Ex Ante Variables Associated With

Small Business Entrepreneurship

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ABSTRACT

Data collected from 369 midwestern small business owners suggests that there is a markedly different profile for those small business owners whose initial start-up capital was low ($10000 or less) versus those with higher start-up capital. Those with high start-up capital were more likely to be older, with both prior managerial/ownership and marketing experience. They were also more likely to be high monitors of their relevant marketing environments, prepared a business plan prior to starting their business, and to have sought marketing assistance in the start-up phase of their business. They were more likely to have commenced with one or more partners. In terms of marketing strategy, they were also more likely to have initially pursued a broader geographic scope.

Given the large difference in the proportion of cases where a business plan was prepared prior to starting the business, a second analysis was performed comparing those business owners who prepared a business plan prior to starting their business with those who did not. Besides the same profile of personal background factors proving to be significantly different, those preparing business plans were also more likely to have started with an initial product line that was innovative rather than traditional, dedicated a higher proportion of their current workforce to marketing/sales duties, and have been more likely to have expanded their geographic scope over time.

Moreover, our study was consistent with research from Baucus and Human [1994] which studied the punctuated equilibrium process (higher debt generally). We found that as you take on more start-up capital you are more likely to possess more managerial experience, more likely to be monitors of your relevant marketing environments, more likely to prepare a business plan prior to beginning your business, and are more likely to pursue a broader geographic scope.

INTRODUCTION

The definition of an entrepreneur is as varied as the imagination can take you. Edgar H. Schein [1994] is correct to assess that developing variables for more detailed empirical studies in entrepreneurship is long overdue. He differentiates between self-employment and commencing a business in order to survive, due to mid-life lay-offs as well as downsizings. Schein is adamant about distancing himself with researchers who link together self-employment and entrepreneurship. He stresses that autonomous professionals" (teaches, consultants, people who run companies) are not entrepreneurs, because they have not created anything. For the purposes of our study, we classify the entrepreneur as an owner of a small business. Our 369 respondents were Midwestern small business owners. Our definition is consistent with Webster's definition of an entrepreneur; 'the person who organizes, manages, and assumes the risks of a business * a successful business person." Our definition of success is simply that the entrepreneur creates a going concern. Our participants were in business eleven years on average.

Wilson Harrell [1994] believes that behind every entrepreneur that there is a spirit to make something happen. He speaks about this kindling spirit that was created by his father, easing him into the cotton grading business. Although this spirit is real and intriguing, the purpose of the paper is to analyze differences between small business owner entrepreneurs, and not to analyze the personality characteristics that help formulate this so-call "spirit."

David Fogiano [1995], who is president and CEO of the American Management Association, believes that small business owners clearly possess the "entrepreneurial spirit." He believes that it is not imperative to have the big money carrot dangling in front of your face in order to create the entrepreneurial spirit. The vital ingredient is to formulate on environment where creativity is encouraged, and where people are given autonomy, while they are allowed to have fun. It should be obvious that people in our study who started with low start-up capital (less than $10,000) did not all proceed because of a burning money desire. Being able to run your own show, is indeed a motivator. E.S. Woolard, Jr. [1995] who is chairman of E.I. duPont de Nemours and Company believes that entrepreneurs can only be created by dismantling traditional corporate organizations. Eventually you must allow employees to focus on delivering superior value to customers without the bureaucracy around their neck. Our 369 small business owners did not want to be straddled with that bureaucracy around their neck.

It is astounding to comprehend the number of new corporations that are beginning each year. Jeffrey A Timmons [1994] coined the term "the silent revolution" ins his book New Venture Creation. When Dr. Timmons began in 1970, he said you could have had a conference of so-called "experts" in the new venture field in a telephone booth. In fact, twenty years ago these were only 50 to 75 schools that even offered courses in entrepreneurship, but today that number is over 1,000. Dr. Timmons states that self-employed individuals expect the highest level of personal satisfaction, challenge, pride, and reward. Timmons claims that most of the two million millionaires in the U.S.A. amassed their wealth through entrepreneurship. This clearly is part of the drive necessary in order to convince people to -start firms with such small capital reserves (less than $10,000).

Timmons [1994] loves to compare RJR Nabisco witn a small Kansas City, Missouri company called Marion Labs. He claims that the spirit can only be created within companies when they allow their employees total empowerment with unlimited rewards. People were shocked to learn that 20 millionaires came out of the RJR Nabisco merger, but remember that RJR is a 18 billion dollar company with 30,000 employees. When Marion Labs merged with Dow Merrell in 1989, it was only doing about 2.5 billion in revenues, with only 5,000 employees. 300 plus millionaires came out of this merger. Timmons states that this is because Marion created the entrepreneurial philosophy of long term value creation. Timmons sums up by listing five steps to "entrepreneurial greatness": 1) vision, which is leadership, the big picture, and who will think and act like owners; 2) perpetual learning culture which is training and educating: 3) entrepreneurial mind set and values, which encompasses taking responsibility and getting results; 4) widespread responsibility/accountability which is understanding and interpreting the numbers as well as creating fair reward systems; and 5) the results which include achievements of personal and performance goals as well as shared pride and leadership with mutual respect. Sharing would be more important to our small business owners with higher start-up capital, since they were more likely to start with one or more partners and they were more likely to pursue a broader geographic scope.

THE ANTECEDENT VARIABLES

David de Meza and Clive Southey [1996] state that entrants into entrepreneurship are "naive optimists," and that the banks are the "efficient processors of information." Keep in mind that in many of these cases the intermediaries may not even have to be directly involved. Nowadays you can borrow $5,000 to $10,000 on a unsolicited credit card, and work an extra job to help pay it off without ever getting involved in lengthy bank loan processes.

Many people argue that the lack of capital prohibits the growth of small business and call this the borrower's curse [Meza and Southey - 1996]. Perhaps it is the small business owner who is better able to determine the necessary borrowing level versus a financial intermediary. Meza and Southey [1996] claim that borrowers have biased expectations and that banks more often than not are doing the entrepreneurs a favor by not offering loan money. They even quote from the Wealth of Nations by Adam Smith (1926) - "the chance of gain is by every man more or less overvalued, and the chance of loss is by most men undervalued, and scarce by any man, who is in tolerable health and spirits, valued more than it is worth." (p. 107 - chapter X) Our study certainly does not indicate a borrowers curse whatsoever. In fact 57% of the small business owners in our study began with less than $10,000 start-up capital and are still a successful going concern after an average of over 11 years in business. Their hope to succeed as apparently come to fruition.

Taylor and Brown (1988) claim that there is considerable evidence which suggests that there are many characteristics of normal human thought: overly positive self-evaluations, exaggerated perceptions of control or mastery, and unrealistic optimism. Weinstein (1980); Zackay (1984), and McKenna (1993) show that the degree of optimism seems to increase if subjects believe that they are in control. Matlin and Stang (1978) formulated the "Pollyanna Principle," which states that when inferences are made from less than reliable information that there i's a tendency to choose the more favorable the possible interpretations - meaning that people have a general tendency to favor pleasant over unpleasant information end memories. It is likely that the entrepreneur is more optimistic than the general population.

Meza and Southey [1996] create a model based on the psychology of optimism and which focuses on the main features constituting lending practices to small businesses. They state five observations within their model: 1) drop out rates for new entrepreneurs are extremely high; 2) bank loans are the main external finance tool; 3) small business loans require a high degree of collateral provisions; 4) most entrepreneurs complain that they are either denied credit or that they can't receive enough credit; and 5) companies that are financed by highly secured loans are more likely to fail. They found that the economic consequences of banks rejecting more entrepreneurs is a financial benefit to society. Our study shows that success can and does come to entrepreneurs who start with low start-up capital (under $10,000), although we can it ascertain what the failure rate was across all cases where start-up capital was this low. Obviously there is more to success than just obtaining capital, although certainly David de Meza and Clive Southey [1996] are correct in stating the importance of objectivity in the finance arena. It would be interesting to know how many of our millionaires in the U.S.A., would think that finance was their number one variable in deciding to begin a new business. We believe that Meza and Southey may be shocked by the responses, although we are simply hypothesizing that cost of capital is not the most important factor in beginning a new enterprise especially low start-up capital firms (less than $10,000).

David Baucus and Sherie Human [1994] used open ended interviews and focus groups to create a model of entrepreneurial process for seven retirees from a Fortune 100 corporation who began second - career businesses. They found that retirees with management skills implemented punctuated equilibrium processes having a more abrupt commencement and requiring more intervals in starting unrelated growth/investment businesses. On the other hand, technology - oriented retirees followed more incremental processes, by taking fewer steps in the process, with an indeterminate inception in required skills development, while beginning related - lifestyle businesses. The Baucus, Human [1994] sample included seven retirees - turned entrepreneurs of 32 to 60 years of age, and the group possessed an average of 28 years of employment. They all retired (either voluntary or involuntary) within a fifteen month period between 1990-1991. They either possessed strong managerial or strong technical skills. They all had excellent networking opportunities because they lived in the community an average of 27 years. The managerial background group (3) had either an average or above average risk attitude, where the technical group (engineer type) (4) possessed either average or a below average risk attitude. Three of the four technical background people saw their departure as involuntary and were bitter.

Baucus and Human [1994] made two propositions and they were as follows: 1) "most retirees with technology career orientations use an incremental entrepreneurial process;" (p. 54) where 2) "most retirees working from management career orientations use a punctuated equilibrium entrepreneurial process." (p. 54) The incremental process uses fewer steps, develops products and skills long before learning corporate employment, and moves in small steps to begin related - lifestyle businesses ("operating from home, with no employees, serving few customers, and not taking on debt." (p. 50)

Dollinger, Shaw, and Hortenian (1988) believe that researchers should analyze second career entrepreneurial processes more, since the contemporary business trend is toward mergers, acquisition, mass reorganizations and downsizing for efficiency and greed. Human study [1994] certainly contributes to the literature, which helps us individuals when undertaking second or third careers. Certainly strong career orientations helps in the transition from corporate employment to entrepreneurship.

Cooper (1971), Dyer (1992), Johannisson (1986), Katz (1992), and Kemelgor (1987), conclude that certain experiences help in the transition process, to this day however the real impact of career orientations on second career entreprenerus remain unclear, although the research of Baucus and Human (1994) is beginning to uncloud the process. By identifying only early retirees from one large corporation who began new businesses, they allowed control for background variables(e.g., corporate culture, retirement benefits, and outplacement programs); (see Przeworski and Teune, 1970).

METHODOLOGY

A written questionnaire was sent to a sample of small business owners. The sample frame was derived from lists provided by the state governements of Missouri and Kansas. Since a major foucus of this research was on long term changes, only those respondents who had operated their businesses for two or more years were used in the analyses.

The questionnaire was mailed to 1,750 business addresses which met the abouve criteria for minimum length of operation. No follow-up mailing was made. A total of 369 usable responses wer received for a 21.1% response rate. Males provided 230 of the responses (62.3%); females 139 (37.7%). The mean time of the 369 respondents for operating their businesses was 11.2 years. The operating time for 199 respondents (54.4%) was from two to nine years; for 116 (31.7% from ten to nineteen years; and for 51 respondents (13.9%) for over twenty years.

The parts of the questionnaire applicable to this research are developed below. The response levels and statistical significance levels of the relevant variables are presented in Tables 1, 2, and 3.

GROUPINGS FOR MAIN COMPARISONS

1) High versus low start-up capital. The range of start-up capital was from 0 to almost $1.2 million. For this reason, the median was considered rather than the mean. The median was $8,000. Since $10,000 is near the median and is a symbolic figure as well, respondents were classified as low if they were from $0-10,000, and high if they were over $10,000 in capital. The result was 209 (61.3%) were classified as "low" start-up capital and 132 (38.7%) were classified as "high." To further test for difference, the high group was divided into $11-50 thousand and $50,000 or higher categories; 87(25.5% of the overall research population were in the $11-50 thousand category, while 45 (13.1% of the overall population) were in the $50,000 or

higher category.

2) Prepared a business plan prior to starting the business. 238 respondents (64.7%) indicated that they did not prepare a business plan prior to starting the business, while 130 (35.3%) responded that they had.

Background variable Items 3-9

3) Gender, shown as proportion of males

4) Had the owner previously owned or managed another business prior to starting the current business: If the owner answered no, he or she was classified as haveing no expereince. If the owner answered yes, he or she was classified as experienced.

5) How much marketing or sales experience did the owner have prior to starting the current business? This study focuses on the ownership's choices in marketing strategy. The owner's previous marketing experiences should be considered. Respondents were asked to indicate the number of years of prior experience in marketing or sales. They were classified as having no expereince if they responded zero years experience and were classified as having experience if they responded as having more than zero years experience.

6) How much experience did the owner have in the industry prior to starting the current business? Knowledge of the industry is which the new product is to be introduced would also be a factor in consider in a study of marketing strategy. Respondents were asked to indicate the number of years of prior experience in the industry. They were classified as having no experience if they responded zero years experience as were classified as having experience if they responded as having more than zero years experience.

7) Age when owner started business.

8) Attainment of a college degree. Results are shown in terms of proportion attaining this degree.

9) How often does the owner monitor the business's marketing environment? This variable was created from two quesitons from the survey. The respondents were seperately asked how often they sought information from customers and how often they monitored the activities of their competitiors. In both cases the customer and competitor information was to be a basis for making business decisions. For each question, the response "never" was assigned a value "1". The response "infrequently" was assigned a value "2". The response "regularly" was assigned a value "3".

Factor analysis was performed and the two variables were found to form a common factor. The factor score was .84. As a result, the values from the two questions were added together for each respondent. A combined score of 5 or 6 was classified as a "high monitor" respondent and a score of 4 or less was classified as a "low monitor" respondent. The results shown in the tables indicate the proportion of respondents who were classified as high monitors.

Start-Up Activities Items 10-16

10) Did the owner initially have partners. This was coded 0 = no and 1 = yes.

11) What percent of the first year sales forecast was budgeted for marketing? The percents were averaged and stated in the tables.

12) Was the initial product line offered innovative or well-established? Respondents were asked if their initial product line was best described as a well established product or service, a significant variation, a recently developed product, or a totally new product. Two hundred and seventy three respondents (76.9%) indicated a traditional or "well-established" product. Eighty-two (23.1%) indicated one of the other possibilities. In order to have an adequate number of cases in each category for the analysis, the last three categories were combined into a single category titled "innovative."

13) Did the owner seek marketing assistance during the first year of operation: The owner was given six selections to check if appropriate: hire marketing or sales specialists at the start, hire marketing or sales specialists prior to end of the first year, hire a marketing consultant, hire a consultant for areas other than marketing, or utilize programs sponsored by the Small Business Administration to provide marketing assistance. A "yes" response to any of the six choices classified the respondent as having sought assistance. The tables indicate the proportion of "yes" respondents to the overall assistance construct.

14) Number of initial customer segments marketed to. Respondents were given 8 possibilities: general public, government, industrial/business, professional users, lobbyist/recreation, ethnic identified users, gender identified users and other. Respondents were asked to indicate for each if their marketing level was: never, no longer, far less, same, more or targeted now but not originally. "Never" and "Targeted now but not originally" were coded "0" and all the rest were "1".

15) Number of initial geographic segments marketed to. Respondents were asked to repeat the above with 5 possible geographical segments: local, extended local, regional, national, international. The same coding criteria were used.

16) Did the first year's sales meet projections. Respondents were asked to indicate if their sales were more than 20% below projections (coded "-1 "), within 20% of projections (coded "0") or more than 20% over projections (coded "1").

CHANGES IN MARKETING STRATEGY ITEMS 17-25

17) Did the company add one or more distinctively different products? This question was asked without regard to whether the company sill marketed the original product line. One hundred and thirty three respondents (36.4%) added new products, while two hundred and thirty tow (63.6%) did not.

18) Did the company discontinue its original product or products? Forty seven respondents (12.9%) discontinued the original line of products, while three hundred and eighteen (87.1%) still marketed the same basic products. This question was asked without regard to whether the company added new products to its line after the original introduction.

19) Did the owners subsequently add new customer segments to the target market? Respondents were given a choice of eight customer segments from which to choose: general public, government, industrial/business, professional users, hobbyists/recreation, ethnic identified users, gender identified users, or other. The respondents were given six categories of response for each of the eight possible segment selections: never, no longer, far less, same, more, targeted now but no originally. Those respondents who answered "targeted now but not originally" for any of the eight segments were considered to have added a new customer segment. The tables show the proportion of respondents who were considered to have added new customer segments subsequent to the start-up of the firm.

20) Did the ownership subsequently drop any of the original customer segments from its target market? Using the same choice matrix as outlined in question 10, those respondents who answered to the "no longer" option for any of the eight customer segments were categorized as having dropped one or more of the original customer segments subsequent to the start-up of the firm. The tables show the proportion of the respondents who dropped one or more of the original customer segments.

21) Did the ownership subsequently add new geographic segments to its target market? Respondents were given a choice of five

geographic segments from which to choose: local, extended local, regional, national, international. For each of these five possible geographic selections, the respondents were given the same six categories of response as in question 10. Those respondents who answered to the "targeted now but not originally" for any of the five segments were considered to have added a new geographic segment subsequent to the start-up of the firm. The tables show the proportion of respondents who were considered to have added new geographic segments.

22) Did the ownership subsequently drop any of the original customer segments from it target market? Respondents were given a choice of the same five geographic segments as in question 12. Using the same choice matrix as outlined in question 10, those respondents who answered to the "no longer" option for any of the five geographic segments were categorized as having dropped one or more of the original geographic segments subsequent to the start-up of the firm. The tables show the proportion of respondents who were considered to have dropped one or more of the original geographic segments.

23) Overall customer expansion. Item 19 minus item 20.

24) Overall geographic expansion. Item 21 minus item 22.

25) What percent of current work force with marketing or sales as a primary duty? The percents were averaged and stated in the tables.

RESULTS

Respondents were classified as "low" start-up capital if they indicated that their start-up capital was $10,000 or less or "high" start-up capital if they indicated their start-up capital was greater than $10,000. 209 respondents were classified as "low", 132 were classified as high, and there were 28 cases where this figure was not indicated. Table 1 shows the results of T-test comparisons of the high and low groups.

TABLE 1
T-test comparisions of small business owners with low start-up capital versus small business owners with high start-up capital.

Independent variables	Low start-up Capital	High start-up Capital
A) Personal Characteristics and Past Backgrounds		
Proportion males	.61	.67
Prior managerial/ownership		

experience	.58	.78****
Prior marketing/sales experience	.50	.67***
Prior experience in this industry	.75	.68
Age when started business	35.7	39.3
College education	.61	.68
High monitors of the business marketing environment	.53	.66**
B) Activities and decisions made during the start-up phase		
Prepared a business plan prior to start-up	.22	.56*****
Initially had partners	.31	.42**
Initial marketing budget as % of first year's sales	6.7	7.4
Started with innovative product line	.26	.21
Sought marketing assistance during first year of operation	.52	.73**
Number of initial customer segments marketed to	3.62	3.69
Number of initial geographic segments marketed to	2.65	2.94*
First year's sales versus projections	.02	-.02
C) Subsequent change in marketing strategy		
Subsequently added distinctively new product line	.35	.40
Subsequently dropped original product line	.12	.12
Added new customer segments	.24	.19
Added new geographic segments	.15	.18
Dropped customer segments	.10	.11
Dropped geographic segments	.03	.03
Number of changes in customer segments	1.94	1.89
Number of changes in geographic segments	1.35	1.44
Overall customer expansion	.97	1.01
Overall geographic expansion	.86	.84
Percentage of current workforce with marketing/sales as primary duty	22.4	27.0

*p<.10
**P<.05
***p<.01

****$p<.001$
*****$p<.0001$

The results shown in Table 1 strongly suggest that those respondents with high start-up capital were more likely to be older when they started their business (39.3 versus 35.7 years old, $p<.01$), more likely to have had prior managerial or business ownership experience (.78 versus .58, $p<.001$), and possessed prior marketing experience (.67 versus .50, $p <.01$). They were far more likely to have prepared a business plan prior to starting their business (.56 versus .22, $p <.0001$). While it is probable that this latter result was partly due to requirements of lenders or financial backers, we should note that those respondents who started with high start-up capital were significantly more likely to be high monitors of their marketing environment (.66 versus .53, $p<.05$) and to have sought marketing assistance during the early stages of their business (.73 versus .52, $p<.05$). This suggests that as a group, they were likely to have a more realistic reading of their resource base and this may have come from having partners (.42 had partners versus .31 of the low start-up capital group, $p<.05$).

Comparisons of initial and subsequent marketing strategies and activities between the low and high groups shows only one minor significant difference, that being that the high start-up capital groups had a marginally higher number of initial geographic segments marketed to (2.94 versus 2.65, $p<.10$). Recognizing that many of the high group members were still in very marginal capital situations, it was decided to change the definition of "high" start-up capital to the highest level that would still allow sufficient cases in the high category for meaningful statistical analysis. Since 45 respondents indicated at least $50,000 in start-up capital, this became the new high category. Since a number of significant differences in personal factors had been found in the original comparison shown in Table 1, it was decided to have 3 comparison groups: the original "low group of $0-10,000, the $11-50,000 group that was part of the original high group, and the new high group of $50,000 and over. Analysis of variance, with Tukey T pair-wise comparisons, was used to test for differences between these three groups.

Table 2
ANOVA (with Turkey's Pariwise) comparisons of small business owners on the basis of amount of start-up captial ($1000s)

Independent Variables	$0-10	$11-49	$50+	F Score
A) Personal Characteristics and Past Backgrounds				
Proportion Males	.61	.97	.71	.97
Prior managerial/				

ownership experience	.58	.74A***	.86A****	8.01****
Prior marketing/ sales experience	.50	.62A**	.75A****	5.83***
Prior experience in this industry	.75C**	.75C**	.56	3.27**
Age when started business	35.7	37.8	42.1A**** B*	8.33****
College Education	.61	.71	.64	1.26
High monitors of the business marketing environment	.53	.62	.73A**	3.33**
B) Activities and decision made during the start-up phase				
Prepared a business plan prior to start-up	.22	.58A****	.53A****	22.81****
Initially had partners	.31	.44A**	.39	2.39*
Initial marketing budget as % of first year's sales	6.7	6.9	8.3	.18
Started with innovative product line	.26	.22	.18	.74
Sought marketing assist- andce during first year of operation	.52	.72A*	.75A*	2.85*
Number of initial customer segments marketed to	3.62	3.68	3.70	.04
Number of initial geographic segments marketed to	2.62	2.82	3.18A**	2.96
First year's sales versus projections	.02	-.07	.06	.63
C) Subsequent change in marketing strategy				
Subsequently added distinct- ively new product line	.35	.41	.37	.45
Subsequently dropped original product line	.12	.15	.08	.51
Added new customer segments	.24	.18	.20	.62
Added new geographic segments	.15	.21	.13	.87
Dropped customer segments	.10	.12	.08	.21
Dropped geographic segments	.02	.04	0	1.08
Number of changes in customer segments	1.94	2.01	1.66	.62
Number of changes in geographic segments	1.35	1.62	1.11	1.94
Overall customer expansion	.97	.86	1.31	1.05
Overall geographic expansion	.86	.98	.56	1.22
Percentage of current				

workforce with marketing/ sales as primary duty	22.8	25.3	30.2	1.16

*p<.10
**p<.05
***p<.01
****p<.001

A = Significantly higher than $0-10,000 group
B = Significantly higher than $11-49,000 group
C = Significantly higher than $50,000 + group

Reviewing Table 2, it is apparent that those respondents with $50,000 or more in start-up capital were not markedly different from those in the $11-50,000 group. They tended to be somewhat older (42.1 start-up age versus 37.8 for the $11-50,000 group, p<.10) and interestingly, less likely to have had experience in their industry prior to starting their business (.56 versus .75, P<.05). Other wise, there was little to suggest that the $11-50,000 and the $50,000 and over groups were appreciably different. Rather, it appears that the real differences are between the extremely undercapitalized (less than $10,000) and the rest. Again, there was only a significant difference in the starting geographic scope among all the various measures of initial and subsequent marketing activity when we compared the various start-up capital categories. A cross-check of the correlations of the actual amount of start-up capital with all marketing variables that were continuous measures shows only one significant relationship, and that was with the number of starting geographic segments (r = .15, p <.01)

Table 3
Ttest comparisons of small business owners who prepared business plans prior to starting their business with those who did not.

Independent variables	Did not have a plan	Did have a plan
A) Personal Characteristics and Past Background		
Proportion Males	.61	.64
Prior managerial/ ownership experience	.56	.80*****
Prior marketing/ sales experience	.48	.71*****
Prior expereince in this industry	.70	.79*
Age when started business	35.7	39.2****

College Education	.62	.66
High monitors of the business marketing environment	.52	.70****
B) Activities and decision made during the start-up phase		
Initially had partners	.33	.39
High start-up capital	.26	.60*****
Initial marketing budget as % of first year's sales	.67	.71
Started with innovative product line	.18	.30**
Sought marketing assistance during first year of operation	.40	.92*****
Number of initial customer segments marketed to	3.53	3.79
Number of initial geographic segments marketed to	2.68	2.82
First year's sales versus projections	.00	.02
C) Subsequest changes in marketing strategy		
Subsequently added distinctively new product line	.39	.31
Subsequently dropped original produt line	.11	.14
Added new customer segements	.23	.21
Added new geographic segments	.14	.18
Dropped customer segemtents	.08	.12
Dropped geographic segments	.02	.04
Number of changes in customer segments	1.77	2.05
Number of changes in geographic segments	1.26	1.51
Overall customer expansion	.92	1.07
Overall geographic expansion	.69	1.13***
Percentage of current workforce with marketing/ sales as primary duty	20.51	30.45***

*p<.10
**p<.05
***p<.01
****p<.001
*****p<.0001

Table 3 shows comparisons between respondents who prepared business plans and those who did not. In terms of personal characteristics, those preparing business plans were significantly older (39.2 vs. 35.7, $p < .001$) more likely to have had across-the-board prior experience (significant differences were found for all 3 experience measures) and were significantly more likely to be high monitors of their business marketing environment (.70 vs. .52, -<.001). they were more than twice as likely to seek marketing assistance (.92vs. .40, $p < .0001$),and continued a higher emphasis on marketing, as seen by their having a larger percentage of their workforce focus on marketing duties (30.45% versus 20.51%, $p < .01$). They were also more likely to have an overall net gain in geographic expansion (1.13 vs. .69, $p < .01$) .

These data show a strong linkage between having a business plan and high start-up capital (.60 vs. .26, $p < .0001$). However, as we review the totality of results, we must conclude that such factors as prior experience, inherent tendency towards monitoring the relevant business environment, as well as pursuing an initial innovative product fine (.30 vs. .18, $p<.05$) also play major roles in the decision to prepare a business plan.

CONCLUSION & DISCUSSION

Our study found that the small business owners who started with a higher capital base, were more likely to possess greater managerial experience, more prior marketing experience, greater age by approximately six years, higher monitors of their business and more likely to start with a business plan. In spite of all this, our small business owners with low start-up capital were still successful. It is imperative to ultimately compare/contrast successful small business enterprises with unsuccessful enterprises, but obtaining information from non-successful companies has proved to be difficult to procure.

We further found that those individuals who prepared a business plan were more likely to start with an innovative rather than traditional product line, more likely to dedicate a higher proportion of their current workforce to marketing; and were more likely to expand their geographic scope over time. They also tended to have more managerial experience. This appears to be consistent with Baucus and Human's findings [1994], that a punctuated equilibrium process is more apt to be used from managerial types. You may remember that this punctuated style uses more steps, has a greater propensity to break from corporate life to an unrelated small business creates an investment/growth start-up purpose, assumes mire debt, hires employees, and had tendencies for renting property/buying property. An incremental process was defined by Baucus and Human [1994] as having fewer steps, developing products and skills long before parting from big corporate jobs, and those entrepreneurs tended to jump in small steps to begin related - lifestyle businesses such as operations from home with no employees, while serving fewer customers, and not obtaining much debt. This seems to be consistent with our small business owners who started with less than $10,000 in capital.

These results suggest that marketing strategy, with the limited exception of a slightly more aggressive initial geographic penetration, is not a central issue in the small business owner's decisions regarding acquisition of start-up capital. Rather, the decision to acquire larger levels of start-up capital seems to have two possible roots. On the one side, those who acquired higher start-up capital were for more likely to be high monitors of their marketing environment, and they did have prior management and marketing experience. This may suggest that some of those with high start-up capital may have been more exposed to and attuned to information that would serve as a rational foundation for such a decision. On the other hand, those with $50,000 or more start-up capital were almost twice as likely to not have had prior experience in the industry in which their business competes than viare respondents with low start-up capital (.44 versus .5). This suggests that their quest for higher levels of starl up capital may in many respects be an attempt to provide a cushion to protect them from their "'learning curves". A T-test comparison showed that the average start-up capim of those respondents with no prior experience in their industry had a mean start-up capital of $44,966 versus $23,533 for those with prior experience ($p<.10$).

These results causes these authors to go back and classify respondents into four categories based on whether they (1) had/did not have prior experience in their industry and (2) whether they had start-up capital of greater than $10,000 or less than $10,000 (the original high/low classification criteria were used to ensure sufficient cell sizes for comparative purposes. There is no appreciable difference between the $11-50,000 and 50,000 and higher groups. The low experience/high capital group had absolutely no significant differences in terms of any of the marketing strategy variables when compared to low experience/ capital respondents and to low capital/high experience respondents and only one significant difference (more likely to start with an innovative product line) when compared with the high experience/high capital group. Unless there is some sort of lemming instinct not seen in these data that attracts inexperienced individuals to enter capital intensive industries, we can only conclude that for many business owners, higher start-up capital is more of a security blanket than a resource for the marketing of their product or service.

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