized variables may offer more insight regarding differences or similarities between these groups.

Studies may also examine firm level characteristics such as business age or size to determine if the organizational life cycle impacts firm strategy. A firm may alter its strategic
approach over time regardless of whether it is governed by an owner or manager. Industry type is likely an important firm-level variable to consider. Research has shown that retail and service firms, in particular, face unique challenges that may determine more specialized strategic choices. Manufacturing firms, conversely, experience less market uncertainty and dynamism. As such, manufacturing firms may be inherently more internally focused than service firms. These additional studies must continue to collect data from a broad range of small businesses in order to gain a greater understanding of both their strategic nature and critical success factors. A vibrant and successful small business community can serve as a major catalyst for national economic growth.

**Conclusion**

Research has shown that businesses are started by people with certain intentions but often come to be managed and operated by differently motivated people. Our study examines the manifestation of those different intentions through the strategic focus of owner operators and non-owner managers. We hypothesize and find that owner-operators will be more interested in internal strategic initiatives aimed at securing the long-term success and viability of their firms and that internal focus will manifest itself in improved financial performance for their firms. We also suggest and find that non-owner managers will be more interested in external strategic initiatives aimed at meeting the needs of the marketplace or responding to competitors’ actions today rather taking the long-term view of the their firm and its success. Indeed, the non-owner managers do exhibit such behavior and it is also positively associated with firm performance. This is consistent with the conclusions of Katz and Niehoff (1998) who found that strategies pursued varied based on firm-ownership, that owners and managers perceive risk differently and
consequently make strategy decisions accordingly. To the authors’ way of thinking, these findings regarding differences in strategic orientation should be perceived as encouraging; they indicate that both owner-managers and non-owning managers are able to select strategies that result in financial success. What they highlight is the importance of the two having a shared belief system whereby the owner ensures the manager understands his/her values and business intentions and the manager is properly motivated to integrate these with his/her own strategic orientation.

We believe this study enhances the current literature concerning the strategic orientation of small businesses. Our findings could potentially aid small business development centers in offering more tailored strategic counseling based on the owners’ background and intentions. We have shown that owners should and do focus more on internal strategies while managers should and do focus more on external strategies. This is likely due to the owner/manager relying on their individual experiences and skill sets. Perhaps, small businesses could harness the best of both worlds by equally including an owner operator and a non-owner manager in the strategic planning process.
References


Figure 1.

The Relationship of Strategic Focus and Performance for Owner/Operators and Managers

![Diagram showing internal and external strategic focus and performance]

Table 1. Factor Pattern/Structure Coefficients for Internal and External Strategy

<table>
<thead>
<tr>
<th>Strategy Item Name</th>
<th>Internal Strategy</th>
<th>External Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor</td>
<td>h²</td>
</tr>
<tr>
<td>Monitoring and enhancing employee satisfaction and morale</td>
<td>.804</td>
<td>.646</td>
</tr>
<tr>
<td>Fostering employee participation and empowerment</td>
<td>.796</td>
<td>.634</td>
</tr>
<tr>
<td>Incentive compensation based on team or facility performance</td>
<td>.788</td>
<td>.621</td>
</tr>
<tr>
<td>Attracting and retaining high quality employees</td>
<td>.777</td>
<td>.604</td>
</tr>
<tr>
<td>Employee profit Sharing</td>
<td>.679</td>
<td>.461</td>
</tr>
<tr>
<td>Training and continuing education of employees</td>
<td>.663</td>
<td>.440</td>
</tr>
<tr>
<td>Increasing growth in revenue</td>
<td>.774</td>
<td>.599</td>
</tr>
<tr>
<td>Improving profit margin</td>
<td>.740</td>
<td>.548</td>
</tr>
<tr>
<td>Continuous improvement of existing products and services</td>
<td>.729</td>
<td>.531</td>
</tr>
<tr>
<td>Realizing returns on new products or services</td>
<td>.724</td>
<td>.524</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>.709</td>
<td>.503</td>
</tr>
<tr>
<td>Offering lower priced products or services</td>
<td>.418</td>
<td>.175</td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>.395</td>
<td>.156</td>
</tr>
<tr>
<td>Total Variance Explained</td>
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<td></td>
</tr>
<tr>
<td>Initial and Second Eigenvalue</td>
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<td></td>
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<tr>
<td>Third Eigenvalue</td>
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<tr>
<td>Alpha</td>
<td>α = .874</td>
<td></td>
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</table>
Table 2. Factor Pattern/Structure Coefficients for Performance

<table>
<thead>
<tr>
<th>Performance Items – Satisfaction With…</th>
<th>Factor</th>
<th>$h^2$</th>
<th>Mean</th>
<th>SD</th>
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</thead>
<tbody>
<tr>
<td>Maintaining employee morale</td>
<td>.781</td>
<td>.610</td>
<td>3.57</td>
<td>1.116</td>
</tr>
<tr>
<td>Pricing products/services</td>
<td>.753</td>
<td>.567</td>
<td>3.91</td>
<td>.802</td>
</tr>
<tr>
<td>Managing staffing needs</td>
<td>.747</td>
<td>.558</td>
<td>3.61</td>
<td>1.144</td>
</tr>
<tr>
<td>Communicating with employees</td>
<td>.731</td>
<td>.534</td>
<td>3.78</td>
<td>1.140</td>
</tr>
<tr>
<td>Retaining customers</td>
<td>.696</td>
<td>.484</td>
<td>4.06</td>
<td>.938</td>
</tr>
<tr>
<td>Managing expenses</td>
<td>.600</td>
<td>.360</td>
<td>3.99</td>
<td>.931</td>
</tr>
<tr>
<td>Developing new products or services to meet customer needs</td>
<td>.595</td>
<td>.354</td>
<td>3.80</td>
<td>.982</td>
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<tr>
<td>Paying debts or liabilities</td>
<td>.579</td>
<td>.335</td>
<td>4.11</td>
<td>.991</td>
</tr>
<tr>
<td>Collecting accounts receivables</td>
<td>.520</td>
<td>.270</td>
<td>4.03</td>
<td>1.072</td>
</tr>
<tr>
<td>Finding new customers</td>
<td>.519</td>
<td>.269</td>
<td>3.68</td>
<td>1.067</td>
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Total Variance Explained 43.430
Initial Eigenvalue 4.343
Second Eigenvalue 1.624
Alpha $\alpha = .851$

Table 3

<table>
<thead>
<tr>
<th>Variable</th>
<th>$B$</th>
<th>$SE\ B$</th>
<th>$\beta$</th>
<th>95% CI Lower</th>
<th>95% CI Upper</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Employees</td>
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<td>.006</td>
<td>.071</td>
<td>-.008</td>
<td>.015</td>
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</tr>
<tr>
<td>Company Years</td>
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<td>.005</td>
<td>.168</td>
<td>-.002</td>
<td>.018</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Employees</td>
<td>.002</td>
<td>.005</td>
<td>.048</td>
<td>-</td>
<td>.013</td>
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<tr>
<td>Company Years</td>
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<td>.085</td>
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<tr>
<td>Internal Strategies</td>
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<td>.052</td>
<td>.469*</td>
<td>.154</td>
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<td>1.194</td>
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<tr>
<td>External Strategies</td>
<td>-.026</td>
<td>.093</td>
<td>-.026</td>
<td>-.210</td>
<td>.159</td>
<td>1.215</td>
</tr>
</tbody>
</table>

Note: $R^2$ for first model = .045. $R^2$ for second model = .248. $\Delta R^2 = .203$, $p = .000$. 
*p < .01. N = 105. Two-tailed tests.
### Table 4

<table>
<thead>
<tr>
<th>Variable</th>
<th>$B$</th>
<th>SE $B$</th>
<th>$\beta$</th>
<th>95% CI Lower</th>
<th>95% CI Upper</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Employees</td>
<td>.001</td>
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<td>.236</td>
<td>.000</td>
<td>.002</td>
<td>1.008</td>
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<tr>
<td>Company Years</td>
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<td>.006</td>
<td>-.050</td>
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<td>.010</td>
<td>1.008</td>
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<td></td>
</tr>
<tr>
<td>Employees</td>
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<td>.110</td>
<td>.000</td>
<td>.001</td>
<td>1.079</td>
</tr>
<tr>
<td>Company Years</td>
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<td>-.012</td>
<td>.009</td>
<td>1.013</td>
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<tr>
<td>Internal Strategies</td>
<td>.152</td>
<td>.096</td>
<td>.236</td>
<td>-.040</td>
<td>.345</td>
<td>1.671</td>
</tr>
<tr>
<td>External Strategies</td>
<td>.341</td>
<td>.125</td>
<td>.398*</td>
<td>.091</td>
<td>.591</td>
<td>1.604</td>
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</table>

Note: $R^2$ for first model = .056. $R^2$ for second model = .369. $\Delta R^2 = .313$. $p = .000$.
*p < .01. N = 52. Two-tailed tests.

### Table 5. Correlations, Means and Standard Deviations for Owner/Operators

<table>
<thead>
<tr>
<th>Variable</th>
<th>Means</th>
<th>S.D.</th>
<th>1</th>
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<tbody>
<tr>
<td>Educational Level</td>
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</tr>
<tr>
<td>Internal Strategies</td>
<td>3.065</td>
<td>1.120</td>
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<tr>
<td>External Strategies</td>
<td>3.899</td>
<td>.673</td>
<td>-.284*</td>
<td>.427*</td>
</tr>
</tbody>
</table>

*p < .01

N = 139

### Table 6. Correlations, Means and Standard Deviations for Non-owning Managers

<table>
<thead>
<tr>
<th>Variable</th>
<th>Means</th>
<th>S.D.</th>
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</thead>
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<td>Internal Strategies</td>
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<td>1.019</td>
<td>-.094</td>
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<td>External Strategies</td>
<td>3.926</td>
<td>.753</td>
<td>.077</td>
<td>.593*</td>
</tr>
</tbody>
</table>

*p < .01

N = 65
What a Rhetorical Analysis of a Company Website Reveals about the Company’s Commitments

Anca Gata, Dunarea de Jos University of Galati
Michael Stoica, Washburn University

Abstract

Nowadays small businesses are using websites as useful tools to communicate which current activities are carried on and how they are facing the challenges of the business and social environment. Our study is placed in the area of discourse analysis, a discipline and a method of linguistics, from a rhetorical perspective. We are analyzing the discourse produced on their website by a small Midwestern consulting agency in order to show: 1) how they organize their activity in relationship with customers; 2) how they present their own business as an example of best practice; 3) how they advise other companies to act in order to be successful. We have selected for analysis pieces of discourse on various pages of the consulting agency’s website. We are selecting text excerpts and interpreting their content in order to identify elements related to the three previously listed points. An analysis from a rhetorical perspective on a given piece of discourse may be rich and deep enough to provide meaningful conclusions to be consequently tested by other studies. Moreover, this type of analysis reveals techniques used on the agency’s website to express commitments. Some of these are rhetorical and some of them are strategic on a practical level. The findings of our case study show that the consulting agency website allows the manager to show commitment to the success of her own business and – at the same time – to provide actual and potential clients advice. This is a marketing strategy frequently used by consulting agencies.
Keywords: commitment, consulting agency, rhetorical and discourse analysis, small business website

Examining Entrepreneurial Characteristics, Motivations, Barriers, and Outcomes for Small versus Large Multifunctional Farm Enterprises in New England

Chyi-Lyi (Kathleen) Liang, University of Vermont
Paul Dunn, University of Louisiana at Monroe

Abstract

This article presents findings of a census type survey of New England farmers engaged in multifunctional agriculture (MFA), focused on comparing MFA farmers’ entrepreneurial characteristics, reasons/challenges of MFA, and self-assessed outcomes after participating in MFA. A majority of farms, regardless sizes of operations defined by annual gross cash sales, revealed similar entrepreneurial characteristics comparing to other entrepreneurs described in literature. More micro and small family farms confirmed positive experiences with the MFA focusing on connecting to customers and communities. Most farmers shared similar objectives, barriers, and concerns/outcomes compared to those of small businesses previously studied. Large farms were more interested in value added operations, while micro and small farms were more likely to be engaged in agritourism and direct sales. Not as many micro and small farms were very positive with their future outlook in agriculture, but they were certainly committed to practicing multifunctional activities in the future.
“I am very optimistic about my farm’s future, but I am not optimistic about the world.”

An Anonymous Farmer Responded to Our Survey

Introduction

Small businesses\(^1\) are the heart and soul of the United States. A general consensus about small businesses, especially new startup firms in the past 2-3 years, relates to job creation and net job growth in our economy. According to statistics released by the U. S. Small Business Administration (SBA, 2008) and the Census Bureau, firms with fewer than 20 employees contributed almost 83 percent of all of the net new jobs between 2004 and 2005. Unfortunately the rate of new startups was slowing down between 2007 and 2010 due to the recession (SBA, 2012). Many challenges remain for small business owners, such as lack of incentive to expand or to grow due to financial constraints, increasing costs for healthcare and production inputs, rising concerns about global competition and market volatility, growing concerns with taxes and regulations, widening gaps in identifying and recruiting quality and qualified workforce, and dangling uncertainty in personal and family expectations. Policy makers, economic development officials, and service providers continue to seek solutions to support the spirit and resources toward entrepreneurship as the engine for future economic growth and societal stability.

Small family farms, compared to other types of small ventures, encounter some of the most unique issues beyond commonly acknowledged challenges. Many uncontrollable and unpredictable events such as changes in climate, environment, natural disasters, ecology, and biophysical elements in fields, could devastate the farming livelihood and threaten the
sustainability and prosperity of farm families. According to the Census of Agriculture\(^2\), the number of farms has been slowing and steadily declining over time. The most recent Census of Agriculture released in 2012 showed interesting trends compared to 2007 data, for example:

1. **The 2012 Census showed principal farm operators are becoming older and more diverse; following the trend of previous censuses.** The average age of a principal farm operator was 58.3 years in 2012, up 1.2 years since 2007, and continuing a 30-year trend of steady increase. The Census also accounted for more minority-operated farms in 2012 than in 2007.

2. **In 2012, the United States had 2.1 million farms – down 4.3 percent from the previous Census in 2007.** In terms of farm size by acres, this continues an overall downward trend in mid-sized farms, while the smallest and largest-size farms held steady. Between 2007 and 2012, the amount of land in farms in the United States continued a slow downward trend declining from 922 million acres to 915 million. This is only a decline of less than one percent and is the third smallest decline between censuses since 1950.

Under pressure to survive and succeed, farm operators need to be entrepreneurial, and seek and create new opportunities in a highly competitive market. Multifunctional agriculture (MFA) was a political strategy introduced and adopted in the early 1990s by the European countries to facilitate and promote food security and sustainable economic development (Devries, 2000; European Commission, 2012). Broadly speaking, the MFA refers to agricultural activities beyond serving the traditional role of producing food and fiber (Renting, et al. 2009, Hajnalka & Alajos, 2009; Van Huylenbroeck & Durand, 2003). While there is no specific definition or policy orientation established in the United States, farmers have been involved in MFA, particularly in the New England region (Table 1 and 2). Many small dairy farms in
Vermont, for example, have introduced farm tours, offer educational and training workshops, renovate old barns to be Bed & Breakfast, and make cheese, yogurt, and ice cream. Many small farms in Massachusetts have developed closer relationships with their customers by selling at farm stands, farmers markets, and local institutions such as schools and hospitals. However, there is a stunning lack of systematic research on the linkages and interactions with respect to the MFA and its impacts on People (farmers, local residents in farming communities, and consumers), Place (communities to include farming and non-farm activities), and Prosperity (farm income and profits, health of local farming communities, quality of life for farmers/farm families and consumers or local residents) in the United States.

### Table 1. Number of Farms Participating in Selected MFA in New England Region

<table>
<thead>
<tr>
<th>State</th>
<th>Agritourism</th>
<th>% Change</th>
<th>Direct Sales</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>237</td>
<td>135</td>
<td>1,420</td>
<td>29</td>
</tr>
<tr>
<td>Maine</td>
<td>270</td>
<td>141</td>
<td>2,311</td>
<td>36</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>287</td>
<td>86</td>
<td>2,206</td>
<td>33</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>190</td>
<td>116</td>
<td>1,348</td>
<td>37</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>68</td>
<td>58</td>
<td>376</td>
<td>51</td>
</tr>
<tr>
<td>Vermont</td>
<td>155</td>
<td>42</td>
<td>2,071</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: USDA, National Agricultural Statistics Services, New England Field Office
Table 2. Gross Sales ($1,000) from Participating in Selected Multifunctional Ag-Activities in New England Region

<table>
<thead>
<tr>
<th>State</th>
<th>Agritourism 2012 ($1,000)</th>
<th>% Change</th>
<th>Direct Sales 2012 ($1,000)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>9497</td>
<td>11</td>
<td>30,439</td>
<td>2</td>
</tr>
<tr>
<td>Maine</td>
<td>1803</td>
<td>78</td>
<td>24,793</td>
<td>35</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>12034</td>
<td>127</td>
<td>47,909</td>
<td>14</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>3825</td>
<td>65</td>
<td>20,321</td>
<td>27</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>1447</td>
<td>110</td>
<td>6,253</td>
<td>-1</td>
</tr>
<tr>
<td>Vermont</td>
<td>1737</td>
<td>17</td>
<td>27,430</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: USDA, National Agricultural Statistics Services, New England Field Office

Note 1. The U. S. Small Business Administration defines small businesses as enterprises with fewer than 500 full time equivalent employees.

Note 2. The U.S. Department of Agriculture conducts the Census of Agriculture every 5 years.

Note 3. USDA defines small farms as any commercial or non-commercial farm earning less than $250,000 in annual gross cash sales. Farms earning more than $250,000 in annual gross cash sales are large farms.  [http://www.extension.org/pages/13823/usda-small-farm-definitions#.U776GUDyRpk](http://www.extension.org/pages/13823/usda-small-farm-definitions#.U776GUDyRpk)
This paper reports key findings from the largest field survey conducted in the U.S. to examine MFA in relation to four different sizes of farming operations, and the size of farming operations is defined by annual gross cash sales (adding up all cash sales from conventional agricultural products and MFA activities) to be consistent with New England farm characteristics and the USDA’s definition:

- **Micro commercial farms** – annual grow cash sales are between $1 and $10,000.
- **Small commercial farms** – annual gross cash sales are between $10,001 and $100,000.
- **Medium commercial farms** - annual gross cash sales are between $100,001 and $500,000.
- **Large commercial farms** - annual gross cash sales are over $500,000.

We define MFA in our study to include four aspects modified from the original definition introduced by the European countries – agritourism, value added, direct sales, and off farm work (Liang & Su, 2013; Liang, Su, Dunn, & Pescatore, 2012; Liang, 2012). These activities have been hypothesized to enhance the long term sustainability and prosperity both of farmers and the rural communities in which they are located. Analysis and discussion presented in this paper focus on MFA farm profile and farm operators’ entrepreneurial characteristics, motivations and challenges relating to MFA operations, and farmers’ perception on MFA and its impacts on personal and family life. The long term goal of this study is to identify specific strategies and policy options that may increase the integration of local economies (communities) and farms, and to enhance the overall viability of rural communities.

Note 4. The MFA definition for our study is different from the Census of Agriculture. The Census of Agriculture offers general descriptions for agritourism, value added, and direct sales.
In our study, agritourism refers to outdoor recreation, educational tourism, accommodations and food services, and entertainment, festival, and other events. Value added includes jam, jelly, other fruit preserved products, processed dairy products, pickled fruit and vegetables, wine, wool and mohair products, process maple products, candy, cream, spice, flour, sugar, other baking and cooking condiments, aquaculture, and forest products and by-products. Direct sales relate to cooperative and other contracted sales, community supported agriculture, pick your own, farm stand, farmers’ market, Christmas tree, firewood, hay, greenhouse and nursery products, local institutions such as hospitals, schools, or correctional facilities, restaurants and local retail outlets, national retail franchise, and other types of open market sales.

**Literature Review**

In studying multifunctional farmers, we were particularly interested in the similarities between small farmers and small business people. We will begin with an overview of entrepreneurship and small business literature. Researchers have discussed ‘pull and push’ factors beyond financial incentives for people to become entrepreneurs – being bored and redundancy in current position, job insecurity, personal satisfaction, family happiness, taking control of their life, making a positive impact on the society, contributing to professional networks, and winding down in anticipation of retirement (Glancey & Malcolm, 1997; Liang, 2002; Morris, et.al., 1996; Orhan & Scott, 2001; Lee, 1997; Davidson & Honig, 2003). Many scholastic works have examined entrepreneurial individuals and their traits, characteristics, or mindset. McClelland (1965) postulated the need for achievement among entrepreneurs as an important motive early in these studies, and other studies continued to explore several commonly observed or analyzed parameters such as optimism, realism, confidence, risk acceptance,
independency, perseverance, passion, and goal oriented. Shane, Locke & Collins (2012) summarized motivation/characteristics as the need for achievement, risk taking, tolerance for ambiguity, locus of control, self-efficacy, goal setting, independence, drive, egoistic passion.

A small farm is defined as an operation earning annual gross cash income less than $250,000, including commercial and noncommercial farms (USDA, 2012; MacDonald, 2010). According to the Census of Agriculture, there seemed to be a diverging trend in operations among small farms. The number of small commercial farms with annual gross cash income of $10,000 and $250,000 fell between 2002 and 2007. The number of small noncommercial farms earning less than $1,000 annual gross cash income actually increased, and these small noncommercial farms contributed to all of the growth in small farm numbers between 2002 and 2007 (USDA, 2007; Hoppe, MacDonald, & Korb, 2010; MacDonald, 2010). Although the large commercial farms contribute to 85 percent of the market value of agricultural production, small farms offer environmental and ecological benefits to support working landscape and rural lifestyle. Many of these small noncommercial farms are family farms in rural areas, and most of them rely on off farm jobs or other alternatives to make a living. Researchers speculated that some small farms are profitable, and others are willing to accept financial losses (Hoppe, MacDonald, & Korb, 2010). Our research questions were triggered by such significant shift in farming patterns – what do these small farms do to survive, how do they make decisions to engage in farming and other activities, and what are the consequences with respect to financial situation and quality of life?

Multifunctional farm enterprise is a relatively new concept in the U.S., and has largely been addressed at the macroeconomic level to consider trade issues (Bohman, et al. 1999). In the European countries, the MFA concept has emerged as a key notion in scientific and policy
debates on the future of agriculture and rural development (Renting, et al. 2009; Brouwer and van der Heide 2009). Existing literature refers MFA to agricultural activities beyond the traditional role of producing food and fiber, such as renewable resource management, landscape and biodiversity conservation, and contribution to the socio-economic viability of rural communities (Renting, et al. 2009; Hajnalka and Alajos, 2009; Van Huylenbroeck and Durand, 2003). Van der Ploeg and Roep (2003) described a triangular relationship to link MFA with farming: Broadening, Deepening, and Re-grounding. Broadening involves a farming operation diversifying its enterprises to include the production of new goods and services that encourage the linking of farm production, visitors to rural areas, and amenities of their local communities. Agritourism and specialty food sectors in the New England region are clear examples of broadening activities (McGehee, 2007; Heller, 2007; Hughes, Kennedy, and Ortego, 1999). Deepening involves refocusing agricultural production to better meet the demands of consumer and sometimes requires advancements in the agricultural supply chain. Direct local sales are examples of deepening activities. Researchers have analyzed specific marketing strategies adapted by farmers such as direct farm-to-table food marketing, roadside stands, web-based sales, community supported agriculture, small producer marketing cooperatives, pick-your-own fresh produce, and farmer’s markets (Kinsey and Senauer, 1996; Roth, 1999; Tippins, Rassuli and Hollander, 2002; Hansen, 2003; White, 1996; White, 1997; White and Manning, 1998). Finally, Regrounding activities involve the total refocusing of farm household resources, such as participating in activities outside of farming and off-farm work of farm household members.

Diagram 1 summarizes the relationships between farm household, customers/buyers, and community/other organizations. A farm household can decide to establish any combination of the MFA by choosing from agritourism, value added, direct sales, and off farm works (center
section of Diagram 1). The overall goal of the study is to explore and analyze if MFA farm households satisfy the entrepreneurial theory from both the micro/individual’s perspective and the macro/economic/social/environmental aspects. This paper primarily focuses on testing the following hypotheses:

1. MFA farm operators exhibit entrepreneurial characteristics as described in entrepreneurship literature regardless the size of annual gross cash sales;
2. MFA farm operators choose to participate in MFA when considering different types of MFA activities depending on the size of annual gross cash sales; and
3. MFA farms’ financial situation and quality of life have been improved as the results of participating in MFA regardless the size of annual gross cash sales.

Survey Design and Administration
Two levels of the surveys were designed and distributed in New England for this study. The first level was to design a postcard survey (Appendix 1) to gather information from ALL farmers in New England. This is the first attempt in the U.S. to use a census approach to study MFA by offering all farmers in New England an opportunity to respond. Using the NASS database and mailing services, the postcard survey was mailed to 33,112 farmers in New England between October 2011 and February 2012. Useable postcards were collected by the University of Vermont. Non-deliverable postcards were returned to the NASS. We received 4,636 useable responses or a 14% return rate.

Note 5. Hurricane Irene hit New England region during our postcard mailing period, which could significantly influence response rate and farmers’ perceptions in operation, management, and future outlook.

A detailed farm survey (Appendix 2) was designed, pre-tested, and administered to gather information from farm operators who returned the postcards plus additional random sample units drawn by the NASS New England office. Researchers developed questions following many examples such as agritourism survey in Vermont and Massachusetts between 1998 and 2009, USDA Agricultural Risk Management survey conducted by the Economic Research Services office, and Census of Agriculture surveys. There were four sections in the farm survey and the reference year was 2011. The first section included questions about general profile and operation, status of organic or non-organic operations, if farmers participated in MFA in 2011 and what types, if farmer received government payment, and how farmers connect with other farmers and organizations for advice, training, education, and technical support. The second section gathered financial information regarding estimated sales and expenses in dollars with respect to conventional distribution/sales, direct sales to non-conventional outlets, agritourism...
activities, and value added productions beyond fresh produce and meat products. The third section includes questions about individual demographics, family/household compositions, and off farm jobs. The last section asked farmers to identify reasons, challenges, entrepreneurial characteristics, and expectations/future outlook as the result of their participation in MFA activities.

The survey was printed at the University of Vermont, and the NASS New England office assisted in mailing all surveys to 7,026 farmers (including 4,636 producers who responded to the postcard survey, plus a random sample of 2,390 producers selected by the NASS staff). The questionnaire was mailed in April 2012 and 1,029 surveys were returned by August 2012 and useable for analysis (15% response rate). This paper used data from the detailed survey only.

Descriptive Statistics of Respondents’ Profile

The number of survey respondents from each state in New England matched with the Census of Agriculture farm distribution data very well, which implied the survey respondents formed a balanced representative sample for our analysis. The demographics of respondents also mirrored what was reported in the 2012 Census of Agriculture (Graph 1, 2, 3). In general, most of the respondents were over 55 year of age and a majority was male. Some respondents indicated a joint ownership with their partners, therefore we had a few in the “male and female category. While the Census of Agriculture provided no information about farmers’ education, over 50 percent of our respondents had at least some college education, and most of them had 4-year college education or above. Looking across categories of annual gross cash sales, more respondents were earning less than $10,000, followed by earning between $10,000 and
$100,000. But the demographic distribution was consistent across micro, small, medium, and large farms – majority respondents were male, highly educated, and over 55 years old.

Graph 1. Age Distribution for MFA Farms by

Graph 2. Gender Distribution for MFA Farms by Categories of Annual Gross Cash Income

Graph 3. Education Distribution for MFA Farms by Categories of Annual Gross Cash Income

Are Farmers Entrepreneurs?

Scholars have discussed and debated definitions of entrepreneur and entrepreneurial characteristics. It would be reasonable to assume that MFA farmers are more innovative than others, since they assume risks, actively seek and create new opportunities with limited resources. We asked the New England farm operators to identify their entrepreneurial
characteristics, and interestingly there were no statistically significant differences across size of annual gross cash sales with respect to entrepreneurial characteristics by comparing percentage of responses (Table 3). A slightly higher percentage of the micro farms believed that they were optimistic, not afraid of failure, and creative and innovative. A slightly higher percentage of the small farms seemed to agree that they were confident and enjoyed working with people in general. For medium and large MFA farms, they seemed to be more likely to look before they leap, they tended to plan and consider both negative and positive outcomes, and they were more interested in seeking new opportunities. The only significant differences existed across different types of farms was about taking reasonable risks. A higher percentage of medium sized farms was willing to take reasonable risks, followed by small farms, micro farms, and large farms.

Table 3. Entrepreneurial Characteristics of Respondents by Size of Annual Gross Cash Sales in New England

<table>
<thead>
<tr>
<th>I am always optimistic about my future</th>
<th>$1-10000</th>
<th>$10001-100000</th>
<th>$100001-500000</th>
<th>$500000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>85</td>
<td>37</td>
<td>35</td>
<td>11</td>
</tr>
<tr>
<td>Agree</td>
<td>81</td>
<td>35</td>
<td>31</td>
<td>10</td>
</tr>
<tr>
<td>Neutral</td>
<td>48</td>
<td>21</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Disagree</td>
<td>11</td>
<td>5</td>
<td>6</td>
<td>0</td>
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### I am creative and innovative

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### I am always confident about my decisions

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### I enjoy working with people in general

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### I usually look

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64

Memphis, TN, September 24-26, 2014
<table>
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<tr>
<th>before I leap</th>
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<th>Neutral</th>
<th>Disagree</th>
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<th>Total</th>
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### I usually try to find as much information as I can before I decide what to do

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### I try to be reasonably certain about the situation I face when starting an important activity

<table>
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<th>% of respondents</th>
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Note: * indicates statistically significant at 10%.

**Why Do Farmers Engage in MFA?**
Why and how people become entrepreneurial is a mystery. Previous literature found that farmers were interested in sustaining and growing their farm through additional activities to provide jobs for family, and to use existing resources to create additional opportunities that would generate extra value and benefits. Whether it is due to the depression or personal preferences, farm entrepreneurs make decisions to participate in MFA by observing trends or solving problems to improve personal and family well-being. Farming is risky, and taking on more work certainly add stress to farm families. We asked farmers a simple question – why do you participate in MFA? (Table 4) Obviously financial incentive, promoting connections with customers, and seeking diversification seemed to be the most important reasons, especially for large farms. Other reasons such as promoting locally produced products, offering employment to family members, sustaining local farmland, and providing educational channel seemed to be equally important across all sizes of farms. Among all direct sales strategies, respondents seemed to favor direct sales to customers through farm stands, farmers’ markets, and Community Supported Agriculture programs. A higher percentage of micro farms indicated that they chose to participate in agritourism, value added production, and direct sales to consumers because it was their hobby. Access to employer provided health insurance seemed to be very important to all sizes of farms when they decided to obtain off farm jobs. Maybe the situation is different now after the Affordable Care Act is in place.

Table 4. Reasons to Participate in MFA by Categories of Annual Gross Cash Sales in New England

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<thead>
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<th>Annual Gross Cash Sales</th>
<th>Increase Revenue through</th>
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<tr>
<td>1 - 10000 (n=241)</td>
<td>10001 - 100000 (n=223)</td>
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Memphis, TN, September 24-26, 2014
<table>
<thead>
<tr>
<th>Agritourism***</th>
<th>9.50%</th>
<th>17.50%</th>
<th>21.20%</th>
<th>35.30%</th>
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<td>Value Added***</td>
<td>12.90%</td>
<td>21.50%</td>
<td>27.40%</td>
<td>44.10%</td>
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<tr>
<td>Sales to Consumers***</td>
<td>36.50%</td>
<td>52.90%</td>
<td>42.50%</td>
<td>52.90%</td>
</tr>
<tr>
<td>Sales to Retailers***</td>
<td>13.30%</td>
<td>28.30%</td>
<td>30.10%</td>
<td>38.20%</td>
</tr>
<tr>
<td>Sales to Institutions***</td>
<td>2.50%</td>
<td>7.60%</td>
<td>14.20%</td>
<td>11.80%</td>
</tr>
<tr>
<td>Off farm jobs</td>
<td>16.20%</td>
<td>15.20%</td>
<td>15.00%</td>
<td>14.70%</td>
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### Improve Financial Situation through

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<th>29.40%</th>
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<td>17.00%</td>
<td>22.10%</td>
<td>29.40%</td>
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<tr>
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<td>20.30%</td>
<td>36.80%</td>
<td>34.50%</td>
<td>38.20%</td>
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<tr>
<td>Sales to Retailers***</td>
<td>7.50%</td>
<td>18.40%</td>
<td>23.00%</td>
<td>32.40%</td>
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<tr>
<td>Sales to Institutions***</td>
<td>2.10%</td>
<td>6.70%</td>
<td>8.80%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Off farm jobs***</td>
<td>28.60%</td>
<td>29.60%</td>
<td>19.50%</td>
<td>14.70%</td>
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### Promote Connections to Consumers through

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<td>Value Added**</td>
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<td>12.60%</td>
<td>15.00%</td>
<td>20.60%</td>
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<tr>
<td>Sales to Consumers*</td>
<td>32.00%</td>
<td>42.20%</td>
<td>30.10%</td>
<td>35.30%</td>
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<td>Sales to Retailers***</td>
<td>7.90%</td>
<td>16.10%</td>
<td>19.50%</td>
<td>20.60%</td>
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<tr>
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<td>5.40%</td>
<td>9.70%</td>
<td>11.80%</td>
</tr>
<tr>
<td>Off farm jobs</td>
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<td>1.80%</td>
<td>2.90%</td>
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### Promote Locally Made Products through

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<td>26.50%</td>
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<td>Sales to Consumers</td>
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<td>26.50%</td>
<td>26.50%</td>
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<td>Sales to Retailers*</td>
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<td>15.90%</td>
<td>23.50%</td>
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<td>9.70%</td>
<td>8.80%</td>
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<td>2.70%</td>
<td>0.90%</td>
<td>2.90%</td>
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### Diversify Farm Operations through
### Agritourism

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<td>Value Added***</td>
<td>7.10%</td>
<td>17.90%</td>
<td>19.50%</td>
<td>32.40%</td>
</tr>
<tr>
<td>Sales to Consumers***</td>
<td>12.40%</td>
<td>27.80%</td>
<td>26.50%</td>
<td>29.40%</td>
</tr>
<tr>
<td>Sales to Retailers***</td>
<td>4.60%</td>
<td>14.80%</td>
<td>20.40%</td>
<td>23.50%</td>
</tr>
<tr>
<td>Sales to Institutions***</td>
<td>1.20%</td>
<td>3.60%</td>
<td>9.70%</td>
<td>5.90%</td>
</tr>
<tr>
<td>Off farm jobs</td>
<td>5.00%</td>
<td>2.70%</td>
<td>3.50%</td>
<td>11.80%</td>
</tr>
</tbody>
</table>

### Provide Employment for Family through

<table>
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<tr>
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<th>4.10%</th>
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<th>8.80%</th>
<th>17.60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Added***</td>
<td>3.30%</td>
<td>4.90%</td>
<td>10.60%</td>
<td>17.60%</td>
</tr>
<tr>
<td>Sales to Consumers</td>
<td>10.40%</td>
<td>14.80%</td>
<td>14.20%</td>
<td>17.60%</td>
</tr>
<tr>
<td>Sales to Retailers***</td>
<td>2.90%</td>
<td>5.80%</td>
<td>10.60%</td>
<td>17.60%</td>
</tr>
<tr>
<td>Sales to Institutions</td>
<td>0.40%</td>
<td>1.80%</td>
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<td>2.90%</td>
</tr>
<tr>
<td>Off farm jobs</td>
<td>3.70%</td>
<td>4.90%</td>
<td>7.10%</td>
<td>5.90%</td>
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### Access Employer Provided Health Insurance through

<table>
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</thead>
<tbody>
<tr>
<td>Agritourism***</td>
<td>0.00%</td>
<td>0.90%</td>
<td>0.00%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Value Added*</td>
<td>1.20%</td>
<td>2.20%</td>
<td>0.00%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Sales to Consumers*</td>
<td>0.00%</td>
<td>1.30%</td>
<td>0.00%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Sales to Retailers***</td>
<td>0.40%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Sales to Institutions</td>
<td>17.80%</td>
<td>14.30%</td>
<td>11.50%</td>
<td>11.80%</td>
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### Promote Local Farm Scenery through

<table>
<thead>
<tr>
<th>Category</th>
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<th>16.60%</th>
<th>22.10%</th>
<th>20.60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism*</td>
<td>6.60%</td>
<td>6.30%</td>
<td>5.30%</td>
<td>11.80%</td>
</tr>
<tr>
<td>Value Added</td>
<td>15.80%</td>
<td>17.50%</td>
<td>10.60%</td>
<td>11.80%</td>
</tr>
<tr>
<td>Sales to Consumers</td>
<td>4.60%</td>
<td>8.50%</td>
<td>4.40%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Sales to Institutions</td>
<td>1.20%</td>
<td>2.20%</td>
<td>1.80%</td>
<td>2.90%</td>
</tr>
</tbody>
</table>

---

Memphis, TN, September 24-26, 2014
### Enhance Sustainability of Local Farmland through

| Off Farm Jobs | 2.10% | 1.80% | 0.90% | 2.90% |

| Agritourism     | 11.20% | 15.20% | 15.90% | 20.60% |
| Value Added     | 11.20% | 15.70% | 14.20% | 20.60% |
| Sales to Consumers | 28.60% | 38.10% | 24.80% | 20.60% |
| Sales to Retailers* | 9.10% | 15.20% | 13.30% | 17.60% |
| Sales to Institutions* | 2.90% | 5.40% | 5.30% | 8.80% |
| Off Farm Jobs   | 4.60%  | 4.50%  | 1.80%  | 5.90%  |

### Connect With Other Community Members through

| Agritourism     | 6.20%  | 7.20%  | 10.60% | 14.70% |
| Value Added     | 3.70%  | 5.40%  | 3.50%  | 8.80%  |
| Sales to Consumers | 15.40% | 17.90% | 8.80%  | 17.60% |
| Sales to Retailers | 8.70% | 5.40%  | 6.20%  | 14.70% |
| Sales to Institutions | 3.30% | 3.60%  | 2.70%  | 11.80% |
| Off Farm Jobs   | 3.70%  | 3.10%  | 4.40%  | 8.80%  |

### Provide Educational Channel through

| Agritourism*     | 12.90% | 13.50% | 23.90% | 23.50% |
| Value Added      | 6.60%  | 6.30%  | 5.30%  | 5.90%  |
| Sales to Consumers | 14.90% | 18.80% | 8.00%  | 11.80% |
| Sales to Retailers | 4.10% | 6.70%  | 5.30%  | 5.90%  |
| Sales to Institutions | 2.90% | 2.20%  | 3.50%  | 5.90%  |
| Off Farm Jobs    | 3.70%  | 0.90%  | 2.70%  | 5.90%  |

### Create Different lifestyle for Family through

| Agritourism     | 8.30%  | 8.50%  | 12.40% | 17.60% |
| Value Added     | 8.70%  | 9.90%  | 7.10%  | 8.80%  |
Challenges and Barrier of MFA Operations in New England

Several challenges and issues were cited from the literature such as lack of resources, lack of qualified and reliable employees, competition, technical training, and government tax and other regulations. Scholars also examined family issues, socio-cultural barriers, and structural-economic-environmental barriers (Mohammadbagher, Siami, Khozain, & Nezambabad, 2012; Liang & Dunn, 2013). We asked New England farmers to indicate which barriers if applicable (check all that apply) prohibited their involvement or expansion in MFA. Our survey respondents seemed to agree with most of the issues that were identified in the literature, with some discrepancies across different sizes of farms (Table 5).

For micro farms, access to finance was the most important barrier for them to be engaged in off farm jobs, probably when they intended to start/manage non-agricultural works. Access to land was one of the barriers for micro farmers to be involved in value added production and direct sales. Most of the micro farmers agreed that access to networks and support systems was
the bigger problem for them to be involved in MFA. Higher percentage of small farms indicated that access to finance, access to market, access to labor, and access to service providers/vendors were issues for them to be involved in MFA. Interestingly for large farms, access to training and access to service provider/vendors were major issues with respect to value added production.

**Are We Better Off as the Results of Participating in MFA?**

Decisions have consequences! Farmers who choose to participate in MFA shared their honest opinion about consequences and future outlook after they adopted MFA strategies (Table 6). An overwhelmingly higher percentage of respondents, regardless of type of farm, agreed that they would continue participating in MFA. A significantly higher percentage of micro farmers agreed and strongly agreed that MFA indeed improved their family financial situation and quality of life. Many micro farmers were neutral regarding whether their family had a more positive outlook for their farming future as the results of MFA. The future outlook of these micro family farms probably related more to the overall assessment of economic volatility, and uncertainty of family members’ future decisions whether young people will stay in farming. For small, medium, and large size farms, our respondents seemed to be very positive about the impacts of MFA on their family financial situation, quality of life, and future outlook of farming. As discussed in previous studies, most small business owners believed that their family members would support them in the new venture creation process if they would start another new venture in the future (Liang & Dunn, 2009; Liang & Dunn, 2013).
Table 5. Challenges for New England MFA Farmers

### Access to Financing Capital to Gross Farm Income

<table>
<thead>
<tr>
<th></th>
<th>1 - 10000</th>
<th>10001 - 100000</th>
<th>100001 - 500000</th>
<th>500000+</th>
<th>Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism</td>
<td>33.30%   (n=18)</td>
<td>38.90%   (n=21)</td>
<td>20.40%   (n=11)</td>
<td>7.40%   (n=4)</td>
<td>54</td>
</tr>
<tr>
<td>Value Added</td>
<td>31.40%   (n=16)</td>
<td>35.30%   (n=18)</td>
<td>25.50%   (n=13)</td>
<td>7.80%   (n=4)</td>
<td>51</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>38.30%   (n=18)</td>
<td>42.60%   (n=20)</td>
<td>12.80%   (n=6)</td>
<td>6.40%   (n=3)</td>
<td>47</td>
</tr>
<tr>
<td>Sales to retail</td>
<td>35.30%   (n=12)</td>
<td>47.10%   (n=16)</td>
<td>8.80%   (n=3)</td>
<td>8.80%   (n=3)</td>
<td>34</td>
</tr>
<tr>
<td>sales to institutions</td>
<td>30.40% (n=7)</td>
<td>43.50%   (n=10)</td>
<td>17.40%   (n=4)</td>
<td>8.70%   (n=2)</td>
<td>23</td>
</tr>
<tr>
<td>off-farm jobs/business</td>
<td>60.00% (n=9)</td>
<td>26.70%   (n=4)</td>
<td>6.70%    (n=1)</td>
<td>6.70%   (n=1)</td>
<td>15</td>
</tr>
</tbody>
</table>

### Access to Land to Gross Farm Income

<table>
<thead>
<tr>
<th></th>
<th>34.80%   (n=8)</th>
<th>34.80%   (n=8)</th>
<th>13.00%   (n=3)</th>
<th>17.40%   (n=4)</th>
<th>Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism</td>
<td>50.00%   (n=9)</td>
<td>22.20%   (n=4)</td>
<td>22.20%   (n=4)</td>
<td>5.60%   (n=1)</td>
<td>18</td>
</tr>
<tr>
<td>Value Added</td>
<td>48.70%   (n=19)</td>
<td>33.30%   (n=13)</td>
<td>15.40%   (n=6)</td>
<td>2.60%   (n=1)</td>
<td>39</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>48.70%   (n=19)</td>
<td>33.30%   (n=13)</td>
<td>15.40%   (n=6)</td>
<td>2.60%   (n=1)</td>
<td>39</td>
</tr>
<tr>
<td>Sales to retail</td>
<td>39.50%   (n=15)</td>
<td>36.80%   (n=14)</td>
<td>15.80%   (n=6)</td>
<td>7.90%   (n=3)</td>
<td>38</td>
</tr>
<tr>
<td>sales to institutions</td>
<td>30.00% (n=6)</td>
<td>40.00%   (n=8)</td>
<td>20.00%   (n=4)</td>
<td>10.00%   (n=2)</td>
<td>20</td>
</tr>
<tr>
<td>off-farm jobs/business</td>
<td>37.50% (n=3)</td>
<td>50.00%   (n=4)</td>
<td>12.50%   (n=1)</td>
<td>8.00%   (n=1)</td>
<td>8</td>
</tr>
</tbody>
</table>

### Access to Markets and Customers to Gross Farm Income

<table>
<thead>
<tr>
<th></th>
<th>30.00%   (n=9)</th>
<th>30.00%   (n=9)</th>
<th>20.00%   (n=6)</th>
<th>20.00%   (n=6)</th>
<th>Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism</td>
<td>18.50%   (n=5)</td>
<td>48.10%   (n=13)</td>
<td>18.50%   (n=5)</td>
<td>14.80%   (n=4)</td>
<td>27</td>
</tr>
<tr>
<td>Value Added</td>
<td>35.30%   (n=18)</td>
<td>41.20%   (n=21)</td>
<td>15.70%   (n=8)</td>
<td>7.80%   (n=4)</td>
<td>51</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>28.10%   (n=9)</td>
<td>40.60%   (n=13)</td>
<td>15.60%   (n=5)</td>
<td>15.60%   (n=5)</td>
<td>32</td>
</tr>
<tr>
<td>Sales to retail</td>
<td>38.10%   (n=8)</td>
<td>33.30%   (n=7)</td>
<td>23.80%   (n=5)</td>
<td>4.80%   (n=1)</td>
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<tr>
<td>sales to institutions</td>
<td>38.10% (n=8)</td>
<td>33.30%   (n=7)</td>
<td>23.80%   (n=5)</td>
<td>4.80%   (n=1)</td>
<td>21</td>
</tr>
<tr>
<td><strong>off-farm jobs/business</strong></td>
<td>33.33% (n=3)</td>
<td>66.67% (n=6)</td>
<td>9</td>
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</tr>
<tr>
<td>--------------------------</td>
<td>--------------</td>
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<tr>
<td><strong>Access to Labor to Gross farm income</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Agritourism</td>
<td>33.30% (n=13)</td>
<td>28.20% (n=11)</td>
<td>10.30% (n=4)</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>value added</td>
<td>33.30% (n=16)</td>
<td>33.30% (n=16)</td>
<td>25.00% (n=12)</td>
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</tr>
<tr>
<td>sales to consumers</td>
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<td>43.80% (n=32)</td>
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<td>sales to retail</td>
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<td>21.10% (n=8)</td>
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<td>26.90% (n=7)</td>
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<tr>
<td>off-farm jobs/business</td>
<td>54.50% (n=6)</td>
<td>18.20% (n=2)</td>
<td>27.30% (n=3)</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Access to Training to Gross farm income</strong></td>
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<td></td>
<td></td>
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<tr>
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<td>7.70% (n=1)</td>
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<tr>
<td>value added</td>
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<td>25.00% (n=2)</td>
<td>12.50% (n=1)</td>
<td>37.50% (n=3)</td>
<td>8</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>54.50% (n=6)</td>
<td>18.20% (n=2)</td>
<td>18.20% (n=2)</td>
<td>9.10% (n=1)</td>
<td>11</td>
</tr>
<tr>
<td>sales to retail</td>
<td>33.30% (n=2)</td>
<td>16.70% (n=1)</td>
<td>33.30% (n=2)</td>
<td>16.70% (n=1)</td>
<td>6</td>
</tr>
<tr>
<td>sales to institutions</td>
<td>33.30% (n=2)</td>
<td>16.70% (n=1)</td>
<td>33.30% (n=2)</td>
<td>16.70% (n=1)</td>
<td>6</td>
</tr>
<tr>
<td>off-farm jobs/business</td>
<td>50.00% (n=2)</td>
<td>50.00% (n=2)</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td><strong>Access to Service Providers/Vendors to Gross Farm Income</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agritourism</td>
<td>27.30% (n=3)</td>
<td>36.40% (n=4)</td>
<td>18.20% (n=2)</td>
<td>18.20% (n=2)</td>
<td>11</td>
</tr>
<tr>
<td>value added</td>
<td>27.30% (n=3)</td>
<td>36.40% (n=4)</td>
<td>9.10% (n=1)</td>
<td>27.30% (n=3)</td>
<td>11</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>47.06% (n=8)</td>
<td>35.29% (n=6)</td>
<td>17.65% (n=3)</td>
<td></td>
<td>17</td>
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<tr>
<td>sales to retail</td>
<td>56.30% (n=9)</td>
<td>31.30% (n=5)</td>
<td>12.50% (n=2)</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>sales to institutions</td>
<td>57.10% (n=4)</td>
<td>28.60% (n=2)</td>
<td>14.30% (n=1)</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>off-farm jobs/business</td>
<td>50.00% (n=2)</td>
<td>50.00% (n=2)</td>
<td></td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

Memphis, TN, September 24-26, 2014
Access to networks and Support Systems to Gross Farm Income

<table>
<thead>
<tr>
<th></th>
<th>50.00% (n=13)</th>
<th>26.90% (n=7)</th>
<th>11.50% (n=3)</th>
<th>11.50% (n=3)</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism</td>
<td>50.00% (n=6)</td>
<td>15.80% (n=3)</td>
<td>21.10% (n=4)</td>
<td>31.60% (n=6)</td>
<td>19</td>
</tr>
<tr>
<td>value added</td>
<td>57.10% (n=16)</td>
<td>25.00% (n=7)</td>
<td>10.70% (n=3)</td>
<td>7.10% (n=2)</td>
<td>28</td>
</tr>
<tr>
<td>sales to consumers</td>
<td>51.90% (n=14)</td>
<td>33.30% (n=9)</td>
<td>7.40% (n=2)</td>
<td>7.40% (n=2)</td>
<td>27</td>
</tr>
<tr>
<td>sales to retail</td>
<td>54.50% (n=12)</td>
<td>31.82% (n=7)</td>
<td>9.09% (n=2)</td>
<td>4.55% (n=1)</td>
<td>22</td>
</tr>
<tr>
<td>sales to institutions</td>
<td>50.00% (n=3)</td>
<td>33.30% (n=2)</td>
<td>16.70% (n=1)</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>off-farm jobs/business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6. Selected Outcomes for the New England MFA Farms

<table>
<thead>
<tr>
<th></th>
<th>$1-10000</th>
<th>$10001-100000</th>
<th>$100001-500000</th>
<th>$500000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>My family's financial situation has been improved**</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>38 18</td>
<td>62 32</td>
<td>31 39</td>
<td>3 14</td>
</tr>
<tr>
<td>Agree</td>
<td>48 23</td>
<td>58 30</td>
<td>24 30</td>
<td>9 43</td>
</tr>
<tr>
<td>Neutral</td>
<td>69 33</td>
<td>48 25</td>
<td>14 18</td>
<td>4 19</td>
</tr>
<tr>
<td>Disagree</td>
<td>31 15</td>
<td>18 9</td>
<td>8 10</td>
<td>3 14</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>22 11</td>
<td>9 5</td>
<td>2 3</td>
<td>2 10</td>
</tr>
<tr>
<td>Total</td>
<td>208 100</td>
<td>195 100</td>
<td>79 100</td>
<td>21 100</td>
</tr>
<tr>
<td>My family's quality of life has been improved*</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
<td>n % of respondents</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>72 34</td>
<td>75 38</td>
<td>23 29</td>
<td>3 14</td>
</tr>
<tr>
<td>Agree</td>
<td>82 38</td>
<td>63 32</td>
<td>23 29</td>
<td>7 32</td>
</tr>
<tr>
<td>Neutral</td>
<td>40 19</td>
<td>38 19</td>
<td>25 32</td>
<td>8 36</td>
</tr>
<tr>
<td>Disagree</td>
<td>10 5</td>
<td>13 7</td>
<td>6 8</td>
<td>1 5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>9 4</td>
<td>6 3</td>
<td>2 3</td>
<td>3 14</td>
</tr>
<tr>
<td></td>
<td>213</td>
<td>100</td>
<td>195</td>
<td>100</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>------</td>
<td>-----</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td><strong>My family has a more positive outlook for our farming operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>14</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td>Agree</td>
<td>47</td>
<td>23</td>
<td>58</td>
<td>30</td>
</tr>
<tr>
<td>Neutral</td>
<td>80</td>
<td>39</td>
<td>64</td>
<td>33</td>
</tr>
<tr>
<td>Disagree</td>
<td>38</td>
<td>19</td>
<td>36</td>
<td>19</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>11</td>
<td>5</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>204</td>
<td>100</td>
<td>192</td>
<td>100</td>
</tr>
<tr>
<td><strong>I would continue participating in multifunctional operations in the future</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>88</td>
<td>43</td>
<td>85</td>
<td>48</td>
</tr>
<tr>
<td>Agree</td>
<td>74</td>
<td>36</td>
<td>51</td>
<td>29</td>
</tr>
<tr>
<td>Neutral</td>
<td>21</td>
<td>10</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Disagree</td>
<td>14</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>205</td>
<td>100</td>
<td>177</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: * indicates statistically significant at 10%; ** indicates statistically significant at 1%; and *** indicates statistically significant at 0.1%.
Conclusions and Implications

Individuals can and will develop entrepreneurial skills and experiences when circumstances provoke them. Globally researchers agree that people who are driven by their own desire and accumulated experiences, supported by family/friends and organizations, and recognized by their reputation and contribution are more likely to become successful entrepreneurs (Pissarides, Singer, & Svejnar, 2003; Cetindamar, 2005; Bewayo, 1995; Niazkr & Arab-Moghaddam, 2011). Our first hypothesis was supported by the survey results that most of the farmers who participated in our study, regardless of the size of sales, shared similar entrepreneurial characteristics as described in literature – being optimistic, realistic, creative, innovative, confident, and open minded to opportunities. There was a significant difference with respect to taking reasonable risks across four types of farms. Large farmers tended to be more realistic and more conservative in planning and seeking new opportunities. It makes sense for different sizes of farms to consider different intensity of capital investment, resource allocation, organizational structure, and management and marketing strategies when engaging in MFA. It would imply more complex decision making process for large commercial farms compared to micro, small, and medium sized farms.

Literature has never discussed why farmers decided to engage in MFA, and how MFA influenced farming orientations and future outlook for farm households. According to the Census of Agriculture and the USDA ERS Resource Management Survey (USDA, 2009; USDA 2012), the net increase in the number of family farms was more than 100,000 since 2005. Over 50 percent of these family farms earn less than $10,000 in annual gross cash sales. What triggered more people to go into farming? The survey results supported our second hypothesis that MFA
farm operators chose to participate in MFA when considering different types of MFA activities depending on the size of annual gross cash sales. Micro and small farms in our study chose to participate in various MFA activities for different reasons compared to medium and large size farms. Given a steadily growing aging trend among farm operators, micro and small farms have more serious concerns about their farming future. Many survey respondents, particularly micro and small farms, chose to use direct sales to connect with customers because farmers would like to promote consumers’ awareness about local foods, offer educational channel for general public about farming and origin of food, enhance sustainability of local farmland, and connect with other organizations in the community. Nor surprisingly many micro and small farms were hobby farms or lifestyle farms, and these would likely be noncommercial family farms as defined by the USDA. Large commercial farms, on the other hand, preferred to use value added production to diversify farming activities and to increase revenue.

In our survey, the MFA farms share the same passion and the same concerns as entrepreneurs in other industries. The survey results supported our third hypothesis that MFA farms’ financial situation and quality of life had been improved as the results of participating in MFA regardless the size of annual gross cash sales. Micro farmers had to cross more hurdles than other sizes of farms in our survey. A higher percentage of micro farms revealed challenges in accessing resources such as capital, land, qualified labor, technical support, and networks no matter what types of the MFA they chose to establish. Small farms engaged in direct sales had more issues to acquire capital, market, and customers. Large commercial farms needed more technical training when they decided to participate in value added production. Many farmers offered additional comments when they returned surveys. Many shared comments about future generation lacking interests and skills to continue farming activities, and they would not
recommend their own children to go into farming. Agricultural operations cannot be controlled or managed when dealing with weather issues, climate change, and natural disasters. Farmers rely on experience and history to operate and manage the best they can, given a set of parameters over which they have no control. Many farmers prefer their children to get steady jobs outside farming first, then maybe the children can stay in agriculture once they have income security.

Most of the respondents were still very excited, optimistic, and committed to the future of farming and the development of MFA. A majority respondents believed that MFA indeed improved their financial situation and quality of life. Micro farmers were not as sure if participating in MFA actually made any difference in their financial situation. Micro farmers were also more reserved in future outlook with respect to MFA. In general, a significant proportion of our survey respondents would continue participating in MFA in the future. Several survey respondents commented on why they would like to adopt the MFA, for example:

“I had a full time job and I am still a farmer. It is a great way to build my retirement life style to be a farmer.”

“Our farm is a farm, but we focus more on teaching people how to grow certain things. We want to educate others and help other farmers to succeed.”

“I want to work with other farmers to build a stronger network for farmers to link with other people and organizations in our community. Our farm is very small, but we have a bigger vision to contribute to our community.”
“We do not sell much of our farm products. But our farm offers seed and pollination services to others. We also give away compost to others. Our services count more than farm income.”

The spirit of the MFA is beyond applying innovative strategies for diversification or profit maximization. Farmers, large or small, offer intangible assets to our society. The working landscape and sustainable ecology significantly contribute to the improvement of quality of life and community health for all. Much information in existing literature has talked about entrepreneurs’ achievement in society (Swierczek & Thai, 2003; Benzing, Chu, & Callanan, 2005; Benzing & Chu, 2005; Pistrui, Huang, Oksoy, Zhao, & Welsch, 2001; Ozsoy, Oksoy, & Kozan, 2001; Bewayo, 1995; Cetindamar, 2005). The MFA farmers in our study set balanced goals to reach for personal satisfaction and growth, creating opportunities to support family members and others, and making direct positive impacts to communities. It seems that more people are entrepreneurial and enthusiastic about farming and engaging in MFA, which could lead to a promising and prosperous future in agriculture in the U.S. This has a strong implication in policy formation to support farmers who are engaged in or interested in MFA. The USDA recently introduced a program, Know Your Farmer, Know Your Food (Image 1), to promote local food movement and to help producers to connect with consumers. Farmers’ Market Programs and Farm-to-School Programs are only two examples of federal initiatives in the local food campaign. However there is still a very large gap between Federal initiatives and state and local legislation to help small farmers. Many issues around regulations, taxation, and legitimacy of practicing/establishing MFA still need to be defined and polished for small farmers to follow. We also encourage our entrepreneurship and small business colleagues to include, where possible, small farmers in their research. It will be beneficial to both agricultural and non-agricultural audiences to learn from multiple aspects by bridging science-based knowledge and
information from theories and practices generated by entrepreneurship, social studies, economics, environmental sciences, and ecological analysis scholars.

Image 1. USDA Know Your Farmer Know Your Food Website

References


Appendix 1. Postcard Survey

Q1: Have you had any agri-tourism operations on your farm since January 2011? NO ___ YES ___
   If YES (Choose All That Apply) Petting Zoo ___ Farm Tour ___ Special Events ___
   Bed & Breakfast ___ Outdoor Recreation ___ Others ___

Q2: Have you participated in any direct sales since January 2011? NO ___ YES ___
   If YES (Choose All That Apply) Pick-Your-Own ___ Farm Stand ___
   CSA ___ Coop ___ Farmers’ Market ___ Restaurant ___ Others ___

Q3: Have you introduced any value-added products besides traditional farm products since January 2011? NO ___ YES ___
   If YES (Choose All That Apply) Jam and Jelly ___ Cheese ___ Cream ___
   Ice Cream or/and Yogurt ___ Bread or/and Butter ___ Wine ___ Syrup ___
   Pickled Fruit and Vegetable ___ Wool ___ Spice ___ Candy ___ Others ___

Q4: Have you earned off-farm income other than farming practices since January 2011? NO ___ YES ___
   If YES (Choose All That Apply) From Other Occupations Besides Farming ___
   Income from Other Companies Besides Farms ___
   From Other Individuals ___
Appendix 2. Detailed Farm Survey

How would diversification change the face of Agriculture in your region?

We are interested in learning more about how farmers decide to be involved in a variety of activities besides conventional farming, and how that might impact your local area. This project is funded through the University of Vermont. You are invited to take part in this survey, and your participation is completely voluntary. You may choose to withdraw at any time or choose not to answer every question. The results will be beneficial to new and existing farmers, service providers, and policy makers at the local and national level, all of whom are interested in learning about the impacts of farming decisions on long term profitability and sustainability. This survey will take about 30 minutes for you to complete. Your answers will remain confidential. Survey results will be summarized in a general form to prepare for policy recommendations, research articles, and outreach reports for producers. Thank you very much!

Project Director:
Dr. Kathleen Liang
Department of Community Development and Applied Economics
University of Vermont, Burlington, VT 05405, (802) 656 0754 CLIANG@uvm.edu

If you have any questions about your rights as a participant in a research project you should contact Nancy Stainaker, the Director of the Research Protections Office, at the University of Vermont at 802-656-8340.

Section 1: General Information about Your Farm

1. How many acres were in your farm operation in 2011? (Include crops, pasture, forests, farmstead, etc.)

   + Owned acres
   + Leased acres
   = Total Acres

   How many owned acres were inherited or purchased from relatives? ___ acres
   Cash and share rental expense for these acres? $ ____________________

   (Owned acres + Leased acres = Total acres)

2. What is your legal business structure of this farm in 2011 (for example, sole proprietor, partnership, etc.)

3. In 2011, was more than half (50%) of the net worth in your farm’s assets owned by you and your extended family? (Exclude landlords and lenders but include related individuals who might not be residing with you)

   YES ___ NO ___

4. What were the main commodities your farm/enterprise produced and sold in 2011? (Choose all that apply):

   Grains
   Vegetables, sweet corn, and melons
   Maple and maple products
   Dairy products
   Hogs and pigs
   Llama, alpaca, or buffalo
   Horticulture, Nursery and greenhouse crops, include Christmas trees
   Forest products (lumber, firewood, etc.)

   Others (please specify) ______________________________

   Of the above commodities, which accounts for the most value of production? (Write-in the category) ___________________
5. Which of the following category describes any acres on your farm?

___ I am not certified organic and I do not intend to pursue certification.
___ Certified organic acres (since what year_______)
___ Some or all acres in the process of becoming certified organic farm (since what year_______)
___ Use organic practices but not seeking certification (since what year_______)
___ Once certified organic but not anymore
___ I am not certified and I am interested in learning about organic production

6. During 2011, did your farm focus on local markets by providing agri-tourism activities, selling directly to consumers, local schools, local hospitals, local restaurants, or local to retailers who branded the products as locally produced?

YES ___ NO ___

If YES, check all that apply, indicating the year you first began this enterprise. If NO, skip to 7.

___ Agri-tourism (began in what year_______)
___ Direct sales of farm products for human consumption to consumers (e.g., farmstand, CSA), (began in what year_______)
___ Direct sales of other farm products not for human consumption to consumers (e.g., Christmas trees, firewood, hay, greenhouse and nursery flowers and plants,) (began in what year_______)
___ Direct sales of value-added products to consumers (e.g., jam, jelly, wine), (began in what year_______)
___ Direct sales to local hospitals, schools, or correctional facilities (began in what year_______)
___ Direct sales to local restaurants or retailers who sold the products as locally produced (e.g., Hannaford, Price Chopper, Wal-Mart, etc.) (began in what year_______)

7. Did you participate in any government or university farm programs in 2011? Check all that apply

___ Federal and/or state farm payment programs
___ Federal and/or state farm loan programs
___ Conservation cost-share programs
___ Use USDA or state agency statistical market information
___ Local, State, or Federal Government training programs or technical advice
___ University or Technical College Extension Services program or technical advice
___ Other, specify ________________________________

8. Please indicate which individuals or organizations you often connect with for advice, training, education, and technical support in 2011. Check all that apply

___ Other Farmers ___ Friends, Family Members and Relatives
___ Chamber of Commerce ___ Producer or Consumer Cooperatives
___ Private Consultants ___ Input Suppliers
___ Financial institutions (banks, investors, credit union, etc.)
___ Professional Associations (such as Vermont Farms Association or other State farm organization, Northeast Organic Farm Association, Northeast Fruit and Vegetable Producer Association, etc.)
___ Others, specify ________________________________
Section 2: Estimated Sales and Expenses of Your Farming Activities

1. Estimated dollars received from farming, such as sales of farm commodities (exclude value added and processed products) and participation in government programs in 2011 (report income only once)

<table>
<thead>
<tr>
<th>Estimated Dollars Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Cooperative</td>
</tr>
<tr>
<td>Other Contracted Sales or Fees Received for Contract Production</td>
</tr>
<tr>
<td>Community Supported Agriculture (CSA) Buying Club</td>
</tr>
<tr>
<td>Pick your own, farm stand, farmers’ market for human consumption only (fruits and vegetables, meat, etc.)</td>
</tr>
<tr>
<td>Farm products not for human consumption (Christmas trees, firewood, hay, greenhouse and nursery flowers and plants)</td>
</tr>
<tr>
<td>Local institutions, such as hospitals, schools, or correctional facilities</td>
</tr>
<tr>
<td>Restaurants and local retail outlets such as local grocery stores</td>
</tr>
<tr>
<td>National retail franchise that markets the products as locally-produced (such as Wal-Mart or Sobeys)</td>
</tr>
<tr>
<td>Open market sales of farm products not reported above</td>
</tr>
<tr>
<td>Program payments from participating in government farm programs</td>
</tr>
<tr>
<td>Other farm income, such as income from providing machine hire and custom work services, insurance indemnity payments, etc. (specify)</td>
</tr>
</tbody>
</table>

2. Estimated dollars received from agri-tourism activities in 2011 for each category

<table>
<thead>
<tr>
<th>Estimated Dollars Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outdoor Recreation (Hay Rides, Sleigh Rides, Llama Trekking, Cross Country Skiing/ Snowshoeing, Hiking/Cave Exploring, Camping/Picnicking, etc.)</td>
</tr>
<tr>
<td>Educational Tourism (Bus Tour, School Group Tour, Garden Tour or Demonstration, Winery Tours, Industry Tour, Wool Spinning Demonstration, Maple Sugaring Tour, Guided Crop Tour, Dairy Milking Demonstration, etc.)</td>
</tr>
<tr>
<td>Accommodations and Food Services (Bed &amp; Breakfast or Other Lodging Services, Company or Organization Retreat, Meeting Facilities, etc.)</td>
</tr>
<tr>
<td>Entertainment, Festival, and Events (Concerts, Weddings, Flower Shows, Arts and Crafts Shows, Harvest Festivals or Other Seasonal Events, etc.)</td>
</tr>
<tr>
<td>Others (Specify)</td>
</tr>
</tbody>
</table>

3. Estimated dollars received from value-added product sales in 2011 for each category

<table>
<thead>
<tr>
<th>Estimated Dollars Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jam/Jelly/Other fruit preserved products</td>
</tr>
<tr>
<td>Dairy Products, including Ice Cream/Yogurt/Butter/Cheese/Cream</td>
</tr>
<tr>
<td>Pickled Fruit and Vegetable</td>
</tr>
<tr>
<td>Wine</td>
</tr>
<tr>
<td>Wool and Mohair products, including Yarn/Felt/Clothing items</td>
</tr>
<tr>
<td>Maple sugar, candy, cream, or other related products</td>
</tr>
<tr>
<td>Spices, Flour, Sugar, and other Baking/Cooking Condiments</td>
</tr>
<tr>
<td>Aquaculture</td>
</tr>
<tr>
<td>Forest products and By-products (timber, woodchips, etc.)</td>
</tr>
<tr>
<td>Others (specify)</td>
</tr>
</tbody>
</table>
4. In 2011, how much did your farm spend for the following expenses?
   - Seeds, plants, seed treatments $__________
   - Fertilizer, lime, and other nutrients $__________
   - Pest control, include chemical and biocontrols $__________
   - Livestock purchases $__________
   - Livestock feed, vet services, and leasing $__________
   - Fuel and utilities $__________
   - Trucking and storage $__________
   - Equipment purchases, including farm trucks $__________
   - Farm business expenses, such as
     - Insurance, property taxes, and interest on debt $__________
   - Farm depreciation of owned farm assets $__________
   - Labor expenses $__________
   - All other expenses, such as supplies, storage, repairs and maintenance and leasing for farm machinery and vehicles $__________

5. How many individuals did you have working on the farm in 2011 other than farm operators?
   a. Total number of paid full time employees on your farm (including family members): + _______ (workers)
   b. Total number of paid part time employees on your farm (including family members): + _______ (workers)
   c. Total number of family members involved in farm operation but not receiving regular farm salary: + _______ (workers)
   d. Total workers (5a + 5b + 5c + 5d) = _______ (workers)

6. Estimated Total Farm Income, Expenses (Cash or Accrual Methods), and Balance Sheet in 2011

<table>
<thead>
<tr>
<th>Estimated Dollars Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Farm income before expenses</td>
</tr>
<tr>
<td>Farm expenses</td>
</tr>
<tr>
<td>Farm Profit or Loss</td>
</tr>
<tr>
<td>Farm Assets</td>
</tr>
<tr>
<td>Farm Debt</td>
</tr>
</tbody>
</table>
Section 3: Household Information

1. Age of principal operator: under 35 _____ 35-54 _____ 55-64 _____ 65 and over _____

2. Gender of principal operator: _____ Female _____ Male

3. Race of principal operator (check all that apply):
   _____ White _____ Black or African American _____ Asian/Pacific Islander
   _____ American Indian or Alaska Native (All tribes)

4. Is the principal operator of Hispanic origin, such as Mexican, Spanish, Puerto Rican, etc.? YES ___ NO ___

5. Education of principal operator:
   _____ Less than High School _____ High School _____ Some College _____ 4-year College Degree or more

6. In what year did you become an operator of this farm? ______

7. In what year did you start operating or working on any farm? ______

8. Did the principal operator have a spouse for all or part of 2011? YES ___ NO ___
   If YES, please continue. If NO, skip to 9.
   If married, does your spouse work on the farm? YES ___ NO ___
   If married, is your spouse also an operator of this farm? YES ___ NO ___
   In what year did your spouse begin jointly operating this farm? ______
   In what year did your spouse start operating or working on any farm? ______

9. How many persons lived in your household in 2011 (including students away at school)? ______

10. How many of these household members were under 16 in 2011? ______

11. How many of these household members were 65 years old or older in 2011? ______
12. In 2011, if you or your spouse worked off-farm, which industry best describes the place you worked? (If more than one, choose the one that contributes the most to your sources of off-farm income. Check box.)

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Principal operator</th>
<th>Spouse of operator (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry, fishing, or hunting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale trade, warehousing, utilities or transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance, insurance, real estate, or other professional services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation or tourism, including eating and lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail trade or personal services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-governmental services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For your off-farm work, what is your job title? (write in) ____________________________________________

For your spouse's off-farm work, what is his/her job title? (write in) ____________________________________________

13. In 2011, what is an estimate of the number of hours per week you and your household members (if applicable) worked on this farming operation and at another job or business. Since work is often seasonal, provide an estimate of an average over 2011.

<table>
<thead>
<tr>
<th></th>
<th>Farm hours (average per week)</th>
<th>Work at a job other than your farm (average per week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal operator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spouse/Farmer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other household member 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other household member 2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. Estimated income household received from off-farm sources in 2011 for each category.

<table>
<thead>
<tr>
<th></th>
<th>Principal operator</th>
<th>Spouse of principal operator (leave blank if no spouse)</th>
<th>All other household members, if any income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Jobs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Part Time Jobs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Another business you or household member operate</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other off-farm income, e.g., interest, dividends, pensions, etc.</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
### Section 4: Opinions about Farming

1. Reasons for you to be involved in agri-tourism, direct sales, value-added production, and off-farm jobs (check all that apply):

<table>
<thead>
<tr>
<th></th>
<th>Agri-tourism</th>
<th>Value added</th>
<th>Direct sales</th>
<th>Off-farm jobs and businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales to consumers (e.g., farmers markets, CSA’s, etc.)</td>
<td>Sales to local restaurants and retailers that market as locally-produced</td>
</tr>
<tr>
<td>Increase farm revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve family financial situation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote farm’s connection with customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote locally made products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity farm operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide employment opportunities for family members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain access to employer-provided health insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote local farm scenery</td>
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<td>Enhance sustainability of local working farmland</td>
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<td>Connect with other community partners more often</td>
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<td>Provide an education channel for others</td>
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<td>Create a different lifestyle for my family</td>
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<td>It is my hobby</td>
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2. Please indicate which barriers if applicable prohibit your involvement or expansion in agri-tourism, direct sales, value-added production, or off-farm jobs (check all that apply):

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<th>Agri-tourism</th>
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<th>Direct sales</th>
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<td>Sales to consumers (e.g., farmers markets, CSA’s, etc.)</td>
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<td>Access to service providers and vendors</td>
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<td>Access to networks and support systems</td>
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A Study of Social Media Usage by Small Business Owners

Martin S. Bressler, Southeastern Oklahoma State University
Kitty Campbell, Southeastern Oklahoma State University
Brett Elliott, Southeastern Oklahoma State University

Abstract

The importance of small businesses to our nation’s economy cannot be understated. According to the U.S. Small Business Administration (SBA), in 2013 there were 28.2 million small businesses employing 55 million persons (Small Business Profiles for the States and Territories). Nationally, small businesses represent 99.7% of all businesses and account for 48% of all jobs.

Social media could be an effective means for small businesses to market to their customer markets. However, a report by eMarketer (cited in SBA Community blog) found only 24 percent of small businesses have yet to incorporate social to their marketing efforts. That same report as referred to findings from Constant Contact where only 49 percent of small businesses considered social media an effective marketing tool. Of course, the lack of effectiveness could be accounted for by small business owner lack of knowledge, selecting the wrong form of social media, lack of time or skill to devote to a social media campaign, or other reasons.

According to Wilson (2010), the year 2001 marked an important development in social media marketing as weblogs, or blogs began to replace cluttered forums. WordPress is one of the most popular platforms for blogs and the company reports more than 100 million downloads of their software. Bloggers provide customers with a new sense of power and can help shape products and pricing. In addition, bloggers can influence followers as to what brands to buy or
not buy. But as one small business owner blogger noted “One $#%$ off customer can scare off ten others. One $#%$ off employee can scare away hundreds.”

In their small study of social media trends of New Zealand small businesses Li, Yu, and Fielden (2013) found small businesses unwilling (or able) to spend more than $2000 on a social media campaign and focused their efforts primarily using Facebook. Moreover, Yahoo Small Business Advisor reports that in 2012 small business owners spent 25% of their marketing budget (10.4% of sales) on digital marketing (Yahoo Small Business Advisor). Therefore, a small business with one million dollars in annual revenue would spend on average, twenty-five thousand dollars on digital marketing.

The authors conducted a nationwide survey of small business owners to develop a better understanding of social media usage in their businesses. More than 800 small business owners responded and their responses provided some interesting data. More than a third (37.6%) did not use social media at all in their business. For those small business owners who do use social media, LinkedIn was the most commonly used medium.

Female small business owners were found to be more likely to use social media for their business, including LinkedIn, Facebook and Twitter. Younger small business owners were found to be more likely to social media of all types. In this paper, the authors provide a profile of small business owner’s usage of social media and offer recommendations to market those businesses more efficiently and effectively.
Gender Differences of Entrepreneurs in Micro Businesses

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Donna W. Luse, University of Louisiana at Monroe
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Abstract

Analysis of the Survey of Business Owners conducted by the U.S. Census Bureau beginning in 2007 reveals some interesting similarities and differences between male and female entrepreneurs in micro businesses. The sample of micro businesses consisting of approximately 181,000 entrepreneurs who are sole owners of a business providing them with their primary source of income without employing other persons shows female owners tend to be younger and better educated, while males are more likely to be veterans and immigrants. Although a nearly equal proportion of males and females are minorities, a greater proportion of males are Hispanic. Female-owned micro businesses tend to be smaller than male-owned micro businesses, and female owners tend to work fewer hours per week than males, with over half of the males working 41 or more hours per week. One of the top three business sectors in which both females and males owned a micro business was the Professional, Scientific, & Technical Services sector. Generally, more home-based businesses are owned by females; however, the longer the business has been in existence, the less likely it is to be a home-based business for both female and male owners.
Creativity and Entrepreneurship: A Review of Selected Literature and Propositions

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Thomas DeNardin, University of Louisiana at Monroe
William W. Stammerjohan, Louisiana Tech University

Abstract

Although some authors feel the terms creativity and entrepreneurship may be used interchangeably, Amabile (1996) argues that it is the implementation of creative thoughts that embodies entrepreneurship. Much early creativity literature and entrepreneurship literature focused either on the personality traits that are associated with these concepts or on the activities that the concepts encompass.

Despite early studies that did not find as much relationship between creativity and entrepreneurship and performance, later studies including some sort of mediating (preferably behavioral) variable have begun to support this relationship (e.g. Brantnicka and Bratnicki 2013; Weinzimmer, Michel, and Franczak 2011). Other studies have sought to analyze the contributions of dimensions of creativity on entrepreneurial activities or performance (e.g. Gielnik, Frese, Graf, and Kampshulte, in press).

One of the most researched aspects of entrepreneurship is one which may have the closest relationship to creativity, opportunity recognition. Some have modeled opportunity recognition as an inherently creative process (Hills, Schrader & Lumpkin 1999; Lumpkin, et al 2004). A four I model, intuiting, interpreting, integrating, institutionalizing, of organizational learning has the advantage of connecting individual learning to organizational learning (Crossan Lane and White 1999). This model also suggests that intuiting is preconscious.
Recent speculations by F. T. Hong (2013) provide a fascinating direction to pursue in opportunity recognition research. Hong suggests that “recognition” is the clue, the key word, to explain why these creative “insights” seem to happen so unpredictably. Recognition is at least in part perception, and perception is precognitive. Something perceived can be responded to emotionally, before being cognitively interpreted. If opportunity recognition is in part precognitive, then perhaps training that stimulates perception should assist this form of entrepreneurial creativity. Perhaps visualization is a way to stimulate perceptive areas of the brain and lead to greater entrepreneurial creativity and opportunity recognition.
References


Exploring the Red Queen Effect on Vietnamese Small Businesses and Innovation Post-Hurricane Katrina: A Qualitative Study

Joanne M. Tran, Louisiana Tech University

Abstract

Previous studies have focused on small businesses’ response to and recover from disasters. However, what has not been realized is whether the impact of a crisis on small businesses influences its survival and innovativeness. From a Red Queen perspective, the purpose of this research is to take a qualitative approach exploring Vietnamese small businesses in response to the crisis caused by Hurricane Katrina. Three a priori themes, derived from previous studies, are supported. These are 1) limited financial resources, 2) ability to move rapidly, and 3) networking relationships. Utilizing a phenomenological approach, two emergent themes are also recognized: 1) major losses and 2) innovation. Thus, the present study extends the small business, strategy, and crisis management literature by exploring the responses of these small business owners and its red queen effect and innovation from a cultural perspective. Contributions and future research are discussed.

Keywords: Red Queen Effect, Innovation, Small Business, Strategy, Vietnamese
“It takes all the running you can do, to keep in the same place,” - the Red Queen in Lewis Carroll’s (1871) Through the Looking Glass.

**Introduction**

On August 29, 2005, Hurricane Katrina devastated the Gulf Coast of the United States. Hurricane Katrina, considered as one of the most catastrophic natural disasters in American history, was responsible for over 231 deaths and $100 billion in damages in Mississippi alone (Moss, Ryan, & Moss, 2008). According to Runyan (2006), much of the attention has been on New Orleans, LA due to the flooding devastation and inadequacy of federal and state responses. However, there are many communities along the Mississippi Gulf Coast, which were completely destroyed by Hurricane Katrina ranging from almost complete obliteration, (i.e., Biloxi, Waveland and Bay St. Louis, MS), to businesses losing inventory and equipment (i.e., Pascagoula, MS) from the storm’s 34’ surges (Runyan, 2006). As a result, business owners across the coast had to innovate in order to face the barriers in getting their businesses back following the disaster (Runyan, 2006). Businesses on the Mississippi Gulf Coast had to respond quickly to return to pre-Katrina status “trying to differentiate themselves from their competition” (Stahler, 2009, para. 1). The problem is competitors make the same move at the same time hence “[…] you moved forward but your competitor also moved forward. If you do not move you fall behind” (para.1).

Yet, despite the extensive attention upon the Mississippi Gulf Coast as a powerful vessel for examining these issues, one particular group of people has remained comparatively overlooked: the Vietnamese community. According to Duong (2006), at least 45,663 Asian Americans were impacted along the Gulf Coast pathways of Hurricanes Katrina and Rita.
Specifically, the storm displaced an estimated 33,000 Vietnamese residents, forcing them into neighboring Texas, Florida, and the northern regions of Louisiana, Mississippi, and Alabama. Nearly 15,000 Vietnamese residents evacuated into the city of Houston, TX alone (Nguyen & Nguyen, 2007). The National Council of Asian Pacific Americans report (2006) also note that there were additional language and economic barriers that further increased the confusion of evacuation and recovery for the Vietnamese.

From a Red Queen perspective, the purpose of this research is to explore Vietnamese small businesses in response to the crisis caused by Hurricane Katrina through a qualitative study. Ten Vietnamese small businesses in the Mississippi Gulf Coast are examined. In addition, a large coastal casino employing a significant amount of Vietnamese is explored. Three a priori themes, derived from previous studies, are supported. These are 1) limited financial resources, 2) ability to move rapidly, and 3) networking relationships. Furthermore, utilizing a phenomenological approach, two emergent themes are also recognized. These are 1) major losses and 2) innovation. The present study extends the small business, strategy, and crisis management literature by addressing the responses of these small business owners and its Red Queen effect and innovation from a cultural perspective. In the following sections, the paper reviews the small business, strategy and crisis management, and Red Queen effect literature. Then the study describes a qualitative study performed from a phenomenological approach. A priori and emergent themes are discussed as well as contributions and future research.

**Literature Review**

**Small Business & Strategy and Crisis Management**
According to the Small Business Administration (SBA) (2014), a small business is defined as one that is independently owned and operated, but is not dominant in its field of operation. Small businesses have several characteristics that set them apart from larger businesses such as having revenue considerably less than large corporations, and employing fewer than 100 workers. In 2013, there were more than 28.1 million small businesses in the U.S., making up 99.7% of all employers nationally (Small Business Administration, 2014). Cater and Chadwick (2008) argue that small businesses are important contributors of growth and innovation to the U.S. economy. Small businesses employ about half of the U.S. private sector workforce, create about 75% of all new jobs in the U.S., and provide 67% of all employees with their first jobs and work experience (Small Business Administration, 2014). In addition, Mintzberg (1980) suggests that a small company adopts a simple structure strategy. Typically, small firms have power centralized in top management and consist of a top manager and a few workers in the operative core. There is no technostructure, the support staff is small, and workers perform overlapping tasks. As such, the goal for simple structured companies is to emphasize innovation and long-term survival (Lunenburg, 2012).

The traditional strategy paradigm has been Porter’s (1979) five forces model, which argues that the increase in competition leads to profit potential for individual firms (Lunenburg, 2012). Mintzberg and Waters (1985) define strategy as “a pattern in a stream of decisions” (p. 257) and that strategy falls in between two ends of a continuum from deliberate to emergent strategies. Deliberate strategy has precise intentions and no external force to interfere the firm. On the other hand, emergent strategy must have order in absence of intention (1985). While Mintzberg and Waters (1985) propose that strategy formulation walks on one foot of deliberate
and the other foot emergent, Mintzberg (1990) views strategy in entrepreneurial or small firms as more emergent than deliberate.

According to Cater and Chadwick (2008), a crisis is defined as having high consequence, low probability, and high impact and uncertainty, which requires quick decision-making. Crisis management then comprises the deeds of identifying and assessing issues, and consequently preventing, preparing for, and/or responding to a significant event (Darling, Hannu, & Raimo, 1996; Runyan, 2006). Runyan (2006) argues that the planning process appears to have crucial effects to crisis management; however, many small businesses do not have a formal planning process in place for a crisis. As such, Runyan (2006) maintains that those who plan are likely to be more successful than those who do not. Carland and Carland (2003) argue that strategic planning is inconsistent in entrepreneurial firms, as companies often do not produce formal business plans, which allocate resource and constrain future activities. Rather, entrepreneurial planning focuses more on developing a vision which can drive the firm, and constantly tuning or evolving that vision (Carland & Carland, 2003). However, small firms that do carry out at least some form of planning will likely outperform those who do not plan at all (Runyan, 2006). As such, McGee, Love, and Rubach (1999) found that small firms may successfully compete in turbulent and competitive environments even when facing radical environmental changes.

**Red Queen Effect & Innovation**

Since van Valen’s (1973) introduction of the Red Queen effect of how entities interact and co-evolve with one another in evolution and ecology, the Red Queen effect has been applied to many context including biology (Baumol, 2004), military (Dawkins & Krebs, 1979), and business (Barnett & Sorenson, 2002; Derfus, Maggitti, Grimm, & Smith, 2008; Voelpel, Leibold, Tekie, & Von Krogh, 2004). The Red Queen effect is based on Lewis Carroll’s (1871) *Through the
the Looking Glass where Alice is running as fast as she can, but she is not getting anywhere. The Red Queen responds, “Here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!” (Carroll, 1960, p. 345).

Baumol (2004) states that the Red Queen effect can be portrayed as an arms race for competing businesses and that innovation has become a powerful tool for competitive advantage. Consistent with Hauser, Tellis, and Griffin (2006), innovation deals with the process of bringing new products and services to market. Businesses are forced to run as fast as they can just to keep the same place because their competitors are following suit. Businesses that can come up with a better process than their competitors will therefore gain a competitive advantage. In certain sectors, success in achieving better products or improved processes has become a matter of life and death (Baumol, 2004). As such, no business can afford to fall behind its competitors in this arms race of innovation (2004). This arms race is more paramount when a crisis occurs for small businesses. While Barnett and McKendrick (2004) did not find support that smaller firms were more responsive to the Red Queen effect, Derfus et al. (2008) found that smaller businesses could be more effective against their competitors by being aggressive with their actions.

Vietnamese & Hurricane Katrina

In Mississippi, the news reports about Vietnamese community recovery efforts on the Gulf Coast were stagnant. The 2000 U.S. census reported a population of 5,387 Vietnamese residents in the entire state with the most concentrated communities located in the southern Mississippi areas of Biloxi, D’Iberville, and Gulfport (U.S. Census Bureau, 2010). Before the wake of Hurricane Katrina, Biloxi was home to one of the largest Vietnamese communities on the Mississippi Gulf Coast due to the familiar industry job of shrimping and fishing. In addition,
the majority of Vietnamese are small business owners. Throughout the United States and particularly the Gulf Coast, many Vietnamese have business in supermarkets, restaurants, bakeries, salons, auto repair, and shrimping and fishing (U.S. Census Bureau, 2010).

By 2005, nine water-bounded casinos were built along the Mississippi Gulf Coast transitioning the industry from a shrimping and fishing to a casino business. As such, many Vietnamese in the community have adopted their casino neighbors as a reliable source of employment and income (Dao, 2009). Unfortunately, for many Vietnamese in the Gulf Coast, Hurricane Katrina was at least the second time they experience a similar crisis of losing everything they had. The first time came after the fall of Saigon, which ended the Vietnam War in the 1975, and thousands of Vietnamese fled the country for freedom.

Qualitative Study

Informants

The majority of the informants came through people who had met the researcher through community work. Colleagues and community leaders also led the researcher to other small business owners willing to share their experiences. The present study includes personal interviews conducted with ten Vietnamese small business owners from two communities in the Mississippi Gulf Coast over the course of two weeks in June 2009. In addition, a major coastal casino that employed many Vietnamese residents is also examined. While the casino is not a small business, obtaining the lived experience from a firm that employs a large portion of the Vietnamese population on the Gulf Coast adds a unique cultural perspective to the study. As such, the current study provides a distinctive opportunity to gather small business data in the Vietnamese community on the Mississippi Gulf Coast where Hurricane Katrina left most of the
destruction in that area. Informants were assured of confidentiality, and all names and business’s names have been changed.

**Method**

A phenomenological approach was performed to represent the lived experience of the small business owners. The lack of research in this area led to a qualitative research design in order to gain a better understanding of the phenomena of interest (Silverman, 1993; Summers, 2001). In applying this phenomenological approach, the researcher seeks to obtain testimony (McCracken, 1988) from small business owners that are structured from their subjective perspective (Hirschman, 1992; Thompson, Locander, & Pollio, 1989). The interview began with the question, “What happened after Hurricane Katrina?”.

In addition to these interviews, a questionnaire was conducted after the interview in order to measure small business owners’ attitudes and behaviors toward innovation at the present time of the interview as well as their perspective five and ten years ago from the time of the interview (e.g., “What is the intensity of competition in your industry?” “What do you see as the pace of innovation in your industry?” “Please rate the importance of the following types of technological innovation.”). No incentive was offered to the informants for their participation and the interviews lasted from 45 minutes to two hours at the location of the small business owner or casino. The interviews and questionnaire were conducted in English. For those who preferred to speak and answer in their native language, the interview and questionnaire were conducted in Vietnamese and back translated into English by an independent translator. Table 1 lists the profile of the informants.

-Insert Table 1 here-
From the data analysis, three a priori themes, derived from previous studies, are supported. A priori themes are those that were expected to be present in the interview based either on the extant literature (e.g., Cater & Chadwick, 2008) or through personal experience and insider knowledge (e.g. Hirschman, 1992). These a priori themes are 1) limited financial resources, 2) ability to move rapidly, and 3) networking relationships. In addition, two emergent themes are also recognized. These are 1) major losses and 2) innovation.

**A Priori Themes**

According to Cater and Chadwick (2008), they found four themes that inhibit the response of small businesses to a crisis and six themes that enhance a small business’s response to a disaster. The inhibiting themes are: 1) limited financial resources, 2) communication difficulties, 3) supply logistic problems, and 4) government bureaucracy. The enhancing themes are: 1) sense of proximity, 2) the ability to move rapidly, 3) concern for employee welfare, 4) versatility, 5) networking, and 6) concern for the community (Cater & Chadwick, 2008). These themes are consistent with other related studies including Moss et al. (2008) and Runyan (2006). While the results of the present study touch on every single theme found in Cater and Chadwick (2008), the three a priori themes described below were expected to be present in the Vietnamese community.

**Limited Financial Resources**

Resource-based view theory argues that firms’ specific resources rather than market characteristics are the foundation to competitive advantage and firm performance (McGee et al., 1999; Morgan, 2012). In addition, Walker and Ruekert (1987) found that small businesses’ performance appears to be positively correlated with distinctive competencies or what a business
does particularly well compared to its competitors within a similar industry. However, many small businesses are limited in financial resources. As stated by Cater and Chadwick (2008), because of their size and resources, small businesses simply do not have the financial means to survive when interruptions such as Katrina hinder their business activities for prolonged periods.

Tri (Tri’s Food Mart) – “We had no insurance to cover our damages from the storm. Therefore, we had to rebuild everything out of our own pocket which was why it took us so long to rebuild.”

Mai (ABC Market) – “After Katrina, it was a hard time for my business. I filed for insurance claim and because they ruled that it was flood damaged and not wind damaged, I was not able to get my insurance to cover it. Therefore, I had to apply for a SBA loan and my local bank for a loan to get my business off the ground. I lost about $400-$500k worth of business inventory, products and equipment. Also, I lost all the contracts I had with the casinos (those casinos that didn't come back after the storm). Business has not been the same since. The storm was a shock and devastation to our business. It affected me emotionally, physically, and financially.”

Chau (J’s Storage Palace) – “It took us four months to re-open. We worked all day and night to fix the place and cleaning up. We couldn't find our customers to claim what was left of their property. Those that did lied about what they had and didn't have. We had a lot of problems with the construction company that was supposed to clean our area up. It became so bad that we had to file a complaint with the SBA, but they lost the letter twice. It was a nightmare! We did offer our storage area for government use for a bit. The difficult part about surviving was that we had several businesses and had to worry about the businesses in of importance level. Looking back, we wished we could have a better security system for our storage.”

**Ability to Move Rapidly**
A company’s operational excellence and competitive advantage may be attributed to their ability to move quickly from a disaster (Cater & Chadwick, 2008). For the small business owners on the Gulf Coast, many responded quickly once the storm passed and were able to get to their property. Cater and Chadwick (2008) argue that “finding innovative means of accomplishing tasks enhanced the effectiveness of a [company’s] response,” (p. 68). This is consistent with the literature of quick responses to crises suggesting that speed and flexibility are important factors of small firms’ resources and capabilities. As a result, smaller firms may be in a better position to respond to natural disasters such as Hurricane Katrina (Cater & Chadwick, 2008).

According to Runyan (2006), some business owners’ responses made the difference between being closed for an extended time period to being one of few open businesses. This ability is a competitive advantage for those businesses that were able to open soon after the hurricane because they were experiencing large increases in sales.

Business owners who responded quickly and decisively were able to capture large amounts of the revenues in the months immediately following Katrina. These businesses included those selling all types of goods and services, but especially home improvements, building repairs, restaurants and other food service establishments (Runyan, 2006, p. 21).

*Thong (TC Gas Station)* – “We rebuilt ourselves and tried to open up as quickly as possible. We were the only gas station that opened in East Biloxi at that time.”

*Thu (Thu’s Salon & Spa)* – “Business was closed temporarily for about two weeks and service started again - extremely busy due to many salons closed in the area. We probably couldn't do anything differently due to the situation.”

*Xuan (TUV Casino)* – “Thanks to the new management skill of [our general manager], [TUV] reopened in a record 4 months ahead of other coast casinos.”
Networking Relationships

According to Cater and Chadwick (2008), small firms have established strong ties to local stakeholders, such as financial institutions, government agencies, and suppliers. Although large businesses also develop ties to its stakeholders, the strong local ties benefit firms in the disaster (2008).

*Lam (Lam’s Seafood & Co.*) – “A month after the storm, our family had torn the interior of the walls of the factory. We did not necessarily have to rebuild our entire factory. Thanks to the foundation, our building was still firm on the ground. It had taken us one month to repair the entire shop. Then we had to refurbish supplies for the shop, which had taken another month. Then after the third month, we made sure that other seafood shops were open because if they weren’t, then we wouldn’t have anyone to sell our crabmeat. After getting all assurance from businesses, we, then, recruited old workers, new workers, and fishermen to retrieve our products (crabs). The year of Hurricane Katrina was probably one of our most prospering times of business.”

*Tri (Tri’s Food Mart*) – “We also organized team of workers to help rebuild the neighborhood and the church. When the holidays came around, we knew they had nothing to look forward to so we cooked on Thanksgiving and Christmas and gave the food out to the public for free. We also gave the volunteers free coffee and water everyday during the recovery. By offering a lending hand during time of disaster was probably what saved us from the storm because the whole community, in return, helped us back on our feet.”

**Emergent Themes**
Through the data analysis, two additional themes emerged that provide a better understanding of Vietnamese small business owners’ response to a crisis. While the present research did not originate these themes, the researcher hopes that the additional themes extended them in some manner. Vietnamese small businesses before Hurricane Katrina saw the pace of innovation moderately higher in their industry than the time of the interview in 2009. As a whole, small businesses saw the pace of innovation somewhat lower than before the storm. This view suggests that Vietnamese small businesses saw opportunities in the market after Hurricane Katrina. In addition, half of the businesses characterize their efforts in innovation have increased since the storm. These results seem to agree with the literature of the Red Queen effect and innovation. Businesses are running twice as fast just to stay in the frontlines.

According to Runyan (2006), a crisis often results unexpectedly to an organization. A common person or business did not expect a storm like Hurricane Katrina could fall into an unexpectedly category of devastation. As such, Runyan’s (2006) findings reveal a common response: “[…] the residents and business owners did not expect the type of devastation that occurred” (p. 17). Nine out of the ten small businesses mentioned that that their business could have been at risk, but they did not believe something Hurricane Katrina would ever happen to them. After the storm and access to their property, many informants adopted new products/services to meet the changing demands and new opportunities after Hurricane Katrina. As a result, many businesses had to innovate (run twice as fast) in order to stay on top of the game. Therefore, the two emergent themes are 1) major losses and 2) innovation.

**Major Losses**

The largest losses occurred by small business owners from the disaster were inventory and equipment. This loss is also apparent with Vietnamese small business owners. Because
business owners had experience these types of storms before, the tendency was to downplay the worst-case scenario of a disaster. Many owners were immediately concerned with how to get the business back up and running again while others worried about surviving financially until they could rebuild (Runyan, 2006).

Vinh (Vinh’s Video Store) – “We lost everything and were closed for a year. During that time, we volunteered around the community.”

Phuong (Phuong’s Liquor) – “Lost everything; didn’t opened up until a year later. Worked twice as hard just to get back on track. Business turned out the same as before the storm. Slow right now since the recession.”

For Phuong’s Liquor, their business turned out the same as pre-Hurricane Katrina, neither better nor worst. This suggests that they may have experienced the Red Queen effect as a comfort trap.

In situations where the business environment is characterized by discontinuity and uncertainty, companies may find themselves trapped in a “catch-22” situation of learning ways that solely protect and improve their current businesses rather than experimenting with new ways that change the “rules of the game” (Voelpel et al., 2005, p. 39).

Perhaps, the largest losses came from the casinos along the Gulf Coast. According to Runyan (2006), Mississippi state law, at the time, only allowed casinos to operate on the water. That is, many casinos were water-bounded along the shoreline. With the impact of the storm’s surges and wind, several casinos were lifted hundreds of yards off the shore (Runyan, 2006). As a result, many Vietnamese and other casino employees lost their jobs in addition to their livelihood. Fortunately, the first casino that reopened its doors provided employment and other needs to the community.
Xuan (TUV Casino) – “[TUV Casino] provided employment to all casino workers and others regardless of prior affiliations, provided food clothing and shelter for the needy in the community and began a massive and intense recovery and transformation effort which continues today.”

Just prior to the storm, a law passed allowing casinos to be built up to 800 feet from shore. This would allow casinos to purchase land from existing property owners. However, the storm wiped out nearly all of downtown area leaving residents to sell their property to casino owners rather than to rebuild (Runyan, 2006). Ultimately, Hurricane Katrina devastated the Mississippi casino industry losing nearly $489 million in total revenue (Moss et al., 2008).

Innovation

From a business perspective, the Red Queen effect can be seen as an arms race to the finish line. Derfus et al. (2008) argue that the Red Queen effect is a contest where each business’s performance depends on matching or exceeding their competitor’s actions. “In these contests, performance increases gained by one firm as a result of innovative actions tend to lead to a performance decrease in other firms” (Derfus et al., 2008, p. 61). Each business is forced by its competitors to participate in a continuous cycle of developments that all firms eventually end up racing as fast as they can just to keep in the same place (2008). In the case of Hurricane Katrina, the race was about being the first one to open. For example, Thu from Thu’s Salon & Spa stated that she competed to be one of the first to come back. As such, those that do response quickly and innovate reap the benefits. As stated by Hagel (2005), “[…] innovations are ultimately much more powerful in terms of generating business value because, if done right, they can generate a compounding effect of their own – they keep on giving […]” (para. 3).
Tri (Tri’s Food Mart) – “In the mean time, we turned the store into a soup kitchen providing meals and water for all volunteers and shelter for them.”

Thong (TC Gas Station) – “Determined to stay open and to provide the needs of the community, we added a kitchen to our gas station and offered food for workers and volunteers who had no place to eat or drink. Today, we still have the kitchen area where we sell deli and hot food to our customers.”

Duyen (XYZ Supermarket) – “We renovated our damaged building and opened back up in 8 months. Business was slow, considering that we were based near the point on the East side of Biloxi where damage was massive. The majority of the homes situated around my business were either destroyed or damaged. Therefore, we had to institute other services such as Western Unions and selling money orders on top of the retail we had just to keep the business afloat. Finally, after all the hard work, we were able to evolve from a small (3k sq. ft) store into a business ten times the original size.”

Vinh (Vinh’s Video Store) – “We lost everything. But once we re-opened, we changed our services from a video store to more travel and international services.”

Xuan (TUV Casino) – “[TUV] is no longer the same property since before Katrina. It serves a higher socio-economic demographic and has reached into the southeastern region more intensely than in previous years. With a focus on service and great food, [TUV] has won awards for its resort and fine dining establishment. Continued physical expansions and improvements provide guests and associates with a better environment in which to do business. Also, the gaming and non-gaming amenities have increased in number and quality since Katrina.”

Discussion & Conclusion
The current study has utilized a phenomenological approach to understand small business owners’ response to a crisis with innovation. Ten Vietnamese small businesses are examined to determine how they respond to an externally induced crisis in the form of Hurricane Katrina. In addition, the study explores a large casino on the Mississippi Gulf Coast who employed many Vietnamese residents in the area. The results of this study elaborate on three a priori themes including 1) limited financial resources, 2) ability to move rapidly, and 3) networking relationships. Moreover, two emergent themes are found: 1) major losses and 2) innovation. While findings confirm both the small business and strategy/crisis management literature, none has combined the two areas from a Red Queen effect and innovation perspective. Scant research has looked into small businesses and crisis, and even less from a cultural perspective. Yet, as can been seen with the present study, Vietnamese small business owners face economic hardship like many other small business owners after Hurricane Katrina. However, half of small business owners interviewed claim they were more effective against their competitors by bringing new products and services to their market.

Nevertheless, there are limitations to the study given the scope and number of informants. Such limitations provide future research opportunities in different communities and crises for generalizability. Another fruitful area for future research would be to examine the same ten Vietnamese small businesses in a longitudinal study at the tenth anniversary of Hurricane Katrina and compare and contrast how they fared from the devastation ten years later. Further research should also consider how small businesses response to multiple crises and if small business owners learn from previous crises (e.g., the Deepwater Horizon oil spill in the Gulf Coast in 2010). In general, perhaps small businesses must innovate in order to stay ahead after a crisis. After the destruction of Hurricane Katrina, innovation was vital to many businesses in
order to recover and rebuild. Businesses had to alter their goals and strategies in order to adapt and overcome the disaster. Whether it was adding new amenities or turning their business into a temporarily soup kitchen or a new business sector altogether, Vietnamese small businesses definitely ran twice as fast to stay in the competition.
References


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Understanding Complaining on the Web: A Response Framework for Small Business

Christopher L. Martin, Centenary College of Louisiana

Abstract

Small businesses have quickly learned how to optimize social media to ensure engagement and to effectively promote their products and services. However, negative comments posted to the web can spread just as fast as a company’s promotional viral marketing campaign and responding to these comments has been more problematic for small businesses. Services, products or people that do not meet consumer expectations can move from being a simple misstep to a reputational risk with devastating effects - if not addressed quickly and correctly. Few small businesses understand how to effectively respond to negative and potentially damaging posts or how to prevent them from occurring in the first place. A conceptual framework is presented that outlines factors driving the anger and pushing consumers to loudly and publically gripe on the Internet to the point of damaging small businesses reputation and future viability. In addition to conducting content analyses of the themes underlying negative social media, the authors of such attacks and complaints were interviewed to further understand their motivation. Finally a sample of small business owners was surveyed to determine how they specifically have dealt with such attacks on their products, services and reputation.

Keywords: social media, complaints, marketing, reputation management, anger
Workplace Safety: What Small Business Owners Need to Know

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Abstract

One of the biggest challenges small business owners face is ensuring a safe work environment for employees. One common, and often costly misconception, is that small businesses that employ fewer than 10 employees are exempt from the Occupational Safety and Health Administration’s (OSHA) laws. While it is true that a majority of the laws do not apply, there are still several that do. It is critical that small businesses remain compliant with these laws. The scope of compliance covers everything from recordkeeping to the building the company itself occupies. The benefits of a safety program reach far and wide and can greatly affect the bottom line. It is important to remember that no business is too small to have a safety program.
One common, and often costly misconception, is that small businesses that employ fewer than 10 employees are exempt from the Occupational Safety and Health Administration’s (OSHA) laws. While it is true that a majority of the laws do not apply, there are still several that do. Should a small business owner be subjected to an inspection and be found non-compliant, the fines levied against the business owner could run into the tens of thousands of dollars. The scope of compliance covers everything from recordkeeping to the building the company itself occupies.

OSHA was created in December of 1970. With the creation of this administration, came the OSH Act. This act has the lofty goal of “assuring that no employee will suffer material impairment of health or functional capacity” (Lopez, Siepman, Heenan, Davis, & Miller, 2008). The OSH Act covers “Any employer employing one or more employees” (“OSHA Recordkeeping Handbook,” n.d.). Employers who have fewer than 10 employees are only partially exempt from the OSH Act. They are still subject to OSHA investigations due to accidents and worker complaints. Small businesses are also expected to maintain a Hazard Communication (HAZ-COM) program, occupy a space that is compliant with OSHA standards, maintain records of OSHA recordable incidents, post the OSHA 300 Logs during a specified time frame, and operate with a mindset of the prevention of injuries and illnesses.

Buying chemicals in bulk can save a company a lot of money, but the obligation to maintain an effective program for the storage, transport, and disposal of these chemicals must be met. OSHA has many gray areas, but the website has a section called Letters of Interpretation (LOI). Many businesses face the same issues and there are hundreds of requests submitted to OSHA for a more detailed explanation of specific regulations. For example, exactly how much chemical does it take to qualify for a HAZ-COM program? According to the OSHA.gov website,
any chemical use that exceeds what a “reasonable person” would use in a household should have a Safety Data Sheet (SDS) available to employees. The SDS is a document that warns users of the specific dangers of a product and gives guidance on safe handling, storage and disposal. OSHA recommends that if an employer is unsure about the use, then to err on the side of caution and obtain the SDS (Clark, 1991). This can be done by contacting the chemical manufacturing company and requesting the SDS for the chemical in question. Sometimes the SDS can be obtained via the company’s website.

Small business owners should obtain hard copies of the SDS sheets and place them in a designated SDS binder. The binder should be conspicuous, such as a bright color with stripes or the letters “SDS” on the spine. All employees must know where the binder containing the SDS is located and they must have quick access to it at all times. The SDS should never be locked inside a cabinet during normal hours of operation. It is advisable to place a table of contents in the front of the binder with corresponding tabs to enable ease of use. The most common scenario for the need of an SDS is when an exposure occurs. If an employee does not have to shuffle through each sheet to find the one they are looking for, the incident can be handled much more efficiently. An excellent practice, though not required, is to post the CHEMTREC and Poison Control Center hotlines inside the front cover of the SDS. Both hotlines are available to the public free of charge. They will answer any questions about chemicals and supply helpful information during an emergency.

All employees must be trained on the chemicals requiring an SDS. The training material can be obtained through multiple online resources. A professional safety consultant can also provide the necessary training. There are several online resources where training materials can be
obtained. The National Fire Protection Association offers webinars, training DVDs, and certification courses in topics ranging from electrical safety to basic outdoor safety (‘‘Training,’’ n.d.). OSHA also loans training materials and DVDs to help offset the costs of training (‘‘Safety and Health Training,’’ n.d.). There are a wide variety of publications such as safety bulletins and posters that can be printed off of their website free of charge.

Another potentially catastrophic OSHA pitfall for small business owners is the occupancy of older buildings. Many towns have offered small business owners incentives for occupying their historic buildings in an effort to boost their main street or downtown programs. There are also several renovation credits available in the form of historic tax credits, façade easements, and tax increment financing (Matthews, 2004). While the incentives can be tempting, the small business owner should consider several factors before signing any paperwork. The type of lease needs to be determined. Most commercial leases are full lease, but not all. A full lease means that the owner of the building is responsible for maintenance and upgrades needed to meet with the city’s building codes or regulations.

Before signing a lease, the small business owner should determine if the building owner or landlord is trustworthy and respectful. It would be wise to talk to other business owners in the area to determine if the landlord is known for being good to their tenants. If it is found that the landlord is negligent in making the required upgrades or does not complete them in a timely manner, this can spell disaster for the small business owner. A certificate of occupancy must be issued prior to the business opening. Without the abatement of any found code violations, the certificate will not be issued. Should this happen, the business owner is left footing the bill for the lease each month, without being able to open the doors for customers. The responsibilities for
abatement of any alleged violations lie solely in the hands of the landlord and they may not be in a hurry to spend the money to fix the issues.

Another common issue with full lease agreements is that the landlord repeatedly takes the cheapest way out by insufficiently rectifying the problem instead of implementing a permanent and effective solution. One downtown business was forced to operate without air conditioning during the summer, for nearly two weeks, until the landlord eventually addressed the problem (C. Norcutt, personal communication, January 12, 2014). Even then, the problem was patched and the air conditioning would not cool the building adequately. This deterred customers from spending any time inside the establishment and within a few months, the company went out of business.

If a landlord is willing to work with its tenants and provide maintenance in a timely manner, the full lease agreement is the optimal way to go. If the lease agreement leaves the maintenance expenses to the tenant, extreme caution must be used. If the alleged code violation is found to be electrical in nature, the necessary repair(s) can easily exceed a small business’s operational budget. A full inspection, along with thorough understanding of the terms of the lease prior to signing the lease agreement is crucial. This step can make or break a business. In 2014, a group of doctors in a busy metropolitan area recently encountered this sort of nightmare (C. Norcutt, personal communication, January 12, 2014). They leased a large office space inside a building containing multiple offices. The doctors spent a substantial amount of money on renovations and upgrades to the space, only to be met with a denial for a certificate of occupancy from one of the city’s fire marshals. The fire suppression system was not up to code. This issue
would cost approximately thirty thousand dollars to abate. The doctors agreed to the cost and hired the contracting company to abate the hazard.

The second issue was the building’s fire alarm system. Federal law requires pull boxes to be located in all commercial buildings and that they electronically notify a twenty-four hour monitoring company when activated. The pull boxes located in this particular building did sound an alarm when activated, but were in no way remotely monitored. All of the current businesses located inside this building were grandfathered in, but since the doctors’ office was considered “new construction,” they were not allowed to occupy it until the issue had been addressed. Heated discussions and debates followed as the contractors attempted to resolve the issues with the fire marshal’s office. They offered to hard wire in a separate alarm system for the office that would notify a monitoring company, but the offer was turned down as the law requires the entire building to be up to code for new construction to inhabit it. With over a quarter of a million dollars invested and several thousand more to go, plus no place to see their patients, the doctors found themselves trapped in a costly and infuriating holding pattern until the new fire alarm system could be installed in the entire building.

If a historical building has not had its major components brought up to code, the costs and wait time for those changes can be substantial. Typically, the plumbing and electrical systems both have to be replaced completely. It can take up to six months or longer for the electrical system to be completely installed. For water, sewer, and fire systems, a storm water separation system along with fire department connections and standpipe installation must be considered (Matthews, 2004).
The possibility of asbestos must also be considered, if the building in question was constructed during the time period when asbestos was considered to be a safe building material. If a building is determined to contain asbestos, there are two options: removal or encapsulation. Removal is typically cost-prohibitive. If the asbestos can be encapsulated, that is usually the best way to abate the issue. The Asbestos Containing Material (ACM) will be covered with a heavy insulation and while expensive, it is a much cheaper option than having it all removed. The insulation will keep the asbestos from becoming airborne particulates and creating a health hazard.

The Americans with Disabilities Act (ADA) requirements are typically not met in a historic building. To become ADA compliant, major renovations may have to be performed, including the addition of an elevator if there is more than one story to the building. Depending upon the age of the building, doorways will most likely have to be widened, along with all entrances and exits.

OSHA inspectors will perform a walk-through free of charge. This is an excellent opportunity to gain perspective from a government standpoint when it comes to the safety of an establishment. Any violations found will not be cited, if no imminent danger to life or health exist, however it is expected that hazards will be abated quickly. A good rule of thumb is to stay with the inspector the entire time he or she is present, and to take the same notes he/she does. Taking pictures of the same items the inspector takes pictures of is also strongly suggested. Prior to the inspection, it is prudent to prepare a list of questions to ask the inspector. The inspector knows a small business owner who voluntarily requests an OSHA inspection may not know everything there is to know about safety, and that they are there to learn what needs to be done.
Having an inspector walk through the business shows a willingness to cooperate, and a drive to improve. Should OSHA be called out to inspect that same business due to an employee complaint, the voluntary inspection and subsequent abatement of hazards will be taken into consideration when it becomes time to negotiate over any citations issued.

A fire marshal can be an invaluable asset to the small business owner as well. His or her services can range from inspections to education and consulting. All of this is offered free of charge. Most fire marshals have fifteen or more years of fire service experience, along with extensive specialized training in a wide variety of aspects of building construction. They are also the record keepers for a building’s history, and serve as an excellent resource for information about any buildings under consideration for lease by a small business owner. It is advisable to request a pre-lease walk-through by the fire marshal to determine if the building in question will pass inspection when it is time to apply for a certificate of occupancy.

Another excellent resource for determining if a building is up to code is a licensed, professional inspector. A good inspector needs to be well versed in commercial building codes and preferably have experience in engineering, construction, electrical, pest control, and plumbing. The cost of hiring a seasoned professional will not be economical, but it could potentially save thousands of dollars for the small business owner in the long run. The inspector will typically crawl into the spaces that a fire marshal won’t. He/she will be able to tell you about the structural makeup of the building, and its current condition. By examining every aspect of the building from joists to plumbing, they will be able to provide a forecast of possible issues that could arise in the near future.
If renovations are going to be made, the architect’s renderings can be reviewed by the fire marshals and inspectors prior to starting the project. They will be able to tell immediately if the renovated space will or will not meet all building code requirements. It is not uncommon for a business to begin renovating a space, only to have to tear down or re-renovate several areas due to existing code violations. Had the owner requested a layout review prior to starting, the issue might have been avoided completely.

The most common mistakes made during renovations typically have to do with the National Fire Protection Association (NFPA) Life Safety Code. In an effort to enlarge rooms, hallways are sometimes narrowed. The NFPA requires a minimum width of four clear feet. This means that no items, such as decorations or furniture, can intrude into the space. Storage rooms are often a precious commodity and packed full of items. If a building has sprinkler heads suspended from the ceiling, no items may be stacked within eighteen inches of the sprinkler head. This distance prevents the curtain of water from becoming obstructed, which could reduce the extinguishing ability of the system significantly. All doors that are not exits must be marked as such. Exit signs must be placed over all exit doors and either be illuminated or reflective. In an effort to save money, many businesses opt to print out exit signs from a computer. This is not an acceptable practice, and should OSHA or the local Fire Marshal perform an inspection, significant fines may be issued.

A small Brooklyn-based chain of women’s apparel stores was inspected by OSHA in August of 2013 because of employee complaints to the OSHA regional office (“OSHA Cites Pretty Girl Inc.,” 2013). Employees claimed they were subjected to working in unsanitary conditions. Upon arrival, the OSHA inspector found that raw sewage had backed up into the rear
of the store. Boxes and bins were strewn everywhere, and parts of the drop ceiling were falling down. The citations issued carried a total proposed penalty of $43,890. Included in the citations was the lack of a clear means of egress, lack of a fire escape and emergency plan, no exit lighting or signs, and the fire extinguishers had not been mounted or inspected. The company was also cited $770 for failure to maintain an OSHA 300 Log of injuries and illnesses.

Aside from the physical aspects of the business, employers who employ more than 10 employees must maintain a record of injuries and illnesses that are recordable by OSHA’s standards. All employers, including those partially exempted by reason of company size or industry classification, must report to OSHA any workplace incident that results in a fatality or the hospitalization of three or more employees. A list of industries that are partially exempt from recordkeeping can be found in the Appendix of this paper. An injury/illness must meet one of the criteria set forth by OSHA to be considered recordable. The list of recordable injuries/illnesses is outlined in Section 1904.4 in the OSHA Recordkeeping Handbook (n.d.).

The recordkeeping procedure has five steps. The first step is to obtain a report of the incident that resulted in an injury or illness. Incident reports are not standardized; thus it is up to the employer as to what kind of report to use. The report style can range from a single page to multiple pages, outlining every detail. The second step is to log each injury/illness on the OSHA 300 log. The third step is to prepare the OSHA form 301. This serves as a supplementary form for all recordable injuries/illnesses. It is important to note that this form is not required to be filled out if the incident investigation form includes all of the information that is on the 301. The fourth step is to prepare an annual summary of all injuries and illnesses in the form of an OSHA form 300A, at the end of the year. This form must be posted in a conspicuous area every year.
from February 1 to April 30. The last step is to maintain these records in paper form for five years. The five year rule means the current year plus the past five years. Electronic copies may be kept in addition to, but cannot replace, the hard copies. It is advisable for companies that are exempt from this requirement to still maintain a record keeping system ("Small Business Handbook," n.d.). Using the records, incidents can be tracked and used to narrow down problem areas in the workplace. These areas can be inspected and employees interviewed for possible abatement strategies.

All businesses, regardless of size, are required to notify OSHA upon the death of an employee in the workplace or the hospitalization of three or more employees for other than observation. The notification must be made within eight hours of the incident occurrence. This must be done orally by either a phone call or a personal visit to the nearest OSHA office. This is why no business is ever considered totally exempt from OSHA regulations. The company’s safety program should include a paragraph outlining who is responsible for contacting OSHA should one of these incidents occur along with the contact number for the area OSHA office. It is important to designate someone in a management position to contact OSHA. It is important that the first impression given is a good one. An investigator with a bad impression of the business could spell disaster when the time comes to negotiate citations.

Along with the posting requirements of the OSHA form 300A, the OSHA Workplace Poster must be displayed year-round. It is advisable to have a separate bulletin board located in the employee break room or near a time-clock to post these required documents. Safety bulletin boards can be fun as well as informative. Pictures, cartoons, and interesting facts posted on the board regularly will help ensure employees check the bulletin board routinely. Industry specific
OSHA standards that apply to the small business owner’s company should always be kept on hand to use for reference (“Small Business Handbook,” n.d.). OSHA offers a wide variety of safety bulletins and posters that can be posted and/or disseminated to employees. A good practice is to focus on one aspect of workplace safety every month. Many businesses will select the topic based on the time of year. Safe driving during inclement weather and hypothermia awareness are excellent topics to cover during the winter. Fire safety is often discussed in the fall. This coincides with national fire safety week and the nationwide campaign to urge homeowners to change the batteries in their smoke detectors. The safety topics covered can not only protect workers in the workplace, but at home as well. Many safety professionals choose to add contests or other fun aspects to their safety programs to encourage employee participation.

All training documents, drill records, and a written copy of the safety program should be kept in a master binder for ease of use and reference. Along with the requirements by OSHA, there are a few elements that, if used, will assist the business owner in attaining a safer workplace overall. Using the industry standards as a guideline, the business owner should draft a checklist for monthly informal inspection. It is easy to become complacent about safety and this checklist will aid in keeping hazards from being overlooked until an employee is injured or the building catches on fire. There are several items that fall under the general industry standards that all checklists should include. Extension cords can be used for up to 90 days where temporary wiring is needed. The cord should have a tag placed on it that shows the date it was placed in service and the initials of who tagged it. The cord should be completely intact with no visible wear on the outside insulation. The ground pin should also be firmly in place. If a cord is stretched across a building, it should be kept out of all walkways and not placed under carpets or
rugs. The best option for temporary wiring is the use of a power strip in place of an extension cord. They can be custom ordered with cords in excess of 40 feet. Storage rooms should be routinely inspected for the presence of vermin. Exits and fire extinguishers should be inspected as well. Any and all issues should be documented on the inspection checklist even if they are abated on the spot. The documentation shows that the employer is identifying issues as they arise and the documentation will help plead a case for reduced or dropped citations should an OSHA inspection occur. Any documentation showing the employer’s dedication to safety will help when it comes to requesting leniency from inspectors. It is also a good idea to involve employees in the inspection process. Fresh eyes are better able to spot hazards. Employees with hands-on experience often have excellent suggestions for abatement measures. Involving them also helps to bring them on board and gain compliance with company policies and procedures where safety is concerned.

The local fire department can perform inspections of the fire suppression system. They will be able to determine if all sprinkler heads are functional, test the emergency lights, ensure that all smoke alarms are properly placed and in working order, and identify any other hidden or visible electrical hazards that may exist. They can also perform a test on the nearest fire hydrant to determine if it has adequate water pressure to extinguish a fire should one break out. If the pressure is inadequate, they will have to amend their response guidelines to include additional resources and equipment to ensure the building is adequately protected. A successful fire inspection could possibly translate to a lower insurance premium when conveyed to the business owner’s insurance company. When speaking with the fire department official, it is important to find out what the city’s ISO rating is. The ISO collects information on a community’s public fire
protection. This rating can range from 1 (the best) to 10 (the worst). Insurance companies take this rating into consideration when determining what premium to charge. Sometimes an insurance company will not have factored this into their quote for coverage. Supplying this information can potentially save a business thousands of dollars annually. Communities can assist with lowering the city’s ISO rating by requesting training from the local fire department. This documented training can be submitted to the ISO rating committee for consideration of lowering the existing rate (“ISO Fire Suppression Rating,” n.d.). If the rating is lowered, businesses can then report the new lower rating to their insurance companies for consideration in premium reduction. It is very important to maintain a close relationship with the local fire department.

Another element of a comprehensive safety program is ergonomics. The workplace should be made to fit the employee using reasonable measures. It is not reasonable for an employee to expect a complete rebuild of an office to accommodate them, but an ergonomics issue may be abated with the use of items such as a step stool, an adjustable chair, or some other means of assistance. Along with workplace inspections, employees should be observed for any signs of physical stress. Frequent weight shifting from one foot to the other, rolling of the neck and/or shoulders, constantly straining to reach or pick up items, and rubbing the lower back are just a few indicators that should tell an employer that something in the workplace may need to be changed. It is not uncommon to find that simple additions or changes can save a company thousands of dollars in workers compensation claims and ensuing lost work days. Working with employees when it comes to comfort may also greatly improve morale. According to management consultant and safety/organizational behavior specialist Dan Petersen, when the
culture of a company is positive, the safety program elements will be more successful (Petersen, 2001).

Prior to purchasing office equipment for a business, the varying ergonomic aspects of each piece should be analyzed. A cheaper office chair may end up costing the business owner thousands of dollars due to poor adjustability. Conversely, the most expensive office chair may not be the best option either. Perusing the consumer reviews with respect to fit and comfort for the specific product being considered will aid in selecting the best equipment for the money. If possible, adjustable tables should also be considered for use in the workplace. This allows for a variety of employees to work comfortably. Employers need to monitor employees who spend a lot of time on computers to ensure they are not being exposed to lighting issues. Glare is a major cause of eye strain and headaches. Changes in the types of bulbs used overhead or anti-glare monitor covers are options to consider when abating this workplace stressor. Managers should routinely check on employees to ensure the equipment is still functioning the way it should. All broken items should be removed and replaced in a timely manner. If a piece of equipment is in need of repair, employees should understand the correct procedure for reporting it. Repairs should be done by a licensed professional if possible. Prompt actions by management when it comes to reported issues will reinforce the belief that the employee matters; thus boosting employee loyalty and morale.

The OSHA Small Business Handbook takes all of these program elements and organizes them into a simplified outline. The outline can then be used as the backbone for a comprehensive safety program. With the help of seasoned professionals, a lot of expenses can be avoided. A small business has a wide variety of resources at their disposal to help with developing and
maintaining a successful safety program. Many of these resources are at no or very low cost. When safety is considered during the planning stages of a new business, a lot of hazards and potential expenses can be avoided. These savings can even extend into lower operating costs by having the building under consideration inspected for adequate components. A well-sealed building will not only keep vermin out, but will be more cost-effective to heat and cool. Employers who have happy and healthy employees who know their voices are heard and their needs met will have lower turnover rates. According to a Gallup study, only 30 percent of American employees feel engaged or inspired at work (“Study: Most Americans Unhappy,” 2013). A successful safety program can help alleviate those feelings of disinterest and unhappiness. Initiating challenges, involving employees in the safety program, posting fun and informative bulletins that are immediately relevant to not only the workplace, but their personal lives as well, can all lend to an employee feeling not only engaged, but cared for. Ergonomic considerations for employees will also keep morale high. If an employee expresses a need for a change and that need is met, they will feel like valued and be less likely to leave the company. The benefits of a safety program reach far and wide and can greatly affect the bottom line. It is important to remember that no business is too small to have a safety program.
Appendix

Partially Exempt Industries.

Employers are not required to keep OSHA injury and illness records for any establishment classified in the following Standard Industrial Classification (SIC) codes, unless they are asked in writing to do so by OSHA, the Bureau of Labor Statistics (BLS), or a state agency operating under the authority of OSHA or the BLS. All employers, including those partially exempted by reason of company size or industry classification, must report to OSHA any workplace incident that results in a fatality or the hospitalization of three or more employees (see § 1904.39).

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<th>SIC code</th>
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<td>542</td>
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<td>Beauty Shops</td>
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<td>724</td>
<td>Barber Shops</td>
<td>899</td>
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[66 FR 6122, Jan. 19, 2001]
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Just Do It! A Proof of Concept Case Study

Dale Spradling, Stephen F. Austin State University

Abstract

Most startups fail. Given this reality, a serial entrepreneur or incubator can maximize resources by minimizing the mean time to failure, not success. If an idea is not going to be commercially viable, the sooner the project reaches the autopsy stage, the better. A Proof of Concept can accelerate this endgame by using fuzzy feedback logic to determine the financial feasibility of a concept. This case demonstrates the Proof of Concept process by using storytelling to illustrate the following steps: 1. Demonstrate problem/opportunity, 2. Brainstorm innovative response; 3. Develop proof of value, 4. Cultivate a proof of technology, 5. Establish a business/legal/tax plan, 6. Agree on timeline and milestones, 7. Demonstrate a proof of economic feasibility, and 8. Prepare a completion post mortem. This case thus establishes that, unlike a business plan, where a significant amount of front-end time can be spent preparing yet another beautiful slide deck that addresses every possible contingency, a Proof of Concept is viable, but rigorous and heuristic process for quickly determining the feasibility of a concept.

Keywords: Proof of Concept, Innovation, Financial Feasibility, Startups
Fe-Lines, Inc.: Don’t Declaw...Get Sticky Paws!

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Courtney Kernek, Southeastern Oklahoma State University
Mildred Golden Pryor, Texas A&M University – Commerce

Case Overview

Fe-Lines, Inc. was founded by Bonnie Pemberton, a broadcast voice over performer. She is an avid cat lover and invented a product, Sticky Paws, to modify the behavior of cats that sharpened their claws on furniture, rugs, and other surfaces that they found desirable in the home. Her cat Buddy was the inspiration for the development of Sticky Paws because she loved him dearly yet he had destroyed thousands of dollars of home furnishings and plants. In searching for a solution to his shredding behavior she researched declawing and learned of all of the possible side effects of this procedure. Declawing can lead to infection and inappropriate elimination and Bonnie decided this was not an acceptable solution. This search ultimately led to her development of this double sided adhesive product which can be applied to any surface without leaving sticky residue or otherwise damaging the surface. It is an effective deterrent because cats do not like anything that is sticky on their paws!

At the time Bonnie started selling Sticky Paws, she had no background or experience in business. She was marketing her product at a trade show in Orlando, Florida, when she met Chris and Angela Ruben, who later became the marketing arm of her company. As they watched Bonnie at the trade show they knew that she was really in need of assistance in many aspects from pricing, distribution, and packaging of the product to strategically planning for product line extension. They helped Bonnie initially on a friend/mentor basis and contracted with Bonnie during her second year of operation when she realized she could not run the company by herself.
Case Objectives and Course Use

This case examines the marketing challenges faced by a start-up company in the pet industry. A marketing company is hired to assist the founder and CEO of Sticky Paws to help formulate strategies for the marketing mix variables that will position the product in the industry to achieve greatest competitive position. The case takes the reader through the marketing challenges and allows insight into the variety of issues that had to be taken into account before recommendations can be made to the owner. Specific objectives of this case include: (1) provide an opportunity for students to explore and apply various pricing strategies; (2) discuss the importance of channels of distribution selection and impact on price; (3) examine the impact of promotion on product sales performance; and (4) discuss patent protection considerations.

This case would work well in an undergraduate or graduate marketing management course. It is also appropriate for an undergraduate or graduate promotion or sales course.
X, Y, or Z? --- A Theoretical Comparison of Managing Small Business in China and India

Qiang Yan, St Benedict College and Saint John’s University
Kingshuk Mukherjee, St Benedict College and Saint John’s University

Abstract

Numerous studies have explored the differences between managerial styles in developing countries and those of the Western firms. However, few studies have compared managerial styles of small business in the two emerging economies: India and China.

This study intends to fill this gap by fully examine the similarities and differences of managing small business in China and India.

This paper analyzes the managerial styles in small business in the two countries by applying conventional models in motivation, namely X, Y, or Z theory, to unfold the underlying reasons of why there are such similarities and differences of managerial styles in small business in the two countries. The other side of the coin of this study is it also tests whether the conventional managerial models of X, Y, or Z, as proposed by Douglas McGregor and William Ouchi, can still be held in the study of small business in emerging economies such as China and India.

The data are mainly collected from the authors’ intensive interviews with managers and employees who have worked or are still working in small business in China and India. Secondary data, especially some related government documents and/or business records, are also used if necessary.

In addition to study the management of small business in the two developing countries through the lens of the three managerial models, this study also offers historical and cultural
explanation to delineate differences and similarities of managerial styles in the two emerging economies.

In general, this study reveals that although small business in Western cultures and small business in China or in India may still have different managerial styles, the difference of managerial styles in small business in the two developing countries is also huge. We also find that although conventional culture and norms still shape managerial styles in small business in China and India, some Western values, such as competition, cooperation, efficiency, gender equality, etc., gradually affect managerial styles of small business in the two countries. In addition, the effectiveness of managing small business in each country is also shaped by other factors such as the type of industry in which the small business resides, the geographic site where the firm locates, and managers’ personality.

In sum, this study aims to outlining some fresh understanding of managerial styles and their influencing factors in small Chinese and Indian business. This study shows that the conventional paradigms of motivation—X, Y, and Z, can still be applied to study the management of small business in some countries. The study also tells us that a comprehensive survey of macro and micro context of the target country is necessary for the successful management of cross-cultural small business.
**King Digital Entertainment PLC: A Case Study**

Alair Tudor, University of Louisiana at Monroe  
Eugenie A. Ardoin, University of Louisiana at Monroe  
Arturo Rodriguez, University of Louisiana at Monroe

**Introduction**

Gaming has taken on a new dimension in recent years as some companies have chosen to gravitate from the traditional gaming platforms to gaming options that have become available through social media. Social media sites such as Facebook have provided the opportunity for people to connect and interact with each other. Gaming through social media sites has allowed people to play with each other and interact with each other without having to be physically together or having to spend large amounts of money on a gaming platform. Although it has been reported that Facebook has been losing their fan base, the site still boasts a large amount of potential clients for gaming companies to grow and expand. Last Yahoo News reported that the company had approximately 1.11 billion people using the site every month, representing a 23% growth from 2012 (Yahoo, 2013). Additionally, it has been estimated that the landscape is changing as to the amount of gaming that is conducted online. Studies show that an estimated 3 billion hours a week are spent by people gaming online and “there are 500 million global gamers now who spend at least an hour per day playing” (Jacques, 2011). With this platform and user growth, social gaming companies are hoping that it will transfer to growth and popularity of their games. Examples of these social gaming companies include: Zynga, the creator of the Farmville and Maria Wars games which had gained popularity in the recent past, and the creator of the popular Candy Crush Saga, King Digital Entertainment. The trend of both of these companies
has been to develop and market popular games, then file with the Securities and Exchange Commission to take the company public and raise additional capital. Given the failure in the past of a similar company named Zynga where the stock price went from $11 at open to $2.96 per share the question remains as to if King Digital will suffer a similar fate and see its stock in the future continue to decline.

**History**

Although King Digital Entertainment was founded four years before Zynga (in January of 2003), its most popular game only gained notoriety after the great success of Zynga’s Farmville. When King Digital started, it began developing and publishing online casual games. (Our History, n.d.). It is led by CEO Riccardo Zacconi who started his career in economics but eventually shifted over to digital business when the dotcom era occurred (Garside, 2014). After the bubble burst in 2000, Zacconi moved to the U.K. where he found his first real digital success in a dating company called uDate. The company eventually was sold to Match.com which made Zacconi a millionaire and gave him the resources to start King Digital, along with other people he met through different companies (Garside, 2014). After the startup, the company was able to attract investors and grew. In 2011, it launched the Candy Crush Saga game on King’s Tournament website (Our History, n.d.). In the same year, the company also introduced Bubble Witch Saga which was the company’s first social media game that used Facebook, and the first game to be launched on mobile devices. Candy Crush soon followed in November, 2012 (Our History, n.d.). Since then, King Digital has boasted having 352 million average monthly unique users and 190 titles offered in over 200 countries (Our History, n.d.).

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*Memphis, TN, September 24-26, 2014*
The IPO

After a very successful 2013, King Digital decided to take the firm public. Until this point most investors did not know the true extent to how profitable of King Digital’s profitability but they were aware of how popular a few of their games had been. Reuters reported that King Digital was a money-making machine posting revenues in excess of $5 million a day (Thompson, 2014). The potential stock offering was made attractive by the number of dividend payments that could be made based on the size of the firm’s revenues. As such, JPMorgan Chase, Credit Suisse, and Bank of America Merrill Lynch underwrote the filing, hoping to raise $500 million on February 18th (Thompson, 2014).

Although there were some who were eager to invest in the company given the recent rapid growth and popularity of its games, there were many who met the company’s IPO with skepticism as well. After all, many still seemed skeptical due to the recent Zynga crash and were not quick to reinvest in yet another social gaming company. As a result, shares opened lower than the proposed $22.50 per share at $20.50 and continued to slide by as much as 16 percent during the day as investors expressed concerns about the company’s apparent overreliance on Candy Crush Saga. Evidence showed that three quarters of the company’s revenue for the last three months of 2013 was derived from the Candy Crush Saga; although it boasted to have 190 titles (180 at the time of the IPO (Nayak, 2014). Another reason given for the lackluster debut was expressed by Roger Kay, an analyst at research firm Endpoint Technologies Associates who stated that in the past, there have been many high priced IPOs and the valuations were “frothy” causing investors to be disappointed when returns don’t meet expectations (Nayak, 2014). After the less than stellar debut, there were more calls that the company’s stock was “mispriced” and
indeed was another Zynga (which made a similar opening in 2011 with a smaller 5 percent stock decrease at the end of opening day) (Nayak, 2014).

The less than stellar debut also had other impacts by decreasing the net worth of some of the main investors of the company including the CEO Riccardo Zacconi and chairman Melvyn Morris who could have become billionaires if the debut had been better (Mac, 2014). Zacconi had lost $105 million and Morris, due to him holding more stock, lost approximately 125 million (Mac, 2014). These losses were still smaller than king.com cofounder Toby Rowland and former board member Klaaus Hommels who chose to sell their shares in the company early for cents when three years later the company went public. Their shares in the company would have gathered 960 million and 1.02 billion at IPO instead they walked away from the company with 2.9 million and 3 million respectively (Mac, 2014). This stands as an example for other companies who have investors in social gaming and who are still debating whether or not to go public. It should also send a signal to these investors that there is possible money to be made in the industry if the firm and the IPO are managed correctly.

**Business Model**

The business model offered by King Digital is a fairly simple one, the games they designed are done in a way to be easy to understand but still challenging for the user to perform and build upon. It allows for a focus on those players who have short times available to play games allowing these users to “play for a moment, then move on with their day and pick up their game later” (Investor Relations, n.d.). This allows the company to gain new customers from a broad range of demographics with the wide appeal that is available with this strategy.
Essentially, the games that are made by King Digital are available for free but if users want to gain a better experience they will purchase virtual features that are priced “relative to the entertainment value they provide” (Investor Relations, n.d.). These virtual features make up the majority of the revenue the company gets which is obtained from the user through the platform which then charges “30% of the after-tax payments they collect” (King Digital Form F-1, 2014). Additionally, the company obtains some revenue through advertising space, though it is declining, and the company does not expect this to play a large role in their future plans. To spark further innovation and attempt to build on previous successes, the company in the past has aggressively bought over digital development companies in strategic locations around the world to produce games by local game developers in foreign countries for consumers in that specific country. For example, recently the company bought Non-Stop Games in Singapore for approximately 100 million to develop their “game studios” (Tham, 2014). Other game studios purchased are located in Stockholm, Bucharest, Malmo, London, Barcelona, and Berlin. Along with these studios, the company also has offices in San Francisco, Malta, Seoul, Tokyo and Shanghai (Investor Relations, n.d.). The CEO, Zacconi, does understand that the industry in which the company operates is very volatile and its success is heavily dependent on how recent the last success of the company was (King Digital CEO, 2014). To combat possible failure, the company focuses more on attempting to flood the market with many web games. As noted before, the company currently offers more than 190 games; which allows for the company to see which games work on one level that could possibly be transferred to other platforms such as mobile and social networks (King Digital CEO, 2014). Using this model has been successful at the moment; results have shown that the company has expanded very quickly on the onset of the success of Candy Crush Saga. Profits have grown to $568 million in 2013 from $8 million in the
previous year which spurred the ability for the company to do an initial public offering in 2014 despite calls that the company is still just a one hit wonder (King Digital Form F-1, 2014).

**Strengths**

King Digital is a company that has tried hard to ensure that it is sustainable. As one of the older gaming companies that started developing games on social platforms, they have shown the ability to craft a repeatable and scalable business model. The model, as discussed before, is somewhat simple allowing the company the opportunity to introduce new titles in the event Candy Crush Saga loses popularity. The success of the model is attributed to the following:

- Massive player network available,
- Ability to seamlessly transfer between devices if needed, and a
- Unique, repeatable, scalable game development process

**Weaknesses**

At the time of the IPO both the company and various other analysts identified some distinct weaknesses with the business model. These weaknesses may jeopardize the ability of the company to continue to be sustainable. The weaknesses that the company exhibits are outlined below:

- A small number of games currently generate a substantial amount of revenue,
- Not keeping up with market demands for new games,
- Dependence on only a few key users / gamers as sources of revenue (small percentage of users actually buy items),

- The loss of key personnel could have immediate negative impacts on the company, and

- Experience level of management is low

**Opportunities**

Although there have been numerous companies starting to focus on the online gaming market there are still opportunities that are available to King Digital to seize these include:

- Massively growing industry,

- Fast, easy way for revenues, and

- New ad technologies that are becoming more popular providing ways to diversify revenue sources

**Threats**

There are risks that are associated with the company and others investing in it, many of which have been identified by the company itself at the IPO in their filings. These include:

- Significant competition and low barriers to entry,

- Dependence on gamers to hold interest in games produced by the company,

- Rapid change in customer preferences,
- Dependence on other devices and systems not in the control of the company (Facebook article losing popularity),

- New technologies that could make the social media gaming phenomenon obsolete,

- Potential for online services security breaches which could occur and harm the business,

- Dependence on a small number of data providers to allow users to gain access to purchase items online for the game.

**Comparison between King and Zynga**

As stated before, there are a few comparisons that are justified between Zynga and King Digital. Both companies have had breakout hits which caused rapid increases in revenue within short spans of time. For Zynga, it was Farmville and for King Digital it was Candy Crush Saga. In addition, both social media gaming companies filed for IPOs after very profitable years showing nearly consistently high revenues as depicted in Graph 1. The graph also shows faster growth for King Digital resulting in higher revenues at the time of the IPO than Zynga and thus having a higher valuation. Another distinct characteristic that the graph illustrates is a slight decrease in revenues between Q3 and Q4 of 2013 pre-IPO which began thoughts of a possible plateauing of earnings for King Digital.

**The IPO**

Zynga had a turbulent opening day with its value rising to as much as $11.50 per share before decreasing to 9.50 per share finishing 5% below the opening day pricing (Pepitone, 2011). The similarities between the two companies had caused many potential investors to become concerned over purchasing King Digital’s stock after the failure of Zynga years earlier (Yahoo! Finance, 2011). The revenue from Zynga, after the company went public, started to decline mostly due to the decrease in interest that occurs with many social gaming company’s most popular game(s). When coupled with a slow start up on other games developed by the company, it could make a risky investment. In Zynga’s case there was overdependence on Farmville, which as the graph below (Graph 2) shows had peaked approximately around the eleventh month after its release. Moreover, other games released by the company were not as quick to gain interest
among the consumer to mitigate the declining pattern. King Digital has other titles that had moderate success but even months after release there has been a rapid drop off in number of new bookings, which is the best way in which these companies can assess how many new sales they have achieved over a certain period of time (Matt Lynley, 2011). One game that the graph has illustrated as not picking up as much interest as was needed was Cityville which, in a time lapse comparison to Farmville, only achieved 50% of the bookings that Farmville recorded.

Graph 2: The trajectory of bookings between the major titles of Zynga retrieved from http://www.businessinsider.com/zyngas-daily-user-growth-is-fading-fast-analysts-say-2011-12

King Digital is beginning to see its main revenue source decrease in terms of user interest as a Google trend analysis shows. Although it isn’t the best metric, it does correspond with what
was termed as a peak at the same point in which Candy Crush started to decline in terms of new bookings; which resulted in a decrease in revenues as shown below in Graph 3. Graph 3 compares Candy Crush against various other titles.


King Digital has tried to diversify its portfolio of games by acquiring several different companies and expanding its research and development department (to 3% of revenue). In spite of the company’s efforts, Candy Crush still accounts for “78% of King Digital's $632 million in gross bookings for the fourth quarter of 2013 and 67% of $641 million in gross bookings for the first quarter of 2014” (Newman, 2014). This overdependence showed itself in 2014 when it was highly publicized that King Digital saw smaller than expected earnings for the first time since its rapid expansion and adjusted their projected earnings for quarter 3 of 2014 to reflect this change. These changes warned investors of a possible ‘plateauing’ or declining of future earnings reports to come if the company fails to have another hit within a short space of time. Although the company’s report was far from being disappointing, showing revenues of 593.6 million and a net
profit of $165.4 million for the second quarter of 2014, it is a trend which already cautious investors saw as a sign and many dumped the stock, causing the stock value to drop (Mamiit, 2014). The decrease in interest also transferred to a decrease in overall bookings for the first time since the Candy Crush mania began as shown in Graph 4 below. This illustrates the massive increase in bookings for King Digital after the release of Candy Crush in comparison with Zynga, which after its original rapid growth as shown in graph 1 is going through a period of slow decline corresponding with the rise of King Digital.

Graph 4: King versus Zynga bookings over the 2009-2014 periods retrieved from

Although there are many similarities between the two companies, there are also some differences as well. Zynga had made most of its success by offering the Farmville game online.
on the Facebook site. But the company found itself at a point where there was a rapid transition in the way people wanted to do gaming, which was via their mobile devices. The company was unable to adjust their business design around this new revolution in gaming, causing them to rapidly lose bookings. This issue arose at a time when the company’s main game was losing interest, exacerbating the situation for the firm. Zynga’s slowness to react caused the company to lose many customers to competitors’ offerings, which included Candy Crush. As explained earlier in the business model section, it could be seen that King Digital had recognized this change and focused itself on putting only the best games onto mobile devices, since the firm would be charged by various vendors to do so. Zynga struggled to adjust to the new paradigm; although they had a moderate success with Zynga poker, the company was still not achieving the overall success needed to overcome the increase in interest in other games. The decline of Zynga’s market value could also be attributed to a series of bad acquisitions the company made to maintain its market share. First the company acquired the maker of WriteSomething a game which seemed as though it was experiencing rapid growth similar to that of Angry Birds totaling 200 million (Tassi, 2012). After the acquisition, the company declined, losing 5 million daily average users in just a month as shown below in Graph 5.
Graph 5: Decrease in daily users for app Draw Something retrieved from:
http://www.forbes.com/sites/insertcoin/2012/05/04/draw-something-loses-5m-users-a-month-after-zynga-purchase/

Zynga also acquired NaturalMotion, a U.K. based company for which it spent $527 million (Orland, 2014). This is another large acquisition that does not have the surety of becoming successful. These acquisitions have had a negative effect on the Zynga’s market value. This could serve as a warning to King Digital as to how to be cautious with the acquisitions they make in the future.

Another difference between Zynga and King Digital Entertainment is the profitability of the two companies. As noted by The Guardian’s Stuart Dredge, and by the company’s earnings reports it could be seen that although before the IPO, Zynga become very profitable from years 2010 and 2011 (Dredge, 2014). Prior to and after these two years, the company did not maintain a consistent level of profits. For 2012, Zynga reported quarterly earnings of negative $85, $22,
$52 and $48 million, (Zynga Form S-1, 2011). In comparison, for the period of 2013, King Digital had seen quarterly profits of $52, $125, $229 and $159 million. This rapid increase in profits produced a graph (see graph 6 below) that shows a similar pattern as graph 4 above, which depicts the companies’ comparison of new bookings.

Graph 6: King vs Zynga Quarterly Revenues 2010-2013 retrieved from: http://www.theguardian.com/technology/2014/aug/13/candy-crush-saga-king-zynga

The high profits seen by King Digital over that of Zynga means the company has a lot more options available for further expansion. Something that King Digital stated when they filed the F1 documents is that, unlike other companies, which tend to have a reason to file for an IPO, it did not have a clear financial reason for going public. King Digital stated that, “We have not allocated any specific portion of the net proceeds to any particular purpose, and our management will have the discretion to allocate the proceeds as it determines” (Levine, 2014). This means that the high profits achieved by the company before and after the IPO in addition to funds raised by investors could be used towards expanding research and development into other gaming
types, expanding the mobile application portfolio, or towards making acquisitions that may be
advantageous to them in the future. This could be seen just recently in King Digital’s recent
conditional acquisition of the Singaporean firm NonStop games. Unlike Zynga’s acquisitions,
the end price is conditional on whether the company meets revenue goals over a 4 year period
(Tham, 2014). This would ensure that the company did not make the same mistake as Zynga
where executives from the acquired company are bought out and then King Digital could be left
with a failing game maker.

The similarities between the two firms are many but there are distinct differences as well
that have to be considered in determining whether the companies are similar enough that they
will follow similar paths and cause King Digital to see their market valuation fall. Since Zynga
has made some reported mistakes in their past it could possibly leave a blueprint for King Digital
so they could possibly learn from Zynga’s mistakes and be successful in the future.

**Conclusion**

As people become more interested in online and mobile games that they could play on
their everyday downtime and without the inconvenience of having additional devices; the trend
of an increasing amount of social gaming companies that gain rapid success is expected to
increase. Companies have taken advantage of this trend including: Zynga, Rosio and recently
King Digital who were able to leverage one or two successful, wildly popular games. King
Digital has attempted to differentiate itself from others who, after a largely successful game,
have failed to produce additional successful offerings. The question that is still evident for many
investors is, do these companies (and companies like them) represent good investment
opportunities? And are these companies (and those like them) going to fail in the long run due to their present low rate of sustainability?

King Digital has had success with Candy Crush Saga and has had other smaller successes with games like Bubble Witch 2. With the money earned they have quickly started increasing research and development and started acquiring more companies; which could help them to continue to produce additional revenue sources that will enable them to avoid the same fate as Zynga. Although the comparisons between the two companies are plentiful, there are some distinct differences between the two, most importantly the amount of money they had at IPO which could have a positive impact on their investment opportunities. As interest in Candy Crush begins to fall, as evidenced by the Google Trends graph, a test of King Digital’s business model is expected to come in the near future. Only then will investors know the true sustainability the company has. With other social media gaming companies like Kabam and Supercell growing quickly and speculating on filing an IPO, it is important to study the success level of current public gaming companies and determine whether it is a good option for these companies as well as for potential investors.
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Encouraging Craft, Arts, and Micro Enterprises for Creative Entrepreneurship and Innovative Business Growth

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Abstract

The craft, arts, and micro enterprises are broadly termed “creative industries” and operate in many sectors. Often unrecognized for their contributions to the general economy, they are a major source of creativity and employment. In contrast to the typical focus on concentrated industrial mass production by large corporations, this paper examines the widely distributed work of micro enterprises. These entrepreneurial businesses also play an important role in the transition to the innovation-based economy. This article reviews these endeavors, examines policies adopted by the European Union, and uses the Polish Craft Association as a model advocacy organization. Successful examples in the United States, as well as suggested government policies, are presented. The steps taken within Europe toward this sector, together with the achievements to promote micro enterprises and entrepreneurship, may serve as ideas for implementation in the United States. These would stimulate innovation and benefit the economically depressed areas enhancing not only traditional crafts and arts skills, but also for their development and enriching the overall quality of life.

Introduction

The craft, arts, and micro enterprises make up a diverse array of endeavors and they are typically unrecognized for their contributions to the general economy. They compose what is broadly termed “creative industries” because of their entrepreneurial character and innovative contributions. They are typically very small businesses that are run by self-employed people.
They provide job opportunities within their local business areas, but their market impact may be much larger. In some cases, they are the basis for the traditional culturally significant richness that have made locally produced crafts and artisans important not only to specific regions, but also to build renown across the world. On the other hand, some of them are becoming almost irrelevant in the growing demand for lower-priced, efficiently mass produced disposable products that are generated by the ever expanding and global-focused, large corporate-led marketplace. Nevertheless, the craft, arts, and micro enterprises provide both significant direct and indirect economic benefits within their local economies. They also bring about other advantages that include significant entrepreneurship and employment prospects, as well as long-term sustainable business operations. Moreover, they infuse innovation within other organizations, which helps to further improve the quality of life in local communities. Lastly, the craft, arts, and micro enterprises should be encouraged to continue their historical role in building regional and even national identities.

The typical focus of academic research is on mass industrial production conducted by large corporations, but this article examines the arts, crafts, and culture-related industries that are conducted by micro enterprises. These businesses play not only an important role in the economy, but also for long-term business sustainability, as well as in the transition to the more innovation-based economy. This article reviews the state of craft and arts enterprises in the European Union, examines some of the policies adopted by the European Commission, uses a case study of the Polish Craft Association as an advocacy organization, and concludes with some suggestions, as well as successful applications in the United States. Initiatives already taken within Europe toward this sector, together with the achievements already witnessed, may serve as a basis for further implementation by in the United States at all levels of government and most
importantly, through local leaders. Not only could some of these ideas and policies benefit economically depressed areas by increasing the influence where traditional crafts and arts skills exist, but also for providing a level-playing field for micro enterprise development and their continued success.

**Traditional arts and handicraft in the modern age**

The broad definition of creative industries include enterprisers in the arts and crafts markets, design, architecture, fashion, media and advertising services, software development, the performing arts, publishing, music, movies and TV (Parkman et al., 2012). However, it is more common in the United States to take a narrower perspective that encompasses only the artistic-type businesses, and typically excludes the other creative industries, such as software developers and designers. One problem is that the individuals in creative industries are an example where lifestyle of an entrepreneur is more important than pure business objectives (Chaston, 2008). Nevertheless, empirical evidence suggests that creative entrepreneurs exhibit diverse orientations (Tregaer, 2003, Chaston, 2008).

The practice of arts and crafts, or more precisely, artisanal handicraft, consists of a broad range of types of work to make practical and decorative products, customarily by hand or basic tools. The critical distinction is of individual artisanship, in contrast to items made by mass production or by machines. Handcrafting began in ancient civilizations to provide the material-goods necessities. Some specific crafts have been practiced for centuries, while others are modern inventions, or popularizations of crafts that were originally practiced in a limited geographic area. Many handcrafters use natural, even entirely indigenous, materials. However,
some may prefer to use modern, non-traditional, and even industrial materials. A recent trend has been to repurpose various materials, and even scrap, into innovative and practical applications.

Two major issues include the changing cultural exposure to the traditional arts and crafts, as well as the major reduction in personal experience using handwork to individually make various projects. Simply put, contemporary consumers may not have had little experience to actually make anything from scratch, nor even practice the creativity needed to perform such tasks. An example is the modern acculturation of children. Although undemanding “arts and crafts” activities and projects continue to be a common activity within many elementary and middle schools, the trend around the world is for children to use electronic technology-enabled engagement, as well as purchasing ready-made mass-manufactured products.

A few nations still actively promote various advanced handicrafts within their primary schools. In some, these form a part of the required curriculum. The reasons for continuing them include the obvious: offering students the experience working with a variety of local-sourced materials. More importantly, handicrafts help develop students’ practical skills and dexterity. Accomplishing these projects allows for practicing creativity at an early age. Making things themselves requires young pupils put into practice problem-solving abilities. Working with actual materials expands their knowledge of the matter they have at hand, the specific tools and skills needed for the tasks with it, as well as gauge or expand their own abilities to perform. Moreover, an early introduction to traditional folk crafts develops and enhances understanding of their regional culture and environment, as well as a general heightened awareness and appreciation for artisanal handicraft.

Budgetary constraints facing many primary school systems have been combined with an increasing emphasis on standardized student evaluations. This means reduced emphasis on
practice with handicraft projects. At institutions of higher education, some art departments provide crafts and regional folk studies, in addition to the traditional fine arts academic programs. In the commercial sector, contemporary professional artists sometimes blend classic art techniques with a mixture of various traditional folk crafts. Nevertheless, the trend to reduce direct involvement with individuals making things themselves is obvious. Moreover, improving living standards seem to stress the apparently greater efficiency of mass-production and the conveniences that are available through mass-consumption and disposability. This is in sharp contrast to traditional individual production of consumer goods (such as food and clothing) that focus on timeless quality or styles. Likewise, the high-cost time-consuming artisanal handicraft (such as furniture) is primarily designed to provide long-life and heirloom-like qualities.

The challenge to artisanal handicraft by mass production is not a new phenomenon. The original Arts and Crafts Movement that spread from the British Isles and flourished in the second half of the 1800s was more than an attempt to preserve elements of traditional art and culture. It was also a political movement that sought “new principles for living and working” that promoted “the reform of art” in conjunction with a concern for the conditions of working people in general, and the preservation of freedoms for artisans in particular. The movement became popular across Europe, as well as in Japan and the United States. The contemporary environment is again witnessing the overwhelming influence of mass production over individual handicraft. “Fundamentally, our society is not geared towards the arts and crafts anymore. Technology, industry and science have taken precedence over arts, and without the monetary support it is not financially feasible to make a living from a craft, which has led to the situation in which the word ‘craft’ or ‘craftsman’ is subsumed to hobbyist – a recreational pursuit that it is good for the soul, but not much else” (Richards, 2013).
A Short History and Potential Changes

Production of large amounts of standardized products is not a new phenomenon, and examples predate the Industrial Revolution Era. What has changed is that modern mass production methods cover almost all products as a method of focusing on efficiency and consolidation for cost minimization. This is the exact opposite the traditional emphasis on high-quality craftwork and widely distributed production. Concerns have been voiced during several periods in history about the loss of skills necessary in the arts and crafts, as well as the disappearance of individual creativity in the production of goods. Globalization itself encourages an increasingly homogenized and industrialized mass-production of products. An example of alarm with this trend was while England was undergoing rapid industrialization during the late-19th century. The latest technology, machinery, as well as large-scale, assembly-line factories in which low-paid and mostly unskilled workers toiled, were rapidly replacing the well-honed skills of master craftspeople. Production of standardized products, using efficient and highly concentrated assembly lines, is central to modern economics. Yet, people questioned the shift towards industrial-scale production, as well as the effect this had on the workers in the highly degraded environment in and around the early factories in which this mass assembly took place. These concerns gave rise to the Art and Crafts Movement during the second half of the 1800s.

The Art and Crafts Movement originated and fully evolved in England. It was a reaction to the Industrial Revolution, and to the declining state of the traditional arts and crafts at that time. The objective of the Movement was to help preserve traditional skills and support the small-scale creation of goods. The Movement spread across Europe and to North America. Essentially anti-industrial, the focus was on promoting long-established craftsmanship for
making products that incorporated simple designs and forms with primarily folk styles of decoration. The Movement also advocated economic and social reforms.

Our contemporary technological and globalized environment now represents similar conditions that had led to the Art and Crafts Movement. Globalization and profit maximization encourages outsourcing production to the lowest cost mass-manufacturing facilities. Ever increasing competitive pressures drive businesses to lower prices throughout their activities. Managers seek to streamline all aspects of their value chain activities. This includes decisions to manufacture where economies of scale, reducing material use, and easing quality standards may lead to superior financial rewards. The competitive environment in almost all market segments tends to increase efficiency, as well as increases in perceived standards of living for many consumers. On the other hand, over-reliance on cost containment can cause the opposite effect. Numerous examples of product failures, such as Toyota’s accelerator problems or the dangerous ingredients that were used to supplement the pet foods made in China, serve to highlight the problems of concentrated outsourced mass production and cost-cutting pressures. Perhaps because of its global influence, the strategy of manufacturing products in low-cost areas places such as China is itself becoming the subject of growing resentment. Large corporations need become more careful of an overreliance on single source production, at the same time as individual consumers are increasingly looking for alternative and locally made products (Ziemnowicz and Menefee, 2014).

There is a growing awareness regarding issues of sustainability, as well as the consequences of mass production. Even in a global context, continual reliance on low-cost labor or less restrictive regulations, such as those found in China, appears to be unsustainable in the long run. Another example toward sustainability and smaller production methods is the evolving
trend towards local sourcing of agricultural products. Some consumer shopping patterns have shifted, and this has also become one of the top concerns in the restaurant and grocery industries. Although not a revival of the historic Art and Crafts Movement, these changes in buyer behaviors have created opportunities for local-based craftsmanship, especially within micro enterprises, as well as among small and medium sized businesses (Ziemnowicz and Menefee, 2014).

The question is how to assist and encourage arts, crafts, and creative enterprises during ever increasing globalization and consolidation of production. The simplest solution to stem the disappearance of crafts is to call for the establishment of programs and subsidies that would assist and promote craft. Other responses include expanding education for all, starting at an early age, into these areas in general. Expanding apprenticeship programs and strengthening the system of professional certification will also enhance skill levels. However, unless there is a major shift in social and economic restructuring among consumers, there do not appear to be viable career options for craftspeople. Skilled artisans were once the powerful, trusted, and highly respected individuals in every community. They were able to work with natural and locally derived materials to create things of function and beauty. Nevertheless, times have changed and the production efficiencies that are characteristic of multinational enterprises are difficult to resist for consumers with limited purchasing power. Many consumers around the world have shunned the local arts and crafts with distinctive cultural influences in favor of mass-produced and global-branded products that are most often made at the lowest possible cost (Ziemnowicz and Menefee, 2014).

Today’s society seems to favor the money that is offered by working for corporations. Artistic and craftwork has become almost a hobby pursuit. Some creative endeavors are based
more on the owner’s lifestyle desires than on pure business objectives. People with the handcrafting skills to create may no longer be able to exchange their goods for a fair wage to support their endeavors. There have been examples of disillusionment with the current economic and social system. These include the anti-globalization, 99-percent, and Occupy Movements. This portends some support for expanding local and regional craftsmanship efforts (Ziemnowicz and Menefee, 2014).

Recent reports are encouraging because they document that promoting craft enterprises offers significant social benefits. Manufacturing is “the first cousin of craftsmanship” and that newly developed centers that incorporate arts, crafts, and other micro enterprises “spawns innovation, brings down trade deficit, strengthens the dollar, generates jobs, and kindles a recovery from recession” (Sparks and Waits, 2013; Hayter and Pierce, 2009). These centers serve as regional magnets for development by attracting people and new investment.

**Craft and Micro Enterprises in Europe**

Craft enterprises provide a wide range of vital products and services at local level. Many are very small firms, with often only the owner involved. Micro enterprises, of which most are craft-type firms, face particular challenges due to their small scale. Because they compose a major segment of the European economy, they are studied in Europe and efforts are made to provide them with assistance. European governments and the European Union Commission consider them essential for overall economic stability and growth.

Craft enterprises cover a broad array of endeavors, such as carpenters, butchers, bakers, roofers, metal workers, and information technicians. They provide vital products and services for their local communities throughout Europe. Moreover, they create local jobs for local people.
contrast to larger firms, the management of such enterprises is fully involved in all aspects of the business and remains in direct contact with customers. Micro enterprises cover an even wider range of business activities and share many of the difficulties that confront the firms in the craft sector, although broad range of business activities mean they could be operating in almost any industrial sector. They are distributed across all regions and are found in urban and rural areas.

While over 99 percent of all enterprises in Europe are small and medium sized enterprises (SMEs), 90 percent of them are actually micro enterprises. Most have fewer than ten employees - and the average company has just five workers. However, these micro enterprises account for 53 percent of all jobs in Europe, so their importance to the European economy is significant (EU Commission, 2008).

Their small size and limited resources mean micro enterprises face unique challenges. It is difficult to finance a new business, or to grow an existing one. The administrative tasks, or red tape, that all companies face are particularly burdensome on the micro enterprises. Moreover, finding staff with the right skills and willing to work for a small firm can be a problem. Likewise, a hurdle is ensuring they have the time to update their skills and keep up with developments in their field. While micro enterprises are very often the source of innovation, they are also especially vulnerable to competition from their equally entrepreneurial counterparts that introduce new products or services, or improve their processes. In most cases, the micro enterprises lack the resources needed to respond rapidly to changing conditions. Moreover, increasing the marketing and promotional campaigns for the traditional arts handicrafts is unlikely to overcome their unique challenges, nor improve their long-term business viability.
Common characteristics

Starting back from the medieval times, craftsmen tended to form associations based on their trades. Each of these guilds controlled their traditionally imparted technology and arts related to their crafts. Guilds have experienced a revival in Europe as local organizations for craftsmen, primarily in traditional skills and trades. They function as forums for developing competence and may serve as local units of a national employer’s organization. However, while there is a European SME definition, there is no European definition for craft enterprises. This is mainly due to the very different legal or non-legal aspects and definitions at the national level of what constitutes a craft enterprise. Although undefined in official documents, the following are four characteristics that most craft enterprises have in common across Europe, and they also reflect the vast majority of micro enterprises: (EU Commission, 2008)

• Strong involvement in all steps of the operations or workflow by the entrepreneur, owner, or head of the enterprise. This includes the goals of financial independence and the characteristic of a strong personal responsibility.

• Emphasis is on the organization’s craft, technical, and management competences, as well as using them as a differential competitive advantage. An example is apprenticeship that is seen as a means of passing on those specialized abilities.

• Active value-added contributions take place in the production of their products and services. This is particularly important in tailor-made and single-size-products, or prepared in small quantities.

• Close proximity with their clients is the norm, as well as a pattern of significant involvement in local activities.
European Union Commission Support

The European Commission has official objectives for the promotion of entrepreneurship and improving the business environment to realize full potential in the global economy. The Commission also attempts to help and encourage its member nations to identify and implement measures in support of craft, arts, and micro enterprises. Four directives have been established to accomplish this: (EU Commission, 2008)

• Increasing the knowledge of the sector through research studies, conferences, and workshops, as well as by the collection of the necessary data and statistics to facilitate decision-making.

• Identifying the obstacles to helping achieving sustainable development of these enterprises, and to prepare proposals or legislation to address issues of sustainability.

• Enhancing craft and small businesses’ capacities for growth in their markets, such as by SME-friendly European standards and public dissemination about these standards, easier and improved access to public procurement opportunities, or the promotion of innovation and research in micro- and craft businesses through various forms of cooperation and partnerships with universities and other institutions.

• Promoting a more favorable business environment for craft and small enterprises through quality support services, better legal and fiscal environment, social protection of new entrepreneurs, etc.

Skills needs in small enterprises

Micro and craft type enterprises make up not only the vast majority of SMEs in Europe, but are also the main source of job creation in the European Union (Gamme, Siem, and Lodguard, 2013). They are active in traditional professions that are essential for prosperity and well being of both urban and rural areas. However, these firms are acutely affected by skilled
labor shortages. Thus, many micro and craft enterprises face recruitment difficulties. This is primarily caused by a shortage of skilled labor as a consequence of demographic trends. The craft, arts, and micro businesses also appear to be less attractive employers, especially to young people. They do not offer the career growth potential as within large corporations. Recruitment policies of small businesses and specific skill profiles will need to be adjusted to attract new target audience and to provide them with the most desired skills and qualifications.

The European Commission has developed initiatives to identify future skills needs. This started with a future skills needs study for micro- and craft-type enterprises that was taken from the point of view of enterprises, business organizations, and training institutes. It was conducted in eight countries (Austria, Bulgaria, Denmark, France, Germany, Italy, Poland, and the United Kingdom) focusing on the three sectors (construction, food, and personal/health services). While there were different perspectives expressed by companies, business organizations, training institutions, in many cases their perspectives overlap. Though there was already a general increase in skill needs over the recent past, the requirements at small enterprises are expected to increase even further into the future. The most desired skills are those combining work processes and market activities, together with organizational skills and technical/legal skills. All of these require continuing vocational education. Improved communication and personal skills are increasing as well, but these are not yet seen as critical. The study identified actions needed by the EU to forecast expertise needs, as well as to have systematic training programs that benefit small enterprises.

Future skill needs are important, and planning for developing a prepared workforce is critical for survival and business sustainability. Large corporations know this requirement and its relevance. There is a general consensus that approaches that are more systematic would be
useful. However, this is often not reflected within small enterprises. Small company activities in this area are mainly spontaneous, often conducted in reaction to customer or employee demands, as well as being guided by personal assumptions. Typically, small enterprises have direct contact and get information from the marketplace. Strategic planning is not characteristic for them in the human resources area. They either cope with workforce skills they demand internally on an as needed basis, or by working in cooperative networks with others.

The European Commission’s DG Enterprise and Industry report inventoried the current situation and extrapolated broad types of future skills that will be demanded. The objective was to develop ideas and proposals for assisting small businesses. The study identified the following overall skill needs as increasing in the future: customer and market orientation, working in cooperative and collaborative international work structures, and management skills. The top three skill needs that already increased the most and expected to be ongoing into the future were:

1 - Customer service communication: 80 percent
2 - Developing new services and broaden the range of offered products: 78 percent
3 - Analyzing known tasks: 77 percent

The top three emerging skills needs as measured by the difference between past and future increases included:

1 - Developing knowledge about foreign markets: 35 percent
2 - Communicating with customers and employees in foreign language: 28 percent
3 - Securing own innovations and patents: 25 percent

There is a consensus among the three perspectives (companies, business organizations, and training institutes) on the need to increase skill levels in the future, though there were varying degrees of emphasis on different skills. Companies and business organizations highly
rate skills related to core work processes and management aspects. Business organizations tend to highlight work organization skills. Training institutions placed a greater emphasis on personal skills.

Moreover, the company perspective on future skill needs is most often business sector-specific. For example, interior construction firms give prominence to the alignment of work processes with regulations and standards, as well as with customer demands. On the other hand, the food sector highlights the skills needed to meet customer requirements, as well as integrating the managerial aspects of work. The personal and health services sector highly ranks integrative management aspects and customer orientation skills. Future skill needs within a particular business sector are closely linked to the sector’s key factors in driving change. A comparison of the evolution of skill needs between the recent past and the coming few years shows common trends transgressing sector boundaries. A major finding was that orientation toward foreign markets is driving skill needs in all the sectors. This is most likely the result of companies needing language skills for analyzing foreign markets and communicating with an expanding base of customers and foreign partners.

The result was EU-level policy initiatives aimed at anticipating and matching labor market supply and skill demand, identifying skill needs and mismatches, as well as strengthening the links between craft and vocational programs with the labor market. This included making education and training more available to employers and employees alike throughout their entire professional lifetimes. The EU developed an “Agenda for new skills and jobs” and implemented the Small Business Act for Europe. The findings in the area of skill development within small enterprises also contributed to the “Europe 2020” economic and employment strategy, as well as to the EU’s overall orientation towards smart, sustainable, and inclusive growth.
Increased global competition, the transition to a knowledge-based society, as well as rapidly changing technology, have transformed all aspects within small firms. Survival means having people with different occupational skills, with specific job profiles, and with more medium- and high-level qualifications. This requires continual updating of skills and professional competences. One way is through apprentice exchange programs to gain experience and new ways of doing things in another European nation. Small enterprises can benefit from the mobility actions available under the EU’s Leonardo de Vinci program.

Encouraging craft and micro businesses

The European Commission has anchored a “Think Small First” principle in its policy-making. This represents a major shift from focusing on large enterprises and concentrated mass production. It is also an attempt to counter the power and influence of large corporations.

The “Think Small First” principle is applied in all EU activities: from regulation to public service. An ambitious policy agenda included the “Small Business Act” for Europe. It has ten principles to help guide the conception and implementation of policies at the EU level, as well as within each member country. Primary objectives include creating a level playing field for small enterprises, as well as to improve the legal and administrative environment throughout the EU to facilitate their creation and continued growth. The ten principles are: (EU Commission, 2008)

- Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.
- Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.
- Design rules and regulations according to the “Think Small First” principle.
- Make public administrations responsive to SME needs.
• Adapt public policy tools to small business needs: facilitate their participation in public procurement and use financing assistance or benefit from any available subsidies.
• Facilitate access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.
• Help small enterprises benefit from the opportunities offered by the European single market.
• Promote the upgrading of skills within small enterprises and in all forms of innovation.
• Enable SMEs turn environmental challenges into opportunities.
• Encourage and support SMEs to benefit from the growth of markets.

The Polish Craft Association

An example of the efforts to organize craft, arts, and micro enterprises is the Polish Craft Association (Zwiazek Rzemiosla Polskiego - ZRP). It is a nationwide, social, and professional organization that was established in 1933. The ZRP has evolved into an officially recognized representative employers’ organization. It consists of 27 regional craft chambers, 479 craft guilds, and 222 cooperatives, thus making it the largest and oldest economic self-government structure in Poland. The ZRP unites about 300,000 micro-, small-, and medium-sized enterprises in Poland. It is a trade association that represents the interests of these enterprises to various governmental, administrative, and regulatory bodies, as well as in the courts and in various social-economic organizations in Poland.

The official goals of the Polish Craft Association include: (ZRP, 2014)
• Represent the craft community towards government bodies, public administration, courts, and socio-economic organizations in Poland and abroad (especially in the European Union).
• Initiate and develop socio-professional, economic and social activities to maintain integrity of the craft community.

• Provide associated organizations with comprehensive assistance.

• Inspire and work out legal solutions pertaining to crafts and SMEs.

• Coordinate activities concerning the vocational education.

• Disseminate ethical standards in professional practice.

• Popularize achievements of the Polish crafts and SMEs.

• Undertake activities aimed at preparing SMEs and their organizations to functioning within the European Single Market.

As the employers’ organization representing the SME sector, the ZRP is a member of the Tripartite Commission for Social and Economic. This commission is comprised of national government officials, as well as representatives of the largest employers, organizations, and trade unions. Membership allows the ZRP to have a voice and an opportunity to contribute ideas and opinions on legislation in economic and social policy: taxes, government budget, labor market, EU structural funds, as well as salaries and social benefits. The ZRP is also active abroad, with a particular focus on the European Union. The ZRP lobbies for Polish employers in the European Union of Craft, Small, and Medium Enterprises (UEAPME), the International Labor Organization (ILO), and the European Commission.

Poland’s EU membership, along with increasing globalization in economic, social, and political spheres, represents competitive challenges for the nation, as well as for its indigenous small businesses and craftspeople in particular. For example, many European agricultural and tourism enterprises are small and they need revitalization to a craft focus. This would help
differentiate or reposition their products and services to be more specialized within the more competitive European market.

One of its most important tasks is teaching in the craft and trade professions, as well as infusing safety and environment protection. The ZRP provides a wide range of apprenticeship and training programs that include the standard, as well as unusual occupations. The ZRP’s member employers-craftsmen train over 92,000 students in 113 specific occupations. Successful completion of an apprentice or training programs includes a document certifying the individual’s craft or occupation. The ZRP also promotes safety and conducts research or coordinates with institutions dealing with these issues, such as the Polish National Labor Inspectorate and the Central Institute for Labor Protection. Another important function is promotion of occupational safety and health protection principles. These include nationwide contests on the principles of health and safety for young people. An area of need for micro enterprises is in environmental protection. Comprehensive activities in this area include how environmental protection improves their competitiveness.

In summary, the ZRP is an effective organization that focuses on promotion, as well as ensuring professionalism and the sustainability of craft enterprises in Poland and in the European Union (Ziemnowicz and Romaniuk, 2014).

**Examples in the United States**

The National Governors Association (NGA) Center for Best Practices has published extensive reports stating the arts and culture are important to state economies (Sparks and Waits, 2013; Hayter and Pierce, 2009). In its role to develop innovative solutions to today’s most pressing public policy challenges, the NGA’s conclusion was that “arts and culture-related
industries, also known as ‘creative industries,’ provide direct economic benefits to states and communities: They create jobs, attract investments, generate tax revenues, and stimulate local economies through tourism and consumer purchases” (Sparks and Waits, 2013; Hayter and Pierce, 2009). The NGA Center’s research and development serves the 50 U.S. state governors and concluded, these “industries also provide an array of other benefits, such as infusing other industries with creative insight for their products and services and preparing workers to participate in the contemporary workforce. In addition, because they enhance quality of life, the arts and culture are an important complement to community development, enriching local amenities and attracting young professionals to an area” (Sparks and Waits, 2013; Hayter and Pierce, 2009).

The influence of large corporations on decision-makers at all levels of government is well known, but the micro enterprises do not have the same access during policy making. The NGA notes the importance of the cultural and artisanal sector in the local economy. They are widely distributed, improve the overall quality of life, enrich the local economy, and contribute to further business sustainability. In short, they are described as the “New Engines for Growth” (Sparks and Waits, 2012).

These centers of craftsmanship are designed to attract a critical mass of creative talent and facilitate clustering of complementary enterprises. Numerous studies indicate that the presence of creative enterprises, with artistic and cultural related endeavors in particular, contribute to the local economy in two ways. The most significant is that their presence and activities serve as focal points within the area for cultural and business activity to take place. Secondly, they serve as a magnet for other entrepreneurs and enterprises wanting to capitalize on the existing innovation clustering, thus further enhancing the creative ecosystem. Comprehensive
programs provide opportunities for effective arts, crafts, and micro enterprise sustainability, not a focus on single solutions such as reducing taxes. Entrepreneurs and micro enterprises respond to market demands for their products and services, and not directly to the taxable rates in a given area.

The NGA’s suggested policies have been proven to be effective in fostering creative entrepreneurship and innovative business growth. The following are brief examples of two successful clusters for arts, crafts, and micro enterprises in the United States.

**The Tamarack Center in West Virginia**

Tamarack, or as it is also called “The Best of West Virginia” serves as an example of developing a hub driven by regional craftspeople and artisans that has firmly established itself as a tourist destination (Tamarak, 2014). Located in Beckley, WV, along the West Virginia Turnpike, this large arts and crafts facility attracts over 500,000 visitors annually. The West Virginia Parkways Authority operates it as an economic development project, but no tolls are used to support it. The regional attraction has multiple use facilities. It focuses on marketing West Virginia craft products that include wood, glass, textiles, pottery, metal, jewelry, fine art, books, recordings, and specialty food items. There are also resident artisan studios, craft demonstrations, food tastings, book signings, live performances, as well as numerous public and private special events. A 2009 study conducted by Marshall University showed that Tamarack contributed $18.6 million to the state’s economy from its $5.9 million income and 236 jobs during the 2008 fiscal year (Marshall, 2008). However, the center’s indirect economic impacts were not included. The study identified Tamarack’s economic impact extends into every West Virginia county by way of income and jobs. This is because of the widely dispersed production of the handcrafted products and artwork it markets, as well as through the live performances that
are supported by Tamarack. In summary, this innovative concept facilitates and enhances the
ccontributions artisans make to economic development, as well as making possible a creative
workforce where micro enterprises and entrepreneurs in the arts and crafts are just as important
as traditional corporations to the economy of West Virginia. (Stanton, 2009)

**The Pottery Highway in North Carolina**

The Piedmont region of North Carolina is at the base of the oldest mountain range in the
and the sediment that washed into the valley has been became the ideal raw material for potters.
Native Americans were first to develop this resource for functional and ceremonial products.
This continues as clay is made into decorative items as well as traditional functional food storage
containers. Because of this natural resource, numerous potters have clustered along the “Pottery
Highway” that straddles two counties (Soboeir). Some have been operating at the same location
since the mid-1800s, while new artisans have moved into the area more recently to capitalize on
the visitor traffic in search of clay products. The concentration of these handmade products along
the highway has become a major tourist attraction for North Carolina. Moreover, because their
products are unique, potters do not to see each other as competitors. Their distinct products and
designs fill different niches and this increases visitors and sales.

The potters began to work together during the mid-1950s to promote the area, produce
exhibitions, and hand out the first area-wide pottery maps. The Seagrove Area Potters
Association was established and it now has an Internet presence (Seagrove Area Potters
Association). This craft industry is one of the oldest and most valuable traditions in the region,
but his specific economic impact of the Pottery Highway is difficult to calculate. A proxy for the
increasing demand is the North Carolina North Carolina Pottery Center that opened in 1998.
Located in Seagrove, NC, along the “Pottery Highway,” it is the only statewide facility in the
nation devoted solely to pottery. It promotes public awareness and appreciation of the history, heritage, and ongoing tradition of pottery making in the state. This center represents over 1,000 potters in North Carolina, as well as conducts research and documentation, educational programs, and preservation from historic Native American to contemporary pieces (North Carolina Pottery Center, 2014).

**Lessons to apply**

The easiest answer to slow the disappearance of traditional arts handicraft is to provide more resources for marketing and promotional campaigns. This may have the effect of stimulating increased purchases, but this spending will not solve the need for long-term employment and business sustainability for craft, arts, and micro enterprises. Education and apprentice programs may help to continue the traditional craft professions, but there is no guarantee if these individuals can make a living with their skills. It may be a very noble goal to creating more traditionally skilled people. However, the question remains if there is any work or good job opportunities for them. Many crafts and arts have become more of a hobby pursuit than a career. Solving this issue may require a restructuring of social and economic relationships, as well as a generally more knowledgeable and appreciative society with purchasing power so that people with a traditional handicraft or creative skills can create and exchange goods for a fair wage.

The European Union has taken steps to evaluate the creative industry sector and to identify the opportunities and threats. A number of steps have already been taken by the EU to encourage the development of craft and micro type enterprises. Among the lessons is the need to enhance workforce skill development and thus the viability of these enterprises. Other
enhancements seek to provide the equivalent of developing dynamic creative industry clusters. There is a need to integrate entrepreneurship into the craft, art, and apprentice programs, as well as offering small business development training for individuals and micro enterprises engaged in the creative fields. Established or mature industries, such as agriculture and tourism, need to be revitalized with a craft focus and to help reposition their products and services as their markets become more competitive.

The Polish Craft Association is a good example of a comprehensive effort to promote crafts. Not only to lobby a broad range of venues and powerful groups, but also to serve as an effective organization that focuses on professionalism and the sustainability of all craft and trade enterprises. This is just one activity in helping to preserve and to ensure sustainability of craft enterprises and traditional handicrafts within a technology focused and globalized marketplace.

The examples from the United States show positive results from policies that assist development and marketing of local creative districts or centers of regional craftsmanship. The presence and wide range of cultural activities that are conducted by them serve as a magnet for tourists and other business activities. Other entrepreneurs and enterprises piggyback on this creativity and innovation ecosystem.

The skill needs needed by the micro and craft enterprises remain as critical factors for continued success. A greater focus needs to be placed on development efforts to encourage arts and crafts in the education system, particularly in the primary school systems. The creative skills that children can develop at an early age will serve them later in life. Innovation and creativity are increasingly a prerequisite for good jobs, business success, and sustainable economic prosperity.
This overview illustrates some of the steps the EU has taken to encourage crafts and micro enterprises to innovate and develop. Poland has a long-standing national lobby to promote and develop the craft and trade sectors. Leaders in the United States, as well as local authorities, should develop further strategies and appropriate initiatives to make small creative enterprises an effective and sustainable industry sector. Examples would include early exposure within the school curriculum, apprentice programs, upgrading skills, as well as enhancing the entrepreneurial activity and the overall quality of life. More than focusing on capturing large corporations, this would form a broader-based and vibrant component within a region’s overall economic growth agenda.

Conclusions

There are numerous options to expand and strengthen the role and viability of craft, arts, and micro enterprises. These businesses face daunting challenges and are not able to simply overcome the problems themselves. Government officials at all levels should observe what is happening in Europe to support entrepreneurship and facilitate craft, arts, and micro businesses. Leaders in the United States should establish policies that level the playing field for these entrepreneurs and creative enterprises. There is a disparity gap faced by small business, compared to the influence of large corporations. West Virginia’s Tamarack Center and the North Carolina Pottery Center are examples of the states providing places to promote and sell their crafts. Providing an outlet for sales is definitely a step in the right direction, but more should be done in the United States to help artists and crafts people provide for a living for themselves and their employees, as well as to preserve the arts and crafts traditions within future generations.
Further research is required to explore how craft, arts, and micro enterprises can be benefit from the types of policies adopted in Europe, as well as what new techniques that will work in the United States. Government units at all levels, together with leaders in all areas, should recognize the importance of this sector in the economy and expand their efforts to find ways to assist craft, arts, and micro enterprises profit with creative entrepreneurship and innovative business growth.
References


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Vulnerability and Resource Dependency of Nonprofit Organizations in Alabama’s Black Belt: Call for a Better Measure of Perceived Revenue Diversification

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Abstract

Over the past decade, nonprofit organizations’ (NPOs) abilities to execute their social missions have been hindered due to changes in the economy. Critical resources are thinning and competition for resources are increasing among rival NPOs. Obtaining critical resources from diverse sources is an objective of vulnerable organizations and a concept of resource dependence theory (RDT). NPOs’ reliance on outside organizations is descriptive of the basic constructs of RDT and is the grounding theory for this study. This study provided an empirical analysis of the correlation between vulnerability and revenue diversification, and is based on the perception of NPOs in Alabama’s Black Belt region. A researcher-developed 30-question survey, based on 102 participants’ responses, was used to answer the research question: How does resource dependence theory explain the relationships between perceived revenue diversification and perceived vulnerability of NPOs in the Black Belt? This paper calls for a better measure of perceived revenue diversification.
Background of the Study

Over the past decade, changes in the economy have threatened the ability of nonprofit organizations (NPOs) to carry out their social missions. Resources are thinning and competition among rival NPOs is increasing for critical resources. Scholars have assessed the state of traditional funding sources and found in many cases they are not sufficient; the scholars suggested alternative ways to generate the revenue needed to fulfill NPOs’ missions (Boris, de Leon, Roeger, & Nikolova, 2010; Georgia Center for Nonprofits, 2010; Giving USA Foundation, 2008; Keating et al., 2005). Some scholars suggest NPOs form joint ventures with for-profit businesses as a viable strategic option to leverage their vulnerabilities due to thinning resources and increased competition (Dees, 1998; Defourny & Nyssens, 2008; Massetti, 2008; Moizer & Tracey, 2010).

The changes that are taking place in the economy are leaving resources thinner and future acquisitions uncertain (Barman, 2008; Froelich, 1999; Hager, 2001; Hodge & Piccolo, 2005; Keating et al., 2005). During the most recent recession, the lack of readily available resources crippled NPOs’ budgets and interrupted a part of the nation’s critical delivery system that is used to deliver goods and services to distressed communities (Giving USA Foundation, 2008). Shifts in private contributions, public support, and commercial activities (Hodge & Piccolo, 2005) contribute to the uncertainty of available critical resources NPOs need to survive. Giving USA Foundation (2008) reported a double-digit drop in private contributions between 2008 and 2009. Government funding also fell (Boris et al., 2010; Brooks, 2005). NPOs’ biggest supporter, the government, contributed significantly to the reduction in NPOs’ revenues because of the deficiencies in broken government systems (National Council of Nonprofits, 2010). In 2008,
government funding accounted for 27.4% of all funding for the NPO sector, private donors provided 10.4%, and foundations provided 1% (National Council of Nonprofits, 2010). Communities that rely heavily on the contributions of NPOs will likely be impacted by the changes that are taking place in the economy.

The literature repeatedly states that competition for thinning critical resources is extremely high and the National Center for Charitable Statistics (NCCS) reflects an increase in the number of NPOs in the Black Belt region. For example, in 2009, the NCCS (n.d.) listed over 27,000 registered NPOs in Alabama, which represented a 25% increase in NPOs in Alabama in less than 2 years, thus escalating competition. A correlation appears to exist between the growth in the number of NPOs, the high unemployment rate, and the increase in the number of people in need, specifically in the Black Belt. The Alabama Department of Industrial Relations (2010) reported unemployment rates in some Black Belt counties as high as 24.9%, which was significantly higher than the national average of 9.1% in 2010. This is significant because organizations are dependent on their environments to provide the resources they need to survive (Pfeffer & Salancik, 1978/2003; J. D. Thompson, 1967). Over 1,250 NPOs are in the Black Belt, which makes competition for thinning resources very high.

Alabama’s Black Belt is part of the Southern Black Belt, the “nation’s largest and most impoverished rural area in the United States” (Wimberley & Morris, 1996, p. 118). The term Black Belt dates back more than 100 years and describes the abundant black soil found in the region that was excellent for cultivating cotton, wheat, and rice (“Black Belt Region in Alabama,” 2011). The Black Belt is a conglomeration of 11 states, which includes Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia, and 623 rural counties. Counties within the Black Belt lack critical
resources, such as adequate leaders, finances, infrastructure, and skilled laborers, which are commonplace in urban communities (Wimberley & Morris, 1996). Twelve of Alabama’s 67 counties are located in the Black Belt. This study targeted NPOs in the 12 counties because of the potential influence of thinning resources on the vulnerability of these NPOs.

The concept of charitable organizations dates back to the American Revolution, but has evolved over time. During the 1800s, churches, private charities, and charitable organizations comprised of approximately 1% of the U.S. labor force (Hammack, 2001). During this period, the majority of contributions from private givers were directed toward workers that provided services in the areas of religion, education, and healthcare. NPOs and other charitable organizations received lesser amounts to provide various goods and/or services to the needy.

In the 1900s, the number of NPOs grew, their roles expanded, and their support became significant, but restrictions interfered with their ability to deliver aid to the poor and distressed. Du Bois (1907) explained that the restrictions put in place on charitable organizations retarded growth in predominantly African American communities. Du Bois indicated that Southern state governments that were obsessed with segregation put restrictive policies in place that denied individuals their rights to organize, but they tolerated the organization of African American churches and private schools. Some of the restrictions and policies put in place by White-controlled organizations were specifically designed to prevent the startup of independent charitable organizations and Black churches as well. These restrictions and policies helped to maintain the existing state of the South: slavery and segregation (Raboteau, 1978). The church became the center of economic, educational, social, and recreational activities (Du Bois, 1907). Suffrage restrictions hindered individual voting rights and the formation of civil rights organizations in an effort to maintain White supremacy in the South (Argersinger, 1992;
Hammack, 2001). To deter participation in organized groups, civil rights organizations and individuals were consistently harassed. Individual names were given to local officials annually to restrict their rights. Despite the multitude of restrictions put in place, charitable organizations continued to address societal needs.

At the turn of the century, voluntary associations’ influence on political outcomes increased; however, “if states could constitute, regulate and constrain those organizations, they did” (Clemens, 2000, p. 2). It took an act of Congress to lift the restrictions placed on NPOs and individuals who wanted to publish, petition, and, most importantly, participate in NPOs. Once restrictions were eliminated, individuals organized benevolent, religious, and mutually beneficial organizations in every part of the country.

Congress eventually lifted restrictive measures on NPOs, but donors decided to enact their own stipulations and often attached strings to their contributions. Frumkin (1997) and Lenkowsky (2002) found that some contributors set up their own funding priority systems rather than distributing their gifts based on NPOs’ established priorities. Barman (2008) stated that a “disjuncture [exists] between funders’ goals and nonprofits’ missions” (p. 41). He found that donors’ designations might unduly influence the beneficiaries and potentially harm the missions of NPOs. NPOs might also become victims of this disjuncture if they are told how or where to designate their resources. The fact that donors have strategically positioned themselves where they can control and/or restrict the use of their contributions signifies a multitude of potential issues for NPOs (Helms, Henkin, & Murray, 2005). If philanthropists specifically target or earmark their charitable contributions, NPOs may have to alter their missions. Gronbjerg and Martell (2000) found that some NPOs strategically position themselves to accommodate the contingencies because of their levels of dependence on their providers.
Extant literature indicates that scholars have researched dependence issues in the NPO sector and found that NPOs, which rely heavily on philanthropists, are likely to accommodate the wishes and inputs of their donors. Some NPOs willingly comply with contributors’ inputs on organizational structures, practices, and resource distribution. According to Barman (2008), private donors are not the only funders who apply restrictions or attach strings to their donors. Some government agencies attach specific administration and monitoring requirements to their contributions provided to resource-dependent organizations.

When the two primary funding sources (private, public) were cut, NPOs began focusing on a third source (commercial activities), which is gaining popularity (Froelich, 1999). Commercial activities include fundraising, charging membership fees and dues, and other forms of revenue-generating activities that increase revenues. Social enterprise is the latest form of commercial activity and is widespread throughout NPO literature. Several scholars and practitioners have researched this type of commercial activity and have recommended using it to generate revenues to fill the gap left by cutbacks (Bornstein & Davis, 2010; Boschee & McClurg, 2003; Dees, 1998; Georgia Center for Nonprofits, 2010; Hynes, 2009; Lohmann, 2007; Massarsky & Beinhacker, 2002; Massetti, 2008; McBrearty, 2007; Seanor & Meaton, 2007; VanSandt, Sud, & Marmé, 2009; Warm, 2004). These authors stated that current conditions and limited funding sources have resulted in a paradigm shift in the NPO sector that has created a need for NPOs to consider various types of commercial activities other than fundraising. Massarsky and Beinhacker (2002), Warm (2004), and Georgia Center for Nonprofits (2010) surveyed the use of nascent business ventures, such as consulting services, thrift stores, adult classes, housing, and other types of retail stores, and found that NPOs actively engaged in various types of these for-profit ventures. Consulting services, thrift stores, adult classes,
housing, and other types of retail were the top five commercial ventures that NPOs engage in (Georgia Center for Nonprofits, 2010). These studies suggested the use of revenue diversification, a construct of RDT that influences vulnerability.

The use of a commercial activity, such as social enterprise, is widely suggested throughout NPO literature. Social enterprise first surfaced in Italy in the 1980s and gained prominence in Europe in the 1990s. The United States followed suit a few years later (Defourny & Nyssens, 2008). Social enterprise has taken on several definitions throughout the literature. The Social Enterprise Alliance (n.d.) indicated that social enterprises were established to meet the general needs of society at large. Social enterprises entail the use of various business and marketing tactics to develop a strategy that will allow the organizations to fulfill their intended purposes. The Georgia Center for Nonprofits (2010) reported that an enormous number of NPOs are considering, or currently engaging in, this form of commercial activity. The study of Georgia’s NPOs showed 45 new ventures launched in 2010 versus 94 over the past 10 years. The study also found social enterprise to be an essential form of commercial activities for the future of NPOs (Georgia Center for Nonprofits, 2010).

According to scholars (Carroll & Stater, 2008; Hafsi & Thomas, 2005; Wimberley & Morris, 1996), vision, good leaders, and a large number of volunteers are not enough to reduce the vulnerabilities of rural NPOs. NPOs need long-term sustainment strategies to decrease their vulnerabilities to their environments. Studies indicate the use of commercial activities could decrease vulnerabilities; however, the associated costs are not always worth the pursuits.
Statement of the Problem

The problem is that funding sources for NPOs such as government subsidies/grants, philanthropic organizations, and private donors are drying up and the vulnerability of NPOs in the Black Belt is rising. These NPOs provide essential goods and/or services to 12 of the most economically distressed counties in the U.S. NPOs in these counties are highly dependent on traditional sources to carry out their social missions, which make them vulnerable to their environments. NPOs should be mindful that revenues generated from traditional sources fluctuate over time and that survival is largely dependent on the actions they take to diversify their revenues, control their dependence, and countervail the powers of influential organizations that control the resources.

Researchers found changes in the NPO sector that confirm the need for NPOs to take action to lessen their dependence or countervail the powers of external providers, who no longer assure the availability of the critical resources NPOs need to accomplish their missions. Researchers also confirmed the existence of alternative strategies to reduce vulnerability, such as revenue diversification, dependence, and countervailing power. Very little scholarly literature has targeted the Black Belt and assessed NPOs’ perceptions of these constructs of RDT simultaneously.

The findings from this study provide value to scholars studying the financial health of NPOs serving economically distressed areas. Researchers studying rural NPOs may find value in NPOs’ perceptions of their organizations in relation to their vulnerabilities. Scholars could use the results of this study as a foundation for future studies of rural NPOs. This study may also be a good source of reference to assist potential donors in deciding where to invest their
contributions. Practitioners may use this study to determine alternative ways to reduce organizational vulnerability in spite of diminishing sources. Other interested parties may find the results useful in building programs that could assist NPOs.

**Purpose of the Study**

Much of the responsibility for addressing the social ills of the nation is levied on NPOs, which are expected to continue to operate efficiently in spite of the reduction in traditional funding sources. Public recipients may be unaware of the impact this has on the organizations they rely on for goods and services. As funding dries up, dependent organizations become vulnerable. The primary purpose of this research was to determine if NPOs perceive themselves as vulnerable. This is significant because vulnerable organizations take action to reduce their vulnerabilities; however, their perceptions can drive their behaviors. Another purpose of this study was to conduct a theoretical and empirical analysis to understand the relationship between selected constructs within RDT and perceived vulnerability. The objective was to administer online surveys to capture NPOs’ perceptions of these constructs and use a statistical program (SPSS) to determine the correlation.

Funding reductions may continue; therefore, practitioners must determine a course of action to reduce the fallout. If state budget shortfalls continue to climb, NPOs are likely to continue to see reductions in their ability to deliver human and social services (Boris et al., 2010). This research was essential because NPOs’ survival rests on their dependence and their ability to adopt strategies that strategically position them to compete for limited funding successfully. NPOs’ perceptions may determine their ability to continue to deliver goods and services to the Black Belt, an underserved region of the United States.
Recessionary periods can reduce funding, but NPOs that continue to maintain relationships with their donors are likely to be profitable during these periods. Giving USA Foundation (2008) reported that recessions occur about every 5–10 years and economic downturns happen periodically. Between 1967 and 2007, a noted period of recessions and economic slowdowns, researchers found that, on average, giving rose, which indicates people are willing to give during difficult times (Giving USA Foundation, 2008). Individual donors are the single largest source of charitable contributions. Donors gave 80% of total contributions during the past four recessionary periods: 1970, 1974, 1982, and 2001. Declines in their contributions may have tremendous impacts on dependent organizations. Experts recommend NPOs continue to solicit individual contributions to fulfill their specific needs during these lulls. A comparative study using 40 years of data conducted by Giving USA Foundation (2008) revealed that some experts and professionals with decades of experience recommend NPOs take the following actions to obtain resources:

1. Work closely with boards of directors to ensure similar vision and purpose.
2. Develop workable plans (i.e. fundraising, communication, and stewardship) and stick to them.
3. Acknowledge all type of givers and the significances of their contributions to the organizations’ overall efforts.
4. Maximize various fundraising efforts via several methods, such as the media and public relations, in order to provide as many options as possible to communicate the organizations’ message and raise the funds necessary. (p. 1)

Reportedly, donors give during recessions, but they desire to give to organizations that are excellent stewards of their financial contributions. Some contributors have changed their charitable contribution strategies and have become inclusive in the organizations’ decision-making processes. About 88% of all United Way’s contributors have some form of control over the distribution of their donations (Barman, 2008). Other donors are looking for NPOs that are
engaged in proactive measures that allow them to see the impact of their donations. Gronbjerg and Martell (2000), Frumkin and Kim (2001), and Moizer and Tracey (2010) found that organizations that take an active role in managing their dependence and establishing ways to acquire resources may have advantages over other NPOs competing for the same funding. This is important to scholars because awareness of donors’ criteria is likely to result in NPOs successfully competing for critical resources.

NPOs have relied heavily on traditional funding sources to generate revenue; however, a paradigm shift occurred in the NPO sector that required organizations to consider new ways of generating funding. Although Giving USA Foundation’s (2008) comparative study revealed that donors give during recessionary periods, several scholars recommend NPOs take measures to generate revenue because of the diminishing funds, the rising cost of operations, and the accelerating number of rival NPOs competing for the resources (Boschee & McClurg, 2003; Carroll & Stater, 2008; Dees, 1998; Hafsi & Thomas, 2005; Keating et al., 2005). These scholars determined that traditional funding sources are no longer sufficient or, in some cases, available to provide the goods and services needed in rural communities. Within the sector, NPOs have shifted their foci to employing ways to generate revenue using for-profit ventures to lessen their vulnerabilities. Dees (1998), Dart (2004), Certo and Miller (2008), and Defourny and Nyssens (2008) ascertained that for-profit business ventures can reduce NPOs’ dependence on philanthropists, government grants and subsidies, and other charitable organizations. The scholarly literature reviewed on the vulnerability of NPOs did not address whether NPOs in the Black Belt have adopted the new perspective on generating revenue to sustain their missions.

This research was important because NPOs are distributors of the goods and services needed to aid distressed rural communities, such as Alabama’s Black Belt. Like other rural
communities throughout the United States and abroad, these organizations struggle to provide essential goods and services to underserved communities. Dees (1998), Frumkin and Kim (2001), and Carroll and Stater (2008) indicated strategies are needed to generate revenue, lessen dependence on external organizations, and countervail the power of entities that control the critical resources NPOs need.

This research may be of interest to scholars and practitioners because it filled an in NPO literature regarding vulnerabilities of rural NPOs. No scholarly journal articles or books were found during the literature review that addressed the perception of vulnerabilities among NPOs in Alabama’s Black Belt. To begin filling the gap in the literature, this study targeted NPOs in the Black Belt and the researcher introduced a researcher-developed survey to capture NPOs’ perceptions of their vulnerabilities.

**Research Question**

Pfeffer and Salancik (1978/2003) suggest that organizations become vulnerable when the environment changes and the resources they rely on are no longer guaranteed. The literature review of NPOs indicated a paradigm shift has occurred within the NPO sector because their environments have changed and traditional sources of funding are no longer certain. Given that scholars confirmed the shift in the NPO sector, they suggested that NPOs develop alternate strategies to acquire and secure revenue streams. This researcher sought to determine the existence of alternate revenue strategies and NPOs’ dependence on the external organizations based on their perceptions, by answering the research question: How does resource dependence theory explain the relationships between perceived revenue diversification, perceived dependence, perceived countervailing power, and perceived vulnerability of NPOs in the Black Belt?
Belt? The intent was to determine if rural NPOs perceive they are vulnerable and assesses how their perceptions correlate to perceived revenue diversification, perceived dependence, and perceived countervailing power. Environmental changes, such as a reduction in traditional funding sources, may influence the level of vulnerability that exists in rural NPOs. This research was necessary because rural communities traditionally face an unprecedented set of issues that affect the welfare of their people and their communities (Beaulieu, 2005). Some of the challenges that affect rural communities throughout North America are

1. An influx of new people with a diversity of cultures, languages, and values;
2. The out-migration of talented youth and adults who seek greater economic opportunities in larger populated areas;
3. The accelerated growth of service producing sector jobs that are offering rural workers fewer opportunities to secure decent paying jobs;
4. The persistence of poverty among rural women, children, and minorities;
5. The decaying state of roads, bridges, and other basic components of the community’s infrastructure;
6. The declining capacity to afford or to have access to quality health care in close proximity to their places of residence;
7. The accelerated demands on rural schools to meet performance and accountability standards that are best suited or modeled for urban and suburban school systems;
8. The daily outflow of local residents who commute outside the area which hinders their active engagements in the civic lives of their communities;
9. Local governance structures that are struggling to keep pace with program management and fiscal responsibilities that were once the purview of federal and state agencies; and

10. A technology-sophisticated world that has had a limited presence in many rural areas. (Beaulieu, 2005, p. 1)

The issues that rural communities face coupled with the decline of funding sources warrant the attention of scholars and practitioners to further the study of the NPO sector. This study centered on perceived vulnerability of NPOs and RDT. Four constructs were used to address the research question and hypotheses. First, the survey responses from participants helped determine perceived vulnerability (dependent variable). The survey also captured data applicable to the three independent variables (perceived revenue diversification, perceived dependence, and perceived countervailing power). Correlation analysis tested the relationship between the four constructs. This study sought to provide results that researchers can use to conduct further studies of NPOs.

Definition of Terms

The Black Belt. “This social and demographic crescent of 623 counties containing higher than average percentages of black residents” (Wimberley & Morris, 1996, p. 12).

Commercial activity. “Income from sources, such as client fees and charges” (Boschee, 2006, p. 1).

Nonprofit organizations (NPOs). “501(c)(3) describes qualifying organizations as Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious,
charitable, scientific, testing for public safety, literary, or educational purposes” (Internal Revenue Service [IRS], n.d.).

**Perceived countervailing power.** The shifting of the power in asymmetrical (unequal) business-to-business exchanges or relationships (Galbraith, 1993).

**Perceived dependence.** The “results from exchange processes and from the requirements of organizations to acquire resources and engage in exchange with their environments” (Pfeffer & Salancik, 1978/2003, p. 52).

**Perceived revenue diversification.** “a prudent revenue generation strategy to potentially minimize the volatility of revenue portfolios managed by nonprofit organizations” (Carroll & Stater, 2008, p. 949).

**Perceived vulnerability.** Refers to an organization’s belief as to the magnitude of its dependence on external resources and influences required to conduct its operations (Pfeffer & Salancik, 1978/2003).

**Self-sufficiency.** “Can be achieved through earned revenue alone” (Boschee, 2006, p. 1).

**Social enterprise.** Refers to “non-profit ventures designed to achieve both social and commercial objectives” (Moizer & Tracey, 2010, p. 252).

**Vulnerability.** “An organization’s vulnerability to its environment is the result of its need for resources such as raw materials, labor, capital, equipment, knowledge and outlets for its products and services—resources that are controlled by the environment” (Hatch & Cunliffe, 2006, p. 81).

**Nature of the Study**

The growth of NPOs throughout the 19th century was slow but steady because of changes in the rules at various levels of government (Hammack, 2001). Revised legislation throughout
this period modified the government’s responsibility, absolving the government from being solely, legally, or morally bound to provide for marginalized members of society. The revised legislation greatly affected rural communities, such as Alabama’s Black Belt. To fill the gap, when tax dollars or private funds were no longer available, organizations with social or charitable missions formally organized. Although NPOs have social missions and noble objectives, many are dependent on external sources of funding to help meet the needs of their communities. Organizations are not self-sufficient because they are dependent on external sources (Pfeffer & Salancik, 1978/2003). When these organizations become too dependent on resources from specific donors, they are likely to fail. External funding, such as government grants and private donors, is an environmentally controlled resource, which affects the vulnerability of NPOs.

Studies were not found that outlined this theoretical framework in regard to NPOs in Alabama’s Black Belt. This study added to the knowledge base of rural NPOs by examining their perceived vulnerabilities and their relationships to constructs within RDT. Conclusions made in this study provide scholars, educators, practitioners, and other interested parties with the perceived state of vulnerability of NPOs in a rural region of the United States.

An extensive search for key terms, such as vulnerability, rural NPOs, and RDT using online databases revealed a significant number of studies addressing financial vulnerability of NPOs. Several scholars proclaimed that NPOs, which are dependent on a limited set of suppliers for critical resources, are vulnerable to their environments. Throughout the literature, scholars consistently recommend NPOs consider alternatives, or more than one strategy, to acquire needed resources to stabilize their revenues. The conceptual framework, derived from extant literature, revealed a paradigm shift in the NPO sector regarding how to secure needed resources.
when fewer suppliers and limited resources exist in highly competitive environments. These scholarly confirmations are consistent with the central theme of RDT in that organizations cannot survive without resources from their external environments. Often organizations will restructure dependence by using various tactics to influence donors or generate new streams of revenue. Studies revealed that drastic changes have transpired over the past 20 years. During this period, the costs of operating organizations have excelled while the competition for traditional funding has tripled (Boschee & McClurg, 2003).

NPOs’ perceptions of environmental influences are essential in deciding their states of vulnerability and dependence on external providers. Their perceived vulnerabilities could also be influenced by the actions they take to countervail the power external providers have over their dependent organizations. This study examined constructs within RDT from the NPOs’ perspective. Figure 1 is the researcher’s depiction of four selected constructs within RDT that influence NPOs’ vulnerabilities. Only two constructs will be addressed in this paper. The model signifies that NPOs’ perceived revenue diversification, perceived dependence, and perceived countervailing power could affect their perceived vulnerabilities. NPOs may use these constructs as defensive or offensive strategies to lessen their vulnerabilities.
Research Design

A survey can quantify characteristics, trends, attitudes, and opinions of a sample, and generalize the results to the population (Creswell, 2009). Responses to the 30-question survey were used to determine perceived vulnerability and its relationship to perceived revenue diversification, and the other constructs outlined Carroll and Stater’s (2008) research contributed to the formulation of survey items to measure perceived revenue diversification in this study. A survey was the preferred instrument for this study because it was relatively inexpensive to administer and the population of interest was dispersed over a broad geographic area. A cross-sectional design permitted comparisons and correlations between variables using demographics. The researcher selected a survey design because researchers such as Snavely and Tracy (2000), Iecovich (2001), Svensson (2004), Hodge and Piccolo (2005), JungWook (2011), and Meehan and Wright (2011) effectively used surveys for similar studies of NPOs.

Sample

If the NPO sector becomes vulnerable, the country’s delivery system of public services may also become vulnerable (Wimberley & Morris, 1996), specifically during changes in social processes of the economy. The population of interest for this study comprised NPOs in the 12 Black Belt counties. The unit of analysis was the perceived vulnerability of the NPOs in the 12...
Black Belt counties. The primary reason NPOs in the Black Belt were selected for this study is they are a significant part of the delivery system and are located in the “nation’s largest and most impoverished rural area in the United States” (Wimberley & Morris, 1996, p. 118). These NPOs are also part of rural communities where lack of critical resources is commonplace (Wimberley & Morris, 1996) and downturns in the economy will likely threaten their ability to achieve their goals. A review of scholarly literature of the NPO sector did not reveal studies inclusive of these counties, which is the secondary reason this population was studied.

A database was purchased from the NCCS website, which was believed to be the primary source for e-mail and/or mailing addresses for the sample. Mailing addresses were available, but e-mail addresses were not, which required an additional step in the data collection process to administer an online survey. At the onset of this study, the NCCS contained approximately 1,250 registered NPOs in the Black Belt; however, only 715 were valid at that point in time. To obtain the sample for this study, solicitation letters were sent via traditional mail to the NPOs’ addresses listed on the NCCS website. A low response rate was anticipated because of the outcome in previous studies. Snavely and Tracy’s (2000) study of 530 NPOs in rural southern Illinois and Mississippi counties yielded a 24% response rate. JungWook’s (2011) study of RDT and 1,142 NPOs yielded a 30.2% response rate. Based on previous studies with similar geographic locations and foci, the expected response rate for the current study was approximately 24% (301 responses).

**Hypotheses**

Three hypotheses were designed to address the research question; however, only the results of one will be discussed perceived vulnerability was the sole dependent variable in this
study and the independent variables were perceived revenue diversification, perceived dependence, and perceived countervailing power.

The null hypothesis that will be discussed here is:

\[ H_{01}. \text{ There is no relationship between perceived revenue diversification and perceived vulnerability.} \]

**Key Constructs**

In the literature reviewed, researchers studied various dimensions of financial vulnerability. Tuckman and Chang’s (1991) seminal work provided the baseline for these studies and the concept upon which subsequent research expounded. Tuckman and Chang’s work yielded a theory of financial vulnerability for NPOs. The theory suggests that organizations are financially vulnerable if cutbacks in programs or services are necessary when an interruption in revenues occurs. The authors used financial ratios as operational criteria to determine vulnerability. Greenlee and Trussel (2000), Hager (2001), Trussel (2002), Trussel and Greenlee (2004), and Keating et al. (2005) consistently modified the criteria to expand the body of knowledge as it relates to financial vulnerability. Keating et al. used four drivers of vulnerability: “insolvency risk, financial disruption, funding disruption, and program disruption” (p. 11), which are derivatives of Tuckman and Chang’s operational criteria: to measure financial vulnerability.

Scholarly research addressing financial vulnerability of NPOs is extensive. Operational criteria and drivers of vulnerability were addressed in this study to place emphasis on the constructs and variables tested in previous studies. This study addressed selected constructs within RDT in lieu of operational criteria or drivers of financial vulnerability. Testing these constructs added another dimension to the study of vulnerable NPOs. Tuckman and Chang
(1991) offered that it is the mixture of supporters, revenue diversification, management, and adequate capital that will determine the financial vulnerability of NPOs. This study used that concept by focusing on similar factors, such as perceived revenue diversification, perceived dependence, and perceived countervailing power, that influence vulnerability in NPOs. Several constructs within RDT were measured simultaneously, which allowed the researcher to expand the body of knowledge by confirming NPOs’ perceptions of vulnerability, which appeared to be unexplored in the literature. Determining NPOs’ perceptions of vulnerability enhanced the usefulness of previous findings in other rural regions that are underserved and highly dependent on NPOs to deliver vital goods and services to their communities.

Several constructs within RDT could have been applied to study perceived vulnerability of NPOs; however, only two have been selected for discussion. Table 1 summarizes the conceptual and operational definitions of two key constructs.
### Table 1. Construct Definitions: Conceptual and Operational

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Conceptual</th>
<th>Operational</th>
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<tr>
<td>Perceived vulnerability (DV)</td>
<td>Perceived vulnerability is defined as an organization’s belief as to the magnitude of its dependence on external resources and influences required to conduct its operations (Pfeffer &amp; Salancik, 1978/2003). Others: Chang &amp; Tuckman (1991), Greenlee &amp; Trussel (2000), Hodge &amp; Piccolo (2005), Keating et al. (2005), Svensson (2004), Tuckman &amp; Chang (1991)</td>
<td>Perceived vulnerability was measured using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Scores generated from the scale were used to determine two levels of perceived vulnerability: high and low. The levels were calculated by taking the mean scores of each respondent for Survey Questions 7–13. Mean scores lower than 3 reflected low perceived vulnerability and mean scores higher than 3 reflected high perceived vulnerability.</td>
</tr>
<tr>
<td>Perceived revenue diversification (IV₁)</td>
<td>Perceived revenue diversification is “a prudent revenue generation strategy to potentially minimize the volatility of revenue portfolios managed by nonprofit organizations” (Carroll &amp; Stater, 2008, p. 949). Others: Chang &amp; Tuckman (1994), Froelich (1999), Frumkin &amp; Keating (2002), Hansmann (1987), Jegers (1997), Yan et al. (2009)</td>
<td>Perceived revenue diversification was measured using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Scores generated from the scale were used to determine two levels of perceived vulnerability: high and low. The levels were calculated by taking the mean scores of each respondent for Survey Questions 14–18.</td>
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**Perceived vulnerability (dependent variable)** is the first key construct that was assessed; it refers to an organization’s belief as to the magnitude of its dependence on external resources and influences required to conduct its operations (Pfeffer & Salancik, 1978/2003). The second construct and potential influence of perceived vulnerability that was assessed is perceived revenue diversification (independent variable, IV₁). Perceived revenue diversification is NPOs’
tactics used to generate revenue for the purpose of minimizing the financial fluctuation within the organization (Carroll & Stater, 2008). To survive, NPOs require a revenue-generating strategy that will permit them to deliver their goods and services and simultaneously decrease their vulnerabilities. Pfeffer and Salancik (1978/2003) contended that organizations that rely heavily on one resource to sustain operations versus multiple resources are likely to become dependent on those specific donors.

Hansmann (1987), Chang and Tuckman (1994), Jegers (1997), Froelich (1999), and Frumkin and Keating (2002) examined the concept of revenue diversification and determined that NPOs with access to multiple funding sources are perceived as less vulnerable because the loss in one revenue source may be offset by the gain in another.

**Validity and Reliability**

An instrument has validity if the conclusions drawn are meaningful and inferences are valid based on the scores on the instrument (Creswell, 2009). Construct validity was used to validate the survey instrument to answer questions such as, what does the survey measure? and Does it adequately measure the construct outlined? Babbie (1990) indicated that reliability is a question of whether the same technique can be used repeatedly and garner the same results each time. Reliability is necessary, but it is not the sole determinant of validity.

**Summary of the Results**

As noted at the beginning of this research, funding sources for NPOs are drying up. If the NPO sector becomes vulnerable, the country’s delivery system of public services may also become vulnerable (Wimberley & Morris, 1996). The primary reason NPOs in the Black Belt were selected for this study is because they are a significant part of the delivery system and are
located in the “nation’s largest and most impoverished rural area in the United States” (Wimberley & Morris, 1996, p. 118). The problem is that funding sources, such as government subsidies and grants, philanthropic organizations, and private donors, are drying up, and the vulnerabilities of NPOs in the Black Belt are rising as well. The study was conducted to determine if NPOs in the Black Belt perceive themselves as vulnerable and if relationships exist between perceived vulnerability and three constructs of RDT: perceived revenue diversification, perceived dependence, and perceived countervailing power. This is significant because vulnerable organizations take action to reduce their vulnerabilities, and their perceptions can drive their behaviors.

Three hypotheses were empirically tested to answer the research question. The data from the researcher-developed survey were collected online. The sampling frame was obtained from a database purchased from the NCCS. A sample of approximately 1,200 was expected; however, only 715 registered 501(c)(3)s in the Black Belt were identified in the database of over 1 million NPOs in the United States. Based on the participants’ responses, two of the three null hypotheses were rejected and one was confirmed. The confirmed hypothesis is the subject of discussion.

**Discussion of the Results**

All hypotheses were tested at the .05 level of significance. Two hypotheses were highly significant at the .01 level. The practical implication is discussed below.

**Hypothesis 1**

This hypothesis suggested that a relationship between perceived revenue diversification and perceived vulnerability does not exist. In other words, multiple streams of revenue do not impact the vulnerability of an organization. The null hypothesis was accepted based on statistical
testing of survey responses. As previously stated, RDT theorists argue that organizations that do not have several sources of revenue are vulnerable. Based on the responses of survey participants, this statement was not supported by the findings in this study. In this case, the null hypothesis was true.

Although not required, another set of correlations was performed to assess the relationship between high and low categories of perceived vulnerability (dependent variable) and the three independent variables: perceived revenue diversification, perceived dependence, and perceived countervailing power. This type of correlation was completed for each hypothesis.

The second correlation supported Hypothesis 1. The results did not indicate a relationship between respondents who perceived their organizations to be highly vulnerable and respondents’ perceptions of revenue diversification. Conversely, statistical testing did not determine a correlation between low perceived vulnerability and perceived revenue diversification.

Hansmann (1987), Chang and Tuckman (1994), Jegers (1997), Froelich (1999), and Frumkin and Keating (2002) examined the concept of revenue diversification and determined that NPOs with access to multiple funding sources are perceived as less vulnerable because the loss in one revenue source may be offset by the gain in another. The implication is that this construct was not confirmed for NPOs in the Black Belt. Based on the observations during reliability testing, it is likely that the measurements for the revenue diversification scale will require revision in future studies. Four of the seven measurements were removed from the scale because of indicators of internal inconsistency, based on a Cronbach’s alpha of .472.
Population and Sample

NPOs in 12 Alabama counties, known as the Black Belt, were the population of interest for this study. A database containing over 1 million U.S. registered NPOs was purchased from the NCCS to obtain the sample frame. The researcher invited all 715 registered NPOs in Alabama’s Black Belt to participate in the study. A solicitation letter and prepaid postcard were mailed to each of the 715 organizations. The solicitation letters requested each potential participant fill out the postcard and return it regardless of his or her desire to participate in the study. The postcard captured the e-mail address and other demographic data needed before the researcher could proceed to the next step. The data collection process took 55 days and involved several steps.

In the first step, solicitation letters and prepaid postcards were mailed to 715 NPOs for the purpose of identifying willing participants. Fifty-five (7%) solicitation letters were returned unopened for a variety of reasons: no mail receptacle (12), vacant (12), no such number or street (10), not deliverable (8), insufficient address (4), and miscellaneous (9). The returned requests were subtracted from the overall sample population, leaving 660 possible participants. Four hundred ninety-four (75%) NPOs did not respond to the first and second solicitation requests.

Of the 660 possible participants, 167 (25%) responded to the solicitation request, 47 of whom declined (nonrespondents) and 120 offered to participate. Of the 47 nonrespondents, 22 (47%) replied within 14 days of the initial invitation. Eleven (23%) nonrespondents were from one county. The remaining 35 (74%) nonrespondents were spread throughout the other Black Belt counties. Their responses were received within the data collection period. Approximately 45% of nonrespondents (21 NPOs) were human services and religion-related NPOs. Arts,
culture, and humanities (5 NPOs); education (8 NPOs); health (3 NPOs); and public, societal benefit (3 NPOs) organizations made up 40% of nonrespondents. Fifteen percent of nonrespondents did not provide sufficient information to determine the type of organization.

Respondents who indicated a desire to participate were e-mailed an informed consent form and a link to the online survey. Three separate distribution lists were utilized to ensure the respondents received the informed consent and survey link within a reasonable time frame. To maintain the anonymity of the participants, e-mail addresses were masked in the blind carbon copy line of the e-mail. The first distribution list contained the e-mail addresses of the 50 individuals who responded within 2 weeks of the initial solicitation request. The first and subsequent e-mails directed the recipients to read the informed consent form prior to clicking on the survey link. Participants indicated they had read the form by checking “yes” at the beginning of the survey. The remaining 70 e-mails were forwarded under a second and third distribution list based on when the individuals responded to the solicitation letter.

Follow-ups were very important steps in the data collection process. Follow-ups and reminders were sent during Weeks 3 and 5 of the data collection period. Initially, reminders were sent to NPOs that did not respond to the initial solicitation letters. Subsequent follow-ups were e-mailed to participants as reminders to complete the online survey. Overall, of the 120 willing participants, 18 did not respond to follow-up requests; 102 completed the survey, for an actual response rate of 15%.

Survey responses were captured online and converted to an Excel spreadsheet, which was imported into SPSS for data analysis. The Office of Institutional Effectiveness at a local university collected and compiled the data and provided them to the researcher. To prepare the
data for analysis, missing data were assigned the missing value number 999 and a “missing data” value label.

**Implication of the Results**

What do the results mean to the NPO sector and to the Black Belt? Overall, the results indicate the majority (67%) of NPOs in Alabama’s Black Belt perceived themselves as highly vulnerable. The results confirmed that the perceived vulnerabilities of these organizations are related to their perceived dependence on outside organizations and the perceived activities they engage in to lessen their vulnerabilities.

What theoretical implication can be made from these results? The implication of the results in regard to the four constructs of RDT used in this study is that organizations are affected by their dependence and countervailing activities that impact their vulnerabilities. The results did not confirm that perceived revenue diversification is related to the perceived vulnerability of NPOs in the Black Belt.

Reliability assessments were performed at the onset of data analysis. Based on the initial assessment of internal consistency, several variables were eliminated and the Cronbach’s alpha was recalculated. Although the results of the remaining scale items are valid, the researcher believes modification to the revenue diversification scale may have yielded different results, specifically when determining the respondent’s perception of revenue diversification.

The researcher did not plan to interact with participants; however, due to the low response rate, it was necessary to make phone calls. The significant increase in the actual response rate after the phone calls is indicative of the rapport and trust that developed between the researcher and the sample population. Although the sample had received the solicitation
request, many had opted to set it aside and complete it later. The phone calls were significant because many participants simply forgot about the survey and others were more willing to complete it after the researcher assured them it would take only 5 minutes to complete. Additionally, rapport and trust could have been established earlier in the data collection process if the researcher had indicated her association with the community being studied. For example, the researcher should have noted that she resided in the area of interest, worked in the area of interest, and worked with nonprofit organizations. All of these factors played a role in increasing the actual response rate by 46%.

**Limitations**

Initially, three limitations were identified in Chapter 1: a heavy reliance on NPOs’ perceptions of vulnerability, the inferences made by using solely quantitative data, and the unique challenges facing the Black Belt. During the actual study, other limitations were found.

First, the number of 501(c)(3) organizations in the Black Belt was considerably lower than initially projected. The NCCS database contained 715 registered 501(c)(3) NPOs in the 12 Black Belt counties rather than the 1,200 expected at the onset of the study. Second, the perceived revenue diversification measurement did not meet the minimum reliability requirement ($\alpha = .70$) recommended by Nunnally (1978). Finally, the actual response rate was significantly lower than anticipated, which could impact the generalizability of the results.

**Recommendations for Further Research**

Several recommendations for further study of rural NPOs are provided. First, a qualitative or mixed-method study will provide more opportunity to determine why NPOs in rural communities are vulnerable. Secondly, qualitative data may uncover why no relationship
was confirmed between perceived vulnerability and perceived revenue diversification. This would be significant in adding to the body of knowledge of RDT. Responses to open-ended questions can be triangulated with quantitative data to get an actual picture as to the vulnerability of rural NPOs. Finally, the type of organizations assessed should be streamlined to reduce disparity in the results. For example, volunteer fire departments, churches, and historical facilities provide significantly different responses to questions of vulnerability than more well-equipped organizations such as educational centers and human services facilities.

**Conclusion**

This study provided an empirical analysis of the correlation between vulnerability and revenue diversification, and is based on the perception of NPOs in Alabama’s Black Belt region. This paper discussed the correlation between the two constructs of RDT and the results confirmed that NPOs in Alabama’s Black Belt are highly vulnerable; however, it does not confirm theorists’ arguments that organizations are vulnerable if they do not have diverse streams of revenue. Reliability and internal consistency assessments were performed at the onset of data analysis; however, based on the observations during reliability testing, it is likely that the measurements for the revenue diversification scale will require revision in future studies. Reliability is necessary but not a sufficient condition for validity; therefore, reliability issues for this measure needs to be addressed first. Based on these results, this paper calls for a better measure for revenue diversification.
References


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Memphis, TN, September 24-26, 2014


“The State of Entrepreneurship in Iraq—A First-Hand Experience”

William T. Jackson, USF St. Petersburg

Abstract

Implications of the future of entrepreneurship in Iraq are discussed from both a personal experience as well as secondary research. The focus of this discussion uses criteria from both the Global Entrepreneurship Report model as well as theoretical underpinnings of entrepreneurship theory. Findings point toward a difficult task for integrating entrepreneurial thinking and action into the Iraqi culture.
“ADVANCED BUSINESS MODEL APPLICATIONS IN TEACHING”

Daniel James Scott, USF St. Petersburg

Workshop Summary

The business model canvas holds secrets your students simply haven’t found yet. There are nuances hidden in its nooks that can help shape students into better entrepreneurs. They can more effectively evaluate their new ventures, pitch with more confidence, and execute with more precision. Learn about these advanced concepts, how to apply them to the classroom, and make your students even more successful.
"ART, WAR, AND B-SCHOOL INNOVATION"

Nathan Schwagler, USF St. Petersburg

Workshop Summary

The tools of artistry are many and diverse; however, three stand out as paramount to entrepreneurship and entrepreneurship education: observation, imagination, and visualization. Perhaps counterintuitive to our understanding of military conflict, these tools of art are also evidenced in theatres of warfare. This workshop will highlight a case example of artistic innovation influencing strategy in WWII, and demonstrate how the tools of artists, designers, and creative problem solvers are directly applicable to the way we design and deliver experiential entrepreneurship and innovation education within the B school.
Training and Educating Grass-Root Leaders in Entrepreneurship and Rural Development for the 22nd Century Utilizing the Teen Reaching Youth (TRY) Model and Other Approaches

Chyi-Lyi (Kathleen) Liang, University of Vermont
Paul Dunn, University of Louisiana Monroe

Introduction and Purpose

The purpose of this workshop is to discuss alternative approaches to youth entrepreneurship and rural development. Understanding the rural development is a long term process of creating new enterprises, aiding existing businesses to expand and to attract, where practical and possible existing businesses. The first and second alternatives imply developing entrepreneurial friendly communities. Our purpose is to explore the first two with our colleagues.

We will do this by showing two approaches that have been and/or are being used and asking our colleagues to share other approaches that they have developed or seen. Impact analysis, evaluation tools, and program development guides will also be shared. Colleagues are encouraged to bring a one-page handout of other approaches.

Approach 1:

We will share how we propose to design, develop, integrate, and implement an innovative multi-tier training/education/leadership program that will generate enduring impacts and build a legacy for young people in rural communities. *Teens Reaching Youth (TRY) for Entrepreneurship and Rural Development* offers a combined experiential learning and service learning opportunity that is teen-led (grades 8-12) and mentor guided to teach the functions and interactions of entrepreneurship and rural development issues to younger children (grades K-3),
while giving teens the opportunity to become agents of positive change in their communities and families.

The idea of the multi-tier training/education/leadership program is to improve the leadership capacity of teens and the knowledge level in entrepreneurship and rural development of both teens and young children. Over time teens will gain leadership skills through teaching the TRY lessons, and young children will gain more knowledge about entrepreneurship and its interactions with our communities by learning about integrated entrepreneurship subjects. As this project evolves over time, all participants (teens, K-3 children, mentors, families, and other collaborators) will increase their understanding, appreciation, and awareness of the entrepreneurship and its contribution to rural development and our society.

The purpose of this project is to strengthen youth entrepreneurship development in the rural environment, to improve knowledge and awareness of entrepreneurship by integrating the most recent research-based information. Vermont is one of the most rural states in the United States with more than 80 percent of the population living in rural communities. There has been a growing trend in labor out-migration among young people between 18 and 25 years old. It is essential to assist young people living in rural environments to access education and training that will support them to identify or create opportunities where they are. The UVM College of Agriculture and Life Sciences and Extension has excellent resources and sufficient capacity to design and deliver this project that will (1) enhance our existing connections with entrepreneurship and rural communities; (2) expand our existing effort to develop innovative curricula for youth entrepreneurship education; and (3) encourage teens and youth to practice leadership skills through experiential and service learning.

Measurable, result-oriented objectives for TRY model:
Objective 1: to design, modify, pre-test, and implement a set of curricula focused on youth entrepreneurship and rural development issues by incorporating (1) existing 4-H youth agricultural training materials, (2) existing TRY for the Environment program model at UVM, (3) existing Entrepreneurship, Leadership and Community Engagement program at UVM, and (4) the most current new research-based information about entrepreneurship and rural development with experiential learning components that are age appropriate for K3rd grade youth education.

Objective 2: to offer entrepreneurship and rural development training and education to teens, mentors, and K-3 youth. Teens will demonstrate practicing new techniques/activities to better prepare youth to develop life and job skills, and K-3 youth and their families will receive information and gain knowledge to raise their awareness of entrepreneurship issues which will lead to positive changes in their understanding, decisions, and actions with respect to their life and their rural communities.

Tier 1 – recruit/train new teen participants, and teach K-3 for the first time using intro-level curriculum.

Tier 2 – continue to train new teams to teach intro-level curriculum, support returning teams to recruit new teams, and to train returning teams to teach advanced curriculum.

Tier 3 – teens who are qualified in attending UVM Summer Academy Entrepreneurship, Leadership and Community Engagement course will apply and attend this advanced training opportunity. In this course, teens will design, plan, and implement their own entrepreneurial projects that will directly benefit their own communities.

(Note: Our goal in year 1 is to recruit 12 teams who will teach the program 2 times - each time reaching 15 or more youth. We will reach 360+ K-3 youth plus 24-48 teens and 12 mentors in
year 1. In year 2 some of these teams will want to continue and we will recruit some new teams to maintain a 12-team structure. So each year we would reach 360+ K-3 youth with the programming, and 24-28 teens and 12 mentors. Over 3 years we will reach 1080+ K-3 youth with lessons and all of the teens and mentors.)

**Objective 3:** to attend and present TRY for Entrepreneurship and Rural Development program to at least 10 professional organizations, farm association meetings, and extension development workshops (we can present on site or use extension system to conduct webinars) in 3 years to share our curriculum and program model with other educators and researchers in the Northeast region, and to create collaborative efforts across states for long-term planning an implementation.

**Approach 2:**

Camp Enterprise was a program that was successfully developed and run by the Entrepreneurship Studies Center faculty of the University of Louisiana at Monroe in cooperation with the Rotary Clubs of Louisiana. Students were recruited and sponsored by Rotary Clubs. The cost for each student (approximately $250) was paid by the Rotary Club. Students were brought to the ULM campus for 4 days. Students checked in on Sunday afternoon. At 6 p.m. on Sunday, students were given an overview and orientation to the program by the faculty and several regional entrepreneurs.

On Monday morning, students were asked to identify an entrepreneurial idea they wanted to explore during camp. During the morning each student working with faculty began the development of various aspects of their concept. During the early afternoon, students were transported to three successful entrepreneurial firms to see the venture close up and personal with
a tour introduction by the entrepreneur and a guided tour by the entrepreneur and their employees. A Q & A Session with the entrepreneur occurred at the end of the tour.

After dinner, students continued the development of their concept while interacting with other campers and selected faculty and participating entrepreneurs.

Tuesday and Wednesday were essentially duplicates of Monday with an evening social or recreational event.

Thursday morning, each camper presented their concept to an audience including their Rotary sponsor and their parents. A Camp Enterprise Awards Ceremony was held after the presentations, students were given an opportunity to tour campus and visit the University Bookstore. The camp ended at 3 p.m. on Thursday.