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## ABSTRACT

Among the papers presented at this conference are the following: "Keynote Address," (Parish); "Small Business in the Year 2000," (Lichtenstein); "Making America Work Again," (Rennie); "U.S./Canadian Free Trade Negotiations," (Swed); "Ethical Considerations for Entrepreneurs and the Need for Preparing Entrepreneurs for Disappointment," (Lipper); "Closing Address," (Feingold); "We Make Money the Old-Fashioned Way: We Learn to Earn," (Booker); "Tradition Education--'FOR SALE'," (Aldous, Jacquet); "Experience in Enterprise," (Rochon, et al.); "Influence of Risk-Taking as a Cognitive Judgmental Behavior of Small Business Success," (Peacock); "Educating the Innovators: The CAMM Concept," (Good); "National Network Provides Model Programs To Foster Small Business Skills for Women and Minorities: A Panel Report," (VanBallenberghe; Etu); "Developing High School Entrepreneurs: A University/Vocational Educational Experiment," (Kerr, Nelson); "Improve Your Chances of Success: Program for Planning and Developing a Small Business," (Bendickson); "Field Tested Foundation for Tomorrow's Entrepreneurs," (Hamilton); "Teaching Small Business Management: Using Team-Teaching and Multiple Teaching Strategies," (Names); "Joining the Mainstream: A Training Program for Minority Entrepreneurs," (Donald, Atiba, Davis); "Building Teams for Success in Entrepreneurship Education," (Rago, McMullen); Abstract of "Pooling Your Local Resources to Develop a Business Assistance Center," (Terminello, Renz); "CEO Academy: An Educational Enterprise for Entrepreneurs," (Zibbel, Stevenson-Pope); "Economics of Business Education," (Mahr); "Meeting Business Training Needs in Partnership with a Business Incubator," (Galloway, Ashenbrenner); "Rural Economic Development in Action," (Larsen, Farmer); "Potpourri: Innovation in Entrepreneurship," (Price); "Entrepreneurship--California Gold,"

(Medina); "Statewide Business Assistance Networking through Local Community and Branch College," (Grissom); "Best for Employment," (Gregor, Schweller, Martin); "Y.E.S.--Youth Entrepreneurial Seminars," (Huebner, Rosemeier); "It's Nobody's Business but Your Own!" (Sims, Bowen); "Entrepreneurship Education: It's on the Rise," (Kluckman); "Community and Worker Owned Businesses: An Alternative to Business as Usual," (Hare); "Perspectives on Entrepreneurship," (Sutton); "Entrepreneurship Education Curriculum: A Task Analysis Approach," (Miller, Williams); and "Nebraska Small Business Development" (Targoff, Christensen, Bebris). (MN)

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PROCEEDINGS

THE 5th ANNUAL NATIONAL  
ENTREPRENEURSHIP EDUCATION FORUM

WASHINGTON, D.C.

JUNE 24-26, 1987

RECHARGING THE AMERICAN DREAM

EDITED BY

JOHN M. BEBRIS  
THE NATIONAL CENTER  
FOR RESEARCH IN VOCATIONAL EDUCATION

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## Recharging the American Dream

The American economy today is based on the creativity of previous generations, creativity which led to the development of huge industries. We are truly indebted to such entrepreneurs as Henry Ford for mass producing automobiles, Willis Carrier for air conditioning, George Eastman for photography, Gail Borden for condensed dairy products, and so many others. The youth of today too often believe that giant businesses were always that way. And they overlook their own opportunities to create something needed and new.

The Fifth Annual National Entrepreneurship Education Forum focused on educational leaders from all over the country who are developing innovative programs to teach entrepreneurship. Their mission is to nurture the attitude that business opportunities are available to all. And they encourage students to learn the techniques of business management so that there will be more successful new business startups.

The entrepreneurship education movement is the result of growing concern for American ingenuity in an increasingly competitive global economy. It recognizes the dangers of complacency and the need for each of us to learn how to make the most of our dreams for success.

The National Center for Research in Vocational Education appreciates the participation and contributions of national, state, and local leaders in entrepreneurship education that made this FORUM an outstanding success. It is by open and unselfish sharing of ideas that Americans can best "Recharge the American Dream."

NATIONAL ENTREPRENEURSHIP Education FORUM  
Washington, D.C.  
June 25-26, 1987

Stanley Parrish

Associate Deputy Administrator for  
Special Programs

U.S. Small Business Administration

Keynote Address

I'd like to preface my comments by saying that there has been some concern during the last couple of years about the longevity and the health of the SBA. There were some that thought it should be dismantled and abolished. I'm happy to say that they were wrong. SBA is, as we say, here to stay. I have often said if I ever wanted to go up in space flight I would want to go up on the next shuttle that goes, because of the safety and security precautions that are being taken after the tragedy of the Challenger. I also feel this is the best time to be at SBA, because they are now rebuilding. We are moving ahead and we are excited about the support that we do have in our new administrator, Senator Jim Abdnor.

As a parent to six children and knowing that some of you are educators, I thought I would share a story with you that just warmed my heart. One of our children came home and related a story of an elementary school teacher trying to teach children at an early age to pledge allegiance to our flag. She asked all of the children in the class to put their hand over their heart. One little boy put his hand over his back pocket. The teacher said, "No, I asked you to put your hand over your heart," and he said, "I did." She asked, "What makes you think that's your heart?" and he replied "because every time my Grandmother comes down, she pats me there and says, 'bless your little heart.'" Thanks to designer clothing teachers can now just tell them to put their hand over their alligator or over their polo rider and get the job done.

I would like to have you consider this--American entrepreneurship is 380 years old. You say that this country isn't that old. American entrepreneurship is 380 years old. It began with the first permanent colony at Jamestown in 1607.

Like many ventures, Jamestown's industry was born out of necessity--they needed food before the first crops could be harvested. The native Indians had food. How could the colonists obtain it legally--trade of course.

Having brought little with them for bartering purposes, they prevailed upon one of their number for his glass making skill to

use his know-how to combine hot fire and sand, and making colored glass beads to trade for food.

Captain John Smith, the leader of the colony, successfully negotiated food for beads. Smith was a merchant by trade--in addition to being an explorer and an adventurer. In the next several years he traversed the Atlantic several times and traveled up the Eastern Seaboard where other entrepreneurs had discovered the New England fisheries as well as a wealth of fur-bearing animals. In 1614 Smith returned to England with a cargo of fish and furs.

Smith and his Jamestown colony partner, John Rolfe, were soon exporting another American product, tobacco--which had been introduced to England by Sir Walter Raleigh, sponsor of the ill-fated colony at Roanoke.

Entrepreneurship really took off with the coming of permanent settlers, especially to Massachusetts. The first tidal grist mill went into operation at Hingham in 1643. The same year a textile factory opened at Rawley. A ship-building yard was started in Boston the following year, along with John Jencks' ironworks at Lynn, which turned out America's first fire wagon.

These first American entrepreneurs were blacksmiths and coopers and carpenters and weavers, as well as farmers, lawyers, printers, inn keepers and tavern keepers. Their enterprises were well underway by the time those folks we call the "founding fathers of the American revolution" came along.

By the time of the revolution, our American free enterprise system was over a century old. The right to earn a living by your own ingenuity and the sweat of your brow, as well as to enjoy any profits you could turn, was considered worth fighting for and dying for--and American free enterprise had barely begun.

Folks like George Washington, John and Samuel Adams, Paul Revere, Crispus Attux, the Lee boys from Virginia, Benjamin Franklin, Thomas Jefferson, the delegates to the Continental Congress and many others not only pledged their lives, their fortunes and their sacred honor, but in many, many cases gave their lives and much of their fortunes for the cause of freedom and liberty.

This was the beginning of the American Dream.

Since those early beginnings of our country, we have been through an agrarian revolution, an industrial revolution, and we're now in a technological revolution.

Is there still a role for individual enterprise in the American Dream?

Young entrepreneurs across this country are utilizing their imaginations and resourcefulness--and most especially, their hard work--and becoming successful operators of small businesses.

For example, there is Lisa Renshaw of Baltimore, Maryland, who was the Small Business Administration's young entrepreneur of the year during Small Business Week in May. Lisa is now 25 and has been in business for herself for four years. She owns and operates Penn Parking in Baltimore. When she started I doubt if many gave her much chance to succeed. She took over a multi-level parking garage in downtown Baltimore which had become pretty much of a white elephant. It had had four different owners in four years and only 20 percent of the parking spaces were used.

After talking the building's owner into a long-term lease, Lisa began talking Amtrak passengers into leaving their cars in her covered garage--a block away from the Amtrack station.

She put her Penn parking signs all over the station and then began to offer a free car wash to Amtrak customers. Soon 40 Baltimore Area travel agents were including her car wash coupons with each Amtrak ticket.

Last June, after spirited, competitive bidding, Lisa was awarded a major management contract for all Amtrak parking and last October she took over a third parking facility!

What a success story! And, it is only one example of what young Americans are doing to recharge the American dream.

Lisa has the entrepreneurial spirit. I went up and talked with her. I wanted to meet her, she is a dynamic lady and one of the things I said was, "Lisa I'd love to park in your parking garage" and she said, "I'd love to have you and it will cost you \$6.00."

Chris Rusk of Crawfordsville, Indiana, was watching his young son, Troy, struggle with a pencil as he practiced printing the alphabet. The small hand was having a problem gripping the pencil. Chris' wife was making cookies at the same time so he grabbed a bit of dough and wrapped it around Troy's pencil. It made his printing much better. Chris got to thinking: "Why not devise some kind of plastic gripper to do the job of the cookie dough? What he came up with slides down over a regular-sized pencil and sells for 39 cents. Thus began Rusko Writing Company.

As a contractor building shelters for farm animals, Chris knew virtually nothing about inventing and manufacturing, let alone marketing. But, he wasn't afraid to learn and spent his evenings at the library learning about business techniques. A trip to a school suppliers convention convinced him he had a ready market. He remortgaged his small house and borrowed some money from his parents. Calling his invention a "stetro," he worked out an agreement with a small plastics manufacturer to produce the gripper. Last year he sold 10 million of the devices and grossed over a half million dollars.

A 1987 winner of the Chivas Regal Young Entrepreneur Award is James Colano of Boulder, Colorado. He is founder and president of Career-Track, Inc., a professional development training seminar. His one-day programs have mushroomed into a \$26 million a year operation in more than 350 U.S. cities. Jim is only 29 years old.

These are but a few of the thousands of stories you can find across this wonderful land of ours today, proving that the American dream continues alive and well--reports to the contrary notwithstanding.

Recently, the SBA working with the National Center for Research in Vocational Education, the National Federation of Independent Business Foundation and Venture magazine, conducted a national survey on entrepreneurial education. This six volume set containing over 3,000 pages from 420 colleges, universities, and high school systems presents examples of educational programs in entrepreneurship throughout the United States and is available for purchase from the National Center.

We at the SBA believe in the future of America and support activities such as this in order to better inform educators, trainers, and government agencies as to the "current state" in entrepreneurial education. The SBA is well aware of The White House Conference recommendation Number 6 on entrepreneurial education.

We believe that government's role is to serve as a coordinator of local, regional, and national organizations committed to the development and delivery of entrepreneurial education programs. We are always willing to work with groups, to promote and encourage entrepreneurial education, nationwide.

It is encouraging to see more colleges including entrepreneurial studies in their curricula. Indeed, it is pleasing to note there is even an association of collegiate entrepreneurs. The impetus for this movement is coming from former entrepreneurs who are now highly successful business operators, thanks to their collegiate training.

One of them, Tom Devlin, is 39. He is Chairman of Rent-a-Center in Wichita, Kansas. He has just donated \$2.5 million for a Center for Entrepreneurship at Wichita State University. Says Devlin, "You can start a business tomorrow if you are willing to work at it. We've got to get that message out."

Hard work is the key to success for any enterprise and I challenge you to make this clear to all your students. Hard work--and a quality product or service.

Take some time to become acquainted with the work of W. Edwards Deming. Deming is now 85, a firm believer in entrepreneurship and still going strong. Many of his views concerning quality were dismissed by corporate leaders in the United States, but not in

Japan. Industrial leaders there adopted the management methods of this American and rose from the ashes of defeat in World War II to become a dominant force in the world economy. Deming's methods have transformed the meaning of "Made in Japan." And that is an interesting study. Twenty or twenty five years ago Deming could not get a job consulting in the United States. The idea of productivity and increased productivity is not a Japanese idea, it is Demings' idea. Deming is very sought after, now, in the United States. Most corporate board rooms would welcome him. But it is interesting, that was one product that we had to export so that we could turn around and import and import all of those things based on Demings' suggestions on management and productivity.

To recharge the American dream, we all need to foster an atmosphere of risk-taking, courage, and hope. We need to work together to come up with incentives and attractions to promote small business investment, efficiency and output.

Today, two-thirds of all first jobs come from small businesses. During the next 25 years, small business must provide nearly three-fourths of the 43 million jobs this country will be needing. And, small business will meet this challenge by virtue of their quicker response time, their flexibility and their freedom to fail.

"Freedom to Fail!" Can that be a virtue, you might ask.

Absolutely! As Ian Browde, a Senior Consultant to Apple Computers, said at The White House Conference on Small Business, last year, "In an enabling environment, failure is a by-product of freedom, the ability to try, to make mistakes. Failure is not the same as not trying to succeed. Failure is often the first step toward success."

A Chinese university president was asked what the United States could give to China--was it technology? "No," the president replied, "technology is easily replicated. The beauty of your country is it's capacity for 'horizontal sharing.' It doesn't happen in a vertical society--there's a stigma attached to communication between certain groups of the vertical society."

I hadn't thought much about the concept of "horizontal sharing" before, but that's what the American dream is all about--and it extends far beyond communicating with one another.

The SBA stands ready to do everything it can to encourage young entrepreneurs and to recharge the American dream. While you may have thought of SBA primarily as a lending agency, loans are but one of our programs. We have programs of outreach--conferences, seminars, publications on every aspect of starting a business and keeping it operating. We have programs to encourage veterans, women, minorities, and the handicapped to become successful small business owners and operators.

Our SCORE and ACE programs pair successful retired and active business executives with small business operators just getting underway. They work on a one-on-one basis free of charge to help new operators avoid the pitfalls and problems which could spell failure down the line. Our Office of Business Development continues working to improve the availability of educational programs and information and has historically been a pioneer in the development of entrepreneurial education.

Since the agency's early days, the SBA has participated in and cosponsored the delivery of training to over 5 million current and prospective small business entrepreneurs. The SBA is constantly striving to improve the educational opportunities for small business entrepreneurs. Recently, the SBA has begun to work with various private sector organizations in an effort to improve the quality of our programs and materials and to better leverage your tax dollars.

Our Home-based Business Conference, Success '86 & '87 Conferences and our Creativity Conferences have been made possible by the support of organizations like: Bell Atlantic, Arthur Young, Ernst & Whinney, Control Data, Traveler's Insurance, Safeguard Business Systems and many others.

SBA's Office of Advocacy conducts research on small business needs and the effects of proposed legislation and government rules and regulations on small business. We carry the position of small business not only to Capitol Hill but to The White House, to big business and to the public in general. Our five-year-old "answer desk" provides answers to just about any question concerning small business you can come up with.

Our new Administrator, Jim Abdnor, has as his goals, greater involvement of small business in international trade, and business development in rural America where small business is the only business. We used to say at SBA, "This is where the rubber meets the road," and we now say, "This is where the hoof meets the prairie." Administrator Abdnor is also determined that all SBA programs are administered consistently and fairly in every one of our more than 100 offices across the nation.

I want to encourage you to become acquainted with the SBA office in your state and let us help you in working to encourage young entrepreneurs. The American Dream has been working well for some 380 years. As far as we're concerned, however, it's just getting started. The technology revolution of today is only a beginning of a great tomorrow--if we're willing to work at it!



Jules Lichtenstein

Chief of Applied Policy

Office of Advocacy  
U.S. Small Business Administration

"Small Business in the Year 2000" \*

As you probably know, economists have a difficult time projecting three months into the future, and they usually end up revising their projection three or four times. So you can imagine how many times we are going to have to revise this presentation, between now and the year 2000.

I share, as does the Office of Advocacy, the interest of educators and small business specialists, in the education and training and recharging the American Dream. Ben Franklin once said, "There are two certainties, death and taxes." When we talk about the future of small business, and American economy, we need to add a third certainty, and that is change.

Companies will not survive if they cannot adapt to rapid change. Workers with inadequate education and training will not survive the competition in the market. What are the kinds of changes vocational educators, training specialists, and managers now need to make it through the next century? What are the priorities we need to be looking at? Adam Smith once said, "People are the premiere resource and primarily responsibility of any country." I would add that small business is the premiere resource and job generator of the American economy. I would like to describe five key trends and issues affecting small business, and entrepreneurship in the next fifteen years.

The first is demographics, that is both population and labor force changes; the second is output and productivity, changes in wages vs productivity, and the training needs we have to consider to be more productive; the third is technology, including investments in computers, robots, microelectronics, and including the training and retraining required to operate these new technologies; fourth is international trade, dealing with increased competition; and fifth are changing characteristics of small business, changes in entrepreneurship, and self employment, and especially opportunities for women and minorities.

\* See appendix C for the data that accompanies this presentation. Because of falling birth rates, in the mid 60s and 70s, the population will grow at near low rates and will play a major role in shaping the U.S. economy. The last time the population grew this slowly was during the Great Depression of the 1930s. Similarly, the labor force will increase at its slowest rate since the 1930s. White females will be the greatest source of projected labor force growth. Over 42 percent of all labor force growth will be from

white females, while immigrants and minorities will each constitute about 20 percent of all labor force growth. Overall, labor, because of its scarcity, will become more expensive. There will be fewer new entrants in the labor force. The number of people aged 45 to 64 is going to grow substantially as the baby-boom generation matures and ages. The youth population is going to decline is evidenced by a declining percentage growth of those under 25.

Now, will small businesses have to employ and train younger workers who have lower education and skills levels, or will they hire retirees, or more retirees and women? That is a big issue that we are facing and that we are looking at right now. What about the need for retraining older workers? In addition, the redistribution in age groups has important implications for the demand for goods and services. What will people need and want to buy from firms today and again tomorrow?

American workers will produce a greater volume of goods and services, this is GNP, or output of goods and services per person in the U.S. This will continue to rise over the next 13 to 15 years. The scarcity and expense of labor, however, will stimulate capital investment in technology to improve productivity and allow for capital GNP gains.

The decline in the labor supply will also make labor more expensive by raising unit labor costs per unit of output. Basically, what we are saying is that in the future compensation will increase faster than output. Small businesses will be particularly affected, because they are more labor intensive than large businesses. That is, they use more labor per unit of output. What can small businesses do to improve productivity? First of all, they can increase capital, that is the amount of machinery, computers, and technology available for workers. Second, they can improve the quality of capital, that is increase the complexities and sophistication, of machines, robots, computers, etc. Third, they can begin investing in human capital and training, as well as general education. Fourth, they improve management, something that is also very difficult to get a handle on. This basically deals with the design of new organizations and new ways of doing things to increase productivity and efficiency.

Based on current trend, we can expect that there will be an increase in capital per worker. That is--an improvement of the quality of capital, by improving business and industrial equipment. Thus, employers will need to invest in people by providing more and better training. Also, training cannot be just a peripheral function. It has to be one of the essential activities of small businesses. Businesses may have to employ individuals who have lower education and skills levels, because of the scarcity of labor. Today, two out of three new workers get started and receive initial training in small businesses, and that is going to continue.

Changes in employment in goods producing industries and service producing industries that the U.S. has become a service-based economy. More workers are going to be employed producing services than goods. Unskilled manufacturing jobs will be declining, while high skilled service jobs will increase. We think that this increase in services is going to continue out to the end of the century. What is interesting, is that if you look at the goods sector, (manufacturing and mining) these are not really where there are a lot of small firms. Construction is the exception, it is the third industry in the goods producing sector, and here we have a lot of small firms. On the other hand, taking out government and transportation, every other one of the industries in the service sector -- wholesale and retail trade, finance, insurance, and real estate, general services and communications--are heavily dominated by small businesses.

Today small businesses create two out of every three jobs, i.e., 70 percent of new jobs. That is going to continue. Does this mean that big business or manufacturing is going to have a bad time? That they will be making fewer things? No, not necessarily. They are going to be automated and small firms in those businesses are going to have to automate as well in order to keep up. In fact, small businesses are currently growing faster than big businesses in manufacturing, according to our latest analysis. Small business has been on the cutting edge of growth over the last 15 years and that is going to continue.

Looking at the shifts in the distribution of private employment, in other words who is going to be employing people in the next 15 years, generally speaking the industries that are really going to grow are finance, construction, services, and merchandising, including wholesale and retail trade. Transportation is actually going to shrink. Mining is projected to shrink, also. Manufacturing employment is only going to increase by 1 1/2 percent. This will mean that unskilled, entry level jobs will become more scarce. The growth in the service sector, however, will increase the need for higher skills, again the need for training will be critical.

And what are those manufacturers going to be doing? They are going to be making more products. They are going to be using machines and people to make products. Small business has traditionally been very heavy in all those industries that show growth. Small business will continue to create the new jobs, and that's important. But small businesses also have to remain efficient, because sooner or later the market is going to demand that. It will cost you more to hire someone than to buy a word processor or robot.

What does it mean in terms of who is going to grow? Just as an example, the Bureau of Labor Statistics suggests that in terms of changes in employment, most new jobs will occur in such sectors as business services. Everything from management consulting, con-

tract word processing, copying and all the business service industry that has really grown out of nowhere in the last 10 years. That is going to continue to mushroom. Retail trade--you can't automate a store very much, you still have to have someone behind a counter working. Perhaps you can find help through an automatic cash register, but somebody still has to be behind the counter. Eating and drinking places--they haven't created a robot yet that busses tables. Restaurants are still going to employ a lot of people. The same with wholesale trades--you can't automate to any great degree the process of getting goods from the factory to the final outlets. It still takes people to drive the fork lift and drive the trucks. Medical services--the government continues to pump money into the medical services through Medicare and Medicaid and all the trends indicate that the private insurance is going to increase. But by medical services we are not necessarily talking about doctors and nurses, we are talking about a whole set of home health care services, i.e., ambulatory care, meals on wheels for profit, emergency clinics, Doc-in-a-Box, all those kinds of services. The second largest employer in Washington, D.C., outside of the Federal Government are trade associations. There is even a Doc-in-a-Box trade association, in Washington. That is a free-standing emergency clinic association which is a good growth area. These services are going to continue to grow, this is in absolute number of jobs. A couple of years ago, David Stockman said that the SBA was making a lot of loans to restaurants and bars. That's true, and reflects the fact that restaurants and bars are starting up all over the place, and will continue to do that. They just employ a lot of people and a lot of people like to go to them.

Where are the fastest growing industries now compared to where they will be in 15 years from now. Again, medical services are number one; number two, business services; number three, computer and peripheral equipment (I think IBM has learned, much to their chagrin, that big is not necessarily good in computers--there are a lot of people competing with IBM in both the hardware and software markets); number four, materials handling and equipment (maybe now is the time to go out and buy stock in corporate companies). Automation in the entire wholesale business is going to continue to expand and material handling is an important part of this. The number five fastest growing industry, transportation services, shows an increase in the number of trucking companies since deregulation, especially in states that deregulated their bus lines early. Florida has hundreds of new bus companies, because they have absolute bus deregulation. We certainly had an increase in the number of airlines in spite of the much talked about major problems with the major carriers. There are many airlines out there and travel will continue to increase.

What is all this going to be driven by in terms of markets? We could have looked at a number of different things, but we selected what we think is the single biggest factor that will be driving markets ahead in the next 15 years. This is going to be the continued realization that we are part of an international economy. Not just a national economy from Maine to California, Alaska

to Florida and everywhere else. Currently, about 20 to 25 percent of everything that American business touches is either something we send overseas or something we bring in. There is a one-out-of-four chance that if you are not involved in producing something for export, you are buying something that is an import. Many small firms don't think they have anything to do with international trade, but the things they sell are sneakers from Korea, toasters made of Brazilian steel, etc. Many small firms (a lot more small firms than we know about) are involved in exporting. The reason is that the U. S. Department of Commerce has very little ability to track the export of services. One-out-of three dollars in this economy will be affected by either an imported or an exported good. If people are not aware of the potential for growth and for export on the international trade market, then they are going to be missing the boat more than ever in the next 15 years.

Now, this gives you an idea of the trade balance. In today's economy, the trade deficit is almost as large as the budget deficit. It will continue to be an important factor, if for no one else, then the people in Washington. We are going to have to solve it as a joint problem.

Who is at the head of the list negotiating new tariff proceedings with the Japanese? U.S. law firms. You cannot set up law practices in Japan except under very narrow circumstances. They are putting pressure on the Special Trade Representative Office to loosen up the Japanese rules on setting up law firms. The same goes for accounting firms.

In China, business consulting and many other types of services such as advertising and public relations are going to continue increasing as items of export.

The growth in exporting is really going to come on the service side. It is not going to come out of the hard goods or the products side, because, I think we are going to continue to have some cost factors drive up the cost of our products vis a vis the rest of the world, particularly the third world. We are not so much competing with Japan, as the Japanese too are having to tolerate the competition with Korea and Taiwan and Singapore--countries which can even undercut Japanese prices. This is a trend that is certain to continue.

What do the U. S. Commerce Department and international trade agencies tell us about where the businesses that export the most are right now? Printing and publishing has a very positive export record. Much of its growth will be affected by future copyright laws as to whether it will change or not, but we have an excellent export record here. Leather is another key industry that swings back and forth, but which traditionally has been an excellent export industry for us. Chemicals, lumber, glass products, and food also represent strong export possibilities. We're importing more food today, but we still export a lot of food to the rest of

the world. Finally, the category of instruments, and I don't mean trombones, I mean scientific and technical instrumentation. Most experts regard us as the world leaders in this area.

How important is exporting to small firms? The printing industry is largely a small firm industry. The lumber/wood industry is predominantly a small firm industry. The other industries where exporting is increasing are basically large businesses, however. The small business sector is often involved at the input end and in subcontracting. Certainly that is the case in chemicals, food, and instrumentation. Again, if you're working with businesses and are not directly in a position to export, you ought to be looking at doing business with larger companies that will be showing this export growth and planning for export growth over the next several years. This is an area where education and training will play a vital role. We can no longer afford to educate potential entrepreneurs in a vacuum, without understanding other country's markets and businesses.

What does all this mean in terms of the general business environment we are going to see in this country in the next 15 years? First of all, counting farms, there are about 19 million small businesses, and if you don't count farms it gives you about 14 to 15 million. The number of businesses will go up to about 25 million, discounting farms, in the next 15 years.

How are these small businesses going to do better? Only if the whole pie expands. If the additional 10 million new businesses are going to have to fight over the same size pie, then we are all going to have a real hard time. Most of the businesses in this country will tend to do business as sole proprietorships, partnerships, or Chapter S corporations. I think the tax reform act will push some business people to dis-incorporate, or to re-incorporate in a Chapter S form, offsetting much of the growth in incorporations over the last couple of years. I think the tax advantages of being incorporated vs being a sole proprietorship have been evened out pretty much by the tax bill.

Most of the businesses in this country are going to be very small. Over 50 percent are going to have less than four employees. About 35 percent are going to employ between 5 and 19 workers, still small by anybody's definition. Ten-and-one-half percent are going to be a little larger with 20 to 99 employees. In terms of the numbers of businesses in the United States, only one-half of one percent, a pretty small number, are going to be large businesses. About 14,000 businesses in the country right now have 500 or more employees. That is going to increase to about 20,000 in the next 15 years. This means more big businesses. Does this mean it's bad for small businesses? Remember, there will be half again more small businesses too. Everybody is going to get bigger. Many small businesses will move up into the bigger business category. So the fact that there are more large businesses doesn't necessarily mean it is bad for small businesses. There is just going to be a lot more competition--all around.

What is more interesting, is that even while organized businesses are growing, the growth in self-employment is phenomenal. It is those persons who pretty much work for themselves, that do not have a large full-time work force, who have just shot up out of nowhere--particularly since 1975. An increase from 5 1/2 million to nearly 8 million in the last 10 years. People in the U. S. Labor Department think that that will go to over 12 million by the year 2000, a continued reflection of our entrepreneurial tradition. This does not include those incorporated businesses and those wage and salary workers who work a side business, i.e. moonlighters. From our studies, over the last couple of years, this group, moonlighters, has shown the largest increase of any type of self-employed business. Everyone who takes a look, finds that both the number of self-employed and the number of home-based workers continues to mushroom. This is going to be a very important avenue for people who have not traditionally been involved in business, specifically minorities and women.

The number of self-employed women as counted by the Census Bureau, almost doubled in the last ten years. Continued increases will not be quite that dramatic in the next 15 years, by most projections. The number of minority self-employed will also double, and I think that is good news indeed. The number of businesses as a whole is not going to double. The number of women and the number of minorities self-employed will increase dramatically. That means you are going to have a lot more people involved in small business, and obviously a lot of those self-employed start on a small scale and work themselves up into a mature business. This is going to be a very important avenue for mobility as it has been for the last 15 years. This will continue to challenge our ability to provide adequate entrepreneurial training and resources for these groups. Can we leverage public schools and other resources at the state and local level for these purposes?

Large businesses employ about one-half of the workforce right now. We anticipate that that will go up by about 5 percent. Although 50 percent of all firms had 1 to 4 employees, these firms only employed 3 percent of the workforce. A tiny fraction, which is sort of a backward answer to the question.

We have 14 million small businesses out there--why don't people listen to us? Well, the 14 thousand companies that employ over 500 people still employ half the workforce. It is sort of looking at it as a political/sociological answer to the question on who squeaks most. There are a lot of small businesses out there, and not nearly as many large businesses, but the large businesses employ many workers and they are seen as having a big impact on the economy.

The story that needs to be told continually by small businesses is how even if you take out the large businesses, half of all existing jobs and more than half of all new jobs are being generated by

small firms. Also, two-thirds of all new workers get their initial jobs and are trained in small businesses.

For the Federal Government the number of people employed is the same this year as it was in the early 1960s. But there has been tremendous growth in state and local governments. In total, civilian government employment is much larger now than it was 15 or 20 years ago. Almost all that increase is at the state and local level. Actually, 1980 was the biggest year in terms of civilian government employment, and state and local employment has dropped back a little since then, but figures show that state and local government employs almost 50 percent more people this year than they did 15 or 20 years ago. As I said, the Federal Government employment stays about the same, and we don't project a continuing growth in Federal employment. Whether the growth continues in state and local employment is up to states and localities.

Here is an important issue. What is going to happen, and who's going to be doing all the work in the economy in terms of output? Some of you may not be familiar with the term Gross Product Originating, but basically it is similar, just a little different from the GNP. Right now, we calculate that small business generates about 44 percent of what we call Gross Product Originating, but that trend line has gone from about 51 percent in 1958 to about 44 percent today. It has been more-or-less constant in the past several years. We think that by the year 2000 it is going to go down to about 41 percent. One of the reasons for that is one I just suggested, i.e., labor is going to continue to cost more. Who has been hiring most of the workers lately? Small businesses. And the more expensive it gets to hire more workers, the harder that is going to be on small firms and their efficiency. That is, output per worker.

The GPO is probably going to grow more in large businesses than in small businesses, and that means there is going to be continuous pressure on small businesses to perform more efficiently. This pressure will be largely based on all the competitive reasons we know, and all the labor force reasons we talked about earlier. Small business will experience a lot of pressure to become more productive and efficient. Companies that don't grow, are going to have a harder and harder time. The need for training and education obviously is going to have to grow. According to Alvin Toffler, we can expect a 25-hour work week by the year 2000, plus an additional 5 hours per week for training.

We thought we would like to take a look at several small business areas and discuss specifically the outputs in each of these different areas to give you a feel for how they might be different. You heard before that restaurants are going to hire a lot of new workers--they are only going to increase their output by 43 percent. Again, they just can't mechanize--can't hire machines to bus tables. In addition, it is going to be more and more expensive to hire workers. As I also indicated, most people calculate



that 20 percent in the growth of the labor force in 15 years is going to take place from immigrants. That is why a lot of people have a big stake in the new immigration law and whether we continue to have a lot of new workers come into the workforce from outside the country and that's obviously been a major issue of debate right now.

Manufacturing is another area. Remember the growth in manufacturing is almost totally flat. Productivity is going to increase significantly, largely the result of continuing automation. Small business employs over 80 percent of the very old workers, over 65. And that is going to increase. In terms of young workers, small businesses employ about 26 percent, and that will probably continue to decrease. Mature workers will probably increase, overall. People over the age of 45 are more likely to be hired. With more older workers and mature workers, there are significant training and retraining implications. We are going to be more highly educated as a workforce. While the number of people in small business with a high school education is going to increase slightly, the number of people with a college education is going to increase significantly. That is important from two angles, i.e., one positive and one negative. The more education people have the more we have to pay them, because labor markets create competition. On the other side, the positive side, if part of expanding your business is getting smarter workers to run those machines and computers, you are going to have to have a more educated workforce. And that's what is going to happen. There will be enormous numbers of new jobs for those with foresight to prepare for tomorrow's workforce. The best paying jobs will require creativity, imagination, and entrepreneurial ability. Contrary to popular belief, new technology will create more jobs than it destroys. Education and training will not be a one-shot event and workers at all levels will have to be recycled to go back to school.

Small business is the single most important economic outlet for women and minorities and that is going to continue to increase in terms of the workforce. Both women and minorities are going to go up significantly more than their population growth by the year 2000. I think large business is going to be more white, male dominated in terms of numbers of workers. There will be women and minorities hired in large businesses and continue to progress up the ladder in those industries, but in terms of who employs most of them, small firms will.

Finally, the topic of investment in computers and robots. There are many figures a lot of magazines write about, but I just chose one of them in this area, "What's Business Investment in Computers Right Now?" In the decade of the 1970s about 2 trillion dollars was spent buying computers and robots. In the 1980s it is estimated to be about 4 1/2 trillion. In the 1990s over 7 trillion dollars will be invested in computers and robots. What does this tell small business? If it is not investing in computers and robotics, it is missing the boat. My own personal opinion is that

if SBA offered more courses in how to use computers in business it would be the most advantageous thing they could do. The trade off between computers and people is going to become tougher and tougher. Right now, if we need more work out of our office, we consider spending \$5,000-\$6,000 for a computer or word processor, rather than spending \$15,000-\$20,000 to hire another person. That is where the trade-off is going to be made.

We plan to give this presentation in 13 years, to compare facts with projection--we won't say fiction. We hope you will all be back in Washington to see how well we did. We commend you on your conference and we hope our views about small business in the Year 2000 have been stimulating and suggestive of ways of recharging the American dream.

John Rennie

President, Pacer Systems, Inc.  
Member, National Commission on Jobs  
and Small Business

"Making America Work Again"

Over the last 10 years or so, we have experienced a sort of signal event in small business advocacy. This signal was begun in the late 1970s when Professor Birch from MIT published his study that ties small business to job creation. He showed that over a period in the late 1970s and early 1980s, nearly two-thirds of all new jobs--net new jobs--were coming from small businesses. Since then, President Reagan, complying with the law that requires each administration to report on the status of small business each year, (largely compiled by the Office of Advocacy of the SBA) has reported that, in fact, in the 1980s all the new jobs in the United States have been coming from small business. Which is to say, that companies like my own company has created more jobs alone, net, than the whole Fortune 500 has created in the same time frame. In fact, if you look at the United States in general, from say 1970 to 1985 we have generated, net, a positive 20 million new jobs. Western Europe with largely capitalistic types of systems similar to our own (but not exactly) have had a net decrease in jobs of about 6 million over the same period.

Why is this? There are probably many factors. When you put Birch's study together with other studies exploring general attitudes about small business in Europe you find, in fact, that Europe is not getting the new business formations that they should. There are many reasons for this, and I will allude to some of them, very briefly.

What it really comes down to is that the risk/reward situation in Europe is absolutely upside-down. If you make the move to go into a small business, take the risk, etc., and if you are successful, still it is very difficult to "get rich." It is very difficult to benefit greatly from your success. On the other hand, if you fail, the down side is absolutely precipitous. You are unemployable. People literally change their name and move to other countries, it is so bad. So, when we tie these events together, you can see how important the formation of small businesses and the growth of small business is to the growth of jobs and employment. The important thing here is that, as we look to the future and if we expect to progress in our economy, (i.e., internationally compete and so forth), small business must produce the jobs.

While the output of large companies may actually stay the same or even increase, the fact is, there is a likelihood that in the future, the increases in outputs will be done with fewer people. In addition to being job creators, small business is also the most flexible of organization forms, and can react to market changes

more quickly. Small business is also shown to be the most productive and also the most innovative sector of the economy. And as is pointed out, they are tremendous door-openers for people who traditionally have not been in the high, or even middle strata of society--to open the door, to do much better, and reach the peak of ones potential.

I think that of all the statistics you may read, (and I do recommend the report to you), there is one statistic that jumped out at me as we compiled this report and as we reviewed all the data we collected. During the next five years, virtually every community in the United States will have to replace 50 percent of its jobs and businesses. Now, that's a real stopper! We are talking about nearly half of all existing jobs and businesses turning over in the next five years. The general trend would be simply that in the following five year segment it is more likely that even that time span would be cut down to perhaps three years--everything will be changing that much faster.

Given this general sort of scenario, the question facing us is, "Where will our people find employment?" In 1985 a bipartisan congressional group came together (they were called co-conveners) and established a commission which was not only geographically representative of the various parts of the country, but also philosophically representative. Its members' viewpoints ranged across the spectrum in terms of outlooks, i.e., economic, political, and so forth. Our task was first to verify, as best we could, existing trends by gathering information and identifying those forces which seemed to be working for and against the formation and growth of small business, and; therefore, the direction and creation of new jobs. Second, we were charged with making a realistic assessment and a very frank assessment of where we are. Finally, we were to make recommendations as to how best to move ourselves from our current situation to where we need to be in the future. We started in the fall of 1985 and our report came out in early 1987.

We convened a series of hearings around the country. In addition, we a number of other meetings we also commissioned papers we reviewed research from people from all sectors and generally speaking, we tried to gather as much information as we could, sift through it, and try to make some sense of it. I think it is important to note that when we started we basically had an open agenda. We had no predisposition toward any one sector or any one solution. We were just trying to gather the data and identify the plusses and minuses. In the end, we tried to alert people to our minuses and make suggestions how to amplify our plusses. What I would like to do now is just briefly relate to you the highlights, the high spots, and the low spots in the report, which is titled, Making American Work Again.

As a backdrop, we find ourselves today in quite a different world than we were in--even just 10 years ago. We are in an unprecedented economic situation in world finance and economics. are no

longer the master of our own economic destiny. We are interwoven with world finance and markets and as a result, this presents us with different problems than we had in the past. Many of these problems policy makers have never had to wrestle with before. Some of them are quite threatening. I think the report briefly summarizes the elements of this new world, and in summary, I think it could be basically said this way: The economic threat is fundamental and powerful--in a way it is not unlike a military threat, although not as catastrophic as we might think a military threat. There was a point during our deliberations where several commissioners advocated putting this whole business of economic and international competitiveness ahead of the defense of the country as the first priority of the government. In the end, we couldn't quite justify that. I relate this to you to indicate how alarmed the commissioners became as we began to assess frankly our situation.

The commissioners felt little doubt about the reality of this fundamental threat to America's promise, which we paraphrased by saying that all citizens can reach as far as their talents, their ambitions and their hard work can take them. Yet, we found also many good things which promise much needed change. If only we can seize upon these good things, expand them, and make use of them, then I think we can do very well, indeed. I talk especially about the good that emerges where the working spirit of the American people and the business skills that exist in all levels of business converge. The intellectual resources we have, the wealth that we still have, the technology that flows through much of our everyday life, and the large measure of self-confidence we still retain, can all be leveraged to overcome whatever difficulties we might encounter. To ensure the continued vitality of America's small business sector, all we need is leadership in developing and nurturing the spirit of enterprise. If we do this, we feel that we can breathe new life into the economy and regain the historic place of the United States in the world economy.

Our major findings relate to our assessment of where we are now. First, our people are basically unprepared to compete in world markets. We have probably two generations of culturally ignorant people. This is due to a drop-off in things like language training and a de-emphasis of history and economics in many school systems. Also, we seem unprepared to compete on an economic level, where very quickly we come to the conclusion that if a country is making things with low labor rates, then we won't be able to compete with them. In fact, however, you can see that even with deregulation in the United States many of our industries, take the airlines for example, probably couldn't compete amongst themselves in the United States. This is why we see that the management of these companies are having to sharpen their operations, which as a by-product, cause great disruptions to their workers. So it appears an endemic problem--we basically haven't thought in terms of economic competition, especially internationally, and the problem is exacerbated by the fact that

culturally we just don't seem to know what is going on beyond the waters edge.

Also, we have a woefully inadequate emphasis on education and training. We allow too much functional illiteracy. As a nation we are lacking a lot of the fundamental skills such as writing and reading and things of that nature. We lack a supportive and consistent public policy. Public policy with regard to education and training goes up and down. It appears subject to shifts in budget discussions and things of that nature, even in the face of considerable shortage (and a worsening shortage) in needed labor. As a result, if this trend were to continue, we feel that by the year 2000 we may have a shortage of as many as 15 million scientists, engineers, skilled mechanics, and semi-skilled workers in the United States.

We also found that this lack of education and training policy represents an unsatisfactory understanding of the new competitive environment in the country. There appears little or no understanding of entrepreneurship in any kind of broad sense, by the broad population. There is a fundamental lack of understanding of economics on the part of whole school systems, the everyday person on the street, and to a large extent we found that educators, themselves, were somewhat poorly informed in these areas, i.e., teachers had little idea of the economic system and how it worked, the importance of job creation and small business formation.

Other major findings went into areas such as inadequate savings and capital investment in our nation. This situation leads to the high cost of capital. We have an extraordinarily high cost of capital--much higher than it should be. In fact, at times there is an unavailability of capital at any price for small business in this country. One of the reasons Pacer's Systems, Inc. went to London was to float a public stock issue. For my company the cost of capital in floating the issue in London was about half, maybe a little less than half, of what the same issue would have cost in the United States.

The U.S. also has the problem of aging plants and equipment. Some of this situation has been improved in the large business sector, but because affordable, long-term capital is still a chronic shortcoming for small businesses in the United States, smaller firms are finding it much more difficult to keep up. Over the next 15-20 years, small businesses must keep up to be competitive. In addition, we have had very poor performances in exporting. The United States is in a very peculiar situation in the world in terms of exporting. The CEO of a business, especially a smaller or medium sized business in the United States, starts selling products or services on a domestic market premise. Very few small or medium sized businesses have saturated the U.S. domestic market. Therefore, the decision to go off-shore for an American CEO is quite different from a German, Irish or Spanish CEO. European CEOs usually build the market premise for their companies on international trade, trading around Western Europe, or wherever

they feel makes sense to them. Our CEOs don't operate this broadly, and, therefore, American CEOs often face a decision on whether they should expand into Western Europe, or to expand into Southwest United States. Guess what? Southwest United States wins most of the time. So, we have to create extraordinary incentives, and we have to lower some of the resistance in real and perceived barriers to trade outside this country, or we are never going to get small business to export.

We have 250 companies in this country that export over 80% of all our manufactured products. There are easily 20,000 more companies in the country that have exportable products who just simply are not involved in trade at all. The statistics go on, but I won't dwell on them.

There also exist a number of impediments to growth and competitiveness, i.e., public policies we talked of earlier. Right now, there is an all out assault on businesses in terms of the cost of doing business. Minimum wage is only one issue. We have mandated health benefits, we have parental leave requirements, we have occupational hazard notification--all of these things add to payroll costs. One thing about payroll costs is that you pay them whether you are making any money, or not. So a payroll cost is a direct assault on competitiveness and business in general. Small companies in particular cannot easily swallow these things and remain competitive in the market places. If they must pass on the cost to the consumer, they will be forced to fuel inflationary tendencies.

There is also a very short-term focus of U.S. management on the performance of their companies. This ideal is stimulated as much by the financial community as it is by the managers. It is kind of nice to say, "Well American managers aren't as good as Japanese managers, they don't have a focus on the long term." But a case could be made that American manager's have done exactly what their investors wanted them to do, which was to essentially maximize near term profits especially in public companies, or very visible companies. Performance from quarter to quarter to quarter had to be better and better and better. If a fellow from Polaroid, for example, stood up in an annual meeting and said that they were not going to put out any dividends for a couple of years, and that the earnings would be flat to allow for greater investments in plant, equipment, and human resources, there would be an airbus full of analysts coming up from Wall Street in no time flat trying to figure out, "The guy must have gone crazy." We have to address this focus on short-term profitability.

It is all very complicated, because some of the prime movers in this push for quarter to quarter profitability are pension plans. They are huge sources of investment capital. As investors, we're putting the money in, and if we are not happy with the people managing our money in pension plans then we say, "Let's go out of that management team and go with someone else." So the pension

plan managers pass that pressure right along to the management of companies.

We have to be very careful not to upset the risk/rewards system, which, in our country, very few people talk about. It's one of these things many people probably aren't consciously aware of, but subconsciously they do size it up, if someone is going to start a company, or if someone is going to bring a new product to market. What are the risks? What are the potential rewards? In this country, we have a pretty good system, generally speaking. If you do well and you succeed, you can reap the benefits in whatever way you would like.

One of the things I worry about as the result of what we learned is that the liability insurance problem could, if it were left to go on for any length of time, upset the risks/rewards formula. People who are in business, (e.g., running a business profitably for 20 years), have built up equity or assets, etc., and one morning they decide, "Gee I could lose this whole thing in one liability suit, however frivolous. Even just defending it may actually cost me my business and maybe the personal equity that I have built up." Similarly, if you are in a company where you want to bring new products to market, you might hesitate from introducing the new products, if it would open you up to all kinds of crazy liability threats. This does not say that we can't pay attention and protect the consumer legitimately. But liability insurance, today, is prohibitive. In fact, many small businesses, if they can get it, many times reject it, and "go bare," as they say. If these dysfunctions are allowed to sink into the economy for any length of time they will begin to affect the job creation process by inhibiting the net small business formations. I say "net" in the sense of a company forming; and there are also companies deciding whether they would want to continue or not--there are discontinuances. What we risk is a lot of voluntary discontinuances due simply to the fact that the entrepreneurs or business managers add up that it isn't worth the risk anymore.

All these areas are things which are tending to work against the kinds of things we really need; so what to do? Well, the commission came up with a series of recommendations. First, under a general rubric of "mobilizing our people" we said that first of all, we have to make the most of public and private leadership in these areas. And certainly we commend your group as one of a number of groups around the country who are beginning to become educated in these areas and are really in positions to begin to affect things at local and state and even federal levels. We have to increase the public understanding of the situation in general and we can't cover up what our situation is, which, is in many respects, not good. The projections you saw for the year 2000, in short, will not happen unless we do some things to make them happen. It's not going to happen on it's own. Finally, we have to boost education, generally, as a national priority. This came through loud and clear in most of our hearings.



The second major rubric was to "prepare our workforce." First of all, we wanted to put more emphasis on early learning. Learning in the very early grades on a variety of different topics, whether cultural, or economic, and introduce thoughts in these areas very early on. We feel that educational standards have to be improved. We have to improve not only the math and science skills, but also language, intercultural learning, reading and writing and other such basic skills. In my industry writing is abysmal, absolutely abysmal. It is difficult to get many of our technical people, or even my financial manager to write three paragraphs that are grammatically reasonable--I won't say correct, just reasonable. It is really a major problem. We must use the resources of educational institutions better. We must expand public and private efforts in training and retraining. This area I feel is, without a doubt, a growth industry. It lends itself to introducing new technologies and greatly improving the whole productivity of the training process itself. We have to invent incentives for training in industry. Small businesses do a lot of training--training with a small "t". It's a lot of unorganized, on-the-job training, with somebody looking over your shoulder. However, small businesses are not able to pay for having really comprehensive training done in-house. They need incentives so they will organize that kind of thing--maybe coming together to share the cost of a training or retraining program. We have to make pensions more portable so that people can improve their flexibility in shifting from company to company in order to continue to be employed.

A third major rubric was "investment in our future." We have to increase the incentives to save. I'm sure you have heard these kinds of things in the major debates, but we still tax the interest on savings and then allow deduction of income tax on interest that we pay for purchases. We have to increase the incentives to invest. Recently, in last year's tax bill, we eliminated the investment tax credit. In a sense the tax bill is the nearest thing we have in this country to a centrally controlled economy. In other words, if we make the decision, or the government makes the decision, to allow the interest on single family housing, to be deductible, and says that an investment in plant and equipment is not deductible, there is a very clear direction that has been set. We are favoring certain industries over other industries, favoring certain practices and expenditures over other expenditures and practices. So, we have to look at these things and see what the impact is.

We also have to encourage risk taking and the participation of our citizens in equity markets on a broader scale. When Mrs. Thatcher came into government in the United Kingdom, one of the things she did was to try to encourage British citizens to buy shares in the London Stock Exchange. One of the ways she did this was to convince the leadership of the stock exchange to encourage companies to trade their shares at very low values regardless of the size of the company. So British Aerospace trades at two or three pounds, or just under five U.S. dollars, as do most of the companies on

the exchange. This policy allowed the average citizen to go out and buy a block of 50 or 100 shares with the monies that they had, and to feel like they were really participating. It's psychological, but it's very important.

We also want to improve long-term growth in capital investment, research and development, and technology transfer. Of particular interest is the technology transfer between educational institutions and the small business sector. Educational institutions in this country generate all kinds of very important basic research, and inventions. However, their charters in most cases prevent them from exploiting these assets. On the other hand, the small business sector has the best record in innovation, which is really the process of taking an invention and bringing it to market. If you tie these two sectors together, the small businesses and education institutions are able to do what each does best. While working jointly, educational institutions and the small businesses that exploit these inventions and new technologies can create earning streams back to the universities. One of my first products I licensed from Cornell aeronautical laboratories in Buffalo, and for 16 to 17 years now we have generated an earning stream back to that organization. It has since been sold and become an independent company. In our area of Boston the tie between the small business community and the academic community is very tight and very constant, with all kinds of interaction in this particular area. We need to do more of that.

We need also to encourage things like job creation partnerships under the JTPA act, the Private Industry Councils, and many other kinds of programs that get into that area.

Another large area the commission got into was what we called, "Restore the Yankee Trader Tradition." At one time the U.S. was the best in international trade. Now we are among the worst. We still trade an awful lot--international trade is very important to us--but we have been losing a share of world markets in virtually every sector over the last ten years. There are a number of recommendations in this area, but it all boils down to getting the small business and the medium size business sector into international trade, especially, into exporting. To do this we have to create incentives. We have to have education, (education here in the sense of educating people on the process). We have to improve the process and knock down a lot of barriers to get things offshore. And finally we have to improve the flow of marketing information. For example, there is no effective mechanism now by which U.S. companies can find out what the work requirements are for the German government or large German companies. That flow of marketing information has to be improved.

Finally, the commission explored an area called "Clear the Decks." We felt the need for systematic organization to do these things, and we recommended a number of implementation policies to overcome some of the impediments and make the most of our strengths. So, we found, in summary, that the whole process was fascinating, and

I think on balance sobering and invigorating. We came away feeling, in a way, chastised, but very hopeful that we can, mobilize this country to get with it. We trust that we have made a contribution to the public debate.

The current trade bill, for example, has (for the first time in a major trade bill), a small business title which reflects a number of the recommendations of this Commission and other groups that have been working in these areas for quite a while. We are beginning to see results that we helped stimulate. People ask me, "What was the relationship between this commission and it's findings and The White House Conference on Small Business last Year," for which I served as a commissioner, as well. The difference was this--The White House Conference on Small Business told policy makers and the government what small business felt was important. What our report does is tell policy makers why they should pay attention to the outcomes of The White House Conference and why they should pay attention to the small business sector. We need more enthusiasm and intellect to help form a society which not only will survive but in fact will thrive and win the international economic challenge.

William Dennis  
Senior Research Fellow  
National Federation of Independent Business

Reaction Panelist

I would like to confine my remarks today to the report comments about education.

In 1970 we saw an explosion in the number of new business formations. Three factors were responsible. The first was culture, the second was information, and the third was opportunity.

By culture, I mean the basic attitudes and frames of reference that people in a society share. For example, their outlook towards business and entrepreneurship, their outlook towards risk, and so forth.

By information, I mean that starting a new business, or purchasing an ongoing business is really an act based on informational advantage. "I have information that you don't have, or at least, I think I have."

By opportunity I mean the absence of barriers. Barriers can be informal, e.g., discrimination, or they can be formal such as those we had in the trucking industry for years.

All three of these factors have a strong education component. Education is obviously critical to this entire entrepreneurial process. So I can't disagree with the commission's emphasis on education. Literacy is absolutely essential. Training more engineers is vital. The absence of economic education is also critical.

An entrepreneurial act is essentially an act involving information. The process of discovery--the idea that I see something out there, a way to do something that someone else doesn't see--is creative. And so the question becomes, how do we prepare people to be creative? This is not an easy question. A mandatory two years of math and three years of science and four years of foreign language does not answer the question. The report does not address this issue.

This is a difficult area and one, as a non-educator, I don't pretend to have any expertise in. But someone should and someone must address it. Therefore, one of the elements and points that I think must be added to the commission report, involves the process of creativity. How do we shape an education system that helps our young people as students, and later in life, as adults, take advantage of the creative process?

The second point I would like to make, involves the relationship of teachers themselves to economic education. The report mentions the study done for NFIB by John Jackson of the University of Michigan. Professor Jackson looked at American society's view of small business owners and entrepreneurs, and the values they hold. Most critical for present purposes is the finding that the occupational group most antithetic to small business, to entrepreneurs, and to the values which these people hold was none other than educators. Educators themselves are not sympathetic to the entrepreneurial process. They are not knowledgeable about the process. Yet we trust them to acculturate our young students. Therefore, it is absolutely vital that teacher/educators understand the process and its purposes.

Training is an enormous field. But we have not yet identified means by which a match between programs and small businesses can be successfully made. If we look at virtually every government training program (now I'm talking about federal government training programs vis-a-vis an educational system), small businesses simply don't participate. They don't want to participate. For example, we have something called the U.S. Employment Service. It is a resource for those who are looking for employment, as well as for employers. But less than 2 percent of the small businesses that we have surveyed have ever used them. Part of the reason that they don't use them more is that those who have used them have not been satisfied. There appears to be little relationship or understanding of small firms and their demands, and employee skills.

One thing I think is very important. There is a difference between entrepreneurship and small business ownership. We use the two interchangeably. Frequently, you can make an argument that the two are alike--the argument being that forming a small business is an entrepreneurial act itself. However, that is the last entrepreneurial act for many small business owners. Therefore, when we consider either training people or helping people to become entrepreneurs and/o. small business owners, we have to realize that there are different tracks, there are different paths these people might pursue. Neither one of them is bad. They are both very good, but they are different, and we have to understand that.

Finally, I would like to leave you with this thought--a small business explosion occurred in about 1970. But we also see subsequent explosions. One is in the business press, one is in education about small business and entrepreneurship, and one is among politicians who are interested. What is critical, however, is that all three of these latter groups have lagged anywhere from 5-10 years behind the business explosion. In other words, there seems to be a bit of hanging on occurring. While I don't mean to suggest that these institutions cannot help or assist in the process, I would also suggest that those who think they can, and want to make sure they do, be very wary and very humble in their efforts.

James Kadamus

Assistant Commissioner for Occupational  
and Continuing Education

New York Department of Education

Panel Reactor

Instead of addressing the report specifically and some of its conclusions, I would like to talk a little bit about what we have done in New York, as a response to some of the findings of the report and some of the changes that it has called for. I would like to focus on three areas in particular. First, I will relate what we have done in the area of new standards for education across the board as well as occupational education, specifically. Second, I will discuss what we have done in the area of literacy which is cited in the report as a major problem in the country. Third, I will point out what we have done to coordinate our educational programs better with our economic development policy in the state, particularly with our emphasis on small business.

Everything that I will talk about has happened in the last five years. It has happened in an environment that I think has been created to allow it to happen. It has happened in a state, that many people think of as a large state with a lot of Fortune 500 companies; but, in fact, has about one-half of its work force working in businesses that have less than 100 employees, has 98 percent of all of its businesses employing less than 100 workers, and has 75 percent of all its businesses with less than 25 employees. So, New York is truly a small business state and small business is what is helping its recovery. Small business is really the back bone and the strength of the New York economy-- where all the new job creation has been in our state.

We first talked about the new standards for education and I will not go through a litany of what we have done, because we have done a lot of what everybody else has done in terms of setting new standards for elementary and secondary schools, but let me just talk about the four or five things that I think are different about what we have done in New York. One is that we tried to bring an emphasis in the elementary schools to two aspects that we think are important in terms of the workforce of the future. We are requiring all students to take courses in keyboarding, which we believe, based on our discussions with computer experts, will be the major opportunity for data and word processing in the future. There will not be a major development in the near future in voice data entry or voice word entry, and so, people will use the keyboard well into the 21st century as the major source of data and word entry, and processing.

The second thing that is different in New York is that we require all students in grades K through 9 to take foreign language instruction. By the end of grade 9 all students are required to take what would be an accumulation of two years of foreign language instruction. They can do it over a period of grades. They don't have to concentrate it necessarily in junior high school. In fact the idea is to try to get students, not necessarily to be fluent in a foreign language at all, but to give them some kind of exposure to cultural education, to other cultures, to other languages, and what those mean in terms of getting along with other people, and the national economy.

A third area is that we require all students in the 12th grade to take a course in economics. In that course we have specific modules that relate to business ownership and entrepreneurship. We have also done a lot in terms of dealing with our occupational program, and one place where we started is in the junior high school. If you think about the growth of small business and the growth of jobs, one thing it will do, or has already done to people, is segment traditional career ladders. You don't start as the janitor of a large company and work your way up to the president of a large company, mainly because most companies don't hire janitors anymore, they contract out for janitorial service companies. So, now you can work your way up from the first entry level of janitor of a cleaning company to the president of the cleaning company, but you're probably going to have to switch jobs to be president of General Electric or IBM. So, in fact, we believe that in this whole area of segmentation of career ladder, we need to do more work in learning about careers and about career planning. We require students in grades 7 & 8, all students, to take a course called, Home & Career Skills. It deals with home management, consumer skills, career planning and information. Not to choose careers, but to find out information and to explore information about careers. We also believe that technology, as Mr. Rennie has said, will be a very important part of everyone's work life and we require all students grades 7 & 8 to take a course called, Introduction to Technology, which is on the use, control, and understanding of technology.

In our occupational program we have tried to create a balance between what we call our transferrable skills and job specific skills. We still teach both, but all of our occupational education students, vocational education students, take a course called, Introduction to Occupations. Everyone--no matter what subject he or she is in, no matter what field or specialty he or she is planning on going into--everyone takes it, together, usually 9th and 10th grades. The program is basically about the organizational structure of work. It is about the world of work. It's about the work ethic--about showing up on time. It's about being part of a business. It's about profit. It's about working in teams. It's about managing resources. It's about doing projects. That is what we are trying to emphasize, because we think that is part of everybody's program. Those are the kinds of transferrable skills that we think are particularly applicable in

the small business sector. Throughout our occupational program we have also introduced modules relating to entrepreneurship, and business ownership, so the students even at the secondary level can have a better understanding of those concepts. Two programs that we have been able to get the state legislature to create for us relate to entrepreneurship. One is called our Entrepreneurship Challenge Grant Program, i.e. small grants, \$5,000 I think is the maximum grant. The funds have to be matched by business and industry to bring business people, particularly small business people, into the schools, primarily secondary schools, to talk to junior high school and high school students and to work with students on concepts of business ownership and entrepreneurship. Part of the grants are for helping students form & create their own businesses in the classroom. That program has been an exciting program and really a tremendous success in 27 projects throughout the state, where students are getting introduced in a hands-on way to business ownership. Also, part of that program funds an entrepreneurship resource center at a university in our state. The center is designing and developing instructional materials, activities, and inservice training for teachers who are involved in teaching entrepreneurship in the classroom--whether it is in a social studies course, an occupational course, or business course. The Center's purpose is to provide a flow of instructional materials, to overcome the weakness of not having good instructional materials.

I think it is very true that teachers don't understand a lot about business ownership and entrepreneurship and they need that kind of help and support. We also have a program called the Teacher Summer Business Employment Program. It allows teachers to go into private companies where the state will pay one third of their wages to go into companies during the summertime and gain a work experience. I think the minimum is 4 to 8 weeks. The teachers are placed in companies, and part of their salary is picked up by the state. And so, again, it is an opportunity for teachers to get that kind of exposure first hand--what is happening in business.

Let me address the second area, and that is in the area of literacy. We have a major problem in literacy in our state, and if there is any state that does not, let me know who you dealt with on that. We do, and we are not afraid to admit it. We have about 3 million adults in our state that do not have a high school diploma, which I consider to be a basic entry level job requirement in the society of the future. Just to give you a sense of the magnitude of the problem, we have 80,000 AFDC mothers in New York City that read below the 8th grade level. So the chances of our being able to get them into a job situation without upgrading their basic skills is very minimal. They can't even get into a JTPA program in New York City--they don't read well enough. We have made a major investment in our state in terms of basic skills education for adults. We have a state aid program that has gone from 2 million to 18 million dollars in three years. We basically



tripled the total amount of resources in our state, cumulatively, state and federal funds that deal with literacy programs.

We basically focused on two groups, in terms of our literacy program, one is on welfare clients, i.e., people that are on public assistance. Here we looked primarily at AFDC mothers trying to provide them, through a program we call Project Prepare, a literacy level where they can get into training programs. Where they can become productive members of society. Where they can work in as many of the small business opportunities, particularly in our large cities where there is great growth in the service sector. Where they can break out of a cycle of poverty which we think is a real drain on the economy.

The second program is what we call Workplace Literacy. We have done a major project which we think will soon become a national model with the Rochester Products Division of General Motors. This project was a cooperative venture between Rochester Products of General Motors, UAW, and the Rochester City Schools to provide literacy training for people who did not have a high school diploma, or people who were functionally illiterate and really needed a very low level of basic skills. These were people who were all earning \$13 per hour minimum. General Motors contributed part of the money, the state contributed part of the money, and basically what we have done is give people release time. General Motors gives people release time, up to 12 weeks release time, to go to basic skills instruction, full time, just as if they were going to work. They go from 7:30 in the morning to 3:30 in the afternoon and they take a half-hour break in the morning, a half-hour break in the afternoon, and they have a half-hour for lunch. It's as if they were going to the plant, but what they do is go to school full time and make their salary. Rochester Products feels that they can't compete in the future unless they make a major investment in upgrading the basic skills of their employees. We believe that is true, too. So we do a combination of basic skills, as well as some other occupational applications. Our view of workplace literacy is not GED, or ESL, or basic skills brought into the factory, in fact, it has to be job applicable, job related. The basic skills that we are approving have to be seen as job related. The test is not whether you can read two reading levels better, the test is whether you can do the job better as a result of the increasing basic skills.

The last thing I want to talk about is the coordination between our local education institutions and business. Our state's economic development program has a very strong emphasis on small business and a growing emphasis on skills training as part of that. We have a program, much like that of other states--customized quick-start training--only we do it a little bit differently. First, it is a large program around 10 1/2 million dollars. Second, it has a very primary emphasis on small business, about one-half of the 50,000 people that we served last year were in small businesses. Third, it is regionalized throughout the state--through 10 regional centers--so that it has a regional emphasis.

Fourth, we work exclusively through educational institutions--we do not pay businesses or subsidize their training. What we do is we make arrangements. We broker arrangements between local businesses and educational institutions. I would say that 99.9 percent of all the programs we have done have been conducted by educational institutions, either our colleges, our regional vo-tech centers, or our local school districts. One of the great benefits, not only to improving and upgrading productivity of a company, of this program is that it has brought face-to-face the production manager or the first line supervisor of a business with a classroom teacher. That benefit cannot be overemphasized because that is a heck of a lot more interaction than any kind of advisory council can give you, or any kind of curriculum project can give you. When you have people face-to-face, you see tremendous changes in the educational program of an institution. After they have had that first face-to-face contact educators learn a lot more about what the needs of local businesses are.

Many of our activities have been done through a state interagency small business task force. There are 27 state agencies that have an interest in small business that meet once a month to coordinate the state's policies relating to small business. The state entrepreneurship task force was formed as a subcommittee of that interagency task force.

One other area that I will mention is that we have had a major emphasis in our state on supporting women and minority owned businesses. We have had a number of programs that were particularly designed to help women and minority owned businesses participate more fully in our state's economic development program. We have a bonding readiness program and we have a revolving loan program, both of which we are finding geared toward minority and women's businesses. Yet, we are also finding that we can't even get people to successfully apply for those programs, because they need additional training in areas such as business planning, business analysis, and just getting ready to even qualify for the state's 3 1/2 million dollar revolving loan program. So, we have developed training programs in conjunction with local educational agencies, and colleges, to be able to provide the training to women and minority entrepreneurs who are interested in applying for the state/federal assistance. So, what we are seeing is that skills training is becoming a vital part of our economic development program, and it's a program that really takes advantage of our educational agencies.

George Solomon

Director

Business Education and Resource Management  
U.S. Small Business Administration

Panel Reactor

One of the points that Mr. Rennie made was that the commission looked around and saw little or no understanding of entrepreneurship. Well, you have to look at it from two perspectives. Recently, I was asked why I thought there was an increasing number of programs being offered in entrepreneurial education. My response was that it had nothing to do with enlightened faculty or administrators, it had more to do with the demand on the part of students. So, what we are seeing as a result of the upheaval in the 1960s is a group of young people, (I also teach at two universities here in Washington, D.C.,) who are basically demanding that if programs are not offered in entrepreneurship, in new venture creation, or in small business, then they are literally going to take their dollars, which are now becoming very expensive, and go elsewhere to get that type of education.

We are also seeing from the upheaval in the 1960s, that those who rebelled against traditional organizational structures are also those who have come out of the 70s and 80s as our small business entrepreneurs. What we are starting to see now, not only in colleges, but in high schools and in some cases, grammar schools, are people who identify with the Famous Amos's and the Stew Leonard's, the Arthur Lipper's, they want to be entrepreneurs.

I also don't necessarily agree with the issue of risks vs rewards. In all the studies done by my students, and in all that I have read and researched, entrepreneurs are going into business on a sort of non-economic theory. They are not going into business to maximize profits and to have a return on investment. They go into business because they want to do it their way. They want the opportunity to be independent.

I also agree, in one respect, with Stan Parrish's concern on the general inability of American's to write. If he has problems with his managers, I would be glad to give him the papers I have to grade at the school of business (George Washington University). They are not much better.

It is popular to observe these days that we are all part of the electronic age. Television allows parents in America to sit their children to sit in front of their television instead of reading or otherwise interacting with them. By the time these kids get in our schools, you ask them about vocabulary, punctuation, and grammar and all they can tell you is what Bill Cosby said the

night before, but they are unclear as to who wrote the Scarlet Letter.

Also, what we see at the graduate school of business and what we see when we put on training programs is that people are very good at learning, if, in fact, the major premise is that you give them data and they give it back to you. But I have a major suspicion that in the graduate school and in all phases of the educational system we have not taught our people to think. In fact, one of my students, the other night said, "You know what the problem with this class is, it is that we have to think." The class stopped and looked around. I said, "Do you want to repeat that?" He said, "Yes, in most courses they give us data, twice a semester we have exams, we give it back to you, and depending on how much data we gave back to you and in what form, we get a grade." So it appears we have created a society of technocrats, or highly specialized people. We have financiers, accountants, marketeers, and we'll put them into the real world, as we call it. Then their managers call us up and say, "I don't know what they are paying you people to teach at George Washington or Georgetown Universities, but these people can't think on their own. They keep asking for the text book or the manual, on problem number 127, and we keep telling them that these problems are brand new."

In taking issue with the international trade problem and the concern for the Yankee Trader, I ask that you remember that in the 1800s the dominant market place was not the United States of America--it was in Europe and other foreign countries. Only since World War II is the United States the dominant marketplace in the world. For some reason everyone woke up one day and said, "Why should we have to worry about getting business in Japan when the United States market is so big and open for our business opportunities?"

It seems that what we have to do is twofold. Clearly, we have to make small business people aware of the business opportunities internationally, because they have been primarily focusing on a dominant market of the world, namely the United States. Secondly, it may be the case that many of our small, medium and large businesses have done such a poor job in customer service that the American consumer has said, in effect, "Look I'm going to get the product from the person who gives me the best service." So it may be the case that in terms of the trade deficit, a way to deal with that would be not only to worry about exporting, but also to do a better job here in the United States in terms of product and service quality. The idea here being to become so competitive that the foreign products being imported to the U.S. are not the products being selected by the U.S. consumer. In fact, I have to put a plug in here, the U.S. Small Business Administration is about to launch, hopefully in the Fall of this year and in the Spring of 1988, a series of international trade conferences around the country.

In worker training, the interesting dynamic appears when you talk to small business people, who are in the small scale stage. They

are not concerned about training workers. Their concern is, and I've heard it said, "They (workers) should come to us prepared, we shouldn't worry about training them, or sending them somewhere to be trained. We don't want to pay that cost." Also, what you are starting to see both on the vocational side and the entrepreneurial side is that because of the interest in the area, more and more of what you would call creative and enlightened educators are teaching programs. But they work in bureaucracies, as do I, and in order to offer innovative programs sometimes educators must apply a lot of guile and deception in keeping their departments in their back pocket.

I think that the American young person, today, has a good understanding of the economic system. I had one of my students interview a young man over in Reston, Virginia who is 18 years old, worth 15 million dollars, and has no intention of going to college. He has made all of the money he needs and he understands the free enterprise system. I think what has happened as part of the upheaval of the 60s and the entrepreneurial resurgence in the 80s is everyone is thinking: a) about going into business; b) that it's not distasteful to make money; and c) given the option, the individualism that came out of the 60s, people are saying, "If I have a choice between working in corporate America as opposed to working in the medium or small business, I'm going to choose going into the medium or small business."

In fact, Harvard University which prides itself on occupying the leading edge on economic and educational thought (huh, sic), annually publishes a survey of its graduates. Asking their grads where are they going to go, and what kind of jobs are they going to get, with the intent to always say, "Well, Stanford, our salaries are always greater,"--which they are not. As it turns out, more and more of Harvard's graduates are going into small or medium sized businesses. We at George Washington University are starting to see a real emergence in that area. Where we had no courses in the field five years ago, we now have three or four different courses. Many of the individuals who work in large scale organizations and government agencies are talking about (when their 20 years are up, or even immediately), going into small or medium sized businesses. So, I think that between Jules' mild optimism and Mr. Rennie's mild pessimism is the reality that is going to happen. I think, and agree that some things need to be done and other things are just beginning to happening. It's a ground swelling.

In conclusion, I think one of the points that Dennie made is excellent. We tend to use the word entrepreneurship to mean everybody who starts a new scale operation. What we are seeing in my courses, which are strictly called entrepreneurship, as opposed to courses in new venture creation, are the people we commonly refer to (or I commonly refer to) as mildly socio-pathic, or social deviants. They show up in my classes and are very innovative. In fact, one of the people I had last semester, a young lady, in the middle of the semester, said to the others, "Well, I

own a taxicab company." Everybody looked at her with distain and said, "How did you do that?" And she said, "Well the SBA auctions off property when people go bankrupt and I bought a taxicab and started a company and financed my entire graduate career." In addition, she added, I happened to visit a friend in Houston, when the economic market bottomed out, and I started buying condominiums for 10 cents on the dollar."

And so they asked her, "What's your new business?" Today she is designing and finishing a software product that she will be using in her own boutique. Taking input based on gender, hair color, size and various other references, she will be able to tell a client what clothing will look best, what cosmetics to use, etc. She has field tested it.

She was indicating that this was the only class in which she felt comfortable. In many of the other general business courses, students would look at her askew when she asked why they weren't talking about small business. "Well," they would say, "we're talking about corporate America." She would counter, "Yes, but small business is where all the jobs are being created." The professor would immediately react, "No, no, we are not supposed to talk about that in here, they will find that out later."

So, in conclusion, I commend the commission on their work. I think there are some areas with which I would agree and other areas with which I don't agree. This is why we at the SBA, in the generic sense, try to support educational programs and try to get people stimulated in terms of being creative and innovative. I think that is what is going to keep us moving in a positive direction.

Sheryl Swed

Special Assistant

Office of Advocacy  
U.S. Small Business Administration

"U.S./Canadian Free Trade Negotiations"

This afternoon I would like to offer some thoughts on the theme of this conference, "Recharging the American Dream" and relate the concept to the future of small business enterprise in the international market.

The tradition of entrepreneurship runs deep in our culture--it is woven into the fabric of the American character and the American dream. As we celebrate the 200th anniversary of the U.S. Constitution, it is an occasion for us to reacquaint ourselves with the founders of that unique social contract. And among the framers there is one person who made significant contributions to the writing of the Constitution and who also personifies entrepreneurship--Benjamin Franklin.

Benjamin Franklin, a product of colonial America, was one of the great individuals of the eighteenth century. He was a citizen of the world, well traveled, and experienced in both national and international affairs.

But this internationalist, scientist, and public servant was first and foremost an entrepreneur. You might say the ultimate entrepreneur. He embodied the adventurous and creative spirit associated with entrepreneurship in our nation.

Ben Franklin learned his trade, as do many business owners, by working for someone else. He took a chance at an early age and ran off to Philadelphia to find work in a print shop. Most American school children have read about him, the boy who arrived on foot in Philadelphia with a Dutch dollar and one copper shilling in his pocket. They envision him walking the streets of Philadelphia carrying two loaves of bread under his arm while eating the third.

This young man was hired by a famous printer in Philadelphia, completed his education in the printing trade, and then opened his own business at the age of 22. By age 42, he had amassed enough money to retire.

Benjamin Franklin was interested in more than making his own fortune, however. He played a major role in American history from the Albany Congress of 1754 to the ratification of the Constitution of the United States in 1789. He is also recognized for his contribution to public service in colonial Philadelphia.

This nation has many "Ben Franklins." I suspect you teach some of them. The dynamism of Benjamin Franklin still fires today's American dream. This inspiration helps to create jobs and innovation, not only in the United States but in nations around the world. It is this spirit that breaks down social barriers and creates the opportunity for upward mobility for thousands of energetic women and men in our nation and in many nations. This is the democratic spirit upon which our framers based the U.S. Constitution. And who was more qualified than Benjamin Franklin to shape a government that would encourage the pursuit of free enterprise?

Much has changed since our Constitution was ratified 200 years ago. Entrepreneurs, small business men and women who accept the challenge of the marketplace, have increased in numbers and have created many jobs. These same small businesses account for almost half of the employment in the United States, make up 99 percent of all businesses, and account for almost 47 percent of the private output of the country.

Despite this impressive track record, small business is not contributing significantly to international trade, a subject I would now like to address.

International trade has national importance because, in increasing trade, we help to solve the major problem of our trade deficit. As you know, international trade is now the focus of congressional debates. Legislation is being considered to address the current problem of the deficit.

Very simply put, there are two solutions to the trade deficit: one is to stop importing foreign goods, which would be the antithesis of the free enterprise system and would be detrimental to the economic well-being of Americans and would hurt the world economy. The other solution is to increase greatly the capacity of businesses to export. The latter solution is what I would recommend.

As we move toward the 21st century, it is clear that internationalization of business will reshape the U.S. economy. Between now and the year 2000 many small businesses will experience a complete redefinition of their markets--from geographically-restricted, fairly stable markets to highly volatile international markets.

The total volume of U.S. international trade--imports plus exports measured against GNP--will rise to 35 percent compared to 23



percent in 1985 and only 12 percent in 1960. Put simply, the U.S. will export more and buy more from other countries. We will sell more capital goods to developing countries, such as equipment and machinery, that will enable these countries to improve their infrastructure and upgrade their economies. And, as the workers in developing nations earn more money, they will buy consumer goods from the U.S. and other more industrialized countries.

In addition to selling goods, the U.S. will be selling services associated with these goods. For example, engineering and architectural services, repair services and training services.

It is estimated that in 1984. half a million jobs in the U.S. were related to the export of American goods; a third of those jobs were in services. it is not generally known that people other than the actual producer benefit from exporting. Those who supply parts; those who transport goods; those who service products; those who train others to use products--all benefit in addition to the producer.

Small and mid-sized businesses--frequently overlooked in trade discussions--represent the greatest base of potential exporters. Businesses that could export but do not. This is especially true in service industries where we can expect significant increases in trade.

The challenge for small enterprises in trade is to recognize the opportunity to expand their role in international business and to move effectively into the international marketplace. The challenge to educators is to prepare students to take advantage of these opportunities.

At least two important developments hold promise of future opportunities for American small business to increase its involvement in world markets: the U.S. Canadian free trade talks and the new round of GATT (General Agreement on Tariffs and Trade) negotiations.

The United States and Canada have the largest volume of trade and investment of any two countries. We exchanged goods valued at almost \$125 billion in 1985. The Canadians are our best foreign customers, purchasing products valued at almost \$54 billion in 1985. In fact, every year Canadians buy American goods worth almost as much as our total shipments to the entire European community. Imports from Canada in 1985 were \$71 billion, one-fifth of our total imports. Interestingly, the United States consistently records a positive balance in services trade with Canada. In 1985 American services exports to Canada totaled \$17 billion and imports from Canada totaled less than \$8 billion.

Our trading relationship is considered of utmost importance to both the United States and Canada. Our government is currently negotiating a special trading arrangement with the Canadian government to create an even better atmosphere for trade between

our countries. If successful, this free trade agreement will reduce and eventually eliminate tariffs, remove nontariff barriers, and remove obstacles to trade at the border. The agreement will also ensure that policies, practices, and proceedings of both governments are trade neutral. An increase in trade between the United States and Canada has been encouraged at the highest levels of government in both the United States and Canada. In a May speech to the Canadian Parliament, President Reagan emphasized the importance of this North American market to the United States.

The potential benefits to small business in both Canada and the United States from the free trade talks may be far-reaching. An effective agreement will open new foreign markets for small businesses and create a larger more efficient base for small business trade. A successful trade agreement could provide that important first step for many American and Canadian firms to enter the international marketplace. Business owners on both sides of the border are eager to trade under this new agreement. Clearly, the opportunities for entrepreneurs will expand--perhaps some of your students will be these entrepreneurs.

The current talks with Canada include negotiations in services that will be used as a model for GATT negotiations now under way in Geneva. These talks provide another opportunity for increasing small business trade. In the current GATT negotiations, the broadest forum for world trade talks, trade in services is being considered for the first time. This is a sign of the increasing importance of services in international trade. The negotiators will focus on removing barriers to services trade throughout the world. This is of utmost importance to the small business-dominated service industry and could well mean significant increases in the opportunities for small business to export in the future. Entrepreneurship students who are in high school and college now could benefit from knowledge of these negotiations.

Let me continue my remarks by pointing out an important responsibility, one that I feel sure you are already contemplating: that is, to sharpen our nation's competitive edge by preparing our entrepreneurial students for trade into the 21st century.

How can we prepare the business owners of tomorrow to face the challenges of the global marketplace?

First, as educators we must accept the challenge and identify resources already available for our entrepreneurship students in language and area studies training. We must tailor our curriculum to include the concept of international trade.

If you will permit, let me pose some questions that might help us to think about entrepreneurship and the future.

- o What would happen if your students were encouraged to think of our northern neighbor as a potential customer? Would students think of Canada as a good training ground for learning how to work in international markets?
- o What would happen if your students thought of China, for example, as a potential buyer? Or Japan?
- o Would they invent different products? Would they create different or better services?
- o Would some of your students learn to speak Chinese or Japanese?
- o Would some of your students enroll in area studies classes to learn about the cultures of potential customers?
- o Would your students become interested in the international business programs offered in many of our institutions?
- o Would your faculties begin to work with the foreign language departments, with area studies, and international business faculties?

What would happen if we introduced the student entrepreneur to the concept of world trade? I believe it would result in the internationalization of our entrepreneurship programs. This would mean:

- o incorporating an international component in all entrepreneurship programs;
- o cooperating and collaborating with international programs in your institutions, including language, cultural, and international business programs;
- o working in cooperation with international trade programs at the federal, state and local levels; and,
- o working with international trade associations, chambers of commerce, and other private sector world trade organizations.

But most of all, it would mean planting the seed of interest in your students that could result in an explosion of creativity by Americans in world trade.

It is only natural as we attempt to train young people who will go into the business world, that we would concentrate our efforts on the American market. But it is important for those of us who have the responsibility for setting curriculum and imparting knowledge that we also include the concept of international trade. We need to recognize the ability of small and mid-sized businesses to

export and acknowledge the possibility of recharging the American dream outside American borders.

Permit me to share a vision with you, a vision that includes you, your faculty, your students, and the world marketplace. I envision thousands of entrepreneurial students all over the country using their enterprising skills to market their ideas, goods, services, and innovations, not only in the U.S. market, but in the world marketplace.

Can you imagine a better group of people to encourage to view the world as their marketplace than our entrepreneurship students, students who already display the energy, determination, and innovation that is associated with creative business ventures? These same qualities describe the international entrepreneur--the person with the spirit of adventure to look beyond our borders and to see the world itself as the ultimate market.

The challenge at the national level is to eliminate barriers to free enterprise, to unfetter our enterprising citizens, and to encourage free trade around the world. News reports suggest that even the Soviet Union and China are growing more aware that innovation and economic revitalization can come through self-reliance and individual enterprise. The recent experiments in these countries, although only limited to date, suggest that even centrally controlled economies understand the benefits to be gained from the spirit of enterprise.

The challenge to educators in recharging the American dream, is to give the modern day "Ben Franklins" the notion that they are not only citizens and entrepreneurs of the United States, but citizens of the world and international entrepreneurs. We and they must understand that the world beyond our borders can offer the electricity to recharge the American dream.

Arthur Lipper, III  
Editor-In-Chief and Chairman  
Venture Magazine, Inc.

"Ethical Considerations for Entrepreneurs and  
the Need for Preparing Entrepreneurs  
for Disappointment"

I'm going to read something to you from the Toronto Globe and Mail. It is an interview, or part of an interview, with Raine Peterson who is a leading entrepreneurship academic in Canada, and who is involved in the International Council for Small Business, as am I. Raine is quoted as saying, "Essentially, I define an entrepreneur as anyone who pursues opportunities without regard for currently available resources. This definition can include people in all walks of life. It involves an individual's ability to be responsible for laying his hands on the resources he needs to achieve his goals. It also involves an individual's interest in pursuing opportunities above and beyond the resources he may have at any given time. The entrepreneur trusts his ability to make things work, despite the odds, because the basic ingredient of entrepreneurial behavior depends on an optimistic point of view."

Professor Peterson strongly advocates grabbing aspiring business men while they still are young and impressionable and literally teaching them how to think about opportunities. "Education is the key. If you start with kids in grade school they will never forget the lessons they learn. If you wait until they reach the university you'll never get them to change their minds or amend their ways." I think that is appropriate for this group.

I also was looking, just this afternoon, at a paper entitled, "Can Business Schools Produce Entrepreneurs: Empirical Study" by Russell Knight and with Bob Ronstad. The primary conclusion of the research is that business schools can produce entrepreneurs, albeit, usually on the rebound from large corporations. One might conclude business schools can provide an option for their corporate refugee graduates, however, most of the entrepreneurial alumni recommend that the business school should introduce more material, cases, and visits by entrepreneurs in all phases of the program. Several surprises arose in the feedback, notably that 47 percent had terminated the venture, thus enhancing the theory that success follows failure in the entrepreneurial venture.

A couple more points. I have heard repeated today, two of the great myths surrounding entrepreneurs and entrepreneurial activity. I find the myths are not just wrong, but they are damaging to the community of entrepreneurs in that they make obtaining funds that much more difficult. They also lay an unnecessary burden, I

believe, on the psyche of the entrepreneurs and those trying to support them.

That myth is that 9 out of 10 businesses fail within three years-- or within any number of years. Fail means one thing in the English language, it means a bankruptcy. Now, you can use the term in a unique manner and say that there is a formal failure and an informal failure, but if you ask someone what it means to fail in business or as a legal term, it means the leaving behind of unsatisfied creditors. There are 14 million corporations in the United States and approximately 700,000 new incorporations occurring annually. Last year was the highest level of bankruptcy known in the United States and it was less than 60,000. This year it will be about 63,000. You can't put those numbers together and come to a conclusion that most businesses fail.

However, and there is a vast difference, in the United States last year there were 400,000 business terminations. There are lots of reasons for terminating a business. Failure being just one of them. We will talk about business discontinuances, in a minute.

The other statement I keep hearing has something to do with risk and entrepreneurs. How many of you, here, ski? Do you think you are taking abnormal risks as you are going down that hill? No. The favorite sports of entrepreneurs are sailing, skiing, tennis. The entrepreneur is challenged by environment. The entrepreneur is, in psychological terms, an anal controlling personality. He becomes an entrepreneur because he wants more control over his life than any employee can ever have. You do not find entrepreneurs in gambling casinos--you find employees and salesmen seeking that kind of excitement. The entrepreneur does not perceive that he takes the risks that those observing him ascribe to him. So there is no way of measuring the risk attitudes of successful entrepreneurs because our experience is that they never believe that they were taking a risk, because they always knew they would be able to control their destiny and make it work out. By the way, there is another myth which we don't challenge because it suits us not to, and that is that small business creates the net new jobs in the United States. It doesn't have to be true. It's young business that creates net new jobs in the United States. Many young businesses happen to start small but the David Birch figures and all the other figures on the subject show conclusively that far and away the bulk of net new jobs are created by companies which themselves are less than 5 years old. It has nothing to do with being small, it only has to do with being young.

The title of my talk this evening is "Ethical Considerations for Entrepreneurs and The Need for Preparing for Possible Business Termination and Disappointment." Before I start, how many here have ever been, either an owner in full, or a partial owner of a business? You are right, Cathy, they are not textperts. How many here have had the experience of terminating that business? Anybody ever teach you how to terminate a business?

Fortunately for all of us ethical behavior is good business. We as educators, and I include myself as the stated editorial mission of Venture magazine is "profit education," are not in a position to teach morality. Our inability to teach morality is due to the fact that we gain admittance to the minds of our students too late in their development cycle to significantly, if at all, impact their basic value system. My guess is that the basic right from wrong values are formed well before puberty, or at least during the very early teens.

We can all teach skills and techniques and engage in information transfer. We can move from our brains to those of other's knowledge, some of which may be experience-based and some of which may only be the result of "textpertology." For those here who are not readers of my monthly column in Venture, a "textpert" is a person who teaches that which he or she has studied but not experienced. "Textpertology" is the process of studying that which has already been studied by those who also have not had experience relating to the subject. Perhaps unavoidably, entrepreneurship education, particularly when offered to elementary and high school students, is likely to be presented by an educator not having had the experience of business ownership. The textpert's personal experience deficit is not necessarily indicative of an inability to convey appropriate information to students, it just means the authority base of the instructor is lessened.

However, it does not take personal experience to realize and convey that those having a good reputation for honesty and competence will be able to obtain financing more readily and on more attractive terms than those without such a good reputation. The textpert may not fully realize just how vital is the need for obtaining the use of other people's money in the founding, development and operation of almost all businesses, but he can intellectually accept such a fact. When one recognizes that borrowing is nothing more than the renting of other people's money, and that the ability to do so (and the amount of rent or interest charged for the use), is directly related to the lender's perception of the likelihood of timely repayment, the importance of a good reputation becomes clear.

Similarly, an investor's willingness to permit his capital to become captive to the will of the entrepreneur is largely determined by the investor's belief that the entrepreneur will treat him fairly in their joint pursuit of profit and that the profit justifies the risk and loss of liquidity.

Ethical behavior or, perhaps too cynically, just the perception of being honest and treating people fairly, is also demonstrably important in a number of other vital aspects of developing and managing businesses. If students come to understand the benefits of ethical behavior, we won't have to be too concerned as to their value systems. We want to teach, as it is true, that there is ultimately more profit to be earned from right than wrong acts.

We should also inform our students that in an age of near perfect communication, news, including impressions, travels so fast that stories seem, at times, to precede facts. Of course, in Washington--a city of 35 square miles surrounded by reality--identifying fact has never been easy, as this is a community where the major activity is creating, orchestrating, amending, retracting and transmitting that which is hoped will become the perceptions of constituents.

What about product pricing? Does not the manufacturer who enjoys the greater perception of product quality--and in many cases this factor is also thought of as the manufacturer's integrity--have an ability to charge more for his product, and, therefore, earn a greater profit? Does not a reputation for treating people fairly allow an employer to gain greater positive participation from his employees, and also to hire better people on better terms? Does not dealing fairly with suppliers, including telling them when it will not be possible to pay them on time, permit the creation of better relationships, which can translate into gaining more credit and on more favorable terms?

How do we deal with the issue of informing students that in many businesses bribes or accommodations are necessary? You can't have a restaurant in New York City and get your garbage picked up unless you do what is necessary. That is just one of the commercial facts of life. I don't know what the answer is, but I certainly do believe that students should be informed at least to the options that they will have to decide upon as to how they want to conduct their personal and business lives.

If we can just help our students understand that ethical behavior, treating others as we would wish to be treated, is good business, and conversely, that taking short cuts results ultimately in profit reduction then we will have made a major contribution to their future welfare and ours. This contribution will not only accrue to our students who become business owners and have an ability to influence the lives of many others, but also to those students who ultimately choose to seek or accept employment. An understanding of the ethical considerations and dilemmas facing business owners will help all those dealing with them appreciate the range of alternatives from which the entrepreneur has to choose, and the basis for the motivation to be ethical--and all because it is better business to do so.

By the way, I have just finished giving a series of eight talks around the country for our Arthur Young and Venture "Entrepreneur of the Year Award" program. In that talk I raise the question of how can we teach our kids that fair play, good sportsmanship, and good solid values succeed, when we have ample and uncritical press coverage of the John McEnroe's of our world? Where we show ice hockey in which the highest fouling players are the highest paid players, because they are the greatest gate drawers. It is this nondiscriminating press coverage that makes teaching any sort of value system that much more difficult.



Now, for the second part of my entrepreneurship education plea bargaining offer. It's a plea bargain because I personally found the education system to be a sentence from which I couldn't wait to be released. I solved the problem by dropping out; thereby, relieving Bronx Science of their most active and successful truant. The relevance of education was never made clear to me. I knew, as a teenager, that I wanted to make money. Money was power, and power was mobility, excitement, and girls. Nothing has changed. Only much later--after being in the Marines, which for me was the best of educations and after having been involved with a number of businesses, many of which were other than great winners--did I come to understand that there were some mistakes I wouldn't have had to make, if only I could have learned from the experience of others. Subsequently, I reached the conclusion that education for me now relates to saving the time, effort, expense and pain of false starts. Education, or using the experience of others, also permits the generation of maximum profitable creativity. Please let your students know the relevance of that which you are trying to teach them.

Many of those taking entrepreneurship education courses will experience that which we are not now addressing in any of the curriculums I know. The experience which I refer to is that of having to terminate a business. Currently, in America, we are experiencing new incorporations at an annual rate of almost 700,000. There are also about 400,000 business discontinuances. No one teaches business discontinuance, which is sort of like saying no one teaches "business person," as opposed to "business survival."

The termination of a business made necessary by a lack of profitability is almost always an unpleasant, embarrassing, sad, frightening and painful experience. It is, however, an experience which can be studied, both as to cause and effect, and one for which students can be prepared.

The fact is that entrepreneurs are truly good at identifying opportunity niches and recognizing patterns of success to emulate. It is also true that entrepreneurs are truly terrible at recognizing patterns of pending failure.

The entrepreneur, usually becoming an entrepreneur to gain greater control over his or her life than would otherwise be the case, believes in his/her ability to control their environment and destiny. This controlling type of personality is unlikely to accept readily the idea that things are not going to work out as they predicted and wanted. Reality is particularly difficult for entrepreneurs to accept. Their non-acceptance is what frequently permits major accomplishments, which logically should not have been possible with the resources available to the entrepreneur. In essence the entrepreneur was too under-educated to know that he or she could not succeed.

It's too easy and flip to advise people to terminate their businesses when "it is no longer fun," or "when the risks outweigh the rewards." Running businesses is not always a fun thing to do, and risks do frequently outweigh rewards. Typically, the entrepreneur neither recognizes the risk, nor accords it a sufficiently high level of probability.

Yes, we can develop studies, as the commercial lenders have done, which will identify financial ratios signaling impending doom. Yes, we can study and identify other indices of probability for failure. Yes, we can ask loan officers, collection agents, bankruptcy lawyers and entrepreneurs having undergone a disappointing experience to share with textperts and students their insights. It is possible, and we should arm our students with this ammunition for future use.

More importantly, I believe, we should let the students know that it is alright to close a business down when a logical, objective, review of facts dictate that conclusion. An entrepreneur has a greater risk of permanent reputational, commercial and psychological impairment when holding on to a losing hand longer than is necessary. Seldom does the investment of more funds, creditor or entrepreneur sourced, do more than add to the ultimate loss. Purple Heart medals are awarded to those who have been wounded. The best Marines and leaders I knew in Korea had such awards. They learned when to duck and how to survive. I am not sure what those who received their Purple Hearts posthumously learned. I do know that in financing entrepreneurs, lenders and investors are favorably impressed with those who have survived a prior business disappointment. Survived, that is if they were able to conduct themselves with honor and dignity. Survived without misrepresenting. Survived without deception. Survived with a minimization of loss to those who had placed their faith in the entrepreneur.

I have never known an entrepreneur suffering a business disappointment resulting in the closing of a business who was not willing to admit that he, and a lot of other people, would have been better served if the business had been closed 6 months earlier. Why didn't he then close it earlier? Because he either didn't recognize the inevitability of result, or was unable to admit defeat. We, as educators, can help in both cases. We can help by providing case histories of failures as well as those of successes and indicating the key turning points in each. At what moment and through what combination of factors did business "X" turn, up or down? What was or could have been done to improve the situation?

Next, and this is the more important area, what can we do to help the entrepreneur understand and accept that most human endeavors fail to achieve the desires and/or predictions of the founders, and that this is not bad--just natural. The initial vision of the founder must not be impinged upon by reality, as otherwise, few discovery voyages would be embarked upon. Before the reality, must first come the dream. However, the entrepreneur only really

loses when he quits the game, not the round or inning. A common characteristic of our country's most successful entrepreneurs is that businesses which brought them the fame and fortune for which they are now known were typically their second or third entrepreneurial business affiliation. Failing is a part of trying and winners are those who continually try. It's far easier for most of us to hit a target with a machine gun, using tracer bullets, than with a single shot, high powered rifle, even one equipped with the best of telescopic sights. Why? Because the tracers let us know where we've been versus where we want to go, and the availability of multiple rounds provides the opportunity to make the corrections necessary to achieve the success of hitting our target.

There is no reason why so many entrepreneurs so unnecessarily impair their futures by holding on to a faded dream for too long. It is much better for the entrepreneur to admit the absence of sufficient resources to fulfill the vision and to terminate, than to do as so many do in running the business until the day the phone company turns off the service. We can help entrepreneurs by letting them know that the ultimate score of their endeavors will not be known for years to come, and that many of the scorekeepers present currently will have long since passed beyond. Therefore, the entrepreneur has no way of knowing today who he will be proving something to in the future. Proving something to someone is a big part of the entrepreneur's motivations.

In conclusion, I urge you to assist those having the drive to create, control and employ, by clearly demonstrating that ethics are good business and that knowing when and how to terminate a business is as important as when and how to start one. The sparing of pain is, or should be, as much a positive result of the education process as creating pleasure.

Norman Feingold

World Futures Society

Closing Address

Looking at the participants and the speakers in this conference, reminds me of the story of the man who was a hero of the Johnstown Flood in Pennsylvania. He saved people's lives, and the rest of his life all he could talk about was that flood. And as time went by he ultimately passed away. When he got to Heaven, St. Peter said, "Under the new regulations you can have one wish." The man replied, "Well here is what I would like to do--I would like to speak to everybody in Heaven about the Johnstown Flood and the role I played." St. Peter said, "I'm willing to allow this, but I want you to know that Noah is in the audience." So with all you people here, I feel I'm speaking to sophisticated people who know as much or perhaps more than I do about the future of small business.

We are living in one of the most exciting periods in human history. And in my judgement, the 21st century is going to be mind boggling and even more exciting. There are about 30,000 different job titles in the world of work and most of these are related to small businesses. As we move ahead into the future, more and more of the possibilities will be seen. What was considered only a job before, can be related to a small business today. We are living in times where more people want to do their own thing. They want to be more in control in a technological society. What is true today may not be true tomorrow.

So many radical changes are taking place. Commercialization of space is going to change the world in ways we can hardly dream of. Already, we know in space we can create drugs so inexpensively that instead of millions of people spending thousands of dollars for drugs to stay alive it will take only a few pennies. We are going to see a lot of the small business economy move into space fields. We are moving from what is a traditional type of work (e.g., mining and manufacturing) to very much of a service economy. New careers, now emerging gradually, are going to just suddenly burst forth to change the opportunities and aspirations of our people.

Let me be more specific in relation to small business. First of all, from the earliest times, America has been the land of the entrepreneur. Our founding fathers patronized and created businesses. For example, George Washington gave a gift of Number Six cologne to Marquis de LaFayette and this scent is still on sale at the nation's oldest apothecary, The Caswell Massey Company that started in 1752. The Dexter Corporation was founded in 1767, It is located in Windsor Locks, Connecticut. It is the oldest company listed on the New York Stock Exchange. It started

as a sawmill. What does it do today? It produces equipment in the aero-space, biotechnology, and electronics industries. And when President Reagan works out on his exercise treadmill, he is jogging on belting from S. E. Rhoads and Sons, Inc. which was founded in Delaware in 1702. You can see that certain businesses stay on, others pass on, but the heart of America still remains in small business.

Looking ahead to the future a bit, there will be millions of people who are alive today who will be working and living in the year 2070. In everything we think about today we have to say, "Well, can it be changed a bit, and what kind of a future do we want." With high tech there can be high touch, or on the other hand there can be tremendous alienation.

There is a new research study by the National Business Institute showing that husband and wife business teams for the last 5 years are growing at the rate of about 20 percent. The reason to look at this growth is that the College Board recently did a study and found that 20 million people are in career transition. People are becoming more educated. They are having greater aspirations and small business is a viable option.

About 10 years ago I made a nationwide study of 25,000 high school students all over the United States. We checked out those kids who had parents who were in small business. Only about 4 percent of the people whose fathers were in small business were interested in small business as a career. Today it's more than 20 percent. So the times and attitudes have changed in relation to small business. I think it will continue in the future. More degrees, today, are being given in small business. About 25 percent of undergraduate degrees today are in business. And many of the people who work for small business ultimately open their own business.

People in small business can't follow the pessimist. Let me show you what I mean. Bishop Wright said that if God had wanted Man to fly he would have given him wings. His two sons were Orville and Wilbur. I don't have to tell you the rest of that story. In the 1800s the head of the U.S. Patent Office wrote a letter to the President saying, "We ought to close the office, everything that has to be invented has been invented." They discovered the bathtub in Cincinnati but guess who resisted and said it will cause an epidemic of disease? It was the doctors. In World War II, Admiral Leahy said to President Truman, "Don't waste time building an atomic bomb. It won't explode. I'm speaking to you as a expert on explosions." About 150 years ago, the most famous surgeon, Dr. Alfred Verpeau, said, "It's absurd to think you can have operations without pain." Christopher Columbus applied for a grant from Queen Isabella and King Ferdinand, in order to find a way to the West Indies. The king and queen appointed a committee. Five years later they reported back saying, "Don't give him any money. The ships are going to fall off the edge of the world after they go a certain distance." Well King Ferdinand and Queen Isabella

were bright people, so they did give him some money, and of course you know the rest of the story.

We are living in times where, more and more people do want control of their lives. More and more people are willing to take a risk. What I often find is that too many people with outstanding abilities decide at age 40 that they want to be a doctor, and by every test they would be a great doctor. But they can't get into medical school at age 40. There are a lot of people, who have great ideas, abilities, the interest, and the motivation, but they don't go ahead and do it. We need to make small business more visible and let people know that it is possible and can be done.

I think it is exciting that about a half a dozen universities have gotten together, with the School of Business at Baylor University, which acts as the coordinator, and they are letting people write in with their idea and for \$100 you can find out whether your ideas are commercially feasible. Or, you can call a man in Washington, D.C., called Dr. Fad, who became a millionaire on a little toy trinket, that some of you may have seen. You put it on the glass in a window and the "thing" climbs up and then it goes down by some sort of suction. The guy made millions with it. Now if you call, he will tell you, without taking away your idea, whether or not it is commercially feasible.

Many people recently have found out that they find it difficult to relate to authority. They have to be in charge. They have to do it their way. One of my clients constantly got outstanding jobs but he always got fired. At the very end of his last job he had a fist fight. He won the fight, but he lost his job. When I spoke to him, I said, "Once and for all, you can't work for other people. Why don't you do something that you enjoy doing?" He said, "The only thing I can do is drive and I enjoy driving." I replied, "Hey, I have an idea. You have the money, why don't you buy some Bentley's, you know, the old Bentley's and advertise heavily that you will meet people at the airport, etc. etc." Well, he has a fleet of Bentley's today. He has made a lot of money. He does wild things that you couldn't do working for somebody else. He takes your picture as you go into the Bentley, and he blows a trumpet, and he does all these wild things. People love it and he is busier than any other limo service in this area. There are people, for one reason or another, who feel more at home doing their own thing.

The whole idea behind career development and career planning is to relate peoples' abilities, interests, potential achievements, and personalities to the world of work. I plead guilty, myself, to overlooking small business. In 1969 I wrote a textbook for occupation courses that was adopted in about 45 states. It didn't have a page, let alone a chapter, on small business. And that has been true of many of the textbooks.

I think you can be, in our country, anything you really want to be. In fact, the growth of millionaires in this country is unbelievable. It used to be exclusive, but no more. People have started with as little as five dollars. I think that many people have the ideas for themselves or others, but are afraid, down deep, to do what they want. I think people take to heart the failure statistics. If you believe in what you are doing, and you feel it's right, sometimes the emotional decision can be better than all the logic in the world. You can make as much as you want in small business. That isn't true in many careers. You have limitations and there are certain salary levels that certain jobs and careers pay. You have to make a decision of how important money may be to you. But in small business, the outlook can be wherever you want it to be and how much you want to do. I remember about 10 years ago, a young man came to my office--he was 25 and said, "When you see me by the age of 35 I'll be a millionaire." He came into my office a few weeks ago and he is a millionaire. If you know what you want, and that you really want it, at least in this country, you can do it.

Frederick Tudor, a New England dropout at age 13, saw all the ice in Boston and said, "Gee, why couldn't we take some of this ice and package it and send it to a warm country?" So he got an order for 100 tons from Martinique. When he arrived in Martinique with the ship, of course, it was all water. But he didn't give up and he ultimately got into the ice business, and made millions. In 1965, Joe Hrudka founded Mr. Gasket Company. He invested exactly \$5.00. In 1969 he took the company public. In '71 he sold Mr. Gasket to W. R. Grace for \$17 million. He bought it back a few years later for \$4 million, and then took it public again and this time made 87 million dollars. So, here again, it can and will be done.

There are all kinds of new jobs appearing in the market. I wrote an appendix for a book entitled, Business, published by Houghton Mifflin which is being used by hundreds of colleges. The appendix is entitled "Working Careers in Business from 1987 to 2005." I list about four hundred new business careers for the year 2000 and beyond. Of course some of the jobs that exist today will exist in the future, but there is going to be a whole new array of different kinds of working careers. You will find the book in many libraries. I think you may find it exciting because some businesses are real far out, but I feel strongly that they will take place.

We are in a time that we have to realize that the most constant word is change. Those of us that realize there has to be change will try to, in many ways, help to create the future. That is one of the reasons I got interested in the World Future Society. How can we, instead of accepting change, mold change. Some of the futurists are building new kinds of homes made out of foam with a different outlook than any of the homes today. The World Future's Society has members from all disciplines, looking at problems from different vantage points and hopefully coming up with ideas that

will make a difference as the decades move ahead. The World Future Society, has about 35,000 members, in all countries, except behind the Iron Curtain. I get about 50 different magazines, and in my judgement, the Futurist is rated very highly. It is written by people who are physicists and chemists, hardnosed scientists saying, "Hey, we have to look at things differently, whether it be holistic medicine or what have you." So, if you are thinking about the future, and I don't see how you can be interested in small business if you are not thinking about the future, it can be fun, to get hold of a Futurist magazine. We have to think about the future.

A couple of months ago I was at a space conference in Pittsburgh, where about 700 elementary school kids were asked by one of the astronauts, "How many of you would like to go into space?" Every hand was raised. The questions they asked I didn't understand. "How long is our sun going to exist?" These kids are excited and thinking in new ways. We have a whole new generation here that is going to move ahead and do things, that maybe to us, are impossible.

Well, I feel so strongly about the future that when I was at the space conference, believe it or not, I invested in Lunar Mining. Here is a man with 40 engineers on staff. He claims that by the 21st century, with or without the help of NASA, he wants to do lunar mining, and asteroid mining. Well, I may have lost my money, but it's a good conversation piece, and I honestly believe it's going to work. I see no reason why we can't do it. In fact, if it were not for a political decision, I think we could have been mining on the moon a long time ago. But I think ultimately it will take place.

We are living in such changing times that what you may think not possible becomes possible. Every once in a while I look at the Enquirer to see what new strange kinds of things may be happening. About a year ago there was a full page ad saying, "Would you pay \$5.00 to learn how to be invisible?" So I said to myself, "Hey, \$5.00, obviously I'm going to be cheated, but let's find out what they are going to do to show they are invisible. So I sent in my \$5.00. I haven't received an answer yet. I understand how they became invisible. At a space conference there were people from California, who are going into the cryonics business right now. Clients are put under 450 degrees below zero and frozen. They left money with entrepreneurs, so that ultimately, if physicians can awaken these people, they will come back. This is a new business. Forty people, have already been frozen and one "person" for more than 40 years.

Small business is going to keep America strong and I think the 21st century is going to be mind boggling. If Franklin, Jefferson and Washington came back here today and saw what we can do, they would be amazed. We are going to see this even more in the 21st century.



Today, we can really touch the future. The only way I can illustrate this is by a little story of a beautiful young lady who dreamed that she had a date with one of the big movie stars. She dreamed that they walked to her home, they walked up the stairs, and they embraced, and she said "What next?" and the famous movie star said, "It's up to you, it's your dream." Well, our dream can be small business.

THE CRITICAL ROLE OF SMALL BUSINESS IN  
EDUCATIONAL REFORMATION IN THE UNITED STATES

THE PRESS, MEDIA, EXPERTS AND PUBLICISTS HAVE WIDELY HERALDED THE BASIC CHANGES IN TECHNOLOGY, PRODUCTIVITY, AUTOMATION, VALUES, PROBLEMS, AND NEW PRIORITIES IN OUR ECONOMY, CULTURE, AND SOCIETY. THEY HAVE MISSED A MOST SIGNIFICANT CHANGE. IT HAS OCCURRED VIRTUALLY UNNOTICED BY MOST OF THE EXPERTS AND LEADERS IN ALL FIELDS. THE BULK OF THE GROWTH IN OUR ECONOMY HAS AND IS COMING FROM SMALL COMPANIES.

SMALL COMPANIES AND BUSINESSES ARE DEFINED IN MANY WAYS. THIS DOCUMENT WILL FOCUS ON THOSE BUSINESS ORGANIZATIONS OF 100 EMPLOYEES OR LESS - THE ENTREPRENEURIAL FORCE IN OUR ECONOMY. THE EMPHASIS IN OUR ECONOMY, SOCIETY, AND CULTURE HAS BEEN AND IS TOWARD BIG BUSINESS. BUSINESS AND GOVERNMENT POLICY MAKERS NEED TO RECOGNIZE AND CONSIDER SMALL BUSINESS FORM, FIT, AND FUNCTION IN THE ECONOMY. SOME REGULATIONS, FOR EXAMPLE, WEIGH HEAVILY ON SMALL BUSINESSES WITH LIMITED RESOURCES. SMALL BUSINESSES OFFER STUDENTS MANY ENTRY AND GROWTH OPPORTUNITIES. THE STUDENTS WILL REQUIRE DIFFERENT SKILLS THAN THOSE ENTERING LARGE BUSINESS - WHERE THE WORK IS MORE SPECIALIZED.

UNTIL RECENTLY, THERE HAS BEEN LESS VISIBILITY AND LITTLE INFORMATION AVAILABLE ON SMALL BUSINESSES. AMERICAN EDUCATION IS IN THE PROCESS OF REFORMATION TO BETTER PREPARE PEOPLE FOR THE WORLD OF WORK; TO MEET THE NEEDS OF RAPID CHANGES, WE ARE EXPERIENCING. IT WOULD SEEM MOST IMPORTANT FOR ALL REFORMISTS TO CONSIDER AND FACTOR INTO THE PLANS THE SIGNIFICANT DEVELOPMENTS IN SMALL BUSINESS.

THE FOLLOWING WILL OUTLINE SOME OF THE MAJOR POINTS TO BE CONSIDERED; RE; THE SMALL BUSINESS SITUATION:

SMALL COMPANIES :

- CONTRIBUTE 42% OF ALL SALES
- EMPLOY 48% OF THE PRIVATE WORKFORCE
- DEVELOPED MORE THAN 50% OF THE NEW PRODUCT AND SERVICE INNOVATIONS SINCE WWII
- PROVIDE 67% OF THE INITIAL JOB OPPORTUNITIES
- ASSUME THE MAJOR COST IN INITIAL ON-THE-JOB TRAINING IN BASIC WORK SKILLS
- PRODUCE 38% OF THE GROSS NATIONAL PRODUCT
- CREATED 80% OF THE NEW JOBS BETWEEN 1969 AND 1976 FORECASTED AS HIGHER IN THE 1980'S

SMALL COMPANY TRENDS:

- IN 1954 THERE WERE 5.4 MILLION SMALL COMPANIES
- IN 1984 THERE ARE 13 MILLION SMALL COMPANIES
- MORE THAN 600,000 NEW SMALL BUSINESSES ARE BEING CREATED YEARLY
- BY THE END OF THE DECADE, IN 1990, OVER 50% OF THE GROSS NATIONAL PRODUCT WILL BE PROVIDED BY SMALL COMPANIES
- ALL NEW DATA INDICATES A CONTINUING AND ACCELERATING SHIFT TO A MORE ENTREPRENEUR DRIVEN ECONOMY.

SMALL MANUFACTURING COMPANY MULTIPLIERS:

- FOR EACH INCREASE IN 100 JOBS IN THE MANUFACTURING SECTOR OF A LOCAL ECONOMY:
  - 54 NON-MANUFACTURING JOBS ARE CREATED
  - 7 ADDITIONAL BUSINESSES RESULT
  - CREATES INCREMENTAL GROWTH OF 202 PEOPLE AT WORK
  - INCREASES THE TAX BASE \$245,000

THE UNDERLYING FORCES AND FOUNDATIONS OF SMALL COMPANY GROWTH:

- RAPID TECHNOLOGICAL CHANGE CREATES NEW PRODUCT AND SERVICE OPPORTUNITIES
- NEW TECHNOLOGY CAN LIMIT AND REDUCE JOBS IN ESTABLISHED LARGE COMPANIES
- INCREASINGLY THE DISPLACED PERSONNEL ARE PROFESSIONAL OR MANAGERIAL PEOPLE WHO BECOME ENTREPRENEURS
- LARGE INDUSTRIAL ORGANIZATIONS HAVE DIFFICULTY CHANGING QUICKLY TO RESPOND TO NEW AND SMALL SIZED OPPORTUNITIES
- SMALL COMPANIES, BY THEIR VERY NATURE, CAN AND WILL RESPOND QUICKER AND MORE POSITIVELY TO NEW NEEDS AND PROBLEMS IN THE MARKET PLACE.

THIS INFORMATION HAS MANY IMPLICATIONS FOR GENERAL EDUCATION AND SIGNIFICANT ONES FOR BUSINESS EDUCATION. THE BOTTOM LINE ROLE AND MISSION OF BUSINESS EDUCATION IS TO PREPARE STUDENTS TO ENTER AND BE SUCCESSFUL IN THEIR INITIAL EMPLOYMENT. SIXTY SEVEN PERCENT OF THE ENTRY LEVEL JOBS ARE IN SMALL BUSINESS. THE LOGICAL QUESTION IS "WHAT ADJUSTMENTS ARE BUSINESS EDUCATORS MAKING TO

ADDRESS THE NEEDS OF SMALL BUSINESS?" THE ANSWER IS NOT ENOUGH BECAUSE THE SIGNIFICANCE OF SMALL BUSINESS AND ITS ROLE IN OUR ECONOMY IS SOMEWHAT OBSCURED BY THE ROLE OF LARGE BUSINESS. BUSINESS EDUCATORS INTERESTED IN ADDRESSING THE NEEDS OF SMALL BUSINESS MUST DEVELOP SOME KNOWLEDGE AND UNDERSTANDING OF THESE NEEDS BEFORE THEIR PROGRAMS CAN BE REVISED. FOR EXAMPLE, COMPLEX PRODUCTS AND SERVICES HAVE TO BE MADE AVAILABLE IN SIMPLER VERSIONS FOR SMALL COMPANIES LACKING LARGE STAFFS OF SPECIALISTS.

FOR THOSE BUSINESS EDUCATORS INTERESTED IN REVISING THEIR PROGRAMS, THERE ARE SIMPLE RULES OF SMALL BUSINESSES HAVE ESTABLISHED:

- RULE #1 RECOGNIZING THAT SMALL BUSINESSES FORM AN EMPLOYMENT OPPORTUNITY WHICH IS DIFFERENT THAN THE BIG COMPANY OPPORTUNITY. ONE OF THE BEST WAYS TO GATHER INFORMATION IS TO ATTEND SMALL BUSINESS TRADE, INDUSTRY, AND ASSOCIATION MEETINGS TO BUILD CONTACTS AND INSIGHTS INTO SPECIFIC REQUIREMENTS.
- RULE #2 SHOW AND PROVE THAT YOUR PROGRAMS RECOGNIZE THAT SMALL BUSINESS NEEDS ARE DIFFERENT. THAT YOUR BUSINESS EDUCATION PROGRAMS ARE BEING OR CAN BE TAILORED TO THEIR NEEDS.
- RULE #3 MAKE IT EASY FOR SMALLER COMPANIES TO HIRE A PERCENTAGE OF YOUR STUDENTS AND BENEFIT FROM YOUR EDUCATIONAL SERVICES. SMALL COMPANY ENTREPRENEURS ARE SENSITIVE - THEIR NEEDS DIFFER FROM THOSE OF LARGE COMPANIES.
- RULE #4 DEMONSTRATE YOUR INTEGRITY OF INTEREST AND DEDICATION TO PREPARING YOUR STUDENTS TO MEET THE NEEDS OF SMALL BUSINESS.

- RULE #5 NURTURE YOUR SMALL BUSINESS EMPLOYERS, ESPECIALLY THE FORMAL AND INFORMAL LEADERS. CALL THEM, WRITE THEM, MAKE PERIODIC VISITS TO LET THEM KNOW YOU CARE. IT WILL PAY HUGE DIVIDENDS.
- RULE #6 RESEARCH YOUR SMALL BUSINESS EMPLOYERS THROUGH SURVEYS OF PRESENT, PAST AND POTENTIAL NEEDS. SMALL BUSINESSES ARE MUCH MORE AFFECTED BY CHANGE THAN LARGE EMPLOYERS. IT'S CRITICAL TO MONITOR WHERE THEY ARE GOING, WHAT IS RIGHT ABOUT YOUR PROGRAMS, WHAT IS WEAK ABOUT THEM, AND WHAT COMPETING PROGRAMS ARE DOING.
- RULE #7 WORK DILIGENTLY TO ESTABLISH CONTINUITY OF CONTACTS BETWEEN EDUCATION AND THE SMALL BUSINESS EMPLOYERS. TIME IS CRITICAL TO SMALL BUSINESSES AND THEIR SUPPORT AND INTEREST DEPENDS ON CONTINUITY OF ACTION. THEY CANNOT AFFORD THE TIME REQUIRED TO CONSTANTLY RESTART RELATIONSHIPS.
- RULE #8 RECOGNIZE THAT WORD OF MOUTH TESTIMONY AMONG SMALL BUSINESS PEOPLE IS CRITICAL. FOR SMALL BUSINESSES, THE INFORMAL GRAPEVINE IS A MUCH MORE VALUABLE COMMUNICATION SYSTEM THAN ANY FORMAL ONE. THE SHORTAGE OF STAFF EXPERTS IN SMALL BUSINESS MAKES THE PEER INFORMAL NETWORK MOST SIGNIFICANT IN IMPROVING RELATIONSHIPS. SPECIAL ATTENTION AND ACTION MUST BE FOCUSED ON NEGATIVE EMPLOYER OPINIONS AND INFORMATION. NEGATIVE INFORMATION TRAVELS FASTER AND REACHES MORE PEOPLE THAN POSITIVE IN SMALL BUSINESS.
- RULE #9 IN SMALLER BUSINESSES, PEOPLE INTERACT LIKE FAMILY, MONEY IS MORE PRECIOUS, BUDGETS LESS FLEXIBLE, AND SUPPORT MUCH MORE APPRECIATED. SOME SMALL ACTIONS OFTEN CREATE TREMENDOUS RESPONSES.

IN SUMMARY, OUR ECONOMY AND INITIAL EMPLOYMENT OPPORTUNITIES ARE AND WILL BE MORE DEPENDENT ON SMALL BUSINESS. THE CURRENT AND FUTURE SUCCESS OF BUSINESS EDUCATION WILL, IN A LARGE MEASURE, DEPEND ON HOW WELL INTERESTED BUSINESS EDUCATORS REVISE AND MODIFY THEIR PROGRAMS TO MEET THE NEEDS OF SMALL BUSINESS EMPLOYERS.

THIS INFORMATION WAS GATHERED FROM A NUMBER OF ARTICLES, PAPERS, AND VARIOUS PUBLISHED DOCUMENTS. PRIMARILY FROM THE U.S. CHAMBER OF COMMERCE AND AN ARTICLE "HOW TO COMPETE IN ON THE SMALL BUSINESS MARKET" BY ARNOLD BRUIN AND EDITH WEINER IN THE OCTOBER 84 ISSUE OF BUSINESS MARKETING.

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Entrepreneurship education is not a separate curriculum, but the concepts are infused into the Business and Home Economics instructional programs. There are four entrepreneurship projects which students have initiated, developed and implemented.

### Objectives

The students will be able to:

1. Analyze their own personality traits to determine if they might find success as a small business owner.
2. Recognize the planning that goes into the organization of a small business.
3. Identify major areas that must be considered in the success of small business ownership (Knowledge of product, record keeping, location, management techniques, marketing strategies)
4. Develop a greater awareness of career opportunities through the experience of local entrepreneurs.

A video tape presentation will explain the four entrepreneurship projects.

#### Project A - VEM PRINT SHOP

The Vocational Education Magnet PRINT SHOP was created and is operated by the Data Processing I classes. These classes design greeting, birthday, holiday cards, posters and banners for all occasions.

#### Project B - DECALS UNLIMITED

DECALS UNLIMITED is a business owned and operated by the second year business data processing students. Students take orders and sell graphics and/or script iron-on decals. The majority of the heat-transfer decals are used on T-shirts.

#### Project C - STITCH - IT SHOP

This entrepreneurship project is operated by students enrolled in clothing occupations. Items that are marketed are cobblers aprons for children, candle-wicking personalized pillows, hostess aprons, wall hangings, colonial wreaths, bathroom accessories, Christmas napkins and ornaments.

#### Project D - DEER PARK DELIGHT

The Vocational Education Magnet School food occupation students operate a small business called Deer Park Delight. The BAKE SHOP, CATERING, SALAD BAR, PIZZA and SUB SHOPS provide skills in food preparation as well as techniques in managing a small business.



## Entrepreneurship

Historically there has been little or no emphasis by colleges to offer a course or series of courses in entrepreneurship. In the past few years, colleges have begun to recognize the need in course development. Today, over 300 colleges support some type of program with the numbers continuing to grow.

The type of courses offered have included the writing of business plans and listening to a series of individuals who have made it as entrepreneurs. This approach "wets the appetite" of those wishing to get their "feet wet" in a beginning approach to this exploding area. It does not solve the problem of the person who has taken that "plunge" into the pool of new self-starters only to find there are a number of skills needed to survive the business failure statistics.

Today, education is not the pure form of sitting on a tree branch and listening and interacting one-on-one with a person who has been successful. We need a number of interactive steps to help make that entrepreneurial plunge survivable. Some of the steps discussed today will be:

- educational software usage.
- instructor development techniques.
- individualized curriculum.
- instructor as a resource person.
- testing and assessment of course offerings.
- tangible end product.

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## EXPERIENCE IN ENTERPRISE

Enterprise is experience based instruction. Students learn small business management not by theory but by establishing and operating small businesses related to their vocational training. The Enterprise staff is committed to the concept that students learn best by doing. Therefore, students produce products or provide services. Students market their products or services. They repay the Skill Center for supplies and other costs and then divide the profits among themselves equitably.

Students engage in the Enterprise process. In quality circle-like student business meetings, they identify the products or services related to their vocational training, deciding which are feasible and marketable. They estimate the potential costs and the projected revenue. They work hard together, recognizing that profits will be directly proportional to the amount and quality of products or services sold. They regularly analyze their business progress, completing profit loss statements. Individual students profits are determined based on individual productivity. Profits are directly deposited in the student credit-type union, which is an enterprise of the Business Cluster program.

The St. Clair County Intermediate School District, with funding from the Job Training Partnership Act, and with consulting services of the Macomb Intermediate School District and Oakland University has offered entrepreneurship education infused into secondary vocational education at the Skill Center since 1984. Students in Auto Mechanics, General Merchandise, Plastic Manufacturing, and Business Occupations have the opportunity to participate in the Enterprise Program thus bringing the program to approximately 300 students.

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## THE INFLUENCE OF RISK-TAKING AS A COGNITIVE JUDGEMENTAL BEHAVIOR OF SMALL BUSINESS SUCCESS

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The vital importance of small business to not only the national, but the New Jersey economy was markedly revealed in the publication of the New Jersey State Department of Labor, Division of Planning and Research, Covered Employment Trends (November, 1984). Of this state; small business, 47% employed less than 4 persons; 86% employed less than 20; and 94% employed less than 50 persons (p. 22).

Small business failures continue to be recorded in unprecedented numbers. Small business owners fail, that is cease to operate or provide a product or service at the rate of 80% within the first three years of start-up (Nelson & Neck, 1982). Failure of the small business owner may be one of two kinds: "the failure that ends up in court or with loss to creditors, (formal failure) . . . (or) . . . the other type of failure . . . in which only the business owner loses" (Dunn & Bradstreet, 1977, p.2).

Eric Severeid summed up the concerns of the entrepreneur when he wrote, "Entrepreneurs, in this county, are the stuff of legend" (1984, p. 22). "Though the outcome is in doubt, the process, it is safe to say, will depend on people . . . who are willing to take risks and able to keep on doing so until they succeed" (p. 38). "The market plays . . . economic judge and jury. In this guise it can be a harsh mistress determining which businesses will survive and which will die" (p. 39), he concluded.

The literature has shown that the subject of risk and the entrepreneur has only been minimally addressed and then as a high stakes gamble Siegelman (1983) attempted to make sense of risk-taking behavior by classifying this conduct as big (gambler), moderate, or low (anxious). The most recent studies of risk-taking behavior and the entrepreneur were conducted in India by Singh (1971), and Singh and Singh (1972) using a Kogan and Wallach model of risk-taking as a cognitive judgmental behavior. These studies concluded that moderate risk-taking measured as cognitive judgmental behavior affected small business success.

This study of 40 small business owners examined risk-taking as a cognitive judgmental behavior. The results indicated that there is not significant difference between the successful entrepreneur and the failed entrepreneur.

Serving as the underpinning to good management is the owner's ability to make a reasonable decision, to perceive a situation or task clearly and without prejudice, and to take reasonable risk, if required. The personal variable of risk-taking, distinct and separate from the initial risk to start to business, may be of significant importance in influencing one's probability of success.

Risk-taking has been identified as one variable within the array of characteristics necessary for success by many researchers. Risk, and her sister attribute of risk-taking, cut like the double-edge sword of a miracle drug with side effects as dangerous as the disease the drug can cure. "Risks are negative consequences that have some probability of occurrence. They can be estimated, controlled, minimized, or managed within some consciosable margins. But they cannot be eliminated" (Stein, 1982, p. 19). The term, risk, has been used "to describe our perception of the possibility that any given course of action might produce a negative outcome" (Hoffel, 1984, p. 40). Vaught and Hoy found the successful entrepreneur to be a "moderate" (p. 4) risk-taker. Repeated, moderate risk-taking has been noted as part of the basic trait pattern of the entrepreneur who has become a success, the enterpriser who is still in business.

Risk has long been recognized as a behavior possessing a potential role of thinking and intellectual performance. This was confirmed by Kogan and Wallach in their early studies of risk-taking (1964). And it has been written that "from human engineering cognitive psychology took its view of man as an information transmitter and decision maker" (Lachman, Lachman, & Butterfield, 1979, p. 59). Failure is costly, but the fear of failing often interpreted as a false alarm, is better left alone. It is the cost of the significant misses that determines one's decision criteria. Through practice and experience, cognition becomes routinized so that it proceeds without the limits of consciousness. Most of what we do goes on unconsciously. "Consciousness is reserved for special processing" (Lachman et al, 1979, p. 207).

There is an argument as to whether or not risk-taking is an affective or cognitive behavior, and further, if this behavior can be learned or developed. New business owners, often highly competent in their trade or industrial area of the product or service, may be plagued with problems when engaging in secondary skills in bookkeeping, client and employee relations and/or cash flow analysis. These skills if not properly executed, initiate a downward spiral, the outcome of which serves to limit potential growth of the product or service. These limits are established consciously or unconsciously through the cognitive process of judgment. The result can lead the entrepreneur into their particular pattern of risk-taking behavior.

Therefore, to what extent is the entrepreneur affected by his or her risk-taking style? Is he or she aware of its possible consequence? Would awareness of one's personal style of

risk-taking cause an individual to modify or simply monitor troublesome situations so as to minimize the potential or resultant loss(es) of the decision making process? Is risk-taking a consistent process of the successful entrepreneur?

This study was designed to verify the influence of risk-taking on New Jersey small business success. The study also was constructed to verify that mental ability was not an intervening variable impacting upon success or failure. The investigations conducted for this study were carried out by the thorough testing of the following hypotheses:

1. A relationship exists between risk-taking and small business success with respect to cognitive judgmental behavior.
2. A relationship exists between mental ability and success.
3. The combined variable factors of risk-taking and mental ability relate to entrepreneurial success.

The base criteria for placement into the group to be called successful included: classification according to the size of the business; primary source of income for the owner; and the form of ownership in New Jersey. The criteria for the group to be called unsuccessful or failed was similar with the exception of the length of time in business and being an owner having filed bankruptcy during the 1984 calendar. The total number of participants would be forty. Following a two stage selection process, subjects provided responses to three instruments. One measured risk-taking, one assessed mental ability, and one gathered general information. The risk-taking instrument was adapted from the Opinion Questionnaire published by Kogan and Wallach in 1964. In spite of being more than 20 years old, this instrument was recommended by Educational Testing Service of Princeton as the most useful cognitive instrument. Mental ability was assessed through the commercially available Quick Word Test developed by Corsini and Borgatta. These two instruments had established validity. The third instrument, developed specifically for this study was designed to gather information on general characteristics of the participants including the age of the owner at the time of start-up; the length of time in business; their level of education; and, other pertinent responses.

The most significant finding of the study was the mirrored image of both groups of entrepreneurs. First, there was no significant difference in the risk-taking pattern of the respondents, and their respective pattern was a moderate one. Second, all small business owners responded so as to indicate no significant difference in their level of mental ability as measured by the Quick Word Test. In fact, both groups scored one standard deviation above the mean of the general population. Third, there was no significant difference between the groups

with regard to the interaction of the two variables, risk-taking as measured by the Kogan and Wallach instrument, and mental ability. Fourth, the research confirmed that both owners came from the general population identified as small business owners.

Success or formal failure through bankruptcy, did not distinguish them from one another. Their collective characteristics were reflective of the national model, with some tendency to display the emerging traits of additional education and a participative nature.

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## Educating The Innovators: The CAMM Concept

Preparing youth and adults for careers in retailing and helping retailers survive in today's economy is the focus of the Center for Apparel Marketing and Merchandising (CAMM), established at Oklahoma State University in May 1982. CAMM is a unique university extension program and provides adult learners and traditional university students educational assistance and other services needed to operate a retail business successfully.

The primary participants in CAMM programs are adults interested in opening a small business or retailer with less than five years of business experience and less than \$500,000 in sales volume a year. Both existing retailers and the increasing number of new entrepreneurs need help. Students pursuing retail careers need to be prepared for the "real world."

Expertise is available within the corporate structure for large stores, and assistance of experts in specialized areas can be afforded when problems arise. However, small businesses have little access to merchandising expertise and cannot afford the assistance needed to improve the efficiency of store operations.

To aid small apparel and textile-related entrepreneurs, students, and educators, major activities of CAMM include:

- Conducting all-day workshops prior to seasonal apparel markets.
- Presenting seminars to adults getting ready to go into business or who need assistance with an existing business.
- Providing innovative programming on a national basis through video teleconferences which address topics of interest to students, educators, and entrepreneurs.
- Providing year-round consulting services for individual retailers.
- Offering printed learning materials targeted for apparel retailers but often used as supplementary class materials.
- Preparing a quarterly newsletter with an issues-and-answers approach which addresses retail topics such as financial management, personnel motivation, selling strategies, etc.

Although the adult, prospective, and current business owner is the target of the Center, students and teachers at the university benefit greatly from CAMM programs. The faculty are exposed to the industry and are made aware of the latest problems and trends when they visit the regional markets. Faculty are an integral part in the development and revision of workshops and learning materials. Students benefit from the increased awareness and credibility of their instructors who can give actual rather than contrived examples.

The Center for Apparel Marketing and Merchandising is a model program that integrates the three primary functions of the university: teaching, extension, and research. Most of all, it serves a new wave of entrepreneurs who want to be considered among the "living." Their businesses are being targeted for success.

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NATIONAL NETWORK PROVIDES MODEL PROGRAMS TO FOSTER  
SMALL BUSINESS SKILLS FOR WOMEN AND MINORITIES

Panel of Vocational Education Equity Coordinators will report on representative programs from across the country designed to assist women and minorities in entering small business. Presentation will be an outgrowth of data collected at the spring national leadership conference for equity coordinators. Each participant will receive a national roster of equity coordinators. Focus will be on specific issues related to business start-up for women and minorities as well as model programs that have been implemented.

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DEVELOPING HIGH SCHOOL ENTREPRENEURS:  
A UNIVERSITY/VOCATIONAL EDUCATIONAL EXPERIMENT

Entrepreneurship education takes place via a number of methods and programs: on-the-job experience leading to new business start-ups, formalized learning with actual training (Diversified Cooperative Training) in high schools, individualized entrepreneurship courses at the community college, vocational school, and university levels, and community adult education classes. Often these programs have little or no interaction, and institutional/community resources are dissipated. During the mid-1980's the Florida State University Small Business Development Center (SBDC) and the Leon County School System Vocational Education Program have linked together in a pilot project. The normal orientation of the SBDC program is to provide management and technical assistance and training to adults, which the Leon County high school vocational education program, in conjunction with DCT, is aimed at those who are about to join the adult ranks. Both programs are trying to find ways of interacting so that high school entrepreneurs get needed business start-up assistance.

This session would explain the orientation and activities of each presenter (Dr. Kerr and Dr. Nelson) as they relate to entrepreneurial education. The proposed linkage of the two programs would then be discussed to show how vocational education teachers and high school students will be receiving assistance from SBDC management analysts.

Since this is a pilot program, the presenters will be interested in receiving comments and suggestions from those who participate in the National Entrepreneurship Forum.

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IMPROVE YOUR CHANCES OF SUCCESS:  
PROGRAM FOR PLANNING AND DEVELOPING A SMALL BUSINESS

The Small Business Management Associate Degree Program was developed by the use of Ad Hoc Advisory Committees, research of business persons within NCTI District and surveying specific target audiences, i.e., Women's Development Center Mailing Lists. The program is not only for Associate Degree but flexible enough for anyone to plan their own program. Individuals have three options: 1) Take 18 credits of the 24 one-credit courses and you will receive an Entrepreneurship Certificate; 2) Take just what you want and need; 3) Take the 68 credits and receive an Associate Degree in Small Business Management.

Improve Your Chances of Success program is targeted for people thinking about going into business, upgrading your present job, people looking for a career and people in business looking for more knowledge.

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## A FIELD TESTED FOUNDATION FOR TOMORROW'S ENTREPRENEURS

Objective: To report the success of a secondary class in entrepreneurship education, to illustrate student reaction, and share information about materials developed.

Donald Connelly, vocational agriculture instructor at Western High School in Howard County, Indiana, applied for and received an economic education grant. From that grant grew a high school program in entrepreneurship education and a resulting textbook written to supply the educational materials for the class.

The objectives of the course, the subject matter taught, student activities conducted, and the community involvement make up the bulk of the presentation. A short video tape will be included to give the flavor of the class.

The subject matter includes the benefits of self-employment, how to write a business plan, goal setting, business forms, and organization. Additional topics include a study of facilities and resources needed, location, customer relations, credit and collections, risk management, pricing strategies, and when to consider expansion or restructuring the business. Other areas are the financial aspects of record keeping, decision making, tax management, and meeting the legal requirements of a business venture.

The end of the course features a self-assessment of the student's entrepreneurial potential by use of a computer program. A large number of entrepreneurs from the community were featured in the course as resource persons. A number of these were involved as sites for field trips; others visited the class to share appropriate experiences.

Student activities were utilized to involve class members in their own educational process and are reported in the presentation.

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TEACHING SMALL BUSINESS MANAGEMENT:  
USING TEAM-TEACHING AND MULTIPLE TEACHING STRATEGIES

The Small Business Management Program is characterized by: 1) limited enrollment, 2) topics of instruction formulated with student input and aimed at the accomplishment of business and personal goals, 3) monthly visits by the instructor to each student/owner's business, 4) classroom instruction once each month, and 5) analysis of each owner's business operation and application of the information to improve its management and organization. Program instructors recognize the entrepreneurial traits of small business owners and implement teaching approaches that are consistently results-oriented.

The reasons most often cited for business failure are poor management skills and lack of planning. This unique business and education partnership relies heavily on successfully combining traditional instructional strategies with contemporary technology. We have found that teaching a class topic and following up with the experience(s) of the business owner in their own business offers the optimum opportunity for assimilation and use of the material taught.

Team teaching offers us more flexibility, diversity, and creativity in teaching the various subjects. Working with business owners in the evening, after a long working day in their businesses, means structuring a fast-paced evening. Our approach has been to present the topic, involve participants in review and discussion and accentuate the owners' experiences in relationship to the topic. Numerous teaching tools are used (videotapes, films, overheads). Specific small group work is stimulating and insightful.

Each year we have more applicants than we can accept in the program. Our retention rate exceeds the average in similar programs. We would like to share the methods used to teach this unique population, accentuating what has worked in our program, with suggestions for beginning and continuing a successful partnership with education and business.

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JOINING THE MAINSTREAM:  
A TRAINING PROGRAM FOR MINORITY ENTREPRENEURS

Each year, numerous small businesses fail as a result of badly conceived ideas or poor management. This problem is even greater among minorities who attempt entrepreneurship. Not only do minorities encounter the same problems faced by all inexperienced small business owners, but often they also lack background and training in basic aspects of business, such as finance, marketing and planning. Nevertheless, many minorities can be successful entrepreneurs if they develop the managerial skills needed for success.

This session, through a panel presentation, will provide an overview of a program which consisted of a successful series of specialized workshops developed to provide management and financial skills to minority entrepreneurs. The session will include the following segments:

1. Summary of the roles of the various parties in developing the Small Minority Business Training Project. Included on the panel will be participants from the Louisville Urban League, which was responsible for needs assessment and trainee recruitment; and the Project Director from the University of Louisville, responsible for program development, implementation and evaluation.
2. Summary and review of the needs assessment survey, of trainee recruitment, program design and implementation, instructional content and activities and sample instructional materials. Course content areas included: business plan development, strategic planning, financial planning, supervision, marketing, and government contracting opportunities.
3. Review of instrument used to evaluate the training program and of program funding.

The objectives of the presentation are as follows:

- \* Demonstrate the need to involve trainees in the design of entrepreneurial education undertakings.
- \* To develop an awareness of the process for designing and implementing a successful education program for minority entrepreneurs.
- \* To provide an overview of the instructional activities in a successful training program for minority entrepreneurs.
- \* To provide a review of a successful evaluation tool for entrepreneurial education programs

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## Building Teams For Success in Entrepreneurship Education

1986-87 has been a year when people and organizations got together in Minnesota to plan and advocate for entrepreneurship education. New teams and partnerships were formed to bring grassroots ideas to executive and legislative attention. New business/education alliances were initiated to support curriculum and teacher development.

This session will:

- 1) Present some techniques that worked in Minnesota to successfully build teams around entrepreneurship issues and;
- 2) Highlight teamwork outcomes in entrepreneurship policy, curriculum and teacher development.

Results of the 1987 State Conference on Small Business, State Task Force on Entrepreneurship, Minnesota Council on Economic Education teacher in-service, and a National curriculum project involving Minnesotans, sponsored by U.S. West Corporation, will be discussed.

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Purpose, General Objectives and Abstract of Presentation by  
Rod Terminello

The presentation will include the philosophy, need and mechanics for developing a Business Assistance Center in the College's service area. In addition, the presentation will discuss the Center's program functions, accomplishments, and the Center's long and short range goals.

The development of the Center stems from the College's commitment to improving the economic development climate in its service area. Numerous businesses expressed a need for assistance in operations, management, finance and marketing; many individuals desired to open new businesses because of lack of employment; and there was and is a need to encourage diversification in industry. The College was the solidifying force behind a coalition of the local chamber of commerce, industrial development service and the convention and visitor's bureau. These three entities, along with the College's Business Assistance Center, share off-campus space, equipment, and human and reference material resources on a continuing basis.

The Center's functions include business education and training in the form of seminars and workshops; a business resource center for financial, marketing, etc. materials and a computerized data base of demographic and economic information; a fee-charging counseling/consulting service directed to fit individual and specialized companies' needs; a strong effort in bringing together private and public sectors for the purpose of improving economic development; and a planned business incubator center which will assist new and failing businesses.

The presentation will explain in further detail the development process of the Center and the resulting coalition, and explain the functions of the Center in more detail. In addition, the presentation will list accomplishments in terms of types of seminars/workshops conducted; types of resources and data base information amassed; number of client companies consulted and the types of problems/needs that are being addressed; the results/problems of the Center's effort to form a County/regional Business Industry Council to further economic development; and the results of planning an incubator center. The presentation will also address the results of the Center's efforts to form private sector partnerships for funding purposes.

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#### CEO ACADEMY: AN EDUCATIONAL ENTERPRISE FOR ENTREPRENEURS

This presentation describes an entrepreneurial approach by Chief Executive Officers who assume full control and risk in their own educational enterprise.

#### Objectives:

1. to define characteristics of the CEO participants
2. to describe the educational enterprise for entrepreneurs
3. to summarize participant and college outcomes

The CEO Academy members at Lansing Community College are smaller company owner/presidents who are fiercely committed to increased success, need immediate results, and value open, honest sharing.

Traditional curriculum has been replaced by a learner driven enterprise which is fast moving and critical for successful growth management. Presentations have utilized case studies from the Harvard Business School, researchers, resource speakers from banking, accounting, and legal firms, and in-house expertise.

Meetings are held monthly; topics have included planning, general management, marketing research, worker's compensation, new business formation, the entrepreneur and public policy, the new tax laws, financial/estate planning, and an executive fly-through on new computer software.

The CEO Academy enterprise refines management skills and decision making abilities to maximize the competitive edge in their businesses which contributes to an improved economic environment in the Greater Lansing Area.



THE ECONOMICS OF BUSINESS EDUCATION: A GENERAL  
AND VOCATIONAL EDUCATION APPROACH TO TEACHING  
ENTREPRENEURSHIP IN CALIFORNIA PUBLIC SCHOOLS

California has developed and is in the process of implementing two courses in entrepreneurship education. One of the courses is a one-semester awareness course, and the other is a one-year competence level course. Both satisfy the State's economic graduation requirements.

The workshop presentation will focus on the rationale, process, content, and implementation strategies for offering these courses in the comprehensive high schools and ROC/P's.

California is a "hot bed" of entrepreneurial activity. The State's economic growth is dependent upon the establishment, growth, and development of small business. The entrepreneurial "climate" in California has created a great interest in providing an opportunity for young people to explore self-employment opportunities and to develop specific competence in business ownership.

The entrepreneurship curriculum have been "validated" by a legislative task force of prominent California entrepreneurs and offered as part of the business education program in the high schools and the marketing education program in the ROC/P's. Special emphasis has been given to serving the unique needs of the economically disadvantaged, single parents, and women in the competence level courses.

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MEETING BUSINESS TRAINING NEEDS IN PARTNERSHIP WITH A  
BUSINESS INCUBATOR - A CASE STUDY

The 1985 Washington State Commission for Vocational Education study, "Employee Training Needs as Expressed by Employers in Washington State." called for the development of partnerships among businesses, schools and colleges to better address the training and educational needs of new and existing companies.

Green River Community College in Auburn, Washington, determined that an extension of the college in Kent, Washington, would bring college programs and resources closer to business and community residents, that special educational needs might be identified more readily, that custom training could be focused by channeling those efforts through an Education and Training Center and that developmental and training needs of new and existing businesses could be served through a training center physically located in a newly established Small Business Incubator.

The call for greater involvement on the part of colleges resulted in a partnership between Green River Community College and the Kent Chamber of Commerce in promoting the development of a non-profit corporation for the purpose of starting a small Business Incubator in a rapidly growing industrial community. The presentation details the historical participation of the college in establishing an off-campus extension branch called The Education & Training Center, with the targeted mission of serving the special needs of new and established businesses in the area.

The presentation outlines the initial steps in development to include the Council for Vocational Education study project that resulted in the creation of a slide tape presentation called "Future Visions," the development of a comprehensive business plan for establishing the college's Education & Training Center, the creation of a questionnaire to determine the training needs and programs most desired, the development of a video tape presentation and special assistance given the Small Business Incubator, called The Venture Center, in advertising and promoting the new organization.

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## RURAL ECONOMIC DEVELOPMENT IN ACTION

Entrepreneurship education and small business assistance programs are promising vehicles for assisting isolated, rural communities in economic development efforts. Through the effective utilization of limited resources, Hazard Community College has been successful in establishing a range of services intended to promote a revitalized local economy.

Southeast Kentucky is a rural, isolated region which is economically dependent upon the coal industry. As new technologies are applied to coal mining many traditional coal mining jobs are being eliminated.

Recognizing the need for economic diversification, a small business assistance/development program has been established which promotes the formation and growth of locally owned businesses. This program's services include implementation of a series of free small business workshops, business consulting, a small business incubator, contract training programs and publication of a quarterly small business newsletter. Additionally, targeted entrepreneurship education programs such as the Rural Women's Proprietorship and Eastern Kentucky Entrepreneurship programs show promise in promoting self-employment as a career option.

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## POTPOURRI: INNOVATION IN ENTREPRENEURSHIP

Vocational/technical education is a key element to our nation's competitive advancement. These programs which normally prepare or retrain students for jobs can become more responsive to economic development by enrichment of entrepreneurial concepts into the programs at different educational levels. However, leadership is necessary to find ways to motivate teachers and administrators to "add one more thing" to their busy agendas.

Several activities initiated during 1986-87 have enhanced Ohio's commitment to developing entrepreneurial awareness to a range of ongoing outcomes in vocational education. This overview will highlight several local school district innovative grants including videotapes depicting young, successful vocational education graduates.

A new program entitled "Ventures in Business Ownership" (VBO) designed to reach single parents and homemakers, will be described. RFP guidelines will be distributed for possible adaptation by other states.

Gaining top administrative support sometimes comes by inches, but pays high dividends. A few strategies will be shared on this topic.

An entrepreneurial research study initiative is underway that will help validate the role of vocational education, especially at the secondary level, to the economic development in the state. We intend to show that the growth of small businesses are vital and important to vocational education programming, job creation, and job placement of our students.

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Purpose: To advocate the presentation of a Business Education course in Entrepreneurship with a graduation requirement in Economics at a traditional high school.

Objectives: Participants will:

- a. Be able to develop a rationale for teaching Entrepreneurship in a traditional high school.
- b. Be able to write strategies for gaining school board approval for a pilot course in Entrepreneurship.
- c. Know the course competencies required for a pilot course in Entrepreneurship.
- d. Learn varied methods for marketing a course in Entrepreneurship.

The economic fact of the matter is that the cry of "thar's gold in them thar hills," is again ringing across the United States, and this time the "49'ers" are flocking in as Entrepreneurs mining for the gold of venture capitalists. The term Entrepreneurship has been coined by the author to link the role of the Entrepreneur to the discipline of economics in the mind's eye of the student.

Two perplexing questions have kept Entrepreneurship education out of our business education curriculums:

1. Why teach high school students about Small Business ownership?
2. Who will teach Economics at the high school level?

Some ten years ago, I had to hide the teaching of a course in Entrepreneurship under the guise of a General Business one-semester course. In March of 1985, my proposal for a pilot of a two-semester course of instruction in Entrepreneurship, that also offers a graduation credit in Economics, was approved by the San Diego City Schools' Board of Education.

The salient features of my pioneering efforts in the preparation and presentation of a pilot program designed to answer the two questions stated above, and the fending off of those who were, and are, detractors, are the subject of this presentation. Participants will be provided with copies of the pilot curriculum and strategies for teaching Applied Economics with Entrepreneurship. Keep in mind that those of us who would be Intrapreneurs are like pioneers, and pioneers get shot at...

STATEWIDE BUSINESS ASSISTANCE NETWORKING THROUGH  
LOCAL COMMUNITY AND BRANCH COLLEGE

New Mexico is a poor state with low per capita income and a large minority population. The state needs both economic expansion and diversity. Recognizing this need two years ago, several institutions in the state sought funding from the New Mexico Department of Education for a statewide network of business assistance centers. Eventually all sixteen colleges in New Mexico will be funded. The New Mexico Business Assistance Network will have seven schools represented by June 1987. The proposed presentation will describe and discuss fully this integrated statewide network.

The presentation will focus specifically on the following:

- A. The purpose of the Business Assistance Centers and their responsibilities to economic development as part of the statewide effort.
  - a. economic development through education
  - b. course syllabi and descriptions
  - c. individualization of program offerings for local needs (e.g., one school may target the tourist industry where another school may concentrate on the farming industry)
  - d. training, counseling, and resource material utilization aspects of the programs
  
- B. Networking and Communication
  - a. assisting in economic development through the improvement of the state's economy by the establishment of successful small businesses and through an increased mortality rate for existing businesses
  - b. increasing awareness of entrepreneurship as a career alternative
  - c. sharing information and problem solving within the state in order to avoid unnecessary duplication of services
  - d. increasing the body of knowledge pertaining to small business and economic development within the state
  - e. techniques for coordination (e.g., computer modems, state sponsored Technet and telecommunications, etc.)

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Purpose statement--BEST FOR EDUCATION presentation

The Best Western International/Metro Tech Vocational Institute program is designed by the Human Resources Management department of Best Western International to meet specific education and private industry goals. By combining resources, these two Phoenix-based partners are able to improve the quality and versatility of the education received by vocational education students in the Resort Occupations curriculum and return that recently-acquired knowledge back to the community.

As part of the innovative approach to learning, students become familiar with state-of-the-art industry equipment they would not normally have access to and are exposed to myriad new teaching techniques that place an emphasis on the work ethic and employable skills.

While developing an understanding of the working world's expectations, students develop the technical skills to handle the high pressure position of Reservations Sales Agent for the world's largest lodging chain. Participants hone their customer relations skills, understanding of the business structure and job capabilities and, after graduation, can enter the workforce of Arizona's second largest industry--hospitality.

This presentation will explore how the partnership originated and why various teaching techniques were implemented. The speakers will also concentrate on an area that greatly influenced the success of the program--marketing.

The efforts of Best Western's Corporate Communications Department were instrumental in attracting media attention and building community support for the program. Corporate staff, working with Metro Tech representatives, designed a complete public information campaign. Materials and activities consisted of internal and external news and feature articles, a press packet complete with fact sheets on the Resort Occupations curriculum and each program partner, background media support and interviews and a press conference when the program was launched. Brochure copy was also developed to promote Metro Tech offerings within the school system. The collateral materials and the resulting television and newspaper coverage have elevated awareness of Metro Tech and its well-rounded programs. In addition to the exposure the publicity has garnered, the campaign was honored by the Arizona Schools' Public Relations Association with an Award of Merit.

The presentation will lead by speakers Kevin Gregor, manager of Employment for Best Western and one of the coordinators of the partnership and curriculum developers; Sandra Martin, instructor in the Resort Occupations curriculum at Metro Tech, participant in the pilot Reservations Agent training class and future co-instructor for the program; and Sue Scoveller, Best Western's publicity coordinator, who developed many of the publicity materials used to support the program.

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## PROJECT DESCRIPTION - Y.E.S.

### Youth Entrepreneurial Seminar (Y.E.S.)

Y.E.S. is a unique approach for youth and their families to explore their skills/interests/hobbies and market feasibility as they relate to starting a business or a career.

This project has two parts. Y.E.S. Phase I is sponsored by the Minnesota Extension Service. In each of thirteen sites, youth will explore their own skills as well as their community markets for alternative income or new enterprises. At the conclusion of the presentations, applications will be handed out for Y.E.S. Phase II.

Y.E.S. Phase II is a weekend retreat (Friday night and all day Saturday) for youth and their parent to develop a business and marketing plan.

Because of the difficult economic times in Minnesota, we believe that keeping the cost down is the key to reaching the targeted clientele. The direct beneficiaries are: 1) the youth and their parents, 2) the communities in which they live, and 3) the region in which their communities are a part of.

### Need for Project

The need for this project has come from a variety of sources.

1. In 1985, as a result of "Teens In Distress", an interactive T.V. program targeted at rural youth, it was concluded that kids knew that money was the root of much of the conflict in their families, but that the youth did not know how to help.
2. Most businesses that succeed have started small and have grown into major businesses.
3. There is a lack of jobs for teenagers in the smaller communities in Minnesota.

### Project Objectives

Statement of Purpose - Participating youth of Y.E.S. Phase I and Phase II and their families will have an opportunity to explore their skills/interests/hobbies and market feasibility as they relate to starting a business or a career.

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## IT'S NOBODY'S BUSINESS BUT YOUR OWN!

### A Business Ownership Workshop for Single Parents and Homemakers

The purpose of this presentation is to introduce two programs offered by the Career and Life Planning Center of Hunterdon County, New Jersey which encourage the consideration of entrepreneurship as an employment option. Both programs will be discussed regarding: timelines; physical needs; organization; staffing needs; outreach; speakers; references; business, community, and government resources; as well as client and staff evaluations.

The first program offered was directed at homebased businesses. The feature speaker was Marion Behr, the well-known author of Women Working Home. Also featured were several professionals in the fields of law, accounting, and finance.

The second program was broader in scope and continued over a one-year period of time. It dealt with small business development regardless of its location. During a 5-day intensive program, the speakers included: educators; professionals in law, accounting, marketing, insurance and finance; state and federal government resources for small business development; local small business owners; professional business organizations; and the local chamber of commerce.

This intensive program was designed to provide immediately the necessary information about starting a small business so clients could make a realistic assessment as to whether business ownership was for them. For those who chose to develop their small businesses, it also provided connections to the business community; public and private resources; and a support system of others in similar situations.

Small weekly workshops continued throughout the year to deal on a more individual basis with business and related personal skills development. Private counseling was also provided along with continuous intake. Where possible, clients were matched with mentors from the business community. Follow-ups were conducted by telephone or personal contact at regular intervals.

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## ENTREPRENEURSHIP EDUCATION - IT'S ON THE RISE!

By

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Objectives: To promote entrepreneurial education at the secondary, post-secondary, college and adult levels.

### ABSTRACT

Entrepreneurs are a key ingredient to insuring the continued economic growth of the United States. However, 80% of all small businesses fail within the first five years of operation. Awareness of the risks and opportunities of starting and owning a small business helps potential business owners and vocational teachers recognize the need for entrepreneurial education.

Secondary, post-secondary and adult vocational education teachers have had limited formal educational background on entrepreneurial concepts and/or the incorporation of entrepreneurship concepts into the curriculum. Inservice is one way by which teachers can become knowledgeable about entrepreneurship.

An undergraduate/graduate college credit class can serve as a successful delivery system for inservice related to determining the characteristics of a successful entrepreneur, developing a business plan, identifying legal aspects of organizing a business, financing a business, determining a business site location, keeping business records, complying with government regulations, identifying educational resources on entrepreneurship and determining the placement of the entrepreneurship component in vocational education programs. Through a self determining "Plan of Action" enrollees in the college class can identify how to personally aid existing and/or future business owners by offering entrepreneurship education as a separate entity and/or infusing it into vocational offerings already in existence. A "Contract for Grade" allows class enrollees the opportunity to develop classroom teaching techniques plus increase personal knowledge in entrepreneurial areas where a perceived weakness is identified. Community entrepreneurs and professionals provide expert advice on operating and managing a business.

The delivery system described above can also be used to provide entrepreneurship education for undergraduate/graduate college students interested in small business ownership. However, as the various concepts are studied each class enrollee can apply the information to his/her "All American Dream" idea.

COMMUNITY AND WORKER OWNED BUSINESSES:  
AN ALTERNATIVE TO BUSINESS AS USUAL

Twin Streams is conceptually indebted to the Danish folk school which served the dual function of providing a place for people to come together to deal with the problems of the times and develop a spirit of unity. Twin Streams also borrows heavily from the Highlander Folk School in New Market, TN - which has been an invaluable resource in training people involved in areas of social change through Experiential Education and Empowerment.

In 1973, Twin Streams became a tax-exempt corporation. After 6 years of planning and work, a member-built log cabin, designed as a residential facility for 20, was completed in 1979. In March of that same year, the cabin burned from a fire of an unknown origin, but the center survived in spirit and actuality, through the people who had come together to form Twin Streams (Note - Cabin Logo)

This Experiential Education Focus was catalyzed through a loan of the fire insurance to Workers Owned Sewing Co. in November, 1979, pointing to our continuing community economic involvement.

Today, Twin Streams continues to be involved in the struggle for economic democracy in the South through experiential education efforts with workers and communities facing workplace crisis.

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## PERSPECTIVES ON ENTREPRENEURSHIP

This session will explain how entrepreneurship education can be successfully addressed in an urban or rural community.

**A. Importance of Entrepreneurship Programs:** The small business is an essential and large part of our economy and our way of life. These businesses employ approximately one hundred and fifty million people. They also account for 66% of our employment growth in this country. Small businesses are a chief avenue for employment of minorities. New ideas and inventions are usually born in small businesses.

**B. Overall Goals of the Arkansas Entrepreneurship Project:** The overall purpose of the project is to improve the probability of business success by providing entrepreneurial training for secondary students and adults.

**C. Project Methods:** Secondary students and adults were targeted for this training. Students voluntarily contracted to attend training sessions once a week during the noon period and to attend evening sessions conducted by the resource speakers once a month. They also contracted to "shadow" a business owner/manager of their choice for a minimum of eight hours during the project.

Adults participated by serving as resource speakers, allowing students to shadow, and by attending the evening presentations.

**D. Results or Benefits:** Thirty students contracted, on a volunteer basis and without receiving class credit, to participate in the training. Approximately seventy-five different adults attended one or more of the evening sessions.

A manual has been developed for all student and adult participants. This manual summarizes information covered during the project.

A manual has also been developed for other schools throughout the state to follow in implementing the project.

The project success verifies there is interest in and a need for small business training. This project reflects considerable "transportability" for other schools in the state and nation who also note an educational gap regarding training for small business ownership.

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## ENTREPRENEURSHIP EDUCATION CURRICULUM: A TASK ANALYSIS APPROACH

Sandra W. Miller and Jamie C. Williams  
Department of Vocational Education  
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The American dream of personal economic freedom and the satisfaction of doing it on your own is known as the "entrepreneurial spirit." Nearly everyone since the beginning of our country's time has at sometime had this dream. In 1982 the Department of Education estimated that 97 percent of all U.S. businesses were classified as small business, thus fulfilling the entrepreneurship dreams of many. However, for many this dream turns into a nightmare, as over one-half of all entrepreneurial efforts fail. This economic and emotional loss can be stemmed by providing small-business-information to individuals interested in becoming entrepreneurs.

With an emphasis on preparing for work or a career, secondary vocational education is a logical place to provide such information. The areas of Agriculture, Business and Office, Distributive, Home Economics, and Industrial Education provide vehicles for this information, while the youth organizations associated with each provide outlets for practical experiences in entrepreneurship.

The goal of an entrepreneurship education project at the University of Kentucky was to develop curriculum materials for a one-semester Business and Office Education course that could be taken by any junior or senior in high school. The basis for course content was a task list for entrepreneurs.

A preliminary task list was generated by project personnel and validated by 41 persons, including entrepreneurs; university business instructors; and Business and Office Education teachers, teacher educators, and state department personnel. Tasks were rated on their degree of importance to entrepreneurial success. Respondees were asked to add tasks they felt had been omitted. The list was refined based on feedback from the validators.

A search was done for a U.S. Department of Labor Dictionary of Occupational Titles (D.O.T.) job title/code number for a person performing these tasks; none was found. The Department of Labor was contacted and subsequently assigned the job as proprietor-manager, small business, occupational code number 185.167-580.

An instructor's guide was developed using the tasks as an organizational framework. The guide is organized by tasks; each category has behavioral objectives, teaching strategies, resources, evaluation techniques, and a suggestion for a vocational youth organization activity. A variety of teaching strategies, resources, and evaluation techniques are included so that the teacher can select those most appropriate for his/her class. Bibliographic information concerning commercial and published resources cited is included in a resource guide section.

While the curriculum is designed primarily for Business and Office Education secondary school students, it is adaptable to other vocational area programs and age-level populations. For example, it is being used as the basis for a home economics teacher education workshop at the University of Kentucky.

## NEBRASKA SMALL BUSINESS DEVELOPMENT

### THE NEED

The rural economy of Nebraska is undergoing major structural change resulting in widespread occupational displacement. The state is composed of a population of 1.5 million people spread over a 76,639 square mile area. Job creation in small rural areas is a major priority in the face of widespread agricultural bankruptcies. The opportunities for the development of new small business must be encouraged to build the state's economic base.

### THE PROJECT

The goal of this project is to assist 10 colleges in Nebraska pilot a system to train adults to start new businesses in rural areas of the state. Based on experience with similar programs and expertise in entrepreneurship training materials, staff at the National Center for Research in Vocational Education will provide the following technical assistance:

- o Develop program guidelines;
- o Train site coordinators on program guidelines and use of the National Center's entrepreneurship curriculum materials--Beyond a Dream and PACE;
- o Conduct follow-up site visits and conference calls to provide ongoing technical assistance to site coordinators;
- o Help conduct final meeting of all site coordinators to determine success of program.

### RESULTS TO DATE

Participants were drawn from across the state through public service announcements, news releases, local newspapers, brochures and posters distributed by colleges, plus contact with numerous state agencies informing them of the program. Over 160 individuals have completed the training, which will run through the end of June. Several of the schools will be offering the training again on their fall schedules. Sixty percent of the class participants were women. Business plans included a delivery service, vending, bed and breakfast, music book royalties, and sausage program royalties.

### SPONSORSHIP

This project was jointly sponsored by the Nebraska Departments of Economic Development and Education.

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APPENDIX A: AGENDA

THE 5TH ANNUAL NATIONAL ENTREPRENEURSHIP EDUCATION FORUM

RECHARGING THE AMERICAN DREAM

JUNE 24-26, 1987  
WASHINGTON, D.C.

Wednesday, June 24, 1987

6:00 p.m. Reception  
Sponsored by The National Entrepreneurship  
Education Consortium

Thursday, June 25, 1987

8:30 a.m. Welcome

Cathy Ashmore  
Entrepreneurship Program Director  
The National Center for Research in  
Vocational Education

Larae Watkins  
Forum Coordinator  
The National Center for Research in  
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Ray Ryan  
Executive Director  
National Center for Research in  
Vocational Education

Keynote Address

Stan Parish  
Associate Deputy Administrator for  
Special Programs  
U.S. Small Business Administration

9:30 a.m. "Small Business in the Year 2000"

Jules Lichtenstein  
Chief of Applied Policy  
Office of Advocacy  
U.S. Small Business Administration

10:15 a.m. "Making America Work Again"

John Rennie  
Member  
National Commission on Jobs and Small Business  
President  
Pacer Systems, Inc.



Reaction Panel

William Dennis  
Senior Research Fellow  
National Federation for Independent Business

James Kadamus  
Assistant Commissioner for Occupational and  
Continuing Education  
New York Department of Education

George Solomon  
Director  
Business Education & Resource Management  
U.S. Small Business Administration

11:45 a.m.

Luncheon

Address

"U.S./Canadian Free Trade Negotiations"

Sheryl Swed  
Special Assistant  
Office of Advocacy  
U.S. Small Business Administration

1:00 -  
1:40 p.m.

Concurrent Session #1

- a. Recharging the American Dream via Real  
World Entrepreneurial Education  
George Jansen  
A.B. Dick Co., Illinois
- b. We Make Money the Old-Fashioned Way:  
We Learn to Earn  
Lettie Booker  
Magnet School - Deer Park, Virginia
- c. Traditional Education - "FOR SALE"  
Jay Aldous; Jay Jacquet  
Brighton Group  
Muskingum Area Technical College, Ohio

1:45 -  
2:25 p.m.

Concurrent Session #2

- a. Experience in Enterprise  
Angela Rochon; Frank Brough;  
David Kennedy; Maurice Fritch  
Intermediate School District of  
St. Clair County, Michigan  
Richard Benedict  
Enterprise Programs, Center for the  
Studies of Alternatives in Education

- b. The Influence of Risk-taking as a Cognitive Judgmental Behavior of Small Business Success  
Patricia Peacock  
Rutgers Campus at Camden, New Jersey
- c. Educating the Innovators: The CMM Concept  
Linda Good  
Oklahoma State University, Oklahoma

2:30 -  
3:10 p.m.

Concurrent Session #3

- a. National Network Provides Model Programs to Foster Small Business Skills for Women and Minorities: A Panel Report  
Linda VanBallenberghe, Alaska  
Mary Ann Etu, New York  
Charlotte Gore, Florida  
Marie Mayor, Maryland
- b. Developing High School Entrepreneurs: A University/Vocational Education Experiment  
John Kerr  
Florida State University, Florida  
Gil Nelson  
Vocational Adult, and Community Education  
Florida
- c. Improve Your Chances of Success: Program for Planning and Developing a Small Business  
Sharon Bendickson  
North Central Technical Institute  
Wisconsin

3:15 -  
3:55 p.m.

Concurrent Session #4

- a. The Youth Self-employment Training System  
Rich Scheig  
Scheig Associates, Washington
- b. A Field Tested Foundation for Tomorrow's Entrepreneurs  
William Hamilton  
Purdue University, Vocational Education  
Indiana
- c. Teaching Small Business Management: Using Team-Teaching and Multiple Teaching Strategies  
Jean Names  
Lane Community College, Oregon

4:00 -  
4:40 p.m.

Concurrent Session #5

- a. Joining the Mainstream: A Training Program for Minority Entrepreneurs  
Carrie Donald  
University of Louisville, Kentucky  
Phyllis Atiba; Carla Davis  
Louisville Urban League, Kentucky
- b. Building Teams for Success in Entrepreneurship Education  
Lynda Rago  
State Board of Vocational, Technical Education, Minnesota  
Tom McMullen  
Spring Lake Park & St Anthony School Dist  
Minnesota
- c. Pooling Your Local Resources to Develop A Business Assistance Center (BAC)  
Rodney Terminello, Jr.  
TADCO, Inc., New Mexico  
Frank Renz  
San Juan College, New Mexico

4:45 p.m.

Evaluation and Tomorrow's Schedule

6:30 p.m.

Reception

Sponsored by the U.S. Association for Small Business and Entrepreneurship

7:30 p.m.

Banquet

Address

"Ethical Considerations for Entrepreneurs and the Need for Preparing Entrepreneurs for Disappointment"

Arthur Lipper, III  
Editor-In-Chief and Chairman  
Venture Magazine, Inc.

Friday, June 26, 1987

8:30 -  
9:10 a.m.

Concurrent Session #6

- a. CEO Academy: An Educational Enterprise for Entrepreneurs  
Marjorie Zibble; Linda Stevenson-Pope  
Lansing Community College, Michigan
- b. The Economics of Business Education:  
A General and Vocational Education approach  
to teaching Entrepreneurship in California  
public schools  
Douglas Mahr  
California State Department of Education  
California
- c. Meeting Business Training Needs in  
Partnership with a Business Incubator:  
A Case Study  
Lawrence Galloway  
Green River Community College, Washington  
Gary Ashenbrenner  
TRACON, Washington

9:15 -  
9:55 a.m.

Concurrent Session #7

- a. Rural Economic Development in Action  
Wayne Larsen; Darlene Farmer  
Business and Industry Technical  
Assistance Center, Kentucky
- b. Potpourri: Innovation in Entrepreneurship  
Sonia Price  
Division of Vocational and Career  
Education, Ohio
- c. Entreprenomics - California Gold  
Thomas Medina  
Kearny High School, California

9:55 a.m.

Refreshment Break

10:15 -  
10:55 a.m.

Concurrent Session #8

- a. Starting Business Assistance Networking  
Through Local Community and Branch College  
Randy Grissom  
Sante Fe Community College, New Mexico

Concurrent Session #8 (continued)

- b. Best for Employment  
Kevin Gregor; Sue Schweller  
Best Western International Inc., Arizona  
Sandra Martin  
Metro Tech Vocational Institute - Phoenix  
Arizona
- c. Y.E.S. - Youth Entrepreneurial Seminars  
Catherine Huebner; Dorothy Rosemeier  
Minnesota Extension Service, Minnesota

11:00 -  
11:40 a.m.

Concurrent Session #9

- a. It's Nobody's Business But Your Own!  
Elizabeth Sims; Barbara Bowen  
Career and Line Planning Center,  
New Jersey  
Rubie Coles  
Displaced Homemakers Network,  
Washington, D.C.
- b. Entrepreneurship Education - It's On the Rise  
Delores Kluckman  
South Dakota State University, S. Dakota
- c. Community and Worker Owned Businesses:  
An Alternative to Business as Usual...  
Wes Hare  
Twin Streams Education Center, Inc.,  
North Carolina

11:45 a.m.-  
12:25 p.m.

Concurrent Session #10

- a. Perspectives on Entrepreneurship  
Diane Sutton  
Caddo Hills High School, Arkansas
- b. Entrepreneurship Education Curriculum:  
A Task Analysis Approach  
Sandra Miller; Jamie Williams  
University of Kentucky, Kentucky

Concurrent Session #10 (continued)

- c. Linking the Resources via Statewide  
Training Network  
John Bebris  
National Center for Research in  
Vocational Education, Ohio  
Gregg Christensen  
Nebraska Department of Education  
Nebraska

- 12:30 p.m.      Luncheon
- 1:30 p.m.      Closing Address  
Norman Feingold  
World Futures Society
- 2:15 p.m.      Wrap-up/Evaluations
- 2:30 p.m.      Adjournment

APPENDIX B: PARTICIPANT LIST

5th Annual Entrepreneurship Education Forum  
RECHARGING THE AMERICAN DREAM  
June 24-26, 1987  
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APPENDIX C: TABLES/CHARTS ACCOMPANYING  
PRESENTATION OF JULES LICH-  
TENSTEIN

# SMALL BUSINESS IN THE YEAR 2000

Office of Advocacy  
U.S. Small Business Administration  
August 1986



Small Business in the Year 2000  
Trends and Issues

- o Over the next 15 years, the labor force will be increasing at a slower rate than at any time since the 1930's, reflecting the slowdown in U.S. population growth.
- o The average age of the labor force will increase, rising from about 35 years in 1985 to about 39 in 2000.
- o The aging of the labor force has important implications for the small business work force and for the types of goods and services in demand.
- o Small businesses accustomed to hiring young workers at cheap wages may find that they must raise wages to attract skilled workers or they may have to employ individuals who have lower education or skill levels.
- o Per capita GNP, or the output of goods and services per person, will continue to rise as American workers produce a greater volume of goods and services overall.
- o But wages will rise much more than productivity, forcing small businesses to develop ways to increase worker productivity. Options include: increasing capital investment; improving managerial skills; more and/or better training of employees.

What types of training will be needed?

Who should produce the training?

- o The shift from an economy based on traditional industries -- in manufacturing and mining -- to one based on services and "information" will continue through the end of the century.
- o These shifts in employment are the result of technological change, import competition on manufactured goods and changes in demand due to increasing incomes and shifts in the age composition of the population.
- o Small business has, historically done well in service-producing industries, innovating industries and high-technology industries.

What are the implications for small business of this continued shift from a "goods" to a "service/information" economy?

How can small business remain at the leading edge of innovating and high-technology industries?

How can small business help improve the efficiency and productivity of the traditional "goods" producing industries?

- o Between now and the year 2000, many small businesses will experience a complete redefinition of their markets -- from geographically-restricted, fairly stable markets to highly volatile international markets.
- o Small businesses will be important as employers in the leading export industries of the year 2000.

How can small businesses expand their role in international trade?

How can small businesses deal more effectively in the future with the increased competition from overseas producers?

What steps should be taken to improve the climate for international trade in the U.S.?

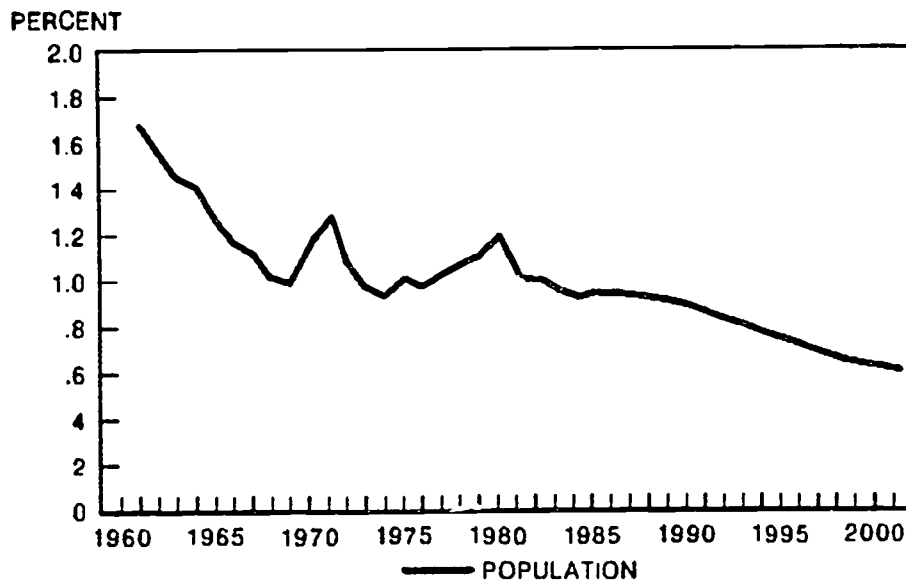
- o The number of small businesses in the economy will continue to grow.
- o In 2000, as now, the majority of businesses in the U.S. will be small businesses.
- o Self-employment will grow more rapidly in the next 15 years than it has in the last 15 years.
- o In 2000, small firms will still produce a major share of the nation's goods and services -- about 40 percent of U.S. output.
- o With the number of high-school and college-graduates rising sharply for the workforce as a whole, small business will be employing more high-school and college graduates.
- o Investments in productivity and efficiency enhancing equipment, particularly in automated equipment such as computers and robots will become more important over the next 15 years.

How can entrepreneurship, self-employment and small business growth be stimulated?

How can future opportunities for women and minority business owners and entrepreneurs be expanded?

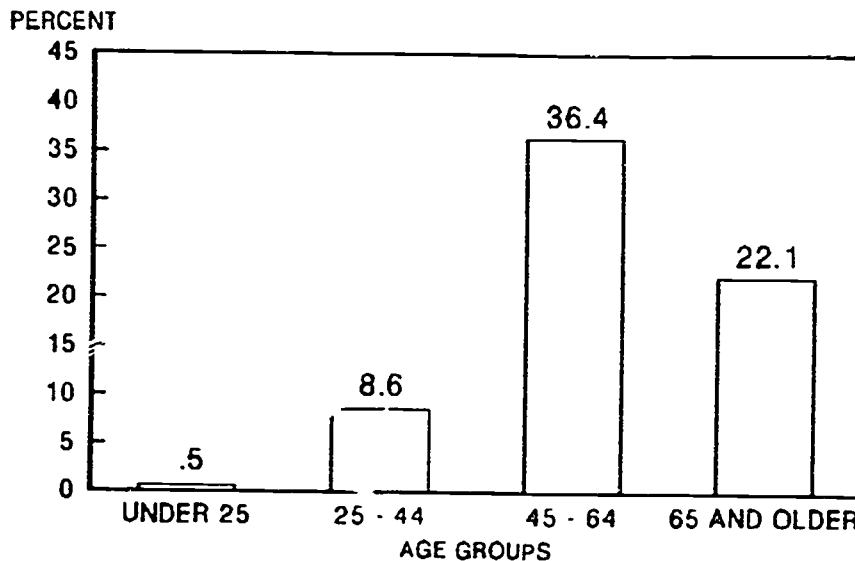
What steps can be taken to promote small business investment, efficiency and output over the next 15 years?

## ANNUAL PERCENT CHANGE OF POPULATION



- o From now until the year 2000, the population will be increasing at a decreasing rate.
- o Population growth will be at near record low rates and will play a major role shaping the U.S. economy and society through the end of the century.

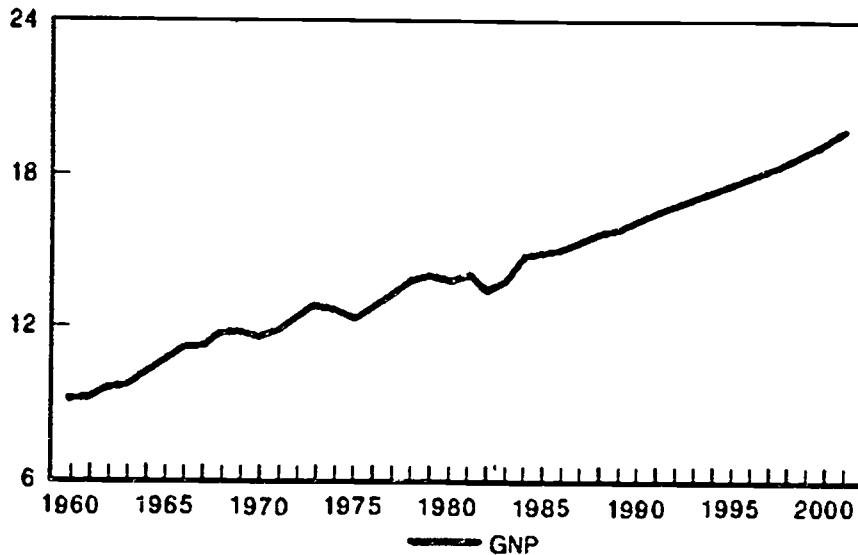
## PERCENTAGE INCREASE IN POPULATION AGE GROUPS 1985 - 2000



- o The aging of the baby boom generation will cause the American population to become much older, on average, through the balance of the century.
- o This redistribution in age groups has important implications for the small business work force and for the types of goods and services in demand.

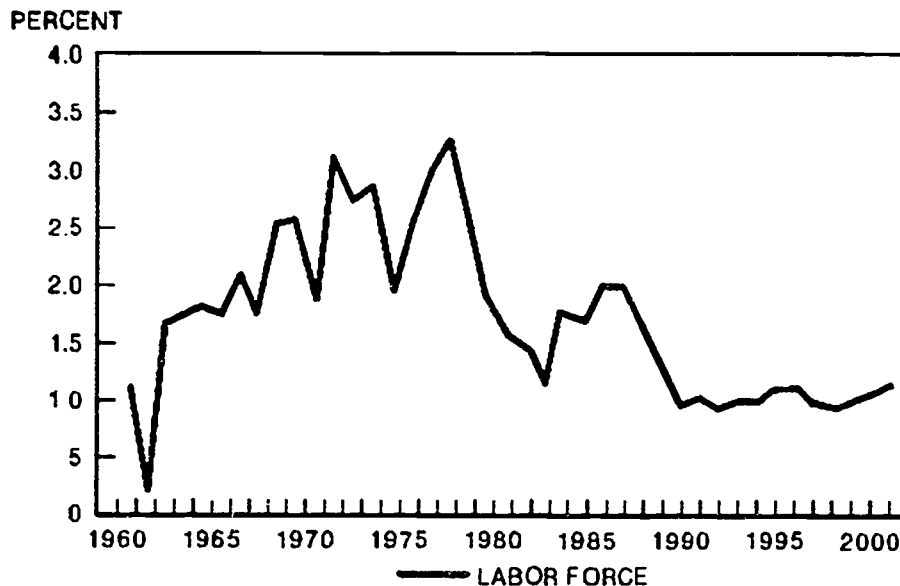
## PER CAPITA GNP

THOUSANDS OF  
DOLLARS



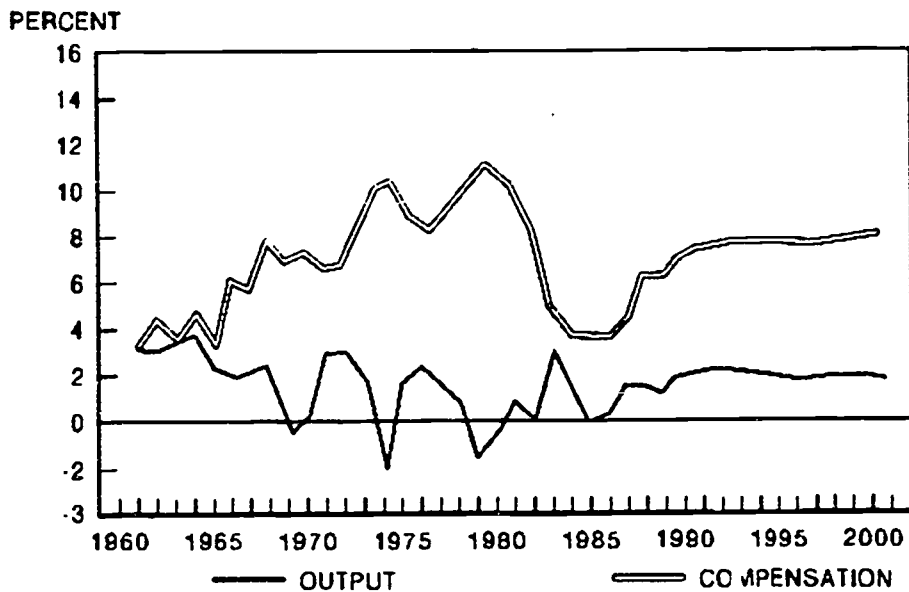
- o Per capita GNP, or the output of goods and services per person in the U.S., will continue to rise as American workers produce a greater volume of goods and services overall.
- o A growing relative scarcity and expense for labor as well as a more experienced work force will stimulate capital investment in labor saving technology and generally improve productivity.

## ANNUAL PERCENT CHANGE OF LABOR FORCE



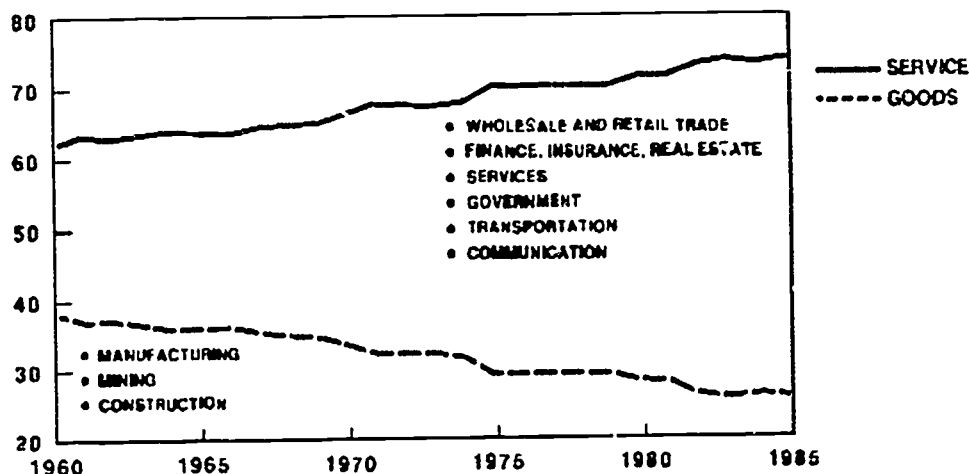
- o Over the next 15 years, the labor force will be increasing at a slower rate than at any time since the 1930's.
- o Immigrants will constitute about 20 percent of all labor force growth.
- o Labor will become more expensive because of this decline in the labor supply.

## ANNUAL PERCENT CHANGE OUTPUT PER HOUR, COMPENSATION PER HOUR



- o In the year 2000, American workers will be earning more, while working less.
- o A shorter work week will allow more leisure-time activities, and will increase the demand for leisure-related goods and services.
- o Companies accustomed to hiring young workers at cheap wages may find that they must raise wages to attract skilled workers or they may have to employ individuals who have lower education or skill levels.

**EMPLOYMENT SHARES IN GOODS  
- PRODUCING AND SERVICE -  
PRODUCING INDUSTRY GROUPS  
(PERCENTAGE OF NONAGRICULTURAL EMPLOYMENT)**



- o For the past twenty-five years there has been a steady increase space decline in the share of total employment that is in "goods-producing" industries.
- o Small businesses have been on the cutting edge of this shift in the composition of the U.S. economy from a manufacturing-based or goods-producing economy to a service-based economy.



# **PROJECTED CHANGES IN EMPLOYMENT FOR SELECTED INDUSTRIES 1984-2001**

## **MOST NEW JOBS**

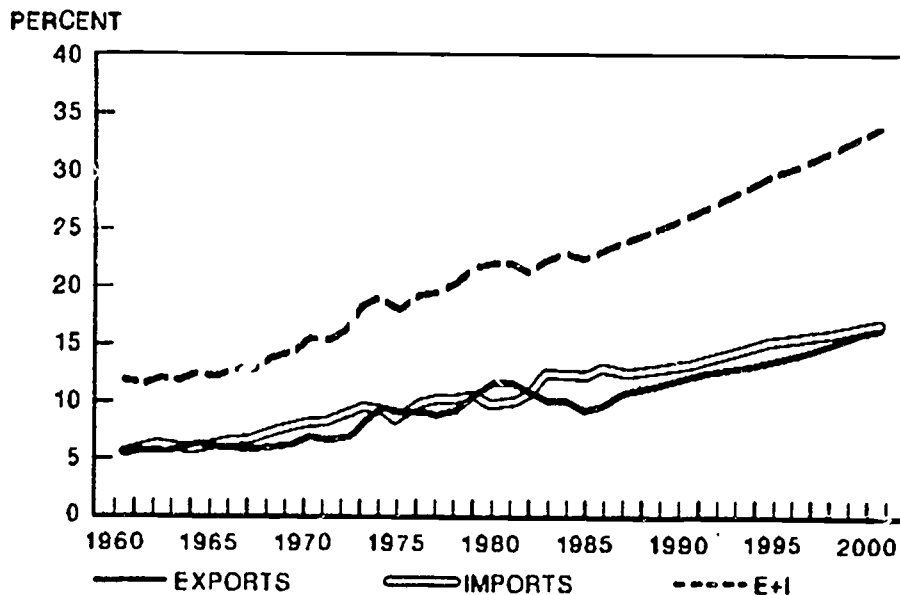
- **BUSINESS SERVICES**
- **RETAIL TRADE**
- **EATING AND DRINKING PLACES**
- **WHOLESALE TRADE**
- **MEDICAL SERVICES**

# **PROJECTED CHANGES IN EMPLOYMENT FOR SELECTED INDUSTRIES 1984-2001**

## **FASTEST GROWING**

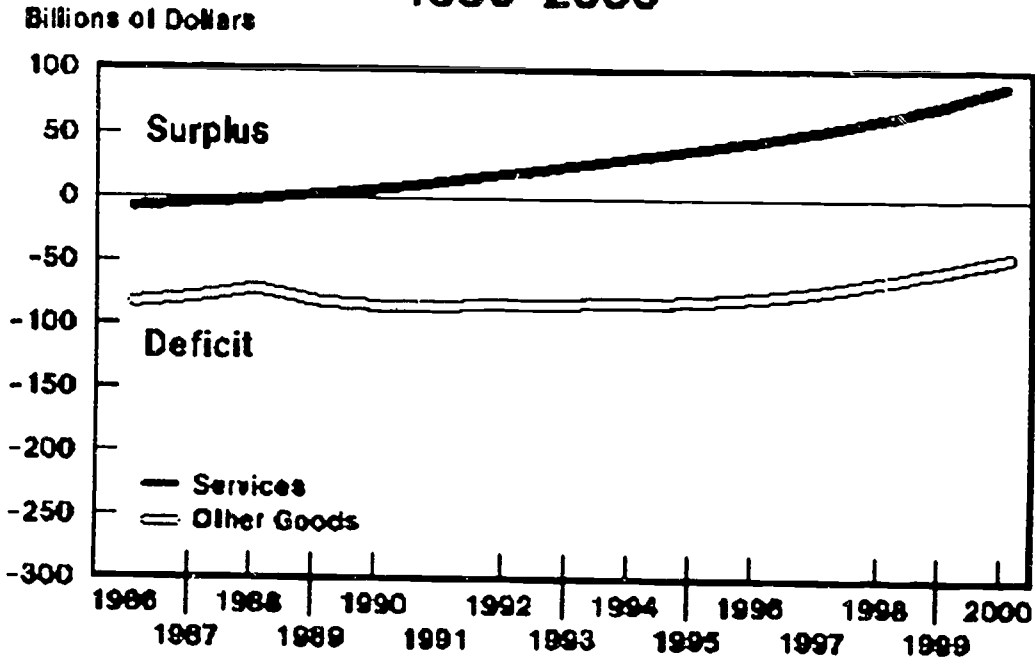
- **MEDICAL SERVICES**
- **BUSINESS SERVICES**
- **COMPUTERS AND PERIPHERAL EQUIPMENT**
- **MATERIALS HANDLING EQUIPMENT**
- **TRANSPORTATION SERVICES**

## EXPORTS AND IMPORTS AS A PERCENT OF GNP



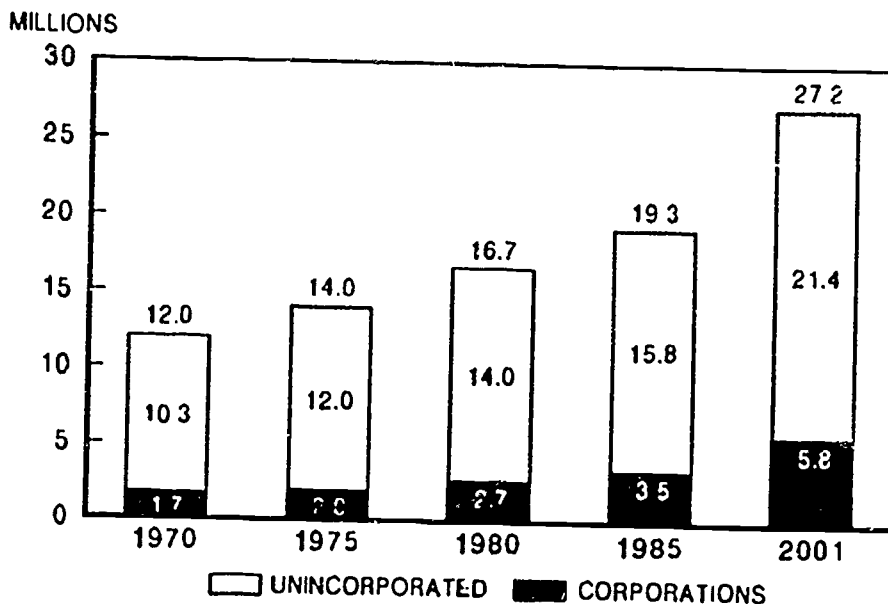
- o Between now and the year 2000, small businesses will experience a complete redefinition of their markets -- from geographically-restricted, fairly stable markets to highly volatile international markets.
- o The total volume of U.S. international trade -- imports plus exports -- as measured against GNP will rise to 35 percent compared to about 23 percent in 1985 and only 12 percent in 1960.

## CHANGE IN THE U.S. TRADE BALANCE 1986-2000



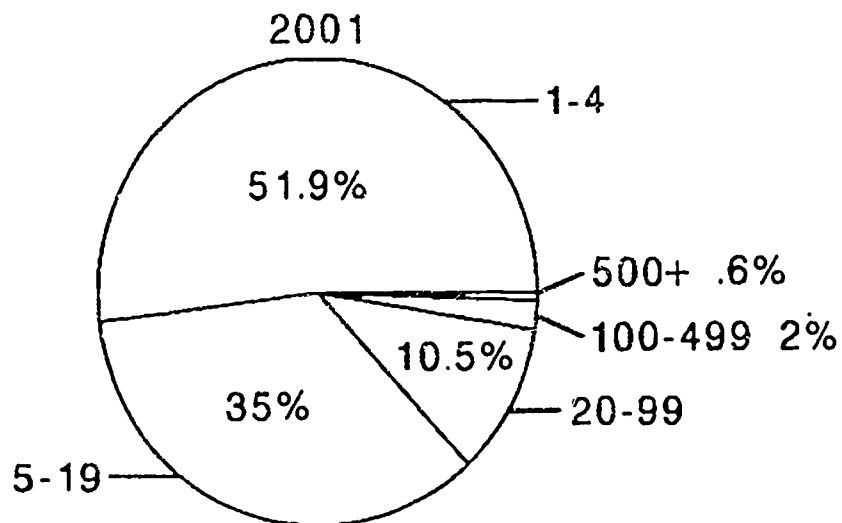
- o As exports of both goods and services increase over the next 15 years, the current trade deficits in these accounts will decline.
- o Services trade, which until recently recorded a surplus, is expected to again show a surplus beginning in the late 1980's.

## NUMBER OF BUSINESSES



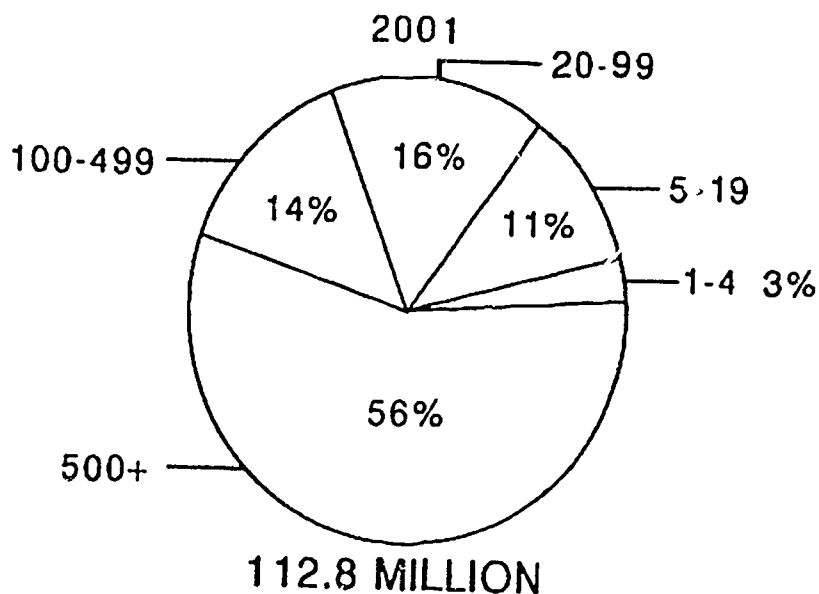
- o Competitive pressures will increase domestically, as well as internationally, as the number of businesses in the United States increases.
- o The number of small businesses in the economy will continue to grow as the total number of businesses also increases.

## SIZE DISTRIBUTION OF NUMBER OF BUSINESS ENTERPRISES



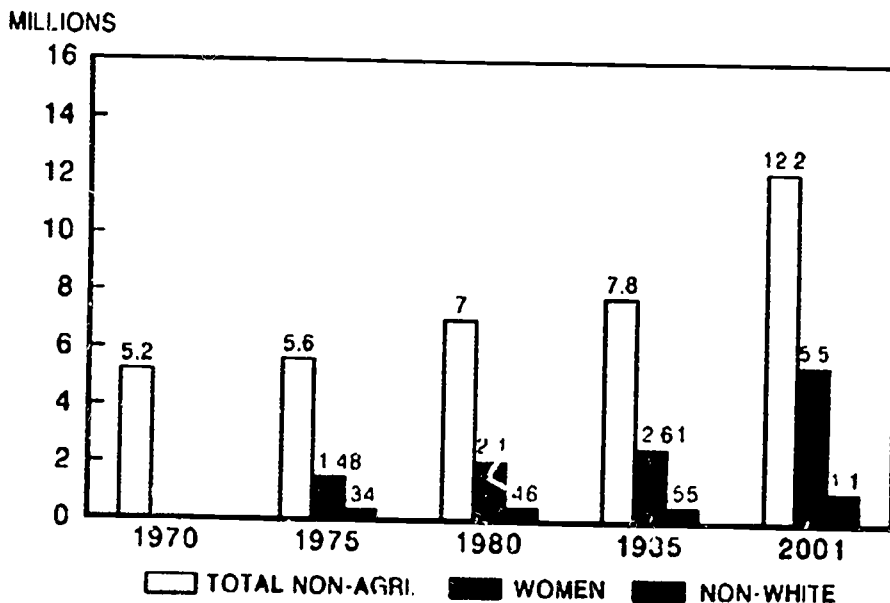
- o In 2000, as now, the majority of businesses in the United States will be small businesses.
- o There will be a slight decline in the relative number of small firms compared to large.

## DISTRIBUTION OF EMPLOYMENT BY FIRM SIZE



- o Many of the self-employed will expand their businesses and hire new workers.
- o As a result, employment in the very smallest sized businesses will drop as businesses expand into other employment size-categories.
- o Overall, employment shares by firm size will show only minor changes with the large firm share gaining slightly from a slight decline in the small business share.

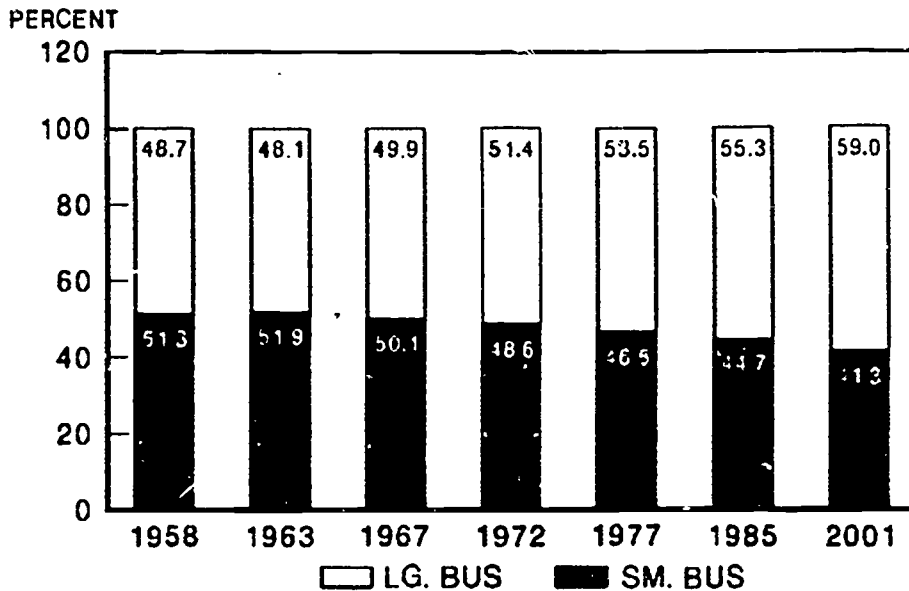
## NUMBER OF SELF-EMPLOYED



- o One reason why there will be little change in the overall share of small businesses in the economy is the rising number of the self-employed.
- o Self-employment will grow more rapidly in the next 15 years than it has in the last 15 years and will become a more attractive alternative for women and non-whites.

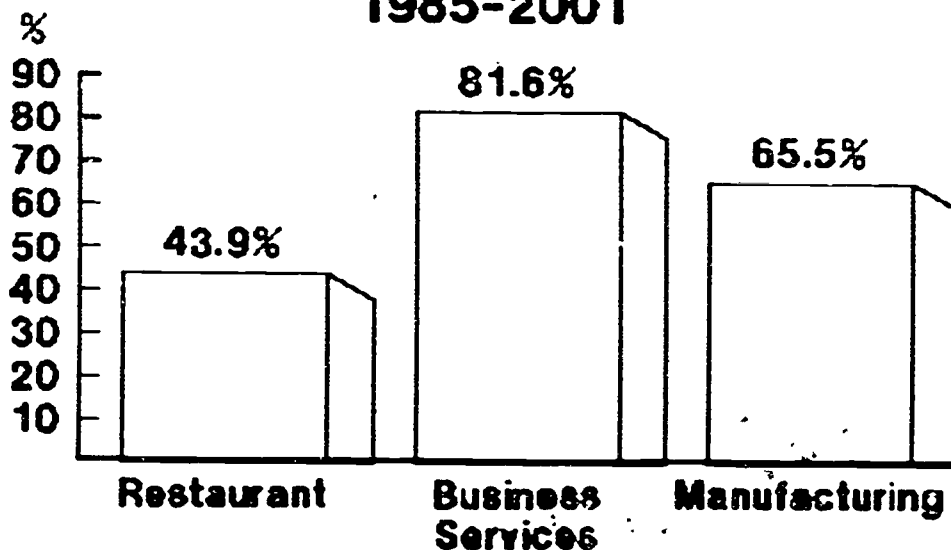


## GROSS PRODUCT ORIGINATING BY FIRM SIZE



- o Continuing a long-term trend, there will be a decline in the small firm share of output as measured by Gross Product Originating (GPO).
- o In 2000, small firms will still produce a major share of the nation's goods and services -- about 40 percent of U.S. output.

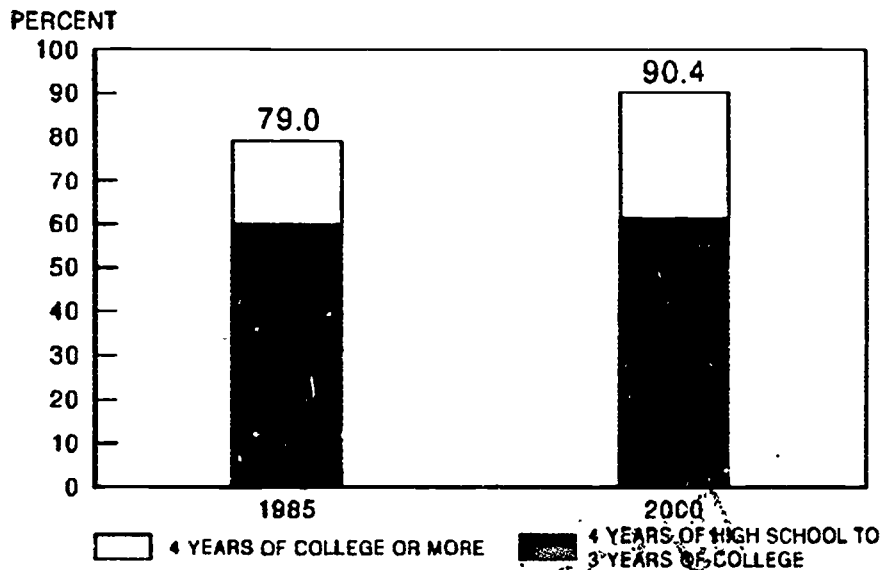
## PERCENTAGE INCREASE IN REAL OUTPUT OF RESTAURANTS, BUSINESS SERVICES AND MANUFACTURING 1985-2001



- o Although the overall small business share of GPO will decline slightly by 2000, there will be a dramatic expansion of real output in several industries dominated by small businesses.
- o The real output of business services which is dominated by small business will rise by almost 82 percent during the 1985 to 2000 period. This will reflect the increasing tendency to contract out for activities conducted with a firm's own employees -- activities such as health and pension administration, accounting, security, food services and transportation.
- o By contrast, the large-business-dominated manufacturing sector will increase output by about 66 percent.

## EDUCATION OF THE SMALL BUSINESS WORKFORCE

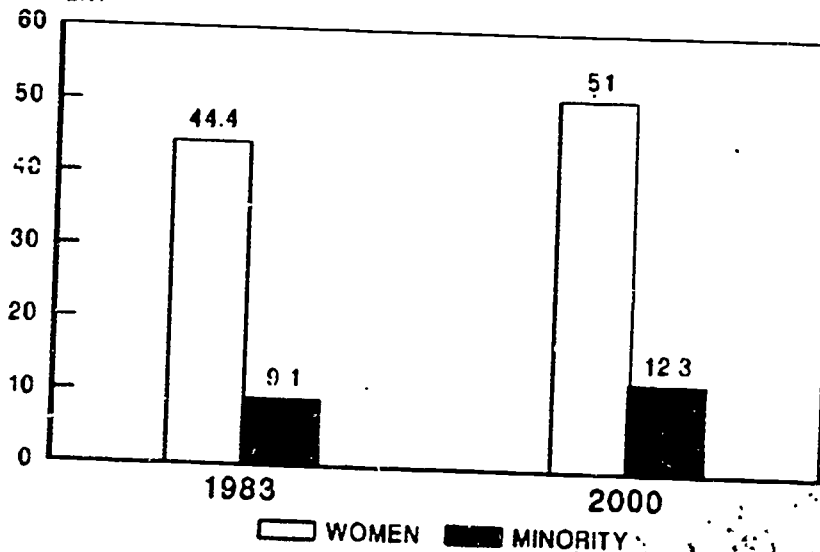
### PERCENT WITH AT LEAST HIGH SCHOOL EDUCATION



- o With the number of high-school and college-graduates rising sharply for the workforce as a whole, small business will be employing more high-school and college graduates.
- o By 2000, over 90 percent of the workers in small firms will have finished high school or had more formal education beyond high school.

## WOMEN AND MINORITIES IN SMALL BUSINESS

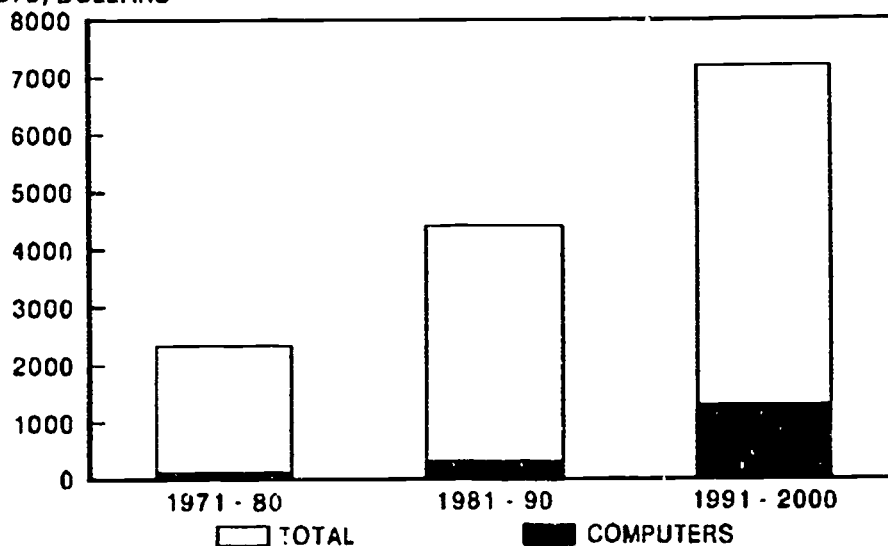
PERCENT OF TOTAL  
EMPLOYMENT



- o Small businesses have traditionally employed greater numbers of women and minority workers than large businesses.
- o Over the next 15 years, more women will continue to enter the workforce and minorities will become a larger share of new entrants into the labor force, these two population groups will become even more important in small businesses.

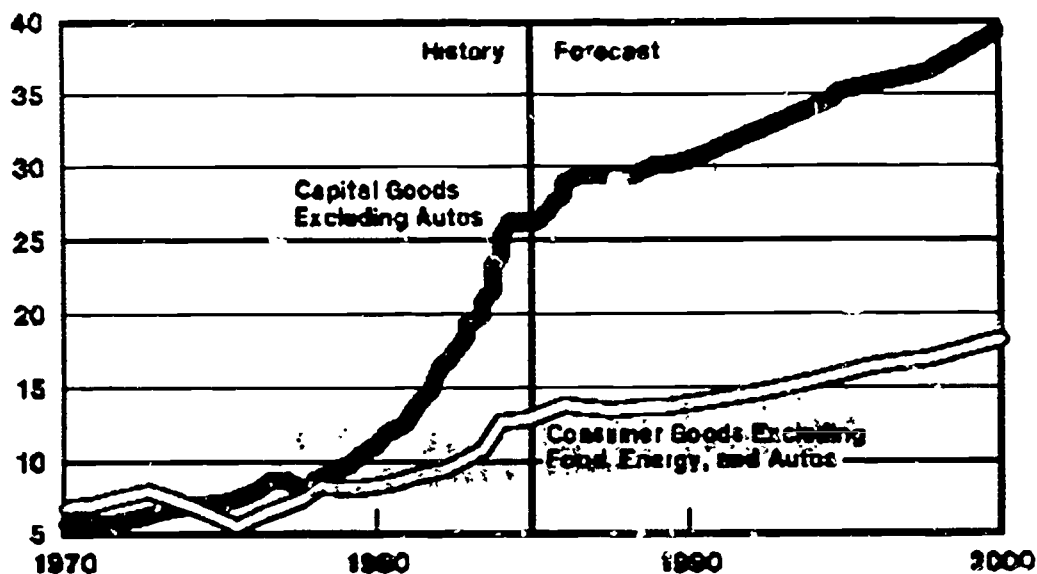
## TOTAL INVESTMENT AND INVESTMENT IN COMPUTERS AND ROBOTS BY DECADE

BILLIONS OF CONSTANT  
(1979) DOLLARS



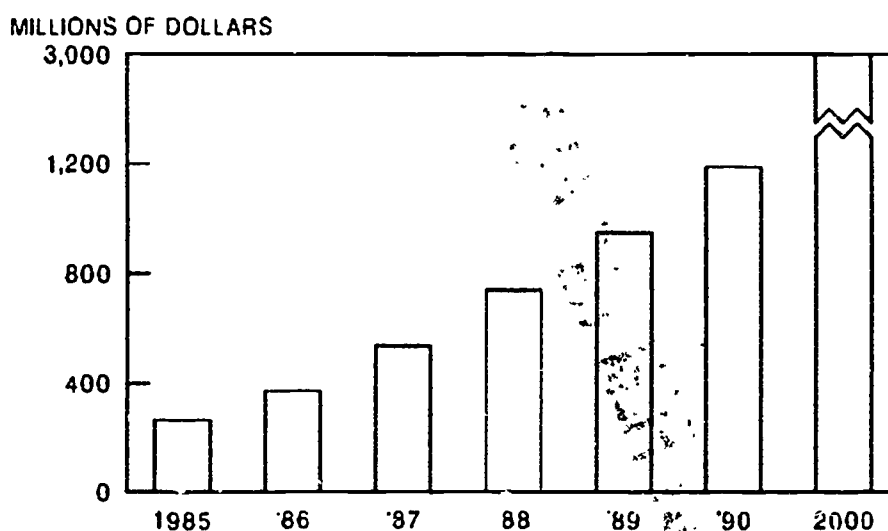
- o Investments in productivity and efficiency enhancing equipment, particularly in automated equipment such as computers and robots will become more important over the next 15 years.
- o By 2000, investments in computers and robots are expected to more than double and will represent more than 19 percent of all investments made by businesses.

## IMPORT SHARES OF REAL DOMESTIC SPENDING (PERCENT)



- o Import growth will slow from 7.1 percent in the 1980-1985 period to 3.6 percent over the next five years, before recovering to 4.6 percent in the 1990s.
- o Imports of capital goods will continue to rise more rapidly than imports of other types of goods, reflecting aggressive competition from East Asia in electronics and high technology products.

## PURCHASES OF FACTORY COMPUTERS BY PLANTS WITH FEWER THAN 100 EMPLOYEES



- o A recent survey of manufacturers found that more than a quarter of the companies planning to buy robots during 1986 were smaller businesses with sales of less than \$10 million.
- o Computer purchases by small plants with less than 100 employees are expected to increase by almost 35 percent a year through 2000.