Research at the Marketing/ Entrepreneurship Interface

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2012

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Fundação Getulio Vargas (FGV)

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Dedicated to

my wife Patricia

my wonderful grandchildren, Abigail, Matthew and Joseph

In Memoriam
Luiz Carlos Andreassi, my father.

PREFACE

The Research Symposium on Marketing and Entrepreneurship has, for more than two decades, periodically met in several different countries. We met, for example, in France twice with INSEAD, in Australia, Hong Kong, Sweden and the UK. This past year we met in Rio de Janeiro at the prestigious Fundação Getulio Vargas (FGV).

Special thanks go to Professor Tales Andreassi and his entrepreneurial administrator and PhD student Laura Pansarella for their gracious hosting of the meeting. All of the attendees will long remember the view from the conference rooms overlooking the spectacular beaches of Rio. This was second only to the high anonymous ratings of the research sessions.

Entrepreneurship research is spreading around the world with a new credibility and sense of importance. Job generation studies have fully documented the macroeconomic significance of entrepreneurship. Entrepreneurial Marketing is gaining in the quality of research and as a segment of the overall entrepreneurship discipline.

It is expected that the readers of this volume will discover some "pearls" of new knowledge and it will also be a stimulant for new ideas.

Thanks go to the authors and to the Kauffman Foundation for their special contributions.

Best regards,
Fabian Eggers, Menlo College
Gerald Hills, Bradley University
Tales Andreassi, Fundação Getulio Vargas (FGV)

CONTENTS

RESEARCHING SMES: HAVE OUR PARAMETERS BEEN CONSISTENTLY INCONSISTENT? A STUDY OF JRME 2000-2009

Audrey Gilmore, University of Ulster
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ABSTRACT

SMEs are very important to all economies. They provide new employment opportunities within regional economies and often create new innovative enterprises, identifying opportunities that larger businesses may have missed. How SMEs do business and their impact on the economic environment has been studied by researchers from different disciplines, such as business, economics, psychology and sociology. These researchers have brought a range of different research techniques and perspectives to the study of SMEs. This has added richness and depth to our understanding of SMEs particularly over the past 20 years. There are regional differences in the focus of research into SMEs and how they do business. In the UK much of the work has focused on SMEs and how their characteristics have impacted upon how they do business. In the US there has been a longer history of studying entrepreneurship and the characteristics of entrepreneurs who start up businesses in the first place. There is plenty of scope for different methodologies which offer rigour and choice for researchers in this area. The unit of analysis may vary depending on the research problem to be investigated, such as the business unit, the individual, the firm, its market or industry, within a nation or across nations.
This study focuses on how SMEs have been researched between 2000 and 2009. There have been many studies on how SME owner/managers do business, their decision making processes and ways of delivering marketing activities, and many different methodologies have been used. Within the context of a wider study of fourteen international journals on small business and entrepreneurship, this paper presents the findings that have emerged from the international journal associated with this Symposium and the UK special interest group, the Journal of Research in Marketing and Entrepreneurship.

INTRODUCTION

Globally SMEs account for 99% of all businesses depending on what statistics are used and how the recording is done. Generally they are acknowledged to be a vibrant and innovative source of new ideas in economies and have been the main source of new employment growth in many advanced economies for some time, as pressures on MNEs have increased.

While there is a general recognition of the importance of the SME in many global economies, when it comes to defining an SME there is less agreement (McAuley and Gilmore, 2010). There are many definitions available. For example Google lists many definitions for SMEs which vary from country to country. While occasionally issues of ownership and control (family owned, access to external capital) are used to define them, others use turnover figures, but most official statistics focus on employment size.

Therefore it is possible to look at a range of international statistics that illustrate a large variation in how an SME size is defined. This may be the major variation in what researchers use but there is diversity in other parameters too. This includes the sectors studied, geographical locations, sample sizes and the methods used. It is argued that having an overview of such fundamentals will enhance our understanding of what we have achieved in research terms and also pave the way for creating a future research agenda (McAuley and Gilmore, 2010).

SMEs are often defined by the limitations inherent in their smallness and lack of resources compared to larger companies (Carson and Gilmore, 2000; Stokes and Wilson, 2006). Both practitioners and academic researchers recognise that SMEs operate and do business in a different way from large organisations (Hansen and Eggers, 2010; Gilmore and Carson 2007; Carson and Gilmore, 2000). Many SMEs are started up by entrepreneurially minded people and may develop in an unconventional and/or sporadic manner unlike larger firms operating within a hierarchical structure of key functional managers (Gilmore, 2011).

RESEARCH IN SME MARKETING

Defining SMEs is not simple. Measurements often rely on such factors as number of employees, sales turnover, profitability and net worth (Storey 1994, Deakins and Freel 2006). In the UK, the most widely accepted definition is that based on the findings of the Bolton Committee Report (1971) which defines a small firm as an independent business, managed by its owner or part-owners and having a small market share. However, the difficulty with using these terms as a basis for definition is that they are not always appropriate as they can be affected by regional variations (Hill 2001). In the U.S a small business is defined as being an independent business having fewer than 500 employees. However firms wishing to be designated a small business for government programs such as contracting must meet size standards which vary by industry. So even after many years of research, there is no uniform definition of an SME in the literature that is internationally accepted.

The most recent definition of a SME in the UK can be found in the Companies Act 2006. This government definition specifies that an SME is either a 'company and is not a member of a large group' or a business that although not an actual company 'would be a SME company' if it were to be a company. It elaborates by noting that a Small company is one with no more than 50 employees, turnover of ≤£5.6m and a balance sheet total of ≤£2.8m; whereas, a Medium company is one with no more than 250 employees, turnover of ≤£22.8m and a balance sheet total of ≤£11.4m. Similarly, recent EU definitions specify that a Small company is one with no more than 50 employees, turnover of ≤€10m and/or a balance sheet total of ≤€10m; a Medium company is one with no more than 250 employees, turnover of ≤€50m and/or a balance sheet total of ≤€43m; it further specifies a Micro company as one with no more than 10 employees, turnover of ≤€2m and/or a balance sheet of ≤€2m.

Studies of SMEs have been carried out for many years. Research has focused on many aspects of SMEs. For example, how SMEs are created, grow, become successful or fail, and how entrepreneurially they behave. Sometimes an SME owner/manager may have started out as an entrepreneur but over time may have become more involved in the day to day running of the business and operational activities and thus become less entrepreneurial.

Given the very individual nature of many SMEs, it is important to take account of the context of how and what has been researched. For example the theoretical framework that underpins a research project, the overall conclusions drawn from a study, the geographical and business sector in which the SME operate are clearly important. These will all set the context for a study of how SMEs are defined in different studies throughout the world and the methodologies chosen to research SMEs.

RESEARCH QUESTION

This research seeks to address what we as SME researchers actually research in terms of the work we do on SMEs. This can be sub-divided into:

- SME definition used
- Geographical coverage
- Business sector covered
- Methods used (case study, survey etc)
- Research focus and conclusions

METHODOLOGY

Stage one of this research was to select leading SME and Entrepreneurship Journals from Europe, North America and Australasia and conduct a systematic content review of the parameters of the empirical studies reported in each journal. The journals represent a significant body of output where researchers working at the marketing-entrepreneurship interface would place their work. Fourteen journals were selected and these have been investigated over the past twelve months. The selection of journals is shown in Appendix 1.

The long-term research project aims to analyse all empirical papers included in the journals between 2000 and 2009 and to create a comprehensive table of what academics in the area have been studying and how they have been approaching such studies conceptually and empirically.

This paper reports on the findings derived from the analysis of the journal closely associated with the AM Entrepreneurial and Small Business SIG and the UIC Marketing Entrepreneurship Interface SIG Group, the Journal of Research in Marketing and Entrepreneurship. These findings will summarise the different definitions and methodologies used to investigate SMEs between 2000 and 2009.

FINDINGS

SME definitions

There were 72 papers published in JRME in the time period between 2000 and 2009. The vast majority of papers did not precisely define the size of the companies they studied, they were simply referred to as SMEs. Only four papers used precise definitions of the SMEs they studied in terms of size. This included: a study of SMEs with between 10 and 200 employees (region not given); a study of companies with 500 or fewer employees (China); a study of companies with 10-250 employees (Northern Ireland) and a study of companies with up to 250 employees (region not given).

Geographical coverage

In most papers the geographical area of study was not explicitly mentioned. The exception to this were: seven studies carried out in the USA (two in mid- west, one in Georgia, one in Silicon valley, one in southeast city, two not specified); five studies carried out in the UK (two in Greater London, one in W. Yorkshire, one in Northern Ireland); one study comparing SMEs in the UK and USA, and one each in Canada, China, Germany, Australia and East Africa.

Research methods

Over half of the papers published during this time period were conceptual, twenty-two used surveys with either postal, on-line or telephone questionnaires. Personal in-depth or group interviews were used in nine studies.

Sector

The majority of studies focused on the nature of entrepreneurial and small business phenomenon in different sectors, either papers were focused on non-sector specific issues (22 papers) or were based on cross-sector criteria (25 papers). Twenty papers focused on one sector only and these papers were often written as case studies and /or focused on the entrepreneurial nature of how business was carried out. The remaining papers were predominantly commentary type papers.

Research focus of papers

Variety of topics featured over the ten year period. Papers ranged from those that were definitional or positional pieces, outlining characteristics of SME/Entrepreneurial phenomenon; to those focusing on specific aspects of marketing or entrepreneurship as applied to specific companies. To some extent the themes of papers reflected 'hot topics' or current debates of the day as applied to SMEs, marketing or the marketing entrepreneurship interface.

Definitional/positional/characteristics

There are papers that specifically focus on defining and debating the fundamental constructs of the domain of SME marketing and entrepreneurial marketing. For example there are a number of papers focusing on the nature of SMEs, the nature of entrepreneurial marketing and aspects of the Marketing Entrepreneurship Interface. Some of these papers investigate SME and entrepreneurial marketing activities, entrepreneurial traits, especially those of successful entrepreneurs, the importance of personal contact for SMEs, any differences in the nature of SME and marketing in UK

and US firms. There were also some studies regarding the value and use of agencies and government policies to help SMEs to start up and grow.

Specific aspects of marketing

Papers based on aspects of marketing included topics such as competitive activity for SMEs, co-operation between firms, relationship marketing versus sales driven activity, cost driven firms, how exporting SMEs overcome hurdles, CRM for SMEs, branding for SMES, adoption of e-marketing by SMEs. In addition, there were a number of papers based on how to research SMEs, improve dissemination of knowledge, and how to educate students more effectively. The value and use of knowledge and experience of marketing, and being marketing orientated were also recurrent themes.

Specific aspects of entrepreneurial marketing/ entrepreneurship

Papers illustrated a wide variety of topics such as studies of different entrepreneurial firms, the use of networking to improve sales performance, opportunity recognition, life experiences and cultural influences on entrepreneurial activity, entrepreneurial partnerships in franchising, creative thinking, innovation capabilities and technology for competitive advantage.

Specific aspects of managing and running business

There were a number of papers dealing with the difficulties and challenges of running a business over time, managerial types, business strategies and the importance of organisational leadership. For example, papers about how to improve business, how to improve business performance, identifying the characteristics of high growth organisations, dealing with the high risk nature of business especially for micro businesses and how to deal with business failure. There are also some papers on nature of marketing orientation and how it can be defined for SMEs in different contexts, and how MO is different or similar to entrepreneurial orientation. In more recent years there appears to be a growth of interest in social entrepreneurship and how this can be used to benefit different communities.

OUTCOMES

Based on this initial part of a much larger study, it is evident that SME/Entrepreneurial marketing researchers are interested in a very wide range of topics, with many different themes in a very complex arena of national and international business. Regarding the brief overview of the papers published in JRME over the past ten years, it is evident that researchers in this field are much more focused on the phenomenon they are studying and less so on the need to define them.

It is evident that we are at a very early stage of research analysis. The research needs to be developed and analysed further. This will allow us to point to the implications for SME research. The purpose of this will enable us to say where we have been, how we have gone about it and to point to opportunities for a future research agenda.

CONCLUSION

The main contribution of this paper is to outline our research plan and provide an update on how the research has progressed since last year. The first stage of analysis from the empirical data regarding the Journal of Research in marketing and Entrepreneurship has been briefly outlined in this paper and will presented at the Symposium. The intention is to share ideas with colleagues and to generate input which can be used to make the study more robust and useful to the body of SME researchers'.

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APPENDIX 1

The journals selected for study are:

Europe
Journal of Small Business and Enterprise Development (UK)
International Journal of Entrepreneurial Behaviour and Research (UK)
International Small Business Journal (UK)
International Journal of Globalisation and Small Business (Ed in Germany).
Journal of Research in Marketing and Entrepreneurship (UK)

North America
Journal of Small Business Management (USA)
Journal of Business Venturing (USA)
Entrepreneurship: Theory and Practice (USA)
International Journal of Entrepreneurship and Small Business (USA)
Journal of Small Business and Entrepreneurship (Canada)
Journal of Small Business Strategy (USA)
Small Business Economics

Australasian
Australasian Marketing Journal (Aus)
Journal of Entrepreneurship (India)

OPPORTUNITY DEVELOPMENT:
AN EXPLORATORY STUDY OF ECOPRENEURS USING A CREATIVITY FRAMEWORK

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ABSTRACT

Purpose: The purpose of this exploratory study was to examine the development of entrepreneurial opportunities within the context of environmentally-sustainable business. The "4 P" creativity framework (person, process, press/situation, and product) was used.
Design/methodology/approach: Three cases were used to examine opportunity development. Each case involved an entrepreneur in the process of starting a new environmentally-friendly business. The entrepreneurs were interviewed on a weekly basis.
Findings: Findings suggest that the 4 Ps are useful framework for examining entrepreneurial opportunity development. Furthermore, they are strongly interrelated.
Research limitations/implications: Given their inherent creative nature, a creativity perspective is useful for examining opportunities. Additionally, the findings suggest that future research should consider the interaction within the constellation of creative factors - person, process, press and product - when using a creativity perspective.
Originality/value: This study provides one of the few accounts of the development of entrepreneurial opportunities in which data was collected contemporaneously.

Keywords: Opportunity development, creativity, ecopreneur, case study, sustainability

INTRODUCTION

Venkataraman (1997) defines the field of entrepreneurship as the scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited. Opportunities lie at the core of entrepreneurship and conceiving and developing the right ones for new businesses is one of the most important abilities of a successful entrepreneur (Stevenson and Gumpert, 1985). Much of the research to date has viewed opportunities as objective phenomena (Wood and McKinley, 2010) and thus the focus has been on the person (Short, Ketchen, Shook, and Ireland, 2010) and how they are alert to these opportunities (Kirzner, 1973). However, more recently there has been growing attention to the idea that an opportunity is not fully formed waiting to be discovered, but rather begins amorphously or with little detail and must be fleshed out, shaped and refined (Davidsson, Hunter, and Klofsten, 2006; Dimov, 2007a; Ward, 2004). Thus several scholars over the years have described opportunity as a development process (e.g., Ardichvili, Cardozo and Ray, 2003). This focus on the development process rather than the person suggests the research question "how are opportunities developed?" (deKoning, 2003, p. 305). This requires research capturing the "contemporaneous data" involving the development of ideas (Dimov, 2011, p. 71), not just the outcome of the process (Corner and Ho, 2010). However, such research is currently missing in the entrepreneurship literature. Unfortunately much of the research to date involving entrepreneurial opportunities does not involve process research, in part due to the inherent difficulty of process research (Bhave, 1994; Langley, 1999).

Given that opportunity development is a more recent direction for opportunity research and the inherent difficulties of examining process (Bhave, 1994; Langley, 1999), there has been limited research on opportunity-related processes (compared to antecedents and outcomes) and more specifically, on opportunity development (Dimov, 2007b). Additionally, most of those that describe opportunity as a development process also note that the development of opportunities requires creativity (e.g., Ardichvili, et al., 2003; Dimov, 2007a; Sanz-Velasco, 2006). In fact, Dimov (2007a, p. 723) states: "[o]ne of the persisting and most intuitive notions in entrepreneurship is that the recognition of opportunities is, inherently, a creative process". Creativity is often characterized as a constellation of four components: person, process, product and situation (Runco, 2004). As noted above, person has received the most attention, while the other three have received limited attention and, to the best of our knowledge, no study of entrepreneurial opportunity to date has considered the entire constellation.

The study described below involves three cases of opportunity development. The paper will begin with a brief review of opportunity development in the literature. An integrated "4 P" creativity framework will then be described and used to examine the opportunity development process among these "ecopreneurs". All three ecopreneurs were in the process of developing a concept for a new eco-friendly business, providing a unique setting for study.

OPPORTUNITY DEVELOPMENT

Ardichvili, et al. (2003) published one of the most well-known opportunity-related process models that include the concept of development. They describe opportunity development as the process in which raw concepts are elaborated into opportunities. Several other scholars offer similar descriptions. Dimov (2007a) describes opportunity development as the progression or shaping of an idea, which involves a continuing stream of ideas rather than a single insight. Corner and Ho (2010, p. 643) describe it as "growing and advancing an idea," which may be done through experimentation. Similarly, though not explicitly calling it opportunity development, Davidsson, et al. (2006, p. 115) describe a process that includes "identification, evaluation, elaboration and modification of ideas." Using a constructivist perspective, Wood and McKinley (2010, p. 67) suggest that opportunities "begin unformed and develop over time." Sanz-Velasco (2006) and others (e.g., Bhave, 1994) note that opportunities require iterative development. Some have conceptualized or operationalized opportunity development as adding new ideas or new elements to the initial idea (e.g., Sanz-Velasco, 2006).

Ideas when initially conceived are typically raw, rough, rudimentary ideas, thus they require development in order to become opportunities. Ideas can be developed into many forms according to Ardichvili, et al. (2003), including business concepts, business models, business plans and ultimately new businesses; however they may not be "either orderly or fully articulated" (p. 109). There are many ways ideas may be developed into opportunities. Some have examined how ideas change in terms of degree and direction of change (Davidsson, et al., 2006). Others have examined the amount of detail added to an idea (Sanz-Velasco, 2006). DeKoning (2003) found several cognitive processes involved in fleshing out ideas, such as thinking-through-talking, which may help entrepreneurs realize that their opportunities need more development if they have difficulty articulating the ideas. In some studies, development is found to happen after launch of an enterprise and involves providing greater detail and improvements to the value creation capability of the business (Corner and Ho, 2010).

CONCEPTUAL FRAMEWORK

As noted above, entrepreneurial opportunity, and opportunity development in particular, has long been linked with creativity. Previous works have provided reviews of creativity in business using the 4 P framework: process, person, press (situation/environment), and product (Dimov, 2007a; Woodman, Sawyer, and Griffin, 1993). These four have been described as an interactive constellation (Woodman, et al., 1993), and thus it is beneficial for research using a creativity perspective to integrate all four components of the framework. Each component will be discussed below.

Person

Person refers to the characteristics and motivation of the creative individual. Certain qualities may help an individual to be more creative. Amabile (1998) presents three components: creative thinking skills, expertise and motivation; Woodman, et al. (1993) add personality. Of these, motivation, particularly intrinsic motivation, is particularly important. A person who is intrinsically motivated will come up with a larger number of, and more creative ideas. Entrepreneurs may also be extrinsically motivated by financial rewards. Higher levels of potential financial reward are also associated with larger number of opportunities identified and more innovative opportunities. The less knowledgeable an entrepreneur is about customer problems, the more motivated they will be by potential financial reward (Shepherd and DeTienne, 2005).

In this study, three entrepreneurs starting environmentally friendly businesses can be seen to have additional motivations. These "ecopreneurs" are additionally motivated by their recognition of the threat to ecosystems (Patzelt and Shepherd, 2010). They start what can be called "green-green" businesses (Isaak, 2002). These businesses differ from "green" businesses in that the former are developed specifically to solve an environmental problem and thus such problems are a primary motivation for starting a business. The latter, on the other hand, only develop into "green" businesses as a

response to the market and/or to gain competitive advantage, and thus the environment is not a leading motivation for starting the business.

Press

Press includes the pressures on the creative process. These pressures can be either creativity enhancing or constraining (Woodman, et al., 1993). Amabile (1998) identified the following positive situational influences on creativity: freedom, autonomy, resources, encouragement, freedom from criticism and norms in which innovation is prized and failure not fatal. These situations are more prevalent within entrepreneurship because the entrepreneur typically directs him or herself and develops the environment they want in their business. Discouraging factors include red tape, time pressure, competition, lack of autonomy and resources. External pressure will not be as effective in producing creativity as internal motivation. External pressures include resources, time pressure, social networks, costs, and the opinions of others.

Process

The creative process is a sequence of thoughts and actions that end with a novel and useful product (Lubart, 2001). There have been various models consisting of five elements that have developed over time to map the creative process. Hills, et al. (1999) and Lumpkin, et al. (2004) proposed that opportunity recognition is a special case of this creative process (Wallas, 1926; Guilford, 1950; Poincare, 1908). The five elements will be briefly described below.

Preparation involves both using and acquiring knowledge and skills. The knowledge may be general or more specifically related to a particular problem. Creativity is often the result of simply applying basic mental operations to existing knowledge structures (Ward, 2004). Corbett (2005) suggests that preparation involves any learning that is not directly related to a specific business idea, such as learning how to write a business plan or the general knowledge of different legal forms of businesses.

Incubation involves the passive forgetting of problem details or entrenched ideas that do not work and the use of signals from the environment (Ochse, 1990; Olton, 1979; Smith and Dodds, 1999). The point of creative frustration involves deciding how to deal with difficulties encountered during problem solving (Sapp, 1992). Thus to put it more simply, incubation is typically doing something else. It often precedes an insight and is commonly associated with the notion that the best ideas come when one is doing something unrelated to the task, such as working out, relaxing or taking a shower. This is because the task problem is simmering around just below the threshold of consciousness (Gaglio and Taub, 1992; Csikszentmihalyhi, 1996).

Insight is a moment of realization in which a potential solution becomes clear or a new possibility is perceived. There are many phrases used by researchers to describe this moment such as “aha,” a “flash,” “eureka” and “point of vision” (Lumpkin, et al., 2004). Insight does not only refer to large epiphanies, but can also include the gradual collection of many small insights.

The final two elements determine the course of action or inaction the idea takes. Evaluation involves further exploring an idea to verify its viability and determine if it is worth pursuing or not. Elaboration is the actualization of the most viable idea. This is the process that involves the most time and effort by an entrepreneur – it is Thomas Edison’s famous “99% perspiration” that follows the 1% inspiration (Csikszentmihalyi 1996).

Product

Dimov (2007a) noted that one of the benefits of using a creativity perspective in examining opportunities is the relevance of creative products. The product component of creativity focuses on the outcomes of the creative process (Runco, 2004). It has already been noted that several conceptions of opportunity development include multiple outcomes, such as business concepts, business models and business plans (Ardichvili, et al., 2003). These are forms of creative products. In this study the creative products are new ideas, the expansion of existing ideas, or the movement of an existing idea in a new direction.

METHODOLOGY

A qualitative, multiple case study method was used to collect data. According to Yin (2003), the case study method is well suited for examining questions concerning "how" and "why" an observable real world phenomenon exists. The primary objective of this research was to examine how the concept for a sustainable business develops from its initial stage and therefore the case study methodology is appropriate. Case studies are also useful for research that involves processes, which is also true of this study.

The subjects of this research were three entrepreneurs pursuing sustainable business ideas in the Southeastern United States, referred to as (names are changed to preserve anonymity): Frank the furniture designer; Ralph and Rita the construction waste recyclers; and Tim who was starting a taxi service.

Data was collected primarily through in-depth weekly interviews. The interviews were semi-structured and audio recorded. They concerned the week's activities, new idea development, the current state of the business idea and its sustainable aspects. Although the data collection followed a protocol the development of each case was flexible, so that as interesting findings and opportunities for data collection emerged, the previously saved data was reexamined. The questions were adapted weekly based on developments in previous weeks. Data collection ended as each business concept was put on hold. In total, each case included between 11 and 15 interviews. At the present time, two of the three subjects (Frank and Tim) are looking to renew the pursuit of their ideas. Ralph and Rita still have their idea on hold because of a forced move that led to the loss of storage space that would have facilitated the business. They plan to bring the idea "back off the shelf" if they can find suitable storage space.

After all the data was collected, it was transcribed and the transcripts were entered into a computer aided qualitative data analysis program. This program was used to code interviews and research notes. Codes were based on the areas of interest to the study and follow the 4 P framework described above. These areas included, among others, environmental motivations, the five stages of the creative process (preparation, incubation, insight, evaluation, and elaboration), pressures and outcomes. Coding the data allowed the researchers to recognize patterns between the different concepts. Trends from each of the three analyses were identified to develop cross-case patterns in the discussion. With multiple case studies replication logic can be used to construct validity (Yin, 2003). The findings were sent to each of the three entrepreneurs. Their feedback and clarification comments were incorporated into the paper.

FINDINGS

Results described below are organized by each of the 4 P's. However, as noted above, they are interrelated and thus while each section will focus on one primary P there will be reference to others.

Product

The initial idea for Frank was to be a sustainable furniture designer. He initially planned to present himself as a "bunch of capabilities" and be a type of consultant or a "designer for hire." His goal was to design original pieces that would be able to be manufactured, have a portfolio of pieces, provide some custom services, and utilize sustainable thinking in design. The sustainable aspects of his idea included using recycled or reclaimed materials from local sources to build furniture and support the local economy. He would also avoid products that were not harmful or toxic for the environment.

Ralph and Rita's original idea for the company was to offer construction waste recycling services to construction companies in their area. This type of service would keep construction waste from ending up in local landfills and polluting the environment. There was a business that had provided this service in the past, but for unknown reasons, the company folded (they speculated that it was "partner issues"). Thus there was now a gap in the market. As time progressed, the idea developed into something that might be too complicated logistically to offer as a service for other companies, but could be incorporated into Ralph and Rita's existing construction business. This idea was not the first sustainable business Ralph and Rita had developed. Their original business, a green home design and building company, was also motivated by an internal desire to help improve the environment.

Tim wanted to introduce a motor-powered scooter taxi service to the city, similar to those that could be found on the streets in Beijing, which he had previously visited with his father. Although the initial idea involved gasoline engines, he later changed that to electric motors and thus thinking that the scooters would offset emissions and noise from traditional taxis, and contribute to the local community and tourist economy. In the final weeks of the study the general concept shifted completely to mobile advertising.

Product changes. As the above descriptions of the business suggest, each basic product idea went through some changes. The changes each ecopreneur's basic business idea went through are detailed below.

Frank had few new ideas that differed dramatically from his previous idea but generated a large number of expansions or different directions from ideas he had previously had. For example, in week nine, Frank came up with a new direction. Originally he had been planning to make a chair prototype of wood from used shipping pallets, but decided to try recycled steel instead. In week six, he expanded on an existing idea when he decided his target market should include business clients and not only households. Throughout the study he mentioned a few other products, such as throw pillows and tables. He also struggled with changing ideas.

> *It's less that my ideas are changing and more that my way of thinking about my ideas is changing if that makes sense.*
> *It's not that I've changed my whole idea much, in fact I haven't. I feel like I need to in some ways, but I haven't figured out how to, which is kind of confusing for me.*

Ralph and Rita generated a few ideas in week four which were primarily influenced by the sustainability aspect of the business. Silt fences that prevent run off need to be inspected and they could offer that service along with site cleanup while they were at the construction site picking up the recyclables. This might make the idea more appealing to close-minded builders, which as will be noted below, was part of the negative external press.

> *That is one thing with this because it's not mandated yet and because the contractors are not usually the greenest guys out there. I don't know, being able to offer these different services might make it more sellable to them.*

Towards the end however Ralph and Rita were considering the idea as a business that would only serve their existing business, at least initially while they tested the concept. Thus the concept had changed in terms of narrowing the scope of the target market.

It was clear from the way Tim described his business concept each week that it was in the very early stages. That is because each week something changed – particularly the basic description, the target market description, or the location. Initially the target market was "bar hoppers and tourists," but he added "pedestrians" and "consciously minded individuals" in week two, then he expanded it to other "tourist cities" in week four, and expanded to all cities after that. The target market and location continued to change over the course of the study. The biggest change however came about from external press: Tim learned that the local government would not grant a taxi license for a scooter taxi because it would be classified as a motor vehicle but would not meet safety standards like a car or van. This led him to come up with an idea for a mobile advertising company. The idea would be to continue to utilize scooters, but use them to tow around advertisements.

Person

Two primary aspects of the creative person are reported below: motivation and experience.

Motivations. It is not uncommon for designers to work independently, thus it was no surprise that Frank's primary motivation for starting the business was to earn a livelihood. This was due in part to the fact that he was moving away from New York City to a smaller city where job opportunities for designers were more limited. While developing his business identity, Frank repeatedly emphasized how he wanted sustainability to be incorporated into his idea but did not want it to be the only thing for which he was known. Frank saw sustainability as a means to exploit an opportunity created by a trend in the market. Frank hoped to jump into the market early and by doing that he would have first mover advantage and would be a step ahead of the competition.

I think eventually everything will be green and green as we know it won't really exist anymore. It'll just be the standard. I just feel like that's where things are moving so if I'm going to start a business I should do it this way.

Ralph and Rita's business idea was motivated by a need in the market, rather than a desire to start a business; as noted above, they were already involved in running a company. And in fact it was their company that actually needed the service the new company would offer, so they could clearly identify with the need. They also saw that the need would go beyond their company if potential regulations mandating construction waste recycling were implemented. Regarding environmental motivations, contrary to Frank, Ralph and Rita did not see sustainability as an opportunity or inevitability of the market, but as an opportunity to have a positive impact on the environment. Although the idea was first and foremost a sustainable business, they recognized it was not all about being "tree-huggers".

We try to tell people that we're not all about just tree hugging and it's got to make financial sense, but some of it is about tree hugging.

It was clear from the fact that Tim was an entrepreneurship student that his primary motivation for starting the business was to be an entrepreneur. Tim's idea was a response to what he thought was a need for fast transport that still provided the open air feel and aesthetic of bicycle taxis ("pedicabs"). The idea for using electrical-powered scooters was only incorporated into Tim's business idea after speaking with a friend. Tim hoped that by adding more sustainable aspects to the idea, it would be more marketable and appealing to customers, because as he and his friend saw it, being more environmentally-friendly was a current trend.

Knowledge and Experience. The three cases clearly differed in terms of their knowledge and experience. Frank was trained as a designer and had experience in the industry. While he had never started a business before, he had worked at a younger, growing firm. He felt that this experience would help him in starting his own business. Ralph and Rita had entrepreneurial experience, given that they owned their own successful architecture and building company. However, their new business was a move to a different, though complementary industry - construction waste recycling. Although they had dealt with the firm that previously operated a similar business, they had no experience in the recycling industry themselves. Finally, Tim, as an undergraduate entrepreneurship student had no experience owning a business (though clearly a desire). He also lacked experience in the taxi business, unlike several of his classmates who had worked as pedicab drivers.

Press

In each of the cases, press was most significantly a negative influence on the process. For Frank the most significant occurrence of press was negative feedback from a FastTrac® organizer who told him that his idea would not work on the east coast of the U.S. This made him question the basic premise of his business and caused a big drop in his confidence in continuing to develop the opportunity. For Ralph and Rita, press was not a distinct instance like it was for Frank, but rather it was the ever-present view of recycling among builders that it is not "macho" to recycle. This pressure led them, as noted above, to have additional insights into product ideas that would appeal to the target market. Additionally, the potential governmental regulation requiring construction waste be recycled, would be a huge positive influence, if it were to be passed and enacted. For Tim, the negative press was the most severe. In week nine, Tim began attempting to contact the city about the feasibility of his idea, but did not receive a response. This external pressure caused him to more seriously consider the possibility that it would not be possible to implement his idea in the city and this led to an increased amount of time being spent researching other cities where the idea might be feasible. It was in week 11 when Tim received the news that the idea would be denied by the city, which led him to conceive a new business idea, a mobile advertising scooter. He later learned that this alternative idea would also be denied. However, Tim did receive positive support from friends and strangers when he discussed his ideas with them, and it is this press that has kept him from completely abandoning his ideas.

Process

Compared to the other two cases, Frank was the most diverse in terms of his creative process. This may be due to the fact that he was the only one that was able to devote full time attention to developing his business – Ralph and Rita were running an existing business and Tim was a full-time student, thus he worked more than five times as many hours as the

other two. No specific instances of incubation were noted even though every case had periods of time away from working on the business. However, given that there were insights, and there was "downtime," it is assumed that incubation did occur for all cases. What follows is a brief description of the creativity elements found in each case.

For Frank preparation involved learning about business plans, attending business seminars and building a network. There were a few moments of insight including the new material for the chair. By week nine, after a large decrease in activity (incubation), Frank realized that instead of building a chair out of recycled wooden shipping pallets, he could use recycled steel, which was easier to work with and it would make controlling the "green-ness" of the product much more simple.

> *That's something that just dawned on me one morning... The idea was kind of just standing in front of me and I was like why not? It's so obvious.*

Evaluation mostly involved researching and gathering information for writing his business plan. Most of his remaining time was spent elaborating on his company's webpage, designing and prototyping his products, taking steps to form the business as a legal entity, developing his strategy and developing marketing materials, such as business cards.

Ralph and Rita spent the least amount of time developing their business. Given that the concept was rather straight forward, since it had been done before by another company, most of their efforts were towards evaluating the logistics and financial feasibility of the concept. That included a lot of contacting and visiting locations as potential places to drop off or sell various forms of construction waste. They also conducted some research into the potential changes to local regulations regarding construction waste. A common point of discussion through many of the interviews was the cost of separating and transporting the diverse forms of waste. There were a few insights mainly involving additional services they could provide. One additional insight was to shift the business to one that only serves their existing business and the only real elaboration was the beginnings of a plan to test the concept on an upcoming job, including the collection of used wooden bins that could be used for separating recyclables. No instances of preparation were specifically noted.

As a student, Tim's preparation was mostly the entrepreneurship courses in which he was enrolled at the time, including a course in ecopreneurship. Tim showed the most insight activity of the three cases. He fully recalled the moment, just two weeks prior to data collection, when he saw how slow pedicabs were and recalled the motorbike taxis he had seen on a visit to China and thought that they would be a good alternative to the pedicabs. While the basic idea stayed the same throughout most of the study, the target market was continually in flux. This came in part from his time spent evaluating his idea. That included talking with potential customers, conducting surveys and contacting the governmental agency in charge of taxis. The unfortunate news that he would be unable to get a taxi license for a motorbike taxi from this last source led to a wholly new insight idea – mobile advertising. However he was informed by the governmental source that this idea was also banned. The primary elaboration involved contacting potential suppliers in China.

DISCUSSION

The purpose of this paper was to present the findings of an exploratory study of the development of entrepreneurial opportunities within the context of environmentally-sustainable business. The 4 P creativity framework was used to analyze the cases. A discussion about these findings follows, beginning with how the findings described above relate to existing literature on environmental entrepreneurship followed by various interactions between the 4 Ps.

Environmental Entrepreneurship

The selection of environmentally-focused businesses offers a unique research context. A primary reason is in regards to the entrepreneurs' environmental motivations. In the cases described above the environmental motivations differed. For Ralph and Rita, their concern for the environment was a leading motivator to start the business. This suggests that Ralph and Rita could be considered "green-green" ecopreneurs (Isaak, 2002). Their business was developed to solve an environmental problem that was discovered through their current business and their knowledge of the local construction industry. The combination of both knowledge of the natural environment and the perception of its threats are antecedents to recognizing sustainable development opportunities and are moderated by entrepreneurial knowledge (Patzelt and Shepherd, 2010). Both Frank and Tim put more emphasis on the fact that "green" was a growing consumer trend and that it would be wise to see that as an opportunity. That is not to say they were not concerned for the environment, but the

environment was not a primary motivator for pursuing a "green" business. Thus Frank and Tim can be considered "green" businesses as their businesses were a response to market trends and the environment was not the leading motivator.

Person and Process Interactions

While there was significant overlap for most aspects of the cases, one clear distinction between them was in regards to experience. While Frank had industry experience but no entrepreneurial experience (in his own start up), Ralph and Rita had the opposite - entrepreneurial experience, but no industry experience in recycling or waste management. Tim on the other hand had neither experience in the industry nor experience as an entrepreneur. It appears that Tim's lack of experience seemed to contribute to him going through the greatest amount of idea changing (insight). Frank's lack of entrepreneurial experience led to a good amount of effort in learning (preparation) general entrepreneurship knowledge. Ralph and Rita's lack of industry experience led to a focus on evaluating the financial and logistical feasibility of the idea.

The distinctions between motivations for starting a business were a little less clear. Here, Frank and Tim had more in common with each other than they did with Ralph and Rita, similar to environmental motivations discussed in the previous section. Ralph and Rita appear to be what Bhave (1994) calls "internally stimulated," that is, they decided to start a business after they saw an unfulfilled need in the market. Frank and Tim appear to be what Bhave (1994) calls "externally stimulated," that is, they first decided they wanted to start a business and then searched for a market need that aligned with their knowledge, experience and skills. This distinction seems to be related to the amount of diversity in the creative activities. Since Ralph and Rita's idea was based on a need in the market and there was a previous company that provided the service, there was very little variation in the creative process elements - the majority of their time was spent in evaluation. We can see from both Frank and Tim that starting with the decision to be an entrepreneur, rather than responding to a market need, leads to much more variation. Both ecopreneurs showed a variety of different elements, in part because they were trying to find the right opportunity.

Product and Press Interaction

The main products in these cases were the new business ideas. As described above, each case showed some changes with the ideas. All three had some new ideas, but for Tim and to some extent Ralph and Rita, ideas were triggered by negative press. For Tim the press was more severe and thus he conceived an entirely new business. For Ralph and Rita, the press was more latent and thus they thought of additional products that might help sell the main concept. While the negative press Frank received from the business plan class organizer was temporarily detrimental to his confidence, it was less direct press. That is, it was not from a regulatory agency that could bar him from pursuing the idea as it was in Tim's case, nor was it latent press from the market that would make success very difficult. Thus Frank did not drastically change his idea, at least not in response to negative press (he did change from pallet wood to recycled steel, but that was more to do with logistics). And in fact it is not uncommon for creative people to ignore negative press (Fillis, 2000). Therefore it is clear that the more direct and overt the press, the more impact there will be on the product (idea).

LIMITATIONS

Previous studies of opportunity processes have used retrospective accounts of the process, creating an inherent recollection bias. Such studies also suffer from left sensoring – "ignorance of all the shaping efforts occurring and ending prior to" the point an idea is deemed to be an opportunity – as well as the problem of survival bias (Dimov, 2007a, p. 720). To overcome these biases, this study collected data in "real time" as the opportunities were being developed. As might be suggested in the avoidance of survival bias none of the opportunities have been entirely realized in the form of a new business. However, they cannot be described as failures as each has been "put on hold." At the present time, each is still being considered, but not on an active basis. Also because the data collected was self-reported there is always the subjective influence of the entrepreneurs themselves to consider. Their interests may be swayed to make themselves appear in a positive light.

CONCLUSIONS

Creativity is a "key success factor" in small and entrepreneurial firms (Fillis, 2000, p. 132). The 4 P creativity framework is a useful framework for examining the inherent creativity (Dimov, 2007a; Hansen and Hills, 2004) in opportunity development. In particular it is important to consider the interaction of the 4 Ps, especially press/situation (Dimov, 2007b). This longitudinal study provided unique insight into opportunity development among ecopreneurs. Thus it contributes to the growing literature using an opportunity development perspective, rather than a recognition or discovery perspective. This study also contributes to the literature by utilizing methods from creativity research, thus strengthening the well-recognized link between creativity and entrepreneurship (Brazeal and Herbert, 1999; Dimov, 2007a). Finally, this study contributes to the growing literature on sustainable entrepreneurship (aka "ecopreneurship").

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CUSTOMER LANGUAGE PROFICIENCY: AN EMPIRICAL METHOD FOR SMALL BUSINESSES

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ABSTRACT

Purpose: Small business (SB) managers often find traditional marketing tools inappropriate to their expectations and needs, as most of those tools are perceived as having been originally conceived for large companies. Such perception creates a barrier for the involvement of external marketing consultants in small businesses. This article presents a method designed with SB perceptions, needs and expectations in mind; we call it the CLP - "Customer Language Proficiency" framework (or PCC, "Parler Courant Client" in its original French acronym).
Method: A case study and survey were built around the question of how CLP addresses the expectations of small business managers in terms of its accessibility, transferability, simplicity, and effectiveness. Both quantitative and qualitative data analysis were used.
Findings: The study suggests that managers who participated in the CLP training believe this approach to be more compatible with their own marketing processes than the traditional academic frameworks. Using similarly adapted frameworks may reduce the barriers faced by marketing consultants who wish to extend their services to the SB segment.
Value / originality: The authors describe the CLP framework based on their own experiences with a large number of small and very small businesses in France.

Keywords: Marketing tools, small businesses, customer loyalty, value delivery

INTRODUCTION

The use of Marketing tools is often viewed as a source of competitive advantage (Walsh and Lipinski, 2009). However, many small businesses (SBs) have a limited understanding of these tools and their benefits (Pacitto and Tordjman, 1998; Pacitto and Julien, 2006). Among the reasons often cited by SB managers to explain their skepticism towards formal marketing structures are a lack of marketing knowledge, time and financial resources (Gilmore, Carson, Grant, 2001; Delobelle, 2008). Recent research has shown that these leaders appear not to reject marketing principles in themselves but rather the traditional approach to marketing that seems inappropriate to their expectations and needs (Carson, 1993; Pacitto and Julien 2006, Reijonen, 2010). As highlighted by Pacitto and Tordjman (1998), SBs feel that marketing has been originally conceived by large companies and for large companies. This perception creates a barrier for the involvement of external marketing consultants in small businesses (Cullière, 2004).

The informal, sometimes chaotic nature of marketing practices in small businesses may radically differ from classic university textbook guidelines; this informal approach, however, has not prevented many SBs to successfully operate in their markets (Fillis, 2002). There is clearly an opportunity for systematizing procedures in order to increase their effectiveness. In order to overcome small business objections to the adoption of more advanced techniques (such as relationship marketing, community marketing and networking), we need to understand how these tools may be adapted to their own modes of operation. The main object of our research is how to integrate effective marketing techniques into the daily routines of small businesses.

This article presents a method conceived with those needs and expectations in mind; we call it the CLP - "Customer Language Proficiency" framework (or PCC, "Parler Courant Client" in its original French acronym). This empirical method is based on the experiences of the authors with a large number of small and very small businesses in France. The CLP cycle consists of four phases or steps. The first phase is the use of structured interviews to understand customer needs. The second step is the analysis of the gap between customer needs / expectations and the company's current output in terms products and services. The third consists of identifying the means for solving the critical problems and the final step is the implementation of a roadmap to help small business managers project the necessary resources and time to bridge the gap.

The article is divided in three sections: the first explores the nuances of marketing approaches adapted to SBs. We then look at the CPL framework and in the last section we describe its use in an applied case, as well as the resulting perception of its users in a survey analysis.

ADAPTING THE MARKETING APPROACH TO SBS

Even though SBs do recognize the importance of marketing tools, they are often reluctant to incorporate them into their overall strategies. Marketing in small structures is too often used for short-term needs and little attention is given to strategic marketing plans (Stokes, 2000; Delobelle, 2008).

In order to effectively address the needs and resources of SBs, a more rational approach requires replacing traditional information resources (such as market research) by more informal approaches based more on relationships (e.g. visits and direct contact with clients). The following paragraphs discuss the development of marketing processes and tools that are better adapted to small structures.

Small businesses and traditional marketing

SBs represent approximately 95% of companies in the Industry, Trade and Services sectors in France, being responsible for 27% of the added value and employing 37.5% of the population (Marchesnay, 2008). However, despite their economic weight and their numbers (over 2 million enterprises, not to mention the "undeclared" or informal organizations), management research and education seems more interested in larger business structures (Marchesnay 2003; Jaoen and Torres, 2008; Cyr Pacitto Meier, 2009). Even though there is a growing body of research aimed at medium sized businesses (Raymond, 2000, Gilmore et al. 2001; Pacitto Bizeul, Julien. 2007; Marcati Guido and Peluso, 2008; Walsh and Lipinski, 2009, Reijonen, 2010, etc.), those directly related to marketing in small businesses remain timid (Romano and Ratnatunga, 1995; Marchini, 1997; Pacitto and Tordjman, 1998 and 2000; Pacitto and Julien, 2006).

All of these studies seem to agree that the marketing function is not as influential in smaller structures as it is in large corporations (Walsh and Lipinski, 2009). Indeed, whereas for larger companies a marketing analysis would consist of researching the competition environment and customers, in the SB universe the competition is very often ignored and the formal identification of customer needs are rarely implemented. According to a study by Pacitto and Julien (2006), for example, SB managers believe they know their market well, even though 80% of them say they do not use market research and that they simply “do not need it”. In another survey conducted by the Ministry of Industry, it appears that only 38% of SBs used marketing tools to communicate.

Access to market research (for lack of resources and know-how) seems to be one of the greatest difficulties faced by small businesses (MacDaniel and Parasunaran, 1985). Similarly, tools related to strategic marketing decisions are often expensive, complex, inadequate and difficult to implement for very small structures. Therefore, the size of the company has undeniably a large impact on marketing practices. Most SBs compensate the lack of these tools by taking advantage of their flexibility to create a lasting bond with their customers in a personalized relationship. Preference is clearly given to existing customers rather than to acquiring hypothetical new clients (Pacitto and Julien, 2006). In other words, SBs and even medium sized enterprises do not adhere to a formal marketing perspective, relying rather on a special relationship with its customers and its environment, based more on informal networking (Pacitto et al. 2002; Pacitto and Julien, 2006; Torres, 2003; Mallard, 2007; Jaouen and Torres, 2008; Gilmore et al., 2001).

Very recently, Reijonen (2010) conducted a research whose results may be, in our view, easily transferable to SBs. It is an empirical study conducted in Finland with small and medium-sized enterprises (SMEs) from different sectors (manufacturing, real estate, B2B renting services and other similar activities). The author examines how SMEs perceive and implement their marketing approach concerning:

- marketing as a philosophy (customer-need orientation)
- marketing as a strategy (how the company responds to competition and how it applies market segmentation, targeting and positioning),
- marketing as a tactical/operational procedure (marketing mix management)

- and finally the sense of "market intelligence" (concerning the retrieval, dissemination and use of actionable information).

“Market intelligence” was neglected by the vast majority of respondents, which tends to confirm the informal nature of marketing in small and medium enterprises. Even though several respondents made reference to customer needs (marketing as a philosophy) when they defined marketing, the study finds that this was an afterthought rather than a starting-point to their marketing strategy. In other words, they have developed a product / service first and then tried to create interest for it rather than starting with customer need specifications. For the majority of them, the main goal of marketing is to develop sales. In this perspective, creating and maintaining relationships with customers are among the main concerns of their leaders. Some felt they did not have enough knowledge in marketing and recognize that to succeed they must have a clear understanding of basic principles and techniques of marketing, which include, for example segmentation and differentiation strategies. Finally, this investigative work showed that among the 4Ps the predominant variables are marketing communications and sales promotion (marketing as a tactic / method). Issues related to product and pricing are often neglected.

In this context, it is not surprising to note that despite the needs of SMEs and SBs, the use of external consultants for marketing remains negligible. This may be also explained by the fact that these consultants often rely on traditional marketing tools with little appeal to this segment.

The need to adapt marketing methods and tools to the expectations of SBs

As previously discussed, different prescribers of management tools (consulting firms, research centers, associations for the business promotion, chambers of commerce, etc.) very often face the reluctance of SMEs (Bayad, Gallais and Schmitt, 2006) and even more so the resistance of SBs (Saltspoon, 2004). The reasons found in the literature (Julien and Marchesnay 1998; Mazars, 2000; Saltspoon, 2004; Bayad et al., 2006, etc..) are multiple, such as:

- a rationale of restraint due to the proprietary nature of SBs;
- a centralized organization which severely limits the necessary adjustments or changes when the structure expands;
- the fear of entrusting ones plans (inevitably linked to their strategy) to external persons,
- the often conservative profile of SB managers,
- SB management perceptions and preconceptions concerning these tools and their prescribers.
-

The latter obstacle seems particularly interesting. Even if we disregard pragmatic reasons (e.g. cost) and psychological objections (derived, for example, form the search for autonomy), there would be more perceptual causes of this rejection (Saltspoon, 2004). Marketing consultants wishing to target the SB segment should therefore take into account at least two principles:

- they should adjust their methods / tools to the expectations of their clients;
- they should be “proficient in the language” used by small and medium-sized enterprises (Bayad et al., 2006).

If they want to be accepted and effective, consultants must be able to understand the “more or less coded representations of the organizational actor” (Mazars, 2000), in this case those of the SB leaders. Adopting this position of empathy could then attract the interest of SB managers and encourage them to move towards lifelong learning programs (Falque, 2004). Of course, one should take into account that the adaptation of marketing techniques to any specific situation will vary according to several other parameters besides the size of the company (Pacitto and Julien, 2006).

When comparing the differences between perception and marketing practices, very little attention has been given to examining differences between SMEs (Reijonen, 2010) and SBs (Cyr and al., 2009). This is surprising when one admits that SBs and SMEs can hardly be considered as homogeneous groups (Marchesnay, 2003). Pacitto and Tordjman (2000) find, for example, that innovative SBs are often larger than non-innovative SBs. They find also that the customers of innovative SBs often consist of medium or large companies (as opposed to non-innovative SBs that have rather other SBs or even individuals as clients).

Marketing practices may vary according to the size of business structures but also according to industry and customers contexts (Reijonen, 2010). Indeed, besides the size of the company (Pacitto and Julien, 2006; Pacitto et al. 2007; Cyr,

Meier and Pacitto 2009; Reijonen, 2010) and the type of business (Letowski and Found, 2004; Falque, 2004; Rouault, 2006; Jaouen and Torres, 2008), other variables that affect marketing practices include sociocultural factors (Boukar and Julien, 2009), the manager profile (and Bouhaouala Chantelat, 2002), corporate culture, attitude of leaders and influencers (Cyr et al., 2009), location (Obrecht, 2009) and industry (Mallard, 2007, Reijonen, 2010).

The task of spreading awareness about the benefits of using external marketing consultants is complex. Such consultants face major obstacles to the adoption of formalized methods and management tools that are standardized to a population of heterogeneous firms, for they often have different expectations. In such circumstances it becomes desirable to provide marketing consulting services that are tailored to the needs of SBs (Saltspoon, 2004).

Our article attempts to describe a method conceived to address SB expectations by focusing on their main concern, namely the retention of their existing customers.

PRESENTATION OF THE "CUSTOMER LANGUAGE PROFICIENCY" EMPIRICAL METHOD

As previously discussed, for our purposes it is essential to take into account the fact that traditional marketing is still a vague and under-utilized concept for SBs. The proposed framework must therefore be well adapted to SB leaders who may not have a strong marketing culture.

With this in mind, we tested a method that is based on current trends in marketing (e.g., relationship marketing, network marketing or business-centric marketing) to try to propose a simple tool that allows SBs to bring customers 'inside' their company.

At the outset it is necessary to target the customers (segment) that will be prioritized. Depending on the size of the portfolio, a segmentation procedure should be established to identify which customer profiles will be taken into account by the CLP approach.

The CLP method has been used since 2004 by one of the co-authors of this article in the French Institute of Management (http://www.ifgcnof.com/). It has two important pre-requisites or principles: a) segmentation is key (the CLP framework must be applied to one segment at a time) and b) customer empathy is the basis for “speaking their language”. To illustrate our approach, we selected a very small food area installed in Corsica (Table 2).

Synthetic presentation of the 4 key steps of the method

As briefly discussed previously, the CLP method should be implemented in four steps as follows (Table 1):

- Step 1. Determine the customer segment to be covered. This is a structured approach for conducting interviews in order to listen to the customer. It is common to observe that, due to their lack of time, SB managers often do not organize this very important step as should be expected. Listening to the customer is not just about having them talk – it is about training oneself to understand their expectations, their psychological ecosystem (stress, fears, hopes, threats) to understand their choices. In the current economic storm, delivering value to the customer (and thus providing satisfaction) is more than ever a competitive imperative (Dussart, 2010) to attain sustainable growth.
- Step 2. Identify the gap between customer expectations and how they are currently addressed by SBs, using the data from the interviews collected in Step 1.
- Step 3. Propose adjustments to the SBs marketing strategy in order to close the gap identified in Step 2, focusing on the most important customer needs.
- Step 4. Optimize efficiency with the available resources. Indeed, in order for the objectives established in Step 3 to be feasible, SBs need to make a very rational, intelligent allocation of the (limited) financial resources.

Table 1: Adjusting one's products/services to the expectations of a segment in 4 steps

Customer segment of reference: _ _ _ _ _ _ _ _ _ _ _ _	**Main customer expectations**	**Gap between customer expectations and current solutions (provided by you or your competitors)**	**Propositions on how to close the gap**	**Seeking efficiency with limited resources (budget for the time period)**
Products / Services	**Step 1**	**Step 2**	**Step 3**	**Step 4**
Price				
Promotion / communication / follow-up				
Distribution				

Applying the method: the case of Baromatic

The manager of Baromatic, a food company described in Table 2, had recently completed his CLP training and asked us to help him implement it. They had a company-wide training for all of the staff, which makes their case a particularly appealing example (usually training sessions are organized with several people from different companies).

Table 2: Facts & figures concerning Baromatic, a small business based in Corsica

• 20 + years of existence
• Single-manager company
• Leader in Corsica with 35% market share in 2009
• Target: 5% growth in 2010
• Company attached to the Ecodia group (http://www.ecodia.net/)
• Employees: 8 permanent and one seasonal.
• Main activity: offering Vending Machines (sale, rental, maintenance / management) primarily for large companies in maritime transportation (SNCM, Corsica Ferries, Moby Lines, etc.) or clinics.
• Sales in 2009: 800 000 Euros.
• Breakdown of sales into 3 activities: o Vending machines (coffee, sandwiches, drinks): 75% o Capsules supply: 15% o Water coolers: 10%

Very focused on the business of vending machines (VM) and not very familiar with how to identify customer expectations, the company was looking for a tool like CLP that could help them "bring the customer within the business". The manager understood that team-wide awareness of this method would be a key success factor.

In order to simplify the case, only the shipping company segment will be described (Table 3). The implementation of the CLP method was conducted by Baromatic manager and supervised by one of the authors of the article.

Concerning the method for data collection, we chose to use exploratory semi-structured interviews with decision makers from shipping companies. This type of qualitative approach assumes that individual behavior is influenced by several factors that are not necessarily conscious (Thiétart, 2007, Evrard et al., 2009). The pre-requisites for the successful use of this approach are similar to those found in the context of unstructured interviews, namely:

- Giving unconditional attention to everything said and expressed by the interviewee (Evrard et al., 2009).

- Maintaining an empathic attitude in order to understand the frames of reference of the interviewees (i.e. their system of values, motivations, aspirations, etc.).

These principles are well suited to the purposes of CLP, as they allow business managers to take into account the emotional, subjective nature of customer expectations. These semi-structured interviews, which lasted between 40 to 70 minutes, were electronically recorded and later transcribed. The interview template consisted of a series of open questions, constructed according to the principle defined by Rubin and Rubin (1995). The questions (detailed in more depth further below) focused on products and services provided, customer perception concerning the quality of service, process monitoring, etc.

The analysis of the qualitative data collected during various meetings with customers (in this case, maritime company directors) was done manually from the verbatim transcript of records. Table 3 summarizes the overall results from this qualitative study.

The 4 steps of the method and CLP process are outlined below:

Step 1 (See more details on Table 3)

Customer expectations are not confined only to the product. The client has learned to appreciate the value of services related to the product, such as the speed of production and the ability to obtain "tailor-made solutions". The interview addressed all the key points of marketing delivery (the 4 Ps of the marketing mix). When questioning the interviewees, we kept in mind the customer's expectations in terms of range, quality, packaging, but also those relating to:

- Pricing: invoicing, conditions and methods of payment;
- Distribution: timeliness and method of delivery, availability, expectations vis-à-vis the point of sale, staff availability, variety of choice, availability of sales advice;
- Sales team: ability to reassure and to provide quick responses, open-mindedness, clarity of written exchanges, adapted counseling, good sales organization and customer relations;
- Promotion: Is the overall design of the communication materials attractive? What are the promotions that attract them most? What type of communication strategy are they most susceptible to appreciate? Do they feel sufficiently recognized as customers of our company? Do they value the benefits we offer?

The customer is encouraged to speak freely during this interview on their actual expectations. Apart from providing a wealth of data, the first step of the CLP method also has an added bonus of generating empathy on the side of the customer, who often appreciates the fact that their solution provider is taking an active role in understanding their expectations (the "this company really cares about me" feeling). Hence, this step will usually have a very positive impact on the quality of customer relations. During our CLP trainings, we emphasize the need to establish levels of priorities among the mentioned expectations. This can be done by having the interviewees rephrase key statements to make sure their motivations / attitudes and beliefs are clearly understood.

Step 2 (See more details on Table 3)

This second step requires the CLP trainee / SB manager to be both analytical and objective. It is important not only to try to accurately gauge the gap between customer expectations and currently available solutions, but also to express this gap in easily understandable terms. In other words, the coach and trainee must be able to look at the prioritized expectations and assess the qualitative nature of unmet customer needs. To illustrate this point with the Baromatic case, during the interviews with the maritime companies, these clients conveyed some information about how satisfied they were with the service provided. Wherever possible, the CLP coach advised the SB trainee to ask the interviewee (i.e. their client) to illustrate the gap through a concrete example or a situation; based on their responses the trainee must determine which roadmap to follow in order to close the gap.

Step 3 (See more details on Table 3)

After having collected valuable customer perceptions in the first two stages of the CLP method, the SB manager is now able to identify which projects need to be implemented. During the CLP training, we make it clear that in order to be

effective, SB managers must bring their teams together (production, administrative, commercial teams) and discuss with them how the customer testimonials may help identify opportunities for improvement, with new solutions. They are also expected to take into consideration the consequences of every solution proposed (cost, structural constraints, analysis of competing products and their competitive advantage, etc.).

Step 4 (See more details on Table 3)

This last step presents the budget on a timeline in order to enable the SB managers to check whether they can really fund this plan. According to their priority levels, they may decide to offset a project to the next year or try to "prioritize" one segment for the first few years to the detriment of another. They may also question the return on investment, given the budget and objectives of the relevant segment.

Table 3: illustration of the CLP method at Baromatic (ship segment)

	Who are the Customers? What do They Want?	**Difference between current expectations and industry response**	**Medium-term Adjustment Opportunities**	**Resource optimization (Budget/year)**
PRODUCT	Up-to-date machines	Short lifespan (frequent vandalism in public places)	Machine protection enhancements	2010: 5 K €
	Design	Nothing to report (NTR)	_	
	Variety of supply	NTR	_	
	Competitive Intelligence	No structured response to date (determination of confidentiality)	_	
	Avoid product cannibalism	Too many complaints about the price difference (more attractive prices in vending machines)	Re-evaluate product lines supplied and their prices	
	Availability	Differences on the outlying ports	Hiring a logistics planning assistant	2010: 20 K €
	Geographical area covered	NTR	_	
	Rapid response	Perfectible	Process set up to analyze the performance indicators	
	Request for additional delivery to playgrounds	No response	Not within the scope of the company	
	Payment device – paper-money reading system	Inadequate industry response to date - only 10% of the machines have bill-reading devices	Major opportunity: identify constraints to machine improvement	2010: 7 K€ 2011: 7 K€ 2012: 7 K€
	Remote Communication Technology	Non-existent industry response to date	Work in progress; currently testing failure detection, transmission of sales statistics in real time, low stocks alarm	2010: 10 K€ 2011: 10 K€ 2012: 10 K€ 2013: 10 K€
	Analysis of potential demand based on flux of passers-by	Inadequate industry response to date (based on the feeling rather than data)	Use of traffic simulator (in partnership with the University?)	2011: 5 K €
	Broadening the range of typical Corsican products	Difficult to find 'vending-machine compatible' products	Action plan with Corsican food-industry stakeholders	

Table 3: illustration of the CLP method at Baromatic (ship segment) - continued

PRICE	Oversight of the turnover per machine	On demand only	Working on a real-time access to turnover figures with a dedicated intranet - writing specifications with IT provider	
	Desire to implement analytical accounting records to allow for benchmarking between ships	On demand only	Implement a real-time information system	
	The customer does not want the products in vending machines to be more attractive in terms of price (the VM price must be aligned to those in the bar)	High prices on board; therefore VM pricing reassessment required	Offer different product volumes (to minimize comparisons); install paper-money reading devices	
DISTRIBUTION	Creating areas for consuming take-away food	No know-how	Identification of a partner; contracting feasibility studies	2010: 15 K €
	No increase in the number of vending machines (to avoid increased competition)	Machine implementation plans are inconsistent in certain ships	Concentrate more machines in more attractive locations	
COMMUNICATION	Relational	NTR	_	
	Reciprocity	NTR	_	
	Partner of Corsica economy	Not enough	Think about a club of entrepreneur partners	
	The supplier must proactively propose business improvement ideas	Lack of formal idea sharing procedures	Working on a goal-based system	
	Transforming VM spaces into communication-rich environments	Machines currently too isolated	Propose VMs with news update screens	
				2010: 57 K € 2011: 22 K € 2012: 17 K € 2013: 10 K €

Having covered how the CLP framework was used in the Baromatic case, we now turn to the discussion of further evidence from other SB managers that have been exposed to the method. In order to do so, we have applied a survey with CLP training participants. The results are discussed below.

FIRST IMPRESSIONS OF THE CLP METHOD

The objective of our exploratory survey was to try to evaluate the initial impact of the method and especially to better assess the results of its implementation. We were guided by the following research questions:

- Were SB managers satisfied with the CLP training they received?
- Is it perceived as an easy to use approach that small business leaders can quickly master?
- Is the CLP perceived rather as a business development or customer retention tool?

- Is it perceived to stimulate the involvement of employees in the process of more attentively listening to customers?

Methodology

Even though the CLP training was open to managers of all segments, as we can see on Table 4 it has primarily attracted small businesses, which tends to confirm that alternatives to "traditional" marketing tools does have a great appeal to this segment.

Table 4: Description of SBS / SME that have received training since 2007 CLP

Company Size (# of employees)	Activity	Participant Education
55.6% -- 5 to 19	58% -- Industry	15% -- Master's degree
28.9% -- from 20 to 49	32% -- Service and IT	35% -- Bachelor's degree
11.1% -- from 50 to 249	10% -- Distribution	32% -- Technical Degree
4.4% -- over 250		18% -- other background

To date, 45 SBs and SMEs were trained using the PLC framework. However, as part of our exploratory study, we self-imposed two sampling criteria:

- only SBs (under 19 employees) were selected for the data collection; large and medium-sized companies have not been surveyed, as our priority was to assess the satisfaction of SB managers concerning the method.
- only SB managers whose training session took place at least 6 months before were contacted; by applying this filter we hoped the selected respondents would have better retrospective insights concerning the method and its application.

Only 25 out of 45 SBs fulfilled both criteria. They may be broken down geographically as follows:

- 9 from the Centre region of France (Rhône-Alpes, Ain ...) - trained in 2007
- 7 from the southeastern regions (Marseille, Aix ...) – trained in 2008
- 9 from Brittany (Nantes, Rennes, Lorient ...) – trained in 2009 (from January to June).

The questionnaire template is presented on Table 5. We used closed questions (both ordinal and nominal), as well as semi-open and open questions.

Table 5: The questionnaire template

Introduction: How SB managers perceive the CLP method

- Definition of marketing (as a technique for large companies, as a state of mind, as an overly theoretical discipline, as an important function for the company, other / specify)
- Expectations towards marketing (acquiring new customers, customer loyalty, identifying new markets, other / specify)
- Degree of knowledge about competition and customers
- Frequency of implementation of market research

Part 1: Satisfaction with and interest in the CLP method

- Level of satisfaction concerning the CLP training
- Utility / value of training (accessibility, customer loyalty, differentiation, strong involvement of employees)

Part 2: Implementation of the method PCC

- Whether the method was implemented
- Obtained results
- A concrete illustration of the method (open question)
- Reasons for implementing CLP (open question)
- Barriers related to the implementation (open question)

Part 3: Data on the company and on the respondent.

- Average number of employees, industry
- Age of SB manager years of exercises, training / school level.

Questionnaires were sent by e-mail. There are several reasons for choosing this method of administration:

- geographical dispersion of SBs involved;
- availability of database with e-mail addresses (required during the training);
- this would allow respondents to take their time replying;
- this would be a less intrusive approach.

Note that prior to sending the questionnaire we contacted all SB managers by telephone to present the objectives of the study and to ask for their cooperation. Of the 25 SBs contacted, 15 replied to the questionnaire on time (60% of the target population), even if sometimes a follow-up call was necessary.

Key findings

The surveyed SBs belong to such different sectors as construction, office supplies, research agencies, chemistry, wholesale distribution, language training, industrial supplies, furniture, animal nutrition, etc.

Concerning their perception of marketing, we found that in their view:

- Marketing is an important function in the company (73.3% of respondents).
- They know pretty well their competition and their customers (73.3%) even though market research is hardly ever used (6.7%).
- Their main expectations concerning the role of marketing are to increase customer loyalty, to attract new customers through a better understanding of their needs and, to a lesser extent, to identify new markets.

Many perceived benefits

The surveyed SBs say they are rather satisfied with the CLP method. The ease of application (86.7%) and the resulting customer loyalty (80%) are the two main assets of the method. 80% of those SBs also believe that the CCP engages their personnel in actively listening to the customer. The framework seems to encourage employees to share information acquired during their daily interactions with the clientele. Most of them seem to have become more "proficient in the language of the customer". Another benefit is the perception that the method increases the SB's overall competitive advantage (66.7%).

Encouraging implementation ratio

86.7% of the participating SBs (that is to say, 13 out of 15) attempted to implement the CLP method. Seven of them (46.7%) achieved significant results. The six others are either awaiting the results of recently implemented CLP strategies or facing delays in the implementation (often due to the lack of human resources). If we consider only companies that have had the training a year ago or more, the rates of implementation (92.3%) and the recognition of tangible results (63.6%) are much higher.

The vast majority of surveyed SBs said that this method has led them to become more customer focused. They learned to listen to the customer before thinking about the product rather than doing it the other way around, as they used to. The following testimonials are particularly revealing of their perception:

> *We assume too often we know what customers think rather than asking them… this is what the CLP helped me most with: customer empathy through open-ended questions. Our attitude is changing ... In our development of a housing wood frame we used the method as part of the project. We asked: what does my client want? What are their expectations? (Director of a SB in green building, Rhone-Alpes region).*
> *During our pilot project "Kids Inc" [a language program targeted at the children of executives that are scheduled to live abroad on a business mission], the CLP training has enabled us to shape a bottom-up solution by listening to the customers rather than imposing our preconceived notions of their needs (John Cullen, CEO and founder of Cullen Language Services)*

The two main drivers of why surveyed SBs have implemented the method are: because it is easy to apply (71.4%) and b) because it meets their expectations (42.9%). The main barriers to implementation are mainly related to the lack of human resources (42.6%) and, to a lesser extent, the lack of financial resources (14.3%) and the lack of time (6.7%).

A method rather well adapted to SBs

In our consulting activity, we often realize how large companies separate their strategic marketing function (under the authority of senior management) from their operational marketing and business strategy functions (under the responsibility of key account managers in the sales departments). In SBs, one single person is usually responsible for the whole scope of marketing activities (segmentation, promotional events, portfolio management). And that's why they need a tool to help them to easily integrate the many aspects of a consistent marketing strategy. Our study indicates that the CLP method can address such expectations of SBs.

Indeed, it seems to address most of the previously discussed concerns and constraints (limited resources, available time, budget, accessible, convenient). Here's a summary of the main perceived benefits of the method:

- Affordable. After the CLP training, the direct costs are relatively low since it does not require formal data acquisition (through qualitative or quantitative research). The costs will result mainly from meeting with clients in a pleasant setting (nice restaurants for example).
- Transferable. Even if the entrepreneur or SB manager has to play a leading role in the implementation of the CLP method, the expertise and know-how are easily transferable through learning-by-doing, whichever the situation of the business or its life cycle. Once a manager has learned the method, she can easily transfer it to all of her team members. The SBs in our exploratory study often mentioned this transferability element.

The method also seems to positively address the issues raised during our literature review concerning customer loyalty, customer proximity and new approaches to marketing, namely:

- As the survey results indicate, this method encourages setting higher priorities to better understand existing customers rather than prospecting new ones. As Paccitto and Julien (2006) point out, this strategy makes sense for SBs, as they may create better value from exploiting the loyalty of the current customer base and then, once the marketing mix is well adapted to the segment, further extend it to future prospects.
- Customer Language Proficiency is also a good illustration of what Gilmore et al. (2001) call the "networking" tool, which is key to successful SB marketing. Indeed, the CLP framework encourages SB managers to extend the range of inquiry beyond the usual contacts. Experience shows that this type of extended networking is vital to sustainable growth.
- Finally, the CLP method is also likely to address some of the key issues faced by small and medium-sized structures as described by Reijonen (2010). With its customer focus approach ("Marketing as a philisophy"), the CLP framework leads SB managers to use customer's requirements as a starting point for their strategy (Table 3, column 1). Similarly, the notion of segmentation proves to be a fundamental prerequisite in the CLP method ("Marketing as a strategy" / "Marketing as an operational procedure").

All these points seem to recommend the use CLP method for SB marketing planning. It brings both external benefits (business development, customer loyalty) and internal benefits (teams are encouraged to listen more attentively to customer needs, to collect and analyze information). Of course, like any method, the implementation of the CLP framework relies strongly on the willingness of SB leaders and their teams to become impregnated by its philosophy and its rigorous approach to data collection.

CONCLUSION

This article focused on the presentation and the first impressions of the CLP method. The inspiration for creating this framework stemmed from the realization that traditional marketing tools do not really meet current expectations of SBs. Our goal was to develop an integrated marketing tool that would be at once affordable, accessible and convenient. We hoped it would facilitate the retention of existing customers as well as developing sustainable business perspectives.

The main limitation of this article is its restrictive choices of sampling. Indeed, as explained in the introduction, this study is exploratory in nature and needs to be confirmed by broader surveys. The 25 respondents to our questionnaire offer a first glimpse of confirmation for our principles. Further qualitative evidence emanates from the several case studies we've personally monitored, which produced similar results to the Baromatic experience. An in-depth investigation of the results obtained by the other 20 SBs that participated in the CLP training will be required in order to establish a more nuanced view of the limits and possibilities of the method and how to improve it. Therefore, a new empirical study on the impact of CLP training should be undertaken to refine these initial results – including of course newly trained SBs.

Another possible extension of this article would be to gather and analyze data by company sector (food processing, construction, etc.) and / or by type of customers (B2B or B2C). These reflections could lead us to consider further adjustments to the proposed tool. Finally, it also seems appropriate to consider how to make the dissemination of the method more effective both geographically and across industries.

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FUNDRAISING IN SMALL SPORTS CLUBS: TOWARDS AN ENTREPRENEURIAL APPROACH

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INTRODUCTION

Small Sports Clubs (SSCs) are the basis for excellence in sport and play a crucial role in the sports development of every country (Coleman 2002, Papadimitriou 2002, Garrett 2004, Harris et al 2009). They are predominantly voluntary bodies that offer a diverse range of sporting and social objectives. They contribute to the social capital of a society and the regeneration, better health, safer, more cohesive and inclusive communities, and lifelong learning (Harris et al 2009, Zakus et al 2009). SSCs aim to teach fair-play and tolerance (Breuer and Wicker 2010) and, in contrast to elite sport, they are committed to the idea of "sport for all" (Hartmann-Tews 1999), affordable membership and a comprehensive sport offer (Breuer and Wicker 2010). As SSCs promote values and enrich their communities, they play a crucial role in society.

Although the major sports industry was once considered to be recession-proof, professional sports organisations have felt the consequences of the economic downturn (Chadwick 2009, Fullerton and Johnson 2009, Humphreys 2010) as have non-professional sports associations (Taks 2010). Recent rises in the cost of running sporting events, as well as general administration costs, and travel expenses for practice have further exacerbated the financial situation of sports associations (Breuer and Wicker 2010).

Lack of funding is often attributed to insufficient marketing activities. Sports organisations need to secure their survival, not only on a short-term but also on a long-term basis. They need to proactively generate and develop relevant resources such as time, money and knowledge (often via volunteers), which is collectively understood as fundraising, in order to tackle their main problems (Freyer 2003, Fabisch 2006, Lindahl 2010).

The aim of this paper is to investigate how SSCs can maximise their fundraising activities.

SPORT MARKETING AND THE SMALL SPORTS CLUB (SSC)

Although there is no generally accepted definition of sport marketing, academics agree that two distinctive streams "marketing of sport" and "marketing through sport" exist (Shilbury et al 2003, Gallagher et al 2009, Masteralexis et al 2009). This research will consider marketing activities from the sports organisation point of view, and focus on the "marketing of sport". Sport marketing literature has predominantly focused upon sponsorship, endorsements, advertisements, spectator fandom and motivations, and spectator segmentation (Gallagher et al 2009). The importance of database marketing and the role of customer relationship management are also evident in the literature (Mullin et al 2007, Ferrand and McCarthy 2009).

A sports organisation can be understood as a "social entity involved in the sport industry; it is goal directed, with a consciously structured activity system and a relatively identifiable boundary" (Slack and Parent 2006:5). Stewart (2007) states that sports organisations vary in terms of their legal structures with unincorporated associations at one end and public companies at the other end of a profit motive and business structure model. Beech and Chadwick (2007) distinguish between three major types of sports organisations: the small-to-medium not-for-profit enterprise, the larger revenue-generating or resource-plentiful not-for-profit sporting organisation and the private or public owned for-profit sporting organisation. This paper is set in the context of small-to-medium not-for-profit sports club that have a turnover of around £1 million per annum, a marketing department of one or two people at most and must therefore be seen as small businesses (Beech and Chadwick 2007).

SMES

In the UK, the most widely accepted definition of SMEs is that based on the findings of the Bolton Committee Report (1971) which defines a small firm as an independent business, managed by its owner or part-owners and having a small market share. Recent EU definitions specify that a small company is one with no more than 50 employees, turnover of ≤€10m and / or a balance sheet total of ≤€10m; a medium company is one with no more than 250 employees, turnover of ≤€50m and / or a balance sheet total of ≤€43m; it further specifies a micro company as one with no more than 10 employees, turnover of ≤€2m and / or a balance sheet of ≤€2m.

Given these criteria, it is evident that SMEs possess unique characteristics and will therefore be constrained in their marketing, as they are hampered by a lack of resources in terms of finance, time and marketing knowledge. Overall, they tend to lack specialist knowledge as they are usually managed by generalists rather than specialists and often have limited ability to impact on the marketplace. The nature of the marketing they do is not found in traditional textbook frameworks or conventional practices found in large organisations, instead they tend to be haphazard, informal, loose, unstructured, spontaneous and reactive (Carson et al 1995, Gilmore et al 2001).

In the context of this study a small sports club is considered to be a small enterprise and is defined as a:

> *"…member of a national league; has an average attendance of ≤ 500; operates as a not-for-profit organisation and is operated and administered predominately by volunteers" (Gallagher et al 2009:3).*

FUNDRAISING

Research in the field of fundraising and not-for-profit organisations (Sargeant 1999), has increased exponentially in recent years (Levy 2004, Carpenter 2008) with numerous studies and research focusing on various sectors including higher education institutions (Pearson 1999, Sargeant 2009), hospitals (Lindahl and Conley, 2002), kindergartens (Hirsch 2008), youth centres (Pisarczyk 2000), politics (Rieken 2002) libraries (Aalto 1997, Jank 1999, Carpenter 2008) and charities (Shapiro 1977, Gilmore 2003). Whilst, a great deal of this has been conducted in the USA (Bothwell 2002, Lindahl and Conley 2002, Jones et al 2003, Richardson and Chapman 2005), due in no small part to the pioneering work of Henry A. (Hank) Rosso and the Fund Raising School at the Centre on Philanthropy at Indiana University (Tempel et al 2011), there has also been considerable research on fundraising carried out in the UK (Staples 2004, Bennett 2007, Aldrich 2009, Sargeant & Jay 2010). However, fundraising in the context of SSCs has not, as yet, been studied in any depth.

Whilst it has been described as "the gentle art of teaching people the joy of giving' (Rosso 1991), there is no single agreed definition of fundraising available in the literature. Definitions range from "management of communication between a charitable organization and its donor publics" (Kelly 1998:107), to an all-embracing marketing concept that concentrates on generating all required resources (Urselmann 2002). Lindahl (2010) goes further by stating that it is "the creation and ongoing development of relationships between a not-for-profit organization and its various donors for the purpose of increasing gift revenue to the organization" (p.4). What is widely recognised is that asking for contributions is just one component of a comprehensive process concerned with the recruitment and development of all relevant resources, including financial and human.

Many practitioners regard fundraising in the not-for-profit sector as akin to marketing in the for-profit sector (Kelly 1998). The generic fundraising process of attracting, retaining and developing benefactors conforms with similar tactics in marketing used to attract, retain and develop customers (Beech and Chadwick 2007) and where marketing may include both the procurement and allocation of its resources, fundraising is similarly concerned with the acquisition, recruitment and development of its required resources (Urselmann 2002, Gienger 2004, Fabisch 2006, Sargeant 2009). The essence of fundraising also conforms to the fundamental nature of marketing by stimulating the exchange process (Bagozzi 1975, Lindahl 2010). Although it has disparagingly been referred to as the "art of begging" (Burens 1996), it is essential to note that fundraising is not only about receiving gifts, but is based upon reciprocal economic and social transactions (Kelly 1998, Lindahl 2010) and akin to the exchange processes found in marketing (Bagozzi 1975). Furthermore, as fundraising is concerned with soliciting contributions, it is in the behavioural influence business (Andreasen and Kotler 2008) and is an integral part of not-for-profit marketing, especially for SSCs.

Fundraising is intrinsically linked with philanthropy. Philanthropy is posited on the belief that individuals possess an innate or compelling want or need to give to worthy causes and is viewed as voluntary action, association and giving for the public good (Rosso 1991, Tempel et al 2011). It is the fundamental cornerstone and the 'glue' that holds together entire fundraising efforts with regards to those who give of their time to administer and develop fundraising programmes and activities, as well as those who make donations.

The reasons for individual giving are both complex and inter-related and researchers suggest that they are a combination of psychological motives and sociological influences. Donor's motives are beyond pure altruism, rather it is a mixture of altruism, selfish motivations and egoism. Reasons for giving such as obtaining a 'warm feeling', prestige among peers, increased self-esteem and recognition plaques are widespread. However, philanthropic behaviour varies amongst different countries and cultures (Smith and Dunn 1995, Sargeant 1999, Lindahl and Conley 2002, Henderson and Malani 2009, Lindahl 2010).

RESEARCH METHODOLOGY

This study adopted a qualitative methodology and focused on investigating how SSCs carry out fundraising activities. Individual in-depth interviews were chosen for data collection as they were considered to be more suitable for gaining deep insight to sensitive information that people might not feel confident to reveal in a group (Denscombe 2007). This was particularly relevant for this study as there is little cooperation between the sports clubs, indeed there is often a high level of intense rivalry (Mason 1999).

Nineteen semi-structured interviews, using an interview guide that listed the key topics and questions, were conducted. The interview guide was based on the conceptual framework and included questions relating to carrying out a situational analysis looking at the internal and external environment of the club, approaches used to generate resources, selecting fundraising methods, the nature and characteristics of volunteers in the club and how they facilitate the fundraising process, soliciting the resource and promoting relationship fundraising.

This research was carried out in Germany and Ireland. The researchers' network facilitated contact with appropriate people; and the contact details of the clubs not known to researchers were obtained from the German Rugby Union website and the Irish Football Association. Key informants for the study belonged to sports clubs that fitted the criteria for the study in terms of being SSCs. Although most of the respondents for the study were identified using personal contacts all clubs received a letter requesting their participation in an interview for clarification. To ensure that the letter reached the person in charge, it was followed up with a phone call. In the cases where the contacted person was not the appropriate one, the letter was forwarded to the correct club member. Out of 25 clubs contacted, 19 agreed to participate. This was considered sufficient to gather meaningful data.

FINDINGS & MANAGERIAL IMPLICATIONS: SSCS AND SOCIAL ENTREPRENEURSHIP

The role of a social entrepreneur in providing business knowledge and experience, along with accessibility to contacts and networks with key people in the business community could be crucial to the survival of such clubs. The building and maintaining of a reputable image is vital to the long-term success of any enterprise. However this will require effective communication, often involving personal, one-to-one communication with key people, and the ability to provide specific information for the local, immediate market. It will also include highlighting the benefits of the SSC, the service product it offers and its' value to users and the community. Social entrepreneurs with knowledge and experience of business activities can help SSC's with their expertise and work towards building relationships with key people and increasing the professionalism of the SSC.

For SSC's a useful social entrepreneur is someone who can (Gilmore et al 2011):

- use personal selling and lobbying to build relationships with key people and focus on increasing the professionalism of the SSC.
- develop a communication and promotion strategy that will create awareness and provide information about the activities and benefits of the SSC.

- develop communication that will tell users and stakeholders the benefits of the 'product and service offering' for individuals and community, and establish and monitor expectations of users. Communication should aim to develop long-term relationships and encourage two-way communication.
- recognise the importance of perceived value. That is the SSC should offer good value for money, effort and time for users. For volunteer helpers and stakeholders it should provide an opportunity to do a worthwhile job in a responsive, non-wasteful manner and should maintain organisational credibility.

CONCLUSION

There is an over-reliance amongst SSCs upon the same short-term individual donors, only limited use of corporate sources and a lack of awareness or confidence in the wider role of philanthropy and soliciting funds from trusts and foundations. Those involved in SSC fundraising should give more consideration to the variety of potential support. Managers of SSCs need to develop the relevant competencies, either by their own efforts, getting external assistance, or by identifying and developing another individual (or group of individuals) within the club to ensure the long term survival of their clubs.

Ideally an SSC needs to identify and involve a relevant social entrepreneur to help them develop the club and bring vital competence to the organisation. Social entrepreneurs can offer knowledge, experience and commitment to the development, growth and marketing of a social enterprise such as an SSC. They are well versed in the benefits of business communication and relationships, more professional in how they approach commercial organisations and are likely to have much stronger appeal within a community. With sustained help, over time social enterprises can develop strong company images built on their ability to provide a valuable offering and one that key stakeholders can be associated with in a positive way. Research is still at an early stage in social entrepreneurship and there are many opportunities in which to develop knowledge and expertise in bringing social entrepreneurs to SSCs. For although the large clubs and organisations get the headlines, it is the small clubs and organisations that are the lifeblood of sport and a myopic approach to their marketing and management can only be to the detriment of all clubs.

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HEDONIC SHOPPING SATISFACTION IN THE NEW VENTURE CONTEXT

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ABSTRACT

Purpose: The purpose of this study is to contribute to the literature describing and examining antecedents to customer satisfaction. Specifically, we examine the effects of three new venture characteristics on customer satisfaction levels among hedonically motivated shoppers.
Design: Upon exiting one of three stores, 236 hedonically-motivated customers were surveyed to gauge their perceptions of cognitive legitimacy, organizational energy, organizational flexibility, and customer satisfaction levels. Structural equation modeling was used to test hypothesized relationships among the variables.
Findings: Hedonic shopping motivation was significantly related to the mediating variables, organizational energy, organizational flexibility, and cognitive legitimacy, and to customer satisfaction. In addition, the mediating variables were significantly related to customer satisfaction demonstrating a partially mediated effect for all three mediating variables.
Practical implications: Understanding and managing the organizational attributes that form the bases of hedonic shoppers' perceptions may increase the performance of new ventures. The empirical evidence in this study suggests that increased levels of cognitive legitimacy, organizational energy, and organizational flexibility lead to increased levels of customer satisfaction among shoppers who are hedonically motivated.
Originality: This study is one of the first to explore the effects of some of the attributes inherent in all new ventures at start-up and shortly after. The evidence reported will be significantly valued by researchers as a spring board for more new venture studies in this area. The evidence may help to aid managing new ventures during the early stages of operation.

Keywords: Hedonic shoppers, cognitive legitimacy, organizational energy, organizational flexibility, customer satisfaction

INTRODUCTION

Fulfilling customer expectations is an important way to gain acceptance and recognition in the marketplace (Choi and Shepherd, 2005; Donaldson and Preston, 1995; Freeman, 1984). Aside from the importance of all organizations satisfying their customers, the abilities associated with engaging and satisfying the needs of customers are vitally important if new ventures are to survive the early stages of operation (Frooman 1999; Jahwahar and McLaughlin, 2001; Scott and Lane, 2000). To facilitate customer management after operations have begun, new venture leaders must consider how characteristics related to their firms' newness create and crystallize customers' perceptions, and ultimately affect satisfaction levels (Aldrich and Auster, 1986; Mitchell et al., 1997; Stinchcombe, 1965).

The ability to properly understand and manage customers and their perceptions goes far beyond analysis of transactional data and anecdotal evidence resulting from customer exit surveying (Stringfellow, Nie, and Bowen, 2004). New venture leaders must understand what has driven certain types of customers to initially visit their stores (Blakney and Sekely, 1994; Wakefield and Baker, 1998). Likewise, they must understand how newness plays a part in the ability to manage their customers' perceptions once those stakeholders make efforts to learn about and understand new venture offerings, processes, and attributes (Shepherd and Zacharakis, 2003; Stinchcombe, 1965). Newness in an organizational context is defined as innate firm properties associated with firms being unknown, unseasoned, and untried (Singh et al., 1986; Stinchcombe, 1965). These properties or attributes are rooted in the age and size of start-ups, and are subsequently linked to many unique and often threatening circumstances that most new firms face (Hannan and Freeman, 1984; Singh et al., 1986). Newness theorists contend that at the point of founding and throughout the early stages of development, an organization faces the highest potential for death due to fundamental innate characteristics that define and bind all new firms (Shepherd et al., 2000; Stinchcombe, 1965). Generally speaking, this risk then decreases with the growing and aging of the firm, but only after the careful management of the firm's assets and capabilities through specific strategic efforts

(Henderson, 1999). Those efforts can include carefully managing the perceptions of stakeholders (e.g., potential and current customers).

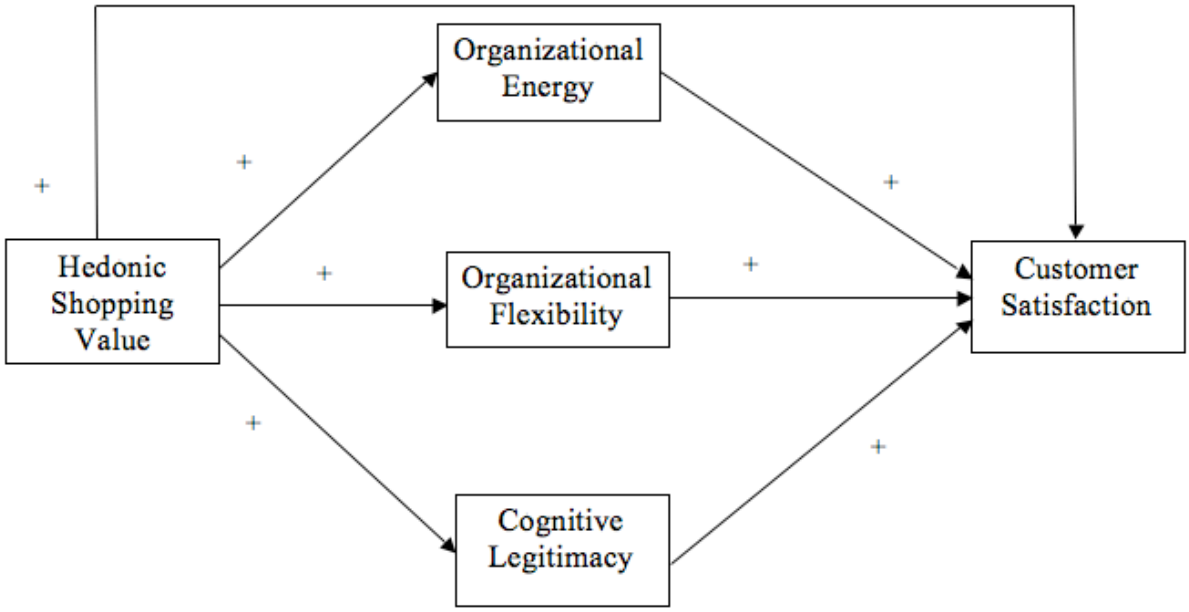
Researchers have begun the work describing and prescribing strategic methods for the management of both the benevolent and malevolent organizational attributes tied to newness as they relate to potential and existing customers (Baum and Oliver, 1991; Choi and Shepherd, 2005; Henderson, 1999). However, opportunities to further explain how entrepreneurs and new venture leaders responsible for the marketing and management of their firms can better ensure success at start-up and through organizational infancy exist. One opportunity relates to understanding the significance of the positive and negative attributes of newness as they relate to specific customer types.

Accordingly, this study is an investigation that relates to a very practical business issue. That is, given specific types of customers are expected to have unique sets of needs and desires (Babin and Darden, 1995; Babin et al., 1994), we seek to examine the importance of some of the organizational attributes inherently related to new ventures that may lead to increased levels of customer satisfaction. Specifically, given significant levels of hedonic shopping motivation (i.e., the need to shop for fun), we empirically test the effects of properly managing perceptions of organizational energy and flexibility, as well as perceptions of cognitive legitimacy, as they relate to customer satisfaction. Highlighting and testing the theoretical links between the attributes of new ventures and customer satisfaction among hedonic shoppers informs researchers studying these organizational attributes that affect the perceptions of key organizational stakeholders like customers. Our findings also continue the efforts to enlighten and inform entrepreneurs, as well as marketing and management executives and managers of new ventures, about ways that customer satisfaction levels among hedonic customers may be able to be increased.

LITERATURE REVIEW AND HYPOTHESIZED RELATIONSHIPS

The proposed model that includes some of the likely antecedents related to customer satisfaction levels in the new venture context is illustrated in Figure 1. The focus of the study is not to include all possible antecedents to customer satisfaction levels in the new venture context, but rather to highlight and explore some of the most important antecedents that can be managed by both managerial and marketing leaders in newly opened businesses.

Figure 1: Proposed Model



Shopping motivation

Over fifty years ago, Stone (1954) developed a seminal taxonomy of customers that is often still referenced in today's marketing literature. The taxonomy has served as a basis for many other typologies of customer motivations for shopping (Arnold and Reynolds, 2003; Darden and Ashton, 1975; Girard et al., 2003; Reynolds and Beatty, 1999). Stone's

taxonomy categorizes and describes the cognitions and behaviors of urban shoppers in the mid-1950s. The goal of the work was to improve the efforts of retailers and those studying retail buying behaviors. The results of the work offer much insight to researchers. In addition, these results enable retailers and other marketers to better differentiate and target their products, services, store locations, and promotions in accordance with the myriad consumer sentiments and requirements identified by researchers in the field of marketing (Westbrook and Black, 1985). A considerable amount of overlapping and blending of formulated consumer shopping orientation typologies has occurred since Stone's (1954) ground-breaking work. Even though various very useful typologies have been developed and utilized in the marketing literature, the categorization of customers as either utility shoppers or hedonic shoppers is still most common (Jones et al., 2006).

Utility shopping motivation is defined as one's feeling or need to derive value from an effective and efficient shopping requirement having been completed. Utility shoppers are generally not emotionally involved in the task (Holbrook and Hirschman, 1982). Individuals shopping in larger, established retail chain stores for everyday wares are customers likely to be motivated by utility and basic physiological needs. Hedonic shopping motivation is defined one's feeling or need to derive value from a fun, entertaining and sometimes social shopping experience (Childers et al., 2001; Sherry, 1990). The value derived from the hedonically motivated shopping experience relates to the shopping experience and is generally thought to be independent of any satisfaction derived from the goods and services purchased.

Generally speaking, new ventures tend to start small in terms of scale of their operations, and tend to focus on one segment of a given industry (Aldrich and Auster, 1986). This focused approach has led some researchers to contend that all new ventures suffer from a condition called "liability of smallness," where the limited scale and resources of a newly started venture will likely serve as a deterrent to the venture's survival (Aldrich and Auster, 1986). What follows is most new ventures will tend to focus on fulfilling the needs of a specific market segment with a specific set of needs (e.g., women's clothing boutique, children's clothing and toy store). Very few, if any newly opened businesses have the capabilities to fulfill the utilitarian motivations like a "big box" or large retail store. Therefore, the importance of examining the relationship between customer satisfaction and the value realized from shopping experiences assumed to be fun, entertaining, and social is arguably even higher in the context of new venture studies than in studies involving established organizations.

A number of studies already have examined the relationship between hedonic shopping value and customer satisfaction (Babin et al., 1994; Babin et al., 2005; Jones et al., 2006). Each of the studies has found evidence to suggest a positive relationship between the hedonic shopping value and customer satisfaction exists. Based on the extant research in both the marketing and entrepreneurship literatures, we feel confident extrapolating these findings to predict a positive relationship between hedonic shopping motivations and customer satisfaction levels in the new venture context. Therefore, we offer the following hypothesis:

H1: Hedonic shopping value will be positively related to customer satisfaction in the new venture context.

Cognitive legitimacy

In terms of new venture survival, lack of legitimacy is widely considered one of the most important liabilities for new venture leaders to overcome (Choi and Shepherd, 2005; Shepherd and Zacharakis, 2003). Broadly defined, legitimacy is "…a social judgment of acceptance, appropriateness, and desirability, [that] enables organizations to access other resources needed to survive and grow" (Zimmerman and Zeitz, 2002). While that definition clearly takes the new firm into account, much of the work on the topic has been done in the institutional theory realm and has therefore taken place in the established and aged firm context (e.g., Deephouse, 1999; Suchman, 1995). In fact, the origins of legitimacy in institutional theory can be traced back to Weber (1947). In this context, legitimacy is discussed as an outcome of cultural support that can protect a firm from the external environment (Meyer and Rowan, 1977). As a result, legitimacy is sometimes viewed as a way to overcome crises and negative press that may impact the organization (Child, 1972; Pfeffer and Salancik, 1978).

Legitimacy in the context of the new venture has a different connotation than it does in the domain of established organizations. The notion of new firm legitimacy is becoming increasing popular among entrepreneurship researchers (Bitektine, 2001; Choi and Shepherd, 2005; Williamson, 2000), because of its acute level of importance. Unlike older and larger firms, most new firms possess very little legitimacy. For an established organization, increasing incremental levels of legitimacy is far less difficult than attaining the initial base at the beginning of an organization's life cycle (Rutherford

and Buller, 2007). As noted, this leads to an important contention expressed in the entrepreneurship literature. For many new ventures, legitimacy, not financial resource attainment, is the key factor facilitating survival (Delmar and Shane, 2004). This is argued because at the time of organizational start-up when operations have just begun, legitimacy is viewed as a precursor to the attainment of many tangible and intangible resources (e.g., financing, good will).

Several typologies of legitimacy have been put forth in the literature (Bitektine, 2011; Shepherd and Zacharakis, 2003; Suchman, 1995), and the preponderance of this literature suggests the lack of cognitive legitimacy is one of the most significant obstacles to the viability of newly opened businesses (Aldrich and Fiol, 1994; Shepherd and Zacharakis, 2003). Cognitive legitimacy describes a very tacit form of legitimacy, in which stakeholders make legitimacy judgments about an organization passively rather than through active evaluation cognitive processes. "From the cognitive perspective of legitimacy, organizations are legitimate when they are understandable (i.e., stakeholders are aware of therefore less uncertain about the organization) rather than considering when they are desirable" (Shepherd and Zacharakis, 2003: 151). Attaining cognitive legitimacy is one of the few ways to solve what Choi and Shepherd (2005) term the "entrepreneurial problem". This problem is characterized by "…the need to develop a concrete definition of the organizational domain…" (p. 578). When a venture achieves a heightened level of cognitive legitimacy, that venture is said to be taken-for-granted, and has solved the entrepreneurial problem. When stakeholders, like customers, do not need to actively think about (i.e., they take the organization for granted) a new venture's worthiness, this liability of newness will be minimized. Moreover, demonstrating quality and excellence in terms of the individuals, processes, and products related to the new venture may aid the effort of new venture leaders to attain cognitive legitimacy (Suchman, 1995; Zimmerman and Zietz, 2002). For instance, the qualities of the founding members of a new venture may benefit the new venture as a whole when other qualities related to processes and products are uncertain (Chaganti et al., 1995). A bleeding over or generalization may occur. Arguably related, demonstrations of quality and excellence either by rank and file organizational members or individuals outside the organization speaking on behalf of the business may also lead to the new venture being granted an identity, and being perceived as cognitively legitimate (Zimmerman and Zeitz, 2002).

What follows is that if new venture leaders are able to manage their customers' perceptions through demonstrations of quality and excellence so as to attain cognitive legitimacy, the new venture will benefit in myriad ways. One of the outcomes of attaining cognitive legitimacy may be increased levels of customer satisfaction. The customer satisfaction literature offers insight into other antecedents to customer satisfaction relationships (Szymanski and Henard, 2001) that arguably relate to the relationship between cognitive legitimacy and customer satisfaction. As noted by Szymanski and Henard (2001) many of the antecedents to customer satisfaction are themselves related to one another. However, after considering all the previously contented and tested antecedents to customer satisfaction, the passive granting of cognitive legitimacy by a customer seems to stand alone as a contributor to increased customer satisfaction levels. Cognitive legitimacy arguably does not relate to any of the other antecedents previously identified and studied in the marketing literature (e.g., performance, affect, expectations, equity), yet when attained, likely contributes to heightened customer satisfaction levels. Therefore, we predict:

H2: Cognitive legitimacy mediates the positive relationship between hedonic shopping value and customer satisfaction in the new venture context.

Organizational energy

Unlike the malevolent attributes tied to newness, assets of newness are argued to benefit newly started businesses during their early stages of operation. Assets of newness are viewed as intangible distinctions and attributes that cast the new venture as fresh, amicable, and malleable in the eyes of customers, thereby aiding or buffering the firms in their infant and adolescent stages of development (Fichman and Levinthal, 1991). These organizational qualities are viewed as very desirable among those customers who perceive innovation, new orientations, and change as key elements to the progression of technological and societal advancement. As new ventures age, they often become engrained in their internal and external processes and relationships, and their more attractive attributes related to newness fade (Hannan and Carroll, 1995; Hannan and Freeman, 1984). Therefore, maximizing these attractive distinctions of newness is a vital step for most new ventures in the early stages of operation. Two distinctions, high levels of organizational energy and organizational flexibility, represent two critical assets of newness that facilitate the interaction between new firms and new clientele (Choi and Shepherd, 2005; Nagy and Blair, 2010).

Organizational energy is defined as the perception that employees are working vigorously, enthusiastically, and tirelessly in the pursuit of organizational improvement (Nagy and Blair, 2010). Specifically, new ventures are likely to have organizational members that have more intense positive, possibly passionate, feelings about their work and about their organizations than individuals working in older firms that may seem boring or uninteresting (Scitovsky, 1992). Organizational energy is the manifestation of the passion that organizational members show for a new firm because of its novelty. Owners, managers, and employees of new ventures are likely to be emotionally connected to these entities, as if the firms were children they were nurturing (Cardon et al., 2005).

Stakeholder support of organizations is often heightened by perceived levels of organizational energy that are inherent in new ventures, whose members are engaged, excited and committed to the organization (Cross et al., 2003). Stakeholders are attracted to organizations that fit their personal values and, sometimes more importantly, their emotions (O'Reilly et al., 1991). Stakeholders, such as hedonically motivated customers, are often attracted to novel, energetic organizations (Illouz, 2009; Scitovsky, 1992). Those who feel that high-energy situations are more exciting or invigorating may be likely to be more satisfied with new ventures that demonstrate these characteristics. In addition, organizational energy is thought to be generated from the interactions with stakeholders who share the same enthusiasm as new venture leaders and members (Cross et al., 2003). Thus, hedonic customers attracted to high-energy situations will likely be excited to support newer organizations. This interaction, in turn, may generate more energy and excitement, and arguably higher levels of customer satisfaction. Therefore, we predict:

H3: Organizational energy mediates the positive relationship between hedonic shopping value and customer satisfaction in the new venture context.

Organizational flexibility

New venture firms may be able to develop competitive advantages in the early stages of operation by demonstrating the ability to quickly respond to changing competitive conditions in the market (Hitt et al., 1991; Sanchez, 1995). Organizational flexibility is defined as the ability to adapt and modify products and procedures to meet the demands of stakeholders (Nadkarni and Herrmann, 2010). Organizational flexibility is the antithesis of routine and habit (Feldman and Pentland, 2003). As firms age and become entrenched in their markets, the relationship between flexibility and competitive advantage often becomes inverse in nature, as the ability of larger, more rigid firms to produce make-to-order goods and services wanes (Hannan and Freeman 1984; Aldrich and Auster, 1986).

Organizational flexibility is another important asset of newness that facilitates the interaction between new ventures and their stakeholders. Aside from product and service quality and price, empirical evidence in the management literature suggests competitive advantage may result from an organization demonstrating the ability to quickly respond to changing competitive conditions in the market (Hitt et al., 1991; Lei et al., 1996; Sanchez, 2007). What follows in the new venture context is that if new venture leaders and employees can meet the needs of hedonically motivated customers by attempting to adapt and modifying product and service offerings as requested, these efforts also may contribute to heightened levels of customer satisfaction simply based on the attention paid to the customer and the effort made to satisfy. Therefore, based on our review and discussion we hypothesize the following:

H4: Organizational flexibility mediates the positive relationship between hedonic shopping motivation levels and customer satisfaction in the new venture context.

METHODOLOGY

Sample

To aid our examination of the effects of differing levels of hedonic shopping value, cognitive legitimacy, organizational flexibility, and organizational energy on customer satisfaction, 276 respondents who shopped at three separate retail stores (i.e., bricks and mortar stores) in the Midwestern Region of the United States were surveyed. Our study focuses on the perceptions of hedonic shoppers. Therefore, the stores chosen to solicit respondents were non-franchised, smaller stores. None of the three are affiliated with any other store or organization, except that each is located in a mini-mall location. Each store is approximately 2,000 square feet in size. The three stores were small enough that shopping carts were not

offered in them, but big enough so that all customers could spend multiple hours in them browsing merchandise. The stores include a children's clothing and toy resale store opened six months prior to data collection beginning, a wine and food boutique opened one month prior to data collection beginning, and a contemporary gift and modern clothing store opened four months prior to data collection beginning.

The original sample was pared down to 236 usable respondents due to noncompliant respondent behavior. Specifically, the incentive for a completed survey, a newly printed $2 United States Federal Reserve Note, enticed forty individuals to fill in the blank answer areas on the survey with only one number (i.e., all 5's or all 1's). Given the significant number of reverse coded items on the survey, we concluded these surveys were not completed by respondents who had actually read the survey sheet and answered thoughtfully. Thus, these surveys were removed prior to analysis.

Of the 236 respondents, 200 were female (84.7%). A total of 19 respondents (8.1%) were return shoppers to the stores. The average shopping time in a store was almost 17.9 minutes ($\sigma = 10.6$). The average age of the shoppers at the time of date collection in 2010 was 43.3 years ($\sigma = 15.7$).

Procedure

Data were collected outside the three stores so as to not bias the responses of the respondents by making the data collector visible during the shopping experience. Potential respondents were approached by a single data collector upon exiting the stores. Potential respondents were asked to be seated and complete a two-sided survey that related to their thoughts of the shopping experience they had. Respondents filled out the survey immediately after exiting the store and sitting down in order to minimize recall bias. Each potential respondent was told that if they voluntarily completed the survey, a newly printed $2 United States Federal Reserve Note would be rendered. Data collection took place during the months of June, July, August, and September in 2010.

Measures

Items were coded such that high values represent high levels of the constructs of interest. The items were responded to on a 1-5 Likert scale (1 = strongly disagree to 5 = strongly agree). Reliable measures from cited research were used to measure perceptions related to hedonic motivation levels, two assets of newness (i.e., organizational energy, organizational flexibility), one of the liabilities of newness (i.e., cognitive legitimacy), and customer satisfaction. A number of control variables were also included in the study (i.e., age, minutes in the store, return shopper status).

We used Arnold and Reynolds' (2003) six-item scale to measure hedonic shopping motivation levels ($\alpha = .91$). The hedonic shopping motivation scale includes the items "This shopping trip was truly a joy," "I continued to shop today not because I had to, but because I wanted to," "Compared to other things I have done, this time spent shopping today was truly enjoyable," "I enjoyed this shopping trip for its own sake, not just for items I may have purchased," "During the shopping trip, I felt the excitement of the hunt," and "While shopping today I felt a sense of adventure."

One liability of newness was measured and examined as a potential predictor of customer satisfaction levels. Cognitive legitimacy was measured using Pollack et al.'s (2011) three item measure ($\alpha = .87$). Items used to measure cognitive legitimacy include "I envision the business receiving high-profile endorsements in the future," "I envision the business receiving favorable press coverage in the future," and "I envision the business having a top management team that will benefit the organization."

Two assets of newness were measured in our study. Organizational energy was measured using Nagy and Blair's (2010) three-item measure ($\alpha = .94$). The scale includes the items "Employees appear enthusiastic," "Employees' attitudes are positive," and "The business's employees appear energetic." All four items from Nagy and Blair's (2010) organizational flexibility measure also were used in our study ($\alpha = .91$). These items include "The business allows customers to custom design products and services," "Custom products are easily ordered," "Visual cues related to customization exist in the business," and "The business displays signage advertising custom adaptations and adjustments."

Customer satisfaction was measured using slight variations of four items from Babin and Griffin's (1998) satisfaction/dissatisfaction scale ($\alpha = .89$). The items used in our study include "I feel satisfied with the store," "I felt some

dissatisfaction based on my experience (reverse coded)," "I am satisfied with my experience," and "Overall, I am not satisfied with this store (reverse coded)."

Statistical analyses

We used SPSS 18 to assess the reliability of the measures we employed and the correlations among them. We then utilized the structural equation modeling capabilities and features in LISREL 8.80 (Jöreskog and Sörbom, 2006) to test our hypotheses.

RESULTS

Table 1 provides the means, standard deviations, and intercorrelations among the study's variables. As expected, the independent variable, hedonic shopping motivation, was significantly related to the mediating variables, organizational energy, organizational flexibility, and cognitive legitimacy, and to the dependent variable, customer satisfaction. In addition, the mediating variables were significantly related to the dependent variable. Finally, two of the three control variables, age of shopper and minutes spent shopping, were significantly and positively related to the dependent variable. As some of the correlations among variables exceeded .60, we followed the procedure outlined by Fornell and Larcker (1981) to test the discriminant validity of our scales. Specifically, we calculated the square root of the average variance explained for all variables in our study. To demonstrate discriminant validity, this value (presented on the diagonal in Table 1) must exceed the corresponding latent variable correlations in the same row and column. If this condition is met, then evidence exists that the variance shared between any two constructs represented by the correlation is less than the average variance explained by the items within the scale. As shown in Table 1, this condition is met for all variables in our study.

Table 1: Correlations, Means, and Standard Deviations

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Hedonic Shopping Value	4.07	0.87	**.76**							
2. Organizational Energy	4.56	0.74	0.56***	**.91**						
3. Organizational Flexibility	3.29	1.12	0.30***	0.31***	**.85**					
4. Cognitive Legitimacy	3.98	0.81	0.47***	0.44***	0.48***	**.72**				
5. Customer Satisfaction	4.26	0.95	0.62***	0.61***	0.36***	0.49***	**.82**			
6. Age of Shopper	43.28	15.71	0.06	0.12	0.04	0.16*	0.15*	--		
7. Minutes Shopped	17.89	10.61	0.24***	0.18**	0.10	0.19**	0.16*	0.08	--	
8. Return Shopper	0.08	0.27	0.13*	0.15*	0.07	0.18*	0.08	-0.15*	-0.01	--

Listwise N=236. * $p < .05$. ** $p < .01$. *** $p < .001$. Values on the diagonal are the square root of the average variance explained which must be larger than all zero-order correlations in the row and column in which they appear to demonstrate discriminant validity (Fornell and Larcker, 1981).

As an additional test of the discriminate validity of our scales, we used a covariance matrix as input and a maximum likelihood estimation via LISREL 8.80 to estimate a 5-factor measurement model as well as 6 alternative nested models that combined highly correlated scales into one factor. Finally, we estimated a 1-factor model. A description of the models and their results are shown in Table 2. As can be seen in the Table, the independence of the five focal constructs is further demonstrated as the results indicated that the hypothesized 5-factor model fit the data significantly better than any of the alternative models, and this model was the best fitting.

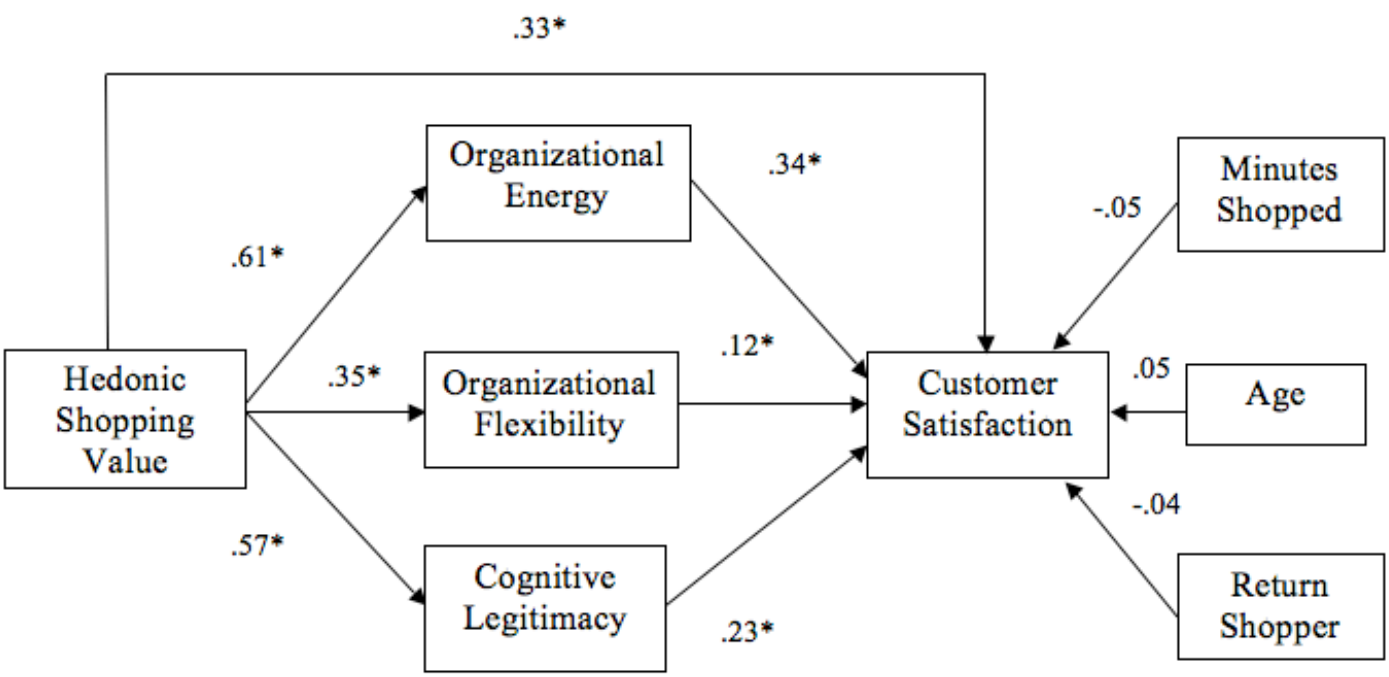
Table 2: Measurement Models

Model	X^2	*df*	ΔX^2	Δdf	*CFI*	*NFI*	*RMSEA*
5-factor hypothesized model	558**	220			.97	.94	.08
4-factor hedonic and customer satisfaction combined	1077**	224	519**	4	.93	.91	.12
4-factor energy and customer satisfaction combined	994**	224	436**	4	.93	.91	.12
4-factor energy and hedonic combined	1081**	224	523**	4	.92	.90	.13
4-factor cognitive legitimacy and customer satisfaction combined	1027**	224	469**	4	.93	.91	.12
4-factor cognitive legitimacy and flexibility combined	1119**	224	561**	4	.93	.91	.13
4-factor cognitive legitimacy and hedonic combined	1131**	224	573**	4	.93	.91	.13
1-factor	2611**	230	2053**	10	.81	.80	.21

N = 236. ** $p < .01$.

To test our hypothesized model, we added paths to the measurement model to create a fully mediated model and incorporated the control variables of age, minutes shopped, and return shopper status.[1] The fully mediated model fit the data ($X^2(287)$ N = 236, 711, $p < .001$; CFI = .96; NFI = .93; RMSEA = .07) and all of the substantive paths were statistically significant. We then added a path between hedonic shopping value and customer satisfaction to test partial mediation and Hypothesis 1. The partially mediated model also demonstrated good fit ($X^2(286)$ N = 236, 686, $p < .001$; CFI = .96; NFI = .93; RMSEA = .07) and the added path was statistically significant signifying support for Hypothesis 1. While the fit statistics for the two models were the same, the chi-square difference test between these two models was significant (ΔX^2= 25 (1), $p < .01$). This finding coupled with the fact that the added path was significant suggested that the partially mediated model is the better depiction of the hypothesized relationships. Results from the partially mediated model showed that the indirect effect of hedonic on customer satisfaction through organizational energy was .21, through organizational flexibility was .04, and through cognitive legitimacy was .13 and all three of the indirect effects were significant (through energy $t = 4.75$, $p < .000$; through flexibility $t = 2.16$, $p < .05$; and through cognitive legitimacy $t = 3.47$, $p < .000$). These significant indirect effects demonstrate support for Hypotheses 2, 3, and 4.

Figure 2: Standardized Path Loadings



[1] The control variables were not included in the measurement model because they were constants.

DISCUSSION

Perceptions of hedonic shoppers must be carefully managed by organizational leaders and members (Babin and Attaway, 2000; Jones et al., 2006; Stoel et al., 2004). These shoppers' perceptions are formed based on the product and service offerings of organizations, as well as distinct firm attributes. Understanding the organizational attributes that form the bases of these perceptions may increase the performance of organizations, especially in the new venture context where customer senses are heightened by new shopping environments. Accordingly, this study aims to investigate the importance of three attributes of newly started organizations that lead to variance in customer satisfaction levels among hedonic shoppers.

Our findings provide initial support for the notion that hedonically motivated shoppers significantly value new ventures that are legitimate, energetic, and flexible in nature. Our findings also add to the mounting evidence that hedonic shopping value is positive related to customer satisfaction (Babin et al., 1994; Babin et al., 2005; Jones, et al., 2006) by testing the relationship in the context of new ventures. In other words, given this sample of hedonically shoppers surveyed outside three separate new ventures, hedonic shopping value, cognitive legitimacy, organizational energy, and organizational flexibility are all likely contributors to customer satisfaction levels.

Our results lead to specific recommendations that leaders and members of new ventures can implement in order to improve satisfaction levels among shoppers who are hedonically motivated. Our recommendations are extensions of what many other researchers who have studied hedonic shopping motivations have prescribed in order to better customer satisfaction levels (Jones et al., 2006; Miranda, 2009; Nguyen et al., 2007). Organizational leaders and members may be well served to focus a number of elements they control before and during the shopping experience. First, as marketing researchers previously have pointed out, emotion plays a very important role in the experience of the hedonically motivated shopper (Holbrook, 1986; Jones et al., 2006). By ensuring organizational members are engaging all customers in conversation and using significant eye contact through training efforts, new venture leaders may significantly differentiate their organizations. This focus on emotion may mean organizational members serve the business most effectively by taking part in conversations among friends shopping, laughing at customers' jokes, demonstrating high energy levels, ingratiating shoppers, and sometimes enticing customers to explore options they may not have considered. These efforts may ultimately result in heightened levels of hedonic shopping value while visiting newly opened establishments.

In addition to focusing on the emotions of customers, all organizational leaders and members need to be well trained, demonstrate excellence in terms of product knowledge, and not detract from the shopping experience in any way when a business is new. Customers should have a "taken-for-grantedness" sense associated with organizational members. Product and service knowledge demonstrated by organizational members should be perceived as extremely high.

The capabilities of the organization related to modifications and customizations should be known by all organizational members, and ultimately all customers. Hedonic shoppers may best enjoy their experiences with the assistance of energetic, well-trained, and informed organizational members who know the capabilities of the business to meet specific requests of customers. Likewise, not only is employee training vital to the perceptions of organizational flexibility, organizations must also be capable of meeting requests for modifications and alterations, and have policies demonstrating and advertising these capabilities. Organizational leaders responsible for marketing and management should demonstrate and maximize the potential of their new ventures by inviting customers to ask for assistance, modifications, and customizations through signage and verbal reminders resulting from organizational policies.

LIMITATIONS AND FUTURE RESEARCH

As with all empirical research, limitations are associated with this particular study. First, although the data were collected in three separate stores employing surveys made up of previously developed and reliable measures, the method of data collection may not have been as in-depth and rigorous as possible. Future research may consider utilizing interviews or collecting observational data in order to more fully and more qualitatively investigate the antecedents of satisfaction levels of among hedonic shoppers in the new venture context. In addition, future research efforts may enhance knowledge in this cross-discipline business domain by conducting examinations utilizing on-line stores. Customer satisfaction may be

dependent on a very unique set of factors when considering shoppers of new on-line stores compared to those customers of their bricks-and-mortar counterparts.

The goal of this particular research effort was to study antecedents to satisfaction levels of hedonically motivated shoppers. Our understanding and use of the definition of a hedonic shopper drove our choices in potential predictors of customer satisfaction in the new venture context. Future research should employ other predictors based on definitions and research related to other more specific shopper types discussed in the marketing literature (e.g., value shoppers, idea shoppers, gratification shoppers) (Arnold and Reynold, 2003). With studies examining the perceptions of different shopper types, new predictors (e.g., product reliability, managerial accountability, information availability) (Choi and Shepherd, 2005) will likely need to be examined to further investigate attributes of new ventures significantly related to customer satisfaction levels.

Our study only utilized customer satisfaction as the dependent variable. Future research may be well served to include other outcomes as well (e.g., repatronage, purchase amount, word of mouth). The possibility of conducting longitudinal studies also exists. In addition, exploring how customers with distinct tendencies and needs perceive a series of new stores (e.g., new ventures located in a new shopping center) may provide insight into whether new ventures benefit or are disadvantaged by proximity.

Finally, future studies that investigate the impact of distinct marketing-related issues specifically at the time of start-up will greatly benefit the entrepreneurs, managers, and employees of new ventures. For instance, in this particular study we only examined the impact of three attributes of newness on perceptions of hedonic shoppers. Though we contend the study makes a significant contribution to the literature, we are excited about the great number of research questions yet to be asked and used to develop similar studies. Questions like, "Are newly-started family businesses better able to manage and meet hedonically motivated shoppers' expectations than newly-started corporate owned business?" and "Given that distinct types or subsets of hedonically motivated shoppers exist, which type is most likely to derive the most customer satisfaction from new ventures?" These inquiries and many others similar to them should continue and support the efforts of researchers, entrepreneurs, marketing executives, managers, and other new venture leaders in the future.

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SHIFTING THE BOUNDARIES WITH ENTREPRENEURIAL ACTIVITIES: NEW MARKET CREATION

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ABSTRACT

Purpose: By ignoring the present value of offerings of competitors and the market, entrepreneurial firms create a leap in the customer value function. As a result, boundary decisions are a major part of the new market formation strategy as boundaries of the firm co-evolve with the boundaries of the new market. Accordingly, this paper ties boundary decisions and new market creation of entrepreneurial firms together.
Design/Methodology/Approach: This paper is in conceptual form, literally discussing the identity and power related boundary decision related to new market creation.
Findings: As part of the theoretical discussion, it is argued that there are two basic boundary decision contexts which are directly related to market creation, that is, identity decisions and power structure of the firm. With the help of identity and power related boundary decisions, firms act beyond their legal boundaries, thereby re-forming the market's boundaries and re-defining the market.
Originality/Value: Boundary decisions are a major part of new market formation and boundaries of the firm co-evolve with the boundaries of the new market. Yet, the related boundary literature mostly centers on established firms and markets, and typically relate to their formal (legal) boundaries—especially buy-make decisions. In this paper, informal boundaries such as identity and power— which are more applicable to entrepreneurial firms and new evolving markets— are taken into consideration. Applying Field Theory from the psychology literature, and relating it to boundary decisions and new market creation, may be valuable for both the boundary and market creation literatures.

Keywords: Firm boundaries, market creation, identity boundaries, power related boundaries, field theory.

INTRODUCTION

Entrepreneurial firms need to combine both the exploitation and the exploration of the opportunities that they discover (Menguc and Auh, 2008) in order to drive the market according to their interest. By ignoring the present value offerings of the competitors and the market, these firms create a leap in the customer value function (Kumar et al., 2000). As a result, they make competition in the present market irrelevant by creating a new market (Kim and Mauborgne, 2005). Given the relatedness of a market driving strategy and new market creation concepts, the marketing and entrepreneurship literatures can be merged more succinctly. New market creation disrupts existing value propositions. At this point, innovation becomes the foremost construct. Thereafter, identification of profitable areas within the current rules and boundaries of the market is associated with incremental innovation. However, the formation of new markets and new boundaries for both the firm and the market demands radical innovation that creates a shift in the definition of the market. With radical innovation, we do not mean just a technological shift. Rather, regardless of whether it is associated with a technological change or not, we are interested in a discontinuous change in the consumer expectations and in the value function in the market (Darroch and McNaughton, 2002).

Schumpeter (1947) associates entrepreneurship with creative destruction—that is, disruptive or radical change. Similarly, market creation is a chaotic process that is driven by conflicts (White, 1981). Wickman (1998) explains the coexistence of chaos and order and the evolution of these two simultaneous forces are dialectic. According to Christensen and colleagues (2002), there are two generic strategies for transforming disruptive ideas into applications: (1) defining new markets, and (2) developing a new business model. Although these two are interrelated, in this study, we have focused on the new market definition as it relates to boundary decisions specifically—one of the most strategic decisions of the firm.
Boundary decisions are a major part of new market formation strategy and boundaries of the firm co-evolve with the boundaries of the new market. Yet, the boundary literature is mostly concerned with large, established firms (Leiblein and Miller, 2003)--specifically their formal (legal) boundaries and their buy-make decisions (Brouthers and Hennart, 2007; Jacobides and Hitt, 2005; Xu and Ruef, 2007). Consequently, the boundary decisions of small and new firms within new markets that are dynamic and complex are currently under-researched. Moreover, the important issues related to

boundaries and markets for these entrepreneurial firms are generally unrelated to make-buy decisions. Thus, in this study, we focus on entrepreneurial firms' new market creation process and the evolution of their related boundary decisions.

Following Santos and Eisenhardt (2005), there are two basic boundary decision contexts which are directly related to market creation, that is, identity decisions and power structure of the firm connected to the market and its competitors. With the identity decisions, we do not just mean the decisions for the firm only, because entrepreneurial firms form the identity of the market concurrently with their own boundaries. Thereby, the firm's own identity and its market(s) identity become identical over time — that is, the entrepreneurial firm becomes a cognitive referent of the new market. Concerning power-related boundary decisions of firms, the most important concept is legitimacy. Legitimacy is one of most crucial tools that provide power for firm within the market. Furthermore, firms may either combine two or more different value propositions that merge different markets or divide a present value proposition into different markets as they try to gain power in the new market. As a result, with the help of identity and power related boundary decisions, firms act beyond their legal boundaries and incidentally re-form market boundaries and re-define the market.

Due to the lack of relevant literature and the exploratory nature of this study, we have not looked for a cause-effect relationship. Instead, we have tried to provide an integrated picture of the situation from a theoretical perspective. Accordingly, we explain each part of the construct with the help of different theories, and then we combine these parts in order to understand the whole picture better. Our study is primarily informed by Lewin's Field Theory (1945) from the psychology literature. Field theory considers a problem as a whole and then evaluates parts related to the whole. In the market creation perspective, the whole represents the new market and the parts are the players in that market. A dramatic change in the part will also result a change in the whole, such as the market creation practice of a market driving firm. In addition, we apply principles from dynamic capabilities theory and institutional theory. Menguc and Auh (2008), considers combination of opportunity exploration and exploitation as a key capability in today's marketplace. Opportunity and new market creation are closely related to each other since opportunity is defined as taking the capabilities creatively together to form new value (Ardichvili, et al., 2003). In this respect, in order to explain opportunity identification and utilization, we applied dynamic capabilities theory of the firm. Additionally, institutional theory relates to issues of legitimacy and power of firm boundaries.

While firms re-conceptualize the market by making modifications on both the identity and power related boundaries, the market boundary also shifts and in this respect the markets are reconstructed by these entrepreneurial firms. In sum, the aim of the study is to explain the relationship between market creation and a new venture's boundary decisions with the help of a multi-theoretic framework—specifically, field theory, dynamic capabilities theory and institution theory.

THEORETICAL BACKGROUND

Field Theory

Field Theory was originally developed by Kurt Lewin (1945) for use in psychology. In the theory, field is "a totality of coexisting facts which are conceived of as mutually interdependent" (p. 240). In field theory, both established field and unfamiliar field concepts are important, and this has implications for our discussion of new market creation. Being established means, having a well defined position and definite relations between the different parts of the field. Established fields in entrepreneurship literature are established markets where rules are already known by all market players. Unfamiliarity is represented as a cognitively (psychologically) unstructured region. This means it is not clear what the outcomes of a certain decision or action will be, or in which direction one has to move to attain a certain goal. According to Lewin (1945), the uncertain character of the ideals and values keeps the firm in a state of conflict and tension. To get rid of that conflict, firms need to make the field more aware. If we take into account the conflict, ambiguity and tension within the new market area (Hougaard, 2004), then new markets represent unfamiliar fields for the entrepreneur (Gruber, 2007).

Field theory emphasizes the importance of the fact that any event is a result of multiple factors (Lewin, 1945). According to field theory, parts within a whole are interdependent but, at the same time they are usually independent to some degree. In other words, parts of a field will not be affected by a change in another part of that field, as long as the alteration is within certain limits. However, if the state of any part of the whole is changed to a degree greater than that certain limits, every part of the whole will be affected. Thus, after a radical change caused by an entrepreneurial firm that also re-defines

the market, the existing players in the market will be affected by this change (Storbacka and Nenonen, 2011). The shift that results from a change in the current value proposition in the market causes a qualitative change that affects both the entrepreneurial firm and the whole market. In other words, firms that create a new market (the part) reconfigure the market (the whole) and its boundaries.

Moreover, field theory argues that, during the state where there is no radical change, the process is not perfectly constant but show fluctuations around an average level (Lewin, 1945). As long as the fluctuations are within a predictable level, this process may be called as quasi-stationary. Change is defined as a shift in this level and depends on three basic phases: (a) a deviation from the present level, (b) reaching a new level, and (c) evolution of a new quasi-stationary process at the new level. Consequently, according to Lewin (1945), change and constancy are relative concepts — life can never be without change, and small differences in the amount and type is ongoing. In addition to being relative to each other, change and constancy (the status-quo) follow each other. In accordance with these postulates, for entrepreneurial firms that create new markets, change and stability are sequential processes. First, new values proposed by the entrepreneurial firms reshape the present market to create a shift in the market. Then, after these value propositions become generally accepted in the whole market, a new status-quo starts (Storbacka and Nenonen, 2011). Kumar and colleagues (2000) also argue that market driving firms create a shift in value perceptions within the present competition area and create a new status-quo and area for competition.

Institutional Theory

According to institutional theory, by force of concepts such as legitimacy, firms become alike in time and thus increase the chance to reach the resources and capabilities that is essential to survive (Meyer and Rowan, 1977; Kondra and Hinings, 1998). The uniqueness of the legitimacy in the early works of the theory is abandoned in the later works (Scott, 2008). Moreover, the initial work deals with legitimacy and similar firm forms, the later works use institutional theory to explain changes in both firm and market level (Aldrich and Fiol, 1994; Kondra and Hinings, 1998). A change in legitimacy as a result of the proactive behavior of a market driver forces other firms to change their nascent legitimacy in order to survive and compete (Scott, 1987). Moreover, the new and evolving market gains legitimacy with the help of new business models and new value, and as a result the old market loses its legitimacy. Thus, despite the fact that institutional theories deal with a static concept such as legitimacy, especially in their later works (Aldrich and Fiol, 1994), this concept becomes dynamic. Bringing the institutional theory and entrepreneurship literature together, institutional entrepreneurship concept has emerged. According to institutional theory, institutional entrepreneur searches for an opportunity for change within the institutional environment and by this way act as an "agent to change" the present institutions and make them obsolescent (Pacheco, et al., 2010).

Dynamic Capabilities

Teece and colleagues (1997: p.515) define dynamic capabilities as "internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment". The dynamic capabilities view (DCV) is about how firms gain strategic advantage and how they sustain this advantage (Teece et al., 1997) as well as how this process leads directly or indirectly to new value creation (Zahra et al., 2006).

The firm's capabilities directly affect its activities and preferences related to the market, in other words their boundary decisions (Santos et al., 2006). However, this is not a one-sided relation — rather, capabilities and boundary decisions affect each other. In other words, as capabilities affect the boundary decisions, (Barney, 1999) boundaries also help firms to achieve a dynamic fit between organizational capabilities and market opportunities (Santos et al., 2006). In a sense, firm boundaries and capabilities evolve together and they affect each other (Santos et al., 2006). The manner in which firms renew their resource composition according to the changing market can be explained according to the dynamic capabilities view (King and Tucci, 2002). In this respect, dynamic capabilities explain changes at both the firm and market levels.

Boundary Decisions

Boundaries are a socially constructed concept that defines systems and the relations within and between the systems (Schneider, 1987). There are a number of theoretical approaches related to boundaries that originate from different disciplines (e.g., Pfeffer and Salancik, 1978; Williamson, 1985; Ashkenas, 2000; Santos and Eisenhardt, 2005), all of

which are relevant for our purposes since all issues about corporate strategy involve the boundaries of the firm (Foss, 2001). Consequently, boundaries are defined differently based on different operationalizations of the term. Boundaries define characteristics of organizations (Aldrich and Herker, 1977), determine the relationships within and between organizations (Schneider, 1987), and demarcate an organization from its environment (Santos and Eisenhardt, 2005).

Although boundary decisions in new markets started getting attention in the early 2000s (Santos and Eisenhardt, 2005; Jacobides and Billinger, 2006), it is still very restricted and present studies by and large deal only with buy/make decisions (Leiblein and Miller, 2003) from a static point of view (Mota and Castro, 2004) based on transaction cost economies. As a result, extending the existing literature to entrepreneurial firms may only give disappointing results (Santos 2003). This is particular true for new emerging markets where the boundaries are ill-defined (Holloway and Sebastiao, 2010), thereby allowing firms to form both their and market's boundaries together (Santos and Eisenhardt, 2005). Moreover, in the literature, theories related to firm and market boundaries are considered as alternative to each other. Multi-theoretic studies are still very limited (e.g., Hernes and Paulsen, 2003; Zott and Amit, 2006). Thus, in the present study, we consider different theories to be complementary because they explain different part of the picture (Santos and Eisenhardt, 2005).

Organizations change their boundaries constantly since optimal boundaries are dynamic and redrawing the boundaries can play an important role in the strategic changes within firms (Baden-Fuller, 2001). Changing market boundaries are one of the most important strategic decisions and therefore boundary decisions play a vital part in this process. The analysis and shift of market boundaries are directly related to entrepreneurship and new market creation (Jacobides and Winter, 2007). Moreover, boundary decisions in new evolving markets are used to shape both the firm and the market (Santos and Eisenhardt, 2005). Moreover, in the case of determined boundaries, firms may differentiate themselves from the market (Araujo et al., 2003).

Parallel to the work of Santos and Eisenhardt (2005), identity and power related firm boundaries will be studied since they have important results related to new market creation.

Identity Related-Firm Boundaries

The identity concept describes the basic, distinctive and continuous properties (Huemer, Becerra and Lunnan, 2004) that asks what the organization is, defines a cognitive limit about which activities are appropriate and which are not (Kogut and Zander, 1996), and provides an emotional belonging (Santos and Eisenhardt, 2005). Identity may be a source of competitive strength by distinguishing the firm from others (Santos and Eisenhardt, 2005). The central argument of identity related firm boundaries is that organizational boundaries should be set to achieve coherence between the identity and activities of firms (Santos and Eisenhardt, 2005).

Identity decisions evolve and change over time (Hernes, 2003; Jevnaker, 2003). Especially the firm owner's thoughts and values and the environmental conditions during the very first times of the firm are some of the resources that form the firms' identity. Parallel to this, entrepreneurial capital, which is the capability of entrepreneur to realize and identify future opportunities, looking for opportunities continuously and exploitation of such opportunities by acquiring requisite resources (Erikson, 2002) are important in the evolvement of identity boundaries.

If we relate the firm identity concept with new market creation, market structure affects the firms' identity. In this context, with the help of identity boundaries, firms may change their boundaries and may act beyond their legal boundaries. Moreover, firms may compare their identities with the market's identity and as a result they may get a classification tool to affect the market's identity (Ashforth and Mael, 1989). In this respect, entrepreneurial firms that create new markets may dictate their identities to the market. As a result, the market's identity and boundaries become identical with the firm's identity and boundaries, and the market is formed with the firm's identity boundaries (Holloway and Sebastiao, 2010).

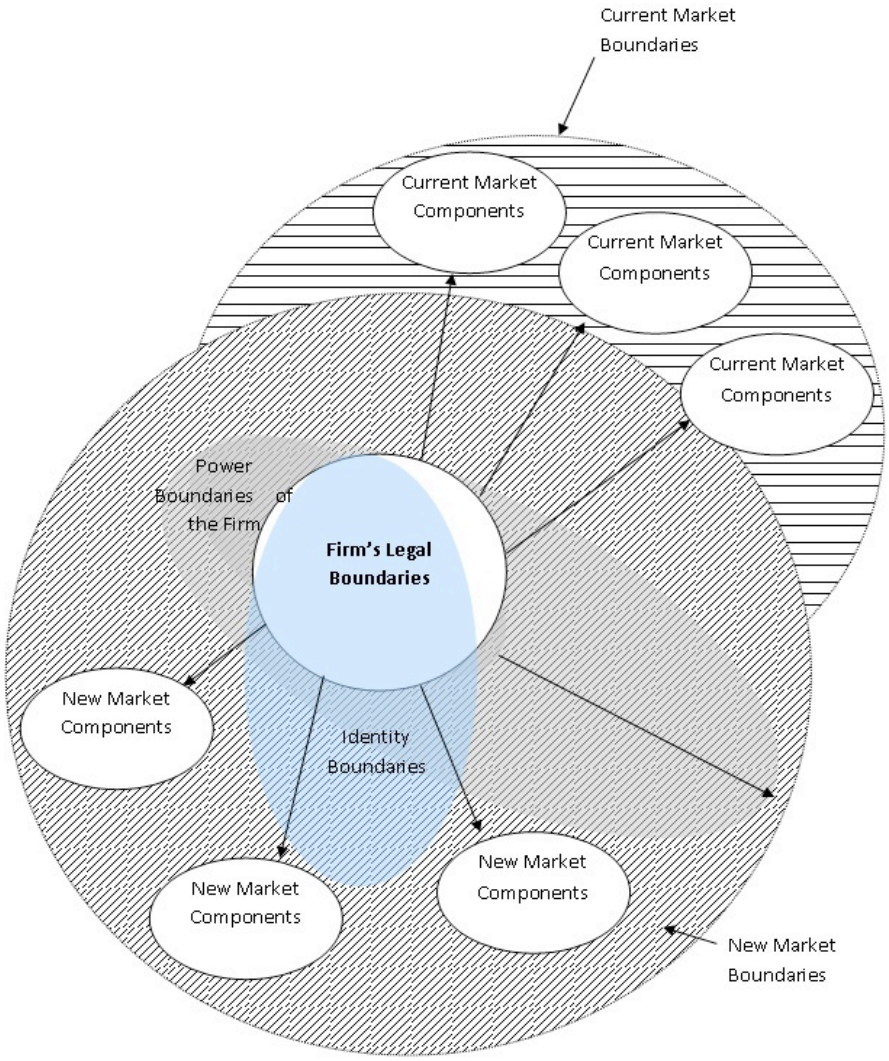
In other words, the relation between identity decisions and new market creation mainly depends on matching the firms' identity with the evolving markets' identity and forming these two identities together by the entrepreneurial firms (Hougaard, 2004).

Power-Related Firm Boundaries

The influence of the organization over strategic relationship with key environmental actors (Santos and Eisenhardt, 2005) or its ability to gain power within the market by reforming the value proposition in the market constitutes the power-related boundaries of the firm. The central argument is that organizational boundaries should be set at the point that maximizes strategic control over external forces (Santos and Eisenhardt, 2005). In this respect, power conception focuses on strategic implications of boundary decision for market control and paves way to influencing the market without extending the legal firm boundaries.

In this context, new markets may be created by taking different values together and as a result improving the proposed value (Jacobides, 2005), or splitting up the present value for different markets (Cacciatori and Jacobides, 2005). The preliminary condition of using these tools to create new markets is the presence of unrealized new value areas that have not been considered (Jacobides, 2005). While the value equation changes in a market with the help of environmental conditions or an entrepreneurial firm's activities, the market's boundaries re-evolves and as a result with the falling down of the old paradigms about the market a new value equation arises (Lewin et al., 1999). Thus, power-related firm boundaries may be used to control the whole market (Santos and Eisenhardt, 2005).

Figure 1. The Interaction of Boundary Decisions of Firms and New Market Creation Activities



Adapted from the work of Santos and Eisenhardt, (2005).

The relation between new market creation and current market boundaries is shown in Figure 1 which is adapted from Santos and Eisenhardt (2005). An entrepreneurial firm that makes changes to its identity- and power-related boundaries,

change both the organization's and the market's boundaries by acting beyond its legal boundaries. This change is studied under entrepreneurship and new market creation in the next part of the paper.

THE ROLE OF BOUNDARY DECISIONS ON NEW MARKET CREATION

In order to create a market, entrepreneurship is needed (Deakins and Mark, 2009). The entrepreneur creatively destroys the current status-quo (Schumpeter, 1947), creates a shift and disorder in the market and as a result defines a new status-quo. In other words, entrepreneurial firms continuously try to change the current status-quo (Hougaard, 2004). In this respect, entrepreneurship is nonlinear and discontinuous (Schindehutte and Morris, 2009).

The domain of entrepreneurship research is defined as the identification and exploitation of opportunities (Shane and Venkataraman, 2000). Davidsson (2005) also propose that both identification and exploitation of opportunities are crucial for entrepreneurship and they should be evaluated together. According to Menguc and Auh (2008), these two dimensions are considered as capabilities and in order to get competitive advantage in the market, a firm need to combine these two capabilities. Accordingly, Lumpkin and Dess (1996) stated the relatedness of those capabilities that seem conflicting. In this study, we will combine opportunity identification and exploitation that are both essential for new market creation.

Opportunity Identification

Kirzner (1973) defines opportunity as the specific information that entrepreneurs may acquire related to products and services in a market. Ardichvili and colleagues (2003: 69) defines an opportunity as the "chance to meet a market need (or interest or want) through a creative combination of resources to deliver superior value". In this respect, opportunity identification is defined related to new value creation and creatively combining the resources.

Opportunities may arise from changes in environment and/or technology (Shepherd et al., 2007). The distribution of knowledge in a market or society is not uniform, depends on time, and prior knowledge which explains why some people are able to identify particular opportunities that others fail to see.

Opportunity Exploitation

After the identification of opportunities, new markets can be formed only after the exploitation of those opportunities. There are two different approaches about the relation between opportunity identification and exploitation. According to the first approach, these two activities are contradicting and that's why different firms carry out these activities (Markides and Geroski, 2005). According to the second approach, the chance of identifying and then exploiting that opportunity is relatively high (Zahra et al., 2006) since it contains information related to identification that may be used during exploitation. Davidsson (2005) states that both opportunity identification and exploitation are essential for entrepreneurial activity.

After reviewing the opportunity exploitation, the subheadings of the subject; customer value, innovation and driving the market, will be examined.

Customer Value

There are different conceptualizations in the literature about customer value. In the marketing literature value is generally defined as the difference between the benefits and costs a customer realize from a product (Slater, 1996; Smith and Colgate, 2007). In the entrepreneurship literature, it is defined as co-creating with customers an experience that they never experienced before (Kim and Mauborgne, 2004). The idea of customers as co-creators of value has the power to completely transform the present market logic (Thomke and von Hippel, 2002). The difference between a firm centric view and co-creation view is not a minor but a qualitative one (Prahalad and Ramaswamy, 2004).

Co-creation of value has consequences not only for the product and firm level but also for the level of the market. Development of new solutions to satisfy needs that are not obvious to present consumers has the potential to change the market structure significantly (Slater and Olson, 2002). Within this framework, firms try to identify new opportunities to propose new value for customers and thus create new markets around these opportunities (Santos and Eisenhardt, 2005).

Existing boundaries of the market are ignored (Prahalad and Ramaswamy, 2002) and as a result, new markets are created and present markets are re-formed with the customers (Prahalad and Ramaswamy, 2004). As a result, value co-creation changes the rules within the market (Thomke and von Hippel, 2002) and re-defines the market and its boundaries.

Innovation

Joseph Schumpeter made the first link between innovation and entrepreneurial activities. Schumpeter (1950) defines innovation as a recombination process of existing resources which are held by entrepreneurs into a different form. Thus innovation destroys the existing value proposition in the market and creates a new one. Rather than a continuous and linear process, it entails a qualitative shift (Hougaard, 2004, Fagerberg, 2005).

There are different classifications for innovation concept in the literature. According to (Christensen, 1999), there are two general options of the firms and markets in terms of innovation. The first one is incremental innovation, which involves making small amendments in the existing practice, in order to keep it alive. The second is disruptive or radical innovation and apply reacting creatively to the change by going out of the existing practice. Consequently, innovation process constitutes a loop of evolutionary and discontinuous change following each other. These discontinuities offer a shift in the present price-performance relation and disruption in the market structure (Tushman and Anderson, 1986). These new relation requires new technical and engineering capabilities that are qualitatively different from the older ones.

Radical innovation can have profound internal effects, fundamentally changing the organization, its business model, its identity, reshape or destroy existing industries (Schindehutte and Morris, 2009:247) and leads to obsolescence of older products and value creation style (Iyer et al., 2006). In this context, radical innovation has a disruptive effect on customer value, competitors, and the firm itself who realize the radical innovation (Markides and Geroski, 2005). In this respect, radical innovation creates new competitive spaces, produces entirely new forms of value and reshapes current markets. (Schindehutte and Morris, 2009).

In a market, suppliers, competitors etc. are not eager to create new market areas and late to orientate to new evolving market since their cognitive structures and cultures cannot go beyond present market (Hougaard, 2004; Kim and Mauborgne, 2000). Because of this, when the market's boundaries change (Figure 1) present market players stay outside the new market.

Driving the Market

The notion of 'market-driving' is proposed by Jaworski and colleagues (2000) and it was initially related to market orientation. Over time, it departed from the market orientation literature and centered on market creation. In other words, driving the market is related to new market creation and market orientation is related to being market-driven (Canever et al., 2008). According to this, driving the market implies changing the structure or the composition of the market and/or the behaviors of the market players and creating new customer value accordingly. (Jaworski et al., 2000).

Market driving firms discover a revolutionary and disruptive change (Bergham et al., 2006) and reform the current rules of the game in the market (Kumar et al., 2000). They do not simply match customer value with their internal capacities; instead they design entirely new business models that allow them to drive value proposition in new directions (Carrillat et al., 2004). Parallel to explanations of institutional theory, market driving firms try to create a legitimate position for the value function and market it in order to make the other players in a market accept the new rules (Holloway and Sebastiao, 2010).

At this point, proactive changes on the structure of the market and/or behaviors of the market players are directly related to identity and power related boundaries of the firms. Put in another way, by transcending existing boundaries, market driving firms may constitute a new reality for the market (Nonaka and Toyama, 2002). They are market creators at the same time and by creating a shift in all dimensions of customer value they exist outside the retained strategy in the market (Dougherty, 1990). Thus, they re-define the existing market and make the existing competition irrelevant.

DISCUSSION AND CONCLUSION

In this study, we discuss the relationship between new market creation (or re-creation of the present market) with firm and market boundaries (see Figure 1). When entrepreneurs re-define the current market by making changes to their own identity- and power-related boundaries, the boundaries of the market also shifts and as a result the market is re-formed by these firms. In this respect, the firm's and the market's boundary decisions become congruent — that is, firms may actively change the market's boundaries while re-defining their own boundaries. After a shift in market boundaries, there is a lower probability of survival by current market players in the new market if they persist with existing value propositions. Thus, in order to compete they must follow the market drivers. The new market corresponds to a new set of capabilities and is associated with a discontinuous shift in the market as a result of a radical innovation In other words, there is a qualitative difference between new and existing approaches, and value propositions.

In this respect, by changing the market's boundaries and re-defining value, entrepreneurial firms make the current competition and value proposition irrelevant, thereby affecting boundary decisions. The first boundary decision related to new market creation is about identity decisions of the firm. The relation of this boundary decision with new market creation is the entrepreneurial firm's effort to make their identity identical to the market's identity. In this manner, firms may dictate their identity to the market and proactively change the market. Moreover, firms may use the differences they create through their identity to create new value for the market. The second boundary decision is power related. This decision can be summarized as forming a new value perception for the market by taking different values together or splitting up the present value into different markets, and in this way gaining power in the market. Firms may radically shift the market by making changes in the identity and power related boundaries. Thus, firms' boundary decisions and new market creation strategies intersect — new ventures may form a new market or re-form the existing one by making changes to their boundaries.

To sum up, in this study we propose a conceptual framework for the respective boundaries of markets and entrepreneurial ventures, and indicate the congruent nature of these two aspects. We limit our study to a theoretical discussion. For future research, qualitative studies that elaborate on this initial framework and provide a more detailed description of the concepts may add valuable new insights.

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ENTREPRENEURSHIP: A GAME OF RISK AND REWARD
PHASE II: THE START-UP

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ABSTRACT

ENTREPRENEURSHIP is a single person or single team, multi-phase business game. Its purpose is to provide a business game environment for participants who wish to play a computerized game that replicates some of the decisions which entrepreneurs must make and will, in turn, receive the possible rewards associated with these risks. This game simulates the development of the first five years of a technology-related firm. The game opens at the opportunity recognition stage with a simulated decision-cycle of one week. After an opportunity has been selected, the decision and reporting cycle becomes monthly until after the product has been developed and introduced into the marketplace. Thereafter, the decision making will be on a quarterly basis. The reporting cycle will follow the same time frames as the decision cycles. Any time the firm does not have the cash-on-hand to meet its payroll; the firm is deemed "Bankrupt." The primary benefit of this game is that it provides an opportunity for the player to perform an autopsy of the firm's failure.
If the firm fails, the players are allowed to play it again, hopefully using what was learned in the failure to their benefit. If the player successfully completes the first five years, the game terminates and the player is congratulated as being a successful (simulated) entrepreneur.

Keywords: business simulation; capital; entrepreneur; market introduction; opportunity recognition; product development

THE GAME

The game ENTREPRENEURSHIP is a non-market competitive computer simulation of a Start-up firm. In this game, as in most entrepreneurial ventures, the entrepreneur does not face market-place competition until his/her firm has been established, the start-up completed and the product has been developed and entered into the market-place. This game simulates the firm's development from the search for an opportunity, the process of starting the firm with its new product concept through the product's launch and until the product has been established in a market place. The game has a simulated five year time horizon. The first phase simulates the Opportunity Recognition Phase and uses a weekly decision cycle. The second phase is the Start-up Phase and uses a monthly decision cycle, and the third phase is the Product Launch Phase and uses a three month decision cycle.

The game reports the current simulated date as the week, month and year after the game has started. The game operates assuming four week months and 12 months per year. It assumes an eight hour, five day work week for employees. The management-partner, the game player's role, is expected to work at least 50 hour weeks, but the anticipated work time is a decision variable. The inventor-partner will break the 50 hour week rule whenever s/he is working directly with the entrepreneur-partner. The game does not account for holidays, vacations, or any other non-working time periods. It simply assumes the time outside the four week months are unaccountable.

During the "Start-up Phase" at non-random times, the game schedule's evening and week-end events for the entrepreneur and the player has an option of not participating in these meetings, but scheduling or not scheduling these meetings may lead to unexpected consequences. While the paper refers to the player as singular, this role may be played by a team of players.

THE START-UP

After the opportunity selection, the entrepreneur and the inventor figuratively get together and between the two, have an initial pool of money. (This is an administrator controllable parameter initially set by a random generator and should be in the neighborhood of 1,500,000 US dollars/Euros or any currency desired to be used). This amount will not be enough

money for the firm to complete its Start-up Phase, thus the firm will need to raise more money from a variety of sources, including the three Fs (Family, Friends and Fools); Angel and Venture capital are also possibilities.

What is known when the game gets to Phase II

During Phase I, the Search for Opportunity, many of the parameters that will be used in Phase II, the Start-up (described in this paper) are introduced. These are listed below. Phase I of this game was presented at the Symposium in 2009.

1. The initial unit sales potential forecast distribution for the five years after the product has been introduced into the market. This forecast is a non-symmetric distribution with 3 points provided to the player; the expected value, the upper 10% point, where there is a 10% chance the demand will be greater than the number provided and the lower 90% point, where there is a 90% probability that the demand will exceed the number provided. (The actual unit forecast is generated, but it will not be revealed to the player, only the 3 points in the distribution are ever revealed. (The actual unit-sales will be affected by the price, promotion and the quality aspects of the actual product produced.) These three points represent an optimistic, an expected value and a pessimistic estimate of possible outcomes. These 3 point estimates are frequently used in entrepreneurial ventures.

2. A non-symmetric distribution of the amount of time needed to develop the product until it can be ready for a market test is determined during Phase I of the total game. An estimate of the amount of time needed for product development will be provided to the player at that time. However estimates for the necessary development time will be biased – underestimating the actual time with the degree of underestimation being reduced after the development process reaches its halfway point. The bias will be normally distributed with an expected value of 20% and a standard deviation of 5 %. (The game administrator will know the actual time to completion, but it will not be revealed to the player.) After the halfway point, the bias of the expected time until the product development has been completed will gradually be decreased.

3. The distribution of unit cost of materials for the finished product (after the 100th unit) has been determined in Phase I. The player will see the parameters of the distribution, but will again not be told the exact amount of the unit materials' cost until the 100th product is manufactured. However the game administrator will know the actual cost at the beginning of the Start-up stage of the game.

4. An estimate of the unit direct labor costs of the finished product, after the 100th unit will be provided. Like the unit materials costs the player will see the parameters of the distribution, but will not be told the exact amount of the unit labor cost until the 100th product is produced. (The game administrator will know the exact value.)

5. An estimate of the learning curve for unit labor costs will be provided. The player will only know the distribution parameters but will not be told the exact value. (Again, the game administrator will know the exact value.)

6. An estimate of the learning curve for the reduction of unit raw material costs will be provided. The player will know the distribution parameters but again will not be told the exact value. (And the game administrator will know this value.)

7. The player will be provided an estimate of what the market might pay for the 100th unit of the product. The actual demand-price relationship will not be determined until the 100th product has been sold.

8. The value proposition of the product will be provided in the opportunity recognition stage.

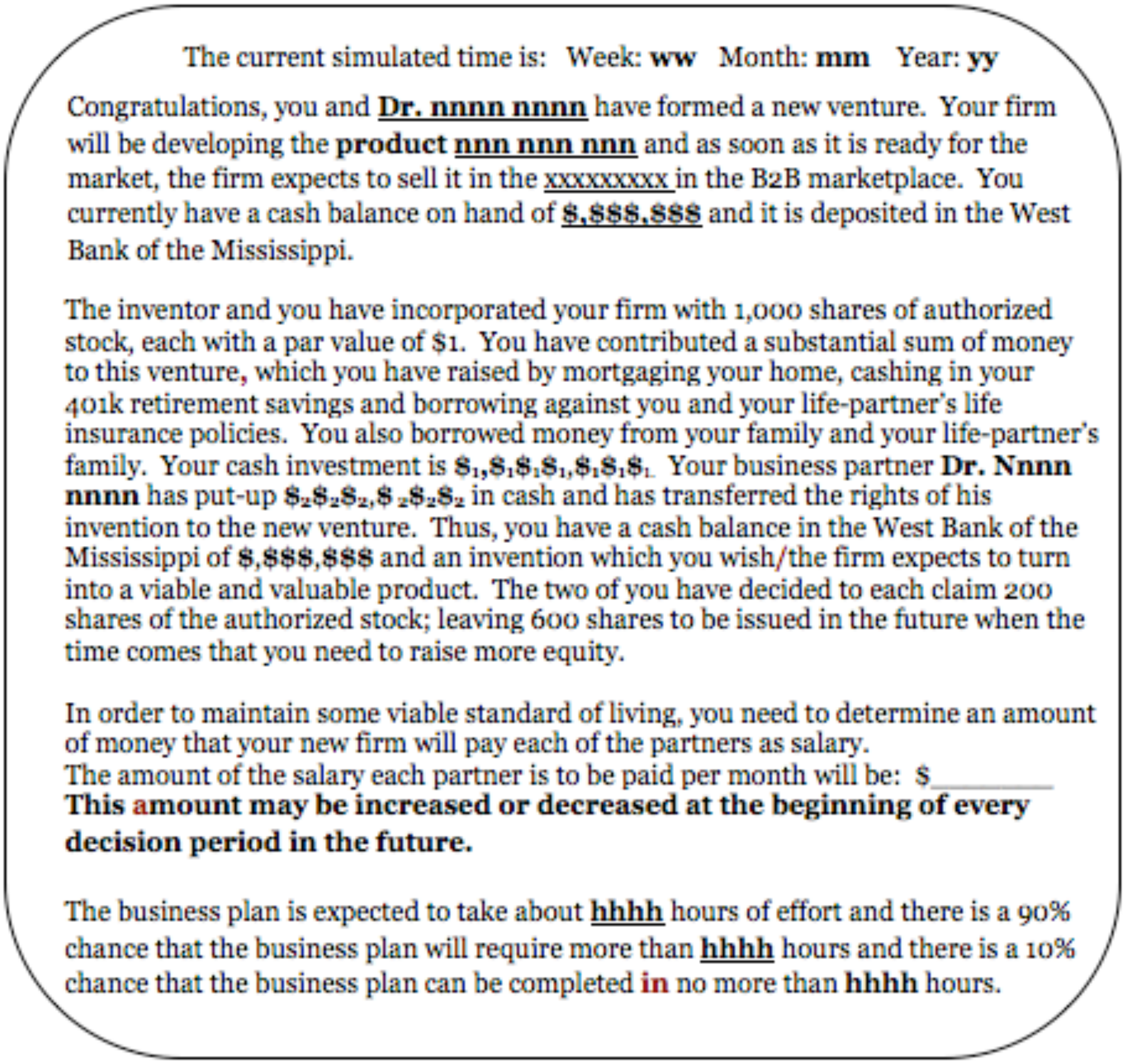
9. The market segment(s) that makes up the expected target market(s) will be provided in the opportunity recognition stage.

As soon as Phase II, the Start-up Phase, has begun, the game calculates a 100 point probability distribution of the time requirements needed to complete the business plan and alerts the player of these time estimates by using the 90th percentile point, the expected value point and the 10th percentile point of this generated distribution. These three points of this distribution will be revealed to the player on the first report screen of the Start-up Phase.

What decisions can be made during Phase II or the Start-up Phase?

The Start-up Phase includes those activities necessary to develop and manufacture the product, take it through its beta test and then introduce the product to the market place for the first three to six months of customer sales. Exhibit 1 displays the first screen the player sees in the Start-up Phase of the simulation. Exhibit 1 displays the first screen.

Exhibit 1: The first screen after the decision to Start-up the firm



The current simulated time is: Week: **ww** Month: **mm** Year: **yy**

Congratulations, you and **Dr. nnnn nnnn** have formed a new venture. Your firm will be developing the **product nnn nnn nnn** and as soon as it is ready for the market, the firm expects to sell it in the xxxxxxxxx in the B2B marketplace. You currently have a cash balance on hand of **$,$$$,$$$** and it is deposited in the West Bank of the Mississippi.

The inventor and you have incorporated your firm with 1,000 shares of authorized stock, each with a par value of $1. You have contributed a substantial sum of money to this venture, which you have raised by mortgaging your home, cashing in your 401k retirement savings and borrowing against you and your life-partner's life insurance policies. You also borrowed money from your family and your life-partner's family. Your cash investment is $\$_1,\$_1\$_1\$_1,\$_1\$_1\$_1$. Your business partner **Dr. Nnnn nnnn** has put-up $\$_2\$_2\$_2,\$_2\$_2\$_2$ in cash and has transferred the rights of his invention to the new venture. Thus, you have a cash balance in the West Bank of the Mississippi of **$,$$$,$$$** and an invention which you wish/the firm expects to turn into a viable and valuable product. The two of you have decided to each claim 200 shares of the authorized stock; leaving 600 shares to be issued in the future when the time comes that you need to raise more equity.

In order to maintain some viable standard of living, you need to determine an amount of money that your new firm will pay each of the partners as salary.
The amount of the salary each partner is to be paid per month will be: $________
This amount may be increased or decreased at the beginning of every decision period in the future.

The business plan is expected to take about **hhhh** hours of effort and there is a 90% chance that the business plan will require more than **hhhh** hours and there is a 10% chance that the business plan can be completed in no more than **hhhh** hours.

The player's cash investment is determined by a normally distributed random number generator with a mean of $1,000,000 and a standard deviation of $200,000. The inventor partner's cash investment is distributed in the same fashion with a mean of $500,000 and a standard deviation of $100,000.

Exhibit 2 displays the second screen of the Start-up Phase. Note that screen two states some necessary tasks to be done.

Exhibit 2: The second screen after the decision to Start-up the firm

After the firm's founding, it will need office space; locating that space has consumed two weeks of time for both you and your inventor-partner. The cost of this space will be $1,000 per month plus a utilities cost of $150 per month. You have rented enough space for the two founders, a secretary and one future new employee. This amounts to 500 square feet of office space plus another 500 square feet of open space that can be used as a product development laboratory. Each new professional whom you hire (after the first) will require additional office space of 100 sq feet costing an additional $200 per month and an added utilities cost of $25 per month. You have a 75% chance that any needed office space can be rented in the current building. If the office space can be found in the current facility it will require a week of your time to rent it and prepare it for use. Your inventor-partner can use this time to continue with the product development process. If you cannot add space in your current facility, you will need to find a new office space which will require a month (200 hours) of your time and two weeks (100 hours) of your inventor-partner's time. In addition, moving offices will consume one week (50 hours) of both partner's time and a week (40 hours) of every employee's time. After you hire your first professional employee, you will now need a secretary to support you, your partner and the professional employee. You will need one additional secretarial support person for every three professional employees during this phase of the game.

The hiring of a secretarial support person requires about 20 simulated hours of the player's time and about five hours of time from each of the employees. Each secretary is to have a monthly salary of $4,000 that, when the benefits and taxes are included, costs the firm $6,000 in cash per month. In addition, each secretary uses an expected $400 worth of office supplies (normally distributed with a standard deviation of $100) each month.

Note: all the specific values listed in the above screen are parameters and while they initially have values set by the game designers, the game administrators may alter these parameters.

During the Start-up Phase, the entrepreneur will often have more to do than he/she can get done. Many of the decisions typically end up being "what will need to be postponed." The choice to postpone constitutes a decision. The game combines product development, funding, and the selection of additional employees to the firm as business processes during a single stage because these processes take place either simultaneously or in close time proximity.

Exhibit 3 shows the initial results as displayed to the player.

Exhibit 3: The initial results screen

The current simulated time is: Week **ww**; Month: **mm**; Year: **yy**

You have sub-leased space from a firm in a local office park. The firm has allowed you to use 1,000 sq. ft. of currently unneeded space. This space is arranged in four small offices (500 sq. ft.) plus another 500 sq ft of laboratory space. This space will cost $1.00 per sq. ft. per month plus an allocated utility contribution cost of $150 per month. The search for this space has taken two weeks of you and your partner's time. The contract for this leased space may be canceled with 30 days notice by either party. Rent and utility contributions are paid in advance at the beginning of each month. You and your partner have spent two additional weeks moving into this new space and getting and setting up your business's commercial checking account, phone service, office equipment, internet connections and computer facilities. Your required deposits were $1,000 and the initial office equipment costs were $25,000.

The cash balance at the time you started the firm was	$xx,xxx,xxx.
The first month's salaries for you and your partner were	xx,xxx.
The office rent was	1,150.
Paid out deposits were	1,000.
Purchased office equipment amounted to	25,000.
	=========
Ending Cash balance at the end of the first month	$xx,xxx,xxx.

Since the firm is in the Start-up mode, it has no revenues—only expenses. Any infusion of cash is the result of the sale of equity or loans. The accounting process is reported on a cash basis, and thus it reports the "burn rates" of the cash on hand. The resource most precious during the Start-up stage of the business is the partners' time.

The game provides a list of tasks that must be accomplished for the business to succeed and the player prioritizes the activities that he/she thinks are the most important to success.

Toward the end of the Start-up Phase, some sales revenue will start to accrue to the firm. During this phase of the game, it is assumed that all sales result in full payment in cash at the point of delivery. This assumption will be changed for the Phase III of the simulation – The Market Entry Phase (not described in this paper).

The priority system for the "to-do" list

The player is presented with a screen that asks the player to list all the activities that he/she wants to engage in during the ensuing month and to prioritize each activity on a 3 point scale; high priority, medium priority or low priority. Note that the Technology Partner is willing to work at the rate of 200 hours per month (50 hours per week) or will work for the same number of hours that the player schedules of his/her time except for when the two must work jointly on the details of running the firm. All employees are expected to work 160 hour-months and work in their specialty areas unless they are required to do other non-regular tasks such as interviewing a secretary.

If events occur that require the player's immediate attention these events will cause the postponement of tasks with priorities lower than 2. Thus, Priority 3 tasks are postponed first, and priority two tasks are postponed if, and only if, there are no more priority three tasks remaining on the "to do" list. If all Priority three and two tasks are postponed, the amount of time committed to working is increased. Please note that it is possible for a situation to arise where the player must work long hours on this new venture. Very long work times may cause undesirable social consequences in this game.

Mandatory and necessary tasks will be scheduled by the game and discretionary tasks are to be scheduled by the player. That is, the game itself may schedule some events like being sick or covering some other time consuming tasks that are

the consequences of a decision, such as finding new office space if the current contract is canceled of if hiring a new employee requires more office space.

Exhibit 4 displays the list of tasks that the player needs to schedule and their codes. The input routine asks the player to record the task code, and the desired priority of each task. The program first determines the intervening issues and the amount of time each requires and then schedules the players remaining amount of time according to the player's priorities. The program updates all the needed tasks and calculates the amount of remaining time needed for each task to be completed.

Exhibit 4: A List of tasks that may be necessary

Task	Code
1. Spending time assisting in Product Development	APD
2. Spending time working on the Business Plan	BPD
3. Spending time working on a Marketing Plan	MPD
4. Spending time forming a Board of Advisors	FBA
5. Spending time forming a Board of Directors	FBD
6. Renting Additional Office Space	ROS Sq. Ft. xxxx
7. Renting New Offices Space	RNO Sq, Ft, xxxx
8. Moving Offices to new location	MNO
9. Hiring New Product Developmental Assistant	HPD
10. Firing a New Product Development Assistant	FPD
11. Hiring Financial Specialist	HFS
12. Firing a Finance Specialist	FFS
13. Hiring an Accountant	HAS
14. Firing an Accountant	FAS
15. Hiring a Marketing Specialist	HMS
16. Firing a Marketing Specialist	FMS
17. Hiring a Secretarial Staff Person	HSW
18. Firing a Secretarial Staff Person	FSW
19. Hiring a Chief Operations Officer	HCO
20. Firing a Chief Operations Officer	FCO
21. Hiring an Accounting Firm	HAF
22. Firing an Accounting Firm	FAF
23. Looking for money from 3-F sources	L3F
24. Looking for money from Angle Capitalists	LAC
25. Looking for money from Venture Capitalists	LVC
26. Looking for money from Banks	LBM
27. Conducting an Alfa Test	CAT
28. Conducting a Beta test	CBT
29. Spending time Promoting the product to Potential Customers	PPC
30. Preparing tax Documents	PTD
31. Authorizing a stock split	ASS Split Ratio xx:1
32. Professional Staff Meeting Automatically for 4 hours per month	PSM
33. Partners Meeting Automatically scheduled for 4 hours per month	PMT
34. Meeting with Lawyers	MLE
35. Maintaining Marketing Relationships with customers	MMR
36. Purchase Lab Equipment for New Prod. Development	PLE
37. Purchase Production Equipment for Manufacturing	PME
38. Leasing Manufacturing Space	LMS Sq. Ft. xx,xxx
39. Hiring Manufacturing Employees	HME number xxx
40. Purchasing suppliers for manufacturing	SFS
41. Purchasing assemblies, sun-assemblies and materials	PAM
42. Design, Purchase, Printing catalogs and PD material	DPP
43. Amount of Budgeted Mkt. and Promo. Expenditures	AME $xxx,xxx

A few tasks are scheduled automatically. For instance, the game schedules a meeting of the entire team every Monday morning for a one hour session. However, once in a while at random times this meeting will require more time. The game also schedules a one-hour meeting every Friday morning for the partners. This meeting may take more time than scheduled. The input screen for the player's decisions is shown in Exhibit 5

Exhibit 5: The Decision Input Screen for Phase II

The current simulated time is: Week **ww**; Month: **mm**; Year: **yy**

Please input the tasks that you intend to undertake next month. Do not forget to include your priority rating for each task.

	Task	Priority (1, 2 or 3)	Expected time commitment in hrs.
Task 1	_____	____	____
Task 2	_____	____	____
Task 3	_____	____	____

(This list expands as needed.)

The sum of the "Expected" Time Commitments sets the amount of time the player is expecting to work for the month. Actual amounts of time required are generated by the game itself. If the required time is less than the expected times, time is added to other tasks selected by the game. If the actual time is greater than "expected time," the game first cancels priority 3 tasks. If the actual amount of time continues to exceed the player's expected work time, the game then cancels priority 2 tasks. If the actual time requirement still exceeds the expected work time, the player works more hours than s/he wanted too. From time to time, the player will be prompted to spend what may be important extra time outside his/her normal duties. This request would appear on a screen as shown in Exhibit 6.

Exhibit 6: Request to spend some time giving back to the community

You have been invited to join the **Technology Executives Roundtable**. It meets every 3rd Thursday of the month for an evening dinner meeting with discussion among members of the problems of entrepreneurship. It costs $50.00 per month. There are about 50 members. All are senior officers of young technology based firms Do you wish to join? **[ ] YES [ ] NO**

After the product passes its Alpha test, the firm should begin purchasing manufacturing equipment, leasing manufacturing space and hiring manufacturing employees. However, a few units may be manufactured in the pilot facility within the laboratory, but this will only be enough to perform an alpha and a beta test and produce a few products to be sold in the market place Pilot built products will have 500% greater cost than products manufactured in the initial manufacturing facility.

Some specifics on how the game works

The inventor-partner, (a computer player) will act as the CTO (Chief Technology Officer) and expects to spend most of his/her time in product development, but often he/she will be required to participate in hiring, renting office space and fund raising activities. These activities take away from time the inventor might otherwise allocate to product development. However, all product development professionals hired will be able to devote most of their time to product development. While paid employees are expected to work 40 hours per week for the firm, all new employees will require some job training time in order to perform their duties. Job training time requires two weeks of paid time before the

employee begins to work; then each hired employee will undergo on-the-job training over the next 10 weeks. After this training, the employees are capable of producing up to their potential.

The product development consumables have an expected value of $300 a month with a standard deviation of $100 (no negative values will be produced). In addition, each product development employee spends an amount determined by a normal distribution with a mean of $150 and a standard deviation of $50.

Raising money for the firm

The firm can raise some funds from the Three F sources or Friends and Families of the principals as well as a few other possible investors (Fools). This process requires the firm to sell an amount of equity in the firm for which the firm receives cash. The acquisition of this funding requires a significant amount of time, but this form of financing is the only source available early in the Start-up process. The search for 3F funds requires an expected three weeks to cultivate. (Expected value of 180 hours with a SD of 60 hours, normally distributed) Each effort has a 50% probability that the 3Fs will make an offer. The offer will be an amount of money for a percentage of the stock. The offer, if made, will occur on the last day of the month and the player must decide in the next decision round whether or not to accept the offer.

Angel Funds will only be available after the invention has exceeded 50% of the expected product development time. The cultivation of an Angel Capitalist will require XXX number of hours to cultivate. (The expected time is 250 hours with a std. dev. of 100 hours.) Once an Angel has been found, there is a 60% probability that he/she will make an offer after the 50% level has elapsed. The more complete the business is, the better the Angel's offer will be. That is, the price per share offer will be greater as the business plan is closer to completion. The Angel will make an offer of money for stock, plus his/her assistance in raising venture capital, product and marketing development. This offer, if tended, will occur on the last day of the month and the player must accept or reject the Angel's offer during the next decision period. Venture Funding will be impossible before the new product has passed its Alpha test and the business plan has been completed. Banks only loan money on a collateralized basis and the firm does not have any collateral until it is in the production and marketing phase of the business (Phase III) and is not included in this paper.

Exhibit 7 shows this screen.

Exhibit 7: The report screen during the Start-up Phase

The current simulated time is: Week **ww**; Month: **mm**; Year: yy

You have an expected **xxx** hours of effort remaining until the invention has reached the 90th percentile of its expected product development completion time and an expected **xxx** hours of effort until the first draft of your business plan is 90% completed. Last month, you spent **zzz** hours working with your new venture.

You and your partner have spent your time during the last month doing the following:

1) # of hours Doing:
2) # of hours Doing:
3) # of hours Doing:
4) # of hours Doing:
5) # of hours Doing:
6) # of hours Doing:

List continues until all the time spent has been accounted for.

Exhibit 7 continues as follows.

Your cash burn rate for last month was as follows:

Beginning Cash:		xx,xxx,xxx
Salaries for the two partners:	xx,xxx,xxx	
Salaries of other employees:	xx,xxx,xxx	
Rent:	xx,xxx,xxx	
Office supplies:	xx,xxx,xxx	
Expense account expenditures:	xx,xxx,xxx	
Overhead:	xx,xxx,xxx	
Product development costs		
Consumables:	xx,xxx,xxx	
Utilities:	xx,xxx,xxx	
Costs of Capital Equipment:	xx,xxx,xxx	
Taxes:	xx,xxx,xxx	
Total Cash Expenditures:		xx,xxx,xxx
		=======
Cash Balance at the end of the month:		xx,xxx,xxx

I wish to change the partners' salaries by $_____ per month. (A negative value means you are reducing the salaries and a positive value indicates you are increasing salaries.)

The information screen is divided into four parts. The very top of the screen contains a calendar and a statement as to the estimated time remaining before any deadlines are expected to be met. The 2nd part of the screen displays the amount of time the player spent working with this venture during the previous month, and a short description of the accomplishments attained during the prior month. The 3rd part of the screen is devoted to a cash burn calculator showing the beginning cash balance, the cash expenditures and the ending cash balance. The 4th part of the screen allows the player to reduce or increase the amount of the partners' draw, thus altering the firm's cash flow.

The game has emergency situations that pop-up on a random basis and these emergencies must be completed or solved ahead of any other plans.

The list of "things to do" appears on a screen just before the decision screen for the Start-up Phase of the game. The items displayed on this screen will change as time progresses simply because all possible decisions would not be available during all the iterations of the Start-up Phase. For example, Leasing Manufacturing Space would not be a valid decision until some time prior to the Beta testing of the product. Hiring Product Development Specialists would not be necessary after the invention has passed its Beta test. Exhibit 8 shows a possible early "To do" list.

Exhibit 8: A "to-do" List

Hire a product development specialist. Code HPD

After training, the PDS could decrease the elapsed time until the invention was ready for the market. This person should be able to spend 40 hours a week working on product development. The invention is expected to require XXXX more hours in product development before it is ready for Alpha testing. This hiring process is expected to require about 40 hours of your time to find and interview three candidates. (The actual time required to find a set of three candidates will be a random number selected from a normal distribution with an expected value of 40 and a standard deviation of 10.) The selection of one employee from the three candidates will require another 20 or so hours. (The actual time of this process will be a random variable selected from a normal distribution with a mean of 20 and a standard deviation of 5.) This person is to be supervised by the product inventor. Supervision requires an expected five hours per week of your partner's time, which cannot be used for product development. (This supervision time is a random variable selected from a normal distribution with a mean of 5 and a standard deviation of 5 with a minimum of three hours per week for the first month.) The more time this person is employed the less time will be needed for supervision. (The expected time and its standard deviation decline as length of tenure increases and the rate of change in both the expected value and the standard deviation set at one hour less per week for each month of employment becoming constant at three hours per week after three months.)

Hire a finance specialist. Code HFS

The financial specialist's task makes it easier to find funding in the future. As the CEO it will be your job to supervise this person. Job supervision parameters will be the same as the Product Development specialists. The presence of a financial specialist reduces the expected time and its standard deviation of finding a money source by one hour each month employed for five months, when it stabilizes, with the minimums remaining constant. The presence of a financial specialist increases the amount of money per share of stock in the transactions by increasing the amount of funds offered by an average of 1% per month for the first six months of employment and the rate would stay constant after six months. The first financial specialist hired becomes the firm's CFO.

Spend time assisting the product development process. Code APD

Remember the CEO is not a product development specialist. For each actual hour of effort, the CEO accomplishes about ½ hour of simulated product development time.

Work on your Business Plan. Code WBP

The Business Plan is the responsibility of the player. The Business Plan must be completed before the firm can borrow any money or sell any equity in the firm except for 3F funds. In the 3F case, the firm may raise money from this source with the Business Plan being at least 50% completed. The Business Plan is expected to require about **XXX** hours of effective effort. Now at this point in time, the firm has completed only **ZZZ** hours of effort on its business plan.

Important Note when the CEO works on the Business Plan the inventor partner puts in 25 % of the amount of time the CEO devotes to the plan, which is time he/she cannot devote to product development.

Form an Advisory Board for your new company. Code FAB

This process could take an abundance of time before a needed four people are selected, but this time can be spread out over several months. The parameters of time consumed to locate an Advisory Board member are the same as you have in hiring a professional employee. You will need to interview and select four people to be on your Advisory Board. A good Advisory Board needs to have a set of compatible people, each with skills that will help the firm grow. A complete four person Advisory Board must be in place for two months or more before the firm may establish a Board of Directors. Advisory Boards

generally assist without pay. They may result in finding better employees and people to serve on the Board of Directors and may even help you find funding sources. The presence of a complete four person Advisory Board reduces the expected time of completing the start-up Phase.

Authorize a stock split. Code ASS/#.#

The firm was established with 1,000 shares authorized, and the two partners claimed 200 shares each. There may be times when the firm wishes to increase the number of shares authorized without altering the ownership. This is accomplished by a stock split. A two to one split would mean the firm has 2,000 share of authorized stock. The firm may need more shares in order to provide a finer division of ownership. The number of new shares would reflect the number of new shares per single old share. Thus, the entry: ASS/2.5 would result in 2.5 new shares for one share of old stock. Note that the partners and all current stockholders are not diluted by this process.

ADDITIONAL INFORMATION PROVIDED BY THE GAME

The reported estimated time until the product development is to be completed is biased. The reported time needed to complete product development will be less than the amount of time it will actually take. This will be accomplished by selecting a uniform random number between 0.75 and 0.90 and multiplying it by the actual number determined in the initial process. After all, product development times are almost always under estimated. The same process will be done to the time needed to complete the business plan. Exhibit 5 shows this scheduling input screen.

After the input screen has been completed, one or more screens may appear, if needed, asking for more specific information. An example would be where the player expects to fire someone. The screen inquires as to which employee is to be fired. Again the time requirement for firing has a mean of four hours and a standard deviation of one hour. The person will leave work immediately but will be paid until the end of the current month.

The results of the decisions will be shown on an output screen similar to that shown in Exhibit 4.

The determination of the efficiency and abilities of the professional workers

When a professional is hired, a random number is generated, which determines the abilities and efficiency of the worker. This efficiency variable is normally distributed, and it has a mean of 60 for workers without prior work experience and a standard deviation of 10 when the person begins working. However the longer a professional works, the more efficient they become. This "learning curve" is calculated using as follows:

> Efficiency in time period ET1 which is defined as the efficiency of the worker the month the person is hired. ET2 = Efficiency in ET1 * E1 where Ei has the following values: E1 = 1.01, E2 = 1.02, E3 = 1.03, E4 =1.05, E5 = 1.08, E6 = 1.08, E7 = 1.05, E8 = 1.03, E9 = 1.02, E10 = 1.01, and all other E values = 1.00 and ET1 is the initial value of the random variable determining the initial efficiency of the worker.

Thus, if a professional employee works 160 hours a month and the efficiency random variable associated with the worker is 90, the effective monthly hours for this person would be 144 or this person would accomplish 144 hours of work during their 160 hours of time spent on the task. When a professional is performing poorly, the player may fire him/her, but it requires the player to spend the hours need to fire a person, and then the player needs to hire a replacement, or he does not fill the vacant position.

Information on hiring

When the player wants to hire a specialist, the player gets to see a set of three candidates for a specific time commitment, sequentially. Like the opportunity search, when the player rejects a potential hiree, he/she never sees that person again and when they hire a person, they can never see a following candidate's information.

Information on the specialists

Age and experience reflect salary demands. The work experience of the potential employee is randomly assigned with the work experience in the specialty is uniformly distributed between 0 and 20 years. The age is the work experience plus a uniformly distributed random number between 22 and 45. Note that older workers have more experience. Each specialist has a "price" or a salary requirement associated with him/her and each has a gender and age associated with him/her as well as an indication of the amount of prior work experience in the field and an estimate of how efficient the worker may be.

The actual quality or efficiency of the worker at the start of his/her employment is determined by taking the parameter of a worker without experience (60) and adding the experience parameter value divided by two. The estimate of this efficiency provided to the player would be this value plus a normally distributed random variable with a mean of zero and a standard deviation of five.

The demanded monthly salary is equal to $4,000 plus ((his/her age (22 to 40) plus the years of experience (0 to 20years) multiplied by 40.))

The player sees the worker's profile and salary demands and decides to hire or not to hire. Just searching for an employee and looking at the profile consumes 10 hours of time. Hiring an employee requires an additional five hours of time. The players may review only three potential employees in any one field per month. If the player rejects all three, then no one is hired, and the player has consumed 30 hours of time. Since both partners of the firm are needed for the hiring process, the expended amount of hiring time is charged to both the player and inventor-partner.
Again note that all values are set by the game designers, but are changeable parameters.

Information on what specialists do

The Product Development specialist will spend his/her time (160 hours per month, less group meeting times and other non productive time) on Product development.

The Marketing specialist will spend his/her time (160 hours per month, less group meeting times and other non productive time) on market development. Successful market development decreases the sales cycle and increases demand, ceteris paribus.

The Finance specialist will spend his/her time (160 hours per month, less group meeting times and other non productive time) on the search for capital. The success of the financial specialist results in increased exposure to people with money to invest and a reduction in the cost of capital for the firm, ceteris paribus.

The COO is needed at least 2 months before the new product goes into manufacturing prior to market sales. Actual manufacturing for the product, other than prototypes and models for Alpha and Beta testing, cannot take place until the COO has been employed for at least 2 months.

Information on the possible unit variable manufacturing costs

The expected value for the unit variable manufacturing costs is $1,000, plus requiring a time commitment from the player of X hours. An additional Y hours of time and another $1,000 will provide the upper 90% estimate and an additional Z hours of time. An additional $1,000 will provide the lowest 10% estimate. Estimates of the unit manufacturing costs will be crude until after the first 100 units have been manufactured.

The Alpha test on the product results is a simple pass or fail. This test requires 20 hours of time for the player and 20 hours of time for the inventor-partner and 30 hours of time for each product development professional in the firm. An Alpha test costs $5,000. This test cannot be performed until the product is at least 80% through product development. The probability of a successful test is a function of the time remaining in the expected product development time line. The product must pass the Alpha test before it can be Beta tested.

The result of the Beta test is based upon potential customers rating of the product and the result is a score between 50 and 150. A test score of less than 100 is considered a failure, but the product may go to market with a score of 90 or greater. However, this score is an indication of market acceptance. A score of 150 would indicate a sure winner with a rapid start in the market place. This test requires 40 hours of time in each of two sequential monthly periods for the player and 20 hours of time in each of two monthly periods for the inventor-partner and 30 hours of time for each marketing professional in each of two monthly periods. The Beta test score is a normally distributed random variable with a mean of xxx and a standard deviation of 20 and an upper bound of 150 (the mean of this distribution is equal to the number of hours of completed product development, divided by the expected product development time and then multiplied by 100) The Beta test costs $50,000. If the product scores below 90 or if the player chooses to withhold the product from the market until further product development has been completed, a new test can take place after an additional month in product development.

Better information on the manufacturing cost learning curve may be obtained after manufacturing the first 100 units. This request requires 20 hours of the player's time and requires the existence of a COO (Chief Operating Officer). Each of these estimates costs $2,000.

Obtaining information on the unit variable manufacturing costs both time and money. 10 hours of time will provide the expected value, an additional 10 hours time will provide the upper 90% estimate and an additional 5 hours of time will provide the lowest 10% estimate. Each of these estimates cost $1,000. This estimate is much more accurate than any obtained prior to actually manufacturing a 100 units of the product.

The upper limit on 3F Funds is a controllable parameter and is initially set at 3 million. The ratio of the exchange of company stock for 3F Funding is also controllable. However, stock sales early in the firm's development require higher multiples than stock sold closer to the time the product is introduced into the market. This means that the earlier a player seeks funds, the more of the firm's equity needs to be given up in order to obtain the money. The schedule of equity for money is a parameter initially set by the game designers. The time requirement to raise 3F money is about a man-month per million and requires that both principals (the inventor and the player) commit equal amounts of time to the task. The exact amount of required time is a random variable and unknown to the player, but it will not be excessive. The exact value for each opportunity to raise 3F funds will be a normally distributed random variable with a mean of 160 hours and a standard deviation of 50 hours. 160 man-hours normally equals one man month. However, entrepreneurs are expected to spend substantially more time than that on their venture.

WHAT IS THIS GAME'S PURPOSE

If the player fails, that is when and if the firm goes bankrupt; the player is given the opportunity to do an autopsy of the failed firm. This is an opportunity to go back over what has transpired and analyze what went wrong and learn from his or her experiences. In actual situations, entrepreneurs are often too traumatized by the bankruptcy process to try to learn from a failed venture. And often, a single bankruptcy destroys the opportunity for another try. This game, in a true simulation fashion, allows an aspiring entrepreneur to have a simulated experience without the risks commonly associated with starting up a new business and to take away a great deal of knowledge about what may go wrong in such an adventure. This is a lesson rarely taught but often experienced by entrepreneurs.

APPENDIX 1: TIME REQUIRED TO COMPLETE THE GAME

The Entrepreneurship game is designed to simulate the first four to five years of a technology based, Start-up firm. Because of the stochastic nature of the decision making process, the actual duration of the game may vary, but the game should stop after no more than five simulated years or less. The game divides this five year period into three distinct stages; the opportunity recognition stage; the Start-up stage and the market development stage. The opportunity recognition is simulated on a weekly basis, and it is expected to require between 5 to 25 very quick decision periods of 3 to 5 minutes each. The Start-up stage is simulated on a monthly basis, and it is expected to be completed within 8 to 15 decision periods. Start-up decision periods are expected to require between 10 to 20 minutes each. The final market-place stage will be simulated on a quarterly basis, and it is expected to require between 12 and 15 decision periods, each requiring between 15 and 20 minutes per decision period.

APPENDIX 2: THE ED DISTRIBUTION

The ED distribution is a created non symmetric distribution of values such that the mean of the distribution is specified and the lower the nth percent of the distribution is less than a specified value and the upper nth percentile of the distribution lies above a specified value. The ED Distribution is the combination of one half of two normal curves with the same mean but different variances. The process is first to generate random selections from a normal distribution with a mean of χ and a standard deviation of $\partial 1$ and excluding observations greater than its mean χ. This selection process continues until it produces N1 valid data points. Then the process generates random selections from a normal distribution with the same mean as before (χ) but with a standard deviation $\partial 2$, and this second process excludes values less than its mean (χ) and continues until it has produced N2 valid data points and N1 = N2. The parameters $\partial 1$ and $\partial 2$ are selected in a way that allows easy calculations of the lower 90% and upper 10% values for the desired distribution.

APPENDIX 3: THE PROBABILITIES OF SPECIFIC EVENTS

The player needs some information on the expected time before the invention will be ready to go to market. To obtain this information, the actual time that will be required before an ALPHA test can be performed will be generated using the ED distribution. However, the time reported to the player will be less than the actual time required (The expected time needed for product development is always underestimated). The game will not allow an ALPHA test until a specific amount of product development time has elapsed. If the player attempts an ALPHA test before the real amount of time has elapsed, he/she will receive a message that the product is not yet ready for an ALPHA test. The APLHA test must occur before a BETA test can occur. The likelihood of passing the ALPHA test is 0.5 for the first time, 0.7 for the second time, 0.8 for the third time, 0.9 for the fourth time and 100% for the 5th time. A successful BETA test must occur before the product can be brought to market. The probability of passing the BETA test is 0.06 for the first try, 0.7 for the second try, and 0.8 for all additional tries.

The player is given an estimated time for completing the firm's business plan. This estimate is generated in the same way as the product development time. First, a true value is generated using the ED distribution. The player is then given a low-ball estimate using the estimator bias parameters that were used in providing the low-ball estimate of product development time. The business plan must be completed before any investments by 3rd parties can be expected except for funds obtained through 3F financing. 3F funds can be raised as soon as the business plan is 50% completed, although the cost of capital in the 3F funds case is a function of the completeness of the business plan and the presence of a CFO in the firm. The amount of money offered per request is set at 1 million dollars plus a function of the completion of the business plan. This formula is the percentage of completion minus 50 percent. Thus, if the business plan was 70 percent complete the 3F funders would offer 1 million, 200 thousand dollars. In return for their money, the 3F funders expect 10 percent of the stock in the firm. This percentage of stock falls based upon the presence of a CFO and the length of time the CFO has been on-board. The percentage of stock demanded by the 3F funders goes down one half of a point for every month a CFO has been on staff after the first month and this lowering of the cost per share stops after a CFO has been with the firm for six months. An example of this calculation would be as follows: Assume a CFO has been with the firm for 4 months. In this case, the shares demanded would be 8.5 percent of the company's shares. This was arrived at by counting the number of months the CFO has been on board, minus one, which is 3. One half of one percent times three equals a reduction of 1.5 percent, thus the request for 8.5% of the shares. Note that the greatest discount possible is equal to 2.5 % for six months of service by the CFO.

EXPERIENTIAL LEARNING AS TEACHING STRATEGY FOR ENTREPRENEURIAL MARKETING EDUCATION: DESCRIPTION OF AN EXPERIENCE AND ASSESSMENT OF ITS IMPACTS ON STUDENTS' CAREERS

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ABSTRACT

Purpose: This article reports and assesses under the lens of Kolb's (1984) Experiential Learning model an experiential project adopted in 2009 with 90 undergraduate students. This model was utilized to assess the learning experience impact on student's career and on the development of their entrepreneurial marketing knowledge, skills and attitudes.
Design / Methodology: An ex post facto on-line questionnaire was sent to all 90 students. Study categories included entrepreneurial experience, marketing and entrepreneurship interface, entrepreneurial and marketing skills, learning modes, and intentions. The questionnaire was answered by 52 respondents.
Findings: Results contradict arguments which state that entrepreneurial context tend to have a different perspective in marketing. And that, maybe, there is a small adherence of Kolb's (1984) model in entrepreneurial marketing educational settings.
Research limitations / Implications: The size of the obtained sample does not allow any result generalization for the target population. As the survey was conducted only in the 2011, aiming to recall perceptions of a learning experience occurred in 2009, individuals' perceptions may be influenced by unknown factors.
Originality / Value: Despite of the recognition of Kolb's (1984) Experiential Learning model as a possible strategy for entrepreneurship and marketing teaching, few studies in Brazil assess or criticize its effectiveness in these knowledge fields. The present article adds an important contribution as it describes and seeks to evaluate the referred model adherence to the learning process in a higher education program.

Keywords: Entrepreneurial Entrepreneurship Learning, Entrepreneurial Marketing, Entrepreneurship, Entrepreneurship Education, Experiential Learning, Marketing Education

INTRODUCTION

In higher education there is a growing demand for entrepreneurship teaching in general (Katz, 2003) and data from a Peltier and Scovotti (2010) study suggests that entrepreneurial marketing education is needed in the business curriculum. Among the explanations which justify this growth, three can be underlined: recognition of the importance of entrepreneurship role for the economic development, increasing interest among young people for an entrepreneurial career and the need of the companies for innovation in order to ensure market competitiveness.

An entrepreneur can be identified as someone who has a behavior related to innovation, to action and to new products and venture creation (Shook et al., 2003). However, in higher education, traditional teaching methods in which there is no room for innovation and creation still prevail (Anderson et al., 2001; McKeachie, 2002). A study carried out by Solomon et al. (2003) in the United States shows that entrepreneurship teaching is also replicating that same model and it has finished using mainly traditional methods.

Bechard (2000), in an assessment of 146 entrepreneurship courses spread over five continents, as well Souza et al. (2004) in an investigation about entrepreneurship teaching methods and techniques in Brazilian universities, came to the same conclusion. In addition, Bechard (2000) states that the methods utilized in entrepreneurship courses are basically methods of reproduction. These methods are characterized by traditional lectures, demonstrations, modular contents and predominant repetitive exercises.

In the face of this situation, literature on entrepreneurship education highlights the importance of developing and utilizing alternative methods and techniques, instead of mere knowledge reproduction, pointing out the need of adopting methods

which facilitate the experience of the entrepreneurship process (Bechard, 2000; Katz, 2003; Ramos and Ferreira, 2004; Souza et al., 2004) and the learning of competences such as selling, creating new products, managing business relationships, identifying opportunities and creativity (Aronsson, 2004; Souza et al., 2004).

One of the alternatives, which can fill this gap, is the Experiential Learning (EL) model (Kolb, 1984) applied to entrepreneurship education (Kuratko, 2005; Solomon, 2008), as well as to the marketing education (Frontczak, 1998). Herein referred to EL, in this method students may experience situations whereby they process knowledge, skills and attitudes (Hoover and Whitehead, 1975). Though, despite of its recognition as a possible strategy for entrepreneurship and marketing teaching, few studies in Brazil, describe or assess its effectiveness.

Based on these arguments, the purpose of this article is to report and assess principally under the lens of Kolb's (1984) EL model, an experiential project adopted in 2009 with 90 undergraduate students from the Business Administration course at the Federal University of Rondonia attending the Marketing Research and Management Consulting disciplines.

To this end, a descriptive and exploratory study was conducted utilizing an ex post facto questionnaire in order to assess the impact of this experience on the students' career and on the development of their entrepreneurial marketing knowledge, skills and attitudes in the entrepreneurial marketing context.

The article is structured as follows: section II provides the theoretical foundations by reviewing the contributions of the studies on the interfaces between entrepreneurship and the marketing knowledge fields; presenting the research on entrepreneurship education and entrepreneurial learning; and ending up with the applications of EL method (Kolb, 1984) to entrepreneurship and marketing education. This is followed by section III with the presentation of the research method and the data gathering instrument. Section IV discusses the research results based on the experiential project description and on an exploratory data analysis. Finally, considerations of the contributions, limitations and implications of the article are made for future research.

THEORETICAL FOUNDATIONS

Marketing and Entrepreneurship interface

Changes in the macro environment scenario were responsible for a reconfiguration in marketing practices in organizations. Factors such as knowledge economy, globalizing industries, fragmenting and frictionless markets, empowered customers and adaptive organizations indicated the paths and new trajectories for the marketing discipline (Day and Montgomery, 1999), which include new organizational architecture in the form of strategic partnerships and networks for the delivery of superior value (Webster, 1992). These factors have triggered questions in academic literature about the practical application of scientific research to the subject (Tapp, 2004) and efforts aiming to understand the management of marketing activities in specific settings like, for example, the entrepreneurial context (Collinson and Shaw, 2011; Hills et al., 2008; Morris et al., 2002; Stokes 2000b).

Thus, the interface between the fields of marketing and entrepreneurship has been increasingly emphasized by some authors (Carson, 1999; Carson, 2010; Gilmore and Coviello, 1999; Morris et al., 2002; Stokes, 2000b; Uslay and Teach, 2008). The gradual contributions from entrepreneurship and innovation to marketing, consolidated attempts to combine both disciplines in an unique construct, which some authors classify as entrepreneurial marketing (Morris et al., 2002; Stokes, 2000a). Defined as "the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation" (Morris et al., 2002, p. 5), entrepreneurial marketing involves shortest decision processes preceded by few formal procedures (Collinson and Shaw, 2001; Fillis, 2002) that differ from the consolidated knowledge of marketing textbooks (Hills et al., 2008; Stokes, 2000b).

Entrepreneurial marketing concept synthesizes critical aspects from marketing and entrepreneurship fields in a comprehensive concept that aims to provide conditions for marketing practice in contexts of environmental turbulence where companies are pressured to improve the productivity of their resources (Collinson and Shaw, 2001; Morris et al., 2002). In this case, marketing principles differ from the traditional perspectives of the discipline, because they are innovation oriented rather than customer-orientated, include bottom-up targeting instead of top-down segmentation, admit

the use of interactive marketing methods to the detriment of structured use of marketing mix and informal networking and information gathering in the marketing intelligence process (Stokes, 2000b).

Carson (1999) and Collinson and Shaw (2001) emphasizes that entrepreneurship and marketing fields of study have three interface areas. Both are change focused, opportunistic in nature and innovative in management approach. This approximation points to two needs related to the research and teaching of entrepreneurial marketing: researchers must build methodologies able to allow a close observation of the phenomenon (Gilmore and Coviello, 1999) and educators must create participative teaching procedures which can encourage students to deal with change, identify opportunities and develop personal skills (Collinson and Shaw, 2001). Innovative learning methods that stimulate practical experiences of skills transference for future insertion in labor market are important for management education (O'Brien and Hart, 1999) and marketing education in particular, especially if it's considered that marketing decisions in this context are part of a set, concomitant with the holistic management of the business (Gilmore and Coviello, 1999).

Entrepreneurial Education and Entrepreneurial Learning

The recognition that entrepreneurship is the engine powering the economy of many nations has generated an increasing interest in the development of educational programs in order to enhance entrepreneurship (Gorman et al., 1997). In United States, for example, a great expansion of entrepreneurship educational programs throughout the last decade has been reported (Kuratko, 2003; 2004; 2005), including the chronology and intellectual trajectory descriptions of this expansion (Katz, 2003).

By reviewing the literature on entrepreneurship education published between 1985 and 1994, Gorman et al. (1997) concluded that there is a broad consensus among researchers around the fact that entrepreneurship can be taught in some extent as well as there is also preliminary evidence that entrepreneurship may be positively influenced by educational programs. From the 92 articles selected by these authors, most of them approached entrepreneurship education in the formal education context, many of them focusing higher education. This seems to be the locus of great developments in the entrepreneurship education since that, according to Kuratko (2004, p.5), "the trend in most universities is to develop or expand entrepreneurship programs and design unique and challenging curricula specifically designed for entrepreneurship students".

The role and importance of higher education for the entrepreneurship education are objects of an OECD book that among other aspects compares contents and pedagogies utilized for entrepreneurship teaching in several countries (Potter, 2008). Solomon (2008) states that, besides the courses contents, higher education institutions are challenged to design effective entrepreneurial learning opportunities for entrepreneurship students. According to Politis (2005, p.401) entrepreneurial learning "is often described as a continuous process that facilitates the development of necessary knowledge for being effective in starting up and managing new ventures".

Entrepreneurial learning dynamics is an important element for entrepreneurship practice and study (Cope, 2005) since entrepreneurs learn through an experiential process where the personal experience is transformed into knowledge (Politis, 2005) which includes components that Minniti and Bygrave (2001) identified as experience, process information and make mistakes and Politis (2005) as career experience, transformation process and entrepreneurial knowledge.

Kourilsky and Walstad (2002) report entrepreneurial experiences lived by students and their contribution for skills development. Among the examples of essential skills to be developed by entrepreneurs are: sales, managing people, creating a new product or service (Aronsson, 2004), as well as building relationships and identifying opportunities (Baron and Markman, 2003; Shook, et al., 2003).

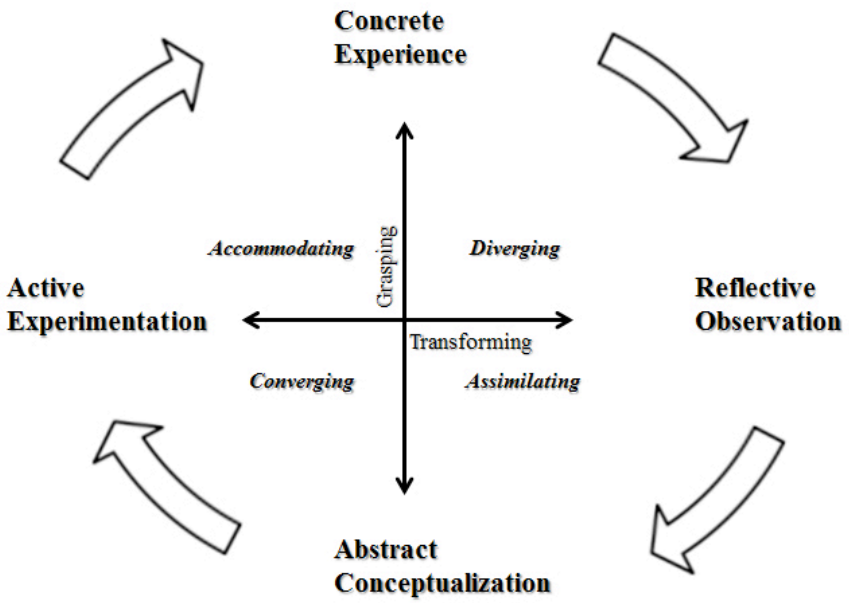
The assumption that entrepreneurship learning occurs in an experiential way seems to be understood by some educators since that there are empirical evidences that traditional entrepreneurship teaching methods are beginning to open paths for new methods which understand that "the essence of entrepreneurship education, then, must reflect reality" (Solomon, 2008, p.103). An example of this is the observation that the adoption of project-based EL is widespread in US entrepreneurial education through the utilization of diverse teaching tools (Solomon, 2008). The EL tools reported in the literature assumes diverse forms such as business plans, student business start-ups, consultation with practicing entrepreneurs, computer simulations, behavioral simulations, interviews with entrepreneurs, environmental scans, "live" cases, field trips and the use of videos and films (Kuratko, 2005).

Experiential Learning and its applications in Entrepreneurship and Marketing Education

The EL model proposed by Kolb (1984) is an integrative perspective capable to join conditions for the comprehension of the relation between learning, work and the creation of knowledge itself. EL includes the necessary tools for understanding the process of acquisition and transformation of information by individuals and how the behavior of this process results in different opportunity recognition and exploitation abilities in the entrepreneurial context (Corbett, 2005). According to Kolb (1984) learning is understood as a holistic and continuous process that involves experiences able to provide integrated functioning of the total organism, like thinking, feeling, perceiving and behaving.

Kolb (1984, p. 38) defines learning as "the process whereby knowledge is created through the transformation of experience". The cyclic model that he suggests includes the stages of active experimentation, concrete experience, reflective observation and abstract conceptualization and additionally follows a dual dialectically modes of grasping experience and transforming it, which jointly "defines a holistic learning space wherein learning transactions take place between individuals and the environment" (Kolb, A. and Kolb, D., 2008, p. 42). This dialectically mode establishes two approaches in which an individual acquire information, via apprehension or via comprehension (Corbett, 2005) and the "four learning styles that are associated with different approaches to learning: diverging, assimilating, converging, and accommodating" (Kolb, A. and Kolb, D., 2005, 196). Although its limitations to classroom learning (Grair, 2002; Gremler et al., 2000; Neale et al., 2009), it emphasizes that the process is "considerably broader than that commonly associated with the school classroom" (Kolb, 1984, p. 32). Figure 1 illustrates the EL process according to Kolb, A. and Kolb, D. (2008, p. 47).

Figure 1: Experiential Learning process



Adapted from Kolb, A. and Kolb, D. (2008), "Experiential learning theory: a dynamic, holistic approach to management learning, education and development", in Armstrong, S. and Fukami, C. (Eds.), *Handbook of Management Learning, Education and Development*, SAGE, London, Lnd, pp. 42-68.

Previous works on EL indicate a positive evaluation of the method from students and research academic community. Bobbitt et al. (2000) applied the model to work teams of three marketing course disciplines. Their investigation occurred over two academic terms, where students were divided in groups in order to expose them to different kinds of decisions and to provide a realistic view of marketing process. The results, which reached positive feedback, reinforce Bridges (1992) arguments: marketing students desire elevated involvement levels with the course, expressed by activities that may connect them to what happens in the labor market such as the realization of group projects. According to Gremler et al. (2000) and Petkus (2000), EL method when applied in services marketing courses enable knowledge creation through collaboration among students who understand in practice and in depth the scope and complexity of the core discipline concepts, as opposed to the superficial approach of traditional course lecture format.

These results seem to converge to the method application in entrepreneurial education context. According to Daly (2001, p. 204), "this technique is an effective way to study 'real-world' entrepreneurship and retail management", particularly if it is considered that individuals learn in different ways and that these learning modes foster significant impacts on opportunity identification and exploitation process (Corbett, 2005). Robinson (1996) adds that EL dynamics contributes for entrepreneurship education as it ensures that learning opportunities transcend cognitive knowledge acquisition through the inclusion of anxiety and excitement associated with a new venture. Another important consideration on EL application refers to the professor's efforts reorientation during the teaching process. According to Daly (2001, p. 214), "much more time is spent on individual counseling than the conventional lecture-discussion or case-analysis class".

But although its use is widespread in US entrepreneurship education (see Solomon, 2008), methods like EL are not predominant in Brazilian higher education institutions (Souza et al., 2004). This finding is corroborated by the survey of Ramos and Ferreira (2004) on entrepreneurship education practices and contents in business administration courses, which indicates the need for the development of entrepreneurial education methodology based on experimentation. This recommendation, nevertheless, seems to constitute a great challenge because as pointed out by the Alberti et al. (2004) discussion on the status of current research on entrepreneurship education, one of the main problems in this area may lie in measuring the results of the entrepreneurial educational process, since the means for assessing it are not well defined, neither standardized yet.

METHOD

Research Method, Sample and Measurements

In order to describe and assess the process of EL adopted in 2009 as a teaching method with undergraduate students of a Business Administration program at Federal University of Rondonia, Brazil, a descriptive and exploratory study was conducted. A descriptive approach was used to report the pedagogical experience and, as it was the case in a study performed by Li et al. (2007) on the EL adoption in a MBA curriculum, the exploratory technique supported the examination of students perceptions, opinions and evaluations about the learning experience, its contributions for their professional career, as well as for their knowledge, skills and attitudes development in the marketing and entrepreneurship disciplines.

The target population defined for this research included all 90 undergraduate students, who in 2009 were regularly enrolled in two different academic terms of the Business Administration program and participated in the learning experience project. That is, a class of 41 students from the sixth term and a class of 49 students from the eighth term. Considering that one of the goals in assessing the learning experience was to measure its contribution to the students' careers, the authors established as a pre-requisite for the research realization the condition that most of the participant students had effectively graduated, a fact that occurred officially in the first quarter of 2011. Thus, an on-line structured survey was developed and sent by e-mail to all 90 project participants, whose e-mail addresses were informed by the university's student administration and records section. The questionnaire was answered by 52 respondents, a return rate of 57.7%.

Considering the time lapse between the learning experience and the research moment, an ex-post-facto structured questionnaire containing 30 questions was designed based in five measurement categories: 1) entrepreneurial experience; 2) marketing and entrepreneurship interface; 3) entrepreneurial and marketing skills; 4) learning modes; 5) intentions. The categories 1 and 5 were inspired by Peterman and Kennedy (2003) research on entrepreneurial education in the Australian context.

Categories 2 and 3 were based in the conceptual differences underlined by Stokes (2000b) in his comparison between traditional and entrepreneurial marketing. Category 4 was developed based on EL model learning modes (Kolb, 1984): i) concrete experience; ii) reflective observation; iii) abstract conceptualization, and; iv) active experimentation. The formulation of the questions in this category was oriented by Frontczak's (1998) suggestions about Kolb's (1984) model application in the marketing education process. Questions and scales for each category are shown in Table 1.

Table 1: Categories and scales

Category		Question Content	Scale
Entrepreneurial experience		Previous participation in entrepreneurship education with a similar methodology	Dummy: yes=1; No=2
		Previous professional experience in small business	Dummy: yes=1; No=2
		Development of own business	Dummy: yes=1; No=2
		Participation in the development of someone else's business	Dummy: yes=1; No=2
		Participation in the development of a new product, service or process (intrapreneurship)	Dummy: yes=1; No=2
Marketing and entrepreneurship interface		Product development characteristics (a)	Dummy: Formal research =1; Trial and error = 2
		Marketing strategy definition	Dummy: Market segmentation, target market definition and product or brand positioning = 1; Informal understanding and definition of consumer needs=2
		Marketing tactical actions	Dummy: Based on the structured marketing mix decisions sequence= 1; Random decisions based on marketing mix use or not = 2.
Entrepreneurial and marketing skills (12 specific skills)		Opportunities identification; opportunities assessment; partners choice; teamwork; new venture creation planning; new venture resources mobilization; new products development; promotion and communication; sales; new brands creation and development; new venture management; relationships and partnerships development.	Do not contributed = 1; Contributed a lot = 5
Learning Modes	Concrete experience	Project commitment	Not committed = 1; Very much committed = 5;
		Work team commitment	Not committed = 1; Very much committed = 5;
		Professor's commitment	Not committed = 1; Very much committed = 5;
		Professor's contribution	Do not contributed = 1; Contributed a lot = 5
		Satisfaction with professor's support	Very dissatisfied = 1; Completely satisfied = 5;
	Reflective observation	Project contribution to professional formation	Completely unimportant = 1; Extremely important = 5
		Project importance to entrepreneurial formation	Completely unimportant = 1; Extremely important = 5
		Methodology evaluation to the entrepreneurship and marketing learning	Very bad = 1; Very good = 5
		Behavior changes towards entrepreneurship, marketing and sustainability after program	Completely disagree = 1; Completely agree = 5
	Abstract conceptualization	Business administration program disciplines which concepts were useful for the Project accomplishment	13 alternatives list
		Ability in relating project to entrepreneurial reality	Completely disagree = 1; Completely agree = 5
	Active Experimentation	Ability to apply entrepreneurship and marketing concepts professionally	Completely unable = 1; Completely able = 5
		Post Project entrepreneurial experience: creation of own new venture, creation of someone else's new ventures; creation of new product, service or process development (intrapreneurship)	Dummy: yes or no
Intentions		Intentions to open own new venture after experiential learning project	Certainly I will start up = 1; Certainly I will not start up = 5

ANALYSIS AND RESULTS

Experiential Learning description

At the beginning of the second academic semester of 2009, it was proposed to the sixth and eighth term students of the Business Administration course at Federal University of Rondonia, respectively enrolled in the disciplines of Marketing Research and Management Consulting, the realization of a complementary learning experience, a group work project named FEIMARC (abbreviation for the Portuguese expression Feira de Marketing the Cacoal - "City of Cacoal Marketing Trade Fair"). Although not conceived originally as a learning experience referenced by Kolb (1984) EL model, it was based on the so called "learning by doing" concept and its general objective was to integrate the entrepreneurship and the marketing knowledge fields. In a specific way, it intended to apply marketing research techniques to new products development (and to the development of their respective business plans) based on the local raw materials biodiversity, in order to exhibit and sell them in a small trade fair organized by the students themselves, at the end of the semester. The option for these materials intentionally envisioned the local sustainable development perspective, although discretely, since the State of Rondonia is located in the Amazon Region and it has been known as one of the most deforested state of that Brazilian region.

As a final result, it was expected the development of value added products, sufficiently presentable to be exhibited and marketed in the trade fair. The experiential project was designed and coordinated by just one professor who was responsible at the time for lecturing in both disciplines involved.

The FEIMARC Project proposal was built, inspired by the objective-and-task logic, i.e. both raw materials and final products (core products) were previously defined by the coordinator in order to establish a challenge that should be overcome by students. Thus, the sixth term students (Marketing Research discipline) were divided into nine work teams and a specific raw material was attributed to each group. Each team was challenged to design and implement, taking in consideration its respective raw material, a marketing research project aiming to gather data and information on a target market for the products and on their respective production processes. Additionally, the professor suggested secondary (optional) products that could be developed by the work teams from the same raw material. Table 2 presents a list of the raw materials, core and secondary products categories.

Table 2: List of raw materials, core products and secondary products

Raw material	Core Product	Secondary Products (Optional)
Cocoa	**Handmade chocolate**	**Chocolate candies filled with regional liquor**
Bamboo	**Furniture (chair, sofa)**	**Decoration objects**
Banana	**Straw Banana**	**Banana tree fiber handcrafts**
Fish leather	**Fish leather shoes**	**Fish leather accessories**
Babassu/Buriti/Tucuma/Brazil nuts	**Essential oil (value added raw material)**	**Cosmetics**
Buriti Straw	**Fashion clothes**	**Fashion accessories**
Yam/Sweet Potato	**Starch (value added raw material)**	**Brazilian cheese breads, cakes, etc.**
Araçá-Boi and Cupuassu/Tucuma pulp	**Concentrated Juice**	**Ice creams**
***Conillon* Coffee**	**Coffee essential oil (value added raw material)**	**Cosmetics**

Since raw materials and final products were already determined by the professor, all work teams had on their hands a technological challenge: to make feasible the production process. For that purpose, all sixth term work teams were directed to research the necessary production steps for the manufacturing of the final products, in the following sources of information: i) SBRT (On-Line Brazilian Service of Technical Answers); ii) academic articles and technical books or reports; iii) companies and universities websites; iv) face-to-face interviews with local entrepreneurs or executives

experienced either in the production/marketing of similar products or in some stage of the production process of the product in question; v) contact with other researchers or faculty of regional universities.

Concomitantly to the sixth term tasks, other nine corresponding work teams were formed in the eighth term class. It was attributed to those groups the challenge to render consulting services. In other words, by using the concepts of the Management Consulting discipline these students received two responsibilities regarding the sixth term work teams: i) support them in research activities related to the product development process (data and information gathering), and ii) writing business plans for every core product developed.

Both classes work teams used the entire academic semester to develop their products and business plans. The second phase of FEIMARC was the trade fair organization, the culminating event of the learning experience designed to share with the University student body and local community the results of the integrated entrepreneurial and marketing efforts of the students involved in the project. Due to diverse advertisement, communication and invitation actions performed by the two participating classes more than 300 visitors attended the event, a number that exceeded the expectations for public attendance. In addition to the developed products exhibition, all the work teams had to sell products and present to interested visitors the details of the business plans.

As a final task, all the sixth term work teams had assigned specific members to research visitors' buying behavior, as well as their satisfaction and buying intentions regarding the developed and exhibited products. Finally, after the trade fair, the professor received a copy of all research reports generated from that activity and collected all the business plans, in order to correct them and assign the respective tabulation of the research completed during the exhibition.

Exploratory study

Major Findings. Marketing and Entrepreneurship interface and Kolb's (1984) learning modes

Marketing and Entrepreneurship interface category was defined as a way to check the adherence of collected data to the conceptual foundations of entrepreneurial marketing construct. One major finding of this study was that investigated students, in general, did not realize in the experiential learning activity the principle proposed by Stokes (2000b). According to that author, entrepreneurial marketing processes, when compared to traditional marketing concepts, uses bottom-up targeting of customers as strategy and interactive marketing and word-of-mouth marketing as methods, instead of top-down segmentation, target and positioning and the structured use of marketing mix, respectively. Data reveals that most students answered that they utilized in FEIMARC Project the traditional marketing principles consolidated in the discipline's textbooks.

For example, 76% of all respondents pointed out the utilization of a formal definition of marketing strategy (segmentation, targeting and positioning) for the products developed in the FEIMARC Project. And 66.7% of students from sixth term and 73.3% from the eighth indicated that the definition of tactical marketing actions for the same products was based on the structured marketing mix concept. These results contradict arguments which state that entrepreneurial context tend to have a different perspective in marketing (Hills et al., 2008) and that "entrepreneurial characteristics seem to be at variance with marketing according to the textbook" (Stokes, 2000b, p. 1). Nevertheless, there can be reasons for these results if we consider, for example, the research method operationalization criteria, that is, the pre-requisite established by the authors that most of the participants had effectively graduated. As the survey was conducted only in 2011, aiming to recall perceptions of a learning experience occurred in 2009, previous research on entrepreneurship field shows that individuals, when asked about their perceptions, "may be influenced by people's stage of life, or their age, as well as their exposure to exogenous influences" (Peterman and Kennedy, 2003, pp. 140-141).

Another consideration is related to what Frontzack (1998) recommends about EL model application. According to her, the professor must expose in the classroom, marketing concepts and theories that will be practiced in the EL. Before the FEIMARC project realization there was not a presentation of the dichotomy between traditional and entrepreneurial marketing discussed by Stokes (2000b), which guided questions formulation in the Marketing and Entrepreneurship category. An assumed motive for this result discrepancy would be, therefore, the absence of theoretical knowledge able to support students' answers in this category.

Data gathered based on another question (product development characteristics) formulated to make part of the Marketing and Entrepreneurship interface category, must be highlighted as well because they indicate a result divergence between both students' classes. While 86% of students from the sixth term have answered that the product development was based on trial and error attempts, what is backed by the concepts proposed by Stokes (2000b), only half of the eighth term have agreed with this assertion. The other half pointed out that product development in the learning activity was based on formal research of the consumers' needs, a fact that contradicts the argument that marketing process happens according to few formal procedures (Collinson and Shaw, 2001). A likely explanation for this result inconsistency may lie in the differences of assigned tasks throughout the FEIMARC Project: sixth term students were responsible for product development and production feasibility, while the eighth term ones were involved in conceptual activities related to the management field, like business plans support and development.

One second major finding refers to the application of Kolb (1984) EL model to the assessment of the learning process, enabled by a project-based learning method in entrepreneurship and marketing education. The analysis of data gathered through questions formulated for the Learning Modes category suggests the existence of a gap in this model which is related to students' perceptions about their ability to apply, in their career, the entrepreneurship and marketing concepts. Despite 95.2% of sixth term and 100% of the eighth term students noted the FEIMARC Project importance for their professional career, the rates concerning Active Experimentation mode indicate that maybe there is a small adherence of Kolb model in entrepreneurial marketing education settings.

According to Kolb (1984), knowledge results from the combination and creative tension among the four learning modes and it is created through the transformation of experience. Or, in other words, the experiential learning dynamic and the holistic cycle follow a resolution of "dual dialectics of action/reflection and experience/abstraction" (Kolb, A. and Kolb, D., 2008, p. 44). In this manner, the model portrays two dialectically related modes of grasping experience (Concrete Experience and Abstract Conceptualization) and transforming the experience (Reflective Observation and Active Experimentation) (Kolb, A. and Kolb, D., 2005). In this study, there was representativeness in the answers related to following questions: experiential project contribution and importance for entrepreneurial and professional formation; methodology evaluation for entrepreneurship and marketing learning; and the attitudes modification in relation to entrepreneurship, marketing and sustainability (all of them belonging to Reflective Observation Learning Mode). On the other hand, only 27.3% of the sixth term and 16.7% of the eighth term students answered that they felt fully capable to apply the concepts learned at the FEIMARC project in their career. These results suggest that, although there has been confirmation of the Reflective Observation mode, the perceived ability in applying the acquired concepts in practice has proved to be insufficient to transform experience through active experimentation as suggested by Kolb (1984).

Therefore, data analysis entails a theoretical and a practical questioning. First, perhaps Kolb's (1984) model cannot be generalizable for "all arenas of life" (Kolb, A. and Kolb, D., p. 44), or at least for all arenas of entrepreneurship and marketing education as this present research suggests. Second, there might have been a problem related to the proposed methodological design due to the following reasons: the EL project conception neither included Kolb (1984) model as its underlying intellectual background, nor defined it as a future learning assessment tool. Only when the present research was outlined, the EL model was taken into account as a framework for assessing the learning experience project.

Thus, further research is necessary to examine if in entrepreneurship, marketing or entrepreneurial marketing education settings, dual dialectics cycles of action/reflection and experience/abstraction occur in a holistic manner and effectively allow higher education students to transform experience through active experimentation (Kolb, A. and Kolb, D., 2008; Kolb, 1984). These investigations are needed to enable the understanding of the applicability levels of EL model, its effectiveness in relation to traditional or alternative learning methods and, finally, its impact on the development of skills, entrepreneurial and marketing knowledge in the student's professional career.

Other findings

Data analysis also indicates that 95% of respondents did not participate of previous learning experiences based on the EL method, what confirms Ramos and Ferreira (2004) and Souza et al (2004) arguments about the incipience of experiential methods applied to Brazilian entrepreneurship education.

When considered the rest of the questions of the Previous Experience category, which focuses professional entrepreneurship experience, it was detected a slight difference only in the question referring to "previous professional

experience in small businesses". Data reveals that 54.5% of sixth term students did not possess any former experience in that type of business, while 56.7% of the eighth respondents had already experienced that professional environment.

This small difference found correspondence (in a slightly larger proportion though) in the category Intentions, in which data indicates that, respectively, 60% of the sixth and 86.6% of the eighth students' terms demonstrated intentions to start up their own ventures. These data suggest a possible contribution from the FEIMARC Project as a tool that may potentiate individuals' interest in starting up new ventures, reinforcing Peterman and Kennedy (2003, p.133) proposition on the relation between professional experience and interest to become an entrepreneur: "those who have broader experience or more positive experience will be more interested in furthering their knowledge and experience of entrepreneurship".

CONCLUSION, IMPLICATIONS AND FUTURE RESEARCH

The debate on the future of entrepreneurial education forms is supported by the international academic literature. Luczkiw (2008, p. 91), for example, points to a paradigm shift that "need to recognize the changing dynamics of the global landscape and the major impact of that change on teaching" and learning. This standpoint is shared by Katz (2003), who indicates the existence of an uncertainty about this paradigm nature. These arguments also trigger Brazilian researchers' interest: in a broader sense there is a demand for the application of teaching methodologies favorable to entrepreneurial context, based on discussion, reflection (Souza et al., 2004) and experimentation, which outcome is measured in terms of satisfaction and method effectiveness (Ramos and Ferreira, 2004). Although there is a need for a careful planning of methodologies which can increase students' satisfaction rates and contribute for the learning experience (Mahrous and Ahmed, 2010), previous work have demonstrated that there is room for methodologies which reach positive feedbacks (Bobbit et al., 2000), increase students' collaboration levels (Gremler et al., 2000; Petkus, 2000) and their commitment to the course (Bridges, 1999). The present article adds a contribution for this ongoing debate as it describes and assesses EL methodology utilized as a complementary teaching method with 90 undergraduate students of the Business Administration program at Federal University of Rondonia.

Considering that the purpose of this article was to report and assess principally under the lens of Kolb's (1984) EL model, an experiential project adopted in 2009 with 90 undergraduate students from the Business Administration course at the Federal University of Rondonia attending the Marketing Research and Management Consulting disciplines, the results reached represent an opportunity for the production of new investigations on the subject. First, it was observed that students did not realize in the experiential learning activity the principles formulated by the main authors of entrepreneurial marketing field. Further research must prove or deny these principles, taking into account the marketing decisions specificities in entrepreneurial marketing setting (Collinson and Shaw, 2001; Hills et al.,2008; Morris et al., 2002; Stokes, 2000b). Secondly, an important questioning in this study is whether or not Kolb's (1984) EL model fits into the entrepreneurial marketing educational environment. Although the researched learning experience project has received positive evaluation from students, data suggests that acquired concepts during its implementation were insufficient to transform experience to active experimentation as suggested by that author. Thus, further research may reply or adapt the categories utilized in this study to verify the EL model in other entrepreneurial marketing experiential learning activities.

Although results reached by the research are not generalizable due to the reduced population and sample, it strengthens the argument from some Brazilian and international scholars about the utilization of teaching strategies able to follow the paradigm shift in this research field (Luczkiw, 2008; Katz, 2003). A second consideration is the assessment of the EL strategy which employs the "learning by doing" and "objective-and-task" logics in the Brazilian context: a country that has individuals with good perceptions for opportunities, but afraid to fail in new ventures startups (Greco et al., 2010). Additionally, this paper brings a description of a methodology few discussed and disseminated in Brazil, which suggests alternative possibilities for knowledge creation (Kolb, 1984). Finally, the operationalization method is emphasized in very specific regional context of Brazilian reality, in an attempt to encourage the development of products based on the local raw materials biodiversity, in order to call attention to the sustainability theme. These advantages do not exclude, nevertheless, an important limitation of the research method used in this study observed by Peterman and Kennedy (2003, p. 130): descriptive "techniques are not likely to provide convincing evidence that entrepreneurship can be influenced by educational programs".

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VALUE CONSTELLATIONS IN STRATEGIC BUSINESS NETWORKS – THE CASE OF AN INNOVATION NETWORK OF ENTREPRENEURIAL FIRMS

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ABSTRACT

A growing body of scholars are advocating a better understanding of how value is created in business networks, rather than merely in business relationships or at the level of single actors. Among such networks, innovation networks, i.e. the configurations of strategic entrepreneurial nets aimed at improving the effectiveness of innovation performance, have come under scrutiny in the business marketing literature. However, research that explicitly connects value considerations with innovation network configurations is still in its infancy, with empirical evidence being notably scarce. This study is aimed at identifying if and how network configurations affect value constellation aspects in business networks, in terms of value recipients and value outcomes. We interviewed key informants representing 46 high-technology entrepreneurial firms co-located in an innovation network (Daresbury Science and Technology Park - UK). Our study identifies that different network configurations can co-exist in the same overall network; these, nevertheless, are not alternative independent structures, but rather they interact with each other through actors spanning their boundaries. Our study thus provides an understanding of network configurations relating to specific value consequences, but also provides evidence relating to the interactions between different configurations. By doing this, we establish a bridge between a business marketing and a strategy perspective on value in networks. Important managerial implications and implications for policy makers also emerge from our study.

Keywords: Value constellations, network configurations, innovation network, Science and Technology Park

UNDERTAKING A NETWORK APPROACH TO STUDY ENTREPRENEURIAL FIRMS WITHIN SCIENCE AND TECHNOLOGY PARKS

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ABSTRACT

Despite the extensive research conducted on Science and Technology Parks (STPs) examining their nature, formation, evolution and outcomes, limited research can be found using a network level of analysis. Instead, most research is conducted at the team or entrepreneurial firm level, with limited attention given to either relationships or the embedding network surrounding entrepreneurial firms in STPs. On the other hand, studies focusing on entrepreneurship are characterized by a growing network-based research tradition. What this stream of research lacks, though, are further qualitative studies to enrich our understanding of the content of relationships and of the structures within entrepreneurial networks. With this paper, we integrate these two areas of research (i.e. STPs and entrepreneurship) from a business marketing perspective and address the identified research gaps. This is achieved by undertaking a network study to analyse different strategic net configurations of the 46 entrepreneurial high technology firms within a UK-based STP. Three different strategic net configurations are identified, with entrepreneurial firms being classified accordingly as believers, seekers or doubters. Unlike what is often hypothesized, the strategic net configuration chosen by an entrepreneurial firm within a STP has no association with the firms' developmental stage. The paper reinforces the perspective that an inter-organizational network approach based on business marketing theory is beneficial for undertaking research on STPs and entrepreneurship, providing entrepreneurs, STPs and policy makers with a clearer understanding of what new ventures may seek and achieve as part of their presence within a STP.

Keywords: Entrepreneurship, Science and Technology Parks, Strategic Net Configuration, Business Relationships, AAR Model

ENTREPRENEURIAL CHASM: AN EMPIRICAL EXAMINATION OF THE 1% SHARE THRESHOLD

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ABSTRACT

Moore (1991) argued that the traditional diffusion of innovations curve (Rogers 1962) is not readily applicable for disruptive or discontinuous innovations (typically observed in high technology markets). Moore suggested that a chasm exists between the early adopters (visionaries) and early majority (pragmatists), and marketers must pay special attention to be able to successfully make the transformation to the mass market segment.

It is widely accepted that there is a minimum efficient scale (MES) for firms, including start-ups. While new entrants typically have to be generalists when creating or entering new markets, their market entry strategy, at least initially, is typically confined to becoming a market or product specialist when entering mature markets.

Using two time periods (1997 and 2002), and numerous performance measures (operating ROA, operating ROS, cumulative stock market returns (CAR), three-year ROA, ROS and CAR)), and a sample from over 160 industries, Uslay, Altintig, and Winsor (2010) reported that specialists with less than 1% market share significantly underperformed their larger counterparts in mature markets. Thus, there appears to be a 1% market share rule of MES for specialists at least for mature industries.

In this paper, we examine a) the extent to which the 1% market share threshold is applicable to each stage of the industry life-cycle, and b) the extent to which the notion of crossing the chasm is applicable to industries beyond high-technology. Through concurrent use of GLM and regime switching models (Hamilton 1994) we find support for our hypotheses. It appears that the MES proxies commonly used in previous literature lead to inflated estimates for the number of suboptimal firms and that it is important to distinguish between generalists, specialists, and micro-specialists conceptually and in empirical examinations. We conclude with SME and start-up implications.

References available upon request.