

The Role of Business Counselors in the Entrepreneurial Specific Human Capital  
Resource Acquisition of Entrepreneurs

by

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## ABSTRACT

This dissertation examines the role that business counselors in a public entrepreneurial development program play in improving the Entrepreneurial Specific Human Capital (ESHC) of nascent and active entrepreneurs. Through multiple research methodologies, this study identifies the types of ESHC provided by business counselors then compares them to the types of ESHC commonly accepted as necessary for entrepreneurial success. The comparison reveals a number of insights for policy and research, most notably a minimal portfolio of necessary entrepreneurial skills. This dissertation also examines the methods counselors use to help entrepreneurs acquire higher levels of ESHC. These methods allow counselors to help entrepreneurs recognize and overcome common barriers to business growth, and a model of entrepreneurial business growth barriers has been produced which depicts these barriers as conceptual-operational transition points for the entrepreneur. This dissertation also reveals important information about the use of the business plan in entrepreneurial development, and uncovers a number of moderators in the relationship between the use of the business plan and entrepreneurial success. Finally, the study produces detailed information about ESHC which has potential for scale development, and highlights a number of insights for policy and research that have not been identified previously.

## DEDICATION

This dissertation is dedicated to my parents, Robert V. Dahlstrom and Elizabeth B. Dahlstrom for their lifelong support of my education. While they are no longer with us and cannot witness this achievement, this study has been completed in the spirit of their love for learning. It is also dedicated to entrepreneurs - the risk takers who have brought so much to our lives because of their boldness.

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## **CHAPTER I**

### **Introduction**

#### **Overview of the Study and Issue**

This dissertation examines the role that business counselors in a public entrepreneurial development program play in improving the entrepreneurial specific human capital (ESHC) of nascent and active entrepreneurs. More specifically, this study catalogs the types of ESHC commonly accepted as necessary for entrepreneurial success, then identifies the types of ESHC provided by business counselors. The study then compares and evaluates the similarities and differences in order to discover what lessons they reveal that may inform policy and research. In assessing the counselor's role, this study develops a tentative framework of counseling interventions throughout the entrepreneurial firm growth process. The scope of the study will cover the workings of a public entrepreneurial counseling program, the types of ESHC developed, training methods, and lessons learned from counselor intervention.

The development of new ideas into operating businesses – a process known as entrepreneurship - has long been understood to be an important component of economic development. Because of this acknowledged importance, public agencies operate a number of programs to stimulate entrepreneurship. Developing the entrepreneurial specific human capital of entrepreneurs is an integral feature in many of these programs. Entrepreneurial business counseling is a method of improving the ESHC of entrepreneurs that is found in public programs, but one that has received little research attention. Its role remains opaque in the extant literature, and further research is needed to clarify the transformational value of ESHC development provided by public entrepreneurial business counseling (business counseling).

Using a sample of active business counselors and counseling clients from a publicly supported, national business counseling organization, this multi-method study explores how counselors help entrepreneurs improve their entrepreneurial and business management skills and abilities. The knowledge generated from this research provides insights into the counseling process that will inform public entrepreneurial development policy and research. This study contains original, exploratory research and employs multiple research methodologies to illustrate the phenomenon under examination. The primary method of data collection involved conducting semi-structured interviews with the counselors and clients. Additional information was obtained via official counseling policies and procedures, quantitative survey results of counseling clients, and interviews with managers of the counseling organization. Participants in this study included a purposefully selected sample of business counselors and counseling clients from a publicly supported business counseling program, all of whom had significant experience in the program.

### **Theoretical Framework**

Entrepreneurial development is a complex process that happens within a context of forces influencing each stage of the process. Scott Shane (2003) has developed a comprehensive model of the entrepreneurial process that coherently explains a variety of contextual factors relevant to this study. Shane's model is also one of the few broad models available that focuses on the individual entrepreneur. His model examines the characteristics of opportunities; the individuals who discover and exploit them; the processes of resource acquisition and organizing; and the strategies used to protect and exploit the profits from these efforts (Shane, 2003). This segmentation provides a useable structure within which to understand public human capital inputs into the entrepreneurial process. Because of these features, his model will be used to set the

contextual frame for this study. In turn, this study will help illuminate portions of Shane's model that have not yet been fully developed. His model also provides a number of contact points with the theoretical background for the research and will assist in analysis of the findings.

Shane's model also highlights two important points that guide this study. The first is that, in an entrepreneurial firm, the individual entrepreneur cannot be effectively distinguished from the firm (the business the entrepreneur owns and manages). That is, the entrepreneur is the firm. The focus of this research is on the individual entrepreneur as the primary (and sometimes only) human capital provider to the firm. Thus, the first major theoretical foundation for the study will be human capital theory as it relates to the entrepreneur. Yet, some consideration of 'the firm' itself is also necessary in order to capture a full view of the individual-firm nexus. Taking the firm into account will also assist in analyzing the findings and conceptualizing counselor intervention in entrepreneurial development. The consolidated individual/firm perspective is one of the unique contributions of this dissertation.

The second point from Shane is that the entrepreneur/firm must acquire resources in order to operate the business and achieve entrepreneurial objectives. This study falls under the resource acquisition phase of Shane's model, and will provide greater understanding of that phase because the focus is on the acquisition of human capital resources.

The combination of a need to consider the firm itself and this study's focus on human capital resource acquisition leads to a second theoretical support piece, the resource-based view of the firm (RBV). RBV will serve as the 'the firm' component of the analysis. The nexus of these two literatures (human capital and the resource-based view of the firm) is the focal point of the study: entrepreneurial specific human capital

resource acquisition by the entrepreneur (as the primary human capital resource provider for the entrepreneurial firm).

Researchers in entrepreneurship policy have long understood the importance of various forms of capital in creating and sustaining businesses. One form of capital, the stock of acquired knowledge, skills, and abilities of human beings, has been labeled human capital. The seminal work on human capital comes from Nobel Prize recipient Gary S. Becker (1964/1993), who crystallized and confirmed the importance of human capital to the economic well-being of individuals, as well as to the country in which they live. Becker's focus was on general human capital, which refers to broad and transferable measures of human capital, such as education and work experience. General human capital is not necessarily a consistent or strong indicator for entrepreneurial development (Unger, Rauch, Frese, & Rosenbusch 2011), and is, therefore, not a part of this study. In contrast, specific human capital has been shown to have a positive impact on entrepreneurship and is the focus of this research. Specific human capital refers to more specialized skills such as entrepreneurial, managerial, and technical capabilities or previous business ownership experience (Diochon, Menzies, & Gasse, 2008).

In a study of entrepreneurial specific human capital (ESHHC), Gartner, Starr & Bhat (1998) found that none of the beginning or ending measures of knowledge/ability predicted venture success, though the *change* in knowledge/ability was found to be one of the predictors of venture success. Their findings motivate the current study to explore the change in knowledge or ability brought about by business counseling intervention.

The knowledge/ability measures in the Gartner, Starr & Bhat (1998) study included seven kinds: marketing/sales, finance and accounting, operations, technical knowledge, management, administration, and street smarts. Diochon, Menzies, & Gasse (2008) use the specific measure of Financial Management Capability (FMC), as this

represents a gestation-specific dimension of human capital, and is tied with the recognized importance of financial capital in the success of new firms. This study will include business counselor's inputs of some of the ESHC types described in previous studies. The ESHC described in this research will be viewed resources that the entrepreneurial firm acquires, and the focus of this research is on acquisition through business counselor assistance, not simply on detailing all types of ESHC.

Resource acquisition in business is significant enough that scholars have developed the resource-based view (RBV) of the firm to better understand the role of resources in the superior performance of business organizations. An increasing number of entrepreneurial scholars are using RBV to better understand the role of resources in new venture start-up and development (Lichtenstein & Brush, 2001).

In the resource-based view, organizations are analyzed according to their 'resource position,' or their strengths and weaknesses in terms of resources. According to the RBV, it is the identification and acquisition of resources (rather than deployment or allocation activities) that are crucial for the early stages of new venture development (Liao, Welsch, & Moutray, 2008/2009). Commonly used categories of resources include human, social, financial, physical, technological and organizational (Brush, Greene, Hart, & Haller, 2001). Human capital is considered a human resource that is complex in nature, with both utilitarian and instrumental characteristics that be discussed in later chapters. Most studies using RBV have focused on new ventures at inception, while little attention has been paid to the nascent stage during which a new venture is developed (Liao, Welsch, & Moutray, 2008/2009). This study will cover the nascent stage of venture creation, ventures at inception, as well as and operating businesses, exploring counselor intervention through the entrepreneurial business growth cycle.

Alvarez and Busenitz (2001) present four conditions of RBV (they use the term resource based theory), and these may be important in entrepreneurial research using RBV. The four conditions are: resource heterogeneity, ex post limits to competition, imperfect factor mobility, and ex ante limits to competition. Resource heterogeneity and imperfect factor mobility may be especially relevant to this study, since much of the entrepreneurial firm's resources and factors of production are provided by the entrepreneur in the form of the tacit, socially complex asset of human capital. The entrepreneur's initial human capital inputs are important, because a major determinant, if not a predictor, of a new venture's success in extending personal resources to the organization is the degree to which the entrepreneur's endowments include knowledge of the product, market, industry, etc. (Brush, Greene, Hart & Haller, 2001).

Chrisman & McMullan (2000) specifically use a resource-based theory of outsider assistance. They argue that new ventures are a special case for resource-based theory because a new venture has few if any resources other than the knowledge of the entrepreneur(s), and entrepreneurs themselves are a key resource in obtaining sustainable competitive advantage. Chrisman & McMullan (2000) also conclude that assistance programs which enable the entrepreneur to gain tacit and explicit knowledge appear to be a source of development for new ventures. Their study provides the inspiration for this research, as well as support for using resource based theory and relating it to human capital, within the context of outsider assistance.

### **Research Approach**

An important objective of this dissertation is exploratory: to add concrete information to the sparsely documented, but developing area of entrepreneurial counseling. Achieving this objective is accomplished in two primary ways. The first is

through exploratory research. The second is through preliminary or tentative model development.

The nature of exploratory research – that information is not currently available on the subject – dictates the use of methods that are often categorized as qualitative. In this study, the primary method of qualitative data collection is the qualitative interview, formatted as a semi-structured interview with a standard set of questions. This method is appropriate because the research aim is to develop detailed descriptions, integrate multiple perspectives, describe a process, and, secondarily, identify variables and frame hypotheses for future research (Weiss, 1994). Also, interviewing gives access to the principals in the process, revealing information that could not be obtained through other methods. However, this study is not limited to the interviewing methodology. It also includes quantitative information and other forms of data. Therefore, this is not truly a qualitative dissertation. Rather, it is better viewed as a mixed methods approach. The mixed-methods approach makes use of multiple methods in order to reduce the bias of the other methods used (Creswell, 2003). It also uses the triangulation technique of data analysis to more broadly explore the topic under consideration.

The combination of the mixed-methods approach to the research and the triangulation technique of data analysis leads to a rich and multi-perspective view of the processes involved in the study. The most appropriate reporting style, given the research methods and aims of the study, is issue focused and generalized (Weiss, 1994). This style allows the reporting to emphasize important issues discovered. The data sources and reporting style also should provide foundational information for further study of entrepreneurial counseling. Though counselors help mostly nascent entrepreneurs, they also work with operating and growing businesses. That is, they help businesses throughout the entrepreneurial business growth cycle. In view of the counselor's long



term relationship with many entrepreneurs, the second way of describing the results of this exploratory research is to build a model of counselor intervention throughout the entrepreneurial business growth process. This model is intended to inform further research and assist policy makers.

Given the purposes of this research, building a particular theory or testing a particular theory is not the goal of this study, and the scope of the methods used are not oriented toward theory building or testing. There is potential for generating some portions of a theory from the data, as in the case of grounded theory (Glaser & Strauss, 1967/1999). While this is not the intent of the study, some theory may be proposed if it arises from the data. Similarly, the data may allow testing of a preexisting theory, but this is not the goal of the research. Rather, the goals of the research are to better understand an opaque process and to model that process in some manner, both being for the benefit of public policy and future research. In light of these two goals, theories of or related to business counselor intervention will not be a part of this research.

### **The Researcher**

During the time this study was conducted, the researcher was employed in a public venture capital program providing financial support to small entrepreneurial firms. The program is administered by a government agency which has the sole mandate to assist small businesses. This employment gave the researcher credibility with the business counselors and others involved in the study. Also, the researcher had previously started and owned a small business, so had experience from that perspective. Thus the researcher could be seen as an informed participant in the study, having knowledge and experience in the issue and the environmental context.

The researcher acknowledges that this background, while valuable in providing insight into the study, could be a source of bias, affecting the research design and the

interpretations of the findings. In order to mitigate some of the bias, the researcher has made his assumptions and the theoretical orientation explicit within the study. The researcher also engaged in ongoing critical self-reflection through journaling and dialogue with academic colleagues and the dissertation committee. Additionally, in order to strengthen the credibility of the research, procedural safeguards were implemented, such as the triangulation of data sources and methods.

### **Assumptions**

Based on the researcher's experience and background in small business and business development, three primary assumptions were made in conducting this study.

First, entrepreneurship is a process of learning and growing, often in iterations. Whether a business is just starting out or is established, operating a business requires the entrepreneur to constantly learn, grow, and adapt. Market dynamics and organization needs compel the entrepreneur to learn and do new things in order to grow the business, and even to keep it viable. The learning, growing and adapting may take on similar forms over the life of the business, with slightly different characteristics, potentially giving them an iterative quality. Shane (2003) sees the iterative process as composed of feedback loops and non-linearity. Regardless of how the conceptualization is termed, the assumption is that entrepreneurship requires constant learning and adaptation.

Second, both the entrepreneur's and the business counselor's backgrounds and motivations are varied, but success ultimately depends on the willingness and compatibility of both parties. The entrepreneur and the business counselor come to the counseling relationship with varied and significant stocks of knowledge, skills and experience, as well as a particular motivation for engaging in the counseling relationship. This 'background music' of the counseling process is outside the scope of this study, but

is acknowledged in the theoretical model and assumed to affect the counseling relationship and outcomes. Since no one constrains or requires the counseling, the willingness and compatibility of the parties is the key ingredient for the success of the counseling.

Problems or issues encountered by entrepreneurs are complex and multi-dimensional, often requiring customized solutions. The final assumption is that the business problem(s) the entrepreneur brings to the counselor are not one-size-fits all. If they were, the entrepreneur could have found the solution elsewhere or applied a previous method to the problem. Rather, the entrepreneur has a personally insurmountable problem which requires a unique analysis and prescription to overcome. This customized solution is developed and implemented during the counseling process, and there is no substitute for the process if the problem is to be remedied.

### **Justification**

The essence of entrepreneurship is the creative and motive force of the individual entrepreneur. This individual transforms an idea or an opportunity into a new product, service, or way of organizing. The movement from idea to operating business is a complex and dynamic process, the study of which is still inchoate in many respects. Yet, the dynamics of business entrepreneurship are important to policy makers, because successful entrepreneurship plays an enormously significant role in driving economic development, growth, and in the achievement of a prosperous economy (Kirzner, 2009). This economic growth also has an impact on many broad social indicators connected with prosperity. For example, higher incomes and growth are positively correlated with lower poverty rates (White, Bingham, & Hill, 2003).

Since 1979 when David Birch published his ground-breaking report (Birch, 1979), numerous studies have affirmed small business as the engine of job creation in the

United States economy. For example, in 2009, Arizona's 107,490 small employers, which represented 97.4% of the state's employers, made significant contributions to the state's economy, and they were a major force in the state's net job change (SBA Advocacy, 2009). Small businesses are entrepreneurial by nature and are the beneficiaries of public support programs. Increasingly, researchers have begun recognizing the impact of new business on the economy (i.e. Haltiwanger, Jarmin, & Miranda, 2010). New businesses tend to be small businesses and they are operated by entrepreneurs. Whether the businesses are new or small, they can be considered entrepreneurial firms. These firms, along with gestational stage businesses, are the subject of this study because they are important to public policy and societal outcomes.

Factors shaping entrepreneurial activity include such diverse influences as psychological makeup, education, social networks, and government policies (Shane, 2003). The catalyst for entrepreneurs is often a great idea or vision, but this aspect of entrepreneurship lies outside of the policy arena. For the idea or vision to make an impact, that impetus must be transformed into a viable operating business. While this transformation depends largely on individual factors, there are also institutional structures that facilitate the transformation.

Institutional structures created by government are described by Lerner (2009) as policy clusters. Lerner identifies four broad 'buckets' or policy clusters by which to categorize entrepreneur-enabling efforts by governments. These include: Getting the laws right, ensuring access to cutting-edge technologies, creating tax incentives or removing barriers, and training potential entrepreneurs (Lerner, 2009).

The first three clusters are outside the scope of this study. There are extensive studies on the barriers to entrepreneurship, which tend to be primarily financial in nature. However, fewer studies exist on public programs that train entrepreneurs. In

fact, as Lerner notes, there has been little systematic evaluation of these programs, but the work that has been done paints a positive picture of the benefits from these interventions (Lerner, 2009). Also, Chrisman & McMullen (2000) affirm that assistance programs which enable the entrepreneur to gain tacit and explicit knowledge appear to be a source of development for new ventures.

Small entrepreneurial firms have four main needs: 1) Training and knowledge around the uses of capital, 2) access to capital, 3) advisory services, and 4) broad networks (Douglas & Dixon, 2011). The current research focuses on advisory services and will reveal information related to need number 3. However, because of the exploratory nature of the study, and the interrelatedness of these needs, it also touches on need 1 and need 4.

This study is important because of the lack of research on entrepreneurial training programs in general, in spite of their benefit to entrepreneurial and business development, and because of the needs of entrepreneurs for advisory and training services. The organization under study helps entrepreneurs gain tacit and explicit knowledge, and is a source of development for entrepreneurs. Also, the organization, SCORE, is a national, publicly supported entrepreneurial counseling organization fulfilling public policy goals. However, the program has been the subject of little rigorous research. This study will help fill the void and provide new information for entrepreneurial policy makers and researchers.

### **Research Questions**

This dissertation seeks to answer three main research questions in an attempt to understand the importance of interventions by business counselors in improving the entrepreneurial skills of new and nascent entrepreneurs. Because of the exploratory

nature of the study, these questions are broad and they provided a framework for conducting the study.

- 1) What skills are commonly accepted as necessary for successful entrepreneurship?

The answer to this question will describe the concept of skills and the dimensions of entrepreneurial skills within the framework of human capital theory. It will describe specific skills in as much detail as possible. Also, it will address the definition of success. The information for this section will come from the literature review, which will also show where a void in the literature exists that this research begins to fill.

- 2) What skills do SCORE counselors help entrepreneurs develop or improve during the counseling?

The information for this section will come from counselor and client interviews, counseling documents and other sources described in the research methods section.

- 3) What are the similarities and differences in these two, and what lessons does the comparison reveal that may inform entrepreneurial policy and research?

The final sections of this dissertation will highlight key insights from the SCORE counseling process, and analyze their implications for both policy and research.

To answer the research questions, this dissertation uses an issue-focused and generalized approach to the reporting of interview information provided by business counselors and clients from SCORE, a nationwide, publicly supported entrepreneurial business counseling organization. The semi-structured interviews used a standard set of questions designed to reveal the counselors methods and the type of ESHC developed.

### **Significance of the Study**

To date, there has been very little empirical research in the literature examining the business counselor's role in developing entrepreneurs. The dynamics of

entrepreneurial counseling are not well known. Researchers have yet to approach a paradigm of counselor interventions, including scope, methods, or curriculum. Similarly, there is no accepted agreement on which skills are necessary for entrepreneurship, or how counselors help improve entrepreneurial skills. Additionally, most entrepreneurial counseling occurs via some public program support. But, there have been few studies on the dynamics of public entrepreneurial counseling programs. This study fills some of the knowledge gaps by providing information on entrepreneurial counseling, specifically in a public program. As a result, the study has both theoretical and practical value.

Research in the area of entrepreneurial specific human capital (ESHC) is in the developing stages. A number of types of ESHC have been identified, and some scales are beginning to be developed to test types and levels of ESHC. The field, however, is emerging, and very little is known with certainty. More needs to be known about the types of ESHC, their role in entrepreneurial development, and how public programs improve them for the entrepreneur. This dissertation provides some of that needed information. The information will extend theory in this area of study as well. A basic theoretical model of the study is shown in Appendix A.

An emerging field in resource-based theory is the study of resource acquisition, particularly by the entrepreneurial firm. This study will provide insight into the resource acquisition process of both nascent and small entrepreneurial firms, thereby extending the knowledge and literature in that field.

Finally, prior studies on entrepreneurial counseling have tended to use broad surveys of entrepreneurs, or gathered information which did not reference particular public programs (i.e. Cooper, Gimeno-Gascon, & Woo, 1994; Gartner, Starr & Bhat, 1998; Yusuf, 2007; Liao, Welsch, and Moutray, 2008/2009). Also, many studies use temporary projects as their subjects, rather than ongoing programs (i.e. Duchesneau and

Gartner 1990; Montgomery, Johnson, and Faisal, 2005). SCORE, the organization used for this study, is a not-for-profit organization that was chartered by Federal legislation and is partially supported by the US Small Business administration (SBA). Founded in 1964, SCORE is possibly the oldest organization that provides ongoing business counseling and is a resource partner of SBA. In sum, the organization used is a long-term, public program that continually provides counseling. Therefore, this study fills the need for research specifically related to the perspectives of counselors in ongoing, public business counseling programs.

### **Definitions of Key Terminology**

Entrepreneur – A person who identifies a viable business opportunity and assembles and manages resources in pursuit of that opportunity (the process of entrepreneurship). The focus of this study is entrepreneurs starting for-profit businesses, though not-for-profit businesses are not specifically excluded. What are excluded are innovations within existing organizations or programs, sometimes referred to as intra-preneurship, or public entrepreneurship in the case of the public sector.

Entrepreneurial Firm – The business organization that the entrepreneur owns and manages. This organization may have a number of legal forms, or may have no particular legal form, as in the case of self-employment. The key for this study is not the designation of the legal form, but the concept that the entrepreneur controls and manages that organization. The size of the firm is also not an issue to be addressed, and any size definitions are excluded from the study.

Business Counseling – Counseling, mentoring and advising provided by counselors. The counseling may be to help the entrepreneur explore, start, grow, or manage a business, or to solve problems in any particular area or function of a business. Business counseling usually involves regular face-to-face meetings between the



entrepreneur and counselor, but may include remote communication such as by phone or email.

Entrepreneurial Specific Human Capital (ESHC) – The knowledge, skills, abilities and experience that allow a person to be an entrepreneur and that are related to successful entrepreneurship. The knowledge, skills, and abilities may be in areas such as marketing and sales, finance and accounting, operations, business management, or other technical and human relations areas.

Business Plan – A written document that details the nature and intended operations of a business. The business plan is both a planning and communication device. It is also a foundational tool used in the business counseling process.

### **Dissertation Contents**

This dissertation is divided into five chapters. Chapter one has described the purpose of the study and has given an overview of the study, followed by the theoretical background and significance of the research. Chapter two presents a review of the literature from which the theoretical foundation for the research arises. Chapter three covers the methodology for the research. This chapter includes a description of the subject of the research, the specific data collection methods and procedures, and trustworthiness issues surrounding the research. Chapter four presents the results from the data collected, in order to tell the story of business counselor intervention in a public entrepreneurial development program, first by providing rich descriptions of important findings, then by analyzing these findings. The final chapter presents the conclusion and a review of new discoveries, followed by a section discussing recommendations or implications for policy and research.

## **CHAPTER 2**

### **Literature Review**

#### **The Context of Entrepreneurship**

This dissertation has two purposes. The first is to understand the role that business counselors in a public entrepreneurial development program play in improving the entrepreneurial skills of nascent and active entrepreneurs. The second is to then evaluate what can be learned from how these skills comport with those skills commonly accepted as associated with successful entrepreneurial outcomes. Because, the purpose of this study is to understand both nascent and active entrepreneurs, entrepreneurship must be understood in a broad context. The following section will use a model of the entrepreneurial process to describe the general context of entrepreneurship. It will also note points of connection to this research.

Entrepreneurship researchers have often viewed the process of starting a business as a series of stages. These stages may be termed differently by different authors, but the stages themselves are similar. For example, one team of researchers synthesizes previous research into three stages: Aspiring, preparing, and entering. Aspiring represents an intention to pursue an entrepreneurial career, while preparing indicates an attempt to establish a business, and entering implies the actual startup of a fledgling new business (Rotefoss & Kolvereid, 2005). Within the preparing and entering stages, there are activities internal to the start-up process (i.e. saving money and preparing a business plan), and those external to the process which makes the business real to others (i.e. acquiring facilities, selling activities, or hiring employees).

The stage model of entrepreneurship affirms that entrepreneurs move through a series of unique circumstances during the development of their entrepreneurial businesses. This affirmation speaks to the current study, which acknowledges different

stages in the growth cycle of entrepreneurial firms. The difficulty with using a stage model is that it takes a 'gross process' or 'activities' view of entrepreneurship, rather than taking an individual entrepreneur view. In doing so, it combines a number of important individual aspects into a conglomerate stage. In order to better understand human capital inputs in the entrepreneurial process, a focus on the individual is needed, along with a finer delineation of stages based on the individual as the perspective for the model.

Scott Shane provides an overarching conceptual framework for entrepreneurship that explains the different parts of the entrepreneurial process in a coherent way (Shane, 2003). His general theory of entrepreneurship uses the individual as the unit of analysis, and focuses on the individual-opportunity nexus. While the study of opportunity is outside the scope of this research, the focus on the individual entrepreneur provides a basis on which to assess human capital development related to entrepreneurship. Also, the individual focus aligns with this study, because the individual entrepreneur is the most common client seen by counselors in the current study.

Shane's model is divided into a number of discreet clusters of decision/action phases which are significant to the individual in the process of entrepreneurship. For Shane, entrepreneurship is assumed to be directional and ordered, but he allows for feedback loops and non-linearity. His model examines the characteristics of opportunities; the individuals who discover and exploit them; the processes of resource acquisition and organizing; and the strategies used to protect and exploit the profits from these efforts (Shane, 2003). This segmentation provides a useable structure within which to study human capital development in the entrepreneurial process. This study will provide new information on the resource acquisition and organizing phases of Shane's model.

The nature of entrepreneurship imposes several necessary (and to some extent minimally sufficient) conditions on a conceptual framework to explain the entrepreneurial phenomenon (Shane, 2003). These conditions apply as well in the analysis of the human capital resources involved in entrepreneurship, and to some extent speak to policy design considerations.

### **Conditions for a Conceptual Framework**

First, entrepreneurship requires the existence of opportunities, or situations in which people believe they can recombine resources to generate profits (Shane, 2000). Second, entrepreneurship requires differences among individuals in the access to or ability to recognize information about opportunities (Shane, 2003). In the absence of such differences, all individuals would recognize and exploit all opportunities, thereby eliminating any profit making ability resulting from special combinations or time advantages. These differences among individuals are also significant in the framework of the resource based theory that will be presented later.

Third, risk bearing is a necessary part of the entrepreneurial process (Shane, 2003). This risk is borne by the entrepreneur and to some extent by others involved in the process. Risk of financial loss and business failure are the salient risks, but the entire process is imbued with uncertainty. Accordingly, successful outcomes are not a necessary condition of entrepreneurship (Shane, 2003), although they are the desired outcomes for all parties involved. Understanding the success factors of entrepreneurship in order to improve entrepreneurial outcomes is part of what motivates this research.

Fourth, the entrepreneurial process requires organizing in some form, be it establishing a new business entity, creating a new way of exploiting an opportunity, or using market mechanisms in another way. However, organizing efforts do not require the establishment of a new firm (a legal entity). Thus, initiating self-employment stands

equal to establishing a new entity in the view of entrepreneurship within this study. The focus here is on entrepreneurship as a process outside of established firms. Therefore, within-firm entrepreneurship (sometimes called intra-preneurship) is specifically excluded from the scope of this research.

Finally, the entrepreneurial process requires some form of innovation, whether mild or grand. By definition, entrepreneurship cannot involve the perfect imitation of what has been done before (Shane, 2003). The last two conditions require the entrepreneur to change and adapt during the process of entrepreneurship, as well as during the growth of the entrepreneurial firm. The requirement for change and adaptation is an integral assumption catalyzing this study, because it is what propels the entrepreneur to seek business counseling.

The conditions above link all parts of Shane's framework (Shane, 2003). They also guide entrepreneurial policy design, and provide the underlying logic that ties policy elements together (Schneider & Ingram, 1997). The overarching goal of entrepreneurial development policies, including those involved with human capital development, is to facilitate the successful exploitation of available opportunities, the resulting public good being enhanced economic development. This facilitation is effected by reducing the impediments to entrepreneurship and by reducing the risk to the parties involved, by way of public intervention. Entrepreneurial business counseling is one of those interventions.

Shane's model reflects his focus on the individual-opportunity nexus. He presents a series temporally graduated phases through which the entrepreneur moves, though as noted before, the model allows for feedback loops and non-linearity. Yet, the non-linearity and feedback loops receive very little attention in Shane's model. This study

provides more detail on the iterative or cyclical nature of entrepreneurial learning as entrepreneurs move through the business growth cycle.

According to Shane’s model, the entrepreneurial process involves movement through seven phases: Existence of opportunity; discovery of opportunity; decision to exploit opportunity; resource acquisition; entrepreneurial strategy; organizing process; and performance. As noted previously, the phases are temporally sequenced, but the model allows for non-linearity and feedback loops. Some of the particulars of the phases are outlined in Figure 1 below, then discussed in more detail below as they relate to this study.

**Figure 1: Stages of the Entrepreneurial Process**

Existence of Opportunity	Discovery of Opportunity	Decision to Exploit	Resource Acquisition	Entrepreneurial Strategy	Organizing Process	Performance
Arises from societal and institutional factors	Requires information and recognition ability	Individual and contextual factors involved	Personal and external resources acquired	Competitive advantage, information and processes	Planning and firm formation	Business in operation

Adapted from Shane, S. (2003). *A General Theory of Entrepreneurship*, p. 251, Figure 11.1

**Existence of Opportunity**

The presence of entrepreneurial opportunities is a necessary condition of the entrepreneurial process. Simply put, entrepreneurs require opportunities to exploit. Shane (2003) uses a framework for categorizing the nature or characteristics of opportunities by dichotomizing them into the views of two major theorists in the field, Joseph Schumpeter (who believed that new information is necessary for opportunities to exist) and Israel Kirzner (who believed that only differential access to existing information is necessary for opportunities to be present). The existence of opportunities is a product of broad social and institution forces, including technological, political,

regulatory, social, and demographic changes (Shane, 2003). These conditions often lie outside a human capital framework, or may be related only to long-term, general human capital changes. They generally are not seen as influenced in the intermediate term by human capital policy inputs.

The study of the existence of opportunities, then, is outside the scope of this analysis, but is an important contextual feature of entrepreneurship. As with other contextual features, some elements within the existence of opportunity may come into contact with the current study. Where appropriate, those will be covered in the analysis and conclusions. But, for the purposes of this study, a full accounting of the existence of opportunity is delimited.

### **Discovery of Opportunity**

The discovery of opportunities requires the presence of information and an individual with the ability to access that information and recognize the opportunity. In general, people discover opportunities that others do not because they have better access to information about opportunities, and are better able to recognize opportunities given the same amount of information because they have superior cognitive capabilities (Shane, 2003), in this area. With regard to the number of business opportunities identified and pursued, entrepreneurship-specific rather than general human capital variables may explain more of the variance (Ucbasaran, Westhead, & Wright, 2008).

However, discovery is not simply finding an already available business opportunity (as the word discovery implies). Rather, discovery in the entrepreneurship context refers to the conceptual side of venture development, from an initial idea to a fully developed business concept, especially with reference to operational details regarding how value is created for the customer and how the business will appropriate some of the value (Davidsson, 2004). Training in this process (discovery is viewed as a

process) may be more proximal to college business education, but there are also public policy inputs which pursue the same objective, such as the entrepreneurial development programs of the U.S. Small Business Administration. This area needs much more investigation (Davidsson, 2004). In the current study, discovery occurs throughout the entrepreneurial business growth cycle and is facilitated by business counselors.

### **Decision to Exploit**

The key departure point for entrepreneurial activity is the decision to exploit an identified opportunity. Calculations such as opportunity cost, and expected value play a part in this decision, as do other factors such as the entrepreneur's income, unemployment status, and marital status. In addition, and more relevant to this paper, the individual entrepreneur's education and career experience have positive effects on the decision to engage in entrepreneurial ventures (Shane, 2003). This aspect of the entrepreneurship and human capital nexus will be touched upon in the following section on human capital. The decision to exploit an opportunity is also related to individual level factors and cognitive processes which are not part of this study, but which influence entrepreneurial outcomes. Research in this area is more germane to behavioral economics or various cognitive studies than to this study.

### **Resource Acquisition**

The entrepreneur who identifies an opportunity and decides to exploit it must gather the resources necessary to exploit that opportunity. The common resources gathered include human resources, in the form of personal knowledge or knowledge from others, and financial resources. Initial financial capital is usually supplied by the business owner (Berger & Udell, 1998). Similarly, initial human capital is usually supplied by the business owner, with outside human capital acquired when necessary.



Public entrepreneurial counseling provides one form of outside human capital, which is used to increase the entrepreneur's existing human capital.

Two predominate characteristics of resource acquisition are uncertainty and information asymmetry. One type of action entrepreneurs engage in to overcome problems of information asymmetry and uncertainty in resource acquisition is business planning (Shane, 2003). Human capital inputs may increase the entrepreneur's ability to conduct meaningful planning and may generally reduce some of the uncertainty and information asymmetry experience by entrepreneurs. In view of the fact that knowledge is a necessary resource for entrepreneurship, the acquisition of human capital as a resource will be discussed later in the theoretical treatment of the resource-based view of the firm. Business planning is a tool used by business counselors in developing entrepreneurs. It is part of the organizing process phase of Shane's model, and will be covered in detail in findings and conclusions of this study.

### **Entrepreneurial Strategy**

Shane (2003) defines entrepreneurial strategy as those efforts to obtain and preserve private value from the exploitation of opportunities. More precisely, it is the intersection of all strategic actions and all activities to exploit opportunities. It does not include non-strategic activities (including those described in other phases of the model), such as organizing processes, efficiency measures implemented, individual level characteristics, or resource acquisition (Shane, 2003). The entrepreneurial strategies Shane outlines include efforts to preclude others from gaining access to or understanding the opportunity, and erecting barriers to other's ability to exploit the opportunity. Issues such as developing a competitive advantage or seeking intellectual property protection are in view here. Some of the business counselor's activities provide inputs into this phase of the entrepreneurial process.

## **Organizing Process**

Organizing involves creating the routines and structures that support business activities, such as obtaining equipment, establishing production processes, and setting up legal entities (Shane, 2003). Organizing processes are uncertain because the future of such efforts is unknown. Business planning is an important part of this process, because it leads to and guides organizing activities. Business planning also helps to overcome some of the uncertainty and information asymmetry present in the exploitation of entrepreneurial opportunities (Shane, 2003). It also increases the entrepreneurs' ability to learn new information, and in some situations positively effects future venture performance. Producing a written business plan (business planning) is a significant component of the business counselor's activities in assisting entrepreneurs through the organizing process and in overcoming obstacles. It is, therefore, a subject of this research.

## **Performance**

The performance phase of the entrepreneurial process is the actual conduct of business activities, or the exploitation of the opportunity. Presumably, the prior phases in the process prepared the entrepreneur to undertake the performance phase of the entrepreneurial process. The performance phase is not covered in Shane's model, because it is the output of the individual-opportunity nexus, not the substance of it. Following Shane, the performance phase will be delimited, though it is often the catalyst to a feedback loop when an entrepreneur brings a problem to the counselor, thus beginning a new iteration of human capital development.

The process model of entrepreneurship Shane has devised provides a broad overview of entrepreneurship that serves as a relevant contextual frame for this study. The model also describes certain phases of the entrepreneurial process which are

relevant to this study. In particular, this study will illuminate the resource acquisition phase of Shane's model, and provide greater understanding of the use of the business plan in the organizing process phase. The resource under consideration in this study is the human capital resource of entrepreneurial specific human capital, which will be described in the next section, as will the resource-based view of the firm.

### **General Human Capital**

Researchers studying entrepreneurship have understood the importance of various forms of capital in the creation and growth of businesses, and the effect such businesses have on overall prosperity. Policy makers have also long recognized the role businesspeople play in the economic well-being of a country. The framers and promoters of the U.S. Constitution, for example, acknowledged the roles of "the assiduous merchant, the laborious husbandman, the active mechanic and the industrious manufacturer..." in the prosperity of commerce (Wootton, 2003).

The focus for entrepreneurship researchers and policy makers has historically been on the 'hard' assets of financial and physical capital. However, in the 1960s, the momentum of study began to turn toward the knowledge and skill value that people bring to their work, as well as the effect these inputs have on the economic development and overall prosperity of a region. Pioneering researcher Theodore Schultz suggested that these skills represent a form of capital that is every bit as important to economic growth as other forms of capital (Schultz, 1961). The stock of acquired knowledge, skills, and abilities of human beings has been labeled human capital (Hornbeck & Salamon, 1991). This capital is the human resources accumulated through education, training and experience (Leuenberger & Bartle, 2009), and it is considered capital because it yields income and other useful outputs over long periods of time (Becker, 1964/1993).

The seminal work comes from Nobel Prize recipient Gary S. Becker (1964/1993), who crystallized and confirmed the importance of human capital to the economic well-being individuals, as well as to the country in which they live. While his emphasis was on formal education, his findings are relevant to the broader range of human capital inputs, notably training and experience, which he acknowledges. Becker shows the general age-earnings profile in the United States as a series of concave curves, which are steeper for those with higher levels of education. In a point relevant to this paper, he also distinguished between general human capital and specific human capital. General human capital is training which can be used to increase productivity across firms, where specific human capital is useful for increasing productivity in a specific firm, but would not be useful in other firms (Becker, 1964/1993). He also notes some training is relevant to groups of firms in industries, geographic areas, or the like. Becker sees human capital as heterogeneous, being qualitatively different in the types of education, on-the-job training, and informal learning, etc. These distinctions are a precursor to some of the entrepreneurial-related human capital studies that follow.

Polachek and Siebert (1993) in their studies of data primarily from the United Kingdom, confirm that human capital theory explains earnings in terms of job skills acquired in school and on the job. Human capital investment does not always take place in full-time schooling. Educational investment opportunities often come in smaller units: one can go to school part time, one can take an adult education course, or one can train 'on the job' while simultaneously working (Polachek & Siebert, 1993). They also confirm that the return on investment is not constant across a person's life cycle. Rather, earnings profiles show a concave curve, increasing rapidly throughout the early years of work, then leveling off and declining in the later years.

A large part of the discussion around general human capital involves the details of producing and managing related policy efforts. This paper will not get into the details of these discussions, as they are outside of the purpose of this section, which is a general introduction to the idea of human capital. Two such discussions are noted here, to give a flavor of the extant scholarship, though they are not dispositive of either its breadth or depth.

In the policy realm, one of the main questions in any field subject to potential public policy inputs is what rationale exists for public intervention. In the example discussion, Juffras and Sawhill (1991) provide justification for policy inputs in human capital. They argue that there are a number of imperfections in the human capital market that make it unlikely that reliance on market mechanisms alone will produce the level of human capital that is best for the economy. Their full argument follows well-known justifications for public intervention to improve the functioning of a market. Speaking to the policy management aspect of human capital, in the second example discussion, Fosler (1991) argues that the key components of a human capital strategy should contain three elements: size and composition of the workforce, worker capacity, and productivity.

These two streams of thought view take a macro view that does not fit well with the focus on the individual entrepreneur in this research, although they show the thrust of much of the scholarship on human capital. Another subject of human capital research is the relationship between human capital and entrepreneurship.

### **Entrepreneurship and Human Capital**

In addition to improving the economic fortunes of whole regions, increases in human capital measures have a positive influence on entrepreneurship. There are numerous studies on the relationship between human capital and business performance,

which tend to show long term business performance as positively related to higher levels of human capital. However, this research does not address that issue. Rather, it reviews the research on the human capital associated with *entrepreneurial* success, regardless of the level of long run business performance.

The issue that immediately arises is how one defines ‘success’ in entrepreneurship. There is a wide variety of metrics used in the research for determining success. These include various business size indicators, different measures of growth, and many financial return measures (Unger, Rauch, Frese, & Rosenbusch, 2011). A number of studies combine business startup with a particular financial performance number used as a threshold to determine the ‘success’ of a new venture. For example, Dushesneau & Gartner (1990) use the figure of \$35,000 of combined profits and owners salaries in the last year as the dividing line between success and failure. This paper avoids a definition which uses such measures in view of the fact that there is no standardized or accepted level of financial ‘success’ for small businesses, nor is there an archetypal small business against which to make such comparisons.

There are also definitional ambiguities with measures such as net income, profit, and the like. Establishing a level of financial ‘success’ for a new business is a study in itself, the conclusions of which would be fodder for significant interpretational criticism. Accordingly, this study concentrates on research oriented toward whether entrepreneurial activity results in an operating business, regardless of the level of financial performance. Starting a business and staying in business, then, are the primary indicators of ‘success’ for the purposes of this research. For nascent entrepreneurs, starting a business is success, and for active entrepreneurs, staying in business is a success. Staying in business should not be viewed as passive. Rather, in accordance with this study’s underlying assumptions, it means learning and adapting, overcoming

obstacles, and possibly growing the business. The question to be addressed in the following sections is what entrepreneurial specific human capital (condensed into the word 'skills') is necessary for an entrepreneur to start a business and stay in business.

### **Entrepreneurship, Education, and Experience**

Researchers have identified and attempted to account for both general human capital and specific human capital. General human capital refers to broad and transferable measures, such as education and work experience, while specific human capital refers to more specialized skills such as entrepreneurial, managerial, and technical capabilities or previous business ownership experience (Diochon et al. 2008). Findings related to the nexus of general human capital and entrepreneurship are far from uniform, as the following examples demonstrate.

Cooper et al. (1994), in their study of entrepreneurs from a National Federation of Independent Businesses (NFIB) dataset, found that start-up business performance (survival and growth) appeared to be enhanced by the level of education of the entrepreneur. They surmised that education may lead to a higher level of problem-solving skills, as well as well as enhanced commitment, motivation and discipline, which contributed to both the marginal survival and growth of new ventures. General human capital was also represented by gender and race. In their study, racial minority was linked to lower probabilities of both marginal survival and growth, and gender was significant only in growth. The researchers concluded that general human capital is as well rewarded in self-employment in new ventures through higher rates of survival and growth, as it is in employment.

Adding to the sparse literature on self-employment, Montgomery, Johnson, & Faisal (2005) found that, when start-up and survival are modeled simultaneously, (general) human capital appears to increase the probability of self-employment, but not

the probability of succeeding at it (in contrast to financial capital which positively affects both). A study by the US Small Business Administration shows support for higher levels of education being associated with faster growth in the number of self-employed. Cheng (1997) opines that prior work experience (particularly prior self-employment) positively affects the move to self-employment, and Rotefos & Kolvereid (2005) confirm that entrepreneurial experience is the single most important factor for predicting the outcome of the business start-up process.

A number of studies on start-up and survival produced varied findings. DeClercq & Arenius (2006) showed some positive relationship between an individual's education level and their likelihood of starting a business, and a strong effect for entrepreneurially relevant knowledge. Cressy (1996) found human capital to be the true determinant of start-up survival. Taylor (1999) also observed a significant, positive effect of experience related human capital on business longevity, and Bates (1990) found education to increase business longevity. Yet, a study by Diochon et al. (2008) of Canadian entrepreneurs revealed no dimensions of general human capital that were associated with success in starting a business. This finding is consistent with Davidsson and Honig's (2003) research with Swedish entrepreneurs that education and work experience were unrelated to firm formation.

In spite of this lack of uniformity in findings, a group of researchers was able to draw some generalized conclusions from their meta-analysis of 70 quantitative studies on the relationship between human capital and entrepreneurial success. They begin by acknowledging that the literature remains fragmented, with studies differing in the conceptualization of human capital, the choice of success indicators, and the study contexts, such as industry, country, and age of the business (Unger, Rauch, Frese, & Rosenbusch, 2011). They also acknowledge that their study did not include qualitative



studies, or quantitative studies that did not fit certain criteria. In spite of these limitations, they found a small but strong relationship between human capital and entrepreneurial success. The relationship was higher for what they termed the *outcomes* of human capital investments (knowledge and skills), than for the investments themselves (education and experience). The human capital-success relationship was also stronger for high task-relatedness of the human capital compared to low task-relatedness, and for young businesses compared to old businesses (Unger, Rauch, Frese, & Rosenbusch, 2011). They recommend that future research should investigate the processes of learning, knowledge acquisition, and the transfer of knowledge to entrepreneurial tasks. This study initiates such research.

### **Entrepreneurial Skills**

In this section, I will move from the more theoretical concept of human capital to the more operational concept of entrepreneurial skills. While many entrepreneurial skill variables have yet to be formally operationalized in academic research, there are a number of skills noted in both academic and popular literature that are commonly accepted as having some bearing on successful entrepreneurship.

In the context of this work, skills are those personal, human capital assets which lead to successful entrepreneurship. These assets may be in the form of what the entrepreneur knows or understands, or what he or she is able to do, both of which result from education and experience. In order to capture the full concept of human capital under the term 'skills,' this study will adopt the definition of skills offered by Boyatzis and Kolb (1995), who define a skill as "a combination of ability, knowledge and experience that enables a person to do something well." This definition is broad enough to include the various aspects of human capital. It also incorporates the idea of success in focusing on doing something well.

Academic studies on entrepreneurship present a wide array of combinations of skills that are associated with successful entrepreneurship. The authors rarely define success, but detail the types of activities, perspectives, or orientations which are at least minimally necessary for entrepreneurship. In reviewing the studies and literature on the subject, the variegated nature of the studies made conceptualizing the whole a difficult task. Accordingly, the most manageable way to summarize the existing skills-based literature was to consolidate the findings about skills into broad groupings from a more general abstraction to the most specific. After summarizing the findings in this manner, I distill them into three levels of skills, each of which serves as a composite of the studies.

1) The first grouping of skills has been labeled Meta-Level skills, competencies, or other terms by various authors. These are the more abstract skills which interact with other conceptualizations of entrepreneurship. For instance, they may be seen as a function of individual personality traits or the various roles the entrepreneur plays in starting and growing the business.

Many of the older skills-based studies began with assessments of the Meta-Level skills necessary for entrepreneurship. For example, Smilor (1997) identifies leading, communicating, listening, negotiating, and creating and managing change as necessary personal 'know-how.' In similar fashion, Chen et. al (1998) highlight the importance of being a risk taker, manager, and innovator. Boyatzis and Kolb (1995), using the executive skills profile in assessing entrepreneurship skills, show adapting, helping and delegating, information gathering and analysis, planning, technology management, setting and managing goals, taking action, entrepreneurship, leadership, and relationships as necessary for entrepreneurship.

More recent studies have also focused on the abstract level of skills. Wickham (2001) sees industry knowledge, general management skills, people skills, and personal

motivation as entrepreneurial performance drivers. Duening (2005) conceptualizes this level as various entrepreneurial 'minds', and details the five minds of the entrepreneur: opportunity recognition, designing, risk management, resilience, and effectuating. Pyysiainen et. al (2006) use the term Meta-Level skills in distinguishing innovation, risk taking, pursuing opportunities, and growth orientation as necessary meta-level entrepreneurial skills. Plumly et. al (2008) use the term competencies and sees communication, creative thinking, leadership, analytical, strategic planning, and teamwork as necessary competencies. Nehete et. al(2011) calls this level of skills 'entrepreneurial orientation' and sees autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness as important entrepreneurial orientations.

2) The next grouping of skills used by researchers is more concrete, and is often oriented toward the functions of a business. Authors use a number of different terms for this skills level. I will call them Organizational-Level skills because they relate to the functions of the business organization. Smilor (1997) calls the necessary skills organizational 'know-how', and distinguishes marketing, finance and accounting, and production and manufacturing. Chen et. al (1998) use the term tasks, showing marketing, management, innovation, risk taking and financial control as necessary tasks (they also details approximately 20 specific activities under these five organizational tasks).

Gerber (2005) emphasizes finance, marketing, sales, management, enterprise management (business planning), and operations, while Plumly et. al (2008) see the importance of negotiation, new product development, technological innovation, opportunity recognition, market entry, legal, and creating a link from vision to action. Jusoh et. al (2011) recognize marketing and advertising, time management, finance and

accounting, customer services, human resources, law, selling, supplier management, administrative planning, and leadership as either important or essential. Mariotti & Glackin (2012) identify marketing, finance, operations, and leadership as the foundational organizational skills for entrepreneurs.

Nehete et. al (2011) differentiate between entrepreneurial skills, and business skills. Entrepreneurial skills occupy sort of a middle ground between meta-level and organizational skills. These include moving from idea to a business, starting and growing a business, creativity, innovation, risk taking, and identifying market opportunities. Business skills are more organizational-level in nature, and include finance, legal, marketing, management, operations, human resources, and making a business plan.

3) With the specific task of making a business plan, Nehete et al. (2011) provide a foray into the lightly covered territory of Functional-Level skills, the third grouping of skills. This level is the first that is oriented toward the idea that the entrepreneur must undertake specific skill-based activities in the process of entrepreneurship and management of an entrepreneurial business. However, these functional skills are also conflated with the broader level skills, and there is little consensus or consistency in the few studies pertaining to the Functional-Level skills.

A fair number of studies detail activities involved in starting a business, but very few academic studies provide specifics about the functional-level skills that are necessary for positive entrepreneurial outcomes. Bharadwaj et. al (2010) opine that certain skills are important and these should be the subject of business counseling. These include business plan development, marketing, e-commerce, financial projections, and accounting. In the Bharadwaj et. al (2010) study, individual counseling was important, as was the degree of individualization of the entrepreneurial training program.

Chen et. al (1998) focus on sales and finance for their delineation of Functional-Level skills. These are associated with the entrepreneur's self-efficacy, though the authors do not opine as to what extent these are associated with actual success. They present conducting a market analysis, setting and meeting market share goals, sales goals, and profit goals as marketing oriented skills. In regard to finance, they include performing a financial analysis, developing a financial system and internal controls, and controlling costs. They also identify developing information systems, managing time by setting goals, and defining organizational roles, responsibilities and policies. One of the few publicly available studies to operationalize variables is by Diochon et. al (2008), which details Financial Management Capability and confirms its importance. Financial management capability involves tasks such as keeping formal records, using the accrual basis of accounting, and establishing a separate business checking account.

In contrast to the academic studies, entrepreneurial training programs and resources often include specific functional tasks, such as learning how to produce financial statements and use accounting software, how to develop a business plan, or prepare a marketing plan. This is the area where the necessity of certain skills becomes highly individualized based on the type of business, the industry, and the size of the business. Attempting to capture similarities that apply across the entrepreneurial spectrum is an emerging field, and one which has largely been the domain of popular publications and training programs rather than academic research. I use two prominent authors below as examples from popular and training literature.

Gerber (2005) finds seven essential disciplines for entrepreneurial success. These are described in terms of being a leader in important business areas. Each of these areas has a significant number of segmentations, specific activities to undertake, or perspectives to grasp. This detail too voluminous to recount, but can be summarized to

some degree in terms of functional-level skills or a similar concept. Under the discipline of Enterprise Leader, Gerber (2005) recommends making a vision for your company, writing a business plan, and developing key business indicators. The discipline of the Market Leader requires identifying your target markets, understanding how your customers think and make decisions, and setting your business apart from the rest. The Financial Leader maximizes company value by minimizing operating expenses and optimizing operating revenue. The Management Leader develops a culture that embraces change and builds an authoritative guidebook on company operations. The Client Fulfillment Leader designs and builds the fulfillment systems by analyzing the current state of client fulfillment and innovating or improving fulfillment systems. The Lead Conversion Leader converts revenue opportunities into revenue by maximizing lead conversion and making the most of existing customers. Finally, the Lead Generation Leader brings in potential customers by reaching target markets with impact through various channels.

Mariotti & Glackin (2012) provide more detail for their segmentation of the foundational organizational skills of marketing, finance, operations, and leadership. Within marketing, more specific tasks include market research, developing a marketing mix and plan, pricing and credit strategies, and marketing communication, and sales. Finance involves understanding start-up, fixed, and variable costs, using financial statements, and understanding cash flow, taxes, and financing strategies. Operations includes addressing legal issues and managing risk, specific business operations, locations, facilities, and layout, and human resource management. Leadership involves leadership, ethics, integrity, entrepreneurial opportunities, and social responsibility.

Using the above information and other sources, I have summarized these various skill levels in the three figures or charts below. The two broadest skills levels are shown

in the first two charts. In the third chart, I have re-arranged the organizational skills level into four components, which incorporate the major functions of entrepreneurial and small business management. This presentation provides somewhat of a mnemonic device, and consolidates conceptualization of Organizational-Level skills into a compact form. Underneath each Organizational-Level skill, I have noted a selection of skills or skill-based activities (what I term Functional-Level skills) gleaned from the literature.

Figure 2 on the next page summarizes the Meta-Level skills, while Figure 3 summarizes the narrower Organizational-Level skills, and Figure 4 consolidates the Organizational-Level skills and adds example Functional-Level skills beneath.

**Figure 2: Meta-Level Skills**



**Figure 3: Organizational-Level Skills**





**Figure 4: Consolidated Organizational-Level Skills Dimensions**

<b>Management</b>	<b>Marketing</b>	<b>Money</b>	<b>Movement</b>
<i>Operations, Legal, HR</i>	<i>Marketing and Sales</i>	<i>Finance and Accounting</i>	<i>Enterprise Development</i>
Set up legal structure for business	Conduct market research	Identify start-up, fixed, and variable costs	Develop business plan
Obtain necessary permits and licenses	Identify target market	Set up accounting system	Describe or improve business model
Acquire insurance and manage risk	Choose marketing channels and market through those channels	Develop and analyze financial statements	Identify key business indicators
Obtain/improve facilities and location	Develop and conduct sales plan	Control expenses	Pursue market opportunities
Analyze and improve business operations	Price products or services	Identify and pursue financing strategies	Cast and communicate vision for the business
Hire employees, contractors, or PEO firm	Write marketing plan	Manage cash, receivables, payables, and taxes	Develop culture of improvement
Develop policies and procedures	Increase contacts through networking	Set up internal controls and external audit	Establish company ethics

*Source:* Summary of academic and popular literature, with author's inclusions

Lichtenstein and Lyons (2010) appear to be on the leading edge of skill based analysis of entrepreneurs, for both theory and practice. They use a different grouping in categorizing skills than is shown here. Their grouping uses four dimensions: Technical Skills, Managerial Skills, Entrepreneurial Skills, and Personal Maturity. These skills dimensions are then segregated into five levels, from low skill to high skill, using the analogy of the professional baseball league system (rookie, A, AA, AAA, major league).

They claim to use clinimetric measures to test for the level of skill in each dimension. These measurement devices are not available to the public and appear to be held under copyright by Collaborative Strategies, LLC.

For the research methodology in this study, I used the four skill dimensions proposed by Lichtenstein and Lyons (2010). This seemed appropriate given their publication record and practical success with this grouping, as well as the comprehensiveness of the dimensions. In conducting the interviews, I transferred the four dimension grouping directly into questions about skills in those dimensions. The specifics of the methodology, findings, and analysis are detailed in later chapters.

Technical skills, according to Lichtenstein and Lyons (2010), involve the ability to perform the key operations of the business. Managerial skills involve the ability to organize and efficiently manage the operations. Entrepreneurial skills involve the ability to identify market opportunities and create solutions that capture those opportunities. Personal maturity includes self-awareness, willingness and ability to take responsibility, emotional development, and creative ability.

This portion of the literature review has considered the individual entrepreneur under the concept of human capital, with that human capital being specified in terms of individual entrepreneurial skills. The next part of the literature review discusses the firm the entrepreneur owns and managers under the concept of the resource-based view of the firm.

### **Entrepreneurial Resources**

One of the most important phases of the entrepreneurial process is that of acquiring the resources necessary to pursue the entrepreneurial venture. The resources needed are broad, including physical, financial, human, and social resources. These resources are often called capital in the business literature. Obtaining adequate capital

resources is essential to nascent entrepreneurs for a number of reasons. The various forms of capital are necessary to move from venture gestation to business birth, but higher levels of capital also increase the probability of venture success and growth.

Most studies focus on financial capital as the primary need that nascent entrepreneurs have, because one of the most significant constraints in forming new businesses is access to sufficient financial capital. Initial financial capital is usually supplied by the business owner (Berger & Udell, 1998). In addition, access to external credit is particularly important to the viability of small, young firms (Bates, 1993). Financial capital is often changed into other forms of physical capital when money is spent by the entrepreneur to acquire necessary resources. Seemingly lesser appreciated is the importance of human capital as a resource for nascent entrepreneurs. In the following section, I will consider the role of human capital as a resource under a concept known as the resource-based view of the firm.

### **The Resource-Based View of the Firm**

The Resource-Based View of the firm (RBV) arose out of the business literature in the area of strategic management. Researchers were primarily concerned with finding out what gave companies, especially international firms, a sustained competitive advantage over others. Edith Penrose was one of the first to describe a company as a bundle of productive resources, and identify this bundle of resources as a competitive advantage in the marketplace. She also expanded the idea of what might be considered a productive resource. In addition to the familiar elastic resources of land, labor, and capital popular with economists and business researchers, she included the inelastic resources of managerial teams, top management groups, and entrepreneurial skills (Barney & Clark, 2007).

In being identified as the Resource-Based View of the firm, RBV acknowledges that it is another way to view the competitive advantage issue. However, work by later scholars (i.e. Wernerfelt, 1984) suggested it is possible to develop a theory of persistent superior firm performance using a firm's resources as the unit of analysis (Barney & Clark, 2007). Thus, RBV has to some extent morphed into Resource-based theory (RBT). However, both terms are used in the literature. This study will use the term RBV as being more consistent with the nature and scope of the research herein.

An increasing number of entrepreneurial scholars are using RBV to better understand the role of resources in new venture start-up and development (Lichtenstein & Brush, 2001). In the resource-based view, organizations are analyzed according to their 'resource position,' or their strengths and weaknesses in terms of resources. Rather than being viewed individually, resources are usually viewed collectively, as groups of assets tied to the business. According to the RBV, it is the identification and acquisition of resources (rather than deployment or allocation activities) that are crucial for the early stages of new venture development (Liao, Welsch, & Moutray, 2008/2009).

Traditional economic analysis of firm resources typically confines itself to categories such as labor, financial capital, and physical capital. In a departure from the traditional categories, RBV includes a broader set of resources, such as technological skills (Wernerfelt, 1984). Both tangible and intangible resources are included in the broader scope of the RBV. Examples of resources include brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures, etc. (Wernerfelt, 1984). Commonly used categories of resources include human, social, financial, physical, technological, and organizational (Brush, Greene, Hart, & Haller, 2001). These resources are the basic inputs into the production (or business operation) process. They should be distinguished conceptually from a

capability, which is the capacity for a coordinated set of resources to perform some task or activity, though it is difficult from a measurement perspective to divorce the concepts of resource availability and the capability to use those resources (Chandler & Hanks, 1994).

A basic taxonomy of resources divides them into Simple and Complex. Simple resources are tangible, discrete, and property-based, whereas complex resources are intangible, systemic, and knowledge-based (Brush, Greene, Hart, & Haller, 2001). A distinction is also made between resources that are utilitarian (applied directly to productive processes), and instrumental (provide access to other resources). Human resources, including human capital, fall within the complex category, and have both utilitarian and instrumental characteristics. The complexity of a resource may indicate the degree to which it can be transformed, combined, or lead to a unique advantage (Brush, Greene, Hart & Haller, 2001). The malleability of complex resources, such as human capital, thus offers potential for public policy inputs to have an effect on these resources within the entrepreneurial process, which suggests an avenue of associated research.

The main theoretical framework for resource-based theory is the VRIO framework. The framework focuses on resources of a company that are valuable, rare, imperfectly imitable, and organizationally exploitable as resources which contribute to sustained competitive advantage. The framework begins with the assumption that each firm's resources are to some extent heterogeneous and immobile. In order to provide a sustained competitive advantage, a resource must have four attributes or parameters. Barney & Clark (2007) express these parameters as questions about the assets or activities of the firm.

1. The question of *Value*: Do a firm's resources and capabilities enable the firm to respond to environmental threats or opportunities?
2. The question of *Rarity*: Is a resource currently controlled by only a small number of competing firms?
3. The question of *Imitability*: Do firms without a resource face a cost disadvantage in obtaining or developing it?
4. The question of *Organization*: Are a firm's other policies and procedures organized to support the exploitation of its valuable, rare, and costly to imitate resources? (p. 70)

Human capital in the entrepreneurial firm fits these parameters. Human capital in the entrepreneurial firm is clearly valuable, rare, and difficult to imitate. The human capital of the entrepreneur may be the only endogenous resource of the entrepreneurial firm, and one that is critical for the existence and operation of the firm. This makes it valuable, and it is rare because it is unavailable to other firms. Similarly, an entrepreneur's particular bundle of human capital resources is difficult or impossible to imitate because it is historically dependent, causally ambiguous, and socially complex. Finally, entrepreneurial firms are organized around and with reference to the entrepreneur's specific human capital resources, in order to exploit these resources. However, questions remain as to how well this organization is accomplished and how the organization adapts to the human capital development of the entrepreneur and the growth of the business.

A final, but significant, point for the entrepreneurial firm run by an individual entrepreneur is that entrepreneurial human capital VRIO resources are difficult, if not impossible, to obtain in the open markets. Rather, they have to be found or developed

within the firm itself. This research is an effort to understand the development of human capital resources within the individual entrepreneurial firm.

The perspective in emerging organizational research, including RBV, looks at organizations differently than prior research. Traditional organizational theory models use a macro perspective, studying changes in organizational structures and processes over long periods, such as from birth to maturity. Emerging organization research, on the other hand, takes a micro perspective by viewing organizational changes primarily at gestation, pre-birth and birth, studying the establishment of intention, boundary, resources, and exchange (Katz & Gartner, 1988), with the RBV perspective focusing on resources. Looking at firms in terms of their resources has some distinct advantages for researchers. First, looking at firms in terms of their resources may lead to different insights than the traditional perspective. Second, one can identify the types of resources that lead to positive venture performance. Finally, the characteristics of these positive resources can be examined, as can strategies for managing a firm's resource position (Wernerfelt, 1984). Because the ease of obtaining resources determines the strategic direction and geographic distribution of new organizations (Katz & Gartner, 1988), RBV may also facilitate transitional research which connects both the micro and macro views.

RBV generally takes a static view of the firm's resource position and evaluates the impact of those resources on firm performance (sustained competitive advantage). Very little is discussed in RBV about how the resources and capabilities were acquired or developed. Yet, a complete resource-based view of the firm would have to include a more general theory of the resource development process (Barney & Clark, 2007). This study will extend resource-based theory by providing additional insight into the human capital resource acquisition and development process in the entrepreneurial firm.

The RBV could also be used to study outputs of venture gestation, such as discontinuance, business births, or venture success. Yet, comparatively few studies have empirically explored resource-based theory, and virtually none have examined resource changes longitudinally (Lichtenstein & Brush, 2001). Most studies using RBV have focused on new ventures at inception, while little attention has been paid to the nascent stage during which a new venture is developed (Liao, Welsch, & Moutray, 2008/2009). Given the factors noted above, RBV may provide a fruitful theoretical construct for examining various phases in which entrepreneurial firms acquire resources.

### **Human Capital as a Resource**

Most entrepreneurs begin with rather complex and often instrumental human capital that they have developed in another professional enterprise or work setting (Brush, Greene, Hart, & Haller, 2001). This human capital exists within the entrepreneur, rather than in the firm, and may be the only human capital at the beginning of the firm. Almost all evidence from research on entrepreneurs shows that teams are significantly more likely to be successful than individual entrepreneurs (Brush, Greene, Hart, & Haller, 2001). Yet, most firms are started by sole proprietors, and public entrepreneurial development programs are most often oriented toward the individual entrepreneur. In light of this dynamic, the emphasis in this paper will follow the individual entrepreneur focus.

A number of studies have attempted to quantify and assess the effect that the entrepreneur's human capital has on the new venture. The entrepreneur's initial human capital inputs are important, because a major determinant, if not a predictor, of a new venture's success in extending personal resources to the organization is the degree to which the entrepreneur's endowments include knowledge of the product, market,



industry, and a reputation gained by working successfully in that space or a related space (Brush, Greene, Hart & Haller, 2001).

The link between specific industry knowledge and experience, and entrepreneurship outcomes has been studied in a variety of contexts. For example, in their study of 48 new start-up firms in Korea, Jo and Lee (1996) found that the entrepreneur's education and experience in the line of business (of the new venture) had a more positive influence on profitability and growth than all other experiences. In an almost counterintuitive finding, general managerial experience, previous start-up management experience, and high-growth company experience had negative impacts on both profitability and growth. Their explanation is that 'firms based on background factors related to product' achieved better results than 'firms based on background factors related to management' (Jo & Lee, 1996).

In a somewhat similar finding, Liao, Welsch, and Moutray (2008/2009) found that most of the various types of resources (human, social, and financial) are negatively related to entrepreneurial discontinuance (suspending the venture creation effort during the venture gestation process). In this study using data from the Panel Study of Entrepreneurial Dynamics (PSED), they also concluded that education, managerial experience, and general work experience had no direct relevance to discontinuance. Rotefoss and Kolvereid (2005), in their study of Norwegian entrepreneurs found that human resources, particularly different kinds of entrepreneurial experience, were the main predictors of the outcome of the business start-up process; that is, successfully starting a business. Finally, a study of 26 small young distribution firms in the US, conducted by Duchesneau and Gartner (1990), found that lead entrepreneurs in successful firms were more likely to have broad business and previous startup experience, as well as entrepreneurial parents.

Montgomery, Johnson, and Faisal (2005) used data from the Washington Self-Employment and Enterprise Development Demonstration (SEED) to study what kind of capital was necessary to start a business: financial or human. On the human capital dimension, they concluded that more education had a positive and significant impact on the probability that a self-employment business stays open. Additional years of (general) work experience decreases the probability of succeeding, while work experience in the same industry as one's business improves success slightly, as does prior business experience. However, they found that people with more education and work experience tend to abandon a self-employment attempt more quickly. In view of these seemingly disparate findings, they concluded that, overall, human capital increases the probability of pursuing self-employment, but not the probability of succeeding at it (Montgomery, Johnson, & Faisal, 2005). A study of cases from *Inc. Magazine* by Gartner, Starr & Bhat (1998) found that none of the beginning or ending measures of knowledge/ability predicted venture success, though the change in knowledge/ability was found to be one of the predictors of venture success. The knowledge/ability measures included seven kinds: marketing/sales, finance and accounting, operations, technical knowledge, management, administration, and street smarts. They note that their findings are consistent with overviews of research on prior experience and its effect on start-up success that indicate prior experience is not a consistent predictor (Gartner, Starr, & Bhat, 1998).

Cooper, Gimeno-Gascon, & Woo (1994) sought to predict the performance of new ventures based on initial financial and human capital. They examined general human capital represented by the entrepreneur's education, gender and race. Additionally, they studied specific human capital in terms of management know-how of the entrepreneur and advisors or partners, as well as industry specific know-how from experience in

similar businesses. Their study consisted of a sample of 1,053 entrepreneurs and their firms tracked over a three year period using member data provided by the National Federation of Independent Businesses (NFIB). The performance measure was divided into three categories: failure, marginal survival, and growth. They found that measures of general human capital positively influenced both marginal survival and growth, but that management know-how had limited impact (Cooper, Gimeno-Gascon, & Woo, 1994). The number of partners in the venture was a significant contributor to high growth, and having a parent who owned a business contributed to marginal survival, but not growth. Industry-specific know-how contributed to both survival and growth.

Diochon, Menzies, & Gasse (2008) sought to explore the nature and impact of gestation-specific human capital on successful startups in Canada. Using data from the Entrepreneurship Research Consortium (ERC) for this study, a longitudinal sample of 91 entrepreneurs, they compared both general and gestation-specific human capital in the form of financial management capability (FMC). They found that no dimensions of general human capital were associated with success in firm formation. Neither start-up experience nor start-up education was associated with FMC, and no relationship was found between any of the gestation-specific human capital dimensions and success in starting a business. Yet, nascent entrepreneurs who started and stayed in business exhibited the strongest overall FMC. This was the one and only dimension that played a role in sustaining a firm once it had become operational (Diochon, Menzies, & Gasse, 2008).

The studies above generally show that human capital is an important, if not critical, resource for entrepreneurs. Human capital becomes more important for success the more specific it is to the business and industry context, and to the extent it produces transferrable skills. Put another way, an entrepreneur's human capital can create

competitive advantage if it is sufficiently different from competitors (Alvarez & Barney, 2001). The interesting point from the resource-based perspective is that human capital resources seem to have more impact on the entrepreneurial firm to the extent they are more deeply embedded in the VRIO framework.

The following chapter will describe the methodology used to investigate the research questions and to provide insight into some of the issues raised here.

**Chapter 3**  
**Methodology**  
**Introduction**

This dissertation has two purposes. The first is to understand the role that business counselors in a public entrepreneurial development program play in improving the entrepreneurial skills of nascent and active entrepreneurs. The second is to then evaluate what can be learned by comparing how these skills comport with those skills commonly accepted as associated with successful entrepreneurial outcomes.

The public entrepreneurial development program that is the subject of the study is SCORE. In-depth information on SCORE and its activities is provided later in the dissertation in the section on research participants.

The following three broad research questions arise from the purpose of this research:

- 1) What skills are commonly accepted as necessary for successful entrepreneurship?

The literature review in the previous chapter has detailed the skills commonly accepted as related to positive entrepreneurial outcomes.

- 2) What skills do SCORE counselors help entrepreneurs develop or improve during the counseling?

The information for this section was developed from the main research method: counselor and client interviews. Other information sources were also used, including counseling documents and quantitative survey results from counseling clients. The methodology for the research is presented here in Chapter 3. The research findings are presented in the following chapter.

3) What are the similarities and differences in these two, and what lessons does the comparison reveal that may inform entrepreneurial policy and research?

This analysis begins in Chapter 4 with the research findings, and continues in Chapter 5, which analyzes those findings, draws conclusions, and presents implications for policy and future research. Also, Chapters 4 and 5 highlight key insights from the business counseling process that may not be specifically related to the research questions, but were significant findings in the research.

The core perspective of this paper is that entrepreneurial specific human capital is central to the entrepreneurial process, and instrumental in the resource acquisition phase of that process. The ability to acquire human capital resources may itself limit the range of opportunity choice and growth potential for entrepreneurs (Thakur, 1998). Studies suggest that government programs can be effective when they enhance the underlying pool of resources from which potential entrepreneurs can draw (Minnitti, 2006).

Responding to the resource needs of entrepreneurs, public agencies have developed a number of programs to assist entrepreneurs in obtaining the resources necessary for successful entrepreneurship. These often include training and counseling, as well as financial assistance. Entrepreneurship training might also be used to enhance a potential entrepreneur's strengths with complementary skills and knowledge (Gatewood, Shaver, & Gartner, 1995), thus improving the chances that the entrepreneur will form a business and operate it successfully.

Scholars have assessed a number of aspects of public intervention in entrepreneurial activity. One long running debate concerned two issues: the cost effectiveness of Small Business Development Center (SBDC) training and counseling programs, and which measurement factors should be included in a cost-benefit analysis

of the programs (Bartik 1994; Wood, 1994; Chrisman et. al 1985, 1987). Although the cost-benefit aspect is not part of this dissertation, this series of studies confirms that public human capital inputs in the form of counseling and training have a positive impact on entrepreneurial development. Also, a majority of the SBDC clients felt the assistance was useful, and rated the program good to excellent (Chrisman, Nelson, Hoy, & Robinson, 1985). A number other studies support the view that entrepreneurial assistance helps improve the performance of new, small firms (Robinson, 1982; Clark et. al, 1984; Stevenson & Sahlman, 1988), and positively impacts the start-up decision, survival rate, and growth of new firms (Chrisman et al., 1987, Chrisman & McMullan, 2000). In a finding germane to this dissertation, a group of researchers found that entrepreneurs use business coaches to facilitate obtaining the skills necessary for successful business performance (Kutzhanova, Lyons, & Lichtenstein, 2009).

Chrisman & McMullan (2000) specifically use a resource-based theory of outsider assistance. They argue that new ventures are a special case for resource-based theory because a new venture has few if any resources other than the knowledge of the entrepreneur(s), and entrepreneurs themselves are a key resource in obtaining sustainable competitive advantage. They also conclude that assistance programs which enable the entrepreneur to gain tacit and explicit knowledge appear to be a source of development for new ventures.

Chrisman & McMullan (2000) surveyed long-term clients of the SBDC program one year after their use of the assistance program. They found that the survival rate of businesses counseled by the SBDC was much higher than the general population of new businesses. Additionally, clients found the counseling useful, significant, or very significant to getting their businesses launched. For further research, they recommended additional qualitative and quantitative analyses on both the venture counseling and

development processes to better understand the cause and effect relationships between outsider assistance and venture performance, in order to gain a deeper understanding of how the creation of tacit knowledge by entrepreneurs may be facilitated by outsiders. Their study prompts this dissertation research, which is to gain a deeper understanding of knowledge development by entrepreneurs as facilitated by the outside assistance of SCORE counselors.

Using the Panel Study of Entrepreneurial Dynamics (PSED) data, Yusuf (2007), studied entrepreneurial assistance programs targeted to supporting entrepreneurs during the gestation or start-up phase. The particular focus of the assistance was guided preparation; that combination of planning activities that the entrepreneur undertakes during the start-up process and the entrepreneur's contact with the assistance program. Yusuf (2007) found, overall, that neither contact with assistance programs nor planning activities by themselves impact the outcome of the start-up process. However, the interaction of contact and planning positively influences start-up outcomes (firm creation and transition from start-up to operating firm). More specific to resource acquisition, the Yusuf (2007) study suggested that assistance programs are used, not as a means to compensate for resource or capital deficiencies, but as a means of building existing capital and resource endowments, especially in the case of female entrepreneurs (Yusuf, 2007). In the SCORE counseling process, planning and counselor contact, or guided preparation, are offered together as a package. Therefore, this dissertation will expand on the quantitative research done by Yusuf (2007) by providing richer qualitative data on the subject of guided preparation.

In sum, resource acquisition is an important part of the entrepreneurial process. The transition from idea to operating business is largely dependent on the acquisition of necessary resources, including entrepreneurial skills. Public entrepreneurial assistance



programs have been developed to help entrepreneurs develop or acquire necessary entrepreneurial skills. These programs tend to have positive effects on entrepreneurial gestation, as well as the ultimate performance of the new businesses. The purpose of this research is to develop detailed information on entrepreneurial assistance in skill development via business counseling, in order to inform policy and further research.

Because of its purpose and the limited information available on entrepreneurial skill development, this study is exploratory research. The research employs a mixed-method approach to investigating the topic under consideration. The bulk of the data collection used the qualitative research method of interviewing, though other forms of data have been used as supplements, including results from quantitative studies. Because the main method of data collection is qualitative, this chapter approximates a qualitative methods structure for the methods section, similar to Bloomberg & Volpe (2008). This introduction is followed by information on the research participants, research design overview, and data collection methods. Finally, a general introduction to the data analysis and synthesis is presented, followed by a discussion of issues of trustworthiness and the limitations of the study.

### **Research Participants**

The organization used for this research is a chapter of SCORE from a major city in the southwestern United States. SCORE (formerly known as the Service Corps of Retired Executives) was chartered by federal legislation in 1964. It is a national non-profit organization dedicated to counseling nascent and active entrepreneurs. It has approximately 360 chapters throughout the United States and its territories, with approximately 13,000 volunteers. All counselors are volunteers.

SCORE is a resource partner of the US Small Business Administration (SBA). SCORE offices are often co-located at SBA offices, with space provided by SBA, and

SCORE receives funding from SBA as well as from other sources. In view of its public support and its non-profit status, SCORE is a public entrepreneurial development program. All SCORE counseling is free to the client. It is also client initiated and confidential. The most common method of counseling is periodic, hourly, one-on-one, in-person counseling sessions scheduled to meet the needs of the entrepreneur. In addition to this method, SCORE also offers counseling via phone or email, and conducts a number of training seminars on topics related to starting and managing a small business. In order to become a SCORE counselor, one must be an active or retired executive or business owner and have completed training in entrepreneurial business counseling.

The counselor research participants in this study came from a chapter of SCORE in a major city in the southwestern United States, and reflected, to the extent possible, the demographic makeup of counselors from that chapter. They were recruited by way of the publicly available contact information on the SCORE chapter website. The initial focus group was assembled by the then President of the chapter. Counselors for the individual interviews were recruited by email or phone. Research participants also included SCORE clients. Individual clients were recruited by email or phone, after having been referred by a counselor.

The primary data collection method involved conducting a significant number of semi-structured, individual interviews with a purposefully selected group of fifteen (15) counselors from SCORE, supplemented by individual interviews with nine (9) SCORE clients.

The logic of this purposive sampling lies in selecting information-rich cases, with the objective of yielding deep insight into the phenomenon under investigation (Bloomberg & Volpe, 2008). The counselor research participants represented

approximately 25% of the active counselors in the chapter. Counselors chosen for the study had the greater part of one year of experience counseling nascent and active entrepreneurs. The requirement for a minimum of one year of counseling experience ensured that counselors had sufficient experience to render an informed opinion. Client research participants all had significant experience with counselor assistance in starting a business or with solving a business problem, or both. The size and characteristics of the research participant group provided sufficient information to answer the research questions, and to ensure the trustworthiness of the findings and conclusions.

### **Overview of Information Needed**

For this study, there are four primary areas of information needed to answer the research questions and illuminate the issues under consideration: Theoretical Information, Contextual Information, Perceptual Information, and Documentary Information. These four areas have been accounted for in the design and conduct of the research.

Theoretical information has been provided by the literature review. This includes theory on human capital and the resource based view of the firm, as well as literature on entrepreneurial counseling programs. Another relevant body of literature will be presented later in the conclusions section of this study: the literature on the written business plans and their relationship to entrepreneurial outcomes.

The dissertation requires contextual information in two areas, both of which serve as a contextual frame for the study and provide a partial analytical foundation for the study's findings. The process of entrepreneurship is the first area. This context is provided by Shane's model, which is described in detail in Chapter 1. There, the dynamic of entrepreneurship is presented, with a focus on the individual entrepreneur. This focus on individual entrepreneur leads in to the second area of contextual information needed:

the context of the counseling process. This information is provided by the focus group results, review of SCORE documents, and interviews of clients, counselors, and managers.

Perceptual information is the primary data which informs this study. It is developed through extensive, in depth, semi-structured interviews with business counselors, their clients, and organization managers. It is supplemented by the documentary information provided by SCORE. This information includes counseling training materials, business plan development materials, entrepreneurial training materials, and a quantitative survey completed in 2009 by the Gallup organization.

This study uses a variety of types and sources of information. They relate to each other, but, at the same time, are independently generated. The combination of qualitative, quantitative, and textual information allows a broad approach to data informing the study. The information needed and gathered is adequate to answer the research questions and illuminate the issues under consideration.

### **Research Design Overview**

This dissertation was designed to explore a topic on which very little or no information is currently available. As exploratory research, it uses multiple methodologies to investigate the topic under consideration. The research design is oriented toward discovery. Thus it has a flexible, emergent character, with some processes being iterative in nature. The research design and methods were approved by the Arizona State University Institutional Review Board.

The first step in the research was to do a thorough review of related literature. This literature review informed the theoretical aspects of the study, as well as its conduct. Data collection for the study involved first conducting a focus group with counselors in order to frame the questions for the research, then doing in-depth

interviews with counselors and clients using those questions. This information was supplemented by obtaining documents and information from SCORE, as well as other government agency reports on SCORE. Finally, I analyzed the findings, drew conclusions, and identified the implications for policy and research. Appendix B shows the methodological progression of the research, which was also the chronological flow of the study. The following sections provide more detail about the data collection.

## **Data Collection Methods**

### **Phase I: Focus Group**

From the literature review, I developed a preliminary set of interview questions. The questions encompassed the wide range of issues in order to capture the complex and dynamic nature of entrepreneurial counseling. Questions were drawn from salient themes in the literature, and included issues such as what skills are commonly needed by entrepreneurs (Smilor, 1997; Diochon, Menzies, & Gasse, 2008; Lichtenstein & Lyons, 2010), methods of entrepreneurial skill development (Davidsson, 2004; Yusuf 2007), key events that occur in the development of the business (Shane, 2003), and the conditions surrounding skill acquisition (Gartner, Starr, & Bhat, 1998, Chrisman & McMullan, 2000; Minnitti, 2006). The questions also included exploratory areas, such as how the counselor helps the entrepreneur translate big ideas into actionable items. See Appendix C for the focus group questions.

With these preliminary questions, I conducted a focus group consisting of seven (7) experienced SCORE counselors. This group of counselors was chosen by the then President of the chapter. The purpose of the focus group was to obtain a general understanding of the role of the counselor in helping entrepreneurs acquire skills, from the perspective of the counselor. The primary advantage of the focus group as an exploratory research tool is its ability to quickly grasp the core issues of a topic (Cooper &

Schindler, 2003). The focus group approach was needed to provide information that would help define the study itself, and crystallize both the research questions and the interview questions. The focus group also helped identify some of the salient issues in the start-up and growth of entrepreneurial businesses. These issues are often the drivers that compel entrepreneurs to seek counseling, and thus provided contextual information for the study.

The focus group questions were broad, open ended questions designed to facilitate discussion among the participants and cover a range of topics related to the business counselor's role in entrepreneurial development. While the participants largely spoke as they chose to in response to the general and follow-up questions, one counselor helped facilitate the discussion by making sure that all voices and perspectives were heard and that the researcher felt the questions had been answered sufficiently. This spontaneous, yet facilitated approach produced 'clusters' of core issues which would be developed into specific research and interview questions with the guidance of the dissertation committee. The focus group highlighted core issues, such as the transitional stages in the development of the entrepreneur (concomitantly with the entrepreneurial firm) which counselors help entrepreneurs negotiate, the importance of the business plan in the entrepreneurial counseling process, and the methods used by counselors to improve entrepreneurial skills.

Following the focus group, I conducted a phone interview with the President of SCORE for the state of Arizona. This interview focused on the managerial perspective of the organization's activities. The state President also provided documents on the standard counseling methodology, as well as the results of a 2009 client survey done by the Gallup organization. The information from the state President provided additional contextual and counseling data.

The results of this portion of the data collection were then presented to the dissertation committee in order to refine and receive final approval of the research questions and interview questions. Upon the committee's recommendation, I did additional literature review in the area of entrepreneurial skills, in order to focus on the specific skills that are shown to be related to positive entrepreneurial outcomes. That review revealed that there is little agreement on what constitutes specific and necessary skills for entrepreneurial success. In view of this, I adopted the skills dimensions used by Lichtenstein and Lyons (2010) because they were current, comprehensive, and research based. I then formulated questions about skills using those dimensions, and developed the other questions in view of the core issues discovered in the focus group. The committee also asked that the research include questions on how counselors assess skills, as well as the necessary condition for skill improvement.

Thus, in the interview instrument, questions related to skills came from the literature review, while questions regarding development of the entrepreneur and the counselor's role came from the focus group, and questions about assessment and skill improvement conditions came from the dissertation committee. None of the questions used in the interview instrument came directly from another instrument or scale. Rather, they were developed independently from the sources described. The resulting questions were designed to answer the research questions for the study (shown earlier in this chapter), and to produce detailed concrete descriptions of the issues under study.

## **Phase II: Individual Interviews**

The semi-structured interview, sometimes referred to as a qualitative interview, is a widely accepted method for exploratory research. The current study required describing the process of entrepreneurial skill development through counselor intervention, developing detailed descriptions of events in the entrepreneur's or

business's growth, and identifying important variables in entrepreneurial skill acquisition. The qualitative interview is a preferred method for all of these research aims, and one which achieves fuller development of the information and the experiences of the respondents (Weiss, 1994).

After the research and interview questions were approved by the committee, I began the individual, in-depth interviews. First, I interviewed only counselors, and used the first three counselor interviews as a field test of the questions. After each interview, I asked the counselor about the content and scope of the questions. The counselors verbally affirmed that the questions were appropriate, comprehensive, and covered important aspects of the entrepreneurial counseling process. Thus, I considered them acceptable and began interviewing both counselors and clients.

The interviews were semi-structured using a standard set of questions, the wording of which was tailored to either the client or counselor. See Appendix D for an example of the questions. Each participant was provided with the questions and an information letter by email, prior to the interview. The information letter was modeled after the template of Arizona State University's Institutional Review Board. It explained the purpose of the study and included the rights and risks as a participant. The reason for providing the questions and information letter in advance of the interview was to allow time for the participant to contemplate the issues under study and become comfortable with the interview method.

While the interview questions themselves were open ended, I used spontaneous follow-up and probing questions to invite addition reflection on behaviors, events, and perspectives. Each interview lasted between approximately .75 to 1.5 hours. Most counselor interviews were conducted in SCORE offices, though some were at other locations convenient to the participant. Client interviews were conducted at locations



convenient to the client. All interviews were recorded with audio recording equipment and the interviewer took hand-written notes. The interview transcripts were then transcribed and edited for readability.

### **Phase III: Document Collection**

While conducting the interviews, I collected other related information from SCORE. This included a business plan preparation book and pamphlet, SCORE's counseling manual "Business Counseling Methodology for Customer Relationships: The SCORE 5-Step Business Counseling Process," a 2009 Gallup Organization survey of SCORE clients, and information on SCORE's basic business training series "Simple Steps." The state President of SCORE and various SCORE counselors willingly provided these materials. They revealed additional information on the counseling process, as well as entrepreneurial learning and skill development. Additionally, I obtained an Impact Study of Entrepreneurial Development by Face-to-Face Counseling produced in 2011 by the SBA. These documents and information were used in the findings, analysis and conclusions of the study.

### **Data Analysis and Synthesis**

Data analysis began with an overall plan to manage the large volume of information this research would produce. Following Bloomberg & Volpe (2008), this plan entailed generating categories, identifying patterns and themes, then narrowing the data into smaller groups of key data through the use of coding to catalog the data. After the themes were identified, narrowed and cataloged, these were compared with the other relevant information gathered, as well as the background information from the literature review. This cataloging and comparison revealed the findings for this research.

Qualitative interviews were the primary means to obtain detailed descriptions of the entrepreneurial skill development process through business counseling. All

interviews were transcribed verbatim, then edited to eliminate sentence fragments and vocalized pauses, as well as to make the transcript punctuation reflect the flow of the interview. In order to extract useable information from the interviews, a coding scheme was developed and modified throughout the interview process. Coding is a method used to separate data and rearrange it into categories that facilitate comparison and aid in the development of theoretical concepts (Maxwell, 2005).

The framework for the coding scheme was taken from the interview questions. Initially, the interview questions were translated into broad code categories. For example, the questions about skills categories were made into codes for those skills categories. Transcribed interviews were first were coded using these broad categories. As the interviews progressed, this broad category framework was given more detail in the coding, in response to the information provided by the interview participants. For example, the role of the business plan was divided into a number of additional sub-codes, based on the interview responses. More frequent responses were given code sub-categories. Infrequent responses were placed into collective code sub-categories so that the responses could be documented, though they might not be used in the findings.

The coding of responses began with the focus group, and continued through the triangulation of the interview findings with the other sources. Coding was adjusted along the way, in response to new and greater information. The final coding scheme is presented in Appendix E. All interview transcripts were then coded according to this final coding scheme. Coding was done by hand and consisted of highlighting text and noting categories in the margins of the paper (Glaser & Strauss, 1999). Additionally, MaxQDA qualitative software was used to assist in the final data reduction and analysis.

Coded statements in the transcripts were then transferred anonymously to a separate document which cataloged statements for that code. This procedure allowed

reducing the large volume of information in a meaningful way, and helped identify significant issues or patterns in order to communicate the essence of what the data revealed, given the purpose of the study (Bloomberg & Volpe, 2008). The primary findings were those which produced the most responses. However, interesting or unusual items were also cataloged and noted in the findings and conclusions. Anonymous quotes from interviews and documents are used in the findings and analysis to exemplify and document the related finding or issue.

In order to synthesize the data, the salient findings were interpreted in light of the research questions, and applied to the relevant research question. Also, in order to obtain a holistic view of the data, the interview findings were compared and contrasted with the literature review information, as well as the other reports and information gathered.

The broad approach to reporting the synthesized information is issue-focused and generalized (Weiss, 1994). This allows explaining the findings as part of a complete story. The data synthesis also provided a foundation for the conclusions and recommendations in the study, and helped determine how the information gathered answered the research questions or provided information for future research.

### **Ethical Considerations**

This research was approved as exempt research by the Arizona State University Institutional Review Board, with the understanding that there was minimal potential harm to human subjects. The research was conducted in accordance with the proposal and approved application. Procedures used included informing interview participants of the purpose of the interview, their rights during the interview, the confidentiality of the information, and receiving their informed consent before participation. Information has been kept confidential, including personal or business names and other personally

identifiable information. Fictitious names have been used in the final report, when needed, in order to protect identities. All research participants were notified of their rights in advance of the interview and again at the time of the interview. Additionally, participants were sent interview transcripts for review, comment and correction.

### **Issues of Trustworthiness**

The nature of this research is exploratory, rather than causal. Its purpose is to uncover or reveal information not yet known. In view of the nature and purpose of the research, the primary research method provides trustworthy data for the intended purposes, and is the preferred method for this type of research.

Although a limited number of participants were used, the information developed is expected to provide important insight into the entrepreneurial skill development process. This is because the interview participants were experienced and knowledgeable in the subject matter area and provided “rich” information about the study topic. SCORE Counselors had approximately one year or more of counseling experience, and clients had at least one long-term experience with SCORE counseling. Most clients had seen counselors for more than one issue over a period of years. These issues included starting a business, developing a product, and dealing with a small business problem. Interview participants came from a variety of backgrounds and situations, and were able to provide detailed descriptions and examples, and thoroughly answer the interview questions. Thus, the primary data collection method is valid in that it clearly reflects the world being described (Bloomberg & Volpe, 2008).

In order to enhance the trustworthiness of the in-depth interview method, the researcher included five primary procedures in collecting and analyzing data. The first was to structure the interview questions to elicit specific and concrete examples of events and interactions. This served as a way to prevent interview participants from giving only

generalized accounts that express a kind of theory of what is most typical in a class of the event (Weiss, 1994). Thus, asking for specific examples or incidents helps avoid adding the participant's interpretational overlay in advance of the interviewer's analysis.

The second was to use a standard set of questions, with follow-up questions used to clarify the researcher's understanding of the statements and information given. The standard set of questions provided a consistent basis for responses, while the follow-up and clarification questions served as a method of "member checking" during the interviews.

The third procedure was to send transcripts to the interview participants for comment, correction and clarification. Sending transcripts for comment served as a second round of "member checking," or confirming and clarifying the information presented, ensuring that the researcher understood the essence and specifics of the message.

The fourth procedure used was comparing individual responses with other participant's responses. This was a way of determining what information was consistent across participants, as well as where discrepancies arose. Participants came from a variety of backgrounds and held a variety of current positions. Thus, the comparison is expected to improve the trustworthiness of the findings.

The final method involved the researcher maintaining a journal of field notes and memos in order to capture his analytical thinking about the data, facilitate insights about the data, and maintain organization of the processes of data collection and analysis.

The study also used the triangulation method of data collection, analysis, and synthesis, in order to obtain a holistic view of the subject. In this case, the interview data was supplemented with other relevant documentary sources and quantitative survey

results. The various forms of data were checked for their similarities and differences, and these became part of the findings.

The counselors in SCORE nationwide have standard policies and procedures for counseling, and they are all trained in the SCORE counseling method. Thus, the study's findings may have transferability to other contexts such as other SCORE chapters, or even other entrepreneurial counseling programs, especially those located in a major city. The client participants came from a variety of backgrounds and operated in a variety of industries. Consequently, the information they provided may also have transferability to broad-based entrepreneurship contexts.

### **Limitations of the Study**

There are limitations inherent in the nature of qualitative research, the primary research method used in this study. The main limitation is generalizability beyond the particular group or setting of the study (Maxwell, 2005). This research has that limitation, although the additional methods of comparison and triangulation may provide some assistance in mitigating this limitation. The second limitation is that the data collection may not assist in developing a theory which can be applied to other cases (Maxwell, 2005). This study was not designed to develop a theory, and is not adequate, by itself, for full theory development. However, the information from this study is intended to be useful for theory development, especially when combined with other information.

As exploratory research, this study is oriented toward discovery. In light of this orientation, the information revealed in the study will be preliminary, and conclusions will be tentative in nature. However, the findings herein may have praxis-oriented validity, in that they provide openings for new ways knowing and acting for entrepreneurial development practitioners (Graue & Walsh, 1998), as well as for

researchers and policy makers. In regard to policy, this study provides preliminary information for an exercise in policy reflection, rather than comprehensive information for policy design (Dahlstrom, 2009). In sum, the limitations of this research are those relating to the nature of the research and the type of information developed through the research.

### **Public Policy Considerations**

This study reveals detailed information about the activities in a public entrepreneurial counseling program. These activities comprise the substance of the entrepreneurial development provided and result in the program's impact on entrepreneurs and their businesses. Accordingly, Chapter 5: Conclusions and Implications, will provide implications and recommendations regarding SCORE's entrepreneurial counseling program. The recommendations will also speak to the relationship between SCORE and SBA.

## **Chapter 4**

### **Findings**

#### **Introduction**

This chapter presents key findings from 24 in-depth interviews of business counselors and counseling clients, as well as from a focus group conducted with seven business counselors. These findings document the role that business counselors play in improving the entrepreneurial skills of nascent and active entrepreneurs. Following the methodology of Bloomberg & Volpe (2008), seven major findings emerged from this study. These findings are organized around four themes which mirror the question groupings used in interview questionnaire.

Types of skills developed:

- 1) All participants stated that counselors assisted entrepreneurs in acquiring or improving managerial skills. These skills included skills the areas of general business management, finance and accounting, human resources, and legal. General business management was the skill universally noted as being acquired or improved, with finance and accounting being the second most common.
- 2) The overwhelming majority of participants stated that counselors assisted entrepreneurs in acquiring or improving entrepreneurial skills. Universally, the entrepreneurial skills identified involved marketing related activities.
- 3) A large majority of participants stated that counselors assisted entrepreneurs in acquiring or improving personal maturity. Personal maturity skills development was equally strong for self-discipline and self-awareness, with somewhat less support for confidence building. Few participants said counselors assisted in interpersonal skills.



- 4) A few participants stated that counselors assisted entrepreneurs in acquiring or improving technical skills. The vast majority either did not comment on technical skills, or stated that the client usually came with technical skills, or was referred to some other source to obtain these skills.

Methods used to developed skills:

- 5) A large majority of participants cited equally the counselor asking questions, and general discussion or advice as the most common methods that counselors used to increase the entrepreneur's skills. The assigning of tasks or homework was only slightly less common. There was also strong support for use of the business plan and referral to other sources as methods of skill acquisition and development.

Role of the Business Plan:

- 6) The majority of participants saw the process of developing a business plan, as well as using the plan as a benchmark for operating the business, as important in developing entrepreneurial skills. Counselors viewed the business plan as foundational to the skill development process while clients had generally positive, but more limited, views on the value of the business plan.

Barriers to business growth:

- 7) The majority of participants stated that counselors help entrepreneurs overcome significant barriers to business growth. These barriers are common to small businesses, and overcoming each of them requires a conceptual change on the part of the entrepreneur and an operational change in the business. Counselors help entrepreneurs identify and negotiate these conceptual-operation transition points.

The following section will present a discussion of each finding, with details that support that finding. The goal is to present multiple perspectives supported by different quotations, thereby providing “thick description” of the issues under consideration. The emphasis will be on letting the participants speak for themselves, while adding the researcher’s comments as context and summary. The findings, illustrative quotations, and researcher comments capture some of the richness and complexity of the subject matter under investigation. In order to protect anonymity, names will not be used. Client quotes will be followed by the letters CL and a number (i.e. CL5), while counselor quotes will be followed by the letter C and a number (i.e. C12). Quotes from the focus group will be followed by the letters FG. Only individual participant interviews have been included in the participant count, since the focus group was used as a preliminary step in developing the individual interview questions. However, focus group quotations will be included when they illustrate the issue being discussed

In the following section detailing the findings, I will first present the finding and numerical values of participant responses. This will be followed by some additional explanation. Finally, I will use quotes from transcripts to illustrate the finding. In accordance with Bloomberg & Volpe (2008), I chose quotes which are representative of the general sentiment of the group of participants, and endeavored to make sure there is a fair representation among participants in the quotes used.

### **The Types of Skills That Are Developed**

**Finding 1: All (24 of 24 [100%]) participants stated that counselors assisted entrepreneurs in acquiring or improving managerial skills. These skills included skills the areas of general business management, finance and accounting, human resources, and legal. General business management was the skill universally noted as being acquired or improved (24 of 24 [100%]),**

**with finance and accounting being the second most common (12 of 24 [50%]). Less commonly noted were human resources (6 of 24 [25%]) and legal (5 of 24 [21%]).**

The primary and overarching finding of this research is that business counselors help nascent and active entrepreneurs learn the skills involved with managing a business enterprise. While there are a number of specialty skill areas involved in business (i.e. legal and human resources), counselors universally work on transferring the skills of general business management to entrepreneurs. These skills have been summed up in management literature by the acronym POSDCORB (**P**lanning, **O**rganizing, **S**taffing, **D**irecting, **C**oordinating, **R**eporting and **B**udgeting). This acronym reflects the array of management skills that counselors help entrepreneurs develop (with staffing and budgeting having been placed in separate categories for the field research). General management skills are predominant in the counselor's assistance and in skill acquisition by the entrepreneur, as illustrated in the following excerpts from the data.

*(The counselor) is working with me on how to manage my business. So I'm looking at all of this as sort of managerial skills. How best to manage it. I can do the substantive legal work no problem. And I've got good people who do that stuff too. Where I need help is in managing things. So I view all of this as management skills. CL2*

*Managerial skills- I think for most of us at SCORE this is the primary area that we have expertise in that we can hand off because almost everybody here has been a manager at some level in business. C15*

Much of the counselor's activity is directed toward planning, organizing, and coordinating the business, with a common theme being identifying, understanding and managing key business indicators. While the client has knowledge in many aspects of the

business, especially the technical skills, counselors help improve the entrepreneur's organizational management skills.

*So I think in terms of managing the company and looking at the data and seeing where things are going, (he has) helped me with that. CL1*

*Just walked through every phase and what we needed to do. A lot of it we were aware of and we had, but still a lot that we didn't and he helped us identify. CL6*

*We do try to talk to them, but you try to see the manager, you just try to see their organization and their planning. You know, they try to set goals. They know how to reach those goals - all the typical buzz words of goals and goal setting. But you try to see if they have done it. C9*

*Managerial skills, I gave them some-especially organizational skills. I said you must have systems in place. You must. You cannot just go forward with your ideas. It won't work. You need systems so you understand, and you need to have fallbacks. You need to be able to know where you're going, where you've been, and where do you want to go? C11*

Counselors also work with details of managing specific operations in areas where clients have skill gaps. For nascent entrepreneurs, counselors assist in identifying and improving a full range of operational details in starting the entrepreneur's business.

*And I cover what I call the 3P's: The process, the people and the provisions required for them to deliver a service in this case. And that service is going to be personified and placed in a spreadsheet. C13*

For active entrepreneurs, counselors focus on specific issues in skill improvement, based on needs of the entrepreneur.

*We had a bus company that was a tourist bus company and he had operational issues, he had marketing issues, he had website issues, he had where to relocate his company when his lease ran out issues.*

*And we spent a fair amount of time with him and he's doing all right. C15*

*Now I have a pile of data. How do I start extracting information that's relevant to the decisions that I need to make? Some people get it better than others. Some businesses require more data. C12*

Counselors also do a significant amount of skill development in the area of finance and accounting. For nascent entrepreneurs, they focus on estimates to run the business profitably, such costs and pricing. For active entrepreneurs, they assist in areas based on the needs of the entrepreneur.

*He taught me how to work up my cost of goods and exactly, based on my business what that should entail: my fabric, my packaging, my time of labor- everything so that I would have a finished number - how to come up with my sale price that would be attractive to the public, and what to look for and how to price compares with other products, because mine is completely unique. CL4*

*I would say some of the other examples are value. This is a really important one. It's how do you value your business in terms of how much do you charge? This took me a long time to wrap my head around. It's perceived value. . . He made it understand it better that it is worth that. Not only is it worth that, but if you undervalue it, it makes it look cheap and not worth as much. CL1*

*They didn't have a regular P&L that came out. So, you know, what does that tell you? That tells you that they had systems to produce the financial reports but they really didn't do it regularly and then use that to run their business. So we needed to start emphasizing the importance of some of the financial statements, especially the P&L and looking at the cost structure and look at some of the operating costs as it relates to revenue and to see if they were benchmarked properly in terms of what other businesses do. C6*

The common theme was that entrepreneurs come to counseling with few or none of these business management skills. The lack of skills tends to be because the entrepreneur

has never been in business before, has not had formal business training, or has never encountered that management issue.

*It was the skill of running the business. I had very few skills when it came to running a business. So, automatically he brought me to a higher level of understanding of how to run a business. Whether it's filling out paperwork, taxes, pricing, stuff like that. . . In terms of the nuts and bolts of running a business he elevated my skills set tremendously. CL6*

*I didn't know anything about marketing. Once I got into the marketing session with my counselor, I realized I knew even less about manufacturing. I had never manufactured a product before. CL4*

*So I found it very helpful that he was using business terms and business concepts and almost schooling me in a way. I had the concepts but wasn't articulating them always the way a business person would, so he could provide a framework for that. So I found it very helpful, for someone who doesn't have the formal business background, for someone to listen and say yeah, you're on the right track here or maybe you're not on the right track over there. CL2*

*One of the things we try to do is expand that to a three dimensional view of that business. Someone might be a cook and they say "I want to start a restaurant", but they have no idea about the back office- the buying for a restaurant, the insurance, or if you will, industrial engineering info on how to lay out a kitchen. These all come to play and they need to get this expertise from somebody. C15*

*I had a guy in last week, two guys - partners, that they're both techies. They want to build a website to do something. None of them have either run a business before. They have no idea of marketing. They have no idea of personnel issues, and they have no idea of intellectual property issues. We try, I at least tried, to take them through what they needed to know in each of those areas to effectively start the business that they want to start. C15*

**Finding 2: The overwhelming majority (22 of 24 [92%]) of participants stated that counselors assisted entrepreneurs in acquiring or improving entrepreneurial skills. All respondents identified marketing related activities as the entrepreneurial skills developed. There was also occasional mention of other entrepreneurial skills, such as idea generation, and product line extension.**

**Nearly all of the descriptions of entrepreneurial skill acquisition focused on activities in the area of marketing, such as defining the target market, identifying the business's competitive advantage, and identifying and pursuing marketing channels.**

*The counselor got us really looking at demographics and actually where we were locating our business. CL9*

*What we intended to do with it besides just the brick and mortar, such as website and social media, we talked a lot about as well, which we found to be an incredibly big part of our business. CL7*

*We talked about what our firm does. What's the core competency of our firm? And the core of what we do is really employment immigration work for businesses of some size that are in certain areas. . . So if we think about that, let's figure out how to get to A) - these companies, or B) - somebody who can get us to these companies the most effective way. . . That has been, I think, the most valuable sort of back and forth with (the counselor) and honing this and figuring out what are the firms you need to focus on. . . CL2*

*One of the things I encourage people who come in here in the entrepreneurial skills area is, what is it that your service or your product has that distinguishes you from anybody else? So what do you have that's going to drive traffic to you with the product or service that you offer that is going to make you be first choice? C3*

*First you have to encourage him to segment the market, and of course they don't know what that means. I help them to understand segmentation. You may segment by size. You may segment it by degrees of accomplishments, how modern they are or how current their practices. You may segment geographically, by ownership, etc. After teaching him how to analyze each of the segments - how to make a competitive analysis in each and the degree of difficulty in accessing each segment, he was able to pick out the one that had the greatest probability of initial success. C4*

Counselors also use their experience to increase entrepreneurial skills in various areas, based on the needs of the client.

*We discussed the various options - either licensing the product, or selling the rights, or various ways they could proceed with the LLC. C8*

*(Another counselor) and I are manufacturing guys so we end up with a lot of inventors. Most are single product companies, and there will be little chance of long term success with a single product. Right in the beginning we encourage them to think about product line extensions. The marketing strategies and tactics for the first product have to be compatible to products to be added in the future. A longer term perspective is desired for the next five, ten years in terms of product lines so the first one is better positioned, or at least they will understand this is an issue that must be dealt with as time goes on. C4*

**Finding 3: A large majority (21 of 24 [88%]) of participants stated that counselors assisted entrepreneurs in acquiring or improving personal maturity. Personal maturity skills development was equally strong between self-discipline and self-awareness (9 of 24 [38%]), with less support for confidence building (7 of 24 [29%]). Few participants (3 of 24 [13%]) said that counselors worked on interpersonal skills.**



**Counselors help entrepreneurs understand and develop the self-discipline needed to run a business. This includes setting realistic expectations, staying focused, keeping on track, and being persistent yet patient.**

*But because I had a counselor, he kept me on track. What he was saying is it's a nice idea but it's not what you want to do right now. I think it's a good example of having someone say 'stay focused.'*  
CL6

*I put on here "letting things play out, not reacting" which is certainly a skill that I had to learn in this case because the process was so slow and I'm used to uh. . . I react to something and I want to, you know, just take care of it right then and there without letting some time go by. It always helped, I mean, when a bump in the road came along, I just wanted to level it right away where Jim just kept reminding me "just let things play out." "Just let some time come through," and whatever. Whenever we did that it always worked out. CL3*

*Even as a part of my SCORE training I put it on a spreadsheet and I looked at the numbers and I said, "We may want this and we have these emotions, but the numbers don't work." CL1*

*The simplest line that I use to remind them is that if you're going to be in business, you're going to be in business 168 hours a week or forget it. You've got to be totally committed. It's an issue of commitment in my mind. C7*

Counselors also work with entrepreneurs to help them be more aware of their own strengths and weaknesses, as well as the realities of entrepreneurship or their business situation.

*We talked about what we thought both my partner's strengths between she and myself were. And who would lean toward those types of areas. So that was an important part in the conversation as well. CL7*

*Self- awareness is something- you have to make sure these people are aware of what they're even going to do. Not just what they*

*want to do. Do they have the real skills set and are they willing to take the responsibility? Some of them are. Some of them don't recognize that. They don't think they should be real responsible. They say 'well someone else will do that for me.' I go well, no, you really need to do that. C11*

*Oh, ok, here's the other thing that helps me too. It has to do with that self-awareness. We use the word self-awareness here. I like to use the word reflection or even self-reflection - where you step back. Ok, let's step back and look at this business from the outside as if I were not in the middle of it and all caught up in all the nitty-gritty that's going on. CL2*

**Finding 4: Few (3 of 24 [13%]) participants stated that counselors assisted entrepreneurs in acquiring or improving technical skills. The vast majority 21 of 24 [88%]) either did not comment on technical skills, or stated that the client usually came with technical skills, or was referred to some other source to obtain these skills.**

*They would come in with them. I could lead them in the right direction to get more of what they need. That's the best way I could put it. C11*

In addition to the individualized skill development accomplished through counseling, SCORE provides a broad based classroom program in a series of five seminars called "Simple Steps." This is a comprehensive program covering the basic, necessary skills for starting and running a business. This series is oriented toward nascent entrepreneurs, but it has relevance for any entrepreneur who is not familiar with the full portfolio of skills necessary to run a business. The seminars and their content are as follows:

Simple Steps 1: Start-up Basics (SCORE services, client self-assessment, business myths, overview of other seminars/necessary knowledge)

Simple Steps 2: Business Concept (feasibility plan draft, industry profile, customer and competitive data, sources for collecting data)

Simple Steps 3: Marketing Plan and Business Structure (competition, pricing strategy, target markets and channels, marketing strategies, business structure/legal, sales basics)

Simple Steps 4: Financial Projections (building a financial model, start-up funds, fixed expenses, estimating sales units and prices, understanding financial statements)

Simple Steps 5: Funding Sources and Next Steps (financial statement analysis, accounting and bookkeeping systems, the 'six Cs of credit,' banking relations, sources of capital, go/no-go decision, next steps)

While comprehensive, the Simple Steps program does not align with skills dimensions reported by Lichtenstein and Lyons (2010) that were used in the field research. Also, the Simple Steps are not identical to any of the categories of skills found in articles from the literature review. In light of the variegated, yet sometimes overlapping skills dimensions from the various sources, for purposes of comparison I have re-arranged the skills categories into another form. This form captures the main Organizational-Level skills dimensions necessary for successful entrepreneurial outcomes arising from this research, and provides a compact and understandable way of categorizing skills. At the same time, the new form includes a greater number and different type of skills categories, which will allow making important distinctions. This is in contrast to the Lichtenstein and Lyons (2010) dimensions which lump all skills into only four dimensions, combining skills that are shown in this research to be important enough to have their own category. Unlike the skills dimensions of Lichtenstein and Lyons (2010), the new form, because of its greater dimensional specificity and new

categorization, will facilitate further study of ESHC. The new form also allows delineating more Functional-Level skills under each Organizational-Level category.

The new skills dimensions are: Management, Marketing, Money, Movement, and Maturity.<sup>1</sup> They represent the most common skills areas (and seemingly most important) that SCORE counselors help entrepreneurs develop. Next, I will describe these skills areas in more detail, then follow with a chart comparing the skills information in the literature with these dimensions.

Management:

This dimension includes the activities of general business management, including the venerable POSDCORB (Planning, Organizing, Staffing, Directing, Coordinating, Organizing, Reporting, and Budgeting), with budgeting being segregated to the Money category. The Management dimension also includes legal issues, such as business form, contracts, and risk management.

Marketing:

This dimension encompasses activities related to the marketing and sales of the product or service. Activities include competitive analysis, pricing strategy, identifying target markets and channels, developing and implementing marketing strategies, and selling.

Money:

This dimension encompasses all areas of finance and accounting. Activities include, determining the cost of production, building a financial model for the business, finding start-up funds, setting up financial controls, estimating and accounting for revenue and expenses, setting up bank accounts, and understanding financial statements.

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<sup>1</sup> Note that technical skills are not included (i.e. plumbing, or computer programming, etc.). In the literature, these are either shown or assumed to be necessary, and they are not part of the SCORE counselor's training. Academic and SCORE authorities agree that an entrepreneur must have the requisite technical skills for that industry.

*Movement:*

This dimension encompasses activities involved in moving the business forward (i.e. growing the business or developing the organization capital of the business). Activities include developing a business plan, describing the business model, identifying key business indicators, and identifying and pursuing market opportunities. It also includes activities under the concept of leadership, such as casting and communicating a vision for the business, developing a culture of improvement, and establishing company ethics.

*Maturity:*

This dimension is the sole personal quality dimension in this schema. It encompasses the personal attributes or activities necessary to run a business, which are primarily self-discipline and self-awareness. Also included are confidence, resilience, and interpersonal skills.

**Skills Comparison**

The table on the following page catalogs the main articles from the literature review which address Organizational-Level skills, and tabulates which of the five Organizational-Level skills dimensions from this research each article addresses. In effect, the table summarizes both the skill development provided by SCORE in the header row, then connects that to the extant academic research on the subject of entrepreneurial skills.

**Figure 5. New Skills Dimensions With Research Coverage**

Authors	Management	Marketing	Money	Movement	Maturity
Chandler & Jansen (1992)	X			X	X
Chandler & Hanks (1994)	X	X			
Reuber & Fischer (1994)		X	X	X	
Lussier (1995)	X			X	
Chandler (1996)	X				
Smilor (1997)	X	X	X		
Chen, et, al (1998)	X	X	X		X
Lerner & Haber (2000)	X	X		X	
Wasilczuk (2000)	X				
Ucbasaran et. al (2004)	X	X	X	X	
Edelman et al. (2005)	X				X
Diochon et al. (2008)			X		
Bharadwaj et al. (2010)		X	X	X	
Lichtenstein & Lyons (2010)	X	X			X
Jusoh et al. (2011)	X	X	X		X
Nehete et al. (2011)	X	X	X	X	
Literature Coverage	Most	Many	Many	Some	Few

It should be noted that none of the studies noted above attempted to address all skill areas, and only a few addressed the majority of them. Some studies, such as Diochon et al. (2008) concentrated on only one skill dimension. That being said, the chart above shows that the skills developed through SCORE counseling are comprehensive and comport with the extant literature.

### **The Methods Used to Develop Skills**

**Finding 5: A large majority (20 of 24 [83%]) of participants cited equally the counselor asking questions, and general discussion or advice as the most common methods that counselors used to increase the entrepreneur's skills. The assigning of tasks or homework was only slightly less common (19 of 24 [79%]). There was also equally strong support for both the use of the business plan and referral to other sources (17 of 20 [70%]) as methods of skill acquisition and development. A smaller group (7 of 24 [29%]) stated that counselors used all of the above methods.**

Counselors use a number of methods to help entrepreneurs transition to a higher level of skill. The most common are through the process of interaction during counseling sessions. The methods include questioning and probing by the counselor, and the counselor giving advice during general discussion and as a result of specific questions from the entrepreneur.

*So he just tries to ask open ended questions to get you to come to a conclusion. Any good counselor always asks open ended questions. During the process of talking to (my counselor), he lets you talk in the beginning, which is very important. He listens. He spends most*

*of the first session listening, because that's the only way he assesses what you're trying to do. So he listens. He listens, then he'll come back and ask an open ended question that will just sometimes knock your socks off like, 'why the hell I didn't think about that?' If in the process of your talking you need to catch all of these four things, he can't make you. He can't necessarily hone all these technical skills and managerial skills. He just asks the questions. The big question is, "what if". What if what you say doesn't happen? What will you do? CL8*

*What I think is interesting if you listen to this, in my experience, mentoring really boils down to very experienced people being able to ask all the dumb questions that no one else is willing to ask. And, because we have the experience that we have in this room, we can very quickly start asking questions that get to key elements of success for that given business. We don't need to know about the business. We don't need to know about the details of the business, because we're not going to judge it. We're going to ask questions like, 'I don't exactly understand how that works, would you please explain that to me again?' 'I may be a little slow today, and I don't quite get that. Help me out would you please?' If they can't explain it to us, sooner or later they figure out that what they are talking about either doesn't make any sense or they're not explaining it right and they need to go back and work on explaining it. FG*

*So, I think (my counselor) and I had many issues where I came in and I had a specific question or problem. Whether it was something in regard to accounting or customer retention or the business plan, I mean it was always...he would have a different way of looking at things. As (my counselor) and I got to know each other better it got less formal and kind of a rap session that was combined all in one, kind of. CL1*

*It would literally be me going, "How do I know how much I need to sell this for?" He would say, "How much does it cost you to make it?" "I don't know. Well, I buy the fabric." And he said, "Really, step by step...how much do you pay for the fabric?" "What's your shipping included in that?" "How many items can you make from that dimension of fabric?" "I can make X number of large things." "Okay, what's your packaging- how do you package it?" "Well, it's a cardboard header and a cellophane bag. What's my cost per piece for a header? Twenty five cents - just under twenty five cents altogether for my packaging and labor included." "Okay, now you*



*add that to your raw fabric costs. How much labor and what time does it take?" I can make X number in an hour so we roughly calculated if I'm paying someone for labor what does that charge look like - and if they can make X number per hour, breaking that up per item. So by the time we were done we had cost of goods that was established based on all the processes for the most part. And I could figure out, wow, what am I gaining after I sell? What is my margin? Am I somewhere between my figures I estimated I would need to keep it going? CL4*

Counselors also make use of homework or tasks the entrepreneur must do, as a method developing the entrepreneur's skill and overcoming some obstacle the entrepreneur has encountered. Both counselors and clients affirmed that doing tasks was common, and also helpful in skill development.

*Every meeting I have, I give what you could call assignments, or recommendations basically. Many times their problem is, 'I don't know where to start'. It's just too big. I always try and narrow it down at the end of that meeting where they have three things, no more, that they could do for that next meeting. If they do those three things, they've taken a step forward no matter what it is, and it varies immensely. A lot of times it's start on a business plan, but a lot of times it's just do a little market research and find out if it's really a niche there for you. FG*

Counselors also use the process of writing a business plan as a foundational method of skill development.

*A lot of the startup business plan is really to define their business model. They come in here and we talk to them and they have some thoughts and you'd be surprised, well I'm sure you're not surprised, at how they had to talk through those thoughts and put them on a piece of paper. Sometimes those thoughts shift and change, mature as you put words on a piece of paper. Your ideas get better. It's just a byproduct of putting them on a piece of paper. C6*

*But what we've talked with (the counselor) about has always been just a new business and business plan - not with a lot of finances in it, but how do you make it work. CL8*

Where the client has skill or service needs that are better addressed outside of the counseling sessions, the counselor refers the client to other sources. There are many sources available to counselors, but other sources usually include formal training classes run by SCORE, special service providers, and practical work experience in the area of need.

*The yes part is we have a series of five startup seminars. The first one of those goes through all the critical elements that you need and does an assessment basically -- a self-assessment for the individual -- do you have what it takes, and everything like that. The others then build skills as you go along. C2*

*My counselor took me directly to somebody I guess he had a connection with. He must be a broker. I'm not sure. Anyway, he helped guide me to somebody who I felt very comfortable with who got me the insurance we needed and I got the job we needed. CL6*

*Like I had one lady who wanted to start a restaurant - had never run a restaurant before but was about to put money down on a lease of 3000 square feet downtown and she needed to put a business plan together so she could borrow the money. I told her to work for a restaurant for a year first. C15*

### **The Role of the Business Plan**

**Finding 6: The majority of participants saw the process of developing a business plan (19 of 24 [79%]) as well as using the plan as a benchmark for operating the business (17 of 24 [71%]) as important in developing entrepreneurial skills. Counselors viewed the business plan as foundational**

**to the skill development process while clients had general positive, but divergent, views on the value of the business plan.**

Preparing a business plan is the foundational counseling activity used to improve the entrepreneur's skills. There is skill acquisition value in both the process of producing a business plan, and in using that plan to operate the business.

*80% of the value is going through the process. You still get the benefit if you do the process even if you don't write the plan. Plans can be 5 pages or 30. The value is that it gives the entrepreneur an opportunity to think through their idea and try it out. FG*

*Somehow in that process of meeting with people at SCORE, I sat down and did a business plan, which I had not done. That allowed me to focus on one product. I had four different things I was messing with. So, when I put the work in to do a business plan, that's when I got focused on the (one product) and decided to put all my focus on that and not go with the other ideas. CL5*

*Again this is weird but I guess the other thing I've learned from (my counselor) is don't get too caught up in formalities. Who says a business plan has to be five years or two years. I've got a six-month business plan in three phases designed to handle a mini-crisis. I've got like three different business plans in one six month plan and my goal is to survive the next six months, and here's how we're going to do it. CL2*

Counselors view the process of producing a business plan as foundational for skill development through counseling. It is used as an assessment tool, as well as an operational tool. Clients have generally positive, but divergent, views on the value of producing a written business plan.

*The business plan is foundational to what we do. It is the mechanism used for mentoring. FG*

*(Our counselor) forced us to put it in writing and gave us the confidence that we were doing it right. CL8*

*The first exercise of doing the business plan is really an opportunity to put down on paper where you see it going, how you see it working. And even if I don't use that business plan I can say I've done it, I have some ideas. CL1*

*I think the process of answering the questions that go into putting a business plan together made it clear to me what I was not doing – what I needed to do. You know, trying to estimate where to put my efforts and my time. . . I think it helps people figure out what their strengths – make them look at what their strengths and weaknesses are, where they are lacking and where they need help. CL5*

*So I found the business plan to be extremely, extremely tedious. But, he insisted on it. And at one point we weren't going to move forward unless I gave him something. So what I think I did, I got through it to the best of my ability. And it helped him understand what we wanted to do. CL6*

### **Barriers to Business Growth**

**Finding 7: The majority of participants (14 of 24 [58%]) stated that counselors help entrepreneurs overcome significant barriers to business growth. These barriers are common to small businesses, and overcoming each of them requires a conceptual change on the part of the entrepreneur and an operational change in the business. Counselors help entrepreneurs identify and negotiate these conceptual-operation transition points.**

The first barrier is that encountered by a nascent entrepreneur. In order to bring the entrepreneurial vision to fruition and overcome the barrier of formation, the entrepreneur must be able to answer two key questions: 1) What is my place in the market? and 2) How do I make a profit?

*They need to have a sense of the identity. Please identify yourself in the marketplace. I would say the majority of them don't understand why they are there. They don't have an identity. They don't connect up their identity with their entrepreneurship and what they're delivering to the market place. FG*

*And, as an inventor, the first thing you encounter is they're in love with their product, literally they're in love with it (multiple agreements). And you'll find a lot of people who don't consider themselves inventors, but like the cupcake, they're in love with the cupcake. (RR – You betcha!). And you've got to... God bless them, that's fine... You've got to transform the love into marrying themselves to the marketplace, and the honeymoon is over very quickly (multiple small laughs and agreements). So, you take them through that. And with inventors often times, because they are in love with their product, they can't stand back and really make an assessment what needs are you providing? What's in the marketplace today? And you've got to keep them charged up. The romanticism, that's great, but you've got to move them through a process where they become judges of what they are doing. FG*

*You have to stop talking about how your goal is to serve delicious southern style cooking and everybody tells you, 'You should open a restaurant, 'cause you're really good at that.' The point is . . . OK . . . I have to draw in 100 unique customers every day and serve them a meal that costs at least \$45 and generates \$12 of profit. It's by working them through that business plan process. I can't tell you how many clients I'll take them through the first couple of sections of the business plan and when we get to the financial plan, I never see them again. It's a barrier, it's a big barrier. C12*

*So, that to me is one of the major things of any counselor, the SCORE counselor, is making you realize what you have to do to start. CL8*

The second barrier comes when the entrepreneur has an active business that has grown to the point where the entrepreneur can no longer do everything himself or herself. If the business is to grow, the entrepreneur must be able to delegate activities, and must become a manager of the business rather than a worker in the business. The key question at this point is, "Who will do what?"

*One of the biggest problems is when the entrepreneur starts the business and they have to do everything themselves, without any subordinates. Once they start to have subordinates they have a very difficult time starting to delegate, giving people decision making*

*authority and responsibility. They also do not know what types of organizational structures to use. C4*

*I say you're the limiting factor for this operation. So you gotta get to a point where either you're going to clone yourself or you're going to transfer some of your responsibilities that you're now doing, justifiable, to other resource groups. C13*

*A big one is you have to be able to give up control. Share, share...uh...how do you say, share responsibilities. CL9*

The final barrier is encountered because of additional growth in the business, after the entrepreneur has learned to delegate activities and has designed and implemented necessary processes or systems. As the manager of a small firm, the entrepreneur still knows everything going on in the business and has contact with all the people. However, a barrier is encountered when the business has grown to a point where he or she can no longer maintain this detailed knowledge and contact, and must begin to manage as a general manager using key business indicators. The key question at this point is, "Will I manage or control?"

*There is another barrier you get at some point along the way - several million dollars or whatever it is - where process and procedures still is not enough. You need to run it by the numbers - fly by wire so to speak. That is, I am not going to know if we are succeeding based on how well the customers appreciate us and all that kind of stuff and how much money we got today. It's fundamentally we've got to do the financials and understand the key financial points that are going to, for this business, tell me whether I'm moving into trouble or not. FG*

*There are a couple of cement ceilings that people are going to go through. The first one occurs at a million or two million or something like that where an organization is grown in terms of size and complexity, number of people to manage, etc. to a point where they can't do it. You can't do everything yourself. You can't keep track of everything that's going on with everybody within the business. So you have to start managing it from the books rather*

*than just personally knowing what's going on. That's number one. So that's a skill set they have to develop is to look at the books and find out what the key factors are and manage them somewhat that way. C2*

*Then once you get really big, now you have to start thinking about organizational structure - what is the most effective way to run a large organization You break it into small bite size pieces, so those bite size pieces can have their own P&L responsibilities, right? How do you transition from a company to a multi-division company, a multi-company company. That is the next stage. Each one of these is going to require a change in the management style, change in the management, change in the company. C1*

### **Chapter Summary**

This chapter presented seven findings uncovered by this study. The findings were organized under four themes according to the questionnaire used, with the higher number of citations presented first for each theme category. Data from the individual interviews and focus group revealed information related to the business counselor's role in entrepreneurial skill acquisition by entrepreneurs. Participant quotes have been used in order to give confidence to the reader that the findings accurately reflect the reality of entrepreneurial skill acquisition for the people in this study.

The primary finding of this study is that counselors help both nascent and active entrepreneurs acquire a broad range of entrepreneurial skills. The most common skills addressed are categorized for this study as managerial, entrepreneurial, and personal maturity. Managerial skills include general organizational or business management skills, and financial skills. Entrepreneurial skills overwhelmingly involved marketing activities. Personal maturity is focused on self-discipline and self-awareness.

The counselors use a variety of methods in order to develop these skills. The two main methods used during counseling sessions were asking questions, and giving advice during general discussions. The counselors also used homework or tasks, writing a

business plan, and referral to other sources as methods of skill development. Writing and using the business plan was seen as foundational to skill development.

Finally, an important aspect of counseling is that counselors help entrepreneurs overcome significant barriers to business growth. These barriers are common to small businesses in their initial growth cycles. The barriers present conceptual challenges to the entrepreneur and operational challenges for the business. Both the entrepreneur and the business must change in order to overcome these barriers, and counselors help entrepreneurs identify and negotiate these conceptual-operational transition points.

The following chapter will discuss the conclusions and implications for research and policy arising from the findings detailed in this chapter.



## **Chapter 5**

### **Conclusions and Implications**

This chapter has two purposes. The first is to evaluate what can be learned from the similarities and differences in entrepreneurial skills shown in the last chapter. The second is to determine what lessons they reveal for policy and research.

The previous chapter described the findings from the field research with business counselors and counseling clients. The findings relevant to skills were grouped into categories, and included the main types of skills developed by counselors. The findings also included the methods used to development skills, the use of the business plan, and how counselors help entrepreneurial business's overcome common obstacles to growth, respectively. This chapter will first present conclusions and implications relating to skills developed by counselors and those found in the literature. Following this treatment of skills, it will address policy and research issues from the other categories of findings.

#### **Finding 1: The Types of Skills That Are Developed (or should be)**

As a reminder, there were three levels of skills presented in the literature review: Meta-Level, Organizational-Level, and Functional-Level. The comparison of skills in the previous chapter concentrated on the Organizational Level skills, and conclusions and implications will be generally related to this level. However, note that analysis of entrepreneurship based on a comprehensive skills portfolio is still in its formative stage, and categorizing skills is an art, rather than a science. For example, Lichtenstein and Lyons (2010) present one of the first comprehensive skills frameworks, one that includes four dimensions of business skills and one dimension covering personal characteristics. In light of the emerging nature of comprehensive skills frameworks, this treatment of skills is open to alternative constructions. The presentation offered here is a contribution to moving research and theory forward.

The field research revealed that the SCORE skill development process is both broad in its scope of general entrepreneurial skills, and targeted in areas where entrepreneurs have specific or more in-depth needs. Thus, while the set of skills offered by SCORE could be considered the full portfolio of skills minimally necessary for positive entrepreneurial outcomes, SCORE skill development does not end with these minimally necessary skills. Rather, skill development provided by SCORE also has a depth that is not available through classroom-only or general training. This deeper development is specifically targeted to the needs of the entrepreneur, and changes as the needs of the entrepreneur change and as the entrepreneur or business develops. The longer-term nature of some counseling relationships makes skill development very thorough, and helps imbed the skills into the entrepreneur's skillset.

An impact study of entrepreneurial development by face-to-face counseling was published by the SBA in 2011. The study surveyed clients in 2008, 2009, and 2010, and included 4,444 respondents that had been SCORE clients. Some of the findings relevant to this study are highlighted below.

- The study shows that 78% of SCORE clients who received 3 or more hours of counseling rated SCORE usefulness as high, compared to 68% of clients who received less than 3 hours of counseling.
  - As a result of SCORE assistance, 58% of Start-up firms changed their management practices or strategies, and 67% of In-Business clients reported changing management practices or strategies.
  - As a result of SCORE assistance, 25% of Start-up clients and 33% of In-Business clients were able to increase sales, while 21% SCORE In-Business clients reported that they were able to retain current staff and 16% were able to hire new staff.
- SCORE clients who received more than 3 hours of counseling also had better

success increasing sales and increasing profit margins. (U.S. Small Business Administration, 2011)<sup>2</sup>

The findings from the SBA Impact Study when taken together with this research suggest that entrepreneurial development programs, in order to be effective, should have both a broad general skills component and include an individualized needs-specific component which involves more than 3 hours of counseling.

A significant point about the SCORE skills portfolio is that it includes not only business skills, but also the personal development of the entrepreneur. Academic studies of necessary entrepreneurial skills tend to concentrate on either one or the other, separating the personal characteristics of the entrepreneur from the skills the entrepreneur possesses. This bifurcation, though useful for designing research studies, fails to capture the holistic nature of what is necessary to start and successfully manage an entrepreneurial business. In contrast, the SCORE programs include the personal characteristics (especially self-discipline and self-awareness) in concert with the practical skills of running a business. This holistic approach agrees with Lichtenstein & Lyons (2010) skills dimensions, and suggests that future studies on entrepreneurial specific human capital (ESHHC) should address a limited number of personal characteristics of the entrepreneur along with practical business skills, in order to obtain a fully orbbed view of entrepreneurship.

Academic research details a panoply of entrepreneurial skills that may be somehow associated with entrepreneurial success. However, SCORE has identified a limited set of skills that are minimally necessary for successful entrepreneurship. These

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<sup>2</sup> The perceived usefulness of counseling and financial impact were negative and statistically significant for clients who had less than three hours of counseling. Perceived usefulness was positive and statistically significant for in business clients.

were defined and categorized in the previous chapter. The minimal skills portfolio from SCORE arising out of this study has some practical benefits for research on entrepreneurial development. The first, and most obvious, is that it provides a limit to the possible array of necessary skills. This limitation can facilitate depth of study within the portfolio. Secondly, the minimal skills portfolio is based on experience with many different industries, and is practice based. Thus, the minimally necessary skills are broadly applicable across industries, and already legitimized as valuable in practice. Finally, the skills dimensions as categorized in this study can help identify and catalog more specific Functional-Level skills, for the purpose of improving research on ESHC.

Functional-Level skills are the specific tasks or activities undertaken by an entrepreneur. Diochon, Menzies & Gasse (2008) have already identified and validated a few functional-level financial skills that are related to successful entrepreneurial outcomes. They identified the following Functional-Level skills in the area of financial management: 1) keeping formal records (versus no records), 2) separating personal and business accounts, and 3) using the accrual basis of accounting (as opposed to cash basis).

A survey of SCORE clients conducted by Gallup Consulting in 2009 quantitatively documented the importance of certain Functional-Level skills. The report showed that between 54% and 69% of the respondents felt that developing the following items were very important for growing a business: promotional plan, customer communication strategy, pricing strategy, financial strategy, cash flow analysis, business plan, and marketing plan. This survey also confirmed that SCORE's advice was helpful or very helpful in developing these items (Gallup Consulting, 2009).

Information on Functional-Level skills arising from this research, when placed into the new organizational-level skills dimensions developed herein, provides a step

forward in defining a ESHC as tasks or activities with the specificity found in the Diochon, Menzies, & Gasse (2008) study. The result is a movement toward more specific ESHC descriptions within all business functions, from which scales or measures can be derived for use in further studies.

Figure 6 on the following page shows the Organizational-Level skills dimensions developed in this study in the top row in blue, with example Functional-Level skills identified in this study placed underneath the relevant dimension.

**Figure 6. Organizational-Level And Functional-Level Skills**

Management	Marketing	Money	Movement	Maturity
Set up a legal business entity	Identify market niche	Determine cost of product or service	Write a business plan	Set goals and realistic expectations
Obtain necessary permits	Assess competition and competitive advantage	Determine product price and necessary profit margin	Describe the business model	Manage time
Obtain business insurance	Define target market	Estimate sales and revenues	Identify key business indicators	Understand strengths and weaknesses
Coordinate product or service delivery	Identify marketing channels	Set up accounting system	Identify new business opportunities	Outsource or improve areas of weakness
Locate and contract with service providers	Develop marketing plan	Analyze financial statements	Establish company ethics	Develop relationships or network
Develop job descriptions	Initiate marketing plan	Locate financing	Write mission statement	Make information-based decisions

These Organizational-Level skills, with specified Functional-Level skills, also have practical value in entrepreneurial development programs. This study suggests the Organizational-Level skills identified herein should be the minimum portfolio of skills offered in an entrepreneurial development program. Also, further delineation of necessary Functional-Level skills may provide the framework for the process of organizational development in the entrepreneurial firm. That is, the Functional-Level

skills identified in this research could lead to (and be the beginnings of) a step-by-step series of tasks that build the organization in an additive manner.

### **Finding 2: The Methods Used to Develop Skills**

The counseling relationship in SCORE business counseling is initiated by the entrepreneur client. The structure of the counseling relationship takes on a similar form for each client because SCORE uses a standardized counseling procedure throughout its network. Yet, the specific needs addressed and direction of the counseling is unique to each client, based on the client's needs. Most commonly, counseling involves in-person, hour-long, one-on-one sessions at regular intervals scheduled to fit the nature of the problem and the client's schedule. Additionally, email or phone communications may supplement or entirely replace the in-person counseling, and the process is the same for clients wanting to start a business and those already in business.

According to SCORE's Business Counseling Methodology for Customer Relationships, SCORE counseling consists of a 5-step process that defines the path of the SCORE counselor/client relationship. The process is designed to be circular, so at the conclusion of a complete round of counseling sessions the client and counselor begin the process again as the workflow for ongoing mentoring (SCORE, 2004). The five steps in the process are designed to provide a consistent and effective methodology. The five steps are: 1) establish rapport; 2) conduct needs assessment; 3) identify business goal, challenge, or opportunity; 4) prepare and implement the plan; and 5) obtain feedback and set roadmap for mentoring (SCORE, 2004). Generally, each step is one counseling session. However, steps 2, 3, and 4 may require multiple meetings to accomplish. Within each step are a number of related sub-actions or outcomes for the counselor, known as Key Results Areas. The specifics of these Key Results Areas are not germane to this study, but it should be noted that they assist in providing a consistent counseling

process, encourage two-way dialogue between the counselor and client, and facilitate ongoing counseling.

As described in the previous chapter, within this 5-step process counselors use a variety of techniques to develop the skills of nascent and active entrepreneurs. These include asking questions, general discussion and advice, assigning homework or tasks the entrepreneur must accomplish, developing a business plan, and referral to other sources. The result of the techniques used in the counseling process is an increase in the skills of the entrepreneur.

However, an increase in the skills of the entrepreneur is not the only effect of counseling. The increase in skills has additional effects on the business, and the counseling itself has supplementary impact on the entrepreneur not specifically skills related. First, the entrepreneur's improved skill brings about an improvement in the organizational capital of the entrepreneurial firm. Second, by virtue of their networks, counselors increase the social capital of entrepreneurs. Both of these effects may be secondary, and neither appeared in this study to be as dramatic as the effect counseling had on skills, but they are nonetheless important residuals of SCORE counseling.

Davidsson (2004) notes that there is some risk of conceptual overlap when using organizational capital alongside social capital. I will endeavor to distinguish the two by focusing on the change in the business when discussing organizational capital, while focusing on the entrepreneur's business network when discussing social capital. Nevertheless, because the entrepreneur is the firm in small entrepreneurial firms, drawing a true distinction between organizational and social capital may not be possible or ultimately productive.

The Organizational-Level skills that the entrepreneur acquires during counseling bring about changes in the business the entrepreneur operates. This is confirmed by the



SBA resource impact and Gallup consulting studies, both of which show that management practices changed as a result of SCORE counseling and that other changes in the business occurred, such as hiring new employees. Thus, the human capital development results in increases in the organizational capital of the firm. Barney (1997) defines organizational capital as the attributes of collections of individuals, which includes the firm's formal reporting structure, formal and informal planning, coordinating and controlling systems, culture, reputation, and informal relations within the firm and with the environment. Davidsson (2004) adopts Barney's (1997) definition of organizational capital, with the addition of market channels. Some of these items, such as reporting structures, planning, coordinating and controlling systems, culture, marketing channels, and informal relations (internal and external) are impacted by SCORE counseling.

The most significant impact on organizational capital from SCORE counseling appears to be in the areas of formal planning, coordinating and controlling systems, and market channels. Because the use of the business plan is foundational to counseling activities, planning (both formal and informal) is improved and becomes part of the management culture of the firm. Similarly, the ubiquitous work on the area of management in the counseling sessions improves coordinating and controlling systems, while the marketing emphasis in counseling improved market channel identification and exploitation.

In addition to improving organization capital, the counselors also provide a significant amount of connections for the entrepreneur to the outside business world. These may be in the form of referral to service providers or public relations opportunities. These connections are part of the entrepreneur's network, and thus could be considered social capital. They are, however, also part of the firm's connection to the

external environment and, therefore, may also be viewed as organizational capital. In either case, the additional business-related connections made through SCORE counseling are a positive residual not specifically related to skill acquisition.

The residuals of improved organizational and social capital resulting from business counseling have been underappreciated in the studies of entrepreneurship. Though the importance of social capital has been recognized, organizational capital in entrepreneurial businesses has received much less research attention. This is in spite of the fact that researchers such as Davidsson & Klofsten (2003) indicate that there are certain cornerstones in firm development that firms must achieve in order to have a stable foundation for future growth. These cornerstones include some of Barney's (1997) dimensions, such as defining the market (marketing channel), developing an operational organization (reporting structure/coordinating and controlling systems), core group confidence and commitment (culture), and customer and other relations (relationships within and outside the firm).

This dissertation shows that, in small entrepreneurial firms, organizational capital is intimately intertwined with the skills of the entrepreneur, and organizational capital is developed concurrently with (or arises out of) ESHC. In addition to giving a structure to skills, the Organizational-Level skills dimensions developed from this research also provide a structure for cataloging and assessing the organizational capital of small entrepreneurial firms. The dimensions in this study include organizational capital indicators in harmony with those of Davidsson (2004), in at least four of the five dimensions: management, marketing, movement, and maturity. Accordingly, the Organizational-Level skills dimensions developed here have the potential to further research on organizational capital in small entrepreneurial firms, and this study highlights the need for such research.

### **Finding 3: The Use of the Business Plan**

This study revealed that the business plan is a key tool in developing entrepreneurial skills and in managing the entrepreneurial firm. It is not overstated to say that the business plan is the foundational tool for successful entrepreneurial development at SCORE. Nevertheless, literature on the relationship between the business plan and successful entrepreneurial outcomes is not as consistently positive as this study suggests it should be. In general, academic research supports the conclusion that business plans are useful for getting a business started, but not necessarily associated with the success of a business once it is started. One group of scholars finds little value in written business plans because they do not positively affect performance (Honig & Karlsson, 2004; Lange et al., 2007). Others favor written business plans because they either improve venture performance, or assist movement from gestation to operating business (Duchesneau & Gartner, 1990; Shane & Delmar, 2004).

This study has uncovered a number of factors that should be taken into account when evaluating the association between writing a business plan and business success. Yet, rarely are any of these factors considered in the quantitative studies and no studies include all of them. These factors represent moderators in the association between writing a business plan and eventual business success (the particular definition of success is not important since the moderators are present regardless of the outcome variable). These moderators should be acknowledge and incorporated in future research.

While both counselors and clients viewed the process of developing and using a business plan as valuable for entrepreneurial development, they noted a number of issues affecting the ultimate value. The following questions express the issues that were raised:

1. Did the entrepreneur do the planning, but not write the plan?

2. Did the entrepreneur have another person or computer program write the plan?
3. Did the entrepreneur use the plan?
4. Was the plan amended as changes in the business occurred?
5. Did the entrepreneur 'internalize' the plan?
6. What was the content of the plan?
7. Who was the audience for the plan?

These seven questions could be considered seven moderators that may affect the association between writing a business plan and entrepreneurial success. For example, to the extent that entrepreneurs do not involve themselves deeply in the planning process (i.e. have someone else write it, do not internalize it, or it contains minimal content), or do not use the plan to manage the business operations (i.e. do not use the plan, or do not amend it as changes occur), the relationship between the business plan and entrepreneurial success is altered. This is similarly the case with the other moderators. For example, a business plan written for the sole purpose of securing financing may be inadequate for running the daily operations of the business. The moderators arising from this study also reveal that it is not the writing of the plan per se, but the planning process that is important. Therefore, if the entrepreneur plans and internalizes the plan, but does not write the plan, this may have the same impact on eventual outcomes as writing a full business plan. Appendix F provides a visual depiction of the moderators between producing a written business plan and entrepreneurial success.

In effect, this study has underscored the multifaceted importance for entrepreneurs of the process of producing a written business plan. As SCORE counselor and author Roger S. Robinson, PhD explains, a business plan is well thought out document that focuses your thinking and keeps you on track. Putting your plan together

forces you to take an objective, critical, unemotional look at your business project in its entirety, and becomes the roadmap to the future (Robinson, 2009).

The process of producing a written business plan helps entrepreneurs define their business, envision how it is going to work, and it helps them anticipate problems and devise potential solutions to those problems. It organizes them and their thoughts (both their ideas and activities), and solidifies those thoughts in a structured form that can communicate the business idea to others, such as potential financing sources. The plan can also be used as a tool for managing the business, and a benchmark against which to measure actual business results. In the end, the process gives the entrepreneur confidence about the business idea, and assists the entrepreneur in managing the business. Additionally, in terms of entrepreneurial development, both the counselor and the client use the planning process for assessment: the counselor for assessing the client and the client as a method of self-assessment. The findings in this study should motivate additional research on the process of producing a written business plan, as well as its relationship to positive entrepreneurial outcomes.

#### **Finding 4: Barriers to Growth of the Entrepreneurial Business**

As the previous chapter detailed, this study revealed that there are three primary barriers entrepreneurs face in starting and growing a business. The first barrier is common to entrepreneurs starting a business, and the second two are common to those entrepreneurs in business who wish to grow their businesses. The barriers represent points at which an entrepreneur must increase his or her skill, make changes to the business organization, and adjust his or her idea of that organization and his or her role in it. Thus, the barriers represent both conceptual and operation transition points for the entrepreneur.

Appendix G illustrates the barriers an entrepreneur faces in the growth of the business, and includes related information synthesized from a holistic analysis of the data produced in this study. It includes the main questions that must be answered (and the answers acted upon) in order to navigate each transition point, as well as the minimally necessary Organizational-Level skills an entrepreneur must have throughout all phases of growing business. At the risk of overstating its significance, the growth barrier model shown in Appendix G, highlights the sustainability path for small entrepreneurial firms.

A recent book, *The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup* (Wasserman, 2012) addresses some of the same issues as the growth barrier model developed in this study (i.e. will the market be receptive, who will do which functions, and who will control). However, as with many studies in entrepreneurial development, firms that are the subject of Wasserman's study are initially (or quickly) larger and more capitalized than those in this study, and often times have founding teams rather than individuals. They also tend to be in the 'high potential' category of firms, such as those in technology or science-based. Therefore, while many of the ideas are the same, the application differs from this study. Wasserman (2012) does affirm, however, that these decisions need to be made by design, rather than by default, and first time founders will likely not know about the dilemmas they will face or appreciate the consequences of decisions they make regarding these dilemmas. This study confirmed that entrepreneurs will likely not anticipate the barriers that confront them as the business grows. They will, however, directly experience the consequences of the decisions they make regarding these dilemmas.

The SBA Resource Impact Study (2011), Gallup Consulting Survey (2009), as well as Shane (2008) and many business financing studies firmly establish that the

overwhelming majority of entrepreneurs are middle-aged, mostly white males, who are the sole founders of their businesses. Their businesses are usually self-funded through personal contributions (82.5%), and to a lesser extent through family contributions (16.6%), credit cards (14.3%), and bank/SBA guaranteed loans (14.8%) (Gartner, Frid, & Alexander, 2010). These characteristics describe the most common SCORE client. Thus, the business growth barrier model created in this study applies to a wide population of entrepreneurs, as well as to most entrepreneurial development program clients. Accordingly, the application potential for this study's growth barrier model is very broad, and has the potential to provide a basis for further research or programmatic considerations.

### **Additional Considerations Related to SCORE**

The previous sections addressed the findings in the study. However, there were a few issues that came up during the course of the study that were not specifically part of the findings, but rather related to SCORE and its program. Thus, the final section of the findings and conclusions will address issues related to SCORE.

One of the most significant skills-related findings from a programmatic perspective is that SCORE does not appear to have any formal mechanism to assess or evaluate the skills of entrepreneurs. By extension, they do not appear to have formal mechanisms to reassess skills or evaluate the progress of entrepreneurs. Out of all the research participants, only one counselor suggested that there might be some type of very basic checklist used for assessing skills. But, this checklist appeared to be of little value, as the counselor was vague in his response about the checklist and did not use it for counseling.

The omission of formal skills assessments and reassessments could have a negative impact on measuring and evaluating counseling outcomes. With an absence of

formal assessments, SCORE simply does not have standardized metrics for program evaluation. Informal assessments by counselors and client outcome surveys provide some indication of outcome success, but a much more detailed and formalized system is needed in order to assure credible and actionable program evaluation. In this regard, the consolidated Organizational-Level skills dimensions and Functional-Level skills developed in this research may be of value in developing formal skills assessments, since they are derived from the counseling process.

The main method used by counselors to assess skills was to ask questions. Similarly, counselors use questions to lead client through a thinking process which helps the client come to his or her own conclusions and thus have entrepreneur buy-in on a particular course of action. In spite of the importance of counselors asking questions, the omission in counselor training is that counselors are not trained on how to use questions in their counseling. The art of questioning is a skill that must be learned, and should be incorporated in counselor training. Also, it may be that there is a set of questions that are fairly standard for each issue the counselor encounters, or certain questions which are the most helpful for skills assessment. The most effective questions could be cataloged and used as a standard practice in SCORE counseling. This standardization might help in the efficiency and effectiveness of the program, and may be valuable for entrepreneurial skills assessment and program evaluation.

One of the important aspects of SCORE counseling that SCORE does not highlight (and may not understand) has been overlooked by quantitative studies. It is the importance of the psychological or emotional support counselors give to clients. This is an intangible benefit from SCORE counseling, but one that was prominent in the responses from the client research participants. Clients consistently emphasized the importance of SCORE counselors being a resource for them when they needed it –



someone to turn to when you have a problem or question. Counselors were praised for being encouragers and motivators, but also just being there and available was very important for the client's development. Clients expressed the importance of counselors being a support, especially in difficult times. Having someone 'in your corner' who has wisdom and experience was very beneficial to clients, and this helped them gain confidence in the venture and in their skills. As one client noted, SCORE is like gaining a business partner that you didn't have and couldn't afford to pay. But, thanks to SCORE, that client felt like they were no longer in it alone.

Finally this study should bring to light the importance of skill development for entrepreneurial firm financing. Chandler & Hanks (1998) demonstrate that human and financial capital appear to be substitutable in small manufacturing and service firms. That is, firms with high levels of founder human capital and low levels of initial financial capital perform similarly to firms that have low levels of founder human capital and high levels of financial capital. Chandler & Hanks (1998) estimate that each unit of human capital (roughly equal to 2-3 years of experience) is substitutable for between approximately \$31,000, and \$54,000, of financial capital, depending on the performance of the firm.

This substitutability has important implications for both small business financing and entrepreneurial development. It suggests that financial assistance and human capital development are not separate items, but should be viewed in tandem. Entrepreneurial development policy and research should recognize the substitutability of human capital and financial capital in the mix of services provided or studied. In practice, the availability of financial assistance may not be as important where human capital development is available. Finally, viewing capital by source - as either internally

generated or externally generated - may be more useful for both policy and research than segregating capital by types.

### **Conclusion**

This dissertation has examined the role that business counselors in a public entrepreneurial development program play in improving the entrepreneurial specific human capital (ESHC) of nascent and active entrepreneurs. The study compared the types of ESHC found in the literature to the types of ESHC provided by business counselors in order to uncover lessons for policy and research. This study also examined the methods counselors use to help entrepreneurs acquire higher levels of ESHC. These methods allow the counselors to assist entrepreneurs in recognizing and overcoming common barriers to business growth, and a model of entrepreneurial business growth has been produced which depicts these barriers as conceptual-operational transition points for the entrepreneur. This dissertation also revealed important information on the use of the business plan in entrepreneurial development, and uncovers a number of moderators in the relationship between the use of the business plan and entrepreneurial success. Finally, the study produced detailed information about ESHC which has potential for scale development, and has highlighted a number of insights for policy and research that have not been identified previously.

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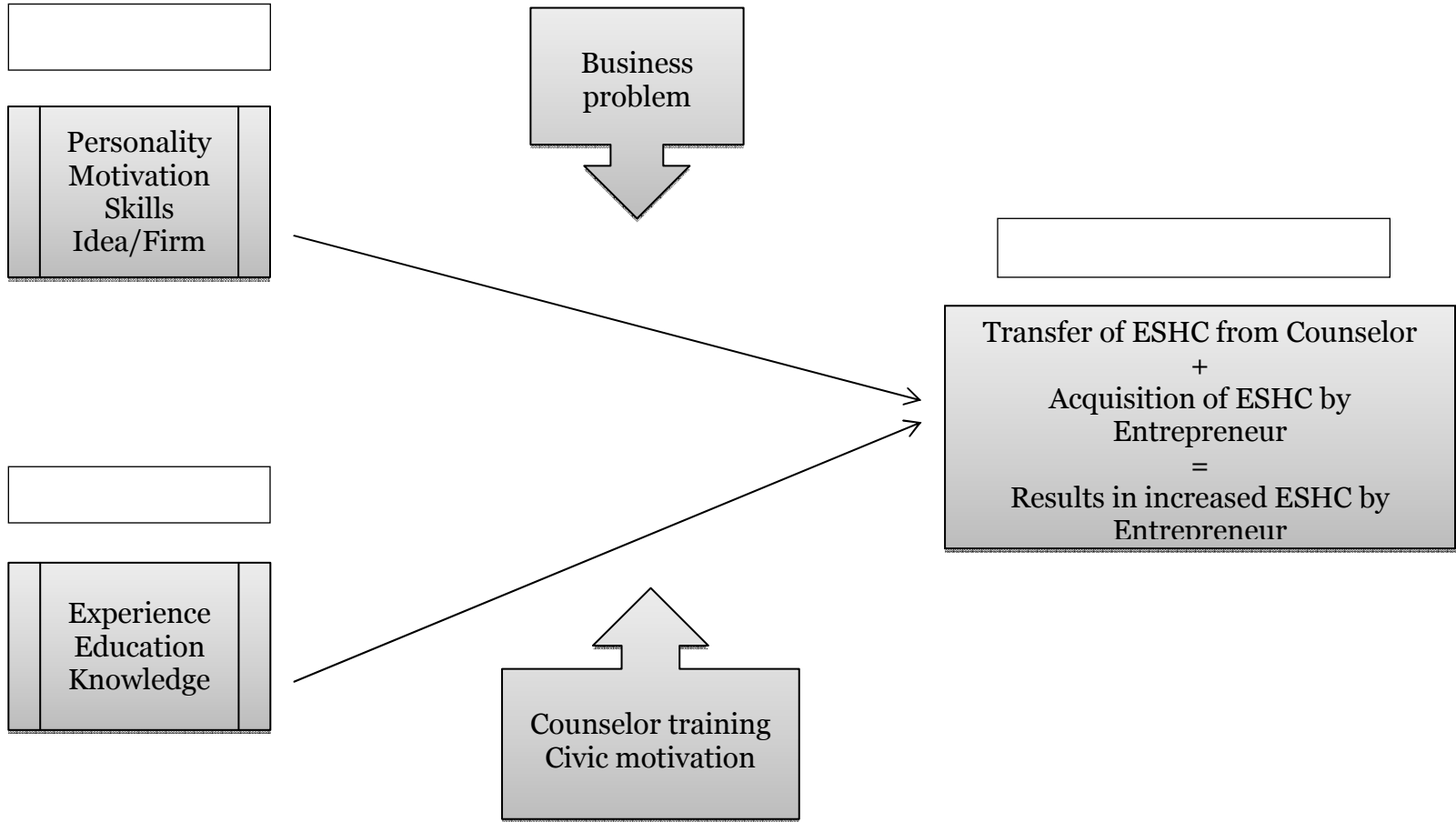
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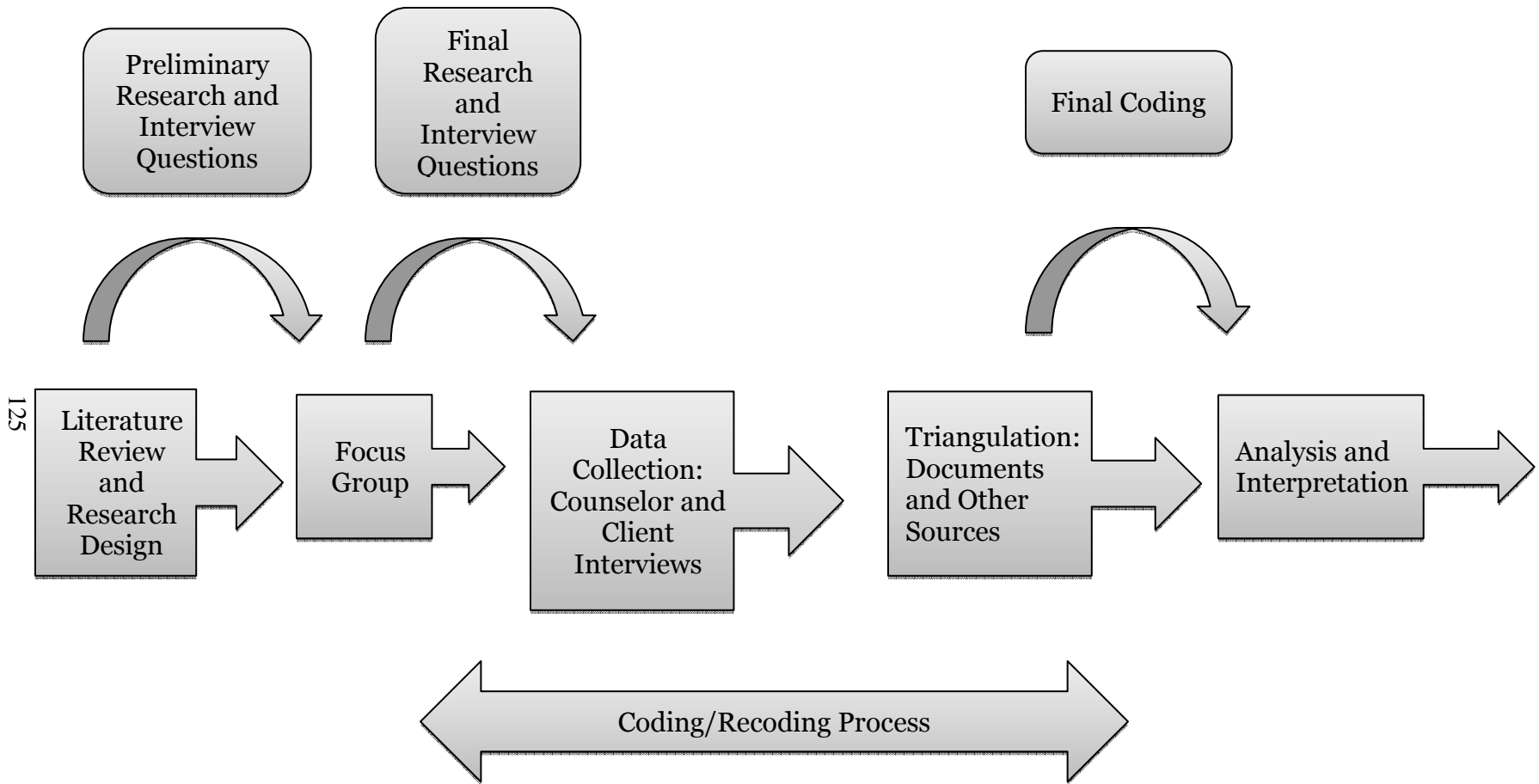
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APPENDIX A  
THEORETICAL MODEL



APPENDIX B  
RESEARCH METHODOLOGY



APPENDIX C  
FOCUS GROUP QUESTIONS

\*The purpose of these questions is to capture the dynamic and complex nature of entrepreneurial mentoring and business plan development. They were read to the participants as a way of stimulating discussion. Not all were read verbatim, as they may have been addressed within discussion of another topic. A full question review was done before the conclusion of the focus group in order to ensure all questions were addressed.

- 1) What skills/competencies are commonly needed, and at what points in the life of the business?
- 2) How does what you do help the entrepreneur learn? (describe the difference between taking classes and counseling)
- 3) How does counseling transform the entrepreneur to a higher level of skill?
- 4) What are the necessary conditions for skill (HC) acquisition?
- 5) Are there “key events” that occur which impact development? (critical situations related to mgt./growth)
- 6) In what ways do you challenge the entrepreneur to ask questions that haven’t been asked, or see things differently?
- 7) How do you help translate big ideas into actionable items?
- 8) What is the role of active participation by the entrepreneur?
- 9) What about moral/psychological support?
- 10) Describe the assessment/reassessment process
- 11) How do you help the entrepreneur build capacity to deal with big issues/challenges?
- 12) Is there a conceptual difference for the entrepreneur between self-employment and owning a business?
- 13) Are entrepreneurs differentiated by needs in terms of skill development?



APPENDIX D  
SEMI-STRUCTURED INTERVIEW QUESTIONS

1. Describe the skills you help entrepreneurs acquire or improve, and *give examples* for the following categories of skills:

Technical Skills - the ability to perform key operations of that business.

Managerial Skills – the ability to organize and efficiently manage the operations

Entrepreneurial Skills – the ability to identify market opportunities and create solutions that capture those opportunities.

Personal Maturity – self-awareness, willingness and ability to take responsibility, emotional development, and creative ability

2. What skills are needed by entrepreneurs during the life of the business? Give examples.
3. What do you do to help the entrepreneur transition to higher levels of skill (for all four categories), and how does it accomplish the transition? Give examples.
4. Describe the assessment and re-assessment process. *For each skill*, give examples
5. What are the necessary conditions for skill improvement? Give examples.
6. Describe ‘key events’ that impact the entrepreneur’s or business’s development. Give examples and common and unusual situations.
7. Describe the role of the business plan in developing entrepreneurial skill, and do so at various phases in the life of the business. Give examples.
8. Describe or explain anything else that you see of importance in the counselor’s role, activities, or perspective.

APPENDIX E  
FINAL CODING SCHEME

## **S: Skills**

- ST** Technical – the ability to perform key operations of that business
- SM** Managerial – the ability to organize and efficiently manage the operations
- SE** Entrepreneurial – the ability to identify market opportunities and create solutions that capture those opportunities
- SP** Personal Maturity – self-awareness, willingness and ability to take responsibility, emotional development, creative ability, interpersonal skills

## **T: Transitions** How counselors help entrepreneurs transition to a higher level of skill

- TQ** Asking questions – to get the client thinking and talking
- TA** Answering questions from client and discussing client issues
- TT** Assigning tasks, homework, or steps to take
- TP** Business Plan development
- TR** Referral to other classes or people
- TO** Other methods (i.e. being supportive, helping them see the big picture)

## **P: Business Plan Role**

- PF** Foundational to counseling activities
- PP** Process of going through it, or developing the plan is important
- PB** Plan operates as a benchmark for operating the firm
- PO** Other (gives confidence, forces reflection, focuses activities)

## **B: Barriers** Growth barrier requiring conceptual and operational transition

- BF** Barrier in the formation of the business
- BG1** After growth of the firm, transition which requires the entrepreneur to begin delegating or outsourcing activities – first growth transition point

**BG2** After further growth of the firm, transition which requires entrepreneur to run the business as a general manager – second growth transition point

**K: Key Events** Key events in the growth of the entrepreneurial firm

**A: Assessment** How the counselor assesses and reassesses skills

**N: Needed Skills** Skills needed throughout the entrepreneurial process

**NT** Technical

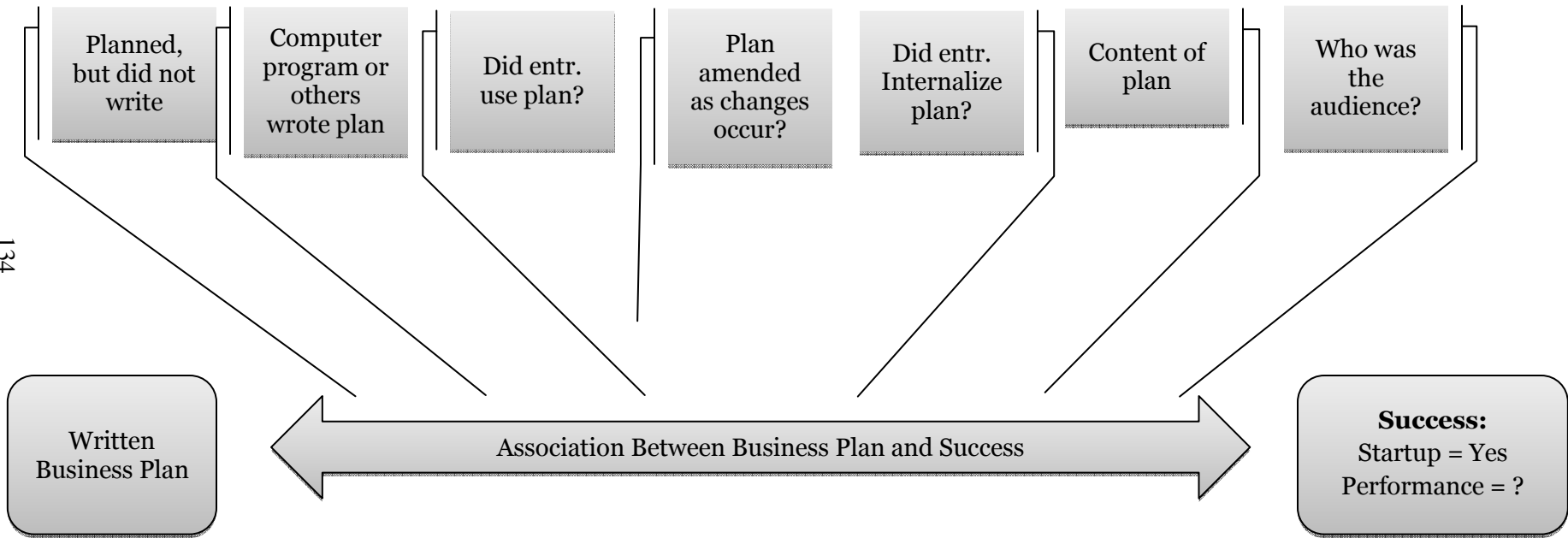
**NM** Managerial

**NE** Entrepreneurial

**NP** Personal Maturity

**O: Other.** Other issues or findings from the study

APPENDIX F  
BUSINESS PLAN-SUCCESS MODERATORS



## APPENDIX G

### ENTREPRENEURIAL BUSINESS GROWTH BARRIERS MODEL



Skills needed throughout all phases: Management, Marketing, Money, Movement, Maturity

***General Manager Phase: Entrepreneur as Director***

(Growth through managing key business indicators)



<b>Crisis of Control – Will I manage or control?</b>	Barrier 3
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***Policies and Procedures Phase: Entrepreneur as Delegator***

(Growth through delegation and system design)



<b>Crisis of Delegation – Who will do what?</b>	Barrier 2
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***Solo Operation Phase: Entrepreneur as Doer***

(Growth through owner/entrepreneur activities)



<b>Crisis of Identity – What is my place in the Market?</b>	Barrier 1
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***Gestation/Formation Phase: Entrepreneur as Developer***

(Growth through idea and business model development)