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**An analysis of the start-up strategies and characteristics of  
consultants in human resource development compared to those  
of entrepreneurs in other businesses**

Conley, William Lester, Ph.D.

The University of Nebraska - Lincoln, 1994

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AN ANALYSIS OF THE START-UP STRATEGIES AND  
CHARACTERISTICS OF CONSULTANTS  
IN HUMAN RESOURCE DEVELOPMENT  
COMPARED TO THOSE OF ENTREPRENEURS IN OTHER BUSINESSES

by

William L Conley

A DISSERTATION

Presented to the Faculty of  
The Graduate College of the University of Nebraska  
In Partial Fulfillment of Requirements  
For Degree of Doctor of Philosophy

Interdepartmental Area of  
Major: Community and Human Resources

Under the Supervision of Professor Niel Edmunds

Lincoln, Nebraska

August 1994

DISSERTATION TITLE

An Analysis of the Start-Up Strategies and Characteristics of Human Resource

Development Consultants Compared to those of Entrepreneurs

in other Businesses

BY

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**AN ANALYSIS OF THE START-UP STRATEGIES AND  
CHARACTERISTICS OF CONSULTANTS  
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William Lester Conley, Ph.D.

University of Nebraska, 1994

Adviser: Professor Niel Edmunds

The objectives of this study were to determine (1) how the demographic characteristics of HRD consultants compared to those of entrepreneurs in other businesses, (2) how the entrepreneurial characteristics of HRD consultants compared to those of entrepreneurs in other businesses, and (3) how the entrepreneurial start-up strategies of HRD consultants compared to those of entrepreneurs in other businesses.

The population of this study was the HRD consulting agencies listed in the 1993 American Society for Training and Development (ASTD) Buyer's Guide and Consultant Director. The random sample was composed of Presidents/CEOs of the HRD consulting agencies.

The research questions of this study required the assessment of the strengths of the relative entrepreneurial preferences, start-up strategies, and demographics of the respondents. An instrument, the Carland Entrepreneurship Index, was used to yield an index of entrepreneurship and The Ronstadt Instrument 2b was utilized to consider start-up strategies. Demographic variables were assessed.

The analysis of the data related to the demographic characteristics of the respondents to this study revealed that the sales, number of employees, business form, role of start-up respondent, education, age of business, ownership objective, and technical background had no significant effect on the responses of the participants to the demographic variables. Further investigation disclosed that the Presidents/CEOs of the HRD consulting agencies were entrepreneurial in nature and that the distinctions in start-up strategies in the current research were minimal when compared to other studies.



## ACKNOWLEDGMENTS

Sincere appreciation is expressed to Dr. Jim Burrow, my first advisor, for his guidance, valuable assistance, patience, and understanding throughout this study. A special "thank you" to Dr. Niel Edmunds, my current advisor, who "picked up the pieces" after Dr. Burrow left. Appreciation is also expressed to Drs. Steve Egglund, Cary Thorp, and Lester Digman for their suggestions and aid.

To my family, heartfelt gratitude is expressed, especially to my wife, Linda. Without her encouragement, help, and sacrifice this study could not have been completed. Thanks to my daughters, Kelli and Susan, for your support. Many thanks to Mark, for being a friend and "roomy" as well as a son.

Special thanks are due to Peg Quinn. Without her help and assistance, I would never have gotten started. Accolades to Charlotte Boe for "putting it all together." Thanks to Sue Williams, Kris Baake, and Bob Lee for providing moral support. I'll miss you all. Many, many thanks to Janice Hadfield for being a "special" employer and arranging many teaching schedules to suit my needs.

Finally, I feel that Mom, Dad, my sister Kay, and my Aunt Marg, while in Heaven, are all smiling.

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## CHAPTER 1

### INTRODUCTION TO THE PROBLEM

#### Human Resource Development Background

During the past forty years, the field of Human Resource Development (HRD) has grown and matured into an essential component of most organizations (Gilley, 1989). These are organizations that have realized the importance of integrating human resource functions into both the management and the strategic planning process (Byars, 1991, p. 10).

Today, an ever-increasing number of corporations are appointing executive level positions responsible for the enhancement, advancement, development, and growth of human resources. As a result, the field is being viewed as an important strategic approach to improved productivity, efficiency, and profitability. In addition, many view HRD as a field of professional choice rather than as a "pass through" activity on route to a more prestigious and important professional identity (Gilley, 1989).

The long-term development of human resources is of growing concern to personnel departments. Through the development of present employees, the personnel department reduces the company's dependence on hiring new workers. If employees are developed properly, the job openings found through human resource planning are more likely to be filled internally. Promotions and transfers also show employees that they have a career, not just a job. The employer benefits from increased

continuity in operations and from employees who feel a greater commitment to the firm (Werther, 1989, p. 257).

Human resource development is also an effective way to meet several challenges faced by most organizations. These challenges include employee obsolescence, sociotechnical changes, affirmative action, and employee turnover. By meeting these challenges, the personnel department can help maintain an effective work force (Werther, 1989, p. 258).

Human Resource Development (HRD) is the integrated use of training and development, organization development, and career development to improve individual, group, and organizational effectiveness. Integrated means that HRD is more than the sum of its parts. It is more than training and development, or organizational development, or career development in isolation. It is the combined use of all developmental practices in order to accomplish higher levels of individual and organizational effectiveness than would be possible with a narrower approach (McLagan, 1989, p. 7).

An understanding of training and development, organizational development, and career development is important for improving individual, group, and organizational effectiveness. This improvement means that HRD is purposeful. It is instrumental to the achievement of higher goals. Because of HRD, people and organizations are more effective and contribute more value to products and services. The cost-benefit equation improves (McLagan, 1989, p. 8).

## **Training and Development**

Training and development, though primarily concerned with people, is also concerned with technology, the precise way an organization does business (Laird, 1985, p. 7). Personnel training was emphasized by both industry and government during World Wars I and II. An important innovation during World War II was the creation of the Training Within Industry (TWI) program which helped supervisors to become more effective in their current positions. The experience and knowledge about which were gained during both wars helped to make companies aware of the potential contributions of formal training programs. In recent years, training programs have been broadened to include developmental activities and career planning for personnel at all levels (Sherman, 1988, p. 14).

Training helps employees to do their present job; however, the benefits of training may extend throughout an individual's entire career and may help develop that person for future responsibilities (Miller, 1981). Development helps the individual handle future responsibilities, with little concern for present job duties (Carnevale, 1983).

## **Organizational Development**

Organizational Development (OD) is the process of planned change and improvement of organizations through the application of knowledge of the behavioral sciences. Organizational Development can be used as a synonym for organizational change, but it has taken on a more specific meaning over the past two decades. Organizational Development is a

planned procedure and is intended for overall improvement. Thus, chance, haphazard, or detrimental changes, or those forced on the organization by outside pressures, are not included within the definition. Organizational development is not based on technological or financial considerations but on knowledge derived from such fields as psychology, sociology, and cultural anthropology (Van Fleet, 1991, p. 140).

### **Career Development**

Career development can be defined as an organized, planned effort comprised of structured activities or processes that result in a mutual career plotting effort between employees and the organization. Within this system, the employee is responsible for career planning and the organization is responsible for career management (Gutteridge, 1983).

Organizations have two primary motives for implementing career development programs: (1) to develop and promote employees from within and (2) to reduce turnover. Career development programs communicate strong employer interest, something employers want in order to maintain a positive recruiting image. Furthermore, a successful career development program is not viewed as a separate activity or entity but is integrated into the organization. Career development should center around needs related to personal activities and interests, be flexible, develop appropriate evaluation procedures, and have the support of top management (Gilley, 1989).

### Entrepreneurial Background

The essential function of the entrepreneur is to recognize the commercial potential of a product or service; to design consistent operating policies in marketing, market research, production, finance, product development, and the organizational structure and systems for that product or service; and then to supervise the changes required in the strategy through the various changes of company growth (Hosmer, 1977).

Successful Human Resource Development (HRD) consultants are people who have developed a special body of knowledge or expertise within the HRD profession (Robinson, 1986). They developed in response to organizational requests for performance problem analyses, training, education, development, feedback systems, contingency management, job engineering, and organizational development (Laird, 1985, p. 31). The characteristics of entrepreneurs are concerned with personality, innovation, risk taking propensity, and strategic posture (Carland, 1992). Start-up strategies are the variables that people seek when starting a new venture.

The objectivity of this consultant is vitally important. As catalyst to - and observer of - the development processes, the consultant needs to be immune to the contingencies of the organization. That is to say, the consultant should be totally free to share observations, to focus discussion, to provide instruments and activities which facilitate the process. Consultants who may be rewarded or punished by the group are not effective in those activities. Thus the third party from "outside the

organization" is not an empty description of a nice situation; it is a realistic and necessary criterion (Laird, 1985, p. 95-96).

Human Resource Development (HRD) consultants need to become more entrepreneurial in order to increase their own resources and power. A discussion of the origins and background of entrepreneurship is necessary to illustrate this entrepreneurial orientation. The term 'entrepreneur' seems to have been introduced into economics by R. Cantillon (1755) in the *Essai sur la Nature dus Commerce en Generale*, but the entrepreneur was first accorded prominence by J. B. Say (1803) in *A Treatise on Political Economy: Or, the Production, Distribution and Consumption of Wealth*. It was variously translated into English as merchant, adventurer and employer, though the precise meaning is the undertaker of a project. John Stuart Mill popularized the term in England, though by the turn of the nineteenth century, it had almost disappeared from the theoretical literature. The static approach of the emerging neoclassical school did not readily accommodate a concept with dynamic connotations, such as the entrepreneur. Alfred Marshall, for example, laid much more stress on the routine activities of management and superintendence than he did on the innovative activity of the entrepreneur (Casson, 1982, p. 23).

There are two main approaches to defining entrepreneurship: the functional approach and the indicative approach. Economic theorists have adopted a functional approach and economic historians an indicative one. Economic theory offers a set of concepts and techniques with which to analyze the allocation of scarce resources. In the context of the

entrepreneur, the functional approach says that an "entrepreneur is what an entrepreneur does." It specifies a certain function and deems anyone who performs this function to be an entrepreneur (Casson, 1982, p. 1)

The indicative approach provides a description of the entrepreneur by which he/she may be recognized. Unlike a functional definition, which may be quite abstract, an indicative definition is very down-to-earth. It describes an entrepreneur in terms of his/her legal status, his/her contractual relations with other parties, his/her position in society, and so on (Casson, 1982, p. 23).

There are multiple views that define entrepreneurship. Unless entrepreneurship ultimately derives from a scarce resource, it is of little economic interest, even though it may be of social importance. In order to analyze the allocation of the resource, and to explain the valuation it commands, it is sensible to define the resource in terms of the use to which it is put. For the economic historian, the starting point is a set of concepts relevant to the recording and interpreting of events. Such concepts form a descriptive rather than an analytical framework. Their primary role is in the development of a taxonomy rather than a theory. It is natural to work with definitions which relate directly to observables, and which distinguish the major types of economic agent observed in practice. One problem with the theory of entrepreneurship is that these two approaches have never been integrated. The functional approach should predict the emergence of a particular group of people who embody a unique set of characteristics - characteristics which enable them to carry out their function most efficiently. Given that at least some of these characteristics



are observable, they could then form the basis for an indicative definition of the entrepreneur. An entrepreneur is someone who specializes in making judgmental decisions about the coordination of scarce resources (Casson, 1982, p. 23).

### **Statement of the Problem**

The problem is that the start-up strategies and characteristics of consultants in Human Resource Development (HRD) are unknown compared to those of entrepreneurs in other businesses.

The purpose of this research is to provide an analysis of the start-up strategies and characteristics of consultants in HRD in comparison to those of entrepreneurs in other businesses in an attempt to illustrate any variances between the two sets of strategies. Human Resource Development (HRD) professionals are moving into an era of entrepreneurship. HRD organizations that flourish are characterized by an entrepreneurial spirit and orientation (Sussman, 1986). The term HRD practitioner will be interpreted broadly. Many people contribute directly to training, organizational development, and career development in organizations. Some of these contributors are HRD professionals, individuals who choose to focus on the "people side" of business. Other people are HRD practitioners because they have management responsibilities: all managers share responsibility for the development of people, careers, and organizations (McLagan, 1989).

It may be necessary to nurture talent from outside the organization in order to ensure that prospective HRD staff members are available when

needed. Outside the firm, sources of talent include public and private universities as well as consultants who operate specialized majors and areas in Human Resource Management (HRM), Industrial Relations, and Human Resource Development (HRD) (Rothwell, 1988, p. 397).

This need for outside consultants in HRD elicits a necessity for research regarding start-up strategies for these specialists. Specifically, the research will deal with the following questions:

1. How do the demographic characteristics of HRD consultants compare to those of entrepreneurs in other businesses?
2. How do the entrepreneurial characteristics of HRD consultants compare to those of entrepreneurs in other businesses?
3. How do the entrepreneurial start-up strategies of HRD consultants compare to those of entrepreneurs in other businesses?

### **Human Resource Development and Entrepreneurship**

Human Resource Development is an important element in organizations as they attempt to gain a competitive advantage (Harvard Business Review, 1988). Data suggest that U.S. corporations spent over \$30 billion in 1988 to provide some 17.6 million training courses (Fulmer,

1988). A University of Michigan study as well as a Hay Associates study found that the most profitable companies (based on the Profit Impact Marketing Strategy database) showed the greatest commitment to management and executive development (Vicere, 1990).

The human resources of an organization represent one of its largest investments. Government reports show that approximately 73 percent of national income is used to compensate employees (U.S. Department of Commerce, 1989).

The value of an organization's human resources frequently becomes evident when the organization is sold. Often, the purchase price is greater than the total value of the physical and financial assets. This difference, sometimes called goodwill, partially reflects the value of an organization's human resources. In addition to wages and salaries, organizations often make other sizable investments in their human resources. These HR areas include:

- \* Quality of Work Life
- \* Productivity
- \* HR Satisfaction
- \* HR Development
- \* Readiness for Change

(VanFleet, 1991, p. 6-7).

As it is practiced today, HRD recognizes the dynamic interaction of personnel functions with each other and with the objectives of the organization. It recognizes that HRD planning should be coordinated with the organization's strategic and related planning functions. Efforts in HRD are being directed toward the provision of more support for the

achievement of the organization's operating goals. The present status of the field of HRD has been achieved only after years of progress which involved an evolutionary development (Sherman, 1988, p. 4).

Competence and professionalism in HRD are sure to make a major difference for organizations and individuals, both nationally and globally. The development of people and organizations is important work, especially during these rapidly changing, highly competitive times (McLagan, 1989, p. 4).

Carland's (1992) research helped to establish the importance of studying the characteristics of entrepreneurs. Carland found that researchers, educators, and management assistance specialists could benefit from a tool which would assist in reducing sample bias. In addition, designing educational programs to expand the scope of entrepreneurial behavior could be a result of scaling respondents plus understanding differences in owners to improve survival rates in small firms.

Ronstadt's (1983) study provided insights about start-up motivations, barriers, and other factors influencing the venture/career start-up process. This knowledge increased understanding of the entrepreneurial start-up process and aided in understanding the barriers to entry for would-be entrepreneurs.

In conclusion, Silver (1983) stated there is an inadequate amount of venture capital and too few brave yet fanatical entrepreneurs willing to risk everything they own to cause the entrepreneurial revolution to happen. Workers in large companies will be the prime movers, and that is why it is important that the entrepreneurial process be learned. Whereas

corporations at one time bragged about how many workers they employed, in the future they will boast of how many subcontracts they let to quasi-employee groups.

### Definitions

The following terms related to HRD consultants and entrepreneurs will be used in this research:

1. **Consultant** - A person who gives expert or professional advice (The American Heritage Dictionary, 1982, p. 286).
2. **Entrepreneur** - A person who organizes, operates, and assumes the risk for business ventures, especially an impresario (The American Heritage Dictionary, 1982, p. 437).
3. **External Consultant** - A person who has little or no organizational/political relationship with the organization. His/her purpose is to identify problems and provide solutions when appropriate (Gilley, 1989, p. 183).
4. **Human Resource Development** - HRD is the integrated use of training and development, organizational development, and career development used to improve individual, group, and organizational effectiveness (McLagan, 1989, p. 7).
5. **Venture** - An undertaking that is dangerous, daring, or of doubtful outcome (The American Heritage Dictionary, 1982, p. 1421).

### **Assumptions**

1. The strengths of the relative entrepreneurial preferences of respondents can be indexed.
2. The Carland Entrepreneurship Index is an appropriate instrument for the measurement of relative entrepreneurial preferences.
3. Ronstadt's Instrument #2b is an expedient instrument for the measurement of start-up strategies.
4. The items included in the demographic questions are appropriate and relevant to the investigation being conducted.
5. The procedures used to select subjects for this study provide an adequate representation of the population of this study.
6. The subjects who made up the sample provided valid responses to the instruments used in this study.
7. The findings of this study will be useful to the Presidents/CEOs of HRD consulting agencies who are responsible for planning and developing entrepreneurial goals and objectives.

### **Delimitation and Limitations**

The following are the delimitations and limitations of this study design:

1. The findings of this study reflect the opinions of 204 of the Presidents/CEOs of HRD consulting agencies listed in the 1993

American Society For Training and Development (ASTD) Buyer's Guide and Consultant Directory.

2. The sample of the Presidents/CEOs participating in this study may or may not represent the views of the entire population of 674 Presidents/CEOs listed in the 1993 ASTD Buyer's Guide and Consultant Directory.
3. This study was subject to the inherent weaknesses of survey design.

### **Significance of the Study**

It is hoped this investigation will provide information for HRD consultants and HRD consulting agencies concerning the importance of becoming more entrepreneurial in order to increase resources, competencies, and skills. It is believed that the information will result in a stronger association between the ideas and philosophies of entrepreneurs and HRD consultants. Through the process of reviewing literature pertaining to this study, HRD consulting agencies were identified as moving into an entrepreneurial era. The successful HRD agencies have an entrepreneurial essence and exposure.

This study will help the Presidents/CEOs, HRD consultants, and other key agency personnel comprehend how the entrepreneurial role should be accomplished. It is hoped this research will bring into focus the merits and values of entrepreneurship into an HRD setting.

## CHAPTER 2

### REVIEW OF RELATED LITERATURE

#### Introduction

In today's complex, changing work environment, people represent strategic resources. An employee's goals, attitude towards work, and performance are crucial to organizational success especially now when so much work is knowledge oriented – and change proceeds so rapidly that even a person who sweeps the floor is expected to seek "continuous improvement" (McLagan, 1989, p. 2).

Human Resource Development (HRD) consultants, as previously stated, are moving into an era of entrepreneurship. Consulting agencies and HRD organizations that are successful have an entrepreneurial spirit and orientation (Sussman, 1986). It is essential to report on both the HRD background and the entrepreneurial background to understand how this entrepreneurial orientation can lead to success.

#### Human Resource Development Background

Human Resource Development (HRD), at least in a primitive form, has existed since the dawn of group effort. Certain HRD functions, even though informal in nature, were performed whenever people came together for a common purpose. During the course of this century, the processes employed to develop people have become more formalized and specialized. As a result, a growing body of knowledge concerning these



processes has been accumulated by practitioners and scholars (Sherman, 1988, p. 5). Human Resource Development is much more integrated into both the management and the strategic planning process of the organization than in the past (Ropp, 1987).

One reason for this expanded role is that the organizational environment has become much more complex. The deluge of government regulations and laws places a tremendous burden on HRD practitioners. New regulations are regularly issued in the areas of safety and health, equal employment opportunity, pension reform, environment, and quality of work life.

The development of people and of the organization itself is one of the most critical processes that an organization can undertake and sponsor. But the paradigm for doing so is not well developed. The American Society for Training and Development's (ASTD) 1989 study on workplace training, underwritten by the U.S. Department of Labor, indicates that in the U.S. alone, organizations spend more than \$30 billion per year to train and develop the workforce. To appreciate the full magnitude of investment in development, add to that sum the cost of self managed learning - including the costs of failures that result in learning, the costs associated with informal coaching and other informal learning, and the costs of career-related development completed off the job. The cost of development is high, but the need for development is growing. And, the HRD field - as a discipline and as a profession - is still maturing (McLagan, 1989, p. 2).

### **Trends in Human Resource Development**

Human Resource Development (HRD) is in an age of great emphasis on productivity, and this emphasis will likely continue. Robotics, computers, and automation will bring productivity gains. The most profound advances in productivity will come from the organization's human resources (Wright, 1984).

The world of work has undergone wrenching changes in recent years. These changes have affected every part of the organization, from the lowest-level jobs up to senior management. The United State's businesses and industries are struggling with people problems - and the solutions will come from building people's competence throughout the organization (Yeomans, 1989).

The following demographics contribute to an understanding of trends in HRD. In 1970, 47% of the labor force was employed in white collar jobs, while 53% was employed in blue collar jobs. As of 1980, white-collar jobs had increased to 51% while those on the blue collar level fell to 49% of the total. In June 1989, white-collar jobs had increased to over 55% of total jobs (U.S. Department of Commerce, 1989).

In 1972, there were 33.5 million working women. In 1987, there were over 50 million women in the work force. Between 1970 and 1979, the number of female managers and administrators increased over 100% (U.S. Department of Commerce, 1989). In 1982, the median age in the United States was 31 years, 20% of the population was 55 or older, and 11% of the population was 65 or older. By the year 2010, 25% of the population

will be 55 or older, 12.5% will be 65 or older, and the median age will be 37 (U.S. Department of Labor, 1989).

If tomorrow's HRD practitioners are to earn the respect of their colleagues and of top management, they must work to overcome certain negative impressions and biases sometimes associated with the profession. This can be accomplished in several ways. First, HRD practitioners should become well grounded business people. One of the requirements of this is to be thoroughly familiar with the business itself. Second, the practitioners should become fully knowledgeable about present and future trends and issues. This will help them guard against becoming enamored with passing fads or ineffective techniques. Third, HRD practitioners should promote effective human resource utilization within the organization. Rather than take a moralistic approach when dealing with operating managers, these practitioners should stress the importance of increasing profits through the effective use of the firm's human resources. In this light HRD practitioners will learn to be proactive and to seize opportunities to demonstrate how they can positively affect the bottom line (Layton, 1987).

New challenges for the astute HRD professional include the need for efficient, effective, lifelong learning; the use of training technology; changes in jobs and the composition of the labor force; and changes in management practices. Training is likely to become more a screening device than a developmental tool (Cohen, 1991).

### **Trends That Affect The Relationship of People to Their Work**

Wright identified eight significant trends are already occurring that affect the relationship of people to their work. In order to achieve productivity improvements in the years ahead, HRD consultants must be prepared to deal with these trends.

#### **Trend 1: The Computer Revolution**

The typical executive now spends 94% of the workday communicating with others. He or she has quick access to data bases ranging from technical articles to personal memos.

#### **Trend 2: Adult Education and the Life-Long Learner**

The median age of workers has been rising in recent years. As adults continue to learn, the campus is becoming a thing of the past. A major shift in providing education has been toward the employer - whether the learning is job related or not.

#### **Trend 3: The Increasing Internalization of Business**

Training modules - ranging from manual job skills to strategic planning - will increasingly become part of total product and service packages sold to third world countries.

#### **Trend 4: The Transformation of the Work Force to Knowledge Workers**

The number of workers who spend their entire day dealing exclusively with data rather than with the production of products or services is on the increase in all industries.

**Trend 5: The Replacement of Courses and Seminars With Curricula and Libraries**

Many large organizations are looking for economies of scale by offering a wide range of courses and seminars from one curriculum. This greatly increases the choices available to individual learners.

**Trend 6: The Increasing Sophistication of the Buyer and Sensitivity to Fads**

Human resource development professionals are sensitive to fads. The focus today is on return on investment and contribution to the long term health of the organization.

**Trend 7: The Interdependence of the Public and Private Sectors**

Government regulation and multi-national business dealings call on managers to deal with both sectors of the economy more than ever before.

**Trend 8: The Symbiotic Relationships**

Many industries have developed a closer relationship between independent companies than ever before (Wright, 1984, p. 6-7).

**Growth In Human Resource Development Consulting**

Lippitt & Lippitt (1986) report that at least four trends in business and industry have contributed to growth in consulting. They are as follows:

1. **Technological Development** - The impact of accelerated technological development has been dramatic, creating an ever-increasing

need for individuals and groups to share knowledge, skills, and experiences. In many fields, because knowledge gained in college is only viable for one to two years, learning must continue throughout one's career. In the field of Human Resource Development (HRD) in particular, increased technology in learning is having a profound impact on HRD programs. In any case, more and more consultants are being used to provide instruction as well as consultation and advice.

**2. Crisis in Human Resources** - The growing awareness of the importance and dignity of human resources has created new needs for consultation services. The value of a well trained employee can be reflected in the increased productivity and profitability of the organization. It can also be measured in the cost of recruiting, selecting, hiring, and training employees. Thus, more and more organizations consider human resources as they develop their strategic plans. As a result, employee assistance programs, career counseling, job enrichment programs, and job engineering, to name a few, are among the many human resource services now being provided by organizations. Human Resource Development practitioners cannot be expected to know all there is to know about all human resource services, so outside consultants are called in to assist.

**3. Undeveloped Consulting Skills of Managers and Supervisors** - Many managers and supervisors act as part-time, internal consultants. Although they lack the skills they need to function as true consultants, they do have an aptitude for the job. Organizations may develop the consulting skills of these managers and supervisors, a long

and costly process, or hire an outside consultant. In some situations, they do both.

**4. Discretionary Time** - Many organizations use volunteers to accomplish their goals and objectives, a trend often referred to as "discretionary time." These individuals are often not well trained, and many need greater interpersonal and other interactive skills to perform effectively. In addition, because most volunteers provide only a few hours of service a week to organizations, more are needed to accomplish the same amount of work that full time employees accomplish. Therefore, the actual number of people who require training will increase and more consultants will be needed.

Successful Human Resource Development consultants are people who have developed a special body of knowledge or expertise within the HRD profession. Additionally, this expertise must be in an area that is marketable to others. In other words, it can be "packaged" as a product and/or provided as a service to others who value it and will pay money to receive it (Robinson, 1986, p. 11). Vendors and consultants come in all forms. Some are large, national, international, or local firms that offer a wide variety of training capabilities in almost all areas of training; others are small and specialized. Regardless of the size of a firm, the most common use of vendors and consultants is for training professional employees. They are market driven. Employers select these providers because they have proven to be the most responsive to employers' needs. They offer convenience, flexibility, and timeliness when delivering specialized services (Carnevale, 1990, p. 101).

### **Differences in Training and Consulting**

It is essential to delineate basic differences between trainers and consultants. The meaning of "train" in the American Heritage Dictionary (1982) is, "to make proficient with specialized instruction or practice." It explains a trainer as "one who trains." Many of the abilities that make fine trainers can block effectiveness as consultants. Several of the skills regarding trainers do not serve well when one moves out of the learning setting and into an organization as a consultant (Bellman, 1983, p. 70).

As consultants in Human Resource Development, they are often surprised to find themselves in a very different world, which complicates their transition. Now they must search for problems and synthesize solutions to them. Instead of knowing all the answers to the right questions, they must now find answers to questions that cannot be answered by their classroom experience. Instead of being in control, they are in service to the organization, and must now focus on desired changes, rather than on the individuals involved (Hudson, 1988).

Consultants in HRD are on unfamiliar turf. No longer in their familiar, comfortable classroom, they may feel overwhelmed, inundated by the complexities of the problems they must solve. There may be a tendency to retreat to the classroom (avoidance) or to bring an easy classroom solution to a difficult problem (simplification). As learning specialists and/or instructional designers, they had time to plan, design, evaluate, and adjust. As consultants, however, they are often asked to



decide in seconds. People may not respond, or they may behave exactly the way the textbook models predict (Hudson, 1988).

In spite of these difficulties, HRD professionals make the transition from the classroom to the field. To do so is necessary in order for them to change their perspective on the problem solving process (Gilley, 1989, p. 172). Bellman (1973) offers these suggestions for accelerating this transition:

- Ask More Questions.
- Provide Fewer Answers.
- Move Away From Theory and Models.
- Move Toward Reality.
- Change One's Measurement of Success From "Did My Class Flow Smoothly" to "Did I Effect Constructive Change."

Because consulting is so difficult and demanding, HRD practitioners should proceed with care before accepting this role (Hudson, 1988). Selecting, retaining, and working with a management consulting firm is a process most managers face only occasionally. The novelty of responsibility generates uncertainty. It may also create anxiety, confusion, and frustration. These anxieties are compounded by the fact that many managers are ill-informed about the consulting process, the consulting industry, and the client/consultant relationship in particular. They are uncertain as to what to expect, what will be expected of them, the appropriate role of the consultant, relative costs of professional service, billing arrangements, and a host of other key services (Wells, 1983).

There are perspectives common to effective trainers along with contrasting consulting perspectives. Out of these contrasts can emerge difficulties for a trainer becoming a consultant. The following are "mind sets," expectations or orientations common to trainers and consultants:

<b>TRAINING PERSPECTIVES</b>	<b>CONSULTING PERSPECTIVES</b>	<b>RESULTING DIFFICULTIES</b>
Workshop Centered	Workplace Centered	Overwhelmed, Unfamiliar Tried to Avoid or Oversimplify.
Knows People	Knows Business	Inappropriate Questioned Misplaced Priorities.
Relies on Own Strength	Relies on Client's Strength	Pushes clients in direction they do not want to go.
Works Within Design	Designs Within Work	Starts doing client's work No Time to Think, Lost and Trying to Catch Up.
Work is Planned Solution Seller	Work is Spontaneous Issue Identifier	Overplans, Disappointment Exhaustion Sees Solutions Quickly and Narrowly
Knows Questions Knows Answers	Asks Questions Finds Answers	Inserts Questions and Answers From Training Sessions.
Builds Individual	Aids Organizational Change	Gets Detoured by Individual's Needs

The consultant is not immune to the difficulties described above; the trainer-becoming-consultant is more susceptible because of the change in roles (Bellman, 1983, p. 71).

### **The Field of Human Resource Development Consultants**

The human resource development (HRD) field has grown at a phenomenal rate in recent years. The exact amount of growth and the size of the industry are difficult to pinpoint. As aforementioned in this report, the American Society for Training and Development's (ASTD) 1989 study on workplace training indicates that in the United States alone, organizations spend more than \$30 billion per year to train and develop the workforce. Another report has placed the total amount budgeted for formal training by United States organizations at \$45.5 billion. Perhaps the informal training would account for an equal amount. In 1991, the total number of individuals who received employer-sponsored training annually was at 39.5 million (Phillips, 1991).

If the challenges of the future are to be met, tomorrow's HRD practitioners must be much more sophisticated than their predecessors. With the expanding role that HRD must fill, it is essential that these professionals be integrally involved in an organization's strategic and policy making activities. Fortunately, there are signs that this is happening in many organizations. For example, in almost every one of the Fortune 500 companies, the head of the human resource department is an officer (usually a vice president) who answers to the chief executive officer. In a significant number of companies, the head of the Human Resource Department sits on either the board of directors or the planning committee, or both (Byars, 1991, p. 11).

A recent survey co-sponsored by the American Productivity Center asked 71 corporate CEOs to rank corporate staff functions in order of

importance. Human resources came in second only to finance (Farish, 1987).

Human resource managers frequently go outside of the organization for professional assistance from qualified consultants. These consultants are utilized in connection with a variety of specific human resource problems. In the past, most of the consulting firms specialized in one or two areas of expertise. More recently, however, many of them have broadened their expertise to cover other fields and thus meet the needs of their clients more effectively.

Many consultants enter the consulting profession from the ranks of the human resource development field. Of these, most have extensive experience as learning specialists and/or instructional designers. While many become competent as consultants, Bellman (1983), as aforementioned, warns that the transition is not always easy.

Also previously mentioned, Carnevale (1990) and Robinson (1986) indicated that vendors and consultants are market driven. The HRD field is changing, especially in the area of the marketing of HRD services. The changing demands of clients and the business environment are bringing about ways that HRD specialists present themselves and their services. The following factors are changing that process:

- More and more clients are recognizing that people issues are critical to competitive success.
- The pace of change and the complexity of people issues forces clients to seek timely, innovative, and practical changes.

- Clients expect specialized competencies and value-added services from HRD professionals.
- Clients are more sophisticated and more cautious in buying professional services.
- Downsizing of organizations has led to increased pressure on internal and external HRD professionals to deliver needed services.
- Competitive bids and "price shopping" are becoming more common; line managers will often bypass internal HRD groups and seek outside help.
- The length of time it takes to sell an HRD project or program has increased dramatically and more decision makers seem to be involved in the process.
- Clients expect more than just project results for fees paid and time spent; they want consultant-initiated personalized service and attention (McDermott, 1989).

Margulies & Raia (1972) separate consulting resources into task-oriented consultants and process-oriented consultants. Task oriented consultants are technical experts, gathering data and analyzing and providing specific and concrete recommendations. Process-oriented consultants guide the process of problem resolution and leave the specific tasks up to the client. In reality, these two roles represent two extremes, with the exact mode of orientation (depending on the client's specific needs and capabilities) lying somewhere along a continuum between the two.

Lippitt & Lippitt (1986) examined the model advanced by Margulies & Raia and substituted **directive** for task oriented and **nondirective** for

process oriented. In the directive role, consultants are active advocates in the problem solving process, whereas in the nondirective role they function as objective observers. They raise questions for reflection and better understanding. These writers warn, however, that to speak of consultant roles as separate and distinct is to distort reality (Hudson, 1988). The role of any consultant should and will vary from moment to moment and cause an effective expert to react to the situation at hand (Lippitt, 1986). Role choice, according to Lippitt & Lippitt, will depend on such criteria as the following:

**The Nature of the Contract** - This refers to the type of duties and/or activities a consultant must undertake during the consulting relationship. The nature of the contract will help determine the consultant's ultimate role.

**Client's Goals** - The goals and objectives of clients reflect their desires and aspirations; thus, many consultants approach the consulting situation with the attitude that a satisfied client is a happy client and a happy client will hire the consultant again. The nature of the client's goals and objectives is an appropriate target for the consultant's attention.

**Norms and Standards of the Client** - It is important to remember that most employees have accepted certain roles and standards as their own. Therefore, consultants must consider these workers and their roles during the consulting process.

**Personal Limitations** - Consultants ought to be aware of their own strengths and weaknesses before they enter into a consulting arrangement.

They should not engage in activities or roles for which they are not qualified.

**What Worked Before** - Many consultants base their choice of a role or an activity to perform on previous experience. This practice is often not appropriate or wise, but it does affect the type of role a consultant performs.

**Internal Versus External Consultants** - Consultants selected from outside the organization are free to perform in a different manner from that of consultants selected from inside the organization. This greatly affects the roles performed as well as the types of recommendations or solutions selected.

Consultants typically operate outside the structure of the client organization. Lacking internal organization authority, these professionals must rely on their ability to influence decisions. They are usually retained only for a particular project or contract. Once completed, consultants move on to other projects and other client organizations (Robinson, 1986, p. 11).

Lippitt & Lippitt (1986) suggest that externalization is to say no, (2) learn the language and symbols of the organization, (3) accept internal help from internal practitioners and others, (4) collaborate with internal consultants, and (5) be human.

There are several similarities between internal and external consultants. First, both play multiple consulting roles and both want to be successful. Both are primarily helpers and must work with and through the organization's members. But they must also rely on members of the organization in order to accomplish the tasks they recommend. This is

often difficult because they have no real authority over members of these organizations (Gilley, 1989, p. 183).

There are several differences between the two as well. For example, external consultants usually have more influence on the organization because they are perceived as experts or prophets. This gives them an instantaneous power base. Another advantage is that they maintain a broader perspective and can be more objective than internal consultants and organizational members. Still, they are an unknown quantity, whereas internal consultants are not. Remuneration and longevity, for external consultants, are usually tied to results. Internal consultants are paid and retained as a part of the organization's support team (Gilley, 1989, p. 183).

Internal consultants, because of their availability, can spend more time with organizational members. They can identify important linkages within the organization because they are aware of and understand the entity. However, external consultants do not have to live down past failures and affiliations as do their internal counterparts. External consultants are also free to reject consulting assignments. Internal consultants must accept them as part of their organizational responsibilities (Gilley, 1989, p. 183).

Consultants will choose among a number of alternative roles, such as advocate, informational specialist, learning specialist, learning provider (trainer/educator), joint problem-solver, alternative identifier and linker, fact finder, process counselor, and objective observer/reflector (Lippitt, 1986).



### **Consultant Competencies and Characteristics**

Managers of organizations should be aware that there are a large number of consultants for hire, many of whom lack the expertise and competency necessary to handle the complex problems which these firms face. According to Dunn (1982), many Human Resource Development practitioners have become consultants as a result of terminations or because they failed to qualify for HRD positions. Byrne (1983) stated that the only real requirement for being a consultant is six dollars for business cards. The number of HRD consultants abounds because it is so easy to enter the field.

Consultants must maintain certain unique competencies, skills, and/or knowledge in order to function professionally. In an attempt to address this concern, the Ontario Society for Training and Development (OSTD) identified the consultant role as one of the four principal roles in HRD. In their 1976 and 1986 (revision) study, they identified the following areas of core competencies needed by consultants:

- Communication
- Course Design
- Evaluation
- Group dynamics process
- Learning theory
- Human resource planning
- Person/organization interface
- Instructional practice
- Training materials and practice
- Training needs analysis

According to the OSTD, consultants should maintain (1) facilitation skills, (2) an understanding of HRD and organizational theory and behavior, (3) interpersonal skills, (4) presentation skills, (5) questioning skills, (6) counseling skills, (7) data reduction skills, (8) feedback skills, (9) negotiation skills, (10) writing skills, and (11) performance observation skills.

Lippitt & Lippitt (1986) studied 32 consultants to determine the competencies the professionals needed to perform adequately. The study found that they are clustered in three categories: (1) knowledge, (2) skills, and (3) attitudes.

### **Knowledge**

1. Thorough grounding in the behavioral sciences;
2. An equally thorough foundation in the administrative philosophies, policies, and practices of organizational systems and larger social systems;
3. Knowledge of educational and training methodologies, especially laboratory methods, problem solving exercises, and role playing;
4. An understanding of the stages in the growth of individuals, groups, organizations, and communities, and how social systems function at different stages;
5. Knowledge of how to design and facilitate a change process;
6. Knowledge and understanding of human personality, attitude formation, and change;
7. Knowledge of oneself: motivations, strengths, weaknesses, and biases; and

8. An understanding of the leading philosophical systems as a framework for thought and a foundation for value systems (p. 170).

### **Skills**

1. Communication skills;
2. Teaching skills;
3. Counseling skills;
4. Ability to form relationships based on trust and to work with a great variety of persons of different backgrounds and personalities; sensitivity to the feelings of others; ability to develop and share one's own charisma.
5. Ability to work with groups and teams in planning and implementing change; skill in using group-dynamics techniques and laboratory-training methods;
6. Ability to use a variety of intervention methods and the ability to determine which method is most appropriate at a given time;
7. Skill in designing surveys, interviewing and using other data-collection methods;
8. Ability to diagnose problems with a client; to locate sources of help, power, and influence; to understand a client's values and culture; and to determine readiness for change;
9. Ability to be flexible in dealing with all types of situations; and
10. Skill in using problem solving techniques and in assisting others in problem solving (p. 171).

**Attitudes**

1. Attitude of a professional;
2. Maturity;
3. Open mindedness, honesty, intelligence;
4. Possession of a humanistic value system (p. 171).

Robinson & Youngblood (1986) identified characteristics and qualities of successful external consultants which they obtained through their own experiences as well as information obtained through several other consultants. They are as follows:

- Risk taker
- Self starter and self nurturing
- Self-discipline
- Patience
- Goal focused
- Enthusiasm and high energy level
- Effective communicator
- Ability to handle ambiguity

**Looking Ahead in HRD Professional Preparation**

The data that exists about Human Resource Development (HRD) professionals are largely the product of voluminous self-reporting. It seems short sighted to assume that HRD leadership is - or should be - exactly like the leadership of today's line managers. Until researchers begin to be really curious about the world of the HRD professional, and not merely about the tasks performed and projects that get done, the profession is unlikely to establish itself as an enduring part of the American culture (Willis, 1991).

Anticipating the future should be the concern of all Human Resource Development (HRD) consultants who want to stay ahead in the field and to contribute their best to the organization. The environment, technology, and values are changing. Human Resource Development consultants will be at the center of much of the coming change. However, in this information based culture, there are few facts about the profession and its careers. The information base needs to be vastly improved before the profession's path can be charted. More concrete and accurate information is needed (Hutcheson, 1984).

There is a realization that the HRD profession as a whole is unprepared to meet current challenges, much less future ones. No one knows how severe the shortfall of HRD expertise in the United States really is, and no one knows exactly how to talk about it. Up to now, the test of an HRD consultant's success has been measured by how well he/she sells or gets and keeps a job in a training-hungry organization and by fruition in selling services. Market niche has carried more influence than skills, knowledge, or the true ability of the practitioner to analyze and respond to critical human resource needs. Granting that marketability of ideas and services is a first condition for gaining influence in HRD, it must still be obvious that marketability alone is not enough (Willis, 1991).

Evidence that HRD skills available in the marketplace are insufficient is largely anecdotal. Although this evidence appears more and more often in the literature of HRD, it is not substantiated by research programs that look at psychological, socioeconomic, gender, contextual, or other qualitative variables which influence the HRD consultant's

effectiveness. It is almost as if consultants have collectively decided that, since HRD represents all things good, positive, and honorable, one need only accrue competencies to guarantee success. This may be a dangerously naive premise. An equally dangerous corollary may be the elevation of role models who represent conventional wisdom. HRD embraces a self-referential identity which almost guarantees self-referential closure--with many fingers in the dike to plug the holes of openness to change (Goldstein, 1988). Marsick (1989) may have an unerring finger on the pulse of today's HRD practice when she says that it (like the institutions in which it resides) is largely informed by scientific positivism.

There are emerging portraits of what the ideal HRD practitioner of the 1990s should be. Looking beyond the standard heroic postures, however, the faces are unclear. Vojta (1988) ruthlessly paints out the figures on the existing canvas of human resource departments and paints in an impressive replacement:

The standard for today's effective human resource professional--at least at the senior level--is a technologically literate, business minded globalist, capable of understanding and dealing with the macro and micro implications of structural change in the world economy and the issues of gaining new commitment from a new breed of employee who cannot be managed by the old authoritarian standards of reward and punishment. Such people are not being grown in the natural environment of the human resources departments of large corporations (p. 31).

Zalesnik (1988) apparently thinks human resource managers try to keep the peace at all costs in order to avoid the exercise of direct and independent judgments. Though he says that "HRM ought to be the most important job in every business," he seems to recognize how far reality is from that mark. Yeomans (1989) has polled executives and presented a challenging platform for HRD renewal. At the same time, he reports that many HRD practitioners are "not ready to take on more responsibility for the success of our companies." The HRD professional must "institutionalize the entire training and development process" and take charge of its own renewal.

### **Entrepreneurial Background**

Entrepreneurship is the marshaling of people and resources to create, develop, and implement solutions to problems to meet people's needs. Those societies whose members possess that entrepreneurial resiliency are able to respond to changing needs and realities. The entrepreneurial spirit is shown by willingness to take the initiative and to be creative and innovative in organizing people and resources into agents of social, political, and economic change (Timmons, 1977, p. 4).

This is the age of the entrepreneur. People are starting their own businesses in record numbers, colleges are teaching courses in entrepreneurship, and the dream of nearly half the women and over one-third of the men in the American work force is to strike out on their own some day. But can just anyone do it? Is there an entrepreneur within each of us? Or is entrepreneurial ability a special part of unusual personalities,

something that comes to certain people in their genes? Researchers do not yet have a clear answer to these questions. Theories abound about why entrepreneurs are the way they are (Cole, 1989).

Entrepreneurs are driven. They want to be independent, self-reliant, and autonomous. Some researchers view the entrepreneur's drive to create a new product or a new organization as similar to an artist's motivation. Most entrepreneurs show an unusual degree of confidence in themselves and in their own intuition. They lack the fear that would keep the rest of the population from risking everything in order to pursue an idea. But they also have good judgment about risks. They know which are worth gambling on and which are not (Johnson, 1987).

Some researchers argue that entrepreneurs, especially men, are driven to succeed in order to carry out some oedipal wish to outdo their fathers. Others assert that many male entrepreneurs come from families dominated by the mother. Another view sees entrepreneurs as people who do not fit into their company or culture and are, therefore, driven to create a place of their own (Main, 1987).

The entrepreneur is not identified by formal rank or title, but after the successful practice of innovation. Entrepreneurship is a pragmatic concept, fundamentally historical in nature, and not capable of being integrated into the static, neoclassical, micro-theory of the firm (Martin, 1971).



## Types of Entrepreneurs

Although many publications refer to "the" entrepreneur as if there were only one type, a closer look quickly reveals many. Webster's definition refers to "one who organizes, manages and assumes the risks of a business or enterprise." The American Heritage Dictionary's (1982) definition of entrepreneur is, "A person who organizes, operates, and assumes the risk for business ventures, especially an impresario." Funk & Wagnall's Standard Dictionary offers a similar definition: "one who undertakes to start and conduct an enterprise or business, assuming full control and risk." Schumpeter (1934) adds the notion of innovator and former of new combinations. Innovation as in the Schumpeterian model is an adequate designation of the essential role of the entrepreneur as long as it is borne in mind that Schumpeter defined entrepreneurship broadly to cover virtually any kind of innovative function that could have a bearing on the welfare of an enterprise: product, process, market, organization of the firm and of the entire industry, to name the most important.

Observing that "dictionary definitions are not very good," Shallenberger (1968) associated entrepreneurs with a host of synonyms ("bold, venturesome, risk taker, doer") versus antonyms ("conforming, conservative, routine.") Leavitt (1967) offers another distinction. He states, "what we really need is the white-hatted entrepreneur; the innovator and relater, the developer; not the shady, expedient, unethical, black-hatted fellow."

Livesay (1982) stated "an entrepreneur perceives a market opportunity and assembles the assets necessary to exploit it." Lipper (1985) observes, "entrepreneurs accept risk to organize resources, especially those that create benefit and wealth."

In a 1969 discussion of alternative definitions, Komives suggested that an entrepreneur is simply one who starts a business, Cole (1989) added that self-employed individuals, such as independent insurance agents, should be included. Bostrom argues the definition should include "one who assumes the financial risks." Collins distinguishes between independent versus internal or "administrative" entrepreneurs (Milwaukee: Center for Venture Management, 1969).

Kanter (1983) includes in her definition of entrepreneurs "those inside large organizations who, in effect, bet their jobs on the outcome of an innovation."

It is equally important to carefully exclude certain roles from entrepreneurship:

1. A person who owns an enterprise or gives the orders is not necessarily an entrepreneur.
2. A person who assumes the risk of his or her capital is not necessarily an entrepreneur but only an investor. However, one who risks his or her reputation or a portion of it in a large corporate organization, as a result of an innovation with which he or she is closely identified, fulfills some of the preconditions of entrepreneurship.

3. A creative person in the literary, artistic, or dramatic sense is not necessarily an entrepreneur. The entrepreneur does not innovate by creating ideas, but by recognizing their value and by exploiting them (Martin, 1971).

The value of exploring some definitions is that they may suggest ideas for alternative ways of operating for the would be entrepreneur. Most Human Resource Development (HRD) writers would agree that entrepreneurs tend to be independent operators, though they sometimes work in teams. These writers also agree that entrepreneurs take the initiative in order to profit on business opportunities. But there is still room within these qualifications for a considerable variety of different entrepreneurial types, which include the following:

Solo Self-employed Individuals

Deal-to-Dealers Team Builders

Independent Innovators

Pattern Multipliers

Economy of Scale Exploiters

Capital Aggregators

Acquirers

(Vesper, 1990).

Stolze (1989), based on his own observations of many personal qualities common in successful entrepreneurs, arrived at personal qualities

common in successful entrepreneurs. They include motivation to achieve, the habit of hard work, non-conformity, strong leadership, and street smarts. He also listed personal qualities not found in successful entrepreneurs as well as irrelevant factors. These include compulsive gambling, high risk taking, and compulsive shooting. Irrelevant factors are age, sex, marital status, and educational level.

### **Sequences in Start-up**

What sort of event signals the creation of a new venture? Many candidates might be nominated, such as:

When the desire for entrepreneurship is recognized;

When the idea occurs for what the new venture is to be;

When the break is made with former employment;

When contracts are made with a potential partner, lawyer, banker, accountant, or other outside advisor;

When legal papers for partnership or incorporation or business licenses are filed;

When the first dollars are invested in the new venture; When the firm becomes ready to accept new orders;

When the new firm's logo is first displayed;

When the first order arrives;

When the first delivery or performance is completed;

When the company first breaks even;

When the first profitable year has been accomplished.

Which of these events should be regarded as the "true" inception point can be argued without resolution. A venture typically emerges as a result of a series of such occurrences spread over time in which the existence of a firm becomes progressively more established. At the first of the above points it would be hard to claim that a venture had been started, while at any of the last few it would be hard to argue that the firm had not become a going concern, even if it were later to vanish (Vesper, 1990).

Several general flow charts for entrepreneurship are proposed by different authors. Webster (1976) postulates that an "entrepreneurially attractive" venture will typically involve six stages: (1) a pre-venture stage in which the entrepreneur searches for, evaluates, and negotiates rights for a venture idea, (2) an organizational stage in which the grounding colleagues energetically set up shop, (3) financial jeopardy while debugging prototypes and establishing sales channels, (4) product introduction with renewed hope despite continued cash shortages, (5) the "rapacious act" of the entrepreneur who gains control by squeezing colleagues out, and (6) an outcome stage culminating in survival or failure.

A sequence which reaches to more maturity in the enterprise has been offered by Long & Ohtani (1986) as

- Identify realizable opportunities
- Design feasible products
- Standardize operating performance
- Expand strategically and opportunistically
- Professionalize middle management
- Institutionalize innovative capacity

In application to one venture, Tapp & McMullan (1986) find such a sequence description to be helpful in that it provides benchmarks, avoids sidetracks, shifts to necessary new operating modes at different stages, and avoids getting bogged down.

There is a prescriptive sequence which Swayne & Tucker (1973) bill as a "road map" by whose application "one should be able to start any business." Three overall stages – concept, planning, and implementation – embrace a sequence of fifty-seven steps. These steps begin with the evaluation of personal goals by the entrepreneur (1) and proceed through such others as evaluation of locations (22) and definition of supply needs (23) to conclude with delivery of the first sale (57).

A prescriptive scheme appears in a set of twelve "Entrepreneurial Flow Charts" offered by E. Joseph Cossman (1975) as a "road map to business success." He claims that the charts "bring together the information necessary to create, protect, manufacture, publicize, market, and merchandise a product or service." These flow charts begin with a step entitled "Adopt the Cossman Success Formula" and are followed by phases of self-assessment, preparation, and learning in which the would be entrepreneur is directed to seek exposure to possible venture opportunities.

A chart proposed by Osgood & Wetzel (1976) suggests replacement of the individual entrepreneur with a "team of business initiation specialists" to improve upon the historic process of entrepreneurship which, they claim, "is too random and inefficient." Problems of venture initiation are,

apparently, not very different from one situation to another. Consequently, these authors propose a formalized procedure in which opportunities are to be sought through market research and economic forecasting efforts of a project team. These could be screened on the basis of feasibility analyses. Those which pass the analyses would be presented as proposals to venture capitalists. With this capital, the project team could then initiate the enterprise and begin the search for an administrator to take over as the venture stabilizes. The team will then become directors of that company and go on to seek out the next venture idea around which to develop another company.

Vesper (1990) states five key ingredients for start-up. These ingredients are as follows:

Technical Know how  
Product or Service Idea  
Personal Contacts  
Physical Resources  
Customer Orders

In addition, he states that the three main hurdles to entrepreneurial entry are:

Failure to find a venture idea with sufficient margin potential  
Failure to develop an effective sales generation scheme  
Failure to obtain operational financing

### **Stages of the Entrepreneurial Process**

The stages of the entrepreneurial process, according to Timmons (1977), are as follows:

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Decision to become an entrepreneur	Identification & Selection of a venture	Launch/ acquire new venture	Postnatal period	Growth
	*conduct venture *prepare business plan *secure financing *identify	*build team *develop & begin to market product	*management and growth of venture	*go public *merge *be acquired *raise more venture capital

There are several key questions that need to be covered regarding the key issues, problems, and tasks inherent in launching a new business and taking it through its first year or so. They include:

1. What is involved in the basic decision to become an entrepreneur or to invest in a small company?
2. How are strengths and weaknesses determined and how are they compared with the requirements of the business?
3. How are appropriate associates selected for the team?
4. What are some key sources of business opportunities and how can one assess the feasibility of a particular venture?
5. What are the critical problems and opportunities in forming and building successfully a new venture team and what methods are appropriate to deal with these?
6. What is venture or seed capital and how does one acquire it?
7. What are the key issues in financing and launching a growing venture, and how can these be resolved in small ventures?

Entrepreneurs and others who have launched promising new ventures perceive that at least some of their early success can be credited to



the systematic and thorough analysis of their entrepreneurial potential and the feasibility of their venture (Timmons, 1977).

### **Frontiers of Entrepreneurial Research**

Dunkelberg & Cooper (1982) examined a number of objectives and organizational traits associated with 1,805 small business owners. Factor analysis was applied to identify entrepreneurial typologies. Those groups were then analyzed to determine whether the entrepreneurs differ across groups by background characteristics and the entrepreneurial processes they followed. The focus was upon determining whether entrepreneurial "types" are distinctive, not only in regard to motivational and organizational characteristics, but also in regard to backgrounds. The research was based upon what was believed to be the largest and most diverse sample of small business owners studied to date. It was based upon a random sample conducted in 1979 of the membership of the National Federation of Independent Business. The 1,805 responses to 6,225 mailed questionnaires represented a response rate of 29%.

Based upon the results, the entrepreneurs were classified by these writers into three broad classes as described below:

**Type 1 -** These growth-oriented owners desired substantial growth and saw their businesses as changing rapidly. They strongly disagreed with the statement "a comfortable living is enough." They might be thought of as primarily

- Type 2 -** These entrepreneurs were strongly driven to avoid working for others. There was not a strong desire to build an organization. Operating controls were not in writing. Desire for independence seemed to be their dominant feature.
- Type 3 -** These entrepreneurs were strongly oriented toward doing the work they wanted to do. Consistent with this, they were most comfortable in selling or handling technical problems rather than in working on management issues. A craftsman orientation was their outstanding characteristic.

Background characteristics for each entrepreneurial type were investigated. They were found to differ with respect to education, previous supervisory experience, functional experience, previous organization, the way in which they became owners, and the growth rates of their firms.

Ronstadt (1983) investigated the decision to become an entrepreneur. The purpose was to identify some key variables in the decision process of 102 people (Babson College Alumni were contacted by mail) who seriously considered but did not start a new venture nor, consequently, an entrepreneurial career. The article provides insights about start-up motivations, barriers, and other factors which influence the venture/career start-up process.

A unique aspect of the study was the comparison of "nonstarters" with 208 Babson College Alumni who were practicing entrepreneurs and who shared an otherwise:

1. common educational background in an institutional and program sense;
2. similar profile in terms of geographic and other location factors;
3. similar orientation toward business generally, including a very distinct motivation for some kind of business career at a relatively early age.

Why do people who have seriously explored starting one or more entrepreneurial ventures decide not to start them? What are the perceived barriers to entry for would-be entrepreneurs who may wish to pursue an entrepreneurial career but have decided against it? More knowledge about these and other questions which affect "the non-start decision" would increase understanding of the entrepreneurial start-up process. To date, knowledge of the start-up process has been derived from and is limited to the experiences of those who actually start entrepreneurial ventures. This study attempted to overcome this deficiency by identifying the principal reasons why approximately 102 individuals did not launch one or more ventures which they seriously investigated.

In order to achieve the above objective, the study evaluated and identified both differences and similarities between individuals identified as "nonstarts" versus practicing entrepreneurs. Comparisons were made along three dimensions: personal factors; venture factors; and

environmental factors. Similarities and differences were also identified and evaluated among the nonstart group itself in terms of how, when, where, and with whom they have considered pursuing an entrepreneurial career. Each nonstarter was asked to rank the reasons (from a total of twelve choices), which were most instrumental in causing him/her to decide not to launch a venture. Over 54% checked "financial considerations dealing with the start-up," and nearly 18% checked that the "idea or concept for the venture was not as good as originally thought," accounting for nearly three-quarters of the respondents. Secondary reasons showed family considerations/pressures (32%) the highest, followed by "financial considerations" (15%) and "lack of proper or relevant industry experience (11%).

A study by Dean (1983) developed, tested, and evaluated a generic method for use in the management of innovative start-ups. The major tasks accomplished in each start-up, including organizational, legal and accounting, financial, R&D, market research, manufacturing, and marketing were identified. For each major task, the significant activities, precedence relations, decisions nodes, alternative choices of action, and feedback loops were identified.

Computer outputs were obtained of such parameters as the critical path, the criticality of each start-up task and the probability distribution of the time to each end- state.

Organizational managers are concerned with the successful completion of the innovative start-up process. As innovation is a risky (Probabilistic) process, there is a need for probabilistic and conditional

branching considerations, including repetitive performance of some activities until success is achieved. Accordingly, there is significant variability in the completion times of major tasks in an innovative start-up, and in the corresponding time to reach a break-even cash flow situation. Critical activities that affect both the success and the duration of an innovative start-up are highlighted. The outputs from an analysis of an innovative start-up can assist management in planning and decision making.

Churchill (1983) took the five stages of small business development - Existence, Survival, Success, Take-off, and Resource Mature - and extended them back in time to encompass the pre-start-up phases of entrepreneurial development - the three phases of Seriously Consider Doing It, Planning For It, and Doing It. The eleven characteristics of successful entrepreneurs were then examined and related to each of the four stages of entrepreneurial development. The stages are described as follows:

- Stage 1 - Existence.** The critical problems of the business are enough customers, delivery of products or services in enough volume, and expansion from one key customer to a broad base.
- Stage 2 - Survival.** The business has become viable; the key problem shifts from merely existing to existing profitably.

- Stage 3 - Success.** The company is making economic returns on labor and capital. The key problem is to either exploit the company's success and expand or stay a stable and profitable (but smaller) enterprise.
- Stage 4 - Take-Off.** This is the most challenging stage with the most excitement and the most problems. The four critical problems are delegation, cash, decentralized organization, and resources.
- Stage 5 - Resource Mature.** The company has finally arrived at a "big company" stage with considerable financial, human, and market resources available to it. The key problems are to consolidate and control the success and not lose the entrepreneurial spirit that brought the company to where it is - prevent it from entering the next stage - **Ossification**.

Churchill listed eleven characteristics of successful entrepreneurs and they are as follows:

1. Good health, personal energy, and drive
2. Need for (and belief in) internal direction and control
3. Self-confidence
4. Never ending sense of urgency
5. Comprehensive awareness
6. Realism

7. Superior conceptual ability
8. Low need for status
9. Objective approach to interpersonal relationships
10. Sufficient emotional stability
11. Moderate propensity for risk taking (p. 50).

Examining the characteristics of entrepreneurial success against the decisions required in different phases of a business's existence - starting the enterprise; managing it during its critical, formative periods; maintaining it during its successful years; and then taking it on an expansion program – can help understand the development and demise of small businesses and the entrepreneurial function (p. 51).

A number of different concepts and models have been developed to explain the process through which entrepreneurs identify and become committed to new venture opportunities. The information search, decision making and commitment aspects of opportunity identification have not as yet been subjected to systematic research methodology. Long & McMullan (1984) did a paper in an attempt to use interviews and survey research methods to study some basic parameters involved in the intellectual processes of structuring a realizable new venture opportunity.

Long & McMullan stated that two fundamentally different types of models have been put forward to explain how people become committed to new venture opportunities. One type has attempted to reproduce the thinking patterns of successful entrepreneurs whereas the other has been used to identify those surrounding circumstances distinguishing venture

initiators from mere dreamers. The first type of model building is a subjectivist perspective and the latter type, an objectivist perspective. It was the purpose of the Long & McMullan study to review the relative values of each perspective, then to present an integrative model of the opportunity identification process.

Long & McMullan's idea assumes that opportunity identification is a process, which is at least in part, (a) under the personal control of the aspiring entrepreneur, and which often becomes a realizable possibility only after (b) substantial preparatory work, thereby personalizing the opportunity and rendering it generally inaccessible to most other people.

Long & McMullan's model of the opportunity identification process presents opportunity identification as a creative structuring process involving four distinctive stages from beginning to end: (1) pre-vision, (2) point of vision, (3) opportunity elaboration, and (4) decision to proceed. The model offers promise for finding the parallels between the opportunity identification experiences of creative people, in general, and those of entrepreneurs, in particular.

Gartner (1984) did a study that expanded on research which found that no one "typical" business start-up pattern existed. Instead, commonly occurring start-up patterns labeled "entrepreneurial archetypes" emerged. This study explored problems and skill acquisition during business start-up. Financial management and marketing/selling were identified by entrepreneurs as presenting the most difficult problems. Less than 50% of entrepreneurs claimed to have the requisite skills for start-up. Entrepreneurs relied to a great extent on learning skills. Upon analysis,



problem identification and skill acquisition conformed to expectations for the archetypes. Few examples of entrepreneurs are homogeneous, according to Gartner. Much can be learned from studying variation among entrepreneurs.

Greenberger & Sexton (1987) completed a paper about the results of two studies designed to demonstrate the role of personal control as a predisposing variable and a precipitating event in the new venture initiation decision. In the first study of 200 students, they found that the amount of personal control the respondents desired was strongly associated with the participation of new venture initiation. In the second study of 56 entrepreneurs and 51 managers, the researchers found that personal control possessed by these respondents was found to be significantly higher for entrepreneurs than for managers. These results were found despite the statistical removal of the variance associated with locus of control.

Hoy & Carland (1983) described a replication of an earlier attempt to differentiate entrepreneurs from small business owners. The sample consisted of 73 new venture founders. The partitioning process developed in the original study of successful small firms was found applicable to new venture strategies. An attempt to differentiate owners based on personality characteristics as measured by the Myers-Briggs Type Indicator (MBTI) did not support the conclusions of the first investigation.

The original investigation (Carland, 1982) developed a set of criteria for identifying entrepreneurial ventures from among a sample of small firms. Comparisons of owner characteristics were then made between the

two sets of enterprises. In a follow-up, only ventures in the process of formation were selected for examination. As a result of the findings of the first study, fewer owner traits were measured in the replication.

The original study consisted of 77 usable responses. Carland classified the 77 firms into entrepreneurial and small business groups. Three criteria were identified for selecting entrepreneurial ventures:

1. Development and pursuit of an innovative strategic posture;
2. Creation or recognition of a new market and entry into that market;
3. Recognition of and capitalization on an untapped market niche.

Comparing the owners of the two sets of enterprises, Carland observed no significant differences regarding the needs for achievement, social status, or power. The entrepreneurial venture owners were found to have a higher preference for innovative behavior than the other group. Entrepreneurial managers were classified, according to the MBTI, as intuitive-thinking-perceptive types, while small business owners were more likely to be sensing-feeling-judging-types. The 1983 study utilized 73 usable responses.

The questions were refined and modified from Carland's original questionnaire. The only personality instrument retained from the prior survey was the short version of the MBTI. This instrument was chosen to determine if the highly significant differences found between small business owners and entrepreneurs could be replicated in a study of new ventures. The criteria allowed a panel of judges to partition a data set by

venture and to establish a workable distinction between entrepreneurial ventures and small business ventures.

There were relatively few entrepreneurs in the small business area. The judges classified only 16 of the 73 responding new venture owners as entrepreneurs. Entrepreneurs were more intuitive in their information gathering preferences, and small business owners were more sensing, or detail oriented. Entrepreneurs were more thinking, or task oriented, in their information processing behavior, while the small business owners were significantly more feeling, or people oriented. Finally, the entrepreneurs were more perceptive and adaptive, while the small business owners had preferences for the judging dimension, which incorporates logical and methodical approaches to decision making.

James W. & JoAnn C. Carland (1992), drawing on the work of leading researchers in entrepreneurial planning, characteristics, behavior and distinctions, and borrowing heavily from the literature of cognitive psychology, developed a short, objective instrument which will yield an index of entrepreneurship. The instrument does not separate respondents into entrepreneurs and non-entrepreneurs; rather, it provides an index of the strength of the relative entrepreneurial preferences of respondents. The index was administered to 225 small business owners, with 209 usable responses. The entrepreneurship index has been empirically validated. The index has performed sufficiently in this empirical examination to merit serious consideration as a scale with the potential to identify entrepreneurial tendencies. Further, the tests clearly indicate that differences in the strength of entrepreneurial preferences did exist in the

sample respondents. This finding supports the hypothesis of a continuum. Further research is required to validate these results.

Dr. Ronald Ronstadt (1983) identified some key variables in the decision process of 102 people who seriously considered, but did not start, a new venture nor an entrepreneurial career. The study provided insights about start-up motivations, barriers, and other factors influencing the venture/career start-up process.

A large number of Babson alumni who were identified as working for someone else were contacted by mail. This initial mailing identified those individuals who had considered an entrepreneurial venture but never started one. A second mailing contained a five page questionnaire and resulted in 102 usable responses. All the responses were compared against 208 practicing Babson entrepreneurs who had graduated from the same academic programs over the same time periods. The study identified and evaluated both differences and similarities between individuals identified as non-starts versus practicing entrepreneurs.

### Conclusion

It is imperative to understand, for the continued success of the Human Resource Development (HRD) consulting agency, how the entrepreneurial role should be played by today's HRD consultants. HRD consultants must entrepreneurially function as problem-solvers and proactive managers of their agencies. They should serve a dual role as profit center/resource maintenance center and be proactive risk takers. Their mission/goal is to seek, fulfill, and create opportunities to better

serve their customers. Strategies and plans must be long term rather than short term.

Shifting the HRD function to an entrepreneurial one is not an easy task. It will take a great deal of time, energy, effort, and money to create a truly effective entrepreneurial role. A thorough comprehension of the backgrounds of HRD and entrepreneurship will promote this endeavor.

## CHAPTER 3

### METHODOLOGY

This section describes the methods and procedures to be used in this study. The purpose of the study is to provide an analysis of the start-up strategies and characteristics of external consultants in Human Resource Development (HRD) in comparison to those of entrepreneurs in other businesses. The intent is to illustrate any variances between the two sets of strategies. The procedures to be followed are presented in this section. Emphasis is placed on providing a description of the population and sample, the study design, the data-gathering instrument, and the methods of analysis which will be utilized to respond to the formulated research questions.

#### The Population and Sample

The target population of external consultants for Human Resource Development (HRD) will be selected for participation in this study. The target population includes all the members of a real or hypothetical set of people, events, or objects to which one wishes to generalize the results of the research (Borg, 1989, p. 216).

This is an era when competence and development are sure to make a major difference for organizations and individuals, both nationally and globally. The American Society For Training And Development (ASTD) provides publications, including the Models for HRD Practice, that contribute the most comprehensive means available to HRD professionals

seeking guidelines. These resources serve as handbooks, guides, and tools for all those involved in training and development of the workforce. Novice and experienced practitioners alike will use this assistance to increase their understanding of the field and enhance their performance. Human Resource managers will use these aids to develop their organizations and to design and staff jobs. Line managers will find the resources to be an invaluable tool as they take on more responsibility for training and development (McLagan, 1989, p. 1).

The 1993 ASTD Buyer's Guide and Consultant Directory is one of these informational sources and provides hundreds of training resources to meet the needs of HRD professionals. It is an excellent source of consulting agencies. The 1993 ASTD Buyer's Guide and Consultant Directory lists 674 companies and consultants involved with the HRD profession. This is an experimentally accessible population. By definition, a population includes all members of a specified group. The distinguishing characteristic of a population is that all who meet the definition for membership are included (Hinkle, 1988, p. 17).

The 674 agencies that meet the criteria listed above are listed in 38 states and the District of Columbia. The states and the number of agencies in each state are listed in Table 3.1.

**Table 3.1 - States and HRD Consulting Agencies**

Alabama	2	Minnesota	16
Arizona	8	Mississippi	1
California	83	Missouri	14
Colorado	14	New Hampshire	3
Connecticut	30	New Jersey	60
Delaware	2	New York	62
District of Columbia	8	North Carolina	9
Florida	23	Ohio	28
Georgia	24	Oregon	7
Hawaii	2	Pennsylvania	31
Illinois	48	Rhode Island	2
Indiana	3	South Carolina	1
Iowa	3	Tennessee	4
Kansas	3	Texas	39
Kentucky	3	Utah	5
Louisiana	2	Vermont	1
Maine	1	Virginia	35
Maryland	23	Washington	10
Massachusetts	35	Wisconsin	9
Michigan	20		

The Nebraska Evaluation and Research (NEAR) Center recommended that a table of random numbers be utilized to select the 400 consulting agencies to whom the packets were mailed for purposes of obtaining a minimum sample of 200 respondents.

### **The Design**

The research design employed is survey research. A main feature of survey research is the gathering of data or information from a sample or specific population, usually by questionnaire, interview, or telephone survey. The advantages of this data collection procedure are the low cost



and relative ease with which data can be collected (Adams & Schaneveldt, 1985).

Survey research is typically used to determine the opinions, attitudes, preferences, and perceptions of persons in whom the researcher is interested. Questionnaires and interviews are two commonly used forms of surveys (Borg & Gall, 1979). After considering the survey options, a written questionnaire was considered to be the most cost effective and efficient way to gather data for this study. Appendix B (see Exhibit 1) was sent to the University of Nebraska Institutional Review Board for the protection of human subjects on June 2, 1993. Authorization to begin the research was received on June 21, 1993 (See Exhibit 2).

Packets containing the research instrument were sent to the Presidents/CEOs of the 400 randomly selected HRD consulting agencies listed in the 1993 ASTD Buyer's Guide and Consultant Directory. The packets contained the following items: a cover letter (see Exhibit 3) describing the intent of the study and requesting the Presidents/CEOs to participate in the study; the Carland Entrepreneurship Index (survey instrument - see Exhibit 4); the start-up strategies questionnaire (survey instrument - see Exhibit 5); request for demographic information (see Exhibit 6); and a self-addressed stamped envelope to be used to return the completed research requirements.

The questionnaires were coded to check for non-response and to send requesting participants a copy of the findings. Fourteen days after the first mailing, a second mailing to those participants who had not responded was conducted. The second mailing consisted of a packet with a reminder

postcard and copies of the questionnaires. Thirty days after the initial mailing, a second reminder postcard was mailed. Fifteen days later, those who did not respond were considered to be non-respondents and no further attempt was made to solicit their response.

### **Instrumentation**

The research questions proposed for this study require the assessment of the strength of the relative entrepreneurial preferences of respondents and start-up strategies used by the respondents. In addition, demographic variables such as annual sales, number of employees, business form, role of respondent in start-up, degree, age of the business, age when business started, education of respondents, ownership objective, and technical background will be assessed. Instrument selection was based on the intended purpose of the research study, ease of administration, and amount of time necessary to complete the instrument.

### **The Carland Entrepreneurship Index**

#### **Purpose of Instrument**

Drawing on the work of leading researchers in entrepreneurial planning, characteristics, behavior and distinctions, and borrowing heavily from the literature of cognitive psychology, Drs. James and JoAnn Carland of Western Carolina University have developed a short, objective instrument which will yield an index of entrepreneurship. The instrument does not separate respondents into entrepreneurs and non-entrepreneurs; rather, it provides an index of the strength of the relative

entrepreneurial preferences of respondents. The index was administered to two hundred and twenty-five small business owners, with two hundred and nine usable responses. The entrepreneurial index has been empirically validated by utilizing a factor analysis of the 209 responses to the index. The authors employed the four theoretical constructs embodied in the development of the instrument (personality, innovation, risk taking propensity, strategic posture) as the limiting factors for the analysis.

### **The Instrument**

Evaluation of the great mass of entrepreneurial literature led the authors to conclude that entrepreneurship is primarily a function of four elements: personality, innovation, risk-taking propensity, and strategic posture. Consequently, the authors devised statements in pairs in a forced choice format which would reveal an individual's proclivity for each of those four constructs. The result is the Carland Entrepreneurship Index. The index was designed to identify the strength of an individual's entrepreneurial drive. The original instrument consisted of 40 pairs of statements in a forced choice format. The instrument required less than ten minutes to complete, could be scored by untrained administrators, and resulted in a score which represents the strength of the entrepreneurial drive present in the respondent. The current instrument has 33 sets of statements as seven questions from the original instrument failed to produce a loaded weight of at least .3 on any of the four factors. These questions were eliminated from the instrument.

### **The Carland Sample**

Two hundred and twenty five surveys were distributed using a convenience sampling technique. Graduate students from the Southeastern United States were asked to have small business owners complete the surveys. Of the two hundred and twenty five initial surveys, two hundred and nine were usable. The final sample of firms were all individually owned and operated small businesses according to the Small Business Administration definition. All of the respondents were owners, partners, or major share holders and principal managers of the businesses.

### **Rationale for Instrument Selection**

Carland (1992) determined that if the entrepreneurial index can be established as an acceptable instrument, it can provide researchers, educators and management assistance with a valuable tool. Given that there are differences among owners of small businesses, comparability of research results is hampered by sample bias. The index could provide a tool to ameliorate that problem.

Carland further determined that knowledge about the drives in a research sample could be valuable in preventing empirical results from being misinterpreted due to lack of understanding of the motivations of the subjects. Fostering HRD consulting agency entrepreneurship would become a more obtainable goal given a chance to assess the relative entrepreneurial drive of individuals. An understanding of entrepreneurial propensity would lead to more constructive approaches to sharing research results and building on the findings of other studies.

Lastly, Carland stated the index performed satisfactorily on every test of validity, consistency and reliability to which it was subjected. The sample of respondents was a convenience sample; however, it was sufficiently large as to eliminate most criticisms since the central limit theorem holds that larger samples approach representation of the population mean. The index performed sufficiently in this empirical examination to merit serious consideration as a scale with the potential to identify entrepreneurial tendencies and characteristics. The index could adhere to the entrepreneurial tendencies and characteristics of HRD consultants. Permission was received from Drs. James & JoAnn Carland to use the Carland Entrepreneurship Index and demographic questions on May 24, 1993 (see Exhibit 7).

#### **Ronstadt Instrument #2b For Practicing Entrepreneurs**

Dr. Ronald Ronstadt completed research regarding the decision not to become an entrepreneur, Babson College, 1983. He identified some key variables in the decision process of 102 people who considered seriously but did not start a new venture nor, consequently, an entrepreneurial career. It provides insights about start-up motivations, barriers, and other factors influencing the venture/career start-up process.

### **Instrument**

Start-up activities as indicated in Instrument #2b For Practicing Entrepreneurs were developed by Dr. Robert Ronstadt in his study "The Decision Not To Become An Entrepreneur." A large number of Babson alumni who were identified as working for someone else were contacted by mail. This initial mailing identified those individuals who had considered an entrepreneurial venture but never started one. A second mailing contained a five page questionnaire and resulted in 102 usable responses. All the responses were compared against 208 practicing Babson entrepreneurs who had graduated from the same academic programs over the same time periods.

Instrument #2b For Practicing Entrepreneurs was used for these 208 practicing Babson entrepreneurs. The study identified and evaluated both differences and similarities between individuals identified as non-starts versus practicing entrepreneurs. Permission was given by Dr. Ronstadt to use his data regarding start up strategies on June 9, 1993 (see Exhibit 8).

### **Pilot Study**

A preliminary trial of research measures and techniques is essential to the development of a sound research plan. Whenever possible this preliminary trial should be enlarged into a pilot study. In a pilot study the research procedure is carried out, including analysis of the data collected, following closely the procedures planned for the main study. Pilot studies are carried out with fewer subjects than will be employed in the main

study. The pilot study provides additional knowledge that leads to improved results (Borg, 1989).

A pilot test was conducted on September 9-10, 1993 using a sample of ten individuals from a population in Lincoln, Nebraska with characteristics similar to those of the research subjects. The choices formatted on the pilot study were the same items listed in Instrument #2b For Practicing Entrepreneurs as identified by Robert Ronstadt as being steps taken when starting an entrepreneurial venture. There were twelve items and they are listed as follows: (see Exhibit 9)

1. Wrote a business plan.
2. Spoke with a banker, venture capitalist, or other financial source.
3. Looked at specific sites.
4. Consulted with an attorney.
5. Actively gathered information on the market and/or industry.
6. Calculated margins and breakevens.
7. Developed projected cash flows.
8. Looked into developing a prototype; (e.g., met with engineers, contractors, etc.)
9. Actually developed a prototype.
10. Identified some actual customers.
11. Actually presold some customers.
12. Other (please specify)

### **Pilot Study Subjects**

The research subjects were Human Resource Development (HRD) consultants, educators in HRD, and Human Resource Managers. The pretest form of the start-up strategies questionnaire provided space for the respondents to make comments about the questionnaire itself so they could indicate whether some questions seemed ambiguous to them, whether provisions were made for certain responses that were not included in the questionnaire, and other points that could lead to improving the instrument. The pilot instruments were hand carried to the ten respondents and collected two days later. The completed pretests were read concerning the subjects comments regarding the questionnaire and possible improvements. Responses were checked item by item. There were no blank items.

An analysis of the pilot results indicated a favorable response concerning whether the methods to be used for summarizing and quantifying the data would work satisfactorily. The respondents recommended that other steps be added. As a result of the analysis, four additional items were added. They are as follows:

Knew how to write a business plan.

Obtained financial backing.

Used an attorney through the entire start-up process.

Developed a client base.

As a result of the input from those research subjects that took the pilot test, the number of items was changed from twelve to fifteen. Item 11, "Actually presold some customers" on instrument #2b was



replaced by item 13 on the survey instrument, "identified some actual customers" as the pilot test research subjects indicated a preference for that item as being more applicable to HRD consultants.

### **Data Analysis**

The demographics pertaining to the respondents was analyzed. A demographic profile (frequencies and percentages of the variables) of the presidents/CEOs of the consulting agencies was developed and compared to the characteristics of entrepreneurs from the literature to establish any significant differences.

The Carland Entrepreneurship Index, to be completed by each respondent, was scored and analyses (frequencies and percentages) of the questions was completed and compared to the characteristics of entrepreneurs identified by Carland.

Analyses of the entrepreneurial start-up strategies regarding frequencies and percentages was compiled and compared to results established by Ronstadt. Chi square analysis was used to determine if significant differences exist between the demographics and the start-up strategies of the presidents/CEOs. The .05 level of significance prevailed.

## CHAPTER 4

### DATA ANALYSIS

#### Introduction

The purpose of this chapter is to report the results and statistical analyses of the findings of this study. The chapter is organized into three sections:

- 1 - Demographics of HRD entrepreneurs and comparison to the Carland demographics.
- 2 - Analysis of the entrepreneurial characteristics of HRD entrepreneurs and comparison to the Carland Index data.
- 3 - Analysis of the start-up strategies of HRD entrepreneurs and comparison to entrepreneurial start-up strategies developed by Ronstadt.

The problem addressed in this study is that the characteristics and start-up strategies of Human Resource Development (HRD) consultants are unknown compared to those of entrepreneurs in other businesses.

The target population of external consultants for Human Resource Development (HRD) was selected for participation in this study.

The 1993 Buyer's Guide and Consultant Directory is an informational source and lists 674 companies and consultants serving the HRD profession. The sample of 400, chosen by random numbers from the population of 674, was utilized to generalize the results of the research.

On November 23, 1993, packages including a cover letter, questionnaires and requests for demographic information were mailed to the CEOs/Presidents of the 400 randomly selected HRD consulting agencies listed in the 1993 American Society for Training and Development Buyer's Guide and Consultant Directory. Two weeks later a follow-up postcard was mailed to each of those who had not responded. A cut-off date of December 21, 1993 was set.

On December 21, 1993, 204 out of 400 or 51% of the questionnaires and demographic information had been received. Seven questionnaires and demographic information were received after the 51% compilation. Fifteen surveys were returned incomplete due to factors including "addressee unknown" and "moved with no forwarding address." Nothing was done to test early versus late responses nor any follow-up of non-respondents as the response rate was adequate.

### Demographics of HRD Entrepreneurs

In this section the demographics pertaining to the respondents were be analyzed. Demographics are concerned with the characteristics of human populations, such as size, growth, density, distribution, and vital statistics. Demographic factors consistently used by entrepreneurship researchers are annual sales, number of employees, business form, role of respondent in start-up, degree, age of the business, age when business started, education of respondents, ownership objective and technical background.

Carland (1992) included in his survey a request for the owner to indicate whether the primary purpose for establishing the business was profit and growth or to provide for family income. As in the Carland research, this study is intended to represent owners who have dramatically different objectives for their businesses.

One problem addressed by this research was to develop a demographic profile of the President/CEOs of the consulting agencies. The demographic profile is comprised of the variables previously described in this chapter. The demographic analysis of the respondents was contrasted to the demographic characteristics of entrepreneurs from Carland's study. Demographic analyses is described by the frequency and percentage of each variable.

**TABLE 4.1 - Amount of Annual Sales**

<b>Amount of Annual Sales</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
\$100,000 or less	47	23.0	41.0
\$100,000 to 250T	38	18.6	18.0
\$250,000 to 500T	44	21.6	18.0
\$500,000 to 1M	34	16.7	9.0
\$1,000,000 to 5M	29	14.2	12.0
\$5,000,000+	6	2.9	2.0
Missing cases	6	2.9	
Total	204	100.0	100.0

Table 4.1 identifies the frequency distribution of the respondents by the organization's sales. The sample consists of 198 respondents as there were six missing cases. The largest frequency of 47 is in the \$100,000 or less category with a percentage of 23.0. However, all frequencies in the top five

categories were close, ranging from 23.0% to 14.2%. This indicates the lack of a dominant sales category and breadth in the size of HRD organizations based on sales volume. The current study was more evenly distributed on the variable of sales than Carland's 1992 study. In Carland's study, the "\$100,000 or less" category had 41% of respondents. In Carland's study, the percentages for the remaining five categories were 18, 18, 9, 12, and 2.

**TABLE 4.2 - Number of Employees**

<b>Number of employees</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
10 or less	165	80.9	85.0
11-25	26	12.7	8.0
26-50	4	2.0	5.0
51 or more	7	3.4	2.0
Missing cases	<u>2</u>	<u>1.0</u>	
Total	204	100.0	100.0

The frequency data for the variable of number of employees indicates an overwhelming percentage of 80.9 in the 10 or less category. Carland's (1992) study found that 85% of the respondents were in the 10 or less category, therefore current research is consistent with the Carland study. The next highest frequency was 26 in the 11-25 category and there were major declines in the remaining two categories with a combined percentage of 5.4. This result is also consistent with the Carland study as the results for the 26-50 and the 51 or more categories were 7%. There were

two missing cases. In comparison to Table 4.1, it appears that small sized organizations produce varied amounts of sales.

**TABLE 4.3 - Business Form**

<b>Business Form</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
Proprietorship	67	32.8	51.0
Partnership	15	7.4	13.0
Corporation	116	56.9	36.0
Other	4	2.0	
Missing cases	2	1.0	
Total	204	100.0	100.0

Table 4.3 displays the frequency data for the business forms of HRD organizations. It is interesting to note that the corporation category had the highest frequency (116) with a 56.9%. The proprietorship category has the second highest percentage which is 32.8%. This data is in contrast to Carland's 1992 study which listed proprietorships as the dominant category with 51%. Based on this data, the current study involving Human Resource Development (HRD) consultants indicates a preference for the corporate form of business form as opposed to the sample of small business owners in the Carland study.

TABLE 4.4 - Role of Start-up Respondent

Role of Start-up Respondent	Present Frequency	Research Percent	Carland's Percent
Established business	172	84.3	75.0
Purchased business	13	6.4	21.0
Inherited business	2	1.0	4.0
Other	16	7.8	
Missing cases	<u>1</u>	<u>.5</u>	
Total	204	100.0	100.0

The frequency data illustrated in table 4.4 clearly shows that the largest number of Presidents/CEOs established their own businesses (84.3%). Carland's study (1992) found that 75% of the small business respondents established their own businesses. All other categories, purchased business, inherited business, and other has a total of 15.7% compared to a 25% total for the remaining categories in the Carland study. One item of interest is that the category of "other" was the second highest in percentage with 7.8 indicating the existence of other start-up strategies than the traditional models.

**TABLE 4.5 - Educational Degree of Entrepreneur**

<b>Educational Degree of Entrepreneur</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
Associate	8	3.9	n/a
Undergraduate	45	22.1	n/a
Masters	80	39.2	n/a
Ph.D or Ed.D	69	33.8	n/a
Missing cases	2	1.0	n/a
Total	204	100.0	

Table 4.5 provides a breakdown of the frequency data for degrees. Two levels of education clearly dominated the other categories as the number of respondents with Masters and Ph.D./Ed.D.s have combined percentages of 73%. It is interesting that there were 45 respondents with an undergraduate degree and eight with an associate degree. Carland did not use "Degree" as part of the demographics.

**TABLE 4.6 - Education of Respondents**

<b>Education of respondents</b>	<b>Current Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
12 years or less	1	.5	37.0
12-15 years	21	10.3	27.0
16 years	27	13.2	23.0
More than 16 years	150	73.5	13.0
Missing cases	5	2.5	
Total	204	100.0	100.0



The largest category, in frequency (150) and percentage (73.5), is in the "more than 16 years" category in table 4.6, education of respondents. This is a marked contrast to the Carland study in which 13% of the small business respondents were in the "more than 16 years" category. This could mean that the educational level of Presidents/CEOs of HRD consulting agencies is overall much higher than those of small business owner respondents. It is also interesting to note that the percentage in the "12 years or less" category in the current study is .5 as opposed to 37% in the Carland research. Data compiled in table 4.6 somewhat supports the frequency data in table 4.5. The number of respondents with more than 16 years of education complements the categories in table 4.5 indicating advanced degrees.

**TABLE 4.7 - Age of the Business**

<b>Age of the business</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
10 years or more	99	48.5	37.0
5-10 years	53	26.0	34.0
1-4 years	46	22.5	24.0
less than 1	4	2.0	5.0
Missing cases	2	1.0	
Total	204	100.0	100.0

Table 4.7 provides a distribution of the age of the business categories. The frequency (99) and percentage (48.5) of the "10 years for more" category is the largest of the categories. The Carland study provided a more even distribution than the current study as the top three categories in that research were 37%, 34%, and 24%. Both the Carland study (5%) and the current study (2%) were similar in that there were few respondents in the "less than one year" category.

**TABLE 4.8 - Age of Entrepreneur When Business Started**

<b>Age of Entrepreneur When Business Started</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
Under 25	13	6.4	2.0
25-35	73	35.8	24.0
36-45	81	39.7	36.0
46-55	28	13.7	26.0
Over 55	8	3.9	12.0
Missing cases	1	.5	
	<b>Total</b>	<b>204</b>	<b>100.0</b>
		<b>100.0</b>	<b>100.0</b>

Table 4.8 depicts the age of the entrepreneurial President/CEOs of the HRD consulting agencies when the business was started. Note that the two largest categories of the respondents were in the "25-35" range with 35.8% and the "36-45" limits of 39.7%. These percentages compare

favorably with the same category percentages in the Carland study which were 24% and 36% respectively.

Both studies indicated low frequencies in the "under 25 years" category possibly indicating a lack of entrepreneurial drive among younger HRD consultants and small business owners or a lack of experience or opportunity. The Carland study did point out that there were larger numbers of small business owners (26%) in the "46-55 year" category as opposed to 13.7% of the Presidents/CEOs.

**TABLE 4.9 - Ownership Objective**

Ownership Objective	Present Frequency	Research Percent	Carland's Percent
Profit	61	29.9	--
Growth	50	24.5	41.0
Family income	53	26.0	59.0
Other	26	12.7	
Missing cases	14	6.9	
Total	204	100.0	100.0

One item of interest in table 4.9, ownership objective, is the large number of missing cases, amounting to 6.9%. Compared to data compiled in the other tables, there are more missing cases than in any other table except for table 4.10 which has 23 missing cases. In addition, the "other" category accounts for 12.7% of respondent's answers possibly meaning that

there is a need for other ownership objectives. Carland's (1992) study combined the categories of growth and profit for a total percentage of respondents at 41%.

The category of growth in the current study is 24.5% and the category of profit is 29.9% for a total of 54.4%. There is a difference of 13.5% of the small business respondents and Presidents/CEOs regarding ownership objectives. There was a large difference in respondent's regarding the category "family income" in the two studies. Carland's research showed a 59% response rate as opposed to a 26.0% response in the current study. Small business owners apparently are more interested in family income than are the presidents/CEOs of consulting agencies.

**TABLE 4.10 - Technical Background**

<b>Technical Background</b>	<b>Present Frequency</b>	<b>Research Percent</b>	<b>Carland's Percent</b>
Business administration	28	13.7	n/a
Training and development	63	30.9	n/a
HRD	20	9.8	n/a
Business education	8	3.9	n/a
Marketing education	8	3.9	n/a
Other	54	26.5	n/a
Missing cases	23	11.3	n/a
Total	204	100.0	--

Carland did not use technical background as a demographic. The technical background table has the most missing cases. The total percentage of missing cases is 11.9% and a frequency of 23. It is not clear how other categories would be influenced by a lower missing case percentage. Perhaps there is a problem with the meaning of technical. The largest percentage (30.9) is in the training and development category but it is interesting to note that there is a large percentage (20.5) in the "other" grouping which could entail the use of other, more defined categories in addition to the ones listed. The "other" category has the second highest response rate of the categories. Interestingly, the Human Resource Development (HRD) grouping was 9.8%. This low frequency (20) would appear to mean that there are not an extensive amount of HRD consulting agency Presidents/CEOs with an HRD background or they perceive themselves as having a different technical background than HRD.

#### **Summary of the key demographic characteristics**

A sample profile indicates that the largest percentage (23.0) of Presidents/CEOs are in the \$100,000 or less category regarding the number of sales, however, 21.6% of respondents were in the "\$250,000 to \$500,000" category.

Concerning the number of employees, 80.9% of respondents have 10 or less employees. Most respondents (56.9%) utilize the corporate business form and the largest percentage of Presidents/CEOs (84.3) established their own businesses.

The overwhelming majority of the Presidents/CEOs (73.5%) have more than 16 years of education and it is interesting to note that 33.8% of respondents had the Ph.D. or Ed.D. degree.

Over 48% of the respondents had ten years or more in the business and over 39% of respondents were 36 to 45 years of age when the business was started. Profit was the prime ownership objective among respondents with 29.9% but family income was a close second objective at 26%. The growth objective had 24.5% of respondents in the ownership objective demographic.

Regarding technical background, the main category that most respondents chose was training and development with 30.9%.

Table 4.11 lists the most common demographic characteristics (percentages) of the HRD entrepreneur compared to the demographic characteristics (percentages) of respondents in the Carland study.

**TABLE 4.11 - Current HRD and Carland Entrepreneurial Characteristics**

	<b>Current HRD Entrepreneurial Characteristics (Percentage)</b>	<b>Carland Entrepreneurial Characteristics (Percentage)</b>
<b>Sales:</b>		
\$100,000 or less	23.0	41.0
<b>Number of Employees:</b>		
10 or less	80.9	85.0
<b>Business Form:</b>		
Corporation	56.9	36.0
<b>Role of Start-up Respondent:</b>		
Established Business	84.3	75.0
<b>Educational Degree:</b>		
Masters	39.2	n/a
PhD or Ed.d	33.8	n/a
<b>Education of Respondents:</b>		
More than 16 years	73.5	13.0
<b>Age of Business:</b>		
10 years or More	48.5	37.0
<b>Age When Business Started:</b>		
36-45	39.7	36.0
<b>Ownership Objective:</b>		
Profit & Growth	54.4	41.0
<b>Technical Background:</b>		
Training & Development	30.9	n/a

#### **Analysis of the Carland Entrepreneurship Index Data**

For many years, attempts have been made to define and characterize entrepreneurship with little consensus. The answer to the question, "How does one identify entrepreneurship?" has been one of consuming interest to researchers.

The Carland Entrepreneurship Index, developed by Drs. James & JoAnn Carland (1992), provides an index of the strength of the relative entrepreneurial preferences of respondents (small business owners). This entrepreneurial index was developed in an attempt to discriminate among the major characteristics which have often been espoused as delineating this group of business owners.

The purpose of the current study is to identify the possible entrepreneurial characteristics of consultants in Human Resource Development (HRD); therefore, the Carland Index is applicable to the current research. Each question on the Index that was completed by the respondents (See appendix 1) had two choices - one entrepreneurial and one not entrepreneurial. The choice marked "E" in each table indicates the respondents' entrepreneurial preferences as they apply to current research. The results of the current research are compared to those similar items in the Carland study.



**TABLE 4.12 - Carland Entrepreneurship Index - Questions 1-5**

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 1</b>				
1. Written objectives for a business are crucial.				
2. It's enough to know the general direction you are going.				
1 "E"	122	59.8	66	31.2
2	81	39.7	142	67.3
Missing	1	.5	3	1.4
Total	204	100.0	211	100.0
<b>QUESTION 2</b>				
1. I like to think of myself as a skillful person.				
2. I like to think of myself as a creative person.				
1	62	30.4	106	50.2
2 "E"	139	68.1	102	48.4
Missing	3	1.5	3	1.4
Total	204	100.0	211	100.0
<b>QUESTION 3</b>				
1. I wouldn't have started this business if I weren't sure that it would go.				
2. I can never be sure whether this business will go or not.				
1	111	54.4	25	11.9
2 "E"	92	45.1	181	85.8
Missing	1	.5	5	2.3
Total	204	100.0	211	100.0
<b>QUESTION 4</b>				
1. I want this business to grow and become a major force.				
2. I started this business to support my family.				
1 "E"	145	71.1	92	43.6
2	58	28.4	115	54.5
Missing	1	.5	4	1.9
Total	204	100.0	211	100.0
<b>QUESTION 5</b>				
1. The most important thing I do for this business is plan.				
2. I am most important in day-to-day management of this business.				
1 "E"	104	51.0	54	25.5
2	100	49.0	155	73.5
Missing			2	1.0
Total	204	100.0	211	100.0

The highest frequency in the first question was 122 (59.8%) indicating the majority of the respondent's preferred written objectives rather than just knowing the general direction. This is in contrast to Carland's study where 67.3% of the respondents preferred the non-entrepreneurial choice which was to know the general direction you are going. In question two, the largest response (139-68.1%) indicated that the respondents thought of themselves as being creative rather than just skillful. The percentages for each choice in the Carland study were much closer (50.2-48.3%) leading to the conclusion there was no dominant entrepreneurial choice.

There was a clear-cut majority (85.7%) in the Carland study favoring the entrepreneurial choice which is an uncertainty regarding whether the business will go or not. In the current study, the largest frequency in question three (111-54.4%) was close to that of the second choice (92-45.1%), indicating no clear-cut feeling concerning whether the business will go or not. The optimum frequency in question four (145) was clearly entrepreneurial in nature as the largest number of respondents (71.1%) wanted the business to grow and become a major force. This was not the conclusion in Carland's research as 54.5% of the answers favored family support, the non- entrepreneurial choice.

The percentage (73.4) favoring day to day management of the business in Carland's study was in contrast to the results of the present research. The responses to question five in the contemporary investigation are almost 50% (104-100), indicating no absolute entrepreneurial approach. Fifty

one percent of respondents regarded planning as the most important thing and 49% were concerned with day-to-day management.

**TABLE 4.13 - Carland Entrepreneurship Index - Questions 6-10**

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 6</b>				
1. I like to approach situations from a sympathetic perspective.				
2. I like to approach situations from an analytical perspective.				
1	49	24.0	165	78.2
2 "E"	154	75.5	41	19.4
Missing	1	5	5	2.4
Total	204	100.0	211	100.0
<b>QUESTION 7</b>				
1. My primary purpose in running a business would be to survive.				
2. I wouldn't rest until the business I started was the best.				
1	57	27.9	70	33.2
2 "E"	145	71.1	135	64.0
Missing	2	1.0	6	2.8
Total	204	100.0	211	100.0
<b>QUESTION 8</b>				
1. A plan should be written in order to be effective.				
2. An unwritten plan for development is enough.				
1 "E"	134	65.7	102	48.3
2	68	33.3	105	49.8
Missing	2	1.0	4	1.9
Total	204	100.0	211	100.0
<b>QUESTION 9</b>				
1. I would probably spend too much time with the business.				
2. I would balance my time between the business, family and friends.				
1 "E"	106	52.0	99	46.9
2	96	47.1	109	51.7
Missing	2	1.0	3	1.4
Total	204	100.0	211	100.0

TABLE 4.13 (continued)

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 10</b>				
1. I tend to let my heart rule my head.				
2. I tend to let my head rule my heart.				
1	91	44.6	106	50.2
2 "E"	111	54.4	100	47.4
Missing	2	1.0	5	2.4
Total	204	100.0	211	100.0

The highest frequency in question six (154 - 75.5%) was entrepreneurial as most respondents preferred to approach situations from an analytical perspective rather than a sympathetic perspective. Carland's data indicated that 78.2% of the answers were non-entrepreneurial, as most choices favored sympathy over being analytical.

Responses to question seven were also entrepreneurial in nature as the majority of respondents (145- 71.1%) stated they would not rest until the business they started was the best. 63.9% of the respondents in the Carland research also chose the entrepreneurial approach.

Percentages (48.3 - 49.7) in question eight were extremely close in the Carland study indicating no dominant choice. This was also the circumstance concerning question nine. The percentages (46.9 - 51.6) showed no clear entrepreneurial choice. The frequency (134) in question eight in the current study illustrates that most respondents (65.7%) wanted written plans instead of an unwritten plan for development. Frequencies in question nine were extremely close (106-96) which would mean that

there was no clear preference (52.7 -47.1%) regarding time spent with the business, family and friends.

The same situation (111 -91) occurs in question ten concerning whether the heart rules the head or vice versa. There is no clear-cut entrepreneurial choice (44.6 -54.4%), such as "letting my head rule my heart." The results in Carland's research for question ten were also close (50.2 - 47.3%).

**TABLE 4.14 - Carland Entrepreneurship Index - Questions 11-15**

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent

**QUESTION 11**

1. My priorities include a lot of things outside the business.
2. One of the most important things in my life is this business.

1	87	42.6	101	47.9
2 "E"	115	56.4	107	50.7
Missing	2	1.0	3	1.4
Total	204	100.0	211	100.0

**QUESTION 12**

1. I am the one who has to do the thinking and planning.
2. I am the one who has to get things done.

1 "E"	115	56.4	114	54.0
2	83	40.7	89	42.2
Missing	6	2.9	8	3.8
Total	204	100.0	211	100.0

**QUESTION 13**

1. People who work for me, work hard.
2. People who work for me, like me.

1 "E"	117	57.4	104	49.3
2	80	39.2	95	45.0
Missing	7	3.4	12	5.7
Total	204	100.0	211	100.0

TABLE 4.14 (continued)

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 14</b>				
1. I look forward to the day when managing the business is simple.				
2. If managing gets too simple, I will start another business.				
1	130	63.7	136	64.5
2 "E"	74	36.3	70	33.2
			5	2.3
Total	204	100.0	211	100.0

**QUESTION 15**

1. I think I am a practical person.

2. I think I am an imaginative person.

1	90	44.1	134	63.5
2 "E"	113	55.4	74	35.1
Missing	1	.5	3	1.4
Total	204	100.0	211	100.0

The greatest frequency in question eleven (115) led to the conclusion that the respondents (56.4%) considered the business to be one of the most important things in their lives. However, 42.6% of those responding thought that their priorities included a lot of things outside the business. Percentages (47.8 - 50.7) in Carland's inquiry once again were close, with no clear entrepreneurial choice.

The same number of responses in question twelve (115) denotes an entrepreneurial approach as 56.4% of the respondents selected the choice in which they had to do the thinking and planning as opposed to getting things done. There were 83 respondents that chose the non-entrepreneurial choice(40.7%). These Presidents/CEOs felt that they must

"get things done" as opposed to thinking and planning. Carland's question 12 percentages (54.0 -42.1) showed a slight entrepreneurial preference.

Carland's investigation revealed a slight entrepreneurial preference (49.2 - 45.0) regarding question 13. In the present study, frequency data indicate that the preponderance of responses (117) in question thirteen are entrepreneurial. These Presidents/CEOs (57.4%) prefer that people who work for them, work hard. However, 39.2% of those responding indicate a preference for people liking them.

Carland's inquiry concerning question 14 depicted that 64.4% of respondents preferred simple business management. In the current examination, the majority of responses (130) in question fourteen also illustrated a lack of entrepreneurship. The respondents (63.7%) look forward to the day when managing is simple. Only 36.3% of the Presidents/CEOs stated they would start another business if managing gets too simple, the entrepreneurial choice.

However, the 113 responses (55.4%) to question fifteen are entrepreneurial as this question deals with imagination as opposed to practicality. Carland's data depicted a non-entrepreneurial mode as 63.5% of respondents chose practicality over imagination. In the contemporary study, practicality is chosen by 44.1% of those answering. There is no clear-cut entrepreneurial majority.

**TABLE 4.14 - Carland Entrepreneurship Index - Questions 11-15**

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 16</b>				
1. The challenge of being successful is as important as the money.				
2. Money which comes with success is the most important thing.				
1 "E"	166	81.4	41	19.4
2	37	18.1	167	79.2
Missing	1	.5	3	1.4
Total	204	100.0	211	100.0
<b>QUESTION 17</b>				
1. I'm always looking for new ways to do things.				
2. I try to establish set procedures to get things done right.				
1 "E"	163	79.9	133	63.0
2	41	20.1	76	36.0
Missing			2	1.0
Total	204	100.0	211	100.0
<b>QUESTION 18</b>				
1. I think it is important to be sympathetic.				
2. I think it is important to be logical.				
1	72	35.3	158	74.8
2 "E"	132	64.7	51	24.2
Missing			2	1.0
Total	204	100.0	211	100.0
<b>QUESTION 19</b>				
1. I think that standard operating procedures are crucial.				
2. I enjoy the challenge of invention more than anything				
1	73	35.8	136	64.4
2 "E"	131	64.2	73	34.6
Missing			2	1.0
Total	204	100.0	211	100.0
<b>QUESTION 20</b>				
1. I spend as much time planning as running the business.				
2. I spend most of my time running the business.				
1 "E"	98	48.0	122	57.8
2	105	51.5	87	41.2
Missing	1	.5	2	1.0
Total	204	100.0	211	100.0



The vast number of responses (166 - 81.4%) in question sixteen leads to the conclusion that success is as important as money, the entrepreneurial choice. However, the largest percentage (79.1) in Carland's work revealed that respondents preferred money as the most important thing.

Question seventeen's responses (163) indicates an entrepreneurial approach as 79.9% of the respondents are always looking for new ways to do things. Carland's data, 63.0% in question 17, also takes the entrepreneurial approach.

Frequency data indicate that the 132 responses to question eighteen were entrepreneurial in nature as 64.7% stressed logic over sympathy. The opposite result occurred in Carland's data as 74.8% of those answering preferred sympathy over logic. Answers to question nineteen (131) led to the conclusion that the largest percentage of answerers (64.2%) enjoyed the challenge of invention. Choices as reported by Carland to this question showed a 64.4% preference for standard operating procedures, the non-entrepreneurial choice.

Responses to question twenty (105) denoted a non-entrepreneurial approach as most Presidents/CEOs (64.2%) spend most of their time running the business; however, the second number of responses (98) in question twenty were close, indicating that 48.0% of respondents are entrepreneurial by accenting planning as well as running the business. Percentages (57.8 - 41.2) shown by Carland for question 20 were slightly in favor of the entrepreneurial approach.

TABLE 4.16 - Carland Entrepreneurship Index - Questions 21-25

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 21</b>				
1. I think that managing this business will fall into a routine.				
2. Nothing about managing this business is ever routine.				
1 "E"	46	22.5	60	28.4
2	156	76.5	148	70.2
Missing	2	1.0	3	1.4
Total	204	100.0	211	100.0

**QUESTION 22**

1. I prefer people who are realistic.
2. I prefer people who are imaginative.

1	74	36.3	131	62.1
2 "E"	128	62.7	76	36.0
Missing	2	1.0	4	1.9
Total	204	100.0	211	100.0

**QUESTION 23**

1. The difference between competitors is the owner's attitude.
2. We have some things which we do better than the competitors.

1	52	25.5	124	58.8
2 "E"	152	74.5	82	38.9
Missing			5	2.3
Total	204	100.0	211	100.0

**QUESTION 24**

1. My personal objectives revolve around this business.
2. My real life is outside this business with family and friends.

1 "E"	134	65.7	126	59.7
2	69	33.8	83	39.3
Missing	1	.5	2	1.0
Total	204	100.0	211	100.0

TABLE 4.16 - (continued)

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 25</b>				
1. I enjoy the idea of trying to outwit the competition.				
2. If you change too much, you can confuse the customers.				
1 "E"	127	62.3	104	49.3
2	74	36.3	104	49.3
Missing	3	1.5	3	1.4
Total	204	100.0	211	100.0

Frequency data in the Carland inquiry which referred to question 21 confirmed that 70.1% of answerers were non-entrepreneurial. Responses to question twenty-one (156) in the present study are clearly non-entrepreneurial as 76.5% of those answering feel that nothing about managing the business is ever routine. Only 22.5% of respondents stated that managing this business will fall into a routine, as compared to 28.4% in the Carland study.

The preponderance of data in question 22 indicates that 62.7% of respondents are entrepreneurial. The Presidents/CEOs (128) prefer people who are imaginative rather than realistic. Only 36.0% of Carland's respondents preferred the entrepreneurial choice.

In question 23, the largest frequency is 152, indicating that 74.5% of those responding feel that they have some things that are done better than the competition, the entrepreneurial choice. Again the non-entrepreneurial choice for question 23 (58.7%) was favored by respondents replying to the Carland study.

A preference for personal objectives that revolve around the business was the entrepreneurial choice of 134 respondents or 65.7% of those answering question 24. Frequency data (59.7%) in Carland's question 24 also listed a preference for the entrepreneurial choice.

The idea of trying to outwit the competition was the overriding choice of 62.3% of the Presidents/CEOs answering question 25. However, 36.3% of the respondents took the non-entrepreneurial approach which is not to change too much and confuse the customers. Carland's investigation revealed a 50/50 split.

**TABLE 4.17 - Carland Entrepreneurship Index - Questions 26-30**

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 26</b>				
1. The best approach is to avoid risky moves whenever possible.				
2. If you want to outdo the competition, you have to take some risks.				
1	20	9.6	147	69.7
2 "E"	183	89.7	62	29.3
Missing	1	.5	2	1.0
Total	204	100.0	211	100.0
<b>QUESTION 27</b>				
1. I hate the idea of having to borrow money.				
2. Borrowing is just another business decision.				
1	87	42.6	83	39.3
2 "E"	116	56.9	124	58.8
Missing	1	.5	4	1.9
Total	204	100.0	211	100.0

TABLE 4.17 - (continued)

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 28</b>				
1. Quality and service aren't enough; you must have a good image.				
2. A fair price and good quality are all any customer really wants.				
1 "E"	167	81.9	143	67.7
2	37	18.1	63	30.0
Missing			5	2.3
Total	204	100.0	211	100.0
<b>QUESTION 29</b>				
1. People think of me as a hard worker.				
2. People think of me as easy to get along with.				
1 "E"	129	63.2	132	62.6
2	75	36.8	74	35.1
Missing			5	2.3
Total	204	100.0	211	100.0
<b>QUESTION 30</b>				
1. The only undertakings my business makes are those that are relatively certain.				
2. If you want a business to grow, you have to take some risks.				
1	22	10.8	167	79.1
2 "E"	182	89.2	42	19.9
Missing			2	1.0
Total	204	100.0	211	100.0

There is a frequency of 183 (89.7%) in question twenty-six indicating that a propensity for risk taking is essential to outdo the competition. Only 29.3% of Carland's respondents felt that risk taking was appropriate.

Responses in question twenty-seven (116) regarding the borrowing of money leads to the conclusion that borrowing is just another business decision of 56.9% of the respondents, but the second choice (87) was close as 42.6 of the Presidents/CEOs hated the idea of having to borrow money.

Carland's frequency data was comparable as 58.7% of those answering question 27 thought of borrowing money as just another business decision.

Respondents answering question 28 in the Carland investigation made the entrepreneurial choice (67.7%) regarding image. In the present study, most respondents (167-81.9%) in question 28 preferred having a good image in addition to quality and service. The majority of responses (129) in question twenty-nine led to the conclusion that 63.2% of the Presidents/CEOs regarded hard work as being prevalent to being easy to get along with, the entrepreneurial choice. The entrepreneurial choice was also taken by 62.5% of those answering question 29 in the Carland inquiry.

The largest number of responses (182-89.2%) in question thirty overwhelmingly endorse risk taking as it applies to business growth. The data in the Carland study regarding this question indicated an extreme reluctance to take risks as 79.1% of the respondents had a preference for undertakings that were relatively certain. Only 10.8% of respondents in the present research listed a non-risk taking approach, the non-entrepreneurial choice.

TABLE 4.18 - Carland Entrepreneurship Index - Questions 31-33

Statement	Current Research		Carland Study	
	Frequency	Percent	Frequency	Percent
<b>QUESTION 31</b>				
1. The thing I miss most about working for someone else is security.				
2. I don't really miss much about working for someone else.				
1	35	17.2	163	77.2
2 "E"	168	82.4	43	20.4
Missing	1	.5	5	2.4
Total	204	100.0	211	100.0
<b>QUESTION 32</b>				
1. I am concerned about the rights of people who work for me.				
2. I am concerned about the feelings of people who work for me.				
1 "E"	59	28.9	61	28.9
2	139	68.1	144	68.3
Missing	6	2.9	6	2.8
Total	204	100.0	211	100.0
<b>QUESTION 33</b>				
1. It is more important to see possibilities in a situation.				
2. It is more important to see possibilities the way they are.				
1 "E"	167	81.9	142	67.3
2	33	16.2	65	30.8
Missing	4	2.0	4	1.9
Total	204	100.0	211	100.0

There are 168 responses (82.4%) in question thirty-one, as compared to 20.3% of respondents in the Carland study, that would indicate that respondents do not miss much about working for someone else. The majority of answers (77.2%) to question 31 in the Carland investigation are non-entrepreneurial.

The non-entrepreneurial choices to question thirty-two (139) favor feelings rather than the rights of people. These choices compare to Carland

data in which 68.2% of respondents favor feelings. Only 28.9% of respondents favored the entrepreneurial choice which is a concern about peoples' rights.

The responses (67.3%) to question 33 in the Carland data favor the entrepreneurial approach. The 167 responses (81.9%) in question thirty-three in the present research leads to the conclusion that it is more important to see possibilities in a situation than to see possibilities the way they are, the non-entrepreneurial choice.

### Summary

The Presidents/CEOs of the HRD consulting agencies made the entrepreneurial decision in 28 out of 33 sets of choices. A profile of specific entrepreneurial areas, such as risk taking, security, etc., are indicated by the ten questions with the highest response rates and percentages. They are as follows:

#### **#26**

The best approach is to avoid risky moves wherever possible.  
If you want to outdo the competition, you have to take some risks.

#### **#30**

The only undertakings my business makes are those that are relatively certain.  
If you want a business to grow, you have to take some risks.

#### **#31**

The thing I miss most about working for someone else is security.  
I don't really miss much about working for someone else.

#### **#28**

Quality and service aren't enough; you must have a good image.  
A fair price and good quality are all any customer really wants.



#33

It is more important to see possibilities in a situation.  
It is more important to see possibilities the way they are.

#10

I tend to let my heart rule my head.  
I tend to let my head rule my heart.

#17

I'm always looking for new ways to do things.  
I try to establish set procedures to get things right.

#6

I like to approach situations from a sympathetic perspective.  
I like to approach situations from an analytical perspective.

#23

The difference between competitors is the owners attitude.  
We have some things which we do better than the competitors.

#4

I want this business to grow and become a major force.  
I started this business to support my family.

**TABLE 4.19 - Questions with the Highest Response Rates and Frequencies**

<b>Question</b>	<b>Current Percent</b>	<b>Research Frequency</b>	<b>Carland's Percent</b>	<b>Study Frequency</b>
#26	89.7	183	29.3	62
#30	89.2	182	19.9	42
#31	82.4	168	20.4	43
#28	81.9	167	67.7	143
#33	81.9	167	67.3	142
#16	81.4	166	19.4	41
#17	79.9	163	63.0	133
# 6	75.5	154	19.4	41
#23	74.5	152	38.9	82
# 4	71.1	145	43.6	92

The large respondent frequency and percentage illustrated in question 26 showed an inclination for risk taking. It is interesting to note that the largest frequency in question 30 also emphasized the respondents' adherence to risk taking. The overwhelming majority of respondents answering question 31 stated a preference for not working for someone else. Answers to question 28 emphasized a good image and the importance of seeing possibilities in a situation was important to respondents in question 33.

The challenge of being successful was the overwhelming choice of respondents answering question 16 and looking for new ways to do things was the pick of those Presidents/CEOs regarding question 17. In question 6, the analytical approach to situations was favored by the respondents in lieu of the sympathetic approach. In question 23, having some things that the respondents do that are better than the competition can do them is of paramount importance. Growth was extremely critical to the HRD consultants as in question 4.

There were five non-entrepreneurial choices made by the majority of the Presidents/CEOs of the consulting agencies. A profile of those non-entrepreneurial areas are indicated by the five questions with the frequencies and percentages as listed below:

**#21**

I think that managing this business will fall into a routine.  
Nothing about managing this business is ever routine.

**#22**

I prefer people who are realistic.  
I prefer people who are imaginative.

**#14**

I look forward to the day when managing the business is simple.  
If managing gets too simple, I will start another business.

**#3**

I wouldn't have started this business if I weren't sure that it would go.  
I can never be sure whether this business will go or not.

**#20**

I plan as much time planning as in running the business.  
I spend most of my time running the business.

**TABLE 4.20 Questions with Non-Entrepreneurial Choices**

Question	Percent	Frequency
#21	76.5	156
#22	68.1	139
#14	63.7	130
# 3	54.4	111
#20	51.5	105

The choice in #21 is overwhelmingly non-entrepreneurial as 76.5% of respondents picked the choice which states that "nothing about managing this business is ever routine." The issue of the "rights of people" versus the "feelings of people" in #32 is considered to be non-entrepreneurial by the respondents as 68.1% are concerned with feelings, the non-entrepreneurial choice.

Question 14 is concerned with whether managing the business is simple. The largest percentage (63.7) looked forward to the day when managing the business is simple, the non-entrepreneurial choice. It is interesting to note that 54.4% of the Presidents/CEOs answering #3 would not have started the business if they were not sure that it would go, the

non-entrepreneurial choice. Most of the respondents (51.5%) made the non-entrepreneurial choice in #20 by emphasizing the "running of the business" as opposed to planning; however, percentages were close as 48.0% were concerned with planning, the obvious entrepreneurial selection.

### **Analysis of the Start-Up Strategies**

The questionnaire on entrepreneurial start-up strategies was developed by Dr. Robert Ronstadt (1983) to describe the extent of seriousness of entrepreneurs exploring new venture possibilities. The purpose was to provide insights about start-up motivations, barriers, and other factors influencing the entrepreneurial venture/career start-up process.

This questionnaire was also germane to one of the purposes of this study which sought to ascertain the start-up strategies of consultants in HRD. The questionnaire could assist in increasing understanding of the entrepreneurial start-up process as it applies to HRD consultants and their motivations. Barriers to entry could be identified for these consultants.

Instrument #2b For Practicing Entrepreneurs containing eleven of the original twelve items was used in addition to the four items previously listed in this chapter as a result of the pilot study analysis. As aforementioned, item 11 in instrument #2b was replaced by item 13 in the survey instrument. Pertinent background data pertaining to these start-up strategies has been previously reported in Chapter three.

The fifteen items in the current instrument (see Exhibit 5) are as follows:

1. Knew how to write a business plan.
2. Wrote a business plan.
3. Spoke with a banker, venture capitalist, or other financial source.
4. Obtained financial backing.
5. Looked at more than one specific site.
6. Consulted with an attorney.
7. Used an attorney through the entire start-up process.
8. Actively gathered information on the market and/or industry.
9. Calculated margins and breakevens.
10. Developed projected cash flows.
11. Looked into developing a prototype; (e.g., met with engineers, contractors, etc.)
12. Actually developed a prototype.
13. Identified some actual customers.
14. Developed a client base.
15. Other (please specify).

### **Frequencies and Percentages**

Each start-up strategy in the current study was analyzed and the frequencies and percentages of each category (yes, no, n/a) were compared to the percentages in Ronstadt's (1983) study. Ronstadt used eleven start-up strategies in research involving practicing entrepreneurs and non-starts. In addition, a chi square analysis was used to determine whether the

frequency distributions differed significantly from each other based on the demographic characteristics of HRD Presidents/CEOs.

**TABLE 4.21 - Start-up Strategies One, Two and Three**

Category	Current Frequency	Research Percent	Ronstadt's Percent
<b>STRATEGY ONE</b>			
Knew how to write a business plan.			
yes	110	53.9	n/a
no	89	43.6	n/a
n/a	5	2.5	n/a
Total	204	100.0	n/a
<b>STRATEGY TWO</b>			
Wrote a business plan.			
yes	99	48.5	61.0
no	100	49.0	39.0
n/a	4	2.0	-
Missing	1	.5	-
Total	204	100.0	100.0
<b>STRATEGY THREE</b>			
Spoke with a banker, venture capitalist, or other financial source.			
yes	82	40.2	70.0
no	118	57.8	30.0
n/a	4	2.0	-
Total	204	100.0	100.0

The largest number of respondents (110 - 53.9%) knew how to write a business plan but it is interesting to note that a significant number (43.6) did not. Ronstadt's study (1983) did not specifically address the issue of knowing how to write a business plan but 61% of those responding to the Ronstadt questionnaire wrote a business plan. The percentage of respondents in the current study that wrote a business plan was 48.5;

however, those that did not constituted 49.0% (100) of those answering. Seventy percent of the respondents in the Ronstadt survey spoke with a banker, etc. compared with 40.2% of the Presidents/CEOs in the current study.

**TABLE 4.22 - Start-up Strategies Four, Five and Six**

Category	Current Frequency	Research Percent	Ronstadt's Percent
<b>STRATEGY FOUR</b>			
Obtained financial backing.			
yes	61	29.9	n/a
no	137	67.2	n/a
n/a	6	2.9	n/a
Total	204	100.0	n/a
<b>STRATEGY FIVE</b>			
Looked at more than one specific site.			
yes	72	35.3	72.0
no	106	52.0	28.0
n/a	25	12.2	-
Missing	1	.5	-
Total	204	100.0	100.0
<b>STRATEGY SIX</b>			
Consulted with an attorney.			
yes	138	67.6	47.0
no	64	31.4	53.0
n/a	2	1.0	-
Total	204	100.0	100.0

Ronstadt did not specifically address the issue of financial backing in the 1983 study but 67.2% of the respondents in the current research did obtain financial backing. Fifty two percent of the Presidents/CEOs looked

at more than one specific site and 72% of those responding to the Ronstadt review looked at specific sites. It is interesting to note that 12.3% of respondents in the current study picked the n/a category regarding sites.

A large percentage of Presidents/CEOs (67.6) consulted with an attorney as compared with 47% in the Ronstadt inquiry.

**TABLE 4.23 - Start-up Strategies Seven, Eight and Nine**

Category	Current Frequency	Research Percent	Ronstadt's Percent
<b>STRATEGY SEVEN</b>			
Used an attorney through the entire start-up process.			
yes	67	32.8	n/a
no	131	64.3	n/a
n/a	6	2.9	n/a
Total	204	100.0	n/a
<b>STRATEGY EIGHT</b>			
Actively gathered information on the market and/or industry.			
yes	141	69.1	73.0
no	62	30.4	27.0
n/a	1	.5	-
Total	204	100.0	100.0
<b>STRATEGY NINE</b>			
Calculated margins and breakevens.			
yes	103	50.5	53.0
no	98	48.0	47.0
n/a	3	1.5	-
Total	204	100.0	100.0

Ronstadt's investigation was not concerned with the use of an attorney through the entire start-up process but 64.3% of respondents in



the current inquiry did not do so. Seventy three percent of those responding to the Ronstadt investigation gathered market information while 69.1% of the respondents in the current study gathered this type of information. Percentages were close (50.5 - 48.0) in the present research regarding margins and breakeven calculations and Ronstadt's data indicated that 53% completed these calculations.

**TABLE 4.24 - Start-up Strategies Ten, Eleven and Twelve**

Category	Current Frequency	Research Percent	Ronstadt's Percent
<b>STRATEGY TEN</b>			
Developed projected cash flows.			
yes	124	60.8	65.0
no	78	38.2	35.0
n/a	2	1.0	-
Total	204	100.0	100.0
<b>STRATEGY ELEVEN</b>			
Looked into developing a prototype; (e.g., met with human resource experts, etc.)			
yes	86	42.2	27.0
no	105	51.4	-
n/a	13	6.4	73.0
Total	204	100.0	100.0
<b>STRATEGY TWELVE</b>			
Actually developed a prototype.			
yes	79	38.7	20.0
no	111	54.4	80.0
n/a	13	6.4	-
Missing	1	.5	-
Total	204	100.0	100.0

Almost 61% of the Presidents/CEOs developed projected cash flows and as compared to 65% of Ronstadt respondents. However, 27% of those responding to Ronstadt's survey investigated a prototype and 38.7% of those answering the current study looked into developing a prototype. The largest percentage (54.9) did not look into development. Twenty percent of Ronstadt's respondents developed a prototype and 51.1% of those answering the present research question did not develop one.

**TABLE 4.25 - Start-up Strategies Thirteen and Fourteen**

Category	Current Frequency	Research Percent	Ronstadt's Percent
<b>STRATEGY THIRTEEN</b>			
Identified some actual customers.			
yes	190	93.1	90.0
no	13	6.4	10.0
n/a	1	.5	-
Total	204	100.0	100.0
<b>STRATEGY FOURTEEN</b>			
Developed a client base.			
yes	174	85.3	n/a
no	28	13.7	n/a
n/a	1	.5	n/a
Missing	1	.5	n/a
Total	204	100.0	n/a

Ninety percent of those responding to the Ronstadt investigation identified some actual customers. This was comparable to the 93.1% of respondents who identified customers in the current study. Frequency data indicates that 174 (85.3%) of the Presidents/CEOs developed a client

base. Ronstadt's inquiry did not investigate the development of a client base.

### Summary

The five strategies with the highest frequencies and percentages (Table 4.26) are compared to the Ronstadt data and the five strategies with the lowest frequencies and percentages are listed in Table 4.27. The strategies are as follows:

13. Identified some actual customers.
14. Developed a client base.
8. Actively gathered information on the market and/or industry.
6. Consulted with an attorney.
10. Developed projected cash flows.

**TABLE 4.26 - Start-up Strategies with Highest Frequencies & Percentages**

Strategies	Current Frequency	Research Percent	Ronstadt's Frequency
#13	190	93.1	90.0
#14	174	85.3	n/a
# 8	141	69.1	73.0
# 6	138	67.6	47.0
#10	124	60.8	65.0

The Presidents/CEOs (93.1%) were most concerned with strategy 13 which is identification of some actual customers. This was comparable to Ronstadt's 90%. This strategy was followed by strategy 14 indicating the

respondent's interest (85.3%) in developing a client base. Ronstadt did not use that start-up strategy. It is interesting to note that there appeared to be a correlation between identification of some actual customers and the development of a client base by the Presidents/CEOs.

The percentage and frequency dropped sharply regarding strategy eight (69.1%) indicating that the Presidents/CEOs were interested in actively gathering information on the market and/or industry but not as much as they were interested in the top two strategies. This was comparable to Ronstadt's 73%. The percentages differed between the two groups of respondents regarding consulting with an attorney (#6). Forty seven percent of those answering the Ronstadt investigation consulted with an attorney compared to 67.6% of the Presidents/CEOs. The development of projected cash flows (#10) was equally considered by the respondents in both of the studies.

The strategies with the lowest frequencies and percentages are as follows:

4. Obtained financial backing.
7. Used an attorney through the entire start-up process.
5. Looked at more than one specific site.
12. Actually developed a prototype.
3. Spoke with a banker, venture capitalist, or other financial source.

**TABLE 4.27 - Start-up Strategies with Lowest Frequencies & Percentages**

Strategies	Percent	Frequency
# 4	29.9	61
# 7	32.8	67
# 5	35.3	72
#12	38.7	79
# 3	40.2	82

The least used strategy (#4) indicated that only 29.9% of respondents obtained any kind of financial backing. Only 32.8% of the Presidents/CEOs used an attorney through the entire start-up process compared to strategy six where 67.6% of the Presidents/CEOs initially consulted with an attorney.

A smaller percentage (35.3) of respondents looked at more than one specific site (#5) and 38.7% of those answering the questionnaire actually developed a prototype (#12). Last, 40.2 of the Presidents/CEOs spoke with a banker, venture capitalist, or other financial source (#3).

A profile of start-up strategies used by the Presidents/CEOs in the current research are compared to those start-up strategies used by respondents in the Ronstadt study. The five strategies that compare most favorably to the strategies used in the Ronstadt study are listed in Table 4.28. The five strategies that compare least favorably are indicated in Table 4.29.

The strategies that compare most favorably are as follows:

9. Calculated margins and breakevens.
13. Identified some actual customers.
8. Actively gathered information on the market and/or industry.
10. Developed projected cash flows.
11. Looked into developing a prototype.

**TABLE 4.28 - Start-up Strategies that Compare Most Favorably to Strategies in Ronstadt Study**

Strategies	Current Percent	Ronstadt's Percent	Difference
# 9	50.5	53.0	-2.5
#13	93.1	90.0	+3.1
# 8	69.1	73.0	-3.9
#10	60.8	65.0	-4.2
#11	38.7	27.0	+11.7

The closest strategy regarding the percentages of the Ronstadt study and the current research was in calculating margins and breakevens (9). There was only a 2.5% difference between the two sets of respondents. The next difference (3.1%) in strategy 13 indicated a willingness of both sets of respondents to have identified some actual customers, and a 3.9% variance in strategy eight showed that those answering the current study and those replying to the Ronstadt survey actively gathered information on the market and/or industry.

The development of projected cash flows was of interest to both sets of respondents as the difference was 4.2% between the two sets. Only 38.7% of those answering the current study looked into developing a prototype

and this compared to 27.0% of those answering the Ronstadt inquiry, a difference of 11.7%. The strategies that compare least favorable are as follows:

5. Looked at more than one specific site.
3. Spoke with a banker, venture capitalist, or other financial source.
12. Actually developed a prototype.
6. Consulted with an attorney.
2. Wrote a business plan.

**TABLE 4.29 - Start-up Strategies that Compare Least Favorably to Strategies in Ronstadt Study**

Strategies	Current Percent	Ronstadt's Percent	Difference
# 5	35.3	72.0	-36.7
# 3	40.2	70.0	-29.8
#12	42.2	20.0	+22.2
# 6	67.6	47.0	+20.6
# 2	48.5	61.0	-12.5

The largest difference in percentages between the two groups of respondents was in strategy five. A greater percentage (72) of those sampled by Ronstadt looked at more than one specific site than the 35.3% of the Presidents/CEOs answering the current survey. A possible reason for this could be that the Presidents/CEOs of HRD consulting agencies are not as site specific. They can work out of their homes.

Again, a much larger percentage (70.0) of Ronstadt respondents spoke with a banker, venture capitalist, or other financial source than did

those answering the current research (40.2%). It is possible that the Presidents/CEOs had a greater degree of financial security than did the respondents in the Ronstadt survey.

A larger percentage (42.2) of the Presidents/CEOs actually developed a prototype than did the 20% of respondents in Ronstadt's inquiry, and there was a 20.6% variance between both groups regarding attorney consultations. The largest percentage (67.6) of the Presidents/CEOs did initially confer with a lawyer. The 12.5% difference between the two groups answering strategy two indicated that the largest percentage (61.0) of respondents that wrote a business plan were in Ronstadt's survey.

### **Chi Square Analysis**

The chi-square test is used to determine whether two frequency distributions differ significantly from each other. It is used when the research data are in the form of frequency counts. The frequency counts can be placed into two or more categories (Borg, 1989). The two categories in the current study are the demographics and the start-up strategies of the Presidents/CEOs of the HRD consulting agencies. The chi square statistic was used to test whether or not there is a relationship between the two variables (demographics and start-up strategies). The data consists of frequencies from the sample of Presidents/CEOs from the HRD consulting agencies. The level of significance is set at .05. There are 140 relationships between the two variables. Of those, twenty met the test of significance at the .05 level. The twenty relationships that met the test of significance are not expected to affect the practical significance of the research results;



however, a proper interpretation can be beneficial in clarifying research results. The relationships between the two variables that are significant at the .05 level are as follows:

**TABLE 4.30 - Start-up Strategy Five By Number of Employees (looked at more than one specific site)**

	Number of employees				Row Total
	10 or less	11-25	26-50	51 or more	
<b>Strategy 5</b>					
yes	47	18	3	4	72
no	93	8	1	3	105
n/a	24				24
column total	164	26	4	7	201

**TABLE 4.31 - Start-up Strategy Two by Business Form (wrote a business plan)**

	Business Form				Row Total
	Proprietor-ship	Partner-ship	Corp-oration	Other	
<b>Strategy 2</b>					
yes	27	10	61		93
no	37	5	54	3	99
n/a	2		1	1	4
column total	66	15	116	4	201

**TABLE 4.32 - Start-up Strategy Four By Business Form (obtained financial backing)**

	Business Form				Row Total
	Proprietorship	Partnership	Corporation	Other	
<b>Strategy 4</b>					
yes	13	10	36	1	60
no	51	5	77	3	136
n/a	3		3		6
column total	67	15	116	4	202

**TABLE 4.33 - Start-up Strategy Five by Business Form (looked at more than one specific site)**

	Business Form				Row Total
	Proprietorship	Partnership	Corporation	Other	
<b>Strategy 5</b>					
yes	13	9	47	3	72
no	40	6	57	1	104
n/a	13		12		25
column total	66	15	116	4	201

**TABLE 4.34- Start-up Strategy Six by Business Form (consulted with an attorney)**

	Business Form				Row Total
	Proprietorship	Partnership	Corporation	Other	
<b>Strategy 6</b>					
yes	34	10	92	1	137
no	32	5	23	3	63
n/a	1		1		2
column total	67	15	116	4	202

**TABLE 4.35 - Start-up Strategy Seven by Business Form (used an attorney through the entire start-up process)**

	Business Form				Row Total
	Proprietorship	Partnership	Corporation	Other	
<b>Strategy 7</b>					
yes	10	8	48	1	67
no	54	7	65	3	129
n/a	3		3		6
column total	67	15	116	4	202

**TABLE 4.36 - Start-up Strategy 10 by Business Form (developed projected cash flows)**

	Business Form				Row Total
	Proprietorship	Partnership	Corporation	Other	
<b>Strategy 10</b>					
yes	32	13	75	3	123
no	33	2	41	1	77
n/a	2				2
column total	67	15	116	4	202

**TABLE 4.37 - Start-up Strategy Two by Role of Respondent in Start-Up (wrote a business plan)**

	Role				Row Total
	Established Business	Purchased Business	Inherited Business	Other	
<b>Strategy 2</b>					
yes	77	11	1	9	82
no	92	1	1	6	100
n/a	2	1		1	4
column total	171	13	2	16	202

**TABLE 4.38 - Start-up Strategy Four by Role of Respondent in Start-up (obtained financial backing)**

	Role				Row Total
	Established Business	Purchased Business	Inherited Business	Other	
<b>Strategy 4</b>					
yes	43	9	1	7	60
no	123	4	1	9	137
n/a	6				6
column total	172	13	2	16	203

**TABLE 4.39 - Start-up Strategy Thirteen by Role of Respondent in Start-up (identified some actual customers)**

	Role				Row Total
	Established Business	Purchased Business	Inherited Business	Other	
<b>Strategy 13</b>					
yes	162	11	1	15	189
no	10	1	1	1	13
n/a		1			1
column total	172	13	2	16	203

**TABLE 4.40 - Start-up Strategy Fourteen by Role of Respondent in Start-up (developed a client base)**

	Role				Row Total
	Established Business	Purchased Business	Inherited Business	Other	
<b>Strategy 14</b>					
yes	147	11	1	14	173
no	24	1	1	2	28
n/a		1			1
column total	171	13	2	16	202

**TABLE 4.41 - Start-up Strategy One by Age of the Business (knew how to write a business plan)**

	Age of Business				Row Total
	10 years or more	5-10 years	1-4 years	less than one year	
<b>Strategy 1</b>					
yes	39	32	35	3	109
no	58	19	11	88	
n/a	2	2		1	5
column total	99	53	46	4	202

**TABLE 4.42 - Start-up Strategy Two by Age when Business Started (wrote a business plan)**

	Age When Business Started					Row Total
	Under 25	25-35	36-45	46-55	Over 55	
<b>Strategy 2</b>						
yes	9	40	34	11	4	98
no	4	33	46	14	3	100
n/a			1	3		4
column total	13	73	81	28	11	202

**TABLE 4.43 - Start-up Strategy Two by Ownership Objective (wrote a business plan)**

	Ownership Objective				Row Total
	Profit	Family Income	Growth	Other	
<b>Strategy 2</b>					
yes	35	18	29	7	89
no	24	34	20	18	96
n/a	1	1	1	1	4
column total	60	53	50	26	189

**TABLE 4.44 - Start-up Strategy Three by Ownership Objective (spoke with a banker, venture capitalist, or other financial source)**

	Ownership Objective				Row Total
	Profit	Family Income	Growth	Other	
<b>Strategy 3</b>					
yes	32	16	22	8	78
no	28	37	25	18	108
n/a	1		3		4
column total	61	53	50	26	190

**TABLE 4.45 - Start-up Strategy Four by Ownership Objective (obtained financial banking)**

	Ownership Objective				Row Total
	Profit	Family Income	Growth	Other	
<b>Strategy 4</b>					
yes	25	8	20	4	57
no	35	44	28	21	128
n/a	1	1	2	1	5
column total	61	53	50	26	190

**TABLE 4.46 - Start-up Strategy Eight by Ownership Objective (actively gathered information on the market and/or industry)**

	Ownership Objective				Row Total
	Profit	Family Income	Growth	Other	
<b>Strategy 8</b>					
yes	46	33	39	12	130
no	14	20	11	14	59
n/a	1				1
column total	61	53	50	26	190

**TABLE 4.47 - Start-up Strategy One by Technical Background (knew how to write a business plan)**

	Technical Background						Total
	Business Administration	Training & Development	HRD	Business Education	Marketing Education	Other	
<b>Strategy 1</b>							
yes	23	33	11	5	6	15	93
no	5	30	8	3	2	35	83
n/a			1			4	5
column total	28	63	20	8	8	54	181

**TABLE 4.48 - Start-up Strategy Three by Technical Background (spoke with a banker, venture capitalist, or other financial source)**

	Technical Background						Total
	Business Administration	Training & Development	HRD	Business Education	Marketing Education	Other	
<b>Strategy 3</b>							
yes	12	32	8	6	4	13	75
no	16	31	12	2	4	37	102
n/a						4	4
column total	28	63	20	8	8	54	181

**TABLE 4.49 - Start-up Strategy Nine by Technical Background (calculated margins and breakevens)**

	Technical Background						Total
	Business Administration	Training & Development	HRD	Business Education	Marketing Education	Other	
<b>Strategy 9</b>							
yes	21	34	10	4	6	16	91
no	7	27	10	4	2	37	87
n/a		2				1	3
column total	28	63	20	8	8	54	181

**Findings of the Chi Square analysis  
of the relationships of demographics and start-up strategies.**

Table 4.50 includes the chi square values (X<sup>2</sup>), degrees of freedom (df), and the levels of significance (p) of the twenty relationships between the demographics and start-up strategies of the HRD Presidents/CEOs.

**TABLE 4.50 - Chi Square Table:**

Importance placed on demographics (the number of employees, the form of the business, the role of the respondents in start-up, the ownership objective, the technical background, the age of the business, the age when the business was started) by the start-up strategies.

<b>Demographics</b>	<b>X<sup>2</sup></b>	<b>df</b>	<b>p</b>
<b>p &lt; .05</b>			
<u>Number of employees:</u>			
Strategy 5	22.07	6	.00117
<u>Business form:</u>			
Strategy 2	18.26	6	.00561
Strategy 4	13.94	6	.03053
Strategy 5	17.34	6	.00811
Strategy 6	19.79	6	.00302
Strategy 7	16.96	6	.00944
Strategy 10	12.98	6	.04343
<u>Ownership objective:</u>			
Strategy 2	13.62	6	.03411
Strategy 3	13.53	6	.03538
Strategy 4	15.22	6	.01861
Strategy 8	13.11	6	.04117
<u>Technical background:</u>			
Strategy 1	29.76	10	.00094
Strategy 3	20.50	10	.02487
Strategy 9	20.14	10	.02799
<u>Role of respondent in start-up:</u>			
Strategy 2	14.03	6	.02924
Strategy 4	13.98	6	.02979
Strategy 13	21.20	6	.00169
Strategy 14	17.11	6	.00888
<u>Age of the business:</u>			
Strategy 1	30.25	6	.00004
<u>Age when business started:</u>			
Strategy 2	18.03	6	.02094



### **Number of Employees**

Strategy 5 - Looked at more than one specific site (significance level .00117).

It is interesting to note that out of 164 respondents in the "10 or less" category, 93 looked at more than one specific site. The Presidents/CEOs of the smaller agencies appeared to look at more sites than did the Presidents/CEOs of larger agencies.

### **Business Form**

Strategy 2 Wrote a business plan (significance level .00561).

Strategy 4 Obtained financial backing (significance level .03053).

Strategy 5 Looked at more than one specific site (significance level .00811).

Strategy 6 Consulted with an attorney (significance level .00302).

Strategy 7 Used an attorney through the entire start-up process (significance level .00944).

Strategy 10 Developed projected cash flows (significance level .04343).

The largest number of relationships with significance levels below .05 occur in the "business form" demographic. This demographic is divided into categories of proprietorship, partnership, corporation, and other. There are six start-up strategies, numbers 2,4,5,6,7, and 10 that are statistically significant. According to frequency data, more Presidents/CEOs

of corporations wrote a business plan than those in any other business form. Sixty-one out of 116 corporate respondents wrote a business plan.

Corporate respondents had the largest frequency in the "obtained financial backing" category; however, 77 out of 116 respondents did not obtain financial backing which could indicate financial responsibility. Corporate Presidents/CEOs also constituted the majority of answers in the "looked at more than one specific site" category. Out of a frequency of 116, 57 did not look at more than one specific site; however, 47 did so which would indicate the lack of a clear cut choice.

Corporate Presidents/CEOs clearly represented the highest number of those respondents answering the "consulted with an attorney" category which would be fairly obvious due to the legal technicalities involved. Out of 116 answers, 92 were positive. In the "used an attorney through the entire start-up process" category, 65 corporate respondents said no but 48 did use an attorney during the entire process.

### **Ownership Objective**

- Strategy 2    Wrote a business plan (significance level .03411).
- Strategy 3    Spoke with a banker, venture capitalist, or other financial source (significance level .03538).
- Strategy 4    Obtained financial backing (significance level .01681).
- Strategy 8    Actively gathered information on the market and/or industry (significance level .04117).

The "ownership objective" demographic had four strategies with significant statistical differences. Frequency data indicate that respondents in the profit (60), family income (53), and growth (50) ownership objectives were interested in the "writing a business plan" category. However, only 18 out of 53 in the family income objective were interested in writing a business plan. This apparently would indicate that the majority of respondents interested in profit and growth strategies would write a business plan.

In the "spoke with a banker, venture capitalist, or other financial source" category, the Presidents/CEOs were again distributed fairly evenly in the three categories of profit (61), family income (53), and growth (50). In the family income category, only 16 spoke with a banker, etc. Again those Presidents/CEOs with a profit or growth strategy were the respondents interested in speaking with a banker, etc.

The profit (61), family income (53), and growth (50) objectives were fairly even concerning financial backing. However, only eight Presidents/CEOs out of 53 in the "family income" category obtained financial backing. Again, the largest frequency of respondents were in the "profit" and "growth" categories which could suggest a possible correlation between financing and profit/growth.

There were 61 Presidents/CEOs with a profit orientation that were interested in gathering information on the market and/or industry. It would appear that this type of information would be essential toward improving profit. Forty six out of 61 respondents gathered this type of information.

### **Role of Respondent in Start-up**

- Strategy 2    Wrote a business plan (significance level .02924).
- Strategy 4    Obtained financial backing (significance level .01540).
- Strategy 13   Identified some actual customers (significance level .00169).
- Strategy 14   Developed a client base (significance level .00888).

There are statistical differences found between the role of the respondent in start-up and start-up strategies 2, 4, 13, and 14. The largest number of respondents were in the "established business" role. Out of 171 respondents, 92 did not write a business plan.

In the "obtained financial backing" strategy, 123 out of 172 respondents in the "established business" role did not choose to do so. However, 162 out of 172 Presidents/CEOs identified some actual customers and 147 out of 171 of the respondents developed a client base. Overall, there were tendencies for the Presidents/CEOs to identify some actual customers and develop a client base and not to write a business plan or obtain financial backing.

### **Age of the Business**

- Strategy 1 - Knew how to write a business plan (significance level .00004).

Regarding the age of the business, the respondents in the "10 years or more" (39), "5-10 years" (32), and "1-4 years" categories knew how to write a business plan. However, it is interesting to observe that in the "10

years or more" category, 58 Presidents/CEOs did not know how. The younger respondents were the ones that wrote business plans possibly illustrating the importance placed upon planning by younger Presidents/CEOs.

### **Age When Business Started**

Strategy 2 Wrote a business plan (significance level .02094).

The "25-35" and "36-45" ages had the highest frequencies of the Presidents/CEOs regarding writing a business plan. Again, the younger respondents were concerned with planning. Very few respondents (13) constituted the "under 25" category.

### **Technical Background**

Strategy 1 Knew how to write a business plan (significance level .00094).

Strategy 3 Spoke with a banker, venture capitalist, or other financial source (significance level .02487).

Strategy 9 Calculated margins and breakevens (significance level .02799).

Frequency data indicated that the training and development technical background accounted for more respondents in strategies one, three, and nine than in any other technical background. More Presidents/CEOs (33) with a training and development background knew how to write a business plan. One item of interest is that 30 out of 63 of the respondents did not know how to write a business plan.

The number of respondents that spoke with a banker, venture capitalist, or other financial source was also extremely close, indicating no dominant philosophy concerning these start-up strategies. Thirty one out of 63 Presidents/CEOs did speak with a banker, etc. and 31 did not. Finally, 34 out of 63 respondents calculated margins and breakevens.

### Summary of Chi Square

A profile of the five correlations that made the most difference regarding significance are listed in Table 4.51. Table 4.52 lists the five correlations that made the least difference regarding significance.

#### **TABLE 4.51 - Five Correlations that Made the Biggest Difference Regarding Significance**

- Strategy 4 (obtained financial backing) by role of respondent in start-up - established business category (172)
- Strategy 13 (identified some actual customers) by role of respondents in start-up - established business category (172)
- Strategy 2 (wrote a business plan) by role of respondent in start-up - established business category (171)
- Strategy 14 (developed a client base) by role of respondent in start-up - established business category (171)
- Strategy 5 (looked at more than one specific site) by number of employees - "10 or less" category (164)

The frequency data indicates the largest numbers of Presidents/CEOs that had established their businesses did not obtain financial backing. Out of 172 respondents in the "established business" category, only 43 obtained financial backing. However, 162 of the Presidents/CEOs that had established their own businesses had identified some actual customers which could account for the lack of financial backing. It is apparent that those Presidents/CEOs that established their own businesses were divided concerning writing a business plan. It is interesting to note that, out of 171 respondents, 92 did not write a business plan, but 77 did.

The majority of respondents that established their own businesses had developed a client base (147 out of 171). Lastly, there were 164 Presidents/CEOs in the "10 or less" category regarding number of employees that were concerned with looking at more than one specific site; however, 93 did not do so.

**TABLE 4.52 - Five Correlations that Made the Least Difference  
Regarding Significance**

Strategy 2	(wrote a business plan) by role of respondent in start-up - inherited business category (2)
Strategy 4	(obtained financial backing) by role of respondent in start-up - inherited business category (2)
Strategy 13	(identified some actual customers) by role of respondent in start-up - inherited business category (2)
Strategy 14	(developed a client base) by role of respondent in start-up - inherited business category (2)
Strategy 1	(knew how to write a business plan) by age of the business - less than one year category (4)

The Presidents/CEOs that inherited their businesses did not have a significant impact upon the data results. In addition, those respondents whose businesses are less than one year also did not make a consequential impression. However, three out of four of those answering knew how to write a business plan.

### **Summary of Findings**

These findings are presented based on the results of the study collected through a survey of Presidents/CEOs of external HRD consulting agencies.

The following research questions were presented with the related statistical analyses and discussion for each question.

RQ1. How do the demographic characteristics of HRD consultants compare to those of entrepreneurs in other businesses?

The demographic analysis of the HRD Presidents/CEOs were contrasted to demographic characteristics of entrepreneurs from Carland's study. Common demographic characteristics of the HRD entrepreneurs and the respondents in the Carland study are that they are both in the \$100,000 or less sales category and are employed by firms with ten or less employees. The largest business form for the respondents in the current study is the corporation. The proprietorship business form includes the greatest number of those answering the Carland study. Regarding the role



of the start-up respondent, the largest number of respondents in both studies established the business. The majority of Presidents/CEOs have over sixteen years of education and have earned a Masters degree as opposed to Carland's respondents who have twelve years or less.

The Presidents/CEOs and those answering Carland's inquiry have been in business ten years or more and started the business between 36 and 45 years of age. Profit and growth had the greatest impact regarding ownership for both groups of respondents and the majority of the Presidents/CEOs had a training and development background. Carland did not include this demographic in that study.

RQ2. How do the entrepreneurial characteristics of HRD consultants compare to those of entrepreneurs in other businesses?

An analysis of the entrepreneurial characteristics of HRD entrepreneurs was compared to the Carland Index data. Compared to Carland's respondents, the Presidents/CEOs were more inclined to take risks. Those answering Carland's index showed a propensity for avoiding risk. The Presidents/CEOs preferred to work for themselves and the Carland respondents found that the security of working for someone else was more applicable.

The HRD entrepreneurs preferred a good image in addition to quality and service as did Carland's respondents and both sets of respondents were aware of the importance of seeing the possibilities in a situation rather than seeing the possibilities the way they are.

The HRD respondents preferred the challenge of being successful but the respondents in the Carland research chose money that comes with success as being most important. Both groups of respondents thought that looking for new ways to do things was very beneficial.

Those answering Carland's investigation thought that the sympathetic approach to situations was consequential; however, the Presidents/CEOs preferred the analytical approach. Carland's respondents were primarily concerned with the owner's attitude as the difference between competitors and the HRD entrepreneurs preferred a competitive advantage. The Presidents/CEOs chose growth over family support which was also the choice of Carland's respondents.

RQ3. How do the entrepreneurial start-up strategies of HRD consultants compare to those of entrepreneurs in other businesses?

An analysis of the start-up strategies of HRD entrepreneurs was completed and a comparison to the entrepreneurial start-up strategies developed by Ronstadt was concluded. The strategies that compare most favorably are that the respondents in the current research and in Ronstadt's study calculated margins and breakevens.

Both sets of respondents identified some actual customers, and the Presidents/CEOs and those answering the Ronstadt survey actively gathered information on the market and/or industry. The development of projected cash flows was of interest to the two groups as was the development of a prototype.

A chi-square test was used to determine whether the two frequency distributions (demographics and start-up strategies) differed significantly from each other. Out of 140 relationships between the two variables, twenty met the test of significance at the .05 level. The five correlations that made the biggest difference regarding significance included the Presidents/CEOs that had established their own businesses but did not acquire financial backing. Out of 172 respondents, only 43 obtained financial backing. The largest majority of the Presidents/CEOs that had established their own businesses had identified some actual customers. Most of the respondents that established their own businesses wrote a business plan and developed a client base. Lastly, the optimum number of Presidents/CEOs in the "10 or less" category looked at more than one specific site.

The next chapter summarizes this investigation, draws concluding statements and provides suggestions for further research.

## CHAPTER 5

### SUMMARY, CONCLUDING STATEMENTS, IMPLICATIONS AND SUGGESTIONS FOR FURTHER STUDY

The purpose of this chapter is to summarize the study and offer concluding statements, implications and suggestions for additional research.

#### Background

Human Resource Development (HRD) professionals are moving into an era of entrepreneurship. HRD organizations that flourish are characterized by an entrepreneurial spirit and orientation. The message for the external HRD consultant is unequivocal: develop an entrepreneurial orientation for the success of the consulting agency.

The HRD function must move from a reactive orientation to a proactive orientation. To become entrepreneurial, HRD consultants must do more than respond to requests. They must anticipate needs and create and design programs to fill those needs. Anticipating needs and delivering programs that meet them are primary characteristics of a proactive orientation. An entrepreneurial HRD function will focus on improving service directly by improving contact with customers.

### The Problem

The purpose of this study was to provide an analysis of the start-up strategies and characteristics of consultants in HRD in comparison to those of entrepreneurs in other businesses to illustrate any variances between the two sets of strategies and characteristics.

The primary questions to be answered in this study were:

1. How do the demographic characteristics of HRD consultants compare to those of entrepreneurs in other businesses?
2. How do the entrepreneurial characteristics of HRD consultants compare to those of entrepreneurs in other businesses?
3. How do the entrepreneurial start-up strategies of HRD consultants compare to those of entrepreneurs in other businesses?

### Methodology

The research design employed was survey research. Survey research is typically used to determine the opinions, attitudes, preferences, and perceptions of persons in whom the researcher is interested. After considering the survey options, a written questionnaire was considered to be the most cost effective and efficient way to gather data for this study.

### **Structure**

For comparison purposes, the research questions of this study required the demographics developed by Drs. James and JoAnn Carland in their 1992 research, assessment of the Carland Entrepreneurship Index, and

the Ronstadt Survey Instrument #2b for practicing entrepreneurs. Drs. Carland developed the demographics and a short, objective instrument which yielded an index of entrepreneurship. The instrument does not separate respondents into entrepreneurs and non-entrepreneurs; rather it provides an index of the strength of the relative entrepreneurial preferences of respondents. The index was administered to 225 small business owners, with 209 usable responses and the index was empirically validated by using a factor analysis of the 209 responses to the index.

Dr. Robert Ronstadt developed Instrument #2b for a 1983 study which was used to describe the extent of seriousness of entrepreneurs exploring new venture possibilities. The study identified and evaluated both differences and similarities between individuals identified as non-starts versus practicing entrepreneurs. The instrument was used for 208 practicing entrepreneurs.

### **The Population**

The target population of this study were 674 companies and consultants serving the HRD profession. These companies were listed by the 1993 American Society for Training and Development (ASTD) buyer's guide and consultant directory. The 674 agencies were listed in 38 states and the District of Columbia. A table of random numbers was utilized to obtain a random sample of 400 subjects. The number of subjects required to obtain reliable descriptive statistics as determined by the Nebraska Evaluation and Research (NEAR) Center was 204.

Packets containing a cover letter, the Carland Entrepreneurship Index, Ronstadt's Instrument #2b, request for demographic information, and a self-addressed envelope to be used by the participant were sent to the Presidents/CEOs of the HRD consulting agencies. The number of Presidents/CEOs receiving packets was 400; the number of Presidents/CEOs returning instruments was 204.

### **Data Analysis**

A demographic profile (frequencies and Percentages of the variables) of the Presidents/CEOs of the consulting agencies was completed and compared to the demographic characteristics of entrepreneurs from Carland's (1992) study. The Carland Entrepreneurship Index was completed by 204 respondents and analyzed according to frequencies and percentages. The results were compared to the entrepreneurial characteristics of subjects in Carland's research.

The frequencies and percentages of the start-up strategies of the Presidents/CEOs in the current inquiry were compared to the results of respondents in the Ronstadt research. Chi square analysis was used to determine if significant differences existed between the demographics and the start-up strategies of the Presidents/CEOs.

### Summary of Findings

#### **Demographics of HRD Entrepreneurs**

The first research question dealt with the demographic characteristics of HRD consultants compared to those of entrepreneurs in other businesses. The demographic analysis of the respondents was contrasted to the demographic characteristics of entrepreneurs from the Carland (1992) study to establish any differences. The major demographic categories are as follows:

Annual Sales

Number of Employees

Business Form

Role of Respondent in Start-up

Degree

Education of Respondents

Age of the Business

Age When Business Started

Ownership Objective

Technical Background

The percentages regarding the common HRD entrepreneurial characteristics and the Carland entrepreneurial characteristics are illustrated in Table 5.1.



**TABLE 5.1 - Percentages Regarding the Current HRD Entrepreneurial Characteristics and the Carland Entrepreneurial Characteristics**

	<b>Current HRD Entrepreneurial Characteristics (Percentage)</b>	<b>Carland Entrepreneurial Characteristics (Percentage)</b>
<b>Sales:</b>		
\$100,000 or less	23.0	41.0
<b>Number of Employees:</b>		
10 or less	80.9	85.0
<b>Business Form:</b>		
Corporation	56.9	36.0
<b>Role of Start-up Respondent:</b>		
Established Business	84.3	75.0
<b>Educational Degree:</b>		
Masters	39.2	n/a
Ph.D. or Ed.D.	33.8	n/a
<b>Education of Respondents:</b>		
More than 16 years	73.5	13.0
<b>Age of Business:</b>		
10 years or More	48.5	37.0
<b>Age When Business Started:</b>		
36-45	39.7	36.0
<b>Ownership Objective:</b>		
Profit & Growth	54.4	41.0
<b>Technical Background:</b>		
Training & Development	30.9	n/a

The characteristics of HRD entrepreneurs are that the largest percentage (23) make \$100,000 or less in sales as opposed to 41% in the Carland study. They are mainly employed (80.9%) in agencies of ten or less employees which is comparable to the 85% in the Carland inquiry. The corporation is the largest business form (56.9%) of the HRD entrepreneurs. The percentage in the Carland investigation was 36.

The largest majority of Presidents/CEOs (84.3%) establishes the business which was comparable to the 75% response rate in Carland's research. Carland did not address the question of degree in that study; however, 39.2 of the entrepreneurs in the current study had Master's degrees and 33.8% earned the Ph.D. or Ed.D.. In addition, 73.5 of the HRD entrepreneurs had more than 16 years of education compared to 13% in Carland's inquiry.

The largest percentage (48.5) of the Presidents/CEOs had been in the business ten years or more and 37% in the Carland research had ten years or more in the business. The percentages were comparable concerning the age when the business was started. In the 36-45 category, the HRD respondent's percentage was 39.7 compared to Carland's percentage (36.0). The Presidents/CEOs (54.4%) were concerned with profit and growth and 41% of Carland's entrepreneurs had a profit and growth motive. Lastly, 30.9% of the Presidents/CEOs have a training and development background. Carland did not use technical background in that study.

#### **Carland Entrepreneurship Index Data**

The second research question was concerned with the entrepreneurial characteristics of HRD consultants compared to those of entrepreneurs in other businesses. The entrepreneurial examination of the Presidents/CEOs was compared to the entrepreneurial qualifications of respondents from the 1992 Carland research to ascertain any differences. There were 204 responses to the 33 questions posed by the Carland Entrepreneurship Index and respondents chose the entrepreneurial choice

in 28 out of 33 questions. The ten questions with the highest response rates by the Presidents/CEOs are listed below:

**#26 (89.7%)**

The best approach is to avoid risky moves whenever possible.  
If you want to outdo the competition, you have to take some risks.

**#30 (89.2%)**

The only undertakings my business makes are those that are relatively certain.  
If you want a business to grow, you have to take some risks.

**#31 (82.4%)**

The thing I miss most about working for someone else is security.  
I don't really miss much about working for someone else.

**#28 (81.9%)**

Quality and service aren't enough; you must have a good image.  
A fair price and good quality are all any customer really wants.

**#33 (81.9%)**

It is more important to see possibilities in a situation.  
It is more important to see possibilities the way they are.

**#16 (81.4%)**

The challenge of being successful is as important as the money.  
Money which comes with success is the most important thing.

**#17 (79.9%)**

I'm always looking for new ways to do things.  
I try to establish set procedures to get things done right.

**#6 (75.5%)**

I like to approach situations from a sympathetic perspective.  
I like to approach situations from an analytical perspective.

**#23 (74.5%)**

The difference between competitors is the owners attitude.  
We have some things which we do better than the competitors.

**#4 (71.1%)**

I want this business to grow and become a major force.  
I started this business to support my family.

The ten questions with the highest frequencies and percentages of the Presidents/CEOs compared to the frequencies and percentages of respondents in the Carland study are as follows:

**TABLE 5.2**

Question	Current Percent	Research Frequency	Carland's Percent	Study Frequency
#26	89.7	183	29.3	62
#30	89.2	182	19.9	42
#31	82.4	168	20.4	43
#28	81.9	167	67.7	143
#33	81.9	167	67.3	142
#16	81.4	166	19.4	41
#17	79.9	163	63.0	133
# 6	75.5	154	19.4	41
#23	74.5	152	38.9	82
# 4	71.1	145	43.6	92

A entrepreneurial profile of the HRD consultant and comparison to respondents in the Carland study led to some interesting contrasts. The HRD entrepreneur (89.7%) exhibited an inclination for risk taking as opposed to 29.3% of those answering the Carland study. In addition, only 19.2% of respondents in the Carland inquiry agreed that business growth involved risk taking, compared to 89.2% of respondents in the current research.

The Carland respondents were more concerned with work security but the HRD entrepreneurs (82.4%) did not miss much about working for someone else. HRD entrepreneurs (81.9%) were concentrating on image as

well as quality and service and the Carland sample (30.0%) was concerned with just quality and service. The Presidents/CEOs (81.9%) believed it was more important to see possibilities in a situation and 67.3 of the Carland sample agreed.

Money was not as important as the challenge of being successful to 81.4% of the Presidents/CEOs but only 19.4% of Carland's respondents took that position. The HRD entrepreneurs (79.9%) were always looking for new ways to do things as opposed to 63% of those answering Carland's investigation.

The Presidents/CEOs (75.5%) preferred the analytical versus the sympathetic perspective, but only 19.4% of those answering Carland's research took that position. The HRD entrepreneur (74.5%) preferred more of a competitive stance than the Carland respondents (38.9%) who were more concerned with the owner's attitude. The Presidents/CEOs (71.1%) concentrated on growth and 43.6 of the Carland respondents had this concern. Family support was their prime interest.

### **Analysis of the start-up strategies**

How the entrepreneurial start-up strategies of HRD consultants compare to those of entrepreneurs in other businesses was the third research question. The analysis of the start-up strategies of the Presidents/CEOs was compared to the start-up strategies of respondents from Ronstadt's (1983) investigation to detect any differences.

A profile of specific start-up strategies are indicated by the five strategies with the highest frequencies and percentages (Table 5.3) compared to the Ronstadt data.

**TABLE 5.3**

Strategies	Current Frequency	Research Percent	Ronstadt's Frequency
#13	190	93.1	90.0
#14	174	85.3	n/a
# 8	141	69.1	73.0
# 6	138	67.6	47.0
#10	124	60.8	65.0

The Presidents/CEOs were concerned with the identification of some actual customers as were the respondents in Ronstadt's investigation. In addition, those answering the current study were interested in developing a client base. Ronstadt did not have this start-up strategy in his research. Both sets of respondents indicated that they were influenced by the availability of market information.

The Presidents/CEOs did consult with an attorney. The Ronstadt respondents also consulted with an attorney, but not to the same extent. Both sample groups were concerned with developing projected cash flows.

Chi square analysis was used to determine if significant differences existed at the .05 level between the demographics and the start-up strategies of the Presidents/CEOs of the HRD consulting agencies.

A profile of the five correlations that made the most significant difference are listed in Table 5.4.

**TABLE 5.4 - Correlations that Made the Most Significant Difference**

Strategy 4 (obtained financial backing) by role of respondent in start-up - established business category (172)

Strategy 13 (identified some actual customers) by role of respondents in start-up - established business category (172)

Strategy 2 (wrote a business plan) by role of respondent in start-up - established business category (171)

Strategy 14 (developed a client base) by role of respondent in start-up - established business category (171)

Strategy 5 (looked at more than one specific site) by number of employees - "10 or less" category (164)

The frequency data indicates the largest numbers of Presidents/CEOs that had established their businesses did not obtain financial backing. Out of 172 respondents in the "established business" category, only 43 obtained financial backing. However, 162 of the Presidents/CEOs that had established their own businesses had identified some actual customers which could account for the lack of financial backing. It is apparent that those Presidents/CEOs that established their own businesses were divided concerning writing a business plan. It is interesting to note that, out of 171 respondents, 92 did not write a business plan, but 77 did.

The majority of respondents that established their own businesses had developed a client base (147 out of 171). Lastly, there were 164 Presidents/CEOs in the "10 or less" category regarding number of employees that were concerned with looking at more than one specific site; however, 93 did not do so.

The largest number of relationships with significant levels below .05 occurred in the "business form" demographic which is divided into categories of proprietorship, partnership corporation, and other. Six start-up strategies, numbers 2, 4, 5, 6, 7 and 10 were statistically significant meaning they could effect statistical differences in the population. There were stronger relationships among these pairs than others.

The "ownership objective" demographic had four strategies (2, 3, 4 and 8) with statistical differences. There were also differences between the "Role of respondent in start-up" and strategies 4, 13 and 14. Differences occurred between "technical background" and strategies 1, 3 and 9.

### Conclusions

The following represents the most important conclusions and serves as a basis for the recommendations that follow. The three primary questions of this research have been answered. The HRD Presidents/CEOs are entrepreneurial. Conclusions drawn from the comparison of the Presidents/CEOs of the HRD consulting agencies and the respondents in the Carland study clearly indicate that differences in the strength of entrepreneurial preferences did exist in the sample respondents. In addition, there were variations in the demographics pertaining to the HRD Presidents/CEOs when compared to respondents in the Carland research, but most demographics were compatible.

Conclusions drawn from the comparison between the respondents in the contemporary application and those answering the Ronstadt survey substantiate that there were some differences in the start-up strategies of



the respondents in the current research compared to the sample in the Ronstadt investigation; however, the distinctions were minimal.

### **Recommendations**

1. The Presidents/CEOs of the HRD consulting agencies should attempt to ascertain why there is a discrepancy between the respondent's education (73.5) and the amount of sales (23.0).

2. The Presidents/CEOs should use the Entrepreneurship Index to illustrate and define the HRD Consultants' levels of entrepreneurial preference such as personality, innovation, risk-taking propensity, and strategic posture which could increase the consultant's effectiveness.

3. Steps should be taken by the Presidents/CEOs to define differences between the identification of actual customers and development of a client base to lessen the start-up risks.

### **Recommendations For Further Study**

1. The findings of this study, while providing general information regarding the entrepreneurship of HRD consultants, do not specifically identify why some specific categories, such as demographics, entrepreneurial characteristics, and start-up strategies, seem to have more of an effect than do other categories. Further research is needed in this area.

2. The results of this study are limited by the respondents use of the "other" category in several of the demographic classifications. Further clarification of demographic categories should be accomplished.

3. More knowledge about the start-up decision will increase understanding of the entrepreneurial start-up process. Some start-up strategies were more statistically significant than others. Additional information should be acquired pertaining to why there were stronger relationships among certain pairs than others.

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**EXHIBIT 1**  
**APPENDIX B**

163



University of Nebraska Medical Center  
Eppley Science Hall 3018  
600 South 42nd Street  
Omaha, NE 68198-6810  
(402) 559-6463  
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**EXEMPTION FORM**

**SECTION I: APPLICATION DATA**

TITLE OF RESEARCH PROPOSAL: An Analysis Of The Start-up Strategies And Characteristics Of External Human Resource Development Consultants And Those Of Entrepreneurs

STARTING DATE: July 5, 1993

PRINCIPAL INVESTIGATOR: William L. Conley

SECONDARY INVESTIGATOR(S): n/a

DEPARTMENT/COLLEGE: Vocational and Adult Education, Teachers College

ADDRESS: 520 Nebraska Hall, UNL, Lincoln, Nebraska ZIP CODE: 68588

TELEPHONE: 472-5225

**SECTION 2: CERTIFICATION**

**CERTIFICATION OF PRINCIPAL INVESTIGATOR:** Signature certifies that the research project as described will be conducted in full compliance with University of Nebraska Regulations governing human subject research as stated in the IRB Guidelines for the Protection of Human Subjects. It is understood that the IRB will be notified of any proposed changes which may affect the exempt status of the research.

William L. Conley  
Signature of Principal Investigator

6-7-93  
Date

Doctoral Candidate  
Position

**ADVISOR APPROVAL:** Student Investigators are required to obtain approval from their advisor. Signature of approval certifies the research proposal has been approved and recommended for submission to the IRB.

James Burton  
Signature of Advisor

6-7-93  
Date

James Burton  
Printed Name of Advisor

The IRB requires submission of an original and one (1) copy of the Exemption Form.



University of Nebraska Medical Center  
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June 16, 1993

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IRB # 358-93-EX

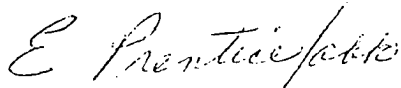
TITLE OF PROTOCOL: An Analysis of the Start-up Strategies and Characteristics of External Human Resource Development Consultants and Those of Entrepreneurs

Dear Mr. Conley:

The IRB has reviewed your Exemption Information Form for the above-titled research project. According to the information provided this project is exempt under 45 CFR 46:101B. You are therefore authorized to begin the research.

It is understood this project will be conducted in full accordance with all applicable sections of the IRB Guidelines. It is also understood that the IRB will be immediately notified of any proposed changes that may affect the exempt status of your research project.

Sincerely,



Ernest D. Prentice, Ph.D.  
Vice Chairman, IRB

EDP/abk

EXHIBIT 3

DATE

TITLE  
AGENCY  
STREET  
CITY, STATE

SALUTATION:

Human Resource Development (HRD) consultants are moving into an era of entrepreneurship. Those organizations that flourish are characterized by an entrepreneurial spirit and orientation.

As a doctoral candidate at the University of Nebraska - Lincoln, I am doing a study of the characteristics and start-up strategies of external human resource development consultants as compared to entrepreneurs in other types of businesses. To conduct this investigation, I need your assistance. You have been identified as an HRD consulting agency listed in the 1993 American Society For Training and Development Buyer's Guide and Consultant Directory.

If you choose to participate in this study, please take about 15 minutes of your time and complete the questionnaires. It is very important that you answer each question. Your reply is vital to the success of this project. Mailing your response within two weeks will help ensure the successful completion of this study.

A stamped, self-addressed envelope is enclosed for your convenience. Thank you for your consideration of this request.

William L. Conley

EXHIBIT 4

## THE CARLAND ENTREPRENEURSHIP INDEX

Darken the box next to ONE of each pair of statements which comes CLOSER to the way you USUALLY feel. Choose ONLY ONE of each pair and DO NOT SKIP any of the statement pairs.

1.  Written objectives for a business are crucial.  
 It's enough to know the general direction you are going.
2.  I like to think of myself as a skillful person.  
 I like to think of myself as a creative person.
3.  I wouldn't have started this business if I weren't sure that it would go.  
 I can never be sure whether this business will go or not.
4.  I want this business to grow and become a major force.  
 I started this business to support my family.
5.  The most important thing I do for this business is plan.  
 I am most important in day-to-day management of this business.
6.  I like to approach situations from a sympathetic perspective.  
 I like to approach situations from an analytical perspective.
7.  My primary purpose in running a business would be to survive.  
 I wouldn't rest until the business I started was the best.
8.  A plan should be written in order to be effective.  
 An unwritten plan for development is enough.
9.  I would probably spend too much time with the business.  
 I would balance my time between the business, family and friends.
10.  I tend to let my heart rule my head.  
 I tend to let my head rule my heart.
11.  My priorities include a lot of things outside the business.  
 One of the most important things in my life is this business.
12.  I am the one who has to do the thinking and planning.  
 I am the one who has to get things done.
13.  People who work for me, work hard.  
 People who work for me, like me.
14.  I look forward to the day when managing the business is simple.  
 If managing gets too simple, I will start another business.
15.  I think I am a practical person.  
 I think I am an imaginative person.
16.  The challenge of being successful is as important as the money.  
 Money which comes with success is the most important thing.

PLEASE TURN TO THE OTHER SIDE

EXHIBIT 4

Remember, darken ONLY ONE of each pair which comes CLOSER to the way you usually feel.

17.  I'm always looking for new ways to do things.  
 I try to establish set procedures to get things done right.
18.  I think it is important to be sympathetic.  
 I think it is important to be logical.
19.  I think that standard operating procedures are crucial.  
 I enjoy the challenge of invention more than anything else.
20.  I spend as much time planning as in running the business.  
 I spend most of my time running the business.
21.  I think that managing this business will fall into a routine.  
 Nothing about managing this business is ever routine.
22.  I prefer people who are realistic  
 I prefer people who are imaginative.
23.  The difference between competitors is the owners attitude.  
 We have some things which we do better than the competitors.
24.  My personal objectives revolve around this business.  
 My real life is outside this business with family and friends.
25.  I enjoy the idea of trying to outwit the competition.  
 If you change too much, you can confuse the customers.
26.  The best approach is to avoid risky moves whenever possible.  
 If you want to outdo the competition, you have to take some risks.
27.  I hate the idea of having to borrow money.  
 Borrowing is just another business decision.
28.  Quality and service aren't enough; you must have a good image.  
 A fair price and good quality are all any customer really wants.
29.  People think of me as a hard worker.  
 People think of me as easy to get along with.
30.  The only undertakings my business makes are those that are relatively certain.  
 If you want a business to grow, you have to take some risks.
31.  The thing I miss most about working for someone else is security.  
 I don't really miss much about working for someone else.
32.  I am concerned about the rights of people who work for me.  
 I am concerned about the feelings of people who work for me.
33.  It is more important to see possibilities in a situation.  
 It is more important to see possibilities the way they are.



## START-UP STRATEGIES OF ENTREPRENEURS

Which of the following did you do when you decided to start-up an entrepreneurial venture. Please circle one for each question.

- |     |  |     |    |     |
|-----|--|-----|----|-----|
| 1.  | Knew how to write a business plan. ✓   | Yes | No | N/A |
| 2.  | Wrote a business plan.   | Yes | No | N/A |
| 3.  | Spoke with a banker, venture capitalist, or other financial source.                | Yes | No | N/A |
| 4.  | Obtained financial backing. ✓  | Yes | No | N/A |
| 5.  | Looked at more than one specific site.   | Yes | No | N/A |
| 6.  | Consulted with an attorney.  | Yes | No | N/A |
| 7.  | Used an attorney through the entire start-up process. ✓                            | Yes | No | N/A |
| 8.  | Actively gathered information on the market and/or industry.                       | Yes | No | N/A |
| 9.  | Calculated margins and breakevens.   | Yes | No | N/A |
| 10. | Developed projected cash flows.  | Yes | No | N/A |
| 11. | Looked into developing a prototype; (e.g., met with human resource experts, etc.). | Yes | No | N/A |
| 12. | Actually developed a prototype.  | Yes | No | N/A |
| 13. | Identified some actual customers.  | Yes | No | N/A |
| 14. | Developed a client base. ✓   | Yes | No | N/A |
| 15. | Other (please specify) ---   |     |    |     |

## DEMOGRAPHICS

Demographics are the statistical characteristics of a population.  
Entrepreneurship research should reflect demographics.

**Annual Sales:**

- \$100,000 or less
- \$100,000 to \$250,000
- \$250,000 to \$500,000
- \$500,000 to \$1,000,000
- \$1,000,000 to \$5,000,000
- \$5,000,000 and over

**Age of the Business:**

- 10 years or more
- 5 to 10 years
- 1 to 4 years
- Less than 1 year

**Number of Employees:**

- 10 or less
- 11 to 25
- 26 to 50
- 51 or more

**Age When Business Started:**

- Under 25 years
- 25 to 35 years
- 36 to 45 years
- 46 to 55 years
- Over 55 years

**Business Form:**

- Proprietorship
- Partnership
- Corporation
- Other

**Education of Respondents:**

- 12 years or less
- 12 to 15 years
- 16 years
- More than 16 years

**Role of Respondent in Start-up**

- Established business
- Purchased business
- Inherited business
- Other

**Ownership Objective:**

- Profit
- Family income
- Growth or Expansion
- Other

**Degree:**

- Associates
- Undergraduate
- Masters
- Ph.D. or Ed.D.

**Technical Background:**

- Business Administration
- Training & Development
- HRD
- Business Education
- Marketing Education
- Other

EXHIBIT 7

Dr. James W. Carland  
 Dr. JoAnn C. Carland  
 PO Box 2689  
 Cullowhee, NC 28723  
 Office Phone: 704 227 7401  
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SCHOOL OF BUSINESS  
 (704) 227-7401

May 24, 1993

Mr. William L. Conley  
 5224 Goldenrod Circle  
 Lincoln, NE 68512

Dear Mr. Conley:

We are sincerely flattered that you would like to use our Entrepreneurship Index in your research for your dissertation. Forgive us for not realizing that you were asking for permission to use the instrument when you requested a copy.

We give you permission to use the Entrepreneurship Index and would appreciate hearing of its results on your sample. If we can be of further assistance, please feel free to write or call.

Sincerely,

A handwritten signature in dark ink, appearing to read 'James W. Carland'.

James W. Carland, PHD, CMA, CPA  
 Associate Professor

Sincerely,

A handwritten signature in dark ink, appearing to read 'JoAnn C. Carland'.

JoAnn C. Carland, PHD, CDP  
 Associate Professor

CULLOWHEE, NORTH CAROLINA 28723

Western Carolina University is one of the sixteen senior institutions of The University of North Carolina and an affirmative action/equal opportunity employer.

PEPPERDINE UNIVERSITY

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SCHOOL OF BUSINESS AND MANAGEMENT

June 9, 1993

William Conley  
5224 Goldenrod Circle  
Lincoln, NE 68512  
402-421-8183

I hope the enclosed helps. I have also included a recent questionnaire that may give you some ideas.

Best of luck.

Sincerely,



Dr. Robert Ronstadt  
Professor Of Entrepreneurship

EXHIBIT 9

## START-UP STRATEGIES OF ENTREPRENEURS

Please circle which of the following you did when you decided to start-up an entrepreneurial venture.

- |  |     |    |     |
|--|-----|----|-----|
| 1. Wrote a business plan.  | Yes | No | N/A |
| 2. Spoke with a banker, venture capitalist, or other financial source.               | Yes | No | N/A |
| 3. Looked at specific sites.   | Yes | No | N/A |
| 4. Consulted with an attorney.   | Yes | No | N/A |
| 5. Actively gathered information on the market and/or industry.                      | Yes | No | N/A |
| 6. Calculated margins and breakevens.  | Yes | No | N/A |
| 7. Developed projected cash flows.   | Yes | No | N/A |
| 8. Looked into developing a prototype; (e.g., met with engineers, contractors, etc.) | Yes | No | N/A |
| 9. Actually developed a prototype.   | Yes | No | N/A |
| 10. Identified some actual customers.  | Yes | No | N/A |
| 11. Actually presold some customers.   | Yes | No | N/A |
| 12. Other (please specify)-----  |     |    |     |

PLEASE COMMENT REGARDING THE CLARITY, VALIDITY, AND APPROPRIATENESS OF THIS QUESTIONNAIRE.

CLARITY - Are the instructions and questionnaire items clearly defined?

VALIDITY - Does the questionnaire measure what it purports to measure (start-up strategies of entrepreneurs)?

APPROPRIATENESS - Does the questionnaire relate to the problem and is it suitable for this particular purpose?