

ACADEMY OF ENTREPRENEURSHIP JOURNAL

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LETTER FROM THE EDITOR

We are extremely pleased to present Volume 5, Number 2, of the *AEJ*. The Academy of Entrepreneurship® is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *AEJ* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to advance the knowledge, understanding, and teaching of entrepreneurship throughout the world. To that end, the journal publishes high quality, theoretical and empirical manuscripts, which advance the entrepreneurship discipline.

The manuscripts contained in this volume have been double blind refereed. The acceptance rate for manuscripts in this issue, 25%, conforms to our editorial policies.

As with Volume 5, Number 1, this issue marks a change in Editorship. This change will not impact the mission of the *AEJ*. The Academy intends to continue to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

The Editorial Policy, background and history of the organization, addresses and calls for conferences are published on our web site. In addition, we keep the web site updated with the latest activities of the organization. Please visit our site and know that we welcome hearing from you at any time.

We are extremely pleased to publish in this issue a reprint of the Carland Entrepreneurship Research Award winning dissertation by Judy Gray of Monash University. Dr. Gray received an engraved plaque and a cash award of \$1000 for her efforts in October, 1998, and was previously published in the *International Journal of Entrepreneurship* which has a wide international audience. We included the manuscript in the *AEJ* to make it more accessible to our predominantly American membership.

Please feel free to contact me at any time regarding journal submissions, editorial board membership, or conference papers. I may be reached by mail at the Department of Management, Kelce School of Business, Pittsburg State University, Pittsburg, KS 66762; by voice at 316-235-4582; by fax at 316-235-4513; or by e-mail at tbox@pittstate.edu. I look forward to a successful year and an outstanding relationship with the Academy and I welcome your submissions and your comments.

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ENTREPRENEURIAL IDENTITY, INTENTIONS AND THE EFFECT OF THE PUSH-FACTOR

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ABSTRACT

The research on entrepreneurship has for long been trying to find personality characteristics which could serve to explain business start-up. Often these studies have, however, been looking for only one stereotypical character, the classical entrepreneur, and contrasted this character with the non-entrepreneurial counterpart.

This study focuses on the process of business start-up, and more precisely on the pre-startup phase, where people's self-conceptions, intentions and eventual need to find alternative career-options have the most central effect on the start-up decision. Our study aims to show that there actually exist more than these two extreme types of identities in the entrepreneurial-non-entrepreneurial continuum. We also look for the relationships between entrepreneurial identities, the start-up intention and the environmental push into entrepreneurship.

The findings suggest that there indeed exist more than one or two entrepreneurial identities. Beside the classical entrepreneur identity, we found also farmer, intrapreneur and custopreneurial identities. Furthermore, the results suggest that these identities function as important intermediaries in the pre-start-up phase of the entrepreneurial process. For example, the effect of push-factors seems more compelling people having farmer identities, whilst people with classical entrepreneur identities do not seem to react in any significant way.

The main interest of this study is in finding that the entrepreneurial identity has such a strong effect on the entrepreneurial process. The environmental pressure or subjective compulsion to choose an entrepreneurial career option does not relate to classical entrepreneurship nor to totally non-entrepreneurial people, but to those in between who have doubts about their usefulness, needs, attitudes and competencies for entrepreneurship. However, the positive value base for entrepreneurship is essential for the development of an entrepreneurial identity. The development of one's identity is formed during the early years as a human being, and, therefore, the study points to the importance of supporting the development of a positive value base.

INTRODUCTION

Since Kilby's hunting of the Heffalump, determinants of entrepreneurial behaviour¹ have been searched for in various directions. It is somewhat surprising that even today there prevails an (at least implicit) understanding and belief in homogeneous Heffalumps. That is to say, we do not take into account seriously enough the great variation in entrepreneurial roles and types when trying

to understand and find linkages between personal characteristics and entrepreneurial behaviour. Thus, instead of searching for one Heffalump, we should rather search for the species or tribe of those important actors. While searching for these characters, it is important to note that the mode of appearance of entrepreneurial actors varies to a great degree. That is a fact that is very explicit in entrepreneurship literature. However, in research focusing on the determinants of entrepreneurial behaviour the distinction between different forms of 'entrepreneurial behaviour' is neglected.

It is a common view amongst the researchers in entrepreneurship that the moment of emerging entrepreneurial identity and intentionality is an important research object. Especially studies on varying backgrounds of would-be entrepreneurs and research on 'who, when, and which factors have influence on their decision to start up' are seen as important (see e.g., Dyer, 1994; Schein, 1994; Koskinen, 1996). In this paper we regard entrepreneurial identity as a latent occupational concept of oneself, and use our data of a 'normal' population to study *how common entrepreneurial identities are* (the proportion of people identifying themselves as possible entrepreneurs) and *what kinds of different identities* exist in a population. From there we continue by studying, *the entrepreneurial intentions* (of starting up a business) within the population. Also *relationships between identities and intentionality* are studied. The paper ends up with an analysis of the ***pushfactor's effect on the relationship between entrepreneurial identity and intentionality***. There is quite a lot of theorising about the influence of the push-factor on entrepreneurship, but there are rather few research results about certain push-factors' influence on the intentionality of different personalities. This study tries to focus on that theme by elaborating the effect of the push-factor on various groups of persons.

DETERMINANTS OF ENTREPRENEURIAL ACTION

At a very general level of discussion, the various explanations of entrepreneurship can be categorised into two schools: (i) the environmental school and (ii) the people school. The environmental school bases its explanation of the existence of entrepreneurship on the cultural and structural conditions of (most often) the local environment. A recent survey by Reynolds, Storey and Westhead (1994) focused on various economic-structural characteristics in six countries trying to find out relationships between structural variables and entrepreneurship. Also Johannisson and Bang (1992), Davidsson (1993) and Havusela (1995) have reported empirical findings on the relationship between structural variables and entrepreneurship. Entrepreneurship-related values and attitudes have been used as a measure indicating local culture (see e.g., Davidsson, 1993). Similarly, in the classical work of McClelland (1961) the personal achievement motive was used to measure an achieving culture at the level of society. According to various investigations, there is a link between both structural and cultural aspects of environment and entrepreneurship. In many cases, however, this link seems to be quite vague and the strict causality between the independent (environment) and the dependent (entrepreneurship) variable is uncertain and thus problematic.

The people school of entrepreneurship stresses the importance of 'right stuff' (see e.g. Ronstadt, 1984). At an extreme, the point is that an individual having 'entrepreneurial characteristics' always finds the path to entrepreneurship regardless of environmental conditions. The mainstream of 'people school' research uses the so-called 'trait approach' in explaining both

entrepreneurial intentions and entrepreneurial success. Perhaps the most widely used traits are the need for achievement (McClelland, 1961) and the locus of control (Rotter, 1966; Levenson, 1973). Also tolerance of ambiguity and creativity have often been linked to entrepreneurship. Bateman and Crant (1993) defined a measure for the proactive personality. This 'new trait' seems to be a rather promising determinant of entrepreneurial behaviour. The trait approach has found various linkages between personal characteristics and entrepreneurship. Also these relationships are usually quite weak, but it can be argued that traits in general possess at least some explanatory power with regard to entrepreneurship. The critique on the trait approach has for example focused on the fact that it has not succeeded in defining, a unique entrepreneurial stereotype with a certain pattern of characteristics, and that the relationship between a trait and actual behaviour is weak (see e.g. Chell, 1985).

It is true that traits alone have a limited explanatory power with regard to entrepreneurship. As a solution to this problem an interactive approach (interactionism) tries to explain entrepreneurial behaviour as a function of the person and environmental conditions (Chell, 1985: 48). Huuskonen (1992) has also discussed the co-effect of personal characteristics and the objective reality individuals live in. In his approach the person's subjective interpretation of the objective reality functions as a triggering element towards an entrepreneurial career.

Values and attitudes in general and especially those linked closely with entrepreneurship are connected with entrepreneurial career development. Environmental observations shape people's attitudes and beliefs. Attitudes and beliefs influence the potential entrepreneur's view when he or she compares entrepreneurial and non-entrepreneurial career alternatives (c.f. Huuskonen, 1992: 81-82). Ideological values have been regarded as important determinants of entrepreneurial behaviour by classical writers like Weber and McClelland. Weber relates ideological values straight with entrepreneurial behaviour, whereas McClelland uses the need for achievement concept as an intermediating psychological variable between values and behaviour. (Kilby, 1971: 7-8).

Gibb and Ritchie (1981) have proposed an alternative 'social development model' to explain and understand entrepreneurial start-up decisions. They suggest that "entrepreneurship can be wholly understood in terms of the types of situation encountered and the social groups to which individuals relate" (1981: 183). Also Stanworth and Curran's (1976) definition of entrepreneurial identities refers to certain reference groups. That is, persons can identify themselves as certain types of entrepreneurs (artisans, classical entrepreneurs or managers). Entrepreneurial identity may be a new promising link in the discussion of entrepreneurial potential as it can be used to distinguish between various would-be entrepreneurs. The concept can be defined as an individual's latent occupational identity in relation to entrepreneurship. In most studies of entrepreneurship, there has clearly been an aim to define entrepreneurship as a unique and coherent phenomenon. This approach has failed mostly because of the complexity of the empirical reality of entrepreneurship. In order to measure entrepreneurial potential, it is very important and interesting to find out how people define themselves as entrepreneurs and what is the link between identity, attitudes, traits and intentions.

Intentionality is a state of mind directing a person's attention (and therefore experience and action) towards a specific object (goal) or a path in order to achieve something (means) (Bird, 1988: 442). Intentionality is, thus, grounded on cognitive psychology that attempts to explain or predict

human behaviour. It is seen that behavioural intention results from attitudes and becomes an immediate determinant of behaviour. Fishbein and Ajzen (1975) have illustrated this relationship as follows:

Beliefs ==> Attitudes ==> Intentions => Behavior

Entrepreneurial intentions are aimed at either creating a new venture or creating, new values in existing ventures. Intentionality includes both rational/analytic thinking (goal directed behaviour) and intuitive/holistic thinking (vision) (Bird, 1988). Motivational factors, such as the need for achievement (McClelland, 1961) and the need for control (Brockhaus, 1982) predispose individuals to entrepreneurial intentions. Boyd and Vozikis (1994) have treated self-efficacy as an important triggering or inhibiting factor of intentionality. Self-efficacy is originally derived from Bandura's (1977) social learning theory and it refers to a person's belief in his or her capability to perform a given task. Self-efficacy also affects a person's beliefs regarding whether or not certain goals may be attained. (Boyd and Vozikis, 1994: 66). Thus it follows that if a person has positive attitudes to entrepreneurship and his/her intentionality has arisen, and if the triggers (suddenly changing, personal or environment- based conditions) are stronger than the barriers to start-up, the decision to found an enterprise occurs (Volery, Doss, Mazzaroli & Thein, 1997).

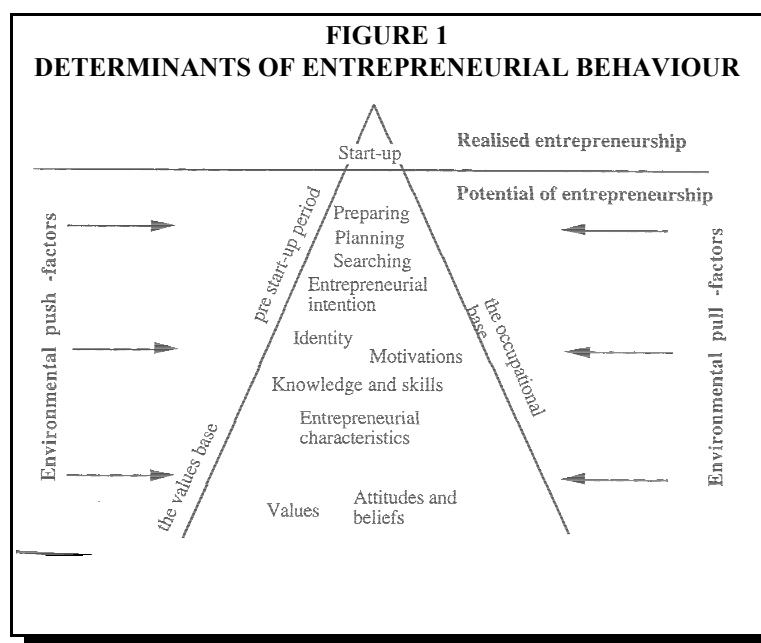
The period of pre start-up has been described by many writers. For example Schöllhammer and Kuriloff (1979), Vesper (1980), Cooper (1982), Churchill (1983), Kazanjian (1984) and Stevenson, Roberts and Grousbeck (1985) have touched upon the theme. Those models usually include the stages of pre-start-up, start-up, growth and maturation (e.g. Churchill, 1983; Kazanjian, 1984). Cooper (1982) defines the pre-start-up stage as follows:

"The pre-start-up stage includes those events which lead a specific entrepreneur to a specific venture opportunity. It can involve varying degrees of deliberate planning, development of contacts and resources, and systematic search for entrepreneurial opportunities."

Churchill (1983) defines the start-up-stage in three different sub-stages:

*"**Seriously consider doing it** - decide that having your own business is a serious possibility and that you want to be an entrepreneur. The potential entrepreneur undergoes a change in outlook - for what was pure speculation or an intellectual game now becomes a distinct possibility. **Plan for it** - First, develop the fundamental business concept ... second, prepare the business plan. **Do it** - take the plunge and actually launch (or acquire) the business."*

Common to all definitions of the pre-start-up stage is the focus on business related facts, which together form a straightforward pathway to business start-up. The pre-Start-up models usually begin with a "perception of market opportunities" (Kilby, 1971), "when the desire for entrepreneurship is recognized" (Vesper, 1980), or "understanding forces creating opportunity" (Stevenson et al. 1985: 23). Some writers have seen the pre-start-up period to begin with more person-oriented phases like the "entrepreneur sees a need" (Schöllhammer & Kuriloff, 1971: 31) or "seriously consider to do it" (Churchill, 1983).



Determinants of entrepreneurial action (like the starting up of an enterprise) form a complex web of different explanatory concepts and variables. Even though the strict causality of these determinants in relation to entrepreneurial action is somewhat questionable, there is evidence enough to draw at least a hypothetical picture of the (loosely) explanatory structure behind entrepreneurial action. Figure I illustrates our thinking. We consider the following determinants of personal development as prerequisites to entrepreneurial action. Values and attitudes form a base for entrepreneurial development. McClelland (1961) placed the need for achievement motive as an intermediating variable between cultural values and entrepreneurial action. Our thinking follows a similar line of reasoning in that also other personal characteristics can be placed as intermediating factors between a positive value base and entrepreneurial action. In our studies we have used *nach*, locus of control, tolerance of ambiguity, creativity and proactivity as those intermediating personal variables.

It is possible to distinguish between three different main phases or areas of entrepreneurial determinants. The first can be termed *the values base* and it consists of a personal value structure,

more precise attitudes to and beliefs in entrepreneurship as well as of various entrepreneurial characteristics and ways of behaviour (see e.g., Bygrave, 1989: 9). While some entrepreneurial characteristics are 'products' of a positive value base, they also add to the second level of the process, the development of a person's occupational base. The level consists of concepts related to a person's occupational development, such as different forms of occupational knowledge and skills. These are mostly developed through education and experience (or, to follow Collins, Moore and Unwalla, 1964: "the school for entrepreneurs"). Also motivations have significant meaning for the occupational development of a person. Entrepreneurial identity is a person's context-bound and socially influenced subjective interpretation of his/her eventual role as an entrepreneur, stemming from his/her personal values, motivations and skills (the concept of entrepreneurial identity is discussed more profoundly later). Entrepreneurial intention is the link between the development of a person's occupational base and real entrepreneurial behaviour. The third and final area of entrepreneurial background processes is *the phase of pre-start-up*, which we see here as a straight pathway to realised entrepreneurship, even though it has been found that not all intentions lead to business start-up (Learned, 1992; Volery et al., 1997).

As to entrepreneurial determinants, it is very important to distinguish between personal and external determinants. One of the main messages in Figure I above is that the entrepreneurial process is always a personal process, i.e. a person is subjectively involved in it and no external involvement can not realise the process unless the person wants it. Putting it differently, all external push- and pull-factors influence the start-up process through individual actors.

Prior research has dealt with several types of push factors. Specht's (1993) literature review showed that the five most common contextual factors used as determinants of entrepreneurship can be grouped as social, economic, political, infrastructure development and market factors. The failure of a previous organisation, getting fired, or concluding that the organisation or one's career is not progressing can also be treated as factors 'pushing' towards entrepreneurship. (Collins et al, 1964, Shapero & Sokol, 1982; Vesper, 1983). Push- and pull-factors are usually connected with the start-up process of a new firm. However, it is also possible to argue that several environmental factors influence the development of a person's value base as well as occupational base. Moreover, the environmental factors change during a person's development. In the early years the environment provides the cultural prerogatives needed for primary and secondary socialization (Berger & Luckmann, 1966), changing then from fostering and supporting to forming structures, expectations, pressures and obstacles.

From our point of view the discussion and research concerning the effect of external factors (push and pull) on the entrepreneurial process is too general. That is, the research has not tried to show the external factors' effect on different personalities and persons with different occupational identity. In this study we try to specify our research focus on a certain phase of the entrepreneurial development process (entrepreneurial identity) and study certain environmental factors' influence on its relationship with entrepreneurial intentions.

THE CONCEPT OF ENTREPRENEURIAL IDENTITY

The literature of entrepreneurship recognises various types of entrepreneurs. The basic differentiating line is usually drawn between craftsman and opportunistic entrepreneurs (Smith, 1967; Stanworth & Curran, 1976; Routamaa & Vesalainen, 1989; Lafuente & Salas, 1989) even though many authors define more than two types. The above writers define varying forms of entrepreneurship through the socio-psychological approach and entrepreneur's goal orientation, especially growth. Vesper's (1980) categorisation of entrepreneurs differs from the above in that it is mainly based on the way an entrepreneur is carrying out his/her business. However, definitions of the different types among the would-be entrepreneurs are rare. We aim to analyse a certain population in order to find out the quantity and especially the quality of entrepreneurial identity of would-be entrepreneurs within that population.

The concept of entrepreneurial identity has its roots in entrepreneurial types used to differentiate between various types of entrepreneurs. Especially Stanworth and Curran's (1976) definition of the entrepreneur identity has influenced our thinking. Following Gouldner (1958) they used the concept of *latent social identity* to deal with "the several possible constellations of meanings which may form the core of the entrepreneur's self definition of the entrepreneurial role" (Stanworth & Curran, 1976: 104). Identity search, understanding oneself within one's social environment, has been considered as one of the main themes of human life. Identity develops in youth so that occupational identity is one of the latest areas of development (Erikson, 1959). Identity may have a *foreclosure status* in the sense that a young person has taken the identity for granted e.g., as a legacy from his/her parents. In another path of development, *identity achievement*, the young person looks for and tries out several different identities and on the basis of the cumulated experience, he/she chooses one. Identity becomes reevaluated at different stages in life, when conditions of life change and when crises are encountered (Marcia, 1980). Identity has been distinguished in several areas: clarity of definition of one's self, commitment to values, beliefs and objectives, activity towards these commitments, consideration of identity alternatives, approval of one's self, and thrust in one's own future (Waterman, 1982).

Schein's (1978) theory of career anchors is also applicable here. Schein (1978) argues that as people move into their careers they gradually develop clearer self-concepts in terms of their:

1. *Talents and abilities*: they discover at what they are and what they are not good.
2. *Motives and needs*: they determine what they are ultimately seeking out of their career (e.g., good income, security, interesting work, or opportunities to be creative).
3. *Values*: they realize with what kind of company, work environment, product, or service they want to be associated.

Schein continues by arguing that "talents, motives, and values become interrelated in a total self-concept through a reciprocal process of learning." This learning process can be seen as an important linkage between *the values base and the occupational base* defined earlier in this paper.

It can be argued that entrepreneurial identity is the central concept of *the occupational base*. It is anchored in the values and occupational experiences, education as well as motivations, and it strengthens and changes the entrepreneurial intentions according to the circumstances. Also external factors like entrepreneurial culture or the existence of entrepreneurial 'heroes' as living examples of entrepreneurship have a certain influence on each person's occupational entrepreneurial identity.

Schein originally defined eight career anchors: (1) Security/stability, (2) autonomy and independence, (3) entrepreneurship, (4) technical/functional competence, (5) managerial competence, (6) service, (7) pure challenge, and (8) life style. The original career anchor of entrepreneurship is defined on the very strict basis of Schumpeterian entrepreneurship where extreme creativity and the need for creating a new business are the dominant features of the anchor. In the light of varying entrepreneurial roles (e.g., from self-employed to conglomerator or from artisan to classical entrepreneur) the entrepreneurial career anchor serves as too narrow a perspective to understand entrepreneurs' career decisions. Taking an opposite approach to the anchors it can be argued that only the anchor of security/stability is clearly against all entrepreneurial career alternatives.

Our definition of occupational entrepreneurial identity is based on varying entrepreneurial identities and its main rationale can be crystallised by asking, *if entrepreneurship, what kind of entrepreneurship?* On the basis of the above discussion the entrepreneurial identity can be defined as a person's inclination to adopt a certain type of occupational entrepreneurial role. It has a career anchor-type of nature in that it is latent (social identity) and it becomes more explicit when the person becomes older and more experienced in different occupational situations.

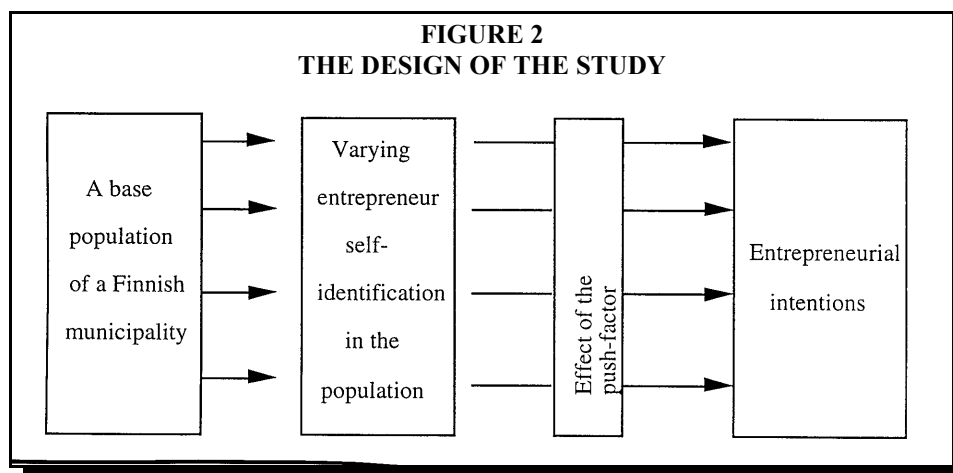
RESEARCH QUESTIONS AND METHODOLOGY

This research report focuses on four questions:

- (1) How common are different entrepreneurial identities in a population,
- (2) How do the groups of persons categorised by the entrepreneurial identity differ according to personal characteristics, entrepreneurial attitudes and other background factors,
- (3) What is the level of entrepreneurial intentions in each group, and
- (4) What kind of effect has a certain push -factor to the entrepreneurial intention in each group.

As a base population we used the small Finnish country municipality of Laihia which has a total population of approximately 7,500 inhabitants. We excluded all inhabitants under 16 and over 65 years of age and took a randomly selected sample of 1,000 names from the remaining population, which was about 4,800 inhabitants. After one reminder with a questionnaire we got a response rate of 48,5 % and thus our data consists of 485 acceptable questionnaires. The age class

46 - 65 is somewhat underrepresented and the age class 31-46 years somewhat overrepresented. In other respects, the data corresponds well with the base population.



Entrepreneurial identity was measured by a 19-item block of statements describing various entrepreneurial roles (the items listed in figure 3.) The data was analysed at three levels. First, we looked at the straight distribution of each type of role. Second, we conducted an exploratory factor analysis to find out some basic dimensions of identity, and third we used the factor coefficients in a cluster analysis in order to form groups of different would-be and non-entrepreneurs in the sample.

In the study we have also measured various personal characteristics. Tolerance of ambiguity was measured by a block of 6 questions (Cronbach's alpha 0.69). The need for achievement was measured by a block of 8 questions (0.73). In order to measure locus of control we used a Levenson-type of questionnaire instead of Rotter's by making the same statements as two Finnish researchers, Pitkdnen and Vesala (1988), had used earlier (our alpha for the measure was 0.70). Creativity was measured by a block of 8 items (0.77) as we did with proactive behaviour, for which we used a shortened version of Bateman and Crant's (1993) measure (alpha 0.83). In the light of the coefficient alpha all the measures are internally valid. Our aim here is not to concentrate on the 'traits-discussion' but to use the above personal characteristics as background variables to study whether different groups of would-be entrepreneurs differ with regard to personal characteristics.

Intentionality was measured by a block of 19 items. Of the items six dealt with the respondents' aim to start some kind of an enterprise within a year. The next six considered various searching activities for the year, such as active search for an opportunity, financing or a partner. The rest of the items (7) dealt with various aims related to development and training activities in order to acquire entrepreneurial and managerial skills. In this research report we use only the 'real' aims to start an enterprise within a year.

As a push-factor we measured *a person's dissatisfaction with prevailing occupational conditions*. Acknowledging that people may experience drastically different occupational conditions, we defined three different scales of questions: One for those having a job at the moment,

one for those unoccupied at the moment (unemployed, mothers/fathers at home, students etc.) and one for farmers. Each scale (4-6 items per scale) represents the personal push-factor of *dissatisfaction with prevailing occupational conditions*. The three groups' dissatisfaction followed fairly well the shape of normal distribution but there were expected differences of scale. To improve their comparability within a single variable, the scales were standardised and normalised to follow a normal distribution. This kind of push-factor can be categorised in the group of negative displacement-type of push-factors defined by Shapero and Sokol (1982).

ENTREPRENEURIAL IDENTITY

The distribution of all the 19 entrepreneurial roles is represented in Figure 3. It can be noticed that the most popular entrepreneurial role is that of an *independent professional*. This may include several professional solo entrepreneurs like lawyers, consultants, doctors or other professional experts whose expertise is acquired through education and experience.

Over 60% of all respondents could at least partially agree that this kind of an entrepreneurial role might be appropriate for them. The data was factor-analysed in order to find new and more coherent dimensions of entrepreneurial identity. The results of the factor-analysis are reported in

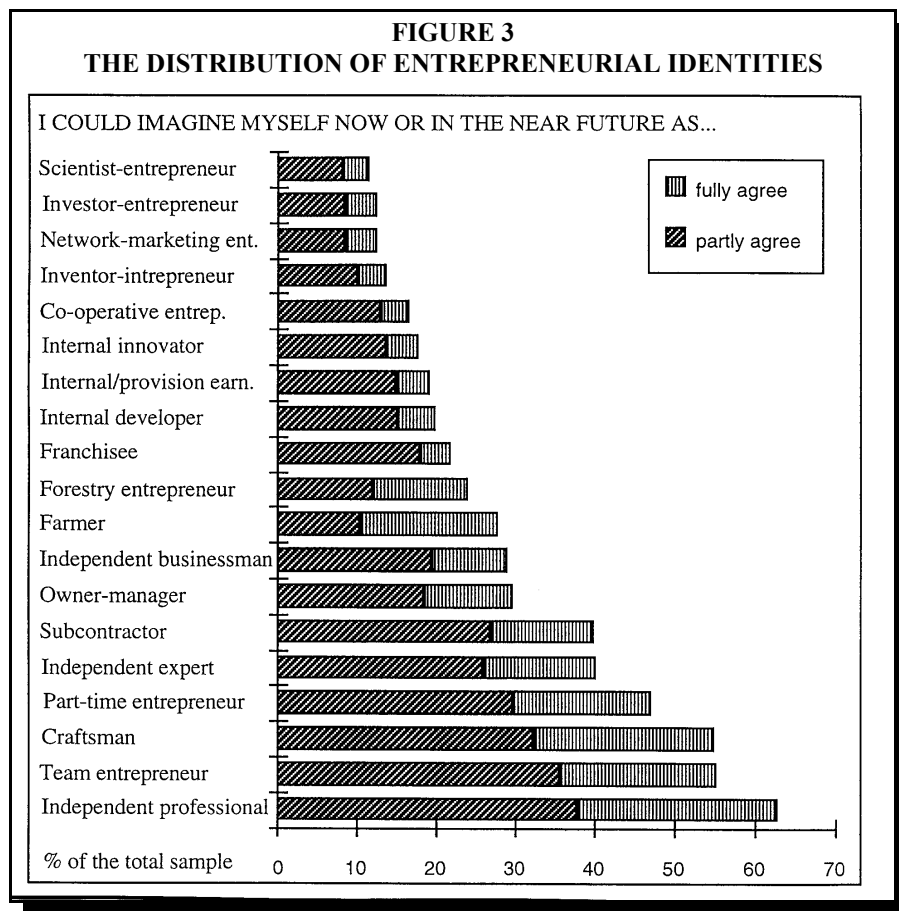


Table 1. The varimax-rotated factor pattern produced five factors when the criterion was set on the basis of eigenvalue > 1. Factor 1 appeared to represent the main entrepreneurial elements like "businessman" (loading .7) and "owner-manager" (.8) -identities. Also the more innovative elements like "inventor" (.58), "scientist" (.65) and "expert" (.62) loaded strongly on this factor. This factor can be thus labeled as *classical entrepreneurial identity*.

TABLE 1 ROTATED FACTOR MATRIX OF ENTREPRENEURIAL IDENTITIES						
Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Comm
Businessman	.70					.59
Inventor-Intrepreneur	.58					.58
Owner-Manager	.80					.71
Scientist-Entrepreneur	.65					.55
Expert	.62					.52
Internal Innovator		.79				.70
Internal Provision Earner		.69				.63
Internal Developer		.75				.67
Franchisee			.83			.72
Cooperative Entrepreneur			.53			.56
Network-Marketing Entrepreneur			.66			.49
Farmer				.87		.81
Forestry Entrepreneur				.89		.83
Craftsman					.78	.63
Independent Professional					.72	.66
Eigen Value	5.75	1.73	1.45	1.35	1.16	
Variance Explained	30.3	9.1	7.7	7.1	6.1	
Cumulative Variance	30.3	39.4	47.1	54.2	60.3	
Only Loadings > .5 are Shown						

The second factor consists purely of items of internal entrepreneurship with respective loadings of "internal innovator" (.79), "internal provision earner" (.69) and "internal developer" (.75). Thus the factor can be labeled as *intrapreneurial identity*.

The third factor consists mainly of "franchising," (.83), "network-marketing" (.66) and cooperative-entrepreneurship" (.53). All these items reflect the new entrepreneurial roles in Finnish society. Franchising is increasing rapidly, many unemployed have joined work cooperatives through which they can offer their services on an entrepreneurial basis. Also network-marketing is clearly booming in Finland at the moment. However, the commonality of the network-marketing role is

quite low, thus this particular role is spread into other factors, too. Common to these entrepreneurial roles is that in each type the entrepreneur is not alone by him- or herself but some sort of 'principal' is always closely involved with the business. This factor can be called the *custopreneurial identity*. The term custopreneurship was launched by Lehtinen (1988) and it has been defined as involving those operations where the business has integrated its customers as resources into the business operations to work entrepreneurially (Koiranen & Tuunanen, 1996).

The fourth factor is easily interpreted. Two main items have very strong loadings, "farmer-identity" (.87) and "forest-entrepreneur identity" (.89). This factor can be called *farmer identity*.

In the last factor items "craftsman" (.78) and "independent professional" (.72) loaded strongest. This factor reflects a *craftsmanship* -dimension of entrepreneurial identity. The difference between craftsmanship and professionalism here is that the former is usually believed to be an identity for poorly and the latter for highly educated persons. However, people seem to mix between these elements because they loaded in the factor.

Compared with former entrepreneurship studies, it can be found that the factor structure includes the opportunistic - craftsman distinction. Factor 1 (classical entrepreneurship) corresponds to the one end of the continuum and factor 4 (farmer entrepreneurship) and factor 5 (craftsman entrepreneurship) to the other end. Factor 3 (custopreneurship) can be placed in between the extreme ends of that continuum. It should be kept in mind that the above factor pattern is a result of data gathered from the normal population and thus it cannot be directly compared with results from purely entrepreneurial data. Anyway, it can be concluded that the data reflects entrepreneurial identities in a population through five alternative dimensions:

Classical identity, which is characterised by businessman and owner-manager identities as well as the more opportunistic and innovative identities of innovator and scientist.

Intrapreneurial identity, which is characterised by innovative behaviour, a positive attitude towards a flexible reward system, and activity towards various development tasks within an organisation.

Custopreneurial identity, in which entrepreneurial roles of franchising, cooperative entrepreneurship and network-marketing entrepreneurship dominate.

Farmer identity, where both farmer identity and forestry entrepreneur identity are the most characteristic features.

Craftsman identity, which is characterised by craftsmanship and independent professionalism.

The analysis was continued with cluster analysis using the factor scores computed. The cluster analysis resulted in five distinct clusters which can be labeled as follows (Table 2). In cluster I the farmer identity (cluster centre² 1.24) is clearly a dominating factor. This group of individuals seems also to have quite low inclination towards classical identity (cluster centre -.52). Thus this

cluster can be labeled as *farmer identity cluster* and it consists of 98 individuals which is 20.2 % of the sample. In cluster 2 the absence of any entrepreneurial identity is extremely clear. All cluster centres are negative; thus this cluster can be labelled as a *non-entrepreneurial cluster* and it consists of 81 persons, which is 16.7 % of the sample. The most dominating factor in cluster 3 is the classical entrepreneurial identity (1.30). It is also worth noticing that three out of four other cluster centres are negative; thus people in this group seem to be quite focused in their identity. The cluster can be named as *classical identity cluster* and it consists of 102 members, which is 21.0 % of the sample. Cluster 4 is characterised by internal entrepreneurship. The cluster centre does not, however, reach as high a score as other dominating factors in other clusters (0.83). It is also worth noticing that factor 5 gets quite a high value in this cluster, too. Thus both the internal entrepreneurship and the craftsman/expert identity somewhat dominate this cluster. The main reason why the two factors get such high values in this cluster might be that many people having internal entrepreneur identity are at the same time experts, who could easily think of themselves as independent experts on a solo-entrepreneurial basis. This cluster can, however, be named as an intrapreneurial identity cluster and it consists of 88 persons, which is 18.1 % of the sample. The last cluster is dominated by custopreneurial entrepreneurship. The interpretation is quite clear as the other factors have very low or negative cluster centres. This cluster can be named as the custopreneurial identity cluster, and it consists of 116 persons, which is 23.9 % of the sample.

TABLE 2
A FIVE CLUSTER SOLUTION OF THE ENTREPRENEURIAL IDENTITIES OF THE SAMPLE

Cluster Number	Number of Persons	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
1	98	-.52	-.29	-.00	1.24	.41
2	81	-.76	-.32	-.27	-.24	-1.31
3	102	1.30	-.02	-.32	.09	-.25
4	88	-.32	.83	-.79	-.65	.59
5	116	.07	-.15	1.07	-.48	.34
Factor 1: Classical Identity		F 131.51; probability < .001				
Factor 2: Intrapreneurial Identity		F 23.84; probability < .001				
Factor 3: Custopreneurial Identity		F 87.06; probability < .001				
Factor 4: Farmer Identity		F 100.21; probability < .001				
Factor 5: Craftsman/Expert Identity		F 89.16; probability < .001				

Looking at the result from the perspective of various factors, it is obvious that factor 1 (classical entrepreneurial identity), factor 3 (custopreneurial identity) and factor 4 (farmer identity) produced the most clear-cut solutions in terms of focused interpretation (the single factor clearly the dominating one in the cluster). Instead, the craftsman/expert factor spread into several clusters, and thus no pure craftsman cluster emerged. The main reason for that might stem from the questionnaire, which does not distinguish clearly enough between craftsman and expert identities

which, in turn, leads to the result that both identities loaded on the same factor. Comparing this result against reality, it seems to be somewhat misleading.

Several differences between the clusters were found. First, comparing the personal characteristics within and between the groups, it was found that in the cluster of classical identity all the personal characteristics measured were at the highest level (Appendix 1). Correspondingly, all the characteristics in the group of non-entrepreneurial identity were the lowest. Most of the values of entrepreneurial characteristics of the classical entrepreneurship identity group were also higher than the values of all other would-be entrepreneur groups. The other three clusters (2, 3 and 4) were quite equal with respect to personal characteristics. On the basis of the above results, it is quite clear that entrepreneurial identity and personal characteristics interrelate. Thus the strength of entrepreneurial characteristics seem to settle down at three levels. The highest overall level was measured in the group of classical identity. The 'mid-group' consisted of the other three groups which were also identified as entrepreneurs. Clearly the lowest scores of the characteristics measures were found in the group of non-entrepreneurs. Almost the same results could be found concerning the entrepreneurial attitudes (Table 3).

In regard to the background characteristics, the persons with custopreneurial identity were the youngest and the persons with farmer identity the oldest. It seems that custopreneurial activities are favoured by younger persons, which is logical because these (especially) franchising and network-marketing types of entrepreneurial activities are quite new phenomena. The groups of farmer identity (55.1 %), classical identity (64.7 %) and intrapreneurial identity (55.7 %) were dominated by men and correspondingly the groups of non-entrepreneurial identity (55.6 %) and custopreneurial identity (56.0 %) by women. As to the social background of the different groups of identities it was found that only 28.4 % of the persons in the non-entrepreneurial group had several relatives and/or friends who were entrepreneurs as compared to the groups of classical identity (50%), farmer identity (48 %), custopreneurial identity (44.8 %) and intrapreneurial identity (42 %). The lowest educational levels were found in groups of farmer identity and non-entrepreneurial identity (37.8 % and 33.3 of the persons in the respective group) had only basic education. Persons having an intrapreneurial identity represented the highest level of education (only 12.5 % having just basic education).

INTENTIONALITY AND THE EFFECT OF THE PUSH-FACTOR

According to previous studies environmental push might have a positive relationship to start-ups. Here we studied the push factor's effect on intentionality. A push-factor acts as an intermediate variable and it can be hypothesised that there exists a positive correlation between intentionality and the push-factor. That is, when the push-factor strengthens, the intentionality increases. As a push-factor we used here *dissatisfaction with prevailing occupational conditions*.

Approximately 30 % of the persons in the sample aimed at new business start-up within a year. In the groups of custopreneurial and classical identity, intentionality was strongest (37.1 % and 35.3 %) aimed at start-up. At the overall level, the correlation between intentionality and the push-factor was .13 ($p < 0.001$). The relationship was elaborated further by calculating correlation coefficients in various sub-groups (Table 4).

TABLE 3
Attitudes and Personal Characteristics of Four entrepreneurial and One Non-Entrepreneurial Identities

Variable	Identities					t-tests for Independent Samples										Overall	
	1	2	3	4	5	1-2	1-3	1-4	1-5	2-3	2-4	2-5	3-4	3-5	4-5	Mean	F
SYRIT	3.82	3.36	3.70	3.69	3.77	***	ns	ns	ns	***	**	***	ns	ns	ns	3.68	5.52
SKAPI	3.82	3.25	3.93	3.81	3.76	***	ns	ns	ns	***	***	***	ns	*	ns	3.73	10.2
SPIEN	3.75	3.30	3.76	3.64	3.62	***	ns	ns	ns	***	***	***	ns	ns	ns	3.63	5.49
SRYHT	3.18	2.90	3.29	3.26	3.25	**	ns	ns	ns	***	***	***	ns	ns	ns	3.19	6.26
SKOGN	4.09	3.54	3.96	3.96	3.85	***	ns	ns	***	***	***	**	ns	ns	ns	3.89	7.41
SEPAV	3.15	2.86	3.46	3.34	3.25	**	***	ns	ns	***	***	***	ns	**	ns	3.23	8.0
SSUOR	3.23	2.89	3.42	3.42	3.17	***	**	ns	ns	***	***	***	**	***	ns	3.19	6.78
SELAH	3.11	2.89	3.35	3.35	3.18	0	**	ns	ns	***	***	***	ns	*	ns	3.17	5.16
SLUOV	3.23	2.83	3.44	3.44	3.17	***	**	ns	ns	***	***	***	ns	***	ns	3.21	10.5
SPROA	3.60	3.12	3.83	3.83	3.58	***	**	ns	ns	***	***	***	0	***	ns	3.58	16.4
***p<.01 1=Farmer Identity SYRIT=Attitude Toward Entrepreneurs SEPAV=Tolerance of Ambiguity ** p<.05 2=Non-Entrepreneurial Identity SKAPI=Attitude Toward Capitalism SSUOR= nAch * p<.10 3=Classical Identity SPIEN=Attitude Toward Small Firms SELAH=Internal Locus of Control ns= not 4=Intrapreneurial Identity SRYHT=Attitude Toward Starting a Business SLUOV=Creativity significant 5=Custopreneurial Identity SKOGN=Cognitive Attitude Toward Entrepreneurship SPROA=Proactiveness																	

Table 3 shows that in the age group 16-30 the correlation changed clearly (weakened as low as to 0.09). In other age groups the correlation strengthened slightly (0.26 and 0.16). This result reflects quite clearly that in the case of younger persons, the environmental push does not have any effect on intentionality. Instead, the older persons, especially the middle-aged, tend to have growing intentionality if the environmental push increases. The effect of the push-factor also strengthened in the group of poorly educated persons (0.16) and weakened in the group of highly educated ones. Thus it seems that education has a certain position in the chain of evidence concerning entrepreneurial intentions. It is possible to assume that entrepreneurship is more often the solution to problems of poorly educated than highly educated persons, who might more easily find other work if the conditions in the present job are not satisfactory enough. These findings correspond quite well to the social marginality theory (e.g. Collins et al, 1964). Further, it was found that intentionality strengthens in the group of men (0.17) and weakens in the group of women (0.08). This was no surprise either (see e.g, Cooper, Gimeno-Gascon & Woo, 1994).

In regard to identities, the correlation strengthened in the group of farmer identity (0.29). The farmer identity may be more linked to high environmental awareness than to strategic awareness (Gibb & Scott, 1985). The result indicates also that environmental push does not have any effect on intentions when a person has either a classical or a non-entrepreneurial identity. The correlation weakened in the groups of classical identity (-0.06) and non-entrepreneurial identity (0.05). The reasons for this, of course, are different. For classical entrepreneurs, 'the internal flame' is enough to cause entrepreneurial intentions and no push is needed, whilst in the case of non-entrepreneurial identity not even an environmental push can wake up the need for entrepreneurial behaviour.

TABLE 4
Sub-Correlations (Spearman) between Intentionality and the Push-Factor

Overall Level				Second Level				Third Level			
	n	r ²	p	Group	n	r ²	p	Group	n	r ²	p
Overall	443	.13	***	age 16-30	135	.09	ns				
				age 31-45	200	.26	**				
				age 46-60	104	.16	**				
				low education	321	.16	***				
				high education	122	.05	ns				
				men	227	.17	**				
				women	209	.08	ns				
				farmer identity	98	.29	***	age 16-30	18	.36	**
								age 31-45	44	.37	**
								age 46-60	30	.20	ns
								low education	76	.30	**
								high education	16	.12	ns
								men	52	.40	**
								women	39	.19	ns
				classical identity				age 16-30	32	-.18	ns
								age 31-45	31	.16	ns
								age 46-60	19	-.39	*
								low education	62	-.03	ns
								high education	27	-.09	ns
								men	54	-.18	ns
								women	34	.05	ns
				custopreneurial identity				age 16-30	41	.28	*
								age 31-45	45	.02	ns
								age 46-60	16	.28	ns
								low education	74	.26	**
								high education	28	-.11	ns
								men	43	.32	**
								women	59	.03	ns
				intrapreneurial identity				age 16-30	27	-.02	ns
								age 31-45	35	.25	ns
								age 46-60	17	.40	ns
								low education	57	.25	*
								high education	26	-.01	ns
								men	46	.31	**
								women	33	-.08	ns
				non-entrepreneurial identity				age 16-30	18	.23	ns
								age 31-45	39	-.19	ns
								age 46-60	20	.39	*
								low education	52	.03	ns
								high education	25	.07	ns
								men	52	.40	**
								women	39	.19	ns
* p<.10				** p<.05				*** p<.01			

The analysis was continued by calculating sub-correlations at the third level of analysis (i.e., age, education and gender within the identity groups). These results are also presented in Table 4. By bringing in the entrepreneurial identity as an intermediate factor, the correlations in the age groups were turned around from the original setting. It was found that the push factor seems to have quite a strong influence on intentionality especially in the groups of young, and middle-aged farmer identities. The increase in correlation suggests that persons having a farmer identity will be more influenced by the push-effect than other groups.

In the classical identity group the lack of positive correlation was confirmed. The bringing in of the classical identity erased the high correlations in the age group 31-45 and in the group of poorly educated. In the oldest age group 46-60, the correlation even turned significantly negative (-0.39*). This finding suggests that the push-effect and classical entrepreneurship are not linked together but classical entrepreneurship is an internally motivated and triggered phenomenon.

As a new type of 'quasi-entrepreneurship', custopreneurship has been well adopted by the young. Indeed, the only positive change that the bringing of custopreneurial identity into the equation caused, was that the correlation among the age group 16-30 grew statistically significant (0.28*). On the other hand, the other age groups declined in significance. The identity seems to fit well the group of young men with a low level of education.

In the group of intrapreneurs the identity has the mildest effect on the correlations. In the older age groups the correlation levelled off as well as with the poorly educated. In many respects the group seems to behave quite similarly to the classical entrepreneurs, with a remarkable exception in the age group 46-60, where the push has fairly high (though statistically insignificant) correlation.

The effect of the push-factor rises significantly also in the group of old non-entrepreneurial identities. In fact, the largest change takes place in the age-group 31-45, where the positive (0.26***) correlation drops to negative (0.19^{ns}). So it seems that having a non-entrepreneurial inclination is predominantly a phenomenon of the middle-aged. Another finding is the lack of correlation in the low-educated group. This non-entrepreneurial group shows clear signs of passivity. We think that here is a sign of the significance of the positive value base, which provides entrepreneurship as an optional career choice for those who feel unsatisfied with their current positions.

DISCUSSION

The aim of this paper was to study entrepreneurial identities in a certain population and on the basis of the findings be able to discuss the possibilities of finding the 'real entrepreneurs' or of 'pushing' people towards entrepreneurial careers. We studied also the relationship between different identities and entrepreneurial intentionality, especially focusing, on the effect of a certain environmental push-factor as a mediating variable between identity and intentionality. The main findings of this study can be categorised as follows. First, most of the people in the population have an occupational entrepreneur identity. The group of people who did not possess an entrepreneurial identity was quite small; only 16.7 % of the population could be included in that group (cluster). This result, however, may be regionally biased and thus dangerous to generalize. Further research will reveal whether there are differences between the identity structures of various regional areas.

Second, the most common entrepreneurial roles were those of the independent professional, the team entrepreneur and the craftsman. These roles fill in both the intrapreneurship and micro business entrepreneurship posts, and were thus in no respect surprises. However, the findings suggest that most people do carry entrepreneurial determinants with them and, therefore, attempts to differentiate entrepreneurs from non-entrepreneurs with clear-cut measures may be futile.

Third, the further analysis of the separate entrepreneurial roles formed four types of entrepreneurial identity: (i) the classical identity, (ii) the intrapreneurial identity, (iii) the custopreneurial identity and (iv) the farmer identity. The fifth group of persons was characterised by non-entrepreneurial identity. The classical- and farmer- dimensions followed fairly well the existing logic of entrepreneurship literature. The classical entrepreneurs proved to score highest on all the personal characteristics. In many respects, however, even if the classical entrepreneurs scored highest in almost everything, the entrepreneurial identity groups did not differ drastically from each other in their value basis concerning entrepreneurship. The appearance of a separate intrapreneurship dimension was an interesting new finding in entrepreneurship research. The recent trends within larger organisations to increase the individuals' expertise and responsibilities has led to the clear emergence of the intrapreneur type of identity. They are well-educated and differ from classical entrepreneurs only in a few personal characteristics. Another interesting finding, was that several quite modern types of entrepreneurial roles loaded on the same factor, which could be named as custopreneurial identity. This finding brings in additional confirmation on Baumol's (1990) theorising on the changing nature of entrepreneurship as a phenomenon. The custopreneurial movement makes it even more difficult than before to point out clear-cut differences between entrepreneurial and non-entrepreneurial behaviour. Custopreneurship seems to fit young people well, both as giving new options for employing oneself and as offering new unusual ways of balancing between work and leisure time.

Fourth, the push-factor as operationalised by '*dissatisfaction with prevailing occupational conditions*' has a statistically significant relationship to intentionality. That is, if people are dissatisfied with their prevailing occupational conditions, the probabilities of entrepreneurial intentions rise. However, this relationship is not universal in the sense that it would influence different people or groups of people similarly. According to our results, the push-factor has no effect at all on the groups of classical entrepreneur identities. As an interpretation of this result we assume that this particular type of identity does not need any external push because entrepreneurship is an in-grown quality of the type. On the other hand, in the group of non-entrepreneurial identities the absence of the push-factor effect can be explained by arguing that the identity is so strong, an element that at least this kind of push can not wake up the need for entrepreneurial action. In both of the groups where the push-factor has no effect on intentionality neither age, gender nor education has any strengthening effect, whereas in the other three groups of identity, those factors had a mediating role which strengthened the effect of the push-factor. Age, gender and education alone clarified the effect of the push-factor. According to the results summarised above, a young, educated man with classical entrepreneur identity is least influenced by the push-factor and a young or middle-aged man with a farmer identity is most influenced by the push-factor in regard to his entrepreneurial intention. These results bring in an important notion of the people and environment school on entrepreneurship (Ronstadt, 1984). It seems that the extreme types of entrepreneurship

are not subject to the push-effect, and the 'right stuff' argument holds firm, while the three other groups seem to confirm the significance of the environmental push towards entrepreneurial behaviour.

Entrepreneurial identity seems to be quite a good determinant of intentionality. As the psychological theories of identity development clearly suggest, the development of human identity takes place during the first years of life. When we think about the promotion of entrepreneurship, the development of entrepreneurial identities becomes one of most important areas of action. The education system as a whole is in a key position in young people seeking their identity. However, it is somewhat questionable, at least in Finland, whether our education system promotes or inhibits the adoption of entrepreneurial identities.

ENDNOTES

- 1 The term 'entrepreneurial behaviour' here refers to the pre-start-up and start-up periods of an entrepreneur's personal and business-related development; especially strategic management literature uses the term in the narrower sense of the strict Schumpeterian interpretation with extreme innovativeness as the main content.
- 2 Cluster centre is a Euclidean mean of variables (here factor scores) of each cluster.

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APPENDIX 1

Scales for measuring dissatisfaction with prevailing occupational conditions

The following questions have been divided into three groups according to the current occupational status of the respondents. Choose

- a) group 1, if **you work as an employee**
- b) group 2, if you work as **a farmer** (this includes all forms of agricultural work)
- c) group 3, if you **have no employment** at the moment (concerns the jobless, students, etc.)

Choose an alternative depending on whether you

- 1) wholly disagree
- 2) disagree to some extent
- 3) neither agree nor disagree
- 4) agree to some extent
- 5) wholly agree

1. The following statements are intended for respondents who *hold a part-time or full-time job at present*.

The threat of unemployment is in my case acute.
The relations between my employer and myself are badly exacerbated.
My present job does not offer me opportunities of promotion.
My present job is not challenging enough.
I am not satisfied with my present wage level.
I cannot carry out my ideas in my present job.

2. The following statements are intended for *farmers* and concern the present situation in agriculture.

The income earned in agriculture is in my case extremely uncertain.
The income earned in agriculture is at present quite insufficient.
A traditional farm like mine gives few opportunities for development.
Agriculture no longer offers me enough challenges.

3. The following statements are intended for *the unemployed, for students and for others who do not at present go to work*.

To get a job seems at the moment almost hopeless.
I am extremely dissatisfied with my present financial position.
I feel that my knowledge and skills are wasted in the present situation.
I have energy but, being unemployed, cannot use it in any sensible manner.
I feel I am useless in the present state of affairs.

A PREDICTIVE MODEL OF SMALL BUSINESS SUCCESS

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ABSTRACT

This study examines the relationships among locus of control, decision-making style, and small business strategy, and the extent to which these variables predict small business success. Self-administered questionnaires were distributed to 578 small business owners in Victoria, Australia. Entrepreneurs were viewed as the initiators of new, small businesses (with fewer than 100 employees) who were responsible primarily for making critical decision, selecting strategies, and determining the objectives of the business. The data were examined using structural equation modeling techniques (LISREL 7.20). The results suggest that to achieve business success beyond survival requires entrepreneurs to develop specific strategies to enhance business growth. Implications for entrepreneurial performance and further research are discussed.

BACKGROUND

The entrepreneurial sector plays a vital role in the design of strategies for economic recovery and growth in many nations. According to Hornaday (1992:12) “. . . the desperate desire for economic growth among developing countries has placed the spotlight squarely on entrepreneurship as a major factor in the success of capitalist economies.” Further, it is well recognised that small business development provides one of the few opportunities for employment growth to counter high rates of unemployment (Lumpkin & Ireland, 1988). In Australia, economic dependence on small business has increased in recent years as a result of retrenchments in the public sector and by large organizations (Kotey & Meredith, 1997). However, growth in the number of new businesses will not alter significantly the employment rates, particularly when the failure rate for new enterprises is considered to be as high as 60 per cent in the first three years of operation (Williams, 1987, cited in Reynolds, Savage & Williams, 1989:23). Therefore, a major hope for employment growth is that successful small businesses will expand and generate extra jobs.

Extensive research has been conducted to delineate the characteristics, behaviors, and managerial skills which may identify potentially successful small businesses. Studies of entrepreneurial personality characteristics have not yielded a clear picture (Boshoff, Bennett & Owusu, 1992). In addition, personality traits are not reliable predictors of future behavior (Gartner, 1989). Thus, attempts to develop a personality profile of a typical entrepreneur have been largely unsuccessful (Low & MacMillan, 1988). Further, a census-taking approach focuses mainly on documenting and reporting the occurrence of entrepreneurs or their personality characteristics with

little attempt to uncover causal relationships or to explore implications for practice (Low & MacMillan, 1988). The current study addresses this deficiency evident in past research.

Research has attempted to identify key success factors that enhance the chances of survival in business (Huck & McEwen, 1991; Vesper, 1990). Some of the conditions that affect business success include level of education, previous work experience, availability of venture capital, the economic environment, role models, and access to support services (Birley, 1989a). Entrepreneurial competencies identified for success include management, planning, and budgeting skills (Huck & McEwen, 1991). However, previous studies have not examined the combination of perceptual factors which may explain how some entrepreneurs utilize resources to build successful businesses.

Locus of control (Rotter, 1966) is a perceptual variable which holds promise in predicting small business success (Brockhaus, 1986a; Gilad, 1982; Nwachukwu, 1995). Kuypers (1971) claimed that those who experience an internal locus of control believe that they can affect the outcomes of events in their lives and score higher on measures of coping. Phares (1976) noted that in contrast to externals, internals exert greater efforts to control their environment, exhibit better learning, and make better use of information in complex decision-making situations. A more recent study by Howell and Avolio (1993) of 78 managers in a large Canadian financial institution found that internal locus of control significantly and positively predicted business-unit performance. The current study examined this trend in the context of small business performance (success).

Several researchers have examined the decision-making characteristics of managers in large organizations (Buttner & Gyskiewicz, 1993; Mosley, O'Brien, & Pietri, 1991). However, the use of various business and economic principles that assist in explaining corporate manoeuvres may be of little assistance in understanding the successes and failures of small business. Although the importance of decision-making in emerging ventures has been recognized (Hambrick & Crozier, 1985; Mosley, O'Brien, & Pietri, 1991), little attention has been paid to styles of decision-making and their relationships to success in small business. The current study attempts to redress this deficiency through the development of a new instrument to measure small business decision-making style, namely The Entrepreneurial Decision-Making Style Inventory.

Small business strategy has been defined as the "methods, practices, and decision-making styles managers use to act entrepreneurially" (Lumpkin & Dess, 1996:136). Research in business has acknowledged the critical role of strategy for organizational survival and success. Many researchers have investigated organizational business strategy (e.g., Miles & Snow, 1978; Porter, 1985; Shirley, 1989). In contrast, information concerning small business strategy behavior is limited (Olson & Bokor, 1995). The current study addresses this deficiency and examines the impact of small business strategy on business success. A new instrument, namely The Small Business Strategy Typology, designed specifically to measure small business strategy was developed during the study.

The current study conceptualized the entrepreneur as the initiator of a new, small business in Australia. The venture had fewer than 100 employees, and the entrepreneur was responsible primarily for making critical decisions, selecting strategies, and determining the objectives of the business. The performance of the business venture was evaluated according to three measures: business status, measured as business survival; employment of others in the business; and net profit. Figure 1 is a conceptual model of the study.

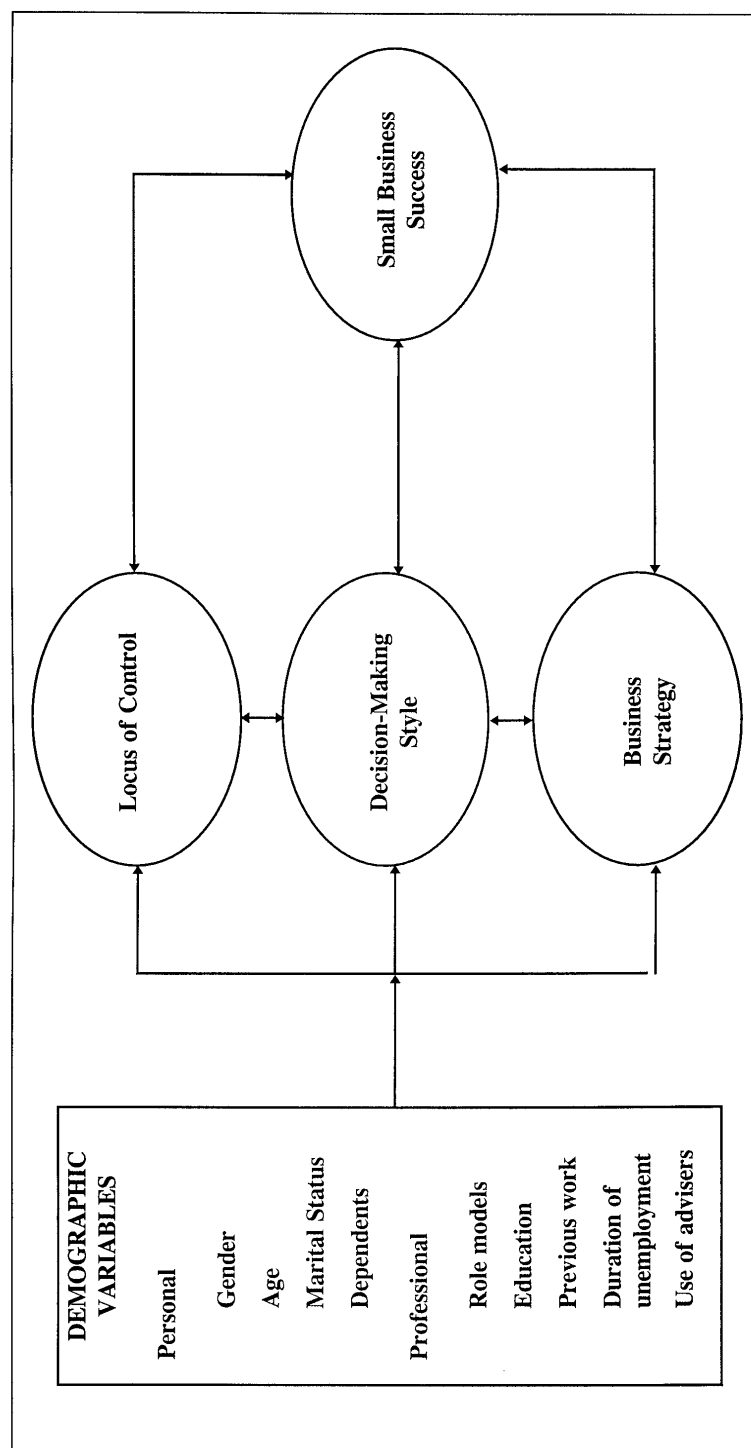


Figure 1: Conceptual Model for the Study

METHOD

A self-administered questionnaire was distributed to 578 New Enterprise Incentive Scheme (NEIS) graduates who had completed business training and established businesses before 1994 in metropolitan or rural Victoria, Australia. A total of 255 useable responses were received (45 per cent response rate).

Several instruments were used in the study to examine perceptual variables. Locus of control was measured using 13 items from the Rotter (1966) Internal-External Locus of Control Scale (a shortened version). The scale consisted of two sub-scales, namely *Internal* locus of control, the belief that rewards come from one's own behavior, and *External* locus of control, the belief that rewards come from external sources (Rotter, 1971). The Cronbach alpha reliability coefficient for *Internal* locus of control was .76, and for *External* locus of control, .72. A new instrument, The Entrepreneurial Decision-Making Style Inventory was developed in the current study to examine the habitual patterns individuals use in decision-making. Respondents rated how frequently they used the decision-making style described in each item using a five-point Likert scale where 0=*never* and 4=*most of the time*. The inventory consisted of three sub-scales: *Convergent* decision-making style which focuses on practical results, *Divergent* decision-making style which approaches problems from a new angle, and *Inventive* decision-making style which involves the generation of new ideas. The Cronbach alpha reliability coefficient for *Convergent* decision-making style was .64, for *Divergent* decision-making style, .70, and for *Inventive* decision-making style, .68.

A new instrument, The Small Business Strategy Typology was developed in the current study and consisted of two sub-scales: *Proactive* small business strategy which is forward-looking and where individuals take the initiative, and *Reactive* small business strategy which is cautious and where individuals takes a "wait-and-see" approach. Respondents rated how frequently they used the business strategies described on a five-point Likert scale where 0=*never* and 4=*most of the time*. The Cronbach alpha reliability coefficient for *Proactive* small business strategy was .75, and for *Reactive* small business strategy, .65. The Cronbach alpha coefficients for the instruments exceeded the Cronbach alpha of .63 for a new instrument developed by Niehoff, Enz, and Grover (1990:343) who stated that the result was "reasonable, considering the newness of the scale."

To measure small business success, data concerning business status (whether the business continued to operate, had been sold, or had ceased trading), number of employees (part-time/full-time), and income (net profit) were gathered.

Exploratory statistical techniques were used to investigate the relationships between and among variables, and included correlation analysis, cross-tabulation analysis, t-tests, analysis of variance, exploratory factor analysis, and multiple regression. Confirmatory factor analysis and structural equation modeling were used to examine complex interrelationships among variables using the generally weighted least squares method of LISREL (7.20). Details of the exploratory and confirmatory factor analyses which led to the development of the two new instruments have been omitted in this paper. Instead, the paper focuses on the structural equation model.

RESULTS AND DISCUSSION

The majority of respondents (80 per cent) had businesses that continued to operate at least a year after completing the NEIS course. Only 14 per cent of respondents had ceased trading (the criterion for business failure in the current study). Around one-third of respondents (36 per cent) employed others. Almost half the respondents (49 per cent) stated that the net business profit (excluding other sources of income) for the previous financial year was less than \$10,000. A further 25 per cent claimed that their net profit was between \$10,000 and \$19,999 and only 19 per cent had net profits in excess of \$20,000. However, the results need to be considered with caution as net profit has been shown to be an unreliable indicator of business success (Gome, 1994).

Based on a review of the literature, it was envisaged that selected background variables would be included in the model. However, the sample size ($N=211$), restricted the total number of variables that could be utilized in the structural equation model and therefore background variables were omitted.

The current study used a range of measures to determine the degree to which the measurement model predicted the observed covariance matrix. The measurement model produced a chi-square of 21.72, $df=29$, $p=.831$, with a Goodness-of-Fit Index of .985 (Adjusted Goodness-of-Fit: .971), and a Root Mean Square Residual of .029. The significance level of greater than .1 or .2 confirms non-significance (Fornell, 1983) and indicates that the actual and predicted input matrices are not statistically different. The Goodness-of-Fit for the measurement model was greater than the threshold for acceptance of .90 (Hair, Anderson, Tatham, & Black, 1992), and the Root Mean Square Residual was less than .05, the critical value suggested by Sörbom and Jöreskog (1982). Thus, a range of measures indicated that overall, the measurement model had an acceptable level of fit to the data.

A number of significant direct relationships was evident between sub-scales of the same constructs. *External* locus of control had a negative direct effect on *Internal* locus of control (-.301). In other words, the higher the score for *External* locus of control, the lower the score for *Internal* locus of control. Thus where respondents attributed control to outside forces, it diminished their belief in having control over their own affairs. Similarly, *Convergent* decision-making style had a negative direct effect on *Inventive* decision-making style (-.366). In other words, high scores for *Convergent* decision-making style reduced the score on *Inventive* decision-making style. In contrast, *Divergent* decision-making style had a positive direct effect on *Inventive* decision-making style (.672). Also, *Reactive* strategy had a positive direct effect on *Proactive* strategy (.499).

All the hypothesized paths as suggested by theory in the structural equation model were statistically significant. The significant positive and negative direct and indirect effects for variables in the structural equation model were examined. The findings suggested that *External* locus of control and *Convergent* decision-making style were the only variables examined which impacted negatively on other variables. *External* locus of control, *Inventive* decision-making style, *Reactive*, and *Proactive* strategy had direct effects on measures of business success. Figure 2 is a graphical display of the structural equation model. The figure shows paths and statistical results.

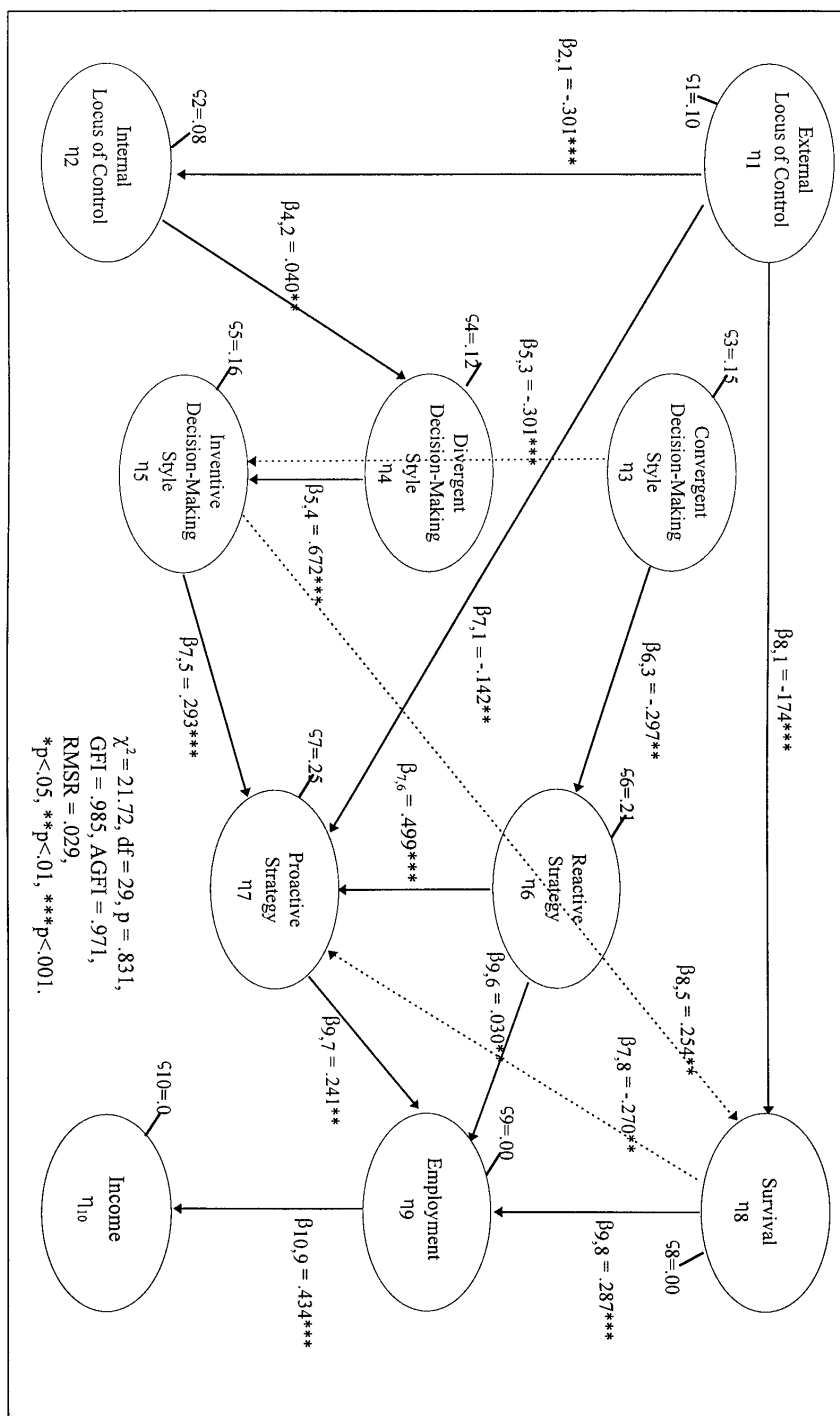


Figure 2: Structural Equation Model for Small Business Success

The relationship between locus of control and small business success was investigated. The structural equation model indicated that *External* locus of control had a significant, negative, direct impact on survival (-.174). In other words, respondents with high scores for *External* locus of control would have reduced chances of survival in business. Although there were no direct effects evident between *Internal* locus of control and any of the measures of business success, *Internal* locus of control had a positive, indirect effect on survival, employment growth, and subsequently income through *Divergent*, *Inventive* decision-making style, and *Proactive* strategy.

The relationship between decision-making style and small business success was investigated. The structural equation model indicated that *Inventive* decision-making style had a significant, positive, direct effect on small business survival (.254). The results are consistent with earlier quantitative analysis in the current study which indicated that respondents who had survived in business used *Inventive* decision-making style more frequently than respondents who were no longer in business ($t=2.82$ ($n=239$), $p<.001$). Further, the early results suggested that respondents employing others used *Divergent* and *Inventive* decision-making styles more frequently than respondents who did not employ others. For *Divergent* decision-making style the mean difference was -.23 ($t=2.74$ ($n=249$), $p<.001$), and for *Inventive* decision-making style the mean difference was -.33 ($t=3.93$ ($n=249$), $P<.001$). The structural equation model clarified further the relationships among variables. *Divergent* decision-making style had a significant, positive, direct effect on *Inventive* decision-making style (.672) which had a significant positive, indirect effect on employment growth through *Proactive* strategy. The results confirmed previous research which demonstrated that entrepreneurial cognitive processes (including decision-making) affected goals to create innovation, provide employment, and sales growth (Bagby, Palich, and Stetz, 1996). Thus, the model suggests that *Inventive* decision making style may indirectly improve chances of business success in the form of employment growth by having a direct positive effect on *Proactive* strategy.

The relationship between small business strategy and small business success was investigated. The structural equation model indicated that *Proactive* strategy had a significant positive direct effect on employment (.241). This relationship was consistent with the results from previous studies which suggested that there was a significant positive relationship between strategies equivalent to *Proactive* strategies in the current study and business growth (Baum, 1995; Merz, Weber, & Laetz, 1994). Also, *Reactive* strategy had a small but significant positive, direct effect on employment growth (.030). In other words, the model suggested that for small businesses to develop to the point of employing others, *Reactive* strategies as well as *Proactive* strategies may be necessary. These results contradicted previous research which suggested conservative or focused business strategies (similar to *Reactive* strategies) have a negative impact on business success (Kotey & Meredith, 1997; West 1992). However the results are consistent with recent research which has suggested that businesses using a combination of strategies outperformed businesses which adopted a single strategy (Carter, Williams, & Reynolds, 1997).

The relationships among measures of small business success were investigated. The measurement model indicated that survival had a significant, positive, direct effect on employment (.287), and employment had a significant positive, direct effect on income (.434). The model suggested that in order to generate additional income, employment of others was a necessary precondition. Therefore, employment generation would appear to precede income growth.

CONCLUSION

This study examined the relationships among locus of control, decision-making style, small business strategy, and small business success as measured by survival, employment growth, and income. Previous research has examined the relationship between each variable and business success separately without examining the combination of variables. Thus, the structural equation model provided a comprehensive means for examining the integration of perceptual variables that impact on small business success.

Nwachukwu (1995) suggested that locus of control held promise for distinguishing successful from unsuccessful entrepreneurs. However, the results from the current study demonstrated that only *External* locus of control had a direct (negative) impact on business success (survival). The measurement model indicated that the effects of *Internal* locus of control are transmitted through decision-making style and business strategy to business success. Therefore, the current study clarified the relationship between locus of control and small business success.

The results elucidate theory which suggests that the reasoning process of entrepreneurs is a potentially powerful area of influence on new venture success (Pate, Driver, Gatewood, Goodman & Coombs, 1990). Decision-making style appeared to play a pivotal role in the model. *Inventive* decision-making style had a direct impact on *Proactive* strategy and business survival. In addition, *Inventive* decision-making style had an indirect effect on employment through *Proactive* strategy. Overall the results suggest that *Inventive* decision-making style may differentiate between growth (in terms of employment) and non-growth businesses.

The results of the current study supported the premise that the strategic approach of a new venture has a crucial impact on its performance (Carter, Williams, & Reynolds, 1997). However, the current study highlighted the importance of using a combination of strategies for small business growth. *Reactive* strategy had a significant, direct effect on employment which suggested that for small businesses to develop to the point of employing others, *Reactive* strategies as well as *Proactive* strategies should be considered. The model indicated that *Proactive* strategy predicted employment of others. Thus, the frequency of use of *Proactive* strategy may differentiate between growth (in terms of employment) and non-growth businesses. Overall, the results suggest that to achieve business success beyond survival requires entrepreneurs to develop specific strategies to enhance success. Further research is required to identify the specific strategies that enhance business growth.

Previous research (Brockhaus, 1982; Nwachukwu, 1995; Ward, 1992) suggested that internal locus of control could be used to predict entrepreneurial success. However, the results from the current study highlight the need to take into account the impact of other variables in determining small business success. The findings have important implications for predicting small business success. Thus, given the central role of decision-making style in the model, it would be appropriate to include not only locus of control but also instruments to measure decision-making style and small business strategy in an inventory to predict potentially successful entrepreneurs. Overall the results suggest that *Inventive* decision-making style may differentiate between growth (in terms of employment) and non-growth businesses. Such an inventory should allow government funding of small business development programs to be better targeted, by selecting and supporting entrepreneurs who are likely to develop growth businesses which in turn could provide employment

opportunities. Further, such an inventory could assist prospective entrepreneurs to assess more accurately the probabilities of success. Finally, the study highlighted the need to conduct further research into the interactive nature of variables which sustain the entrepreneurial process.

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RISK TAKING PROPENSITY: AN ATTRIBUTE OF ENTREPRENEURSHIP?: A COMPARATIVE ANALYSIS

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ABSTRACT

Risk taking propensity has long been touted as a measure for differentiating small business owners and entrepreneurs from their counterparts, managers in both large and small organizations. Entrepreneurs are generally believed to take more risks than do managers (Masters & Meier, 1988) because the entrepreneur actually bears the ultimate responsibility for the decision (Gasse, 1982).

This study examined the risk taking propensity of a sample of 68 students. The Risk Scale of the Jackson Personality Inventory and the Kogan-Wallach Choice Dilemma Questionnaire were utilized for measurement purposes. Differing results on numerous studies have raised an issue about the measurement of the construct of risk taking propensity among groups compared to the general population. A review of those studies and an empirical investigation were undertaken to determine the accuracy of the measurement devices.

INTRODUCTION

The earliest cited definition of entrepreneur is generally Cantillion who wrote circa 1700 (Carland, Hoy, Boulton & Carland, 1984). Among the characteristics which Cantillion cited was risk bearing (Kilby, 1971). Mill (1848), who was credited with bringing the term 'entrepreneur' into general use (Schumpeter, 1934), also believed that the key difference between entrepreneurs and managers was risk bearing. Risk bearing or risk taking behavior continued to be a major aspect of entrepreneurship until modern times (Carland, et. al., 1984). Brockhaus (1980) cast doubt on the traditional perspective with an empirical study which showed no difference between the risk taking characteristics of entrepreneurs, managers and the general public. The issue is far from settled. There have been a number of empirical studies of risk taking and the results are frequently contradictory. Are differences in findings related to the instruments used? This paper will present an empirical examination of risk taking propensity and test two popular measures of risk taking to identify sources of conflict in the literature.

CONFLICTING RESULTS IN RISK TAKING PROPENSITY

There have been a number of empirical studies of risk taking behavior; however, these studies have not produced uniform findings. In his recent book, Stewart (1996) examined risk taking studies. The following exhibit is drawn from his review with additions of newer studies appearing in 1995. The table shows the studies, the number of respondents, the instruments employed to measure risk, and the major findings of the research in each study.

SELECTED EMPIRICAL STUDIES OF RISK TAKING AND ENTREPRENEURS				
Researcher(s)	Sample		Measure	Results
Litzinger (1963)	Decentralized Bank Managers	N=65	IPT	Entrepreneurs chose intermediate risks
	Centralized Managers	N=33		
Litzinger (1965)	Motel Owner-Operators	N=15	Scenario	No significant differences
	Motel Operators	N=15		
Meyer, Walker & Litwin (1961)	Manufacturing Entrepreneurs	NA	RPQ	Entrepreneurs chose intermediate risks
	Staff Specialists			
Brockhaus & Nord (1979)	New Founders	N=31	CDQ	No significant differences
	Newly Hired Managers	N=31		
	Newly Promoted Managers	N=31		
Brockhaus (1980)	New Founders	N=31	CDQ	No significant differences
	Newly Hired Managers	N=31		
	Newly Promoted Managers	N=31		
Hull, Bosley & Udell (1980)	Owner/Founder	N=31	Scale	Potential Entrepreneurs higher in risk taking
	Owner/Non-founder	N=26		
	Likelihood to Start a Business			
	High Likelihood	N=40		
	Medium Likelihood	N=76		
	Low likelihood	N=184		
Schere (1982)	Founders	N=52	BSAT	Entrepreneurs higher in tolerance for ambiguity
	Top & Middle Managers	N=65		
Sexton & Bowman (1983)	Entrepreneurship Majors	N=61	JPI PRF-E CDQ	Entrepreneurship majors higher in risk taking
	Non-business Majors	N=113		
Sexton & Bowman (1984)	Entrepreneurship Majors	N=45	JPI PRF-E	Entrepreneurship majors higher in risk taking
	Business Majors	N=75		
	Non-business Majors	N=98		
Schwer & Yucelt (1984)	Owners and Small Business Managers	N=71	CDQ	No differences in personal risk
Ahmed (1985)	Immigrant Founder	N=71	RPS	Entrepreneurs higher in risk taking
	Immigrant Non-founder	N=62		

SELECTED EMPIRICAL STUDIES OF RISK TAKING AND ENTREPRENEURS			
Researcher(s)	Sample	Measure	Results
Sexton & Bowman (1986)	All Female Respondents Entrepreneurship Majors N=54 Functional Majors N=73 Owners N=105 Managers N=96	JPI PRF-E	Entrepreneurship students and owners higher in risk taking
Peacock (1986)	Ongoing Owners N=20 Bankrupt Owners N=20	CDQ	Both moderate in risk taking
Begley & Boyd (1987)	Founders N=147 Small Business Managers N=92	JPI	Entrepreneurs higher in risk taking & tolerance for ambiguity
Masters & Meier (1988)	Owners, owner-managers and managers N=50	CDQ	No differences
Carland & Carland (1991)	Female Entrepreneurs N=32 Female Managers N=88 Male Entrepreneurs N=82 Male Managers N=303	JPI	Male & Female Entrepreneurs higher in risk taking
Carland, Carland, Carland, & Pearce (1995)	Entrepreneurs N=114 Small Business Owners N=347 Managers N=387	JPI	Entrepreneurs higher in risk taking; No difference in SBOs & Managers
Legend for Risk Taking Measures			
CDQ:	Choice Dilemmas Questionnaire		projective
JPI:	Jackson Personality Inventory		objective
BSAT:	Budner Scale of Ambiguity Tolerance		objective
PRF-E:	Personality Research Form E		objective
RPS:	Risk Taking Propensity Scale		objective
Scenario:	Risk Taking Scenarios constructed by author(s)		objective
Scale:	Four Item Risk Scale constructed by author(s)		objective

As the exhibit shows, the empirical studies employed a wide range of risk taking instruments, however, the JPI and the CDQ were the most frequent instruments in use. The literature review shows more support for higher propensity in risk taking by entrepreneurs. Despite this history, the findings by Brockhaus (1980) are the most widely cited. This is primarily a result of the stature of the journal in which that work appeared. In addition, in those studies in which no differences in risk taking were identified, the CDQ was most often the instrument of choice for risk measurement.

THE BROCKHAUS STUDY

In a frequently cited *Academy of Management Journal* article, Brockhaus (1980) examined the risk taking propensity of entrepreneurs employing the Wallach and Kogan (1959, 1961) Choice Dilemma Questionnaire (CDQ). He defined an entrepreneur as one who was a major owner and

manager of a business venture who was not employed elsewhere. He examined three groups of individuals: business owners who had initiated their business ventures within three months prior to the study (N=31); managers who had changed positions in their companies within three months prior to the study (N=31); and, managers who had changed employers within three months prior to the study (N=31). Finally, he compared the scores of the participants to the normative data reported by Kogan and Wallach (1964).

Brockhaus (1980) reasoned that using entrepreneurs near the beginning point of their ventures would include those that would ultimately fail, therefore eliminating bias from examining only successful entrepreneurs. Pairing these entrepreneurs with managers who had also undergone recent changes in their professions ensured that more stable individuals who might be less risk taking were not compared to the entrepreneurs.

Employing the Analysis of Variance procedure, Brockhaus (1980) found no statistical differences in risk taking propensity among the three groups. Using a chi-square test with a .25 confidence level, he found no difference between the respondents' scores and the normative Kogan-Wallach data. Brockhaus concluded that the distribution of risk taking propensities of entrepreneurs is the same as the general population.

THE MASTERS AND MEIER STUDY

Masters and Meier (1988) using the Kogan-Wallach Choice Dilemma Questionnaire replicated the Brockhaus study. They examined a group of 50 people who were either managers or small business owners. The participants in the survey were drawn from a list of small business owners and managers who had attended management development workshops. Masters and Meier (1988) compared the mean scores for all respondents to the CDQ norms, the scores for male and female respondents to each other, and the scores for small business owners to those for managers. They did not disclose the size of the various subsets of the sample, but they did report finding no differences in CDQ scores in any of the comparisons.

THE CARLAND ET AL. STUDY

The Carland, Carland, Carland and Pearce (1995) study examined the risk taking propensity of a sample of 114 entrepreneurs, 347 small business owners, and 387 managers using the Risk Scale of the Jackson Personality Inventory. Entrepreneurs displayed a significantly higher risk taking propensity than did small business owners or managers. The difference in scores between small business owners and managers was not statistically significant. The authors concluded that entrepreneurs, whose goals are profit and growth, are more likely to display a greater propensity for risk taking than either small business owners, whose primary goals are family needs oriented, or managers who choose to stay within more structured organizations in which theirs is not the ultimate decision making responsibility. Although the Carland et al. study represented a convenience sample, the participants were located in 20 states, primarily in the Southeastern United States. Also, the number of respondents (N = 848) suggested a level of confidence for this convenience sample approaching that of a random sample (Mason, 1982).

The Carland study examined risk taking propensity as it related to demographic differences such as sex, age and education as well. The results indicated that older participants exhibited a lower level of risk taking propensity than did younger participants. Higher levels of education led to higher propensities for risk taking among the participants in the study and finally, females in this study displayed a lower level of risk taking propensity than did males.

The primary focus of the Carland et al. (1995) investigation concerned managers and business owners. The results revealed that owners in their study displayed a higher level of risk taking than managers. The authors then examined differences among entrepreneurs, small business owners and managers, which revealed that the three groups of respondents displayed different levels of risk taking propensity. Entrepreneurs had the highest propensity for risk taking, followed by small business owners, with managers displaying the lowest level. Thus, using the Jackson Personality Inventory, the Carland et al. study resulted in differentiation on demographics as well as among entrepreneurs, small business owners and managers.

MEASUREMENT ISSUES

Many of the empirical studies appearing in the literature posited different findings as regards risk taking propensity. These results conflict with the findings of the most broadly cited article on the subject: Brockhaus (1980). Could these findings be flawed by the choice of instrument? Is the Kogan-Wallach Choice Dilemma Questionnaire superior to the Jackson Personality Inventory? To answer that question, the two instruments were examined.

HYPOTHESIS

Based upon the literature cited above, these researchers posited a hypothesis with regard to risk taking propensity and its measurement. The hypothesis which will be tested in this research is as follows:

Hypothesis 1: There is no difference in the measurement of risk taking propensity between the two instruments: the Kogan-Wallach Choice Dilemma Questionnaire and the Jackson Personality Inventory subscale.

THE INSTRUMENTS

The instruments selected to measure risk taking propensity are the Kogan-Wallach Choice Dilemma Questionnaire (Kogan & Wallach, 1964) about which there is little information and the Risk Scale of the Jackson Personality Inventory (Jackson, 1976) about which there is much validation information. The Kogan-Wallach is based upon twelve scenarios requiring a response of 0 to .9 levels of probability that a person would or would not assume the risk. In each scenario, the respondent is asked whether he or she would undertake a described action under conditions of

probability. A respondent can indicate that he or she would never take the risk, would take the risk if the chances of success were 1 out of 10, 3 out of 10, 5 out of 10, 7 out of 10, or 9 out of 10. There are no scoring instructions published for the CDQ, nor validity or reliability data published. Brockhaus (1980) scored the instrument by summing the responses: 0, 1, 3, 5, 7, or 9. Other users of the CDQ have apparently followed that procedure.

The JPI Risk Scale consists of 20 questions to which a subject responds yes or no. The instrument is scored by assigning a value of one to each question answered in a risk taking mode and zero for each question answered in a risk averse mode. Jackson (1976) established norms for each question and includes the scoring instructions in the *Personality Inventory Manual*. For the JPI, internal consistency reliability estimates using Bentler's (1967) coefficient theta of .93 and Kuder-Richardson's coefficient alpha of .81, .91 and .84 respectively have been demonstrated (Jackson, 1977). The Risk Scale was based on the work of Jackson, Hourany and Vidmar (1972) who demonstrated that risk taking consisted of four facets: physical, monetary, social and ethical risk taking. The four are highly correlated and are subsumed in a single Risk Scale (Jackson, 1977). Jackson (1976) reports that the JPI Risk Scale has substantial correlation with all four facets, but it weighs monetary risk taking more heavily. This weighting is consistent with the use of the instrument in evaluating risk taking propensity as it relates to business undertakings.

METHODOLOGY

A sample of 138 students were used to examine the differences in the JPI and the CDQ. The students constituted a convenience sample as they were all enrolled in classes at one university. Despite the convenience nature of the sample, the issue under consideration does not involve extrapolation of findings, rather it involves the comparison of two personality measures. Consequently, the nature of the sample has no impact on the validity of the comparison. The examination consisted of measures of reliability and validity for the CDQ for comparison to the performance of the JPI.

The first areas of examination were reliability and validity. The split half, odd-even correlation coefficient for the CDQ, displayed in the following table, was .76, in excess of the .70 generally required to suggest that the instrument does have internal validity (Bruning & Kintz, 1977). The Cronbach Alpha, also displayed in the following exhibit, had a score of .71, also in excess of the .70 generally required to suggest that the instrument was accurately measuring some characteristic of the participants (Bruning & Kintz, 1977). Finally, 108 of the 138 students were asked to retake the CDQ four months after its initial administration. The t-test conducted between the scores, indicated in the exhibit, showed a statistically significant performance of the instrument suggesting high reliability (Bruning & Kintz, 1977).

TESTS OF RELIABILITY AND VALIDITY FOR THE CDQ		
Split Half, Odd-Even		.76
Cronbach Alpha		.71
Test-Retest t-Statistic	t = 3.047	p = .003

The reliability and validity statistics suggested that the CDQ was indeed measuring some characteristic of the respondents, and measuring it consistently. However, identifying the actual characteristic being measured is not so straight forward. There is literature support to suggest that males are more risk taking than females and that older individuals are less risk taking than younger individuals (i.e., Carland, Carland, Carland & Pearce, 1995). Further, a study by Sexton and Bowman (1986) suggested that entrepreneurship students were more risk taking than other students. Consequently, the CDQ scores were compared along those lines. In addition, a subset of the respondents' scores on the CDQ were compared to their scores on the Jackson Personality Inventory. The results are displayed in the following table.

COMPARISON OF CDQ SCORES					
Comparison by Sex					
Group	N	Mean	SD	t-Statistic	p
Females	51	72.078	16.809	.947	.346
Males	87	69.241	17.273		
Comparison by Grade Level					
Undergraduate	39	72.462	21.188	.813	.420
Graduate	99	69.434	15.229		
Comparison by Field of Study					
Entrepreneurship	58	71.931	19.340	.925	.357
Business	80	69.100	15.284		
Comparison of the CDQ Score with the JPI Score (N = 47)					
Mean Difference = 62.574		SD Difference = 21.507		t = 19.946	p < .001

As the exhibit shows, the CDQ did not distinguish between male and female respondents, nor did it distinguish between undergraduate and graduate students. In addition, the CDQ failed to distinguish between students in entrepreneurship courses and students enrolled in other business courses. Finally, the scores for the 47 respondents who also took the risk scale of the Jackson Personality Inventory were compared to the scores which they produced on the CDQ. The results displayed a statistically significant difference. These findings suggested that the CDQ might not be measuring risk taking.

One of the early statistical procedures which should be conducted when validating an instrument is a factor analysis which can show which of the questions are contributing to the measurement of the phenomenon under study. There has been no data published concerning the statistical development of the CDQ, so a factor analysis is in order. The first round using a principal components factor analysis employed 12 factors, the maximum number possible as this is the

number of items in the CDQ. That analysis resulted in the elimination of 10 of the 12 questions because they loaded on more than one factor. Jackson (1976) suggests that risk taking propensity consists of four components: personal risk taking; financial risk taking; social risk taking; and, ethical risk taking. Accordingly, the second factor analysis employing four factors, was based upon that theoretical understanding. The results suggested that six of the 12 questions should be eliminated due to loading on more than one factor. Finally, a factor analysis employing only two factors, the smallest number which can be supported, was conducted and the results of that analysis are displayed in the following table. As the data shows, the analysis suggests that questions 4, 8, 10 and 12 should be eliminated. Questions 4 and 10 loaded on both factors at the .4 level or higher, while questions 8 and 12 failed to load on either factor at the .4 level or higher.

PRINCIPAL COMPONENTS FACTOR ANALYSIS for the CDQ		
Question	Factor 1	Factor 2
1	.642	.202
2	.446	.214
3	.665	.182
4	.633	-.433
5	.212	.791
6	.593	-.118
7	.667	-.146
8	.379	.010
9	.543	-.327
10	.543	.469
11	.682	-.319
12	.328	.195
Variance Explained	3.603	1.435
Percent of Total Variance	30.022	11.954

This finding suggests that the CDQ might be made up of questions which are not consistent in their ability to measure the risk taking phenomenon. To test that possibility, all of the previous tests were repeated using an adjusted CDQ score. The adjusted CDQ score omitted questions 4, 8, 10 and 12. The reliability and validity scores for the adjusted CDQ are displayed in the following

exhibit. As the data shows, the split half and the test-retest analysis were successful; however, the Cronbach Alpha at .63 failed to support a conclusion that the adjusted instrument was, in fact, measuring some characteristic of the respondents.

TESTS OF RELIABILITY AND VALIDITY FOR THE ADJUSTED CDQ		
Split Half, Odd-Even		.77
Cronbach Alpha		.63
Test-Retest t-Statistic	t = 2.795	p = .006

Examining the comparison of the adjusted CDQ scores by sex, student classification and field of study resulted in the same findings as previously reported. The statistics are displayed in the following table, as is a comparison of the adjusted CDQ score with the Jackson Personality Inventory Risk Scale. As was the earlier case, these findings failed to support a conclusion that the adjusted CDQ was measuring risk taking propensity.

COMPARISON OF ADJUSTED CDQ SCORES					
Comparison by Sex					
Group	N	Mean	SD	t-Statistic	p
Females	51	46.667	11.508	.602	.548
Males	87	45.414	12.289		
Comparison by Grade Level					
Undergraduate	39	46.615	14.918	.393	.696
Graduate	99	45.586	10.677		
Comparison by Field of Study					
Entrepreneurship	58	46.483	13.649	.485	.628
Business	80	45.438	10.676		
Comparison of the CDQ Score with the JPI Score (N = 47)					
Mean Difference = 37.596		SD Difference = 15.204		t = 16.952	p < .001

A second sample of 68 students from a different university were utilized to compare the results of a factor analysis on both the JPI and CDQ using principal components rotation. The results of the CDQ factor analysis are reported in the following table which displays a Principal Components Analysis for the CDQ.

Of the twelve questions on the Kogan-Wallach using the new sample, and employing the four components suggested by the literature, only six questions remained and only two factors were determined. These results again imply that perhaps the Kogan-Wallach is not a good indicator of monetary or commercial risk.

PRINCIPAL COMPONENTS FACTOR ANALYSIS for the CDQ				
Question	Factor 1	Factor 2	Factor 3	Factor 4
1	.562	-.125	-.270	-.109
2	.389	-.320	.192	.429
3	.565	.557	-.101	.020
4	.653	-.090	.040	.279
5	.089	.085	-.608	-.326
6	.567	.393	-.183	-.233
7	.443	.166	.424	-.566
8	.441	-.322	-.612	.087
9	.496	.256	.500	.176
10	.592	-.600	.019	.074
11	.596	.183	.073	.058
12	.161	-.650	.287	-.566
Variance	2.911	1.610	1.418	1.123
Percent	24.260	13.419	11.813	9.362

The Jackson Personality Inventory was also explored with the sample of 68 students who had taken the Kogan-Wallach and the results of that analysis is reported in the following table which displays a Principal Components Analysis for the JPI.

Of the twenty items on the JPI, eighteen loaded into the four components with only two double loading and therefore, discounted. However, of the eighteen, thirteen loaded on a single component implying that the other components were not well represented on the instrument.

PRINCIPAL COMPONENTS FACTOR ANALYSIS for the JPI				
Component	Factor 1	Factor 2	Factor 3	Factor 4
1	-.068	.574	.427	.197
2	.493	-.052	-.208	-.226
3	.265	.389	.188	-.544
4	.679	-.314	.222	.117
5	.524	.371	-.167	-.188
6	.260	.278	-.594	.054
7	.492	-.012	.214	-.476
8	.267	.069	-.057	.602
9	.370	-.666	.358	-.093
10	.771	-.178	.085	.240
11	.739	-.028	.326	-.132
12	.634	.109	-.112	.255
13	.668	.384	.040	.087
14	.498	-.282	-.555	-.205
15	.415	.010	-.189	.032
16	.729	-.204	.088	.043
17	.535	.276	.172	-.101
18	.799	-.082	-.282	-.124
19	.555	.104	-.282	-.124
20	.426	.283	.256	.200
Variance	5.925	1.733	1.528	1.340
Percent	29.627	8.664	7.640	6.699

CONCLUSION

In conclusion, this research rejects the hypothesis that there is no difference between instruments. Risk taking propensity seems to be a construct better measured by the Jackson subscale than by the Kogan-Wallach. Further, the results of this validation seem to indicate that the Kogan-Wallach Choice Dilemma Questionnaire (CDQ) does not display construct validity regarding risk.

The implications of this study are far reaching. If the CDQ does not measure risk taking propensity in business, studies using the CDQ are called into question. The most frequently cited study of risk taking propensity among entrepreneurs used the CDQ (Brockhaus, 1980). Perhaps this indicates that the attribute of risk taking propensity has not been adequately assessed in those studies employing the CDQ.

There is a clear need for a risk taking instrument to be developed in the entrepreneurship discipline. The instruments which have been in use are psychological instruments developed for use in the general population and may not perform well in evaluating risk from a business perspective. The CDQ results failed to measure the construct of risk taking in this investigation and yet the JPI was more successful. However, the JPI, too, clearly has components which are not well suited to evaluating entrepreneurial risk taking. Until an instrument has been developed, entrepreneurship researchers must use caution when attempting to measure risk taking propensity as it applies to business and not rely too heavily on a generic substitute.

Is risk taking propensity an attribute of entrepreneurship? The answer seems to be an intuitive affirmative, and yet the results of past research still begs the question. The answer may well be the development by entrepreneurship researchers of a more appropriate measure based upon their understanding of this group of individuals or at least a continuing quest for such understanding. Interpretation of the dance is enhanced by understanding the motivation of the dancer.

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AN OWNER-MANAGER'S DOMAIN REVISITED

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ABSTRACT

A manager's domain refers to the area influenced by a manager. Within management and organizations studies 'domain' has, over time, developed different meanings. Now that the boundaries between and within organizations are diffused and perforated, this originally organizational abstraction is topical. Further, the expanding scope of leadership and the intertwined influential networks provide solid arguments for examining contemporary spheres of managers' domain. This paper traces the conceptual evolution of domain, demonstrates its ambiguous and incoherent use at present, and through conceptual analysis refines its elements, relations and relationships in an owner-manager context. As the main outcome of this hermeneutic quest for increasing understanding, a conceptual framework for studying owner-managers' work within external social environment is proposed. The extent and quality of domain are idiosyncratic. However, the elements shaping it derive from the task environment, strategic domain, and domain of ownership. They are mediated by expectations enacted, can be detected in an owner-manager's activities, and culminate in his or her expertise, which is essential for managerial domain. The paper argues for utilizing the potential of the sharpened dynamic construct in further studies.

INTRODUCTION

The concept 'domain' derives from the Latin adjective 'dominicum' which originally refers to belonging to a lord (The Universal English Dictionary 1961). Actually, the same root joins together such words as a lord or a master of a house (dom), a house, a home or a building (domus), as well as a despot, which refers either to a lord of a household, a master, owner, ruler or an absolute ruler. The most explicit meaning of domain makes references to "lands owned or ruled by a nobleman, government etc." (Oxford Advanced Learner's Dictionary of Current English 1995, 344), whereas the figurative connotation of the concept brings out more abstract meanings in highlighting realms or spheres of knowledge or thought (Webster's Third New International Dictionary, Vol. 1, 1981, 670). Further, domain may also refer to a particular area of activity or interest. Finally, according to BBC English Dictionary (1992) someone's domain as a formal word represents the area where they have control or influence.

Starting from these dictionary definitions, drawing on conceptions adopted within management and organizations research, and using analogies, this paper focuses on analyzing and refining 'a manager's domain'. It addresses both the content and form of this originally organizational construct and builds on the contribution made by scholars of managerial work, jobs and behaviour (Sayles 1964, Mintzberg 1973, Stewart 1976, 1982, Kotter 1982, Watson 1994). It also draws on other relevant perspectives which either highlight the influence of or deal with top level managers (cf. Thompson 1967, Finkelstein and Hambrick 1996). Therefore it focuses on

managing directors. The position at the organizational boundary presents challenges for their work and creates a context which cannot be controlled by formal authority. Indeed, the impact of the external social environment on shaping managerial work seems outstanding. In this paper, external refers to outside formal authority.

Further, and most importantly, the present study concentrates on owner-managers who hold a major share in their companies. The reasons are many. Firstly, ownership establishes a different ground for work and domain, as can be seen in the increasing number of equity and options offered for non-owners (Finkelstein and Boyd 1998, cf. Berle and Means 1932, Jensen and Meckling 1976). Secondly, owner-managers have been largely neglected in previous studies of managerial work. Thirdly, their dual position enables to restrict the number of internal variables to be considered in analyzing the phenomenon. This stance also allows us replace 'organization' with a lone actor - an owner-manager - in those discussions where the shifting unit of analysis might otherwise be problematic. As a whole, the owner-manager perspective increases the relevance and actuality of the topic.

This paper aims to make a conceptual contribution. It is presumed that most of the relevant concepts for explaining the relations of a manager's domain exist, but they have to be identified to create meaningful propositions. The research task consists of two parts:

The first aim is to justify this study by highlighting the ambiguity surrounding the use of domain within the management and organization's literature.

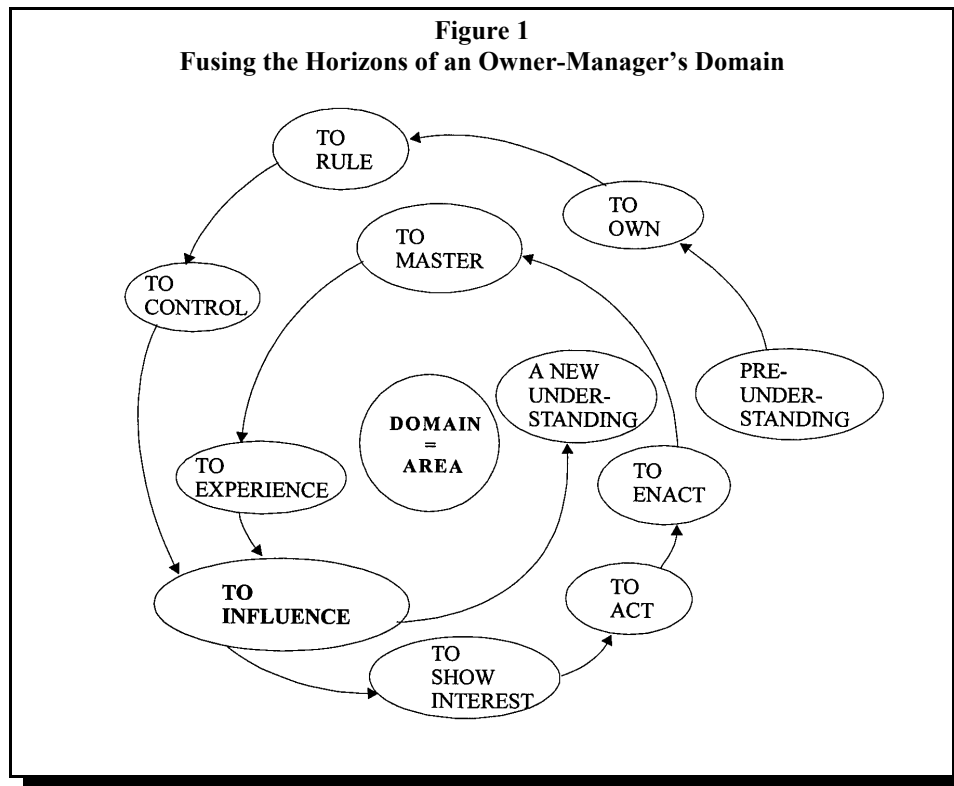
Secondly, a manager's domain is reintroduced into the language of inductive management research by presenting a *theoretically coherent and empirically meaningful conceptual framework tailored for approaching owner-managers' work*.

The ideal of the paper is to create conceptual tools, which capture the intension and extension of the concept clearly. This calls for explicating domain's conditions and consequences in the owner-manager context. All in all, the paper furthers understanding and offers implications for future research. In addition, it provides insights for owner-managers, who might use domain for reflecting over their work and its boundaries.

Methodologically the study represents a conceptual analysis, in which an applied philosophical method is combined with the researcher's understanding. A central insight of hermeneutic philosophy, the philosophy of science underlying this inquiry, is that the interpreter and the text are linked together by a context of tradition. Every concept is the repository of earlier uses and associations: when previous meanings recede into the background, new ones take their place (Wittgenstein 1980). Thus, every act of interpretation stands within the horizon of the researcher's preunderstanding, which consists of granted meanings and intentions. Preunderstanding is necessary to enter hermeneutic circle, in which the horizons of text and the interpreter will eventually fuse. During this dialogue the researcher addresses a question to the text, and in a deeper sense the text addresses a question to its interpreter.

As to this study, Näsi's (1980) remark is relevant: a researcher's world is what his or her concepts gained through the lenses of experience are. Indeed, besides analysis interpretation is a way of seeing. Here, the owner-manager perspective is directing both. Domain as the primary concept dates back to texts within inductive management studies (Kotter and Lawrence 1974, Stewart 1982), and it has been filtered and refined by the researcher's preunderstanding. Hence owner-managers' action is highlighted in questioning. Dictionary definitions represent secondary concepts adapted to guide and stimulate further thinking. In addition, domain's contemporary use in such areas as systems design has been both a trigger and a challenge. Interpretation is always selective and never final (Palonen 1987). In this respect the questions posed and the texts, i.e. references, used in weaving the 'textum' might help readers to evaluate the vigour and the limitations of the interpretation. In other words, the conceptual framework proposed here reflects the researcher's understanding, which may not be *the* correct one, but it aims to be plausible.

The structure of this paper resembles a hermeneutic circle. After the introduction the paper traces and narrows down domain's organizational origin and intension shortly. Thereafter, it gradually translates domain into individual level and an action-oriented construct while the dialogue continues as follows: From claims to "lands owned or ruled" by a company towards "the area where someone has control or influence", which reflects "a particular area of interest" and is reflected in "activity", but is still defined by domain expertise, "realms of thought and knowledge" (see figure 1). Each chapter titled by using a dictionary definition is concluded with propositions explicating the state of the researcher's current understanding in order to help readers to follow the dialogue



further. The reflection results in a new understanding of an owner-manager's domain, which presents the relationship between the construct as a whole and its parts, and highlights the essence of the phenomenon studied. Finally, to make a contribution towards bridging the gap between tradition and the present, and argue for the relevance of the interpretation, the strengths and weaknesses of the conceptual framework are discussed, and its implications addressed.

EVOLUTION OF A MANAGER'S DOMAIN

From Claims to 'Lands Owned or Ruled' by a Company

Domain is a concept familiar to most scholars within the realm of organizations and management studies. Ever since Levine and White (1961) introduced this abstraction in their study focusing on relationships among health agencies, it has been modified. According to them domain consists of *claims* which an organization stakes out for itself in terms of diseases covered, population served, and services rendered. With Thompson (1967) the elaborated construct became widely adopted, for it provided competent means for conceptualizing and analyzing the territories occupied, ruled or pursued by complex organizations. To cope with uncertainty the manager has to create shared purpose by translating individual motives into an organizational domain, which is defined by three elements: technology included, customers served and services rendered. The technological core is highlighted, whereas the strict product-market elements remain somewhat secondary. Further, organizational domain is helpful in identifying the points of dependency in relation to the task environment (cf. Pfeffer and Salancik 1978). In fact, it has to be approved outside the organization, because no domain can be operational without resources provided by external interest groups, stakeholders (Rhenman and Stymne 1965). If interorganizational exchange relationships are judged mutually rewarding, it leads to domain consensus, which, most of all, defines expectations for future interaction (cf. Trist 1983, Powell 1991).

The conceptual evolution from organizational to strategic domain has taken place along with the transition from business policy to strategy, or further, to strategic management and strategic leadership. Ever since Thompson's (1967) seminal work, more attention has been focused on debating how strategic domain is determined than on analyzing its substance. Gradually, the explicit use of the concept has diminished in this field. However, implicitly and in an established way it has mainly been used to refer to formulated or existing product-market domains of various organizations.

Our conception of organizational domain can be summarized by the first proposition:

<i>Proposition 1: Strategic domain is a relational social construct.</i>
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Within an open system the land is divided into interdepending strategic domains. Expectations set their figurative but tense boundaries. Vision bears an integral relation to a strategic domain. Indeed, vision belongs to the firm and may be considered its essential property. Otherwise, in the midst of networks the quest for lands owned or ruled by a company can be questioned. In contrast,

boundaries between organizations and networks are diffused and perforated, which implies that resources are exchanged continuously, even unintentionally. As regards owner-managers, despite the property rights of ownership and the remarkable quest for control, independence and freedom (Nöel 1989, Stanworth et al. 1989, Gray 1997, Mariussen et al. 1997, Wahlgrén 1998) their strategic domains are irrevocably interdependent. For formulating vision and, equally importantly, for creating culture owner-managers' position entails, however, full options. To understand an owner-manager's domain and its relation to strategic domain within the external social environment, managers' options to impact strategy and strategic domain have to be addressed first.

Towards the Area Where Someone Has Control or Influence

Nothing is anything without a context. Strategic domain provides the main context for a managing director's work and domain. The domains shape each other within the external environment, which in part is shaping both. However, the conceptions of this shaping vary. For Stewart (1982) the unit's domain, what the unit does, is the starting point for managerial jobs. Child (1972) proposes that by making intentional strategic choices top executives can influence strategic domain, while Weick (1969/1979) and Perrow (1986) suggest that by enactment managers may even create their environment (cf. Fondas and Stewart 1994). Whittington (1988) argues for social structuring of environments, which either enables or constrains strategic choice. In his view owner-managers supported by entrepreneurial ideologies and the rights of ownership may thereby be externally enabled to consider more action alternatives than professional managers. To complicate this further, Bourgeois and Astley (1979) point to the paradox of choice when they remind that the first strategic choice commonly deals with domain choice, and all others are made under the constraints created by the first one. This remark is vital to the founders of their firms, in particular. Assuming that owner-managers have opportunities to affect both domains, the environmental impact still needs further consideration.

The views of the primacy of managerial vs. environmental impact on strategy have fluctuated between two poles. Thompson (1967) joins Barnard (1938), Selznick (1957), Chandler (1962), Ansoff (1965) in pointing out the human influence. However, in the 1970s the deterministic stance consolidates, and along with the shift toward strategic processes strategic thinking loses sight of top executives. In mechanical models the impact of the environment, technology and size are seen as determinants of organizational structure (Hage and Aiken 1969, Blau 1970). The proponents of population ecology (Hannan and Freeman 1977, Aldrich 1979) stress the firm's life cycle and consider environmental impact domineering. For them, various internal and external constraints reflect partial inertia and the managerial options are limited. In techno-economic frameworks the human influence is hidden under product matrices and competitor analyses (Schendel and Hofer 1979, Porter 1980). Finally, in the 1980s Kotter (1982), Hambrick and Mason (1984) and Hambrick and Finkelstein (1987) among others swing the balance back in the favour of strategic masters and/or visionary leaders (cf. Westley and Mintzberg 1989). Ever since, this view has been dominating, and first perceived, then enacted environments emphasized.

According to the upper echelons theory managerial discretion measures top managers' ability to affect organizational outcomes like strategic orientation (Hambrick et al. 1984, 1987). Strategic

domain is here seen as one of the major outcomes. For owner-managers managerial discretion entails a right and a responsibility, indeed, a must to make choices about strategic domain. Perception, tenure, expertise and other personal characteristics are of essential importance when owner-managers before choosing or taking strategic action consider which issues belong within their domain and which remain outside. This indicates that bounded rationality (March and Simon 1958), patterns of thought (Pettigrew 1985, Miller 1993, Eden and Spender 1998), knowledge orientation and content (Hunt 1991), and action determinism (Elster 1984) restrict their potential to make choices - to enact and to influence strategic domain. In addition, external interdependencies and relationships, and internal capabilities of the company constrain or facilitate discretion (Hambrick et al. 1987, Eccles and Nohria 1992, Child 1997). But how do strategic domain and an owner-manager's domain relate to each other?

The area controlled *or* influenced is consistent with the idea of a manager's domain. Domain of authority implies the former sense, however, the latter intension is more inclusive and coherent with the existing literature. Moreover, closely related with any domain is boundary spanning, which refers to attempts to widen it. Kotter and Lawrence (1974) define a mayor's domain prescriptively to include different areas of city life on which he should have an impact. Stewart (1982, 6) distinguishes between strategic and personal, factual and perceptual domains, and considers a manager's domain "the area within which he or she can be active". A need to influence outside formal authority underlies both views, and the emphasis suggested is strategic. This indicates, on the one hand, that strategic domains guide or should guide boundary spanning of owner-managers' domains. On the other hand, extensive personal domains provide valuable triggers for refining strategic domains proactively (Mintzberg 1973, Kotter 1982). As regards the means of influencing, *leadership*, defined as interpersonal influence here, is considered vital within domains and in boundary spanning. Leadership may extend across, over, and far beyond organizational boundaries (Burns 1978, Hunt 1991, Bryman 1992, Wahlgrén 1997). In addition, other means such as networking, politicking, lobbying and expertise do exist.

The questioning and answers suggested in this section give rise to the following propositions:

Proposition 2: The relationship between strategic domain and that of the owner-manager is mutually pervasive.

Proposition 3: The owner-manager may shape and extend both domains by leadership.

Proposition 4: An owner-manager's domain refers to his or her perceived area of influence.

Strategic domain shapes and is shaped by the owner-manager's domain, and the owner-manager is an intermediating, proactive or reactive actor. The overlap between domains is extensive. Owner-managers' merging organizational and work-related goals speak for this (Gibb and Davies 1990, cf. Jensen et al. 1976). Moreover, stakeholders often identify firms with their owner-managers, which implies that the expectations hold converge (Wahlgrén 1997). The interests and other reflections of ownership culminate in the overlapping area, which is here - due to its location - regarded as a subdomain, domain of ownership. Seen from the external stance, control over main domains is limited, however, through leadership they may be influenced. The perceived ability to influence

captures the intension of an owner-manager's domain accurately. To translate domain into owner-managers' action; into activities and interests underlying them we shall next review briefly what managers do, and introduce two constructs closely related to this discussion.

Which Reflects a Particular Area of Interest and Is Reflected in Activity

A manager's domain may be seen to consist of activities, what he or she does. These overt manifestations of behaviour illustrate, more or less, his or her choices. Managerial work contains various choices (Stewart 1976). Actually, discretion to make choices, however constrained it occasionally may be, distinguishes management from administration (Whitley 1989). Hales (1986) perceives managerial work so ill-defined that part of it deals with determining its own boundaries, whereas for Sayles (1964) this implies managers' proactivity for pursuing their own interests. Property rights ownership is assumed to further the discretionary nature of managerial work. It follows that to stake out effective, opportunistic, domains owner-managers need clear objectives and causal understanding. Most choices aim to extend domain and reflect a search for new opportunities or other ways to increase influence, but restrictive choices are also possible. The focus of work is a major choice. Interactions are revealing and highlight the area influenced or sought to be influenced. Those who do not think strategically focus downwards, while those with a broader view interact laterally, upwards, and outwards (Carlson 1951, Mintzberg 1973). Nevertheless, various external and internal expectations, constraints and demands, communicated during continuous interactions restrict owner-managers' personal choices (Thompson 1967, Stewart 1982).

In addition to activities discussed above, there are some other activities widely accepted and worth of interest here. Sayles (1964) suggests that political activities like negotiating and networking promote far-reaching leadership and sees relationships as important modifiers of managerial assignments. Mintzberg's (1973) role classification contains ten activity groups, which are conceptualized in an intuitively appealing way. Leadership is essential and reflected in managers' interpersonal, informational, and decisional roles. Further, socializing and politicking (Luthans et al. 1988) might facilitate to create, maintain, and widen domains. Finally, Watson's (1994) view, in which managers strategically shape their lives to processes whereby organizations are strategically shaped to survive within their external environment is coherent and challenging for this study. Otherwise, the consensus on the elements is minor. In contrast, according to Hales (1986) 'variation of variation' seems to characterize managerial work. This leads him to question, whether what managers do may at all be considered managerial. For owner-managers certain scepticism might be relevant, as their quest for control and/or integrated tasks often result in getting involved in everything (Gibb 1996).

Managers' activities and interests behind them become to a certain degree apparent in their roles. 'Role' is a rich concept suitable for exploring persons in social positions. The coherence of this inquiry calls for adopting Biddle's (1979) view, in which roles reflect expectations shared between a focal person and his or her role senders. Managers are thought to behave in response to expectations associated with their formal positions (Katz and Kahn 1966/1978). They can, however, focus attention to certain expectations, modify and select them, influence role senders and present own expectations (Weick 1987, cf. Tsui 1984). This cyclical impact is called expectation enactment

(Fondas et al. 1994). This way leadership may be used to further self-expectations among role senders. Nevertheless, dominant - powerful and legitimate - expectations set the landmarks also for owner-managers' domains (cf. Thompson 1967, Mitchell et al. 1997, Wahlgrén 1997). Within these boundaries self-expectations are fulfilled to a satisfying extent. Owner-managers' opportunities to expectation enactment are outstanding within firms, but favourable external conditions insist sufficient independence in relation to role senders. On the whole, an owner-manager's domain bears a resemblance to an evolved job (Miner 1987), which develops around the jobholder's abilities, interests and priorities.

Self-efficacy helps to understand the interplay between owner-managers' activities, interests and self-expectations. The construct is derived from the social cognitive theory, which highlights a triadic influence between behaviour, cognition, and the environment (Bandura 1986). Self-efficacy refers to a person's "estimate of his or her capacity to orchestrate performance on a specific task" (Gist and Mitchell 1992, 183). This indicates that self-efficacy influences the individual's choices, goals, activities, effort, and self-expectations (Bandura 1986, Wood and Bandura 1989, cf. Rotter 1966). Wahlgrén (1998) presents empirical support for this in an owner-manager context. If owner-managers are able to choose, they prefer activities at which they feel self-efficacious and from which they derive self-satisfaction. Hence self-efficacy acts as an important filter through which owner-managers refine their self-expectations. This might also explain choices which voluntarily restrict their domain and further strategic domain (cf. Penrose 1959).

The following propositions summarize the previous discussion:

Proposition 5: Owner-managers may enact their domain by expectation enactment.

Proposition 6: Self-efficacy determines the claims owner-managers stake for themselves in terms of activities taken, means used and relationships engaged within and beyond their domain.

Owner-managers' activities illustrate their overt domain and reflect their judgements of self-efficacy. Further, self-expectations bear an integral relation to an owner-manager's domain. The extent of domain indicates how widely self-expectations are shared and how successful expectation enactment has been. Self-efficacy, on the one hand, and core competencies of strategic domains (Prahalad and Hamel 1990), on the other hand, imply domain specific capability or rather expertise. At present domain often refers to the sphere of expertise. In this sense it is mainly used within computing, in the fields of systems design and analysis, in particular. This leads us to narrow down the inquiry further by addressing how expertise, i.e. knowledge, experience and expertise, might be related to owner-managers' managerial domain.

But Is Still Defined by Domain Expertise, Realms of Thought and Knowledge

Knowledge, experience and expertise are tightly linked together. To explicate this argument, we have to explore the primary forms of knowledge first. For ancient Greeks 'techne', being able to get things done, represented the practical type of knowledge. Ever since a distinction between theoretical and practical knowledge has existed, although the names have varied: knowing what and knowing how (Ryle 1949), knowledge about and knowledge of acquaintance (James 1950) and

objective and tacit knowledge (Polanyi 1962). More importantly, bounded rationality (Simon 1958) implies that knowledge has boundaries. It follows that knowledge may be seen as domain specific. As to our focus, tacit knowledge is implicit and embedded in managers' action (Nelson and Winter 1982, Spender 1998). Leaning on constructivism the importance of perception and social aspects in knowledge acquisition have to be stressed as well (Kelly 1955). Indeed, we argue that knowledge cannot be separated from activity, for its quality is only evident in that activity.

Respectively, expertise is considered domain specific. Domain experts acquire expertise from explicit knowledge and a fund of personal experience. Specific aspects of domain expertise include knowledge of various procedures, details, objective knowledge, interpersonal and cognitive skills, and goals (Ford and Adams-Webber 1992). This implies that expertise has little generality outside its domain (cf. Kotter 1982, Whitley 1989). Bereiter and Scardamalia's (1993) conception of expertise is tempting for this study. In their view there is a class of problems which are endlessly complex and where progressive problem solving never reaches an end. These constitutive problems are crucial to expertise. For example, a constitutive problem of teaching is the elimination of ignorance. An expert domain is significantly defined by its constitutive problem: if it is changed, the domain is changed fundamentally. In this logic, to define a manager's domain we must determine the constitutive problem of managing first. For owner-managers it has to contain interests of ownership. In the end each owner-manager construes this problem individually and different views might prevail, but we propose that ensuring the survival of the firm captures this idea (cf. Watson 1994).

As a whole, knowledge, expertise and experience are argued to be inseparable, domain specific and circular. Cognition and perception mediate in the process where experience becomes knowledge (Bandura 1986, Spender 1998). The interplay of action and experience, the relationship between thinking and acting, and the dynamics of learning and forgetting are all significant here. As organizations develop and change so must managers and their expertise. The interdependent and contextual nature of managerial work highlights interactional skills, systemic understanding and tacit knowledge. Pitcher's (1997) managerial characters link feeling, seeing, thinking and acting. She considers experience essential to all forms of managers' learning: imagination, skill, and brilliance. Imagination reflects the discontinuous, poetic way of learning typical of artists, skills vital to craftsmen are acquired by trial and error, and technocrats' brilliance derives mainly from analytic experience and diligence. For reasons of simplicity, in this paper expertise refers to knowledge, expertise and experience, and, accordingly, includes different forms of knowledge.

These arguments give rise to our last propositions:

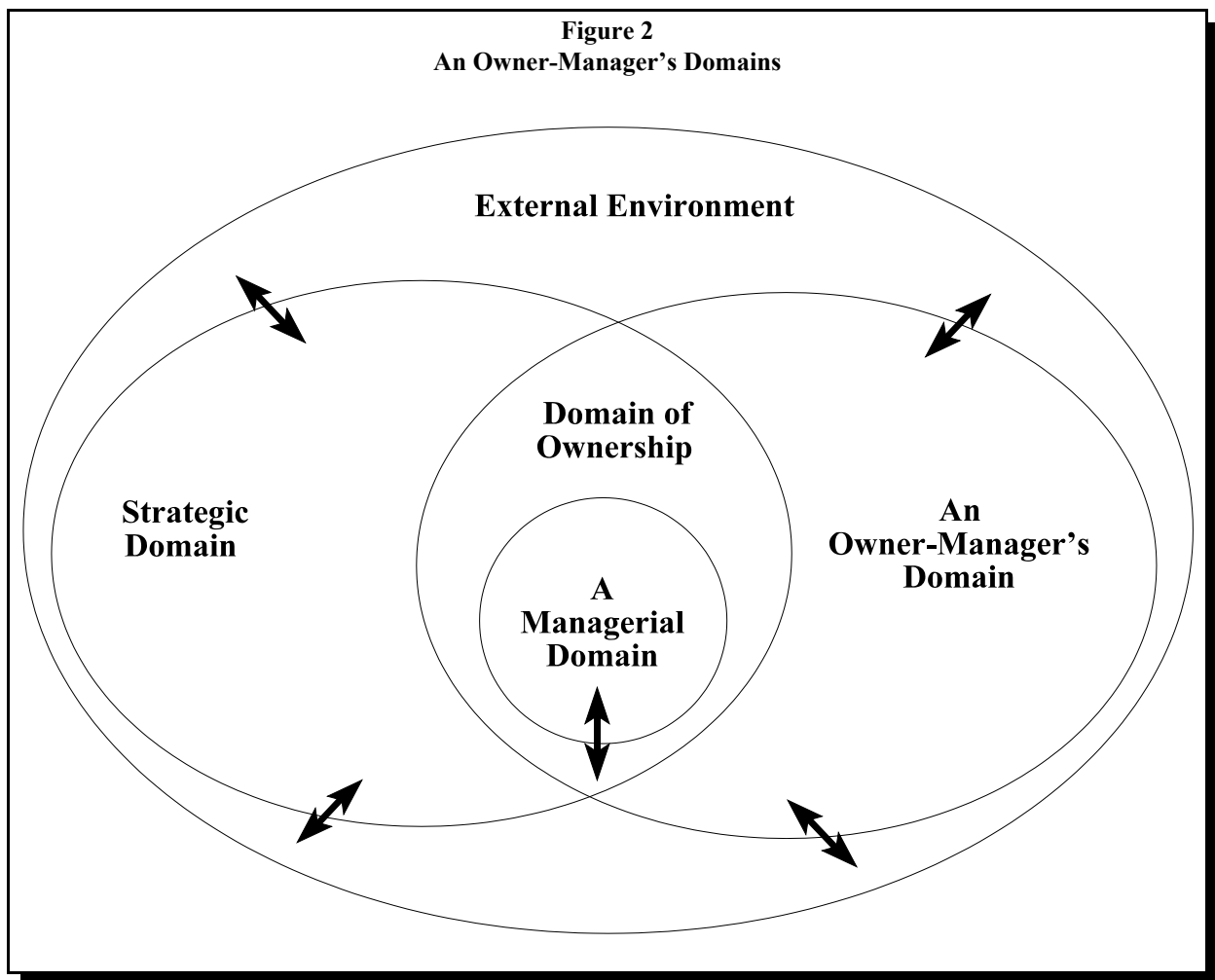
- | | |
|-----------------------|---|
| <i>Proposition 7:</i> | <i>An owner-manager's domain contains a subdomain, which may be used to distinguish between managerial and non-managerial work.</i> |
| <i>Proposition 8:</i> | <i>This managerial domain integrates the activities, tasks, roles, and relationships relevant for ensuring the firm's survival.</i> |

In designing expert systems domain is a central concept: it integrates the tasks relevant for the domain's operation, and determines the logical and distinct boundaries beyond which other domains must be engineered. This paper argues for its analogous use here. Consequently, it calls for

accepting Hales' (1986) view, in which what managers do and managerial work should not be regarded as synonymous. Managerial expertise is crucial in managerial domain. Within this subdomain an owner-manager's work should focus on dealing with the survival of the firm, or some other constitutive problem. In this purpose the realm of the owner-manager's thought - or imagination - becomes essential, for it is thought, and only thought, which ultimately extends beyond all kinds of boundaries excluding those of its own (cf. Pettigrew 1985).

THE WHOLE AND THE PARTS OF AN OWNER-MANAGER'S DOMAIN: A SUGGESTION

The vague tradition of domain within management and organization studies, its various definitions and contemporary use speak for differing conceptions of its intension: level, scope and significance. The attempt to integrate them into an empirically meaningful whole with theoretically coherent relations between its parts has resulted in a new understanding, which is here summarized



by means of a conceptual framework (see also figure 2). The framework consists of eight semantic propositions which explicate owner-managers' reality in managerial work. Semantic propositions are not arbitrary, instead they may be positioned somewhere between nominal definitions and hypotheses about reality. Although this suggestion concentrates on owner-managers, it may contribute more broadly by presenting a holistic view, capturing the embedded nature of managerial work.

An owner-manager's domain is his or her perceived area of influence. Besides this definition, there are some characteristic features which specify our interpretation. The area of influence experienced 'to belong' to the subject captures its intension, as the usage of the genitive refers. Instead of power or authority this *subjective experience* may be illustrated by referring to space, latitude of action, discretion or freedom in managerial work. An owner-manager's domain is a powerful abstraction for conceptualizing the outcome of the interdependence between the focal manager, his or her managerial and non-managerial work, the firm and the external environment. The fluctuating nature of dependency is highlighted by explicating an owner-manager's domain as a *social relation* embedded within a network of relationships: during interactions the whole and its parts shape and are shaped by the expectations of different role senders (cf. Sayles 1964, Kotter 1982, Watson 1994). It follows that the owner-manager's domain is *dynamic*, its scope is apt to evolve and change. Ontologically, it is a mental representation filtered by the focal manager's cognition. In short, an owner-manager's domain exists in his or her mind (cf. Weick 1979, Trist 1983). Reflections of its elements, parts, can still be observed in daily action: in activities – in what he or she does, in interactions and relationships – with whom he or she interacts, and in roles – how he or she works (cf. Stewart 1982).

Ownership provides the individuating context for an owner-manager's domain. It creates the essential connection, an internal unifying purpose between an owner-manager's domain and strategic domain. In this paper domain of ownership refers to their overlap, which contains expectations common to both domains. Its scope varies and highlights the intermediary's want to control strategic domain, in particular. Ownership *promotes* an owner-manager's domain, on the one hand. It entails formal authority, and may, over time, facilitate to foster organizational culture which supports the owner-manager's extensive influence. Besides, it furthers managerial discretion and provides good options to enact strategic domain. Externally, ownership may be most useful in expectation enactment, and its positive impact is often reflected in both domains. On the other hand, major ownership *may* also *restrict* an owner-manager's domain. The solitary position is susceptible to human limitations, especially those deriving from expertise. Moreover, the various responsibilities of ownership imply that an owner-manager may experience his or her domain to shrink immediately if external dependencies increase slightly. Such sensitivity might even be characteristic, and at worst when financial dependency is growing (cf. Wahlgrén 1998).

Managerial domain is a subdomain situated within domain of ownership - in the core of all domains. It integrates the activities, roles and relationships relevant for ensuring the survival of the firm. The usage of 'managerial' is descriptive and labeling here, and catches the essence of this expert domain. The constitutive problem of *owner-managing* defines its boundaries and highlights work to be done. Most of its activities and other elements are not observable. Nevertheless, their quality, i.e. expertise, becomes evident in owner-managers' managerial discretion in relation to

strategic domain and in their attainment of other important goals. The systemic and embedded nature of owner-managers' domain implies that the consequences of managerial domain are reflected on the whole. Self-efficacy and need to control are crucial here. Expertise estimated insufficient may lead to restricting own efforts, while attempts to maintain control may indicate that nobody else is allowed to take action either. Both may result in limiting the growth of the firm (cf. Penrose 1959). Compared with the focus domain, which is evolving in a constant flux, the subdomain is more stable thanks to its buffers. It can be buffered by delegation, personal networks and non-managerial activities, which are more overt in nature and hence open to evaluation by external role senders. Last but not least, strategic domain provides a vital, yet highly interdependent buffer.

DISCUSSION AND IMPLICATIONS

The main contribution of this paper is the holistic conceptual framework of an owner-manager's domain proposed for examining managerial work. Concepts have to be revised and refined as conditions and contexts change. Managers, organizations and their environments are in constant flux. More importantly, domain is here applied into a new context. The paper adopts an owner-manager perspective, integrates dictionary definitions with various theoretical ideas, and aims to further understanding primarily within management studies. Thanks to its focus it also offers implications for scholars of entrepreneurship and small business management. Research on managerial work has often been criticized for being atheoretical and neglecting conceptual development based on previous contribution (Hales 1986, Stewart 1989). In response, this conceptual analysis builds on existing literature – doctrine - and closes by introducing a new suggestion into contemporary managerial language. Within the broader framework of organizations and management research the inquiry may be positioned near 'the strategic choice view' of Astley and Van de Ven's (1983) typology, as our starting point has been managerialistic and the focus on micro level. Enactment and proactivity are central in this voluntaristic orientation, which is most consistent with the setting of this study.

Interpretation is perhaps the most basic act of human thinking, and a concept represents a way of doing it. Hermeneutics has provided the underlying basis for this search for something essential and general across the uniqueness inherent in domains, their masters and their choices. An owner-manager's domain has been interpreted starting from the researcher's horizon. The dictionary definitions chosen to outline conceptual evolution were fertile in fusing the horizons of the researcher and the texts by presenting important questions and additional insights. For highlighting the circularity of the dialogue they proved somewhat problematic: they determine the ordering of theoretical issues to some extent and might indicate fluent progress of the interpretation. This paper separates texts from their con-texts, which may be criticized. However, each text resembles 'textum', a fabric consisting of various materials combined (Palonen 1987). Through interpretation these materials are weaved together and a new textum created. Readers are free to go on weaving it, for this proposal will arouse different meanings among different weavers. The word domain as every other word is learnt in the context of its use, which in effect provides a reportive, implicit definition - a point of reference for each reader.

This paper makes theoretical contribution within the conceptual framework. The conception of an owner-manager's domain as his or her perceived area of influence does not differ elementarily from that of Kotter and Lawrence (1974) or Stewart (1982). In contrast, the distinction between managerial and non-managerial work based on different domains is most important. We suggest that ideas utilized in designing expert systems may be adapted in examining managerial work. Strangely enough, our idea of managerial domain and its buffers bears a resemblance to those adopted within the classical school of management (cf. Fayol 1916/1949, Gulick and Urwick 1937). Managerial functions often criticized and questioned within inductive management research seem consistent with managerial domain's covert activities which are protected by more secondary ones. This view supports the stance taken by Carroll and Gillen (1987): managerial functions are not incompatible with what managers do, yet as such they cannot be observed by outsiders. The reason is plausible. Dominant role senders evaluate overt elements of managerial work with their expectations (cf. Tsui 1984), while the core activities are more or less hidden. In addition, this paper contributes understanding of owner-managers' work by introducing domain of ownership into the discussion. Although the complex mechanisms through which these domains shape each other are here explored only partially and with a subjective flavour, the conceptual framework seems to pass Carnap's (1947/1956) criteria: it is useful, effective and fruitful for theoretical and empirical purposes.

The study has implications for scholars and practitioners. The systemic nature of owner-managers' domain begs challenging questions to be addressed in further studies. To begin with, the perceived relation between strategic and personal domain and its impact on owner-managers' work is intriguing. For this purpose research focusing on managerial cognition seems most promising. As to owner-managers with more than one venture the impact of differentiated strategic domains appears also crucial. Secondly and equally importantly, domain of ownership deserves inquiries of its own, while it here has remained in the background. This domain may be even more relevant in the future, for the present trend implies that top executives' ownership has positive effects on companies and their performance. Thirdly, the interplay between the parts of an owner-manager's domain and the claims associated with each domain are worth further effort. In research on owner-managers it might be useful to distinguish founders, their successors within the family, and all others. Finally, for example, core competences and resource dependencies of the firm may represent key contingencies, the effect of which on each domain should be explored in detail.

Domain may evoke inspiring associations for practice, however, its significance in practice can be evaluated only by practitioners. Owner-managers' workload may become lighter when they perceive the options for mentally defining and proactively shaping domains, their environments, and the interrelationships between them. This might even be more important now that 'new managerial work' entails wider accountability and more external expectations, meanwhile networks call for stronger ties and deeper interdependence. Through successful expectation enactment boundaries of all main domains might be spanned to some extent. The distinction between an owner-manager's domain and its managerial subdomain might be helpful in complex situations, which demand prioritizing. In those instances the activities of managerial domain should set the tempo and the deadlines.

In closing, conceptual development and change is by no means a phenomenon safely confined to the past. In contrast, it is continuing even as - and because - we speak and write;

perceive, think, learn, and try to understand reality. Therefore, as an owner-manager's domain evolves in, due and through his or her daily work, it also evolves within management and organizations literature reflecting the current era. The present paper has addressed this audience with one suggestion hoping that it for its part furthers and triggers conceptual development and understanding in this area. More weavers are still needed - in owner-manager context, in particular, where 'textum' of domain remains in an embryonic stage.

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