Center for the Study of Minority & Small Business

Department of Business Administration

Minority and Small Business Review

Volume 11

UNIVERSITY OF THE WEST

February, 2013

Featured Articles

Minority and Small Business Review

(ISSN 1543-1029)

The Minority and Small Business Review is published annually each Spring by the Center for the Study of Minority and Small Business (CSMSB) and the Department of Business Administration at University of the West. This publication includes original contributions based on both theory and practical insights on a variety of topics on entrepreneurship. While the topics may vary, each volume contains articles on subject matters that are critical to the growth and sustainability of minority and small businesses, such as: leadership & management strategies; finance/accounting; access to capital; marketing/branding; and legal/tax issues. The contributing authors include UWest Business Department Faculty as well as industry experts, business leaders/executives and entrepreneurs. Each year, the Review seeks to provide information that is content-rich and topically current.

We invite such articles to be submitted to the Editor via e-mail to meskeremt@uwest.edu (using a standard MS word-processing program such as Word). All submissions are subject to editorial review and modification--acceptance is not guaranteed unless such notification is provided in writing by the Editor.

The annual subscription rate is $10.00 for mailing within USA and $15.00 outside USA. (Please see Order Form). All correspondence regarding contributors' writings, excerpt permission and scholarly exchange; as well as subscriptions, changes of address and request for sample copies, should be addressed to: Editor of The Review, CSMSB, University of the West, 1409 N. Walnut Grove Avenue, Rosemead, CA 91770.

Editor: Prof. Meskerem Tadesse, Director, Center for the Study of Minority and Small Business (meskeremt@uwest.edu)

Administrative Assistants: Yanan (Katherine) Guo; Lina Chen

Center for the Study of Minority and Small Business

The Center for the Study of Minority and Small Business (CSMSB) serves as a link between the University and the minority and small business community, offering regular seminars, lectures, conferences, business counseling and the publication of the REVIEW. The Center seeks to develop itself into an outreach link to connect area minority and small businesses with governmental and non-governmental organizations in order to broaden their exposure to current business realities and changing governmental regulations.

As the Center strives to strengthen its efforts to play a more meaningful role towards the long-term growth and sustainability of minority and small business, it is mindful of the fundamental need for a broad-based support and partnership of area stakeholders and the community at large.

Your subscription to The Review will not only provide us your contact info so we can advise you of upcoming programs and events, it will also signify your support to the Center's programs and activities.

We invite your ideas, feedback, support and involvement. Please address all correspondence to the Center's Director via email @ meskeremt@uwest.edu.

Minority and Small Business Review

Volume 11, 2013

Published by:

The Center for the Study of Minority and Small Business
Department of Business Administration
University of The West

Sponsored by:

University of the West
Petillon Hiraide Loomis LLP
Essergy Consulting
Venice Printing, Inc.
The Optimize Group, Inc.

Minority and Small Business Review
Volume 11, 2013, ISSN 1543-1029

TABLE OF CONTENTS

Message from Dr. C. S. Wu, President, University of The West

February 15, 2013

The University of the West is committed to the education and wellbeing of the community it serves as well as the community within which it resides. The Center for the Study of Minority and Small Business, and its annually published “Minority and Small Business Review” are an integral part of our continued efforts to enhance the education and development of entrepreneurial endeavors within our diverse community. We seek to accomplish this broad-based objective with the involvement of, and in partnership with, other organizations and individuals who share similar objectives.

As the UWest Center for the Study of Minority and Small Business enters its 2nd decade, this Review provides a collection of articles on diverse business topics that are critical to the growth and sustainability of small and minority businesses, which are a critical arm of our local economies, especially in the current economic environment. The authors represent both UWest Faculty as well as business leaders and entrepreneurs. The Review serves both as a venue to extend greetings and invitation to community business leaders, executives, entrepreneurs and the community at large to join us in optimizing the Center’s programs and efforts to serve the community as a source of entrepreneurial education, information and community outreach services.

Together with our community of students, alumni, faculty and staff, and in partnership with community businesses, entrepreneurs and community leaders and citizens, the UWest Center for the Study of Minority and Small Business is positioned to play a key role in the education and development of entrepreneurship in our community.

I am happy to join the Chair of the Business Administration Department, and the Director of the Center for the Study of Minority and Small Business to present the 2013 Minority and Small Business Review.

Best Regards,

C. S. Wu

Dr. Chin-Shun Wu
President
University of the West

From The Editor

February 15, 2013

I am excited to present this 11th Volume of The Minority and Small Business Review ("The Review") as its new Editor, replacing Dr. Bill Y. Chen who became the CFO of UWest. I want to take this opportunity to thank Dr. Chen and Dr. Phan for their foresight to start The Review (and its parent CSMSB) in the early 2000's. Dr. Chen's decade-long stewardship of The Review has allowed me to assume the editor's duties on a pretty solid ground. Thank you.

I also want to extend my sincere thanks to all the contributing authors, who obliged my call for articles, and dutifully met my deadlines. Your continued support is pivotal as we strive to optimize The Review on many fronts.

This 2013 Volume marks yet another milestone as it embarks on the 2nd decade of its life, with a new editor, a little face lift and the introduction of a "Profile" section, which we dedicate to recognize individuals who exemplify entrepreneurial success stories as well as strong commitment to minority and small business—Mr. Terry Bibbens is an ideal fit and we are happy to feature him in this Volume (see p. 32).

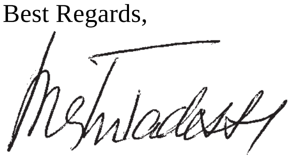
These changes represent a glimpse of "coming attractions" which we are committed to pursue—counting on the continued support and commitment of all who share our passion to growth and sustainability, both for The Review and our community. More specifically, we will work towards developing The Review to join the ranks of other academic publications, while maintaining its major objective of providing content-rich and topically relevant articles to strengthen the knowledge base and sustainability of minority and small businesses. This we hope to accomplish by leveraging the lessons learned on our journey thus far; anchoring ourselves on the strong support of the UWest leadership and Business Department faculty and administration; solidifying our relationships with the many prominent experts and leaders who have gone the extra mile to provide us with high-quality articles year after year; community organizations and leaders who partnered with us as speakers, co-sponsors of seminars, etc.; as well as those who will be joining us along the way as we strategically market to, and expand our partnership resources in and around our community.

UWest is located in one of the most business-centered local communities; these are the businesses that create jobs and provide income to support our local economies. Our collective efforts can help these businesses fuel our overall economy.

I want to reiterate our sincere thanks to those who contribute their knowledge, time and funds to this worthwhile cause. Our commitment to minority and small business is significantly enhanced by your support, involvement and partnership.

Stay tuned for "coming attractions", and please let us hear from you---your ideas, feedback and involvement are most welcome. Contact us via email at: meskeremt@uwest.edu.

Best Regards,



Prof. Meskerem Tadesse, Editor
Director, Center for Minority & Small Business
Business Administration Department

Business Incubator Success: The Leadership Factor

By Dr. Philip Borden and Jill Dominguez

ABSTRACT: *Since business incubation took root as an economic development strategy in the 1980's, it has experienced various levels of effectiveness. The National Business Incubation Association, its professional body, has not been able to show what makes one incubator thrive where similar ones fail. Nor has it convincingly defined incubator leadership, much less connected it to incubator effectiveness. We have examined four Southern California incubators at different levels of achievement, then reviewed the strategic and operational qualities of each of its leaders. Our results are more qualitative than quantitative, and more suggestive than definitive. However, they may provide a baseline for further studies of the value that good leaders add to incubation success.*

Toward A Practical Definition of Leadership

History of Leadership Theory

We will operationally define business incubation below by describing the mission and operations of four Southern California incubators, each with different aims, structure, history, and leadership. First, we examine the concept of leadership itself, because it lacks even a solid operational definition and there is no consensus on its key components. The only recent study linking incubation and leadership by Oliveira Pires essentially defines leadership as management. We think leadership requires stronger vision and communication components.

Sheila Oliveira Pires, ***Incubator Leadership and Management***, September, 2003. While Ms Pires is principally concerned with incubation in Brazil, she offers universal definitions. She draws many of her generalizations from Louis G. Tornatzky, et. al., ***The Art and Craft of Technology Business Incubation***, 1996, an important publication of the National Business Incubation Association (NBIA). On differences between American and Brazilian approaches to incubation, see Borden, "Stimulating SME Growth: Strategies for Boosting/Supplementing University Activities," World Intellectual Property Organization (of United Nations), Brazil, 2009; and "Alternative Financing Approaches to Technology Development: U.S. Models for Brazil's Technology Transfer Officers," REPICT (Brazil's professional technology/economic development association), 2009.

Like all other concepts, leadership has a history. Its trends mirror larger movements in the evolution of sociology, anthropology (and "folkoristics"), management theory, and psychology. Although the following is a simplification, we may say that management approaches to leadership such as Pires' have tended to narrow the distance between managers and leaders and have emphasized "objective" output measures. Sociology has placed leadership increasingly in the category of organizational behavior and has related it to group transactions and stages of the development of organizations as rationally behaving units. Anthropology, folkloristics and philosophy have focused on the symbolic character of leadership and its representational quality within organizations.

Psychological approaches have stressed leadership traits and behaviors on the one hand, and relationships between leaders and followers on the other. As the profession of psychology emerged in the late nineteenth century its practitioners sought explanations in line with the essentially racial theories and explanations then popular in science. Hence, when psychologists and others wrote of leadership, they looked for inborn traits or "genetically" transmitted characteristics that distinguished leaders from non-leaders. The early theories of Francis Galton, William James, and others were representative of this "trait" school.

This approach yielded in the 1920s and 30's to the first glimmerings of more data-oriented industrial psychology studies of leadership. The most famous of these was the Western Electric study conducted by Elton Mayo, which defined the "Hawthorne effect." Of the many interpretations of this effect, the most important for leadership study was the notion that positively reinforcing workers by selecting them for training was at least equally effective in building leaders as the training itself. It suggested that leadership owes less to any inborn traits of the leader than to the impact of dynamic managers who take an interest in their employees. That view, in a variety of incarnations, has remained one of the basic tenets of leadership theory.

By the 1940s and 50s, a more activist viewpoint emerged; namely that the hallmark of leadership involves managing change instead of simply reacting to it. This view was consonant with organizational behavior theories in sociology and other theories that stressed a rational approach to transactions between workers and management. It grew in the ensuing decades to encompass the notion that leaders can be developed within any organization by training to bring out the necessary behavioral traits. The personality theories of organizational behavior developed very much out of this trend of thought. These theories stress the way in which certain personality types or dimensions (or sometimes "styles of thinking" characterize leadership. Modern leadership analysts, like Ken Blanchard, Paul Hersey, Warren Bennis, and others stress this mode of leadership thinking.

These popular psychologists also represent a trend that grew out of Abraham Maslow and others in the 1950s and 60s. Maslow's followers explored the need of leaders to meet certain psychological and other needs associated with human potential. Perhaps one of the most important measurable results coming from the transactional and personality viewpoints were the Cartright-Zander studies of humanistic approaches to leadership and especially Rensis Lickert's studies of the output of workers under various forms of management and leadership. These studies affirmed some of the earliest findings of Mayo, namely that humane, flexible, and thoughtful methods that recognized and celebrated the worth of individual workers produce more and better output from workers than methods focused directly on increasing output itself.

Just what traits should be encouraged in order to build leaders—or what traits leaders can best exemplify in order to manage change and transform organizations—has been debated with equal vigor. The initial Maslow hierarchy has been contracted and expanded and new terms such as "encouraging risk" and "entrepreneurship" have been introduced in them. Recently, analysts have stressed flexible leadership styles capable of adjusting to a variety of worker attitudes that include wishing to not think and take responsibility at all, to wishing to exercise maximum independence.

In recent years there has even been a backlash against all such theories consistent with the current post-modern deconstructionist approach to philosophy. Kouses and Posner, and Kadabadse have been skeptical of all theories and even of the notion that leadership exists as a definable entity. Lacking core characteristics and a clear definition of leadership, they have looked at the language of leadership itself, and the meaning of its metaphors in creating action.

The literature defining leadership is vast and this history is considerably compressed. Key summaries may be found in J.M. Kouze and B.,Z.Posner, ***The Leadership Challenge***, 1987; Bernard Bass, "From Transactional to Transformational Leadership: Learning to Share the Vision. ***Organizational Dynamics,*** 1990, and with Ruth, Bass, ***The Bass Handbook of Leadership: Theory, Research, and Managerial Applications,*** 2008**.** See also Murray Johannsen, www.legacee.com, a leader in research and training oriented to complex organizations. Of Peter Drucker's many books and articles on leadership and management, the most relevant for this essay is ***Managing the Nonprofit Organization: Principles and Practices***, 1992, because most business incubators, including those analyzed below, are not-for profit enterprises. Daniel Goleman, et. al., ***Primal Leadership***, 2002, emphasizes the role of followership, which discuss only in passing. Although citing Wikipedia is always risky, its article on leadership is exceptionally well documented and has an excellent bibliography, though it rests on a very general definition of leadership as the ability to influence action.

The Practical Definition

Peter Drucker, the dean of American management theorists, professed not to believe in the traits of leaders. However, when asked what to look for in hiring a leader, he described the following qualities: the leader stresses the "we" of the organization over the "I" of his/her ego, and is able to listen to others in the organization and is willing to communicate with them. The leader takes pride in performance for him/herself and remains as free as possible from self-delusion. He/she places tasks ahead of reputation or theory, and understands that, like life, the business organization rests on the aggregate best efforts of those within it. Put another way, Warren Bennis has suggested this difference between leaders and managers: "Managers are people who do things right, while leaders are people who do the right thing."

Our definition endorses the most recent operational approaches, tempered by the suggestions of Drucker and Johannsen. It stresses flexibility in adjusting to internal and external challenges above all. It encourages entrepreneurial approaches to problem solving, rests on a maximum of self-knowledge and a minimum of self-delusion, plus a high degree of communication skill and sensitivity to organizational and community culture. Like Bennis we see leadership not as management, but as a kind of "meta-management,"

Leaders must set and communicate the organization's values and anticipate change. They must embrace change and make it happen. To do so they need to recognize external challenges and sources of internal and cultural resistance. Making change happen means keeping it within the cultural bounds and values of the incubator, and helping to change that culture as appropriate to be consistent with the aims of the organization, or modifying the aims to stay relevant to the audience to be served.

Leadership and Change

Because organizations have a "natural history" of birth, growth, maturity, and even decline and death, each of its stages requires a different emphasis within the definition of leadership. Two of the incubators studied below are in a birth/early growth stage where surmounting external challenges are the most important outcomes that leaders must achieve. Two others are in more advanced stages of growth and maturity that require a balance of internal and external sensitivities among leaders in order to keep the incubator relevant and healthy.

Leadership is especially important in dealing with unanticipated change. A kind of change that may be anticipated by business incubators but often may not be recognized occurs when the incubator outgrows either its initial funding or its human resources or its current infrastructure. This happens most often when the organization is driven by the funding, rather than market forces. Then, when such initial funding dries up, the organization becomes prey to the greatest elements of fickleness in the economic and political environment and may fail to sustain itself. The Business Technology Center (BTC), for example, was one of five technology incubators begun with federal funding and/or large corporate grants. It was the only one to survive. Two promising incubators, The South Bay Science Center and the Long Beach Incubator, similar in model but not leadership, never made it to the next stage. It was not the business model that caused their demise—after all they were similar in model to the BTC. It was the leadership. When we take up the story of the South Bay Entrepreneurial Center, we will see that lessons learned in the South Bay and Long Beach, leavened by different leadership, allowed many of the same players to succeed the second time around.

Kurt Lewin first published on force field analysis in 1943. He posited that organizational development resolves the push and pull of forces of change and resistance. We have quoted from his reprinted essay, ***Resolving Social Conflicts & Field Theory in Social Science***, American Psychological Association, 1997. Seth Grodin, a pioneer in Internet marketing has said in **Fast Company** (1990), "Change is an art, resistance is a science. See also Steven Covey ***Seven Habits of Highly Effective People*** (1989) Covey delineates the most effective techniques of leadership as being proactive, remaining ever mindful of goals and priorities, communicating, generating understanding and cooperation, and continually learning.

Four Incubators

The information following comes from extensive interviews with each incubator leader, plus furnished data and other materials. Borden and/or Dominguez were active in the early histories of each of the incubators mentioned, though the authors have had nothing to do with the meaningful developments analyzed. The incubators/leaders, in the order in which they opened their doors are:

Business Technology Center of Altadena (BTC)/Dr. Mark Lieberman 1998

Digital Media Center (DMC)/Gustavo Chamorro 2006

San Pedro Bay Port Technologies Development Center/(PortTech)/Jeffery Milanette, 2007

South Bay Entrepreneurial Center (SBEC)/Michael Grimshaw 2011

At least 20 active incubators or accelerators (a new form of short term incubator driven by funding for the accelerated companies and generally offering fewer services) have started up over the past 3 years in the greater Los

Angeles area, not including internal university incubators. Most, especially accelerators, originated very recently. The number is growing, perhaps a function of challenging economic times.

Business Technology Center of Altadena (BTC, www.labtc.org)

The building that houses Business Technology Center of Altadena was financed by the County of Los Angeles out of multiple national and regional grants. It was erected in a blighted area in 1998 as part of a regional economic development plan also meant to offset the downturn in aerospace that was affecting employment throughout the county. BTC still remains closely tied to the County Economic Development Commission but also has become a major stimulus for local economic development on its own. Founded over vigorous community objections that what was most needed in the neighborhood was a new supermarket, the BTC has become a centerpiece for a burgeoning commercial area. The initial plan for BTC called for a traditional incubator of about 40,000 square feet, to be populated by software companies which would commercialize Caltech research ideas, supported by Pasadena Angels, a local but powerful angel group. It almost instantly evolved into a more versatile, more general technology-oriented project and continues that way today.

The BTC is the oldest continuously operating technology incubator in Southern California and arguably the best. Opening its doors as the height technology boom gathered strength, the BTC has proven enormously effective over time. It has generated no less than 2,000 jobs, most high value. It has produced dozens of acquired companies and at least two public companies. At least five of its graduated companies now gross $75 million in revenues and an equal number gross $50 million. BTC companies have gathered over $200 million in outside funding as well. Today, the BTC and its CEO, Dr. Mark Lieberman, are "go to" resources for most other incubator start-ups and financing queries.

That does not mean that the BTC's path to success was smooth. Lieberman was the second and fourth CEO of the BTC. He was a relatively new consultant in the Los Angeles area when the county asked him to assume the leadership of the BTC in 2002. He already had a twenty year career as both an investment and international banker. He had been an entrepreneur as well. Through the multiple roles he played, he became familiar with how to transform nascent companies into operating successes. Lieberman took over an incubator that had made a great start, yet was struggling as a business. He tightened its business practices and got it on an operationally profitable footing. He expanded its relationships with local university communities, invited Pasadena Angels to co-locate for many of their meetings, established strict admissions criteria, and formalized a number of programs that existed in nascent form. He went on to earn a Ph.D. and to teach in the entrepreneurship program at U.S.C.

Shortly after the BTC reached its full client capacity in 2005, Lieberman was promoted within the county economic development structure and left the day-to-day running of the incubator to other administrators and leaders. In part because of the economic downturn and perhaps because of closely related leadership issues, the BTC declined. Lieberman was assigned to return to the BTC in 2010 and remains there today. Under his leadership, the BTC's census returned to its prior robustness. Its financial support programs have further formalized and expanded.

Digital Media Center of Santa Ana (DMC, www.dmc-works.com)

The DMC originated in 2001 and opened to tenants in June 2006. It was an attempt by the City of Santa Ana and its Rancho Santiago Community College District, to bring technical jobs generated by the burgeoning television and film industries to Orange County. Of the DMC's 28,000 square feet, almost two-thirds were devoted to education, studio and training space and the rest was reserved for incubation. Today the DMC stands as a magnet for Internet driven communications technology development in the County. The DMC boasts a variety of community relationships, has been responsible for several businesses of international importance, hosts a complex program of on-site and affiliate companies, and is building a collaborative relationship with K-5, the area's prime and the region's only other business incubator.

At present, the DMC is filled to 100% of its 10,000 square feet of office space capacity. It houses 15 near start-up companies. It also incubates companies off-site. These companies tend to be either at the same level as on-site companies or in earlier stages of development. The DMC trains these affiliate and "pre-affiliate" protégé companies in order to boost them into on-site client status.

Dr. Gustavo Chamorro is the second CEO of the DMC, having taken over in 2008. The least trained of the four leaders in incubation management prior to his ascension, his background had largely been in economic and workforce development for the City of Santa Ana, and in strategic grant support for Rancho Santiago. The founding leader had left the DMC for a high level administrative position in the same community college system, and Chamorro inherited an underperforming incubator as first laptop, then tablet, then smartphone technologies increasingly sidelined much of the DMC's original plan. Chamorro has grown the DMC by using the resources of NBIA, the advice of Dr. Lieberman and other incubator developers, and a program of benchmarking the best programs nationally. Highly practically and operationally oriented, Chamorro scouts the country for new program ideas to add to the DMC's services and value.

San Pedro Port Technologies Development Center (PortTech, www.porttechla.org)

Located near the Port of Los Angeles and about ten miles from SBEC, PortTech maintains an emphasis on clean/green technologies, mostly but not inevitably related to the port and international trade and logistics. Its client base is mostly local, but because of its trade orientation has significant international elements. PortTech was born as a vision of the San Pedro Chamber of Commerce and Port in 2007 and has been operational since 2009.

The original goal of the San Pedro Chamber of Commerce was to attract new businesses to the area. It formulated a detailed plan two years before the incubator opened. That plan was obsolete before PortTech was even incorporated, and a feasibility study that was drafted fully six months after PortTech already was functioning and taking on clients. Initially conceived as part of the Los Angeles Cleantech Initiative involving the city's major universities, PortTech maintains that general orientation. With its mix of on-site and visual clients and small physical footprint (2,800 square feet), today's San Pedro incubator owes little to its initial formal organization or to NBIA's "traditional" incubation "wisdom."

Jeff Milanette came to PortTech with an established reputation as a technology incubation expert and a penchant for innovative approaches to incubator and underserved community development. His extensive incubation experience spans Southern California, the Midwest, and the East Coast. He has conducted nearly a dozen incubator feasibility studies, including an important one for the Battelle Institute and a Historical Black College in Ohio. After focusing on minority business start-up generation through the 1980s and 90s, Milanette founded several technology companies and headed several formal business incubators, some of which he also founded.

Prior to returning to Southern California and PortTech, Milanette initiated and ran the Rutgers University Technology Incubator, which aimed to commercialize university research and broader regional assets in communications and Internet security technologies. Hired by PortTech with the only support his first year's salary and a desk in the Chamber office, he was confident he could build a meaningful incubator, and he has.

South Bay Entrepreneurial Center (SBEC, www.thesbec.org)

The SBEC, located in the heart of Torrance, is the newest of the incubators studied. Founded in 2010, the SBEC is the product of years of evolution through community participation and commitment. The SBEC has technology companies, but is not technology oriented. It teaches entrepreneurship and has a tight relationship with Torrance and other cities of Los Angeles' South bay. Today, it has nearly 5,000 square feet of usable space. The SBEC owes little if anything to the NBIA. The NBIA's rule of thumb suggests that in order to be sustainable an incubator needs to be eight times larger in physical space and well more than that in revenues than the SBEC. It suggests that an incubator needs a written plan to succeed and offers models of such plans. It suggests that an incubator succeeds best when focused on a single type or a restricted number of types of activity. None of those criteria apply to the SBEC, and yet the SBEC is successful, sustaining so far, and given the precariousness of the economy, looks sustainable for the future.

One of the key issues it will face, however, is how to transition from volunteer to paid staff. Though he deflects such talk and credits the community itself, the overwhelming credit for the success of SBEC goes to its Director, Michael Grimshaw. After a career as a Southern California entrepreneur, Grimshaw spent ten years at IBM in sales and sales management, helping to develop its software service bureau. Afterward, he ricocheted between entrepreneurial activities and work with several of California's major software and communications technology companies in Silicon

Valley. Grimshaw became familiar with the people and ways of angel and venture investing in Silicon Valley.

The IPO of one of his ventures left him financially comfortable and he moved back to Southern California. Here he headed a branch of Maverick Angels and engaged in a variety of community entrepreneurial support activities. Often driven by a desire to stimulate employment in Los Angeles' South Bay communities, he sits on two local university business school boards, and has developed and teaches in the entrepreneurial program at Marymount College. In fact, he used that platform to initiate SBEC and test a variety of ideas for it through student projects. Grimshaw is a relentless networker with a unique ability to integrate his various activities in support of his passion and to enlist the support of his contacts.

Leadership and Change

The Incubator Model: One Size Does Not Fit All

Although almost every incubator's goal is to bring high value jobs to its community, no single model for doing so has emerged over the past two decades. The BTC is a large and complex organization, deeply involved with high level universities which produce often disruptive technologies. It is innovative and deeply supportive in financing member companies, and organized in a comprehensive and complex way. It is large in size and, though it has an off-site program, is largely a physical incubator. It was developed after a detailed feasibility study and has had a succession of detailed business plans. It rents physical space at near-market rates and it is operationally sustaining. The County helps support the BTC's physical space, which it built.

The DMC also has imposing physical space but is smaller, more local in its reach and more near-term in its technology base. Its idea feeder, if it can be said to have one, is the community college system. Its rents are well below, perhaps half, of market rates, so it is operationally challenged. Affiliate memberships have offset its on-site shortfalls. Rancho Santiago, which still occupies much of the building, continues to support it. The DMC has departed significantly from its original business plan.

PortTech has new physical space and is waiting for payment on a City of Los Angeles grant to expand that space. It remains largely virtual in character, drawing on both a local and international clientele, because of its relationship to the Port of Los Angeles. It has significantly departed from its original plan and is in the odd position of never having had a feasibility study until it already had been operational, a study that suggested it could not succeed as a local operation.

By design, SBEC chose a kind of classroom/ community test and ad-hoc development scheme instead of creating a formal feasibility study or business plan. It tries ideas then adjusts them as the community and market demand. The SBEC has achieved a great deal through barter with other community organizations, and has a low cost space which it has more than tripled in its short tenure without further financial obligation. It has completely open stations, which it does not rent, much like an accelerator. In place of leased space, it sells memberships that allow members to use its facilities and human assets as available. It makes added income through training programs and contracts, and unlike the other incubators, is not specifically technology oriented.

Success, Failure, And Change

Historically, all incubators have been undergoing change. Incubation business models have evolved away from income driven by inexpensive rental properties, and excessive dependence on university feeders (except in the case of the BTC for which is a natural fit). The newer the incubator, the more likely it will have a greater emphasis on virtuality. In part, this has been a matter of necessity and in part a simple response to the changes in the computing and communications and social media environment. Newer incubators also tend to be tied more closely to angel and other sources of investment for portfolio companies. All also have responded as well to the loss of manufacturing capacity in the Los Angeles area and the renewed emphasis on green/clean technology or on the growth of Los Angeles as a logistics center.

None of the incubators studied has experienced uniform success. Each has had to undergo serious change in order to thrive. The BTC was the sole survivor of five incubators founded at the same time: in Torrance/Redondo Beach, Long Beach, South Central Los Angeles, and Altadena, and Pomona. All but one was a high technology incubator, two focused on manufacturing, and the rest were less defined. The

SBEC was the second built in its area and built upon the lessons learned in the area's two failed experiments. PortTech also had a failed predecessor in San Pedro and Wilmington. While the DMC was not built on the failure of a prior incubator, in its current incarnation it has had to overcome a plan that became obsolete, or at least significantly limited.

In the case of each successful incubator, leadership has been key to change. The pre-SBEC incubators had initial funds and business plans, but neither developed the community support that has been key to SBEC's success. Grimshaw reacted to that history in his approach and has been able to harness the commitment of the leaders of the earlier incubators and learn from them. That may, in fact, be why he has made community commitment his first priority and eschewed being bound by rigid plans. It is his goal to replicate the SBEC model at no less than two other sites in the South bay, to create a kind of virtual incubation network.

Milanette also has drawn on the experience of the failed prior incubator and utilized the commitment of its prior leadership to guide PortTech. PortTech began with free space in the San Pedro Chamber of Commerce offices. As PortTech evolved, Milanette began to rely more heavily on the port's role within an international trade zone. Hence, he loosened the initial insistence of the plan that the incubator accept only technologies that are directly relevant to port growth and efficiency. Instead he has insisted that they be relevant to trade in a general way. He also understands that this change in approach provides him an international reach, no small competitive advantage in Los Angeles. This has been especially important in light of the belated feasibility study's conclusion that the local technology resources were insufficient to sustain PortTech .

Chamorro has turned the weaknesses of low technology production by his community college company feeder and the decline of importance of television/film digital media in Orange County to his benefit by expanding his definition of digital media to include all forms of digital communication. He has developed a feeder program that stresses affiliates who can become on-site clients for nearly the same fee and creating free consulting to companies that might enter the affiliate stream. He currently is entering into a collaborative arrangement with his local accelerator in order to increase his own outreach and help them select qualified applicants. His success is measured by his full capacity.

Negotiating community hostility and building a workable facility was the chief ability of Lieberman's predecessor at the BTC. Still, when Lieberman took over at the BTC he inherited a program that was not effectively organized and featured by board dissent over whether to pursue the original business plan or alter the incubator to free itself of the county. His actions indicate how management and leadership intersect. As a manager, he was able to rationalize the administration of the incubator. As a leader, he was able to address his internal issues, consolidate his resources, build his educational relationships, make imaginative use of his financial background, and set a single direction that filled—and later filled again—an underutilized real estate resource. He smoothed out unanticipated internal change and reacted successful to external challenges several times. As he defines his role, it is "to be an evangelist for the incubator itself and for its clients."

In each of these cases the leader showed exceptional skill in recognizing the winds and effects of external change in the intellectual and/or physical and/or community and/or funding environment, and adapting to the change without altering his incubator's overall mission. In each of these cases, flexibility and adaptation was not the only option. Note that prior attempts or incarnations of their programs had failed because they could not respond so flexibly and effectively to their environmental challenges.

Another characteristic of leadership that showed through was exceptional communication skill. The leader of the BTC faced both external and internal challenges that would have caused failure if not overcome. All the leaders manifested—and continue to manifest—exceptional communications skills in sensing community and/or business and/or market needs and communicating those needs to their boards, employees, and clients. Each has evolved a different client base from that first envisaged, yet found and communicated the value of incubation to founders and incubator backers. Each has created a surrounding network of support and community assets, mentors, coaches, and financing sources, most of whom participate for no fees. They have been able to communicate their value to their communities and influence individuals within those communities to contribute.

Many treatises on leadership make the obvious point that leadership requires followership. In each case above, especially the BTC, PortTech, and SBEC, the leaders have not only been able to mobilize large community followings, but in the case of PortTech and SBEC, also the leaders of the failed prior efforts. They have created not only followerships, but "fans."

Finally, each of these leaders has shown a marked entrepreneurial ability himself. In fact, each leader but Chamorro has been a successful entrepreneur and one has taught MBA level entrepreneurship. Chamorro has found a multiplicity of ways to increase his client base in the face of less than stellar university feeding institutions. So have Grimshaw and Milanette. In addition, Lieberman has developed some of the most unique and powerful financing strategies, None of these "incubator" entrepreneurs has been bound by convention, though all have a profound understanding of the power of the conventions of incubation.

SUMMARY

Business incubation offers a fertile field for innovation, precisely because it does not offer a single profile or even a limited number of ways to develop. Incubation has gone in and out of style with the rise and fall of real estate prices, the ease of borrowing, employment trends, regional development, political commitment, and any number of other variables. Of particular importance seems to be a trend away from the burdens of maintaining a large physical space and toward the liberation of incubation from geography. Changes in the very definition of technology have impacted every incubator and its leader. Few incubators have stood the test of time from planning to opening of doors to reaching their mutual goal of creating new businesses and opportunities for job growth.

The four cases of incubators striving for impact and permanence prove little against the backdrop of this broad and undefined field. Yet these cases suggest the power of leadership is creating positive change and keeping alive important institutions that might not otherwise prosper, or in some cases even survive. Innovation evolves into a powerful force only to the extent that it can be communicated and can garner acceptance. The current "buzz" phrase for describing the foundation of successful incubation is a "technology ecosystem." Such a surrounding support matrix does not arise on its own. It is the product of forward thinking leaders. Insofar as incubators engage entrepreneurial, transformative, innovative, flexible, and transformative leaders, rather than simply managers executing fixed plans, they will continue to capture and commercialize innovation.

APPENDIX: THE BASIC QUESTIONNAIRE

FACTUAL/BACKGROUND

How long has your incubator been operating? Can you briefly sketch its history?

Is your incubator profitable and/or sustaining? What are your sources of funding and how they have changed?

What businesses and communities do you serve?

What is your current and proposed staffing?

SUBJECTIVE/OPERATIONAL

How has your incubator's underlying concept changed since it first took shape?

Did you have an original business plan? How accurate was it?

What would you identify as the inflection points in your incubator's evolution? How would you relate them to:

- **Changes in the economy and/or legal environment in general**
- **Changing in financing availability for portfolio companies**
- **Changes in attitude about incubation itself**
- **Learning about what works and does not work operationally**
- **Quality of your particular skill set re PR, organization/management, etc.**
- **Your growth in experience, understanding**
- **Support from NBIA, BINS, or other professional associations**
- **Growth of personal and company network**
- **Discovery of human and other resources in the community**

ABOUT THE AUTHORS

Dr. Philip Borden **Jill Dominguez**

In 2007, **Dr. Philip Borden** and **Jill Dominguez** founded Essergy Consulting, a strategic consulting company of 26 Senior Associates, which they still lead as co-principals. Essergy advises socially and/or environmentally conscious small businesses and conducts economic development studies and projects for governments.

Borden and Dominguez have enjoyed over a half century of business success. They have consulted to many dozens of for- and non-profit, university, and government clients on five continents; published over 100 papers and technical presentations on small business; taught as regular and adjunct faculty in university programs; and raised about $60 million for economic development projects. They have conducted feasibility studies, written business plans, funded, built, and led incubators.

Most important to Borden and Dominguez, individually and through Essergy they have established a record of increasing small business profits and meaningful jobs by double digits.

www.essergy.net;

philborden@essergy.net;

jilldominguez@essergy.net.

The Great Founder Paradigm: An Entrepreneur's Guide to Starting a Business

By Murray Johannsen

The Entrepreneurial Challenge

It's sometimes said that markets function similar to a sea with organizations sailing the seas of the marketplace as ships. A management degree prepares individuals for living and working on the large liners. It helps one to serve as the crew of this vessel, either at working level or in the officer ranks. Among thousands serving, a very small number of lucky, highly motivated individuals ascend into the captain's chair (CEO). These are very large crafts, with best technology, with a large number of individuals in the crew, sailing well-defined navigation paths, finding fish where they were found before.

Contrast this to an entrepreneurial company that starts out with a captain but no crew. The founder sails a small, leaky boat with a sail full of holes though unfriendly, treacherous seas. The captain of this unsafe vessel hopes to find a large school of fish somewhere, but navigation maps aren't accurate and he's dead reckoning the best course. This captain must keep finding fish, plug the leaks, stitch a better sail, hire a crew, and build a better boat — all at the same time.

One might say that a management degree allows you to play a well-defined role inside the box of bureaucracy. The entrepreneur though, faces an environment of chaos and uncertainty, with worry, anxiety and fear constant companions as they try to figure out how to keep their boat from sinking with them in it.

Because of these fundamental differences, much of the theory base commonly taught in the business schools is not that helpful to the entrepreneur. What's been largely forgotten — forgotten by the investors, the textbook writers, and the business school professors who maintain conventional wisdom — is a critical paradigm, one that goes:

Essentially, if you want to have an obscenely successful business, evolve yourself into a great human. It's as simple and as complex as that.

Great Founders Create Great Companies

"Be not afraid of greatness: some are born great, some achieve greatness and some have greatness thrust upon them." (Shakespeare, Twelfth Night - Act 2, Scene 5).

I remember years ago sitting in the initial management class in a MBA program. Fortunately, the professor teaching this course was an engineer, one who founded a successful engineering services company. It was a joy hearing him describe how theory worked in the real world; and damn, he was a great storyteller.

One of things I've never forgotten, even though that class occurred many years ago, was a theory that explained entrepreneurial success— one mostly forgotten in today's textbooks on management. At that time, the theory was known as the "great man" theory.

The assumption underlying the theory is a deceptively simple one: that great founders build great organizations. One might also say, average individuals create "me too" companies. And incompetent individuals fail at business.

If you think about it, the history of business is full of great men and woman who started companies that have become well-known name brands today. Just a quick sampling of American companies:

- Barnum, P.T. — Entertainment (Barnum & Bailey)
- Bezos, Jeff— Internet (Amazon)
- Boeing, William — Aerospace (Boeing & Co.)
- Bristol, William & Myers, Ripley—Medical Products (Bristol-Meyers)
- Carnegie, Andrew—Steel (Carnegie Steel)
- Case, Steve — Internet (America Online)
- Colgate, William— Consumer Products (Colgate)
- Dell, Michael—Computers (Dell Computer)

- Disney, Walt—Entertainment (Walt Disney)
- du Pont, Eleuthère Irénée — Chemicals (DuPont)
- Durant, William— Automobiles (General Motors)
- Edison, Thomas—Electronics (General Electric)
- Ellison, Larry—Software (Oracle)
- Fields, Debbi— Cookies (Mrs. Fields)
- Ford, Henry —Automobiles (Ford Motor Company)
- Gates, William— Software (Microsoft)
- Giannini, P.— Banking (Bank of America)
- Hall, Joyce—Greeting Cards (Hallmark)
- Hershey, Milton— Chocolate
- Jobs, Steve & Wozniak, Steve—Consumer Electronics (Apple Computer)
- Johnson, Robert & Johnson, James—Medical Products (Johnson & Johnson)
- Marriott, J. W. — Hospitality
- Mayer, Louis B—- Entertainment (MGM)
- Merck, George— Medical Products (Merck)
- Morita, Akio and Ibuka, Masaru—Consumer Electronics (Sony)
- Nordstrom, John & Wallin, Carl—Retail Clothing (Nordstrom)
- Packard, David—Electronics (Hewlett-Packard)
- Paul, Galvin—Electronics (Motorola)
- Pfizer, Charles & Erhart, Charles—Medical Products (Pfizer)
- Proctor, William & Gamble, James—Consumer Products (Proctor and Gamble)
- Rockefeller, John D— Oil (Standard Oil)
- Walton, Sam—Discount Retail (Wal-Mart)
- Wells, Henry & Fargo, William—Banking (Wells Fargo)
- Westinghouse, George—Electronics (Westinghouse)
- Winfrey, Oprah—Entertainment
- Zuckerberg, Mark—Social Media (Facebook)

In my view, the company is a reflection of the founder who created it. Great companies do not happen by accident—their founders created them, nurtured them and grew them. And we can learn a great deal about how to grow a business from those who have done it (Branson, 2000), (Isaacson, 2011), (Smith, 2012).

For many years my students have been studying great individuals and then presenting their insights on what made them great. After seeing these presentations for twenty years you see patterns, whether the great person was someone from Asia, Europe or other lands.

Many greats have no university education, yet they go on to become billionaires (Li Ki-Shing, Richard Branson). Others don't bother to complete college (Bill Gates, Steve Jobs, Mark Zuckerberg, David Geffin). They come from all economic strata and countries. And yet, there was something about them that achieved greatness.

To be a Great Founder, you never stop making improvements in yourself. It's continuous personal improvement now and forever. I remember a saying by Abraham Lincoln who once said, "I do not think much of the man who is not better today than he was yesterday."

One might ask, why should the primary focus of the Founders be on improving themselves? Shouldn't it be about the business, the technology, the money? It's a good question. When I got the MBA, it was an article of faith that it's all about the organization. Still is actually. And if you want to be a caretaker executive in a multinational corporation this makes sense.

But I'm assuming you want to be a Founder of something that will last a long time. OK, this is an assumption on my part. Some you just want do a quick harvest of the business, walk away with a small amount of cash and a story for the grandkids. Or maybe you're going for the quick cash from investors who are then going to take control of your business after a Series B or C.

But if you are in for the long haul, you must continually improve so that your organization keeps improving. And you do it to prevent the fatal flaw.

The Fatal Flaw

"One can always come up with a thousand reasons not to do something." —Lyle Johannsen,

The Fatal Flaw in the Business

One might consider a fatal flaw to be a type of entry barrier. Entry barriers exist for a variety of reasons. Some originate from law or regulation, others exist due to the nature of the industry, and still others are generated by smart competitors to keep new entrants from playing in their ballpark.

It is the fundamental challenge for the Founder to craft a way to go over, under or around these barriers. One common entrepreneurial barrier — getting the seed capital. After all, if you can't find the money, the red light never turns to green and you are stuck in park.

A fatal flaw is a bit of a mislabel. It's usually not just one thing. It's typically a number of weaknesses that together cause the person and the business to fail. In some respects, investors act like teachers grading an exam. In grading mode, they don't care about what's right, they are obsessed with finding what's wrong.

Before putting down the money, most investors focus on finding the fatal flaw in the business. Typically this is defined as the factor or factors that won't make the business model work. For example, in the boom days beginning in 1996 after the Netscape IPO, investors were funding dotcoms on the basis of a business plan—few questions asked. Million dollar investments were made on the expectation that with eyeballs on the screen come revenues in the pocketbook. A huge number of them failed, the fatal flaw being the average cost of customer acquisition or a too big to close burn rate.

Investors tend to be pretty savvy digging around and finding the fatal flaw in the business model. They have all sorts of checklists used during the due diligence process. Legions of accountants, lawyers and consultants stand ready to point out the many problems in the business plan. But sometimes the problem isn't in the business model, it's within the entrepreneur.

The Fatal Flaw in The Entrepreneur

"When you stop learning, you should find a different job." — Advice the author received from his first mentor.

Entrepreneurs have weaknesses too numerous to mention. And yet, few of them understand their own weaknesses. This is a difficult truth to swallow. One quick example, when teaching ethics I will often ask for weaknesses. To make it a bit challenging, I would not specific a minimum, but would ask for as many as possible. You would be amazed to know how many have ten or less. One student even came in with one.

Weaknesses are often brought up in an interview. Of course, the standard response is to bring up a strength packaged as a weakness. For example, "I'm so highly motivated that sometimes I don't know when to stop working on a project."

There's a number of these subtle red flags—a banners that doesn't go away when the check is written, entrepreneurial weaknesses the are grouped under the categories of: ignorance and skill deficits, inexperience, incompetence, delusion and single-minded focus.

Ignorance and Skill Deficits

"True ignorance is not the absence of knowledge, but the refusal to acquire it." —Carl Popper

Founder ignorance is not on most people's list of why you shouldn't invest, but it's on mine. You cannot know everything you need to know to run a business. Still, it's not the lack of knowledge that's critical—it's the refusal to acquire it.

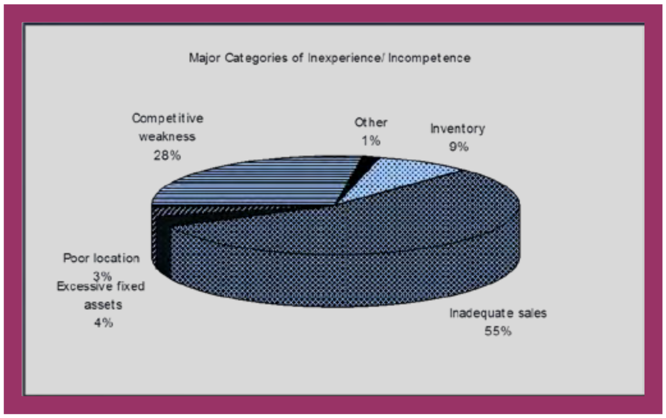
It's amazing how few founders consider sales a necessary competency. I suppose in some cases, the app does sell itself. And you might have an ecommerce site that functions in perpetual income generating mode. But even then, you can't go wrong by having persuasive skills to influence those pesky stakeholders.

Another problem—one can know but not do. Let's call this the problem with professors. Professors are smart and they are book learned. They have command of a great deal of useful (and useless) information. But many cannot apply what they know. Two examples: entrepreneurial professors rarely run their own businesses and teaching medicine is different from the practicing it.

Inexperience

Bankers are fond of saying that a business fails when it runs out of money. True, true. But money is an effect, not a cause. Over the years, many studies have looked at the cause(s) for running out of money. Results vary widely depending on the industry and how researchers frame their questions. However, it's worth remembering one study done many years back.

In this study, Dun and Bradstreet looked at reasons why companies decline and go into bankruptcy. Disaster accounted for: .8%; fraud, .5%; neglect, .8%; and unknown reasons 5.8%. This leaves 92.1% of failures attributed to managerial inexperience/incompetence. Of this last category, two causes (inadequate sales and competitive weakness) account for 83% of the variance.



Incompetence

Incompetence doesn't just exist in new businesses, it also creeps into long established ones. Peters (1996) referred to this as *The Peter Principle*. The short version goes, "In a hierarchy every employee tends to rise to his level of incompetence."

The rule applies to all levels of the hierarchy, from the very top to the bottom. It's easy to see janitorial incompetence when the floors aren't being swept and the trash isn't taken out. But it's hard to know when a CEO is incompetent. Even when this becomes common knowledge, they often leave with their firms golden parachutes (Kloeffler, 2012). Not a bad job if you can get it.

Big companies can muddle through with a bad CEO or two. However, an ignorant, inexperienced and incompetent entrepreneur is a cancer inside a small medium enterprise—one fatal to growth.

If you still don't think this is a problem, you should look closely at a series of experiments in psychology that came to be known as the Druming-Kruger Effect. In a *Psychology Today* article by Hawes and Grazioplean (2010), the Dunning-Kruger Effect is described as, "A cognitive bias in which people perform poorly on a task, but lack the meta-cognitive capacity to properly evaluate their performance. As a result, such people remain unaware of their incompetence and accordingly fail to take any self-improvement measures that might rid them of this ineptitude.

Single-Minded Focus

We also see some weaknesses embedded within strengths. Normally the flaw is one related to single-minded focus, what the psychologists can functional fixedness. It's like looking at a rainbow and only seeing the color green. Some examples:

The Extreme Manager. Typically it's an MBA who deludes himself/herself into thinking that entrepreneurs are just managers and that they can manage the business into success.

The Technologist. This is the inventor who thinks that the product will sell itself. The flaw is related to an old saying by Ralph Waldo Emerson written in his journal in 1855. It goes, "If a man has good corn or wood, or boards, or pigs, to sell, or can make better chairs or knives, crucibles or church organs, than anybody else, you will find a broad hard-beaten road to his house, though it be in the woods." However, there is another version by Sarah Yule that goes, "If a man can write a better book, preach a better sermon, or make a better mousetrap, than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door."

Unfortunately for the inventor, their inventions may not pay-off economically as the following example from (Hope, 1966) illustrates, "Of the more than forty-four hundred mousetraps patented, fewer than two dozen have earned their creators a cent."

Character flaws. Those who fell from power due to personal failings have been well documented by the historians. Hubris, for example, was a fatal flaw in the tyrant, one of the more common reasons for the fall of the powerful back to earth. Wannabe entrepreneurs who are not coachable suffer a similar flaw. Unfortunately, there are many such character flaws including personality disorders such as extreme narcissism.

Delusion

Delusion is a strange thing. The Buddhist definition—a false belief that causes suffering. This type of delusion is not crazy, odd or unusual—it can be held by millions. What's worse, strong delusions resist being changed. Many are learned in families, but a surprising number originate in universities.

The best way to understand entrepreneurial delusions is to understand how they are taught. Those without college degrees just figure it out. Others with technical degrees such as computer science also figure it out.

Still others take entrepreneurial courses at a university thinking the professors have the answer. Unfortunately, many do not. One reason is that professors lack feedback on what works and what doesn't, since only a small number of full-time faculty have ever run a business. I remember as a graduate student I worked for a professor who had his small business textbook up to the 7th edition — and he never bothered starting a business.

Textbooks present another problem. Of three commonly used textbooks I examined, (Katz and Green, 2011), (Mariotti and Glackin, 2010), (Timmons and Spinelli, 2008), none of them emphasized the importance of building entrepreneurial teams. Nor did they tell students how to do so. And none of them addressed the importance of personal improvement in evolving into a Great Founder.

Overview of The Great Founder Paradigm

"You grow an organization the way a tree grows—from the inner ring to the outer." — M. Johannsen

This paradigm consists of a different way of thinking compared to what's traditionally taught in the b-schools. It consists of these elements:

- The Three Rings of Greatness
- Four Tenets For Growth
- The Core Five Skill Sets

The three rings are a metaphor. One ring is the founder himself, the second ring is the group, and the third is the organization.

The Individual Ring

Every business starts with an idea held by a Founder. It starts with a dream and imagination turned into reality. Really smart entrepreneurs prepare themselves for the launch. These are what are commonly called opportunity entrepreneurs. However, this is not always possible. Necessity entrepreneurs are those who face a real "fiscal cliff" find the walls of the corporation or government impossible to scale, they strike out on their own into the world of business.

The Core Five. Within the ring of the founder we also see a number of key competencies that the individual must build. These break out into five different skill-sets. In no special order they are:

- Strategy and tactics,
- Entrepreneurial management,
- Transformational leadership,
- Technical skills, and
- Self-mastery.

The Four Tenets For Growth. Finally, there are certain guiding principles an entrepreneur needs to keep in mind. These are:

- Know Thyself
- Strive For Self-Mastery
- Follow the Path of Heroes
- Seek to be Wise

The Group Ring

Until recently, b-schools did not place a great deal of emphasis on group dynamics and team building. Many expect teamwork but don't provide the practical theory necessary to understand it or the practice needed to make it happen in the real world.

Groups are complicated. For example, a good textbook on group dynamics will easily run over 500 pages. For every book touting the wisdom of crowds, you also have books documenting centuries of financial folly by the best and brightest in the world of finance.

Groups don't automatically make better decisions than the lone individual. And it's all too often the case that most "executive teams" aren't teams at all. At their worst, they're really a coven of angry old guys in perpetual conflict with each other trying to please a sociopathic authority figure.

The Organizational Ring

At some point, start-up groups give way to the imperatives of bureaucracy. HR wants job descriptions, accounting screams for controls, listening to lawyers becomes more important than listening for good ideas, and middle managers are needed to reduce the work load at the top, etc. At this point, one can use more of the theory taught in the business schools.

Don't Be Afraid to Think Different

"A superior man thinks of what is right,
A small man thinks of what is popular.
A superior man demands much from himself,
A small man demands much of others.
A superior man does not accept his lot in life,
A small man is full of complaints."

I have spent many years studying great individuals and believe that they think differently than the rest of us. It would make sense when you think about it, that there's something fundamentally different in the way they act and the way they make decisions.

Steve Jobs presents the archetypal case of the Great Founder (Isaacson, 2011). Like other billionaire entrepreneurs, he never received a college education and never went to business school. I suppose, a cynic might say that a reason he was successful relates to never having learned the theory base of how to manage a corporation. In Jobs' case, he had to make things up as he went.

> "So we went to Atari and said, 'Hey, we've got this amazing thing, even built with some of your parts, and what do you think about funding us? Or we'll give it to you. We just want to do it. Pay our salary, and we'll come work for you.' And they said, 'No.' So then we went to Hewlett-Packard, and they said, 'Hey, we don't need you. You haven't got through college yet."— Don Clark-Big Dog, *How to Try to Stop Great Ideas*

But success for Jobs it was not an easy road to travel. After experiencing early success, he was fired by the board and left Apple. This was the beginning of what you might call the wilderness years.

His stay in the wilderness lasted nearly 12 years during which time he started two companies. Next was a software company Jobs sold to Apple for $400 million. It contained some of the software that became the basis for Apple's OS X operating system. And of course, Pixar, which was sold to Disney in 2006 for 7.4 billion and a seat on the Disney board (MSNBC, 2006). But in his heart, he still cared about Apple.

> "It's as if Apple is an old fiancée from college that Steve met again at a 20-year class reunion," Ellison told Fortune magazine in March. "Steve is happily married now with children, and has a great life. When he meets his old girlfriend again, she's an alcoholic and is running around with a bad crowd and has made a mess of her life. Even so, in his mind's eye, he still sees the beautiful woman he once thought was the love of his life. So what's he supposed to do? Of course, he doesn't want to marry her anymore, but he can't just walk away, because he still cares about her." — Larry Ellison on Steve Jobs, *Fortune Magazine*, March, 1997

When he came back to Apple, the company was close to a real fiscal cliff. He found his child, his baby suffering declining sales and dwindling cash to fund operations. However, he was asked back by the board, and paid a dollar a year to revitalize the company and the rest is history.

Wrap-up

In the classic management paradigm, the focus is always on the organization. And this would make sense if you have a company that's been around for a while. But it makes no sense for the entrepreneurial start-up. That's why with the Great Founder Paradigm you focus on improving yourself as much as you focus on your group and the organization. Doing so allows you to continue to develop both yourself and your business.

References

Branson, Richard (2000). *Losing My Virginity*. Virgin Paperbacks

Collins, Jim (2001). *Good To Great*. HarperBusiness.

Freeland, Chrystia (2012). *Plutocrats: The Rise of the New Global Super-rich*. The Penguin Press.

Hammett, Pat (2011). The Philosophy of TQM: An Overview, *Course Notes*

Hawers, Daniel and Grazioplen, Rachael (2010). When Ignorance Begets Confidence: The Classic Dunning-Kruger Effect. *Psychology Today*, June 6.

Hope, Jack (1966). The Better Mousetrap. *American Heritage Magazine*, 47:6

Isaacson, Walter (2011). *Steve Jobs*. Simon and Shuster.

Katz, Jerome & Green, Richard (2010). *Entrepreneurial Small Business.* McGraw-Hill Irwin.

Kloeffler, Dan (2012). *Golden Parachutes: 21 CEOs Landed $100M Plus*. ABC News, January 27.

Mariotti, Steve & Glackin, Caroline (2010). *Entrepreneurship*, *2nd Edition*, Prentice-Hall.

MSNBC.com (2006) Disney buying Pixar for $7.4 billion, Web Article

Peter, Lawrence & Hull, Raymond (1996). *The Peter Principle: Why Things Always Go Wrong,* Buccaneer Books.

Reinhart, Carmen and Rogoff, Kennith (2011). *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press.

Smith, Greg (2012). *Why I Left Goldman Sacks: A Wall Street Story*. Grand Central Publishing.

Surowiecki, James (2004). *The Wisdom of Crowds:*

Why the Many Are Smarter Than the Few. Anchor Publishing.

Timmons, Jeffry and Spinelli, Stephen (2008). *New Venture Creation: Entrepreneurship for the 21st Century*, McGraw-Hill Irwin

Whetten, David & Cameron, Kim (2011). *Developing Management Skills, 8th Edition*. Prentice-Hall

Resources

This is the text version. The public version complete with art and pictures can be found at: www.legacee.com/Assets/Greatfounder.pdf The e-book titled "The Great Founder Paradigm" of which this article is a part is available for download from iTunes.

You can stay current on what is going on via:
Twitter:
https://twitter.com/TheGreatFounder

Google+ Under the title "The Great Founder":
https://plus.google.com/u/0/b/103259889137180476141/communities/117358434544969397749

The Linkedin Group: The Great Founder:
http://www.linkedin.com/groups?gid=3901986&trk=myg_ugrp_ovr

ABOUT THE AUTHOR

Mr. Johannsen serves as a management instructor and adjunct professor in the America at UCLA, The University of the West, Woodbury University and in Asia at Korea University in Seoul. He holds an MBA from the University of Iowa and an MA in Psychology from Harvard University. Murray Johannsen is also the founder and president of Legacee.sm

Murray Johannsen .

He is also an expert in the field of transformational leadership, which is a critically important style needed for organizational change and innovation. To master this style, one must develop a certain set of skills—the Four Core Competencies necessary to function as a great transformational leader.
These skill sets include:

a. The ability to **influence** without using authority,
b. Elements of Self-control and **Self-mastery**,
c. A set of principles known as the **transformational mindset,** and
Skills at **building skills**

Email: info@legacee.com

The JOBS Act: Boon or Boondoggle?

By Lee R. Petillon

On April 5, 2012, President Obama signed into law the Jumpstart Our Business Startups (JOBS) Act, after having been overwhelmingly approved by the Senate and the House. This followed a long period of advocacy by small business groups to relax securities laws restricting access to capital for startups and early stage companies. Thus, for the first time since the Securities Act was enacted in 1933, the basic restriction on private offerings – that a company seeking investors must have a preexisting relationship with all prospective investors - has been relaxed.

When all of the rules of the Securities and Exchange Commission (SEC) implementing the act have been promulgated, this act potentially can make early stage financing much easier.

The act is divided into seven "titles":

Title I - "On-ramp" IPO procedures for "emerging growth companies"

Title II - Ban on general solicitation removed for SEC Rule 506 offerings

Title III - "Crowdfunding" offering provisions

Title IV - Increase in maximum offerings under SEC Regulation A

Title V - Increase in threshold for registration of non-bank equity securities under the Securities Exchange Act of 1934

Title VI - Increase in threshold for registration of bank securities under the Securities Exchange Act of 1934

Title VII - SEC to conduct outreach activities to small and medium-size businesses

Title I - This section relaxes disclosure, corporate governance and auditing standards for "emerging growth companies" seeking to go public by an initial public offering (IPO). These are issuers with less than $1 billion of gross revenues for their most recent fiscal year. The act provides these companies with an easier transition period or "on-ramp" to the public markets for a period of five years before they are required to comply with all the regulatory requirements for a public company under the Sarbanes-Oxley Act of 2002, which added stringent accounting and financial controls to the Securities Act following the Enron scandal in 2010.

Among other provisions, this section permits issuers who are "emerging growth companies" to

- submit confidentially a draft of his registration statement (without making their documents public) provided that it publicly filed his registration statement within 21 days before commences its roadshow;
- only present two years of audited financials (instead of five);
- be relieved from the requirement of mandatory audit firm rotation and attestation to internal controls by an outside auditor;
- communicate with potential investors who are "qualified institutional buyers" or "institutional accredited investors" to determine their interest in the contemplated IPO;

This section also allows brokers and dealers the public and distributing research reports about an issuer contemplating an IPO and lifts the ban between research analysts and investment bankers involved in an IPO.

It is not clear how many issuers will be able to take advantage of this section or how much of a time and cost advantage it is.

Title II - This section amends Rule 506 of Regulation D (the primary private offering exemption under the Securities Act) to permit general solicitation and general advertising of offerings under Rule 506 provided that only accredited investors[1] are allowed to

[1] "accredited investors" include individuals whose net worth, or joint net worth with that person's spouse at the time of his purchase exceeds $1 million, exclusive of that person's equity in his principal residence, or an individual

purchase securities under this offering exemption. It is believed this could be the most significant change in the securities laws under the JOBS Act – nearly $1 trillion has been raised each year under Rule 506 in its present state, so that conceivably much more capital could be raised using general solicitation. Rule 506 offerings preempt any state regulation, which enhances its usefulness in multistate offerings. The SEC proposed a rule implementing the statute on August 29,2012, but has yet to adopt a final rule. It is believed that the final rule will delineate methods by which accredited investors will be solicited and screened to ensure that only accredited investors are permitted to purchase the securities. The final rule is expected in spring or early summer this year.

The SEC proposed rule merely copied the statutory provision that each issuer shall take reasonable steps to verify that each purchaser is an accredited investor. However the SEC also made a number of suggestions that should be considered "reasonable steps":

- Determine the nature and type of accredited investor
  - Is a person a right successful self-made businessperson?
  - Is a person the high school dropout who happen to inherent million dollars?
  - Is the person a 75-year-old widow never had responsibility for family finances?
  - Is a person a wealthy person with Alzheimer's disease? Or an alcoholic? Or a drug addict?
- What is the amount and type of information available about the purchaser?
  - Merely "checking the box" on its offeree questionnaire is probably not sufficient to establish that the person is an accredited investor- for example, a combination offeree questionnaire and suitability questionnaire would solicit not only net worth and income, but other metrics such as investment time horizon, risk tolerance, investment objectives, investment experience, need for liquidity, educational level and other factors which determine whether the investment is suitable for such person (as is required of registered broker-dealers under FINRA'a "Know Your Customer" rule.
- How was the purchaser solicited?
  - By a registered broker dealer who knew his customer for many years?
  - By a widely circulated website, email or advertisement? Obviously the issuer must do more careful screening in the latter case.
- What is the minimum investment amount in the IPO?
  - $100 per investor? Or $50,000 per investor? The larger minimum would seem suitable for an accredited investor but not for a non-accredited investor.

There are interested parties who taken strong positions on either side of the issue as to what type of restrictions should be imposed on Rule 506 offerings using general solicitation. The National Small Business Association sent a letter to the SEC suggesting that only moderate or light restrictions should be imposed so as to implement the broad purpose of the statute, whereas a group of seven leading senators (Carl Levin, Richard Durbin, Tom Harkin, Frank Lautenberg, Al Franken and Daniel Akaka) sent a strong letter to the SEC stating that the SEC proposed regulations to implement the JOBS Act are fatally flawed because they failed to establish methods that are sufficient to ensure that only accredited investors participate in the offerings, and suggesting a number of additional restrictions that should be imposed.

Assuming that the final SEC rule does not stray too far from the Congressional mandate, small business issuers should be able to raise capital much more easily and without undue risk of rescission by investors by following three steps:

Step 1. By Internet email website advertisement or advertising in publications, seek accredited investors and require them to fill out an offeree and suitability questionnaire with questions to ensure that all purchasers are not only accredited investors, but are sophisticated and experienced in investing in early-stage non-liquid securities. Have investment banker vet these prospective purchasers to ensure that they are accredited investors and that the investment is suitable for them.

Step 2. Retain an investment banker and securities lawyer to draw up offering materials including a private placement memorandum drafted to include all material

net income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of such years,, and has a reasonable expectation of reaching the same income level in the current year.

facts of the business and the offering and all material risk factors.

Step 3. Conduct the offering through the investment banker, making sure that all purchasers have had a full opportunity to ask questions of management-obtain an acknowledgment by each investor that he has read all of the offering materials and is relying solely on such materials and on his own investigation and judgment.

Title III - The "crowdfunding" provisions have garnered most of the media attention, because non-accredited investors may be solicited using general solicitation, a radical change in the securities laws. Offerings under the crowdfunding provisions are limited to $1 million per year, and individual investors are limited to invest annually the maximum amount of:

- the greater of $2000 or 5% of the investors annual income or net worth if his net income or net worth is less than $100,000; or
- 10% of the investor's annual income or net worth, not to exceed a maximum of $100,000 if the investor's annual net income or net worth is $100,000 or more.

The crowdfunding offering must be conducted through a registered broker dealer, or a "funding portal" that serves as an intermediary. The intermediary must be registered with the SEC and a self-regulatory organization such as FINRA.

Issuers relying on the crowdfunding exemption must comply with certain disclosure requirements including:

- filing with the SEC a business plan, description of the use of proceeds of the capital structure of the issuer;
- filing of financial statements with the SEC which must be audited if the offering exceeds $500,000, or reviewed if the offering is between $100,000 and $500,000;
- disclosing risks of the investment ;
- making any other disclosures the SEC requires by rule; and
- filing annual reports with the SEC and to the stockholders as the SEC rule requires.

Crowdfunding offerings also preempt state regulation, although the states may still enforce anti-fraud rules.

The crowdfunding provisions also provide for a private right of action of investors to recover consideration paid by an investor for any material misstatements or omissions, for which the issuer's directors, partners, executive officers and accounting officers also bear liability.

The SEC was directed to promulgate implementing regulations within nine months (December 2, 2012); however, since the crowdfunding provisions have been controversial, no proposed rules have been adopted as yet, and final regulations are not expected until well into 2013.

Title IV - Regulation A is an exemption from registration for a public offering if not than $5 million. This section increases the maximum amount that can be offered under Regulation A from $5 million to $50 million in any 12 month period. Although a Regulation A offering is technically "exempt from registration", an offering circular must be submitted to and cleared by the SEC, and audited statements must be included in the offering circular. Regulation A offerings preempt state regulation only if offered and sold on a national securities exchange or to a "qualified purchaser" to be defined by the SEC.

Title V - The Securities Exchange Act of 1934 requires every company to become a public reporting company if its assets exceed $10 million and has more than 500 shareholders. This section increases the threshold of the number of shareholders required under the 1934 Act from 500 to 2000 persons, including not more than 500 persons who are not accredited investors. This section also excludes from the count employee shareholders who receive shares under a stock incentive plan or in a crowdfunding offering.

The significance of this section is that private companies will be able to raise capital through successive offerings with larger numbers of investor-shareholders until they reach 2000 records shareholders (including not more than 500 non-accredited investors) without incurring the substantial expense of registering as a public reporting company under the Securities Exchange Act of 1934.

Title VI - This section increases the number of shareholders of a bank or bank holding company required to register under the 1934 Act from 500 to 2000 persons.

Title VII - This section requires that the SEC conduct outreach to inform small and medium-size businesses of the changes made by the Act.

Although the statutory provisions of the Act are broad and pervasive, it remains to be seen how restrictive the SEC rules implementing the statute will be. If the rules are consonant with the broad intent of Congress to substantially ease the rules for capital formation, the changes wrought by the Act will have profound changes in accessing the capital markets, particularly for small business issuers.

It is not likely that the final SEC rules will be adopted for all provisions of the act until well into 2013, so it will be sometime before the effectiveness of the act in facilitating access to capital will be understood.

ABOUT THE AUTHOR

Lee R. Petillon practices corporate and securities law with Petillon, Hiraide & Loomis LLP, specializing in the representation of early stage technology companies, M&A transactions and formation of venture capital and private equity funds. He has been an investment banker, and corporate counsel for a venture capital fund, a manufacturing firm and a high technology company. He co-authors *"Representing Start-Up Companies,"* published by Thomson*West in 1992-2012. He received a B.B.A. degree from the University of Minnesota and an L.L.B. degree from the University of California, Berkeley. He serves on the State Regulation of Securities Committee and the Venture Capital and Private Equity Committee of the American Bar Association, and has served on the Executive Committee of the Business and Corporations Law Section of the Los Angeles County Bar Association. He has written numerous articles and lectures frequently on financing of growing businesses.

Contact Info: lpetillon@phlcorplaw.com

PETILLON ▪ HIRAIDE ▪ LOOMIS ▪ LLP

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Lee R. Petillon

Mark T. Hiraide

Roger D. Loomis, Jr.

SMALL LIKE *YOUR* BUSINESS AND JUST AS POWERFUL

Companies on the fast track to success turn to PHL for help with navigating the complexities of state and federal regulatory laws and corporate finance. The law partners offer personalized attention to a range of business clients, including start-ups, middle-market companies, venture capital funds, broker-dealers and investment advisors as well as individual officers, directors and investors.

Practice areas include public and private offerings; mergers and acquisitions; formation of corporations, partnerships, limited liability companies and private equity funds; securities regulatory compliance; and complex securities and commercial litigation.

The three partners are authors of numerous influential publications and are frequent public speakers, recognized by their peers as authorities in their field. Their varied backgrounds – including working as counsel to regulatory agencies, large corporations, start-up companies, venture capital funds, investment bankers and entrepreneurs – make them uniquely qualified to offer effective, creative solutions to their clients.

You are invited to contact us when the need arises. Two locations to serve you:

21515 Hawthorne Blvd., Suite 1260, Torrance, CA 90503

301 E. Colorado Blvd., Suite 407, Pasadena, CA 91101

Tel (310) 543-0500 Fax (310) 543-0550

Visit us at www.phlcorplaw.com

Business to Business Marketing for Small Firms
A Practical Approach

By John G. Robbins

Business marketing is the sale of their products or services to other companies or organizations that either resell them, use them as components in products or services they offer, or use them to support their operations. The link between business and consumer marketing is that business markets have a derived demand - this means that a demand in business markets exists only because of another demand in the consumer market.

The tremendous growth and change that business marketing is experiencing is due in large part to three "revolutions" occurring around the world today, according to Morris, Pitt and Honeycutt (2001).

First is the technological revolution. Technology is speeding up the pace of new product and service development. While technology supports forming organization strategy, the business strategy is also helpful in technology development creating a feedback circle.

Second is the entrepreneurial revolution. To stay competitive, many companies have downsized and reinvented themselves. Adaptability, flexibility, speed, aggressiveness and innovativeness are the keys to remaining competitive today. Marketing is taking the entrepreneurial lead by finding untapped needs and new uses for existing products, and by creating new processes for sales, distribution and customer service.

The third revolution is occurring within marketing itself. Companies have to adopt new frameworks, theories, models and concepts. They're also moving away from the mass market and the focus on the transaction. Relationships, partnerships and alliances define marketing today. With technology, companies can target marketing programs down to the individual account level.

First, let's contrast business marketing with consumer marketing by looking at six major problems of marketing to large businesses. All small manufacturing businesses dream of selling to big businesses but most can't because of these few insurmountable issues:

1. Fewer, larger buyers: Huge companies buy large amounts through fewer buyers. Because they buy in such large quantities, it is difficult for small businesses to get orders since most small firms can't even supply the large firm's minimum order.

2. Close supplier-customer relationships: Many large firms buy from companies that also buy from them. They also rigorously qualify prospective suppliers even to the extent of examining their production process and supply chain. Small businesses can't even buy directly because they can't afford the minimum order.

3. Professional purchasing: Trained agents follow their organization's purchasing policies. Unless your firm can meet these stringent polices, they will not buy from you.

4. Multiple buying influences: Technical experts and management influence the buying process. So, sales representatives must be highly skilled. You must do your homework and come to the table not only with the right product (or service) but with the right skills and depth of knowledge.

5. Multiple sale calls: A study by McGraw-Hill found it took four to five calls to close an average industrial sale. So, knowledge of the sales cycle is imperative. In some purchasing, high cost items and technology based items create cycles that could be years. Small businesses can't financially support the lengthy effort to get the order without even a guarantee that they will get the order at the end.

6. Derived demand: The demand for business goods is driven by the demand for consumer goods. So, you must be able to monitor the driving consumer goods markets to adjust your production; most small businesses don't have the finances or the manpower to do an adequate job. If you don't, you could be buried with returns.

Since small businesses can't overcome the above issues. The strategy is to start further downstream. Let's look at small business to small business selling:

Buying Situations:

Buying typically falls into three categories and the selling strategies vary with each category:

1. Straight rebuy: Normal reorders of supplies. Inventory gets low and the re-order level is passed triggering an automatic reorder from the specified supplier. Here you might exploit dissatisfaction with a current supplier to get a foot in the door with a small order. Also, offering to be a back-up supplier for critical items is another way to get a foot in the door with a small order.

You must build a relationship with the buyer because he must be convinced that you can supply the same product in a timely fashion under the same terms. Trust is only built over time with no immediate payoff. You must position yourself to have built sufficient trust at the time an opportunity presents itself. Ask what are the critical factors in his decision process? Then, creatively demonstrate over and over again that you can beat any of those factors.

2. Modified rebuy: Here the purchaser has minor changes to the specs or terms of the items and may open up bidding. If you can match the new specs or terms, you can enter the bidding. Again, you must position yourself to have built sufficient trust at the time an opportunity presents itself. If you focus on what his problems are, you may be able to provide better specs or terms before it opens for bidding.

3. New task: The greater the cost or risk, the larger the number of participants, and the greater the information gathering, the longer the time to a decision. This is where you must have built enough trust so the buyer will confide what products are in R&D. Here you can have your technical people help his and design your product into his product. That means when the new parts are specked out, they will be the same specs as your product making it an easier sale.

The major difference between business to business and business to consumer marketing is their focus. Marketing to consumers focuses on determining the consumers' wants which are related to ego, peer pressure, and status among others. Business buyers focus on the price, the terms, the specifications, the delivery and the after sales support.

The Buying Center

The first step in the selling process is to discover who to sell to that participates in the purchase decision-making process. Although they are broken down into seven categories, many are combined in small businesses.

1. Initiators: They request something be purchased.

2. Users: End users who often define the product requirements.

3. Influencers: Usually technical people who help define specifications.

4. Deciders: People who decide on product requirements for suppliers.

5. Approvers: People who authorize the proposed actions of deciders or buyers.

6. Buyers: People who have the formal authority to select the supplier and arrange terms.

7. Gatekeepers: People who have the power to prevent sellers or information from reaching key members who participate in the purchase decision-making process.

You need to determine which of the above apply to your situation. In small business cases, many times one person wears many of these hats. In technical purchases, many times it is the IT person or the product development engineer that initiates the purchase **(1. Initiator)** and is the user **(2. User)** who defines the product requirements, and is also the influencer (**3. Influencer)** who defines the specifications. They pass their requirements along to the Production Manager **(4. Decider)** who decides on the supplier requirements. He forwards it to the Vice President **(5. Approvers)** for approval and he sends it to the Buyer **(6. Buyer)** for actual purchasing. During the entire process each of the above members is bumping up against internal assistants **(7. Gatekeepers)** who can delay the process.

Selling to Small Businesses

Now that the participants in the buying process are determined, the following are six key points when putting together a selling strategy for small businesses:

1. Don't combine small and midsize businesses together as one market: Small businesses have people wearing many hats. So you need to find out who in the buying center should be your focus.

2. Do your distribution channel and target homework: Research up and down stream of your target market to see how the channel functions.

3. Keep it simple: The more complex your strategy, the more difficult and expensive it will be to implement.

4. Make direct contact with your target: Business to business is relationship marketing. That can be done best with face-to-face discussions.

5. Use the internet for follow-up and providing additional information: You can't hear tone of voice or a facial expression in an email. However, the internet is great for getting sales material in the hands of your prospects immediately in a format that they can forward to others in the buying team.

6. Provide after-sale support: Customer service is your focus in selling to small businesses. This is relationship marketing at its finest.

These concepts don't seem revolutionary, but if you miss any one of the six, you won't make the sale.

Now let's apply these six concepts to a real example:

Back when redwood hot tubs were first on the market, no one knew how to keep the water clean. Pool supply retail stores thought you could use normal pool chemicals. But, pool supply retailers did not have enough experience with hot tub maintenance to determine whether pool chemicals worked effectively on hot tubs.

ABC's entrepreneurial chemists had determined pool chemicals did not work well on hot tubs and hot tubs needed their own targeted chemicals. ABC Company did its homework and saw a large potential for a line of hot tub chemicals that actually worked.

ABC was facing several large national competitors in the pool chemical business. However, no pool chemical company had yet recognized this growing market. None had yet developed its own line of hot tub chemicals. ABC knew that one of the barriers to entry for the large companies was the long development time to design a similar line of hot tub chemicals.

ABC thought if they could penetrate the market quickly and capture a significant share, they would be a prime candidate for a buy-out by one of the large pool chemical companies. However, they were long on enthusiasm and short on cash.

The Problem:

ABC took their line of hot tub chemicals to the major stocking distributors but got no orders. The distributors told them that since no retail pool supply stores were asking for that kind of product, they were not going to invest their cash to stock it when they could see no demand. ABC then spoke to several retail supply store managers. The managers told ABC that they currently had few hot tub customers coming into the store and asking for hot tub specific chemicals. They had heard about the "Hippy hot tub fad" in Northern California but had no personal experience with hot tubs. ABC then spoke with the hot tub manufactures and discovered that they didn't know anything about hot tub water chemistry either. Their recommendation to the customer was to drain their 300 gallon tub and refill it! ABC was devastated. Like most entrepreneur driven businesses, they thought everyone could see the market potential. ***(2. Do your homework)***

The Solution:

The Situation: ABC had to build retail demand to show the distributors there was a market. How were they going to do that? The distributors made it quite clear they were not wasting any money or time marketing a product they didn't see a current demand for. The retail supply stores felt the same way and the customers were just draining their tubs!

This was an unusual situation. Normally, ABC would point to their product's differentiators and they would be recognized by the buyer and purchased, if there was a demonstrated value over similar products. In this case, the industry was so new; no one from the distributor to the end user had yet recognized the need for a new product.

Even the hot tub owners didn't recognize they needed different chemicals and their expert, the pool supply store manager, was recommending pool products since he didn't know they weren't working. The hot tub industry was so new; no one knew what the problems were. ABC was a new company and didn't have large cash reserves for large educational media campaigns to create the level of awareness needed.

The first step in developing a strategy and the tactics to implement it was to define their target markets.

The Target Markets:

In this case, there were three target markets ***(1. Don't lump them together.)***

1. **The Distributors.**
The Distributors had dozens of Retail Supply Stores as customers. So they would be the most cost-effective channel. But they also had no current demand and, worse, had no knowledge of the need for the product or how it differed from the pool version.

2. **The Retail Pool Supply Owner/ Manager.**
The Retail Pool Supply owner/manager was a target because he was considered the "expert" by his customers. If ABC could educate them on the use and benefits of their products, then these experts would recommend ABC's products to their customers.

3. **The Hot Tub Owner.**
The Southern California owners were the first buyers of hot tubs south of the Hippies in Northern California. They were "Innovators" that wanted to be the first ones to say they owned a hot tub and were willing to take the risks of new product ownership. The installation of hot tubs required plumbing and electrical installation with trucks and crews visible and their neighbors wanting to know what was happening. If ABC could demonstrate how well their product worked, these owners would become the "Opinion Leaders" in their neighborhood and recommend ABC's products to their friends and neighbors.

With limited cash and manpower, ABC decided to target Retail Pool Supply Owner/Managers initially because most pool supply stores have route services to clean and maintain customers' pools. Hot tubs could be added to their routes for additional revenue once the route man demonstrated his expertise in caring for hot tubs.

So, ABC did some face-to-face market research with managers and listened to why their product wasn't needed. Based upon what they heard, ABC decided the managers needed a graphic product demonstration.

The Appointment: Initially, ABC called the owner/managers for an appointment and got rejected. The managers did not want to waste their time talking about a product that no one wanted. ABC did some more observational research and discovered that between 2 and 4 pm the traffic in pool supply stores was minimal. They decided the best tactic was to just drop in on the manager. If he was busy, ABC could leave and come back. ***(4. Make direct contact)***

The Demonstration: This had to be quick, simple and based on results, not a chemical analysis comparison, and produce visually dramatic results. ABC's chemists developed a simple demonstration: two large test tubes placed side by side, visibly dirty water was placed in each tube, and then three drops of their pool clarifier was put into one tube and three drops of hot tub clarifier was put into the other. The results were dramatic: Instantly the dirt dropped to the bottom of the hot tub tube and even thirty minutes later the pool clarifier tube had no change! The managers were amazed and agreed that there was a major difference between pool and hot tub chemicals. ***(3. Keep it simple.)***

The Trial: ABC still needed to get the manager to try it. Fortunately, every store has a pool route business to regularly take care of customers' pools. And, each route was starting to get hot tubs as more route revenue. ABC gave each store a case of hot tub clarifier to test on their routes and sample bottles to give to their walk-in hot tub customers after showing them the demonstration.

The Initial Orders: Since no distributors were currently carrying their products, ABC shipped directly to the local pool stores. Customer service for the managers was their focus. It was crucial that the managers were trained in each product so they could properly instruct their customers. There must be no bad results due to improper use of the chemicals. This initial group of managers was to be used as testimonials and references for the next group of stores. This continued until the volume increased to the level that interested the local distributor. ***(6. Provide after sales support.)***

Distributor Orders: ABC maintained contact with the local distributor while the volume was building so the distributor didn't think ABC was competing with them by selling direct. Once the orders hit the right level, ABC took the orders to the distributor and told them to fill the orders since they were from the distributor's current customers. The distributor placed its initial order to fill the orders brought to it by ABC. The next time a manager called to place an order, ABC told him to call the local distributor.

Expansion: Once the model was perfected, ABC then looked for the next geo-demographic target and focused on that area repeating the process. The acceptance went faster because ABC now had testimonials and references. As revenues expanded, additional salesmen were hired and more areas were added. The model of drop-in meetings, demonstrations and samples with training was refined to include a hotline for managers and route men to call when they had a question or problem they couldn't fix.

Integrated Marketing Campaign: Since ABC didn't have large cash reserves for marketing, it adopted the Zero-Budget Marketing approach. Each retailer was given a test tube demonstration kit for live demonstrations as well as a sealed kit to leave out on the shelf as an example. Shelf hangers were placed below each product with a headline of "For Hot Tubs ONLY." Small envelope stuffers explaining why hot tubs needed to be cared for differently and describing each product were created. These were put in the retailers' billing envelopes and handed to route clients by the route man. The marketing materials were produced by bartering chemicals for printing with a hot tub owning printer. ABC also put up a website with product use videos. **(5. *Use the internet-it wasn't as robust as it is today.*)**

As revenue increased, the sales staff increased and key national geographical areas were targeted that were buying lots of hot tubs. However, national media was not included until ABC was established in these key areas. ABC wanted to capture a significant portion of the market to establish its brand before the large pool chemical manufacturers realized that hot tubs were a growing permanent market and not just a Hippie fad.

The Result:

Clarifier orders increased to the distributors as more and more retailers were convinced of the superiority of the product. With the credibility that ABC established with their clarifier, they were able to add more products to the line. However, they still had to work directly with the retailers to introduce new products. Since the industry was still so new the retailers were still discovering the problems their customers were experiencing.

In the example, the derived demand for ABC's chemicals was driven by the demand for hot tubs. So they had to understand the end user's (retail customer) wants to fully develop a marketing strategy that would work throughout their distribution channel. Ultimately, as demand increased, their clients became the distributors so their focus shifted to pricing, delivery, and after sales support. But, during the educational process, ABC built strong relationships with the distributors and strong branding with the consumer. When the large pool chemical companies discovered the market, they faced such a strong brand, solidly entrenched in the market, they were forced to buy ABC to gain market entry.

End Notes

1. Philip Kotler, Marketing Management, 11th ed. (Upper Saddle River, NJ: Prentice Hall, 2003) p. 566-584

2. *Strategic Planning for Small Businesses: A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 7 (Rosemead, CA, University of the West, January, 2006)

3. *Marketing Plan for Small Busines9ses: Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 8 (Rosemead, CA, University of the West, January, 2007)

4. *Locating and Attracting Customers: A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 10 (Rosemead, CA, University of the West, January, 2009)

5. *Market Research for Small Businesses: A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 9 (Rosemead, CA, University of the West, January, 2008)

6. *Attracting Customers through Integrated Marketing: A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 11 (Rosemead, CA, University of the West, January, 2010)

7. Develop and Manage a Marketing Budget: *A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 13 (Rosemead, CA, University of the West, January, 2012)

8. William O. Bearden, Thomas N. Ingram, and Raymond W. LaForge, *Marketing Principles and Perspectives,* 2nd ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 1997) p. 99.

9. Malcom Gladwell, *How Little Things Can Make a Big Difference* (New York: Little, Brown, and Company, 2002)

10. William F. Arens, Michael F. Weigold, and Christian Arens, *Contemporary Advertising*, 11th ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 2008) p. 247, 265.

11. Leon G. Schiffman and Leslie Lazar Kanuk, *Consumer Behavior*, 8th ed. (Upper Saddle River, NJ: Pearson Education, 2004) p. 73, 75-76

12. *Zero Budget Marketing for Small Businesses: A Practical Approach* by John G. Robbins, *Minority and Small Business Review*, Vol. 12 (Rosemead, CA, University of the West, January, 2011)

13. www.newmarketingplan.com/zero-budget.html

14. http://zerobudgetmarketingideas.blogspot.com/

15. www.polaris-inc.com/index.php?action=resources.ArticleInfo&rowid=107

16. www.4hoteliers.com/4hots_fshw.php?mwi=4571

17. http://en.wikipedia.org/

18. Philip Kotler, Marketing Management, 14th ed. (Upper Saddle River, NJ: Prentice Hall, 2012)

ABOUT THE AUTHOR

John Robbins has been a successful entrepreneur for over thirty years and an instructor in several universities marketing departments. He has an MBA in Finance and another in Operations Research and Statistics. In his early years as an entrepreneur, he developed strategic and operating plans for small businesses. That led to focusing on the revenue line of the income statement since nothing happens until a sale is made. Marketing for small businesses is crucial and difficult. There is no room for mistakes and no “Plan B.” That’s why he wrote seven practical articles to guide small businessmen in their search for increasing revenues and continues to consult.

Contact: johnrobbins@uwest.edu

Terry E. Bibbens: A Role Model, Mentor and Champion of Small Business

Terry Bibbens is a true renaissance man: an entrepreneur who has built successful high tech companies and led government initiatives to facilitate innovation and capital access. He is a tireless advocate for small business and minority and women-owned businesses, a devoted husband and father, and a man of fearless integrity. I am honored to be his collaborator and friend. " Lee Petillon (securities attorney, colleague, and "co-conspirator" on several boards)

Entrepreneurs fail. Entrepreneurs persist. Every small businessperson knows these things. So does Terry Bibbens. However, Terry's greatest failures—four of them—have been his failures to retire. Like the Godfather, just when he thinks he is out, we pull him back in. Unlike the Godfather, Terry's persistence has been a lifelong commitment to principles and values, plus an unquenchable optimism about the future, especially directed toward small business development led by technology. We in the small business community have been the fortunate beneficiaries of Terry's entrepreneurial spirit.

Terry's first failure occurred twenty-four years after he launched a Silicon Valley electronic warfare simulation company, Anteka, in 1968. With the support of venture capital, he built then merged Anteka ten years on. He stayed three more years, and then left to become an executive for Loral. He developed one, then led another division of Loral, and ultimately helped in the integration of Goodyear Aerospace, about a $750 million acquisition.

By 1992, when he retired, Terry had founded, financed and sold a small company, and participated in the growth and acquisition activities of a large one. He had proven to be an innovative engineer, a solid manager, and a leader of the first rank.

His business success was a natural outgrowth of Terry's background as a "farm boy" from Redding, California and his training as an electronics engineer at Stanford. His father both ranched and logged, and his mother managed their sustainable small rural enterprise. Terry learned as a boy how practical hands-on management and intense labor drive effective ventures. Reducing a bold vision to practice has been the hallmark of his career and the core advice he offers to the many small businesspeople he has counseled.

As a rancher's son who did not experience his first hand-crank telephone until he was ten, Terry retains a healthy respect for the power of even simple technologies to change life in profound ways. Terry's early experiences also drove his interest in engineering and technology. He remains a train aficionado and a restorer of classic automobiles (his license plate reads "ZUG NUSS," German for train nut). And the high walls multiple shelves of his Temecula home exhibit many examples of nineteenth century "disruptive" technologies.

"My delight in changes wrought by technology grows more and more as I get older. Every new technology, from the automobile to the personal computer and smart phone, was unanticipated by the leaders of the industry before it emerged, and each has spawned hundreds of competing and supporting ideas and companies. That is the magic of small business startup."
--Terry Bibbens (2013)

Retirement would not last a year. As Anteka had grown, Terry bent toward greater involvement in the small business and technology communities. He became a founding member and ultimately Board chair of the Electronics Association of California (EAC), which he helped grow into the state's largest small business high-tech trade association. EAC eventually merged into the national trade organization, the American Electronics Association, on whose national and small business boards he served. His increasing commitment to small business led to his election as a delegate to the 1980 White House Conference on Small Business, and ultimately to a role as the Technology Liaison of SBA Advo to the 1995 White House Conference.

This was largely "volunteer activity." In 1993 Terry moved to make more formal use of his organizing experience. He was appointed Director of Public Policy of UCSD-CONNECT in San Diego. CONNECT was—and continues as--a University of California San Diego entrepreneurial outreach program that brought together every element of the technology community. It created synergy among the technology and small business support communities in San Diego, as EAC had done in Silicon Valley. Terry directed CONNECT's public policy efforts. He developed the San Diego Regional Technology Alliance (RTA) and its state-wide solicitation process. He brought in innovative companies from Arizona and was part of the team to effect a business attraction strategy for San Diego that became a model for other cities.

Terry retired a second time in 1994 and left for Europe. But it was not far enough away to escape a call from Washington pulling him back in. A lifelong conservative, Terry was surprised that his expertise was sought by a Democratic President. He agreed to become the Entrepreneur in Residence for the U.S. Small Business Administration Office of Advocacy (SBA Advo). His selection should not have been such a surprise, because his associational work had taught Terry the value of collaboration in building businesses and growing local economies. It also had raised his profile nationally. Long before "cluster theory" became an economic development fad, Terry had understood the synergistic value of a community of intellect, and had practiced generating supportive ecologies that brought together university, business, and government interests.

His time in Washington cemented Terry's devotion to small business development. Working directly under Jere Glover, Chief Counsel for Advocacy at SBA Advo from 1994-2001, Terry experienced first-hand the power of small business to make change and stimulate employment on a grand scale, as well as the institutional factors that impeded its progress.

He set to work in helping to reauthorize the Small Business Innovation Research and Technology Transfer programs (SBIR and STTR) in 2000. These innovative programs aimed to transform government (and sometimes university) sponsored research into commercially viable products and services. He has remained a champion of both. Terry's published articles and research for Jere and others have shown how significant SBIR has been in stimulating innovation and economic development. He has written essays and testimony confirming the value of the program, facilitating its reauthorization and increased budgets, and organizing its grant winners to help commercialize the results of their labors. SBIR has recognized his value in presenting him its highest honor, the Tibbetts Award, twice. On his crowded shelves, they sit next to his Hammer Award for his participation in the Vice-President Gore's National Performance Review for work on the U.S. Business Advisor, the pioneering Internet government site for small business.

> *"The most impressive thing about Terry was that no matter what group, audience, or individual we were meeting with, his background, preparation, knowledge, common sense, and expertise made our team their equal. He levels rocky playing fields. He is a leader in whatever he undertakes."*
>
> --Jere Glover (former Chief Counsel for Advocacy, SBA and Terry's boss)

Terry also helped expand the equity funding infrastructure for small business while at SBA Advo. A key concern raised during the 1995 White House Conference on Small Business was the lack of access to capital experienced by nearly every small business. Terry worked to help create ACE-Net, an SBA Advo sponsored electronic network to link small businesses with sources of equity capital. It was a complex process that required release from some confining Security Exchange Commission (SEC) regulations, plus similar regulatory relief from often more rigid state securities regulations.

In working with the North American Securities Administrators Association, the organization of state securities regulators, Terry's team helped harmonize the widely varying state securities laws and to secure their blessing state by state. He helped develop a single standard, the Model Accredited Investor Exemption (MAIE), now recognized in nearly every state as a key to easing the path to small business investment.

Having impacted small business innovation, growth, and financing through two Presidential administrations, Terry retired again.

Not so fast. Terry's experiences in California and Washington pulled him back into work with university-business-labor-government-community clusters. When the President of California State University San Bernardino (CSUSB) called, Terry was ready to unretire again. Once more he rose from his easy chair. He helped organize CSUSB's Office of Technology Transfer and Commercialization and hire its first CEO. He also advised CSUSB's President on how to use technology business development to spark regional economic development.

ACE-Net was a pilot program whose funding had sunset while Terry was at SBA Advo. He helped move it to the University of Southern New Hampshire, where it was still alive but languishing. Now, he brought it to CSUSB and helped transform it into Active Capital, a private nonprofit venture. He became its pro-bono Board chair.

It was now 2004 and once more he was done. He volunteered for nonprofit boards, and observed an economy approaching free-fall. Not. He saw an opportunity to create an equity fund to support Homeland Security operations and put together an effort to raise a nine figure capital fund. Floundering in the midst of a financial retraction, he decided that it was once more time to rest. However, Terry's friends and colleagues would not hear of that. They pulled him back in once again. As this article goes to press, Terry is in the midst of a group putting together an innovative equity fund to help small businesses find capital and successful exit strategies. Called the California M&A Fund, it is slated to come on line before year-end.

This is a bald summary of a long and complex career that always has involved a practical outlook and the sure footed pursuit of small business development, research, and advocacy. What characterizes the man behind these important contributions? And what do those who have worked with him have to say about the power of his vision and his unique ability to bring together material and human resources for common economic and social purpose?

Nobody who knows Terry questions how driven he is to meet his goals and live his principles. But Terry does not look or act like a driven man. He is a person who inspires by example, convinces by reason, and radiates a deep faith and commitment to human and family values. He is a teacher and mentor by personality and inclination, and a leader by nature. Self-effacing to a fault, Terry has a sense of balance and inner calm that comes from a firm sense of values and knowledge of self. He sees the best in people. He knows how to share his exceptional experience and his ideas and seeks opportunities to do so. He is not merely smart and experienced, he is wise.

Terry understands that his position as a leader strings together serial teaching moments. He has a comforting ability to develop talent and responsibility among those with whom he works. He brings out the best in co-workers at every level, including superiors. He shares the credit for each success and accepts the responsibility for each failure. He moves every project forward as if it were the work of someone else. He carries his knowledge and experience lightly. On the one hand, he is most effective behind the scenes; on the other, he leads by example. That is why those with whom he has worked, even many years ago, choose to stay in contact with him.

> *"In all our time in the trenches I have seen Terry chide only two colleagues who failed to live up to his high standards. Luckily, neither was me. At several moments in our projects, I have wanted to shake him to be more critical and less relentlessly positive, take more credit and distribute more blame. However, I never do so, because I fear that I'd be struck by all the dieties at once, as I am certain they are 100% on his side. "*
>
> ---*Anonymous"fan"* (and collaborator on many projects)

Terry would appreciate the anonymous quote above. He has a sense of humor based on his conscious quest for balance and his innate understanding of proportion. He is the more powerful as an advocate because he knows what is important in a job and in life. He devotes himself to the tasks before him and keeps his vision clear. But Terry also understands that the sun will rise tomorrow even if he does not. He uses his humor to defuse tense situations, to lighten moods, and to insure that those around him enjoy the serious work as much as he does.

Terry's hobbies may reveal as much about him as his work. His father collected Model T cars and trucks and left a dozen to him. He has acquired more and garages them with his oldest son. Terry has been renovating, reconstructing really, a 1927 Model-T truck. In typical Terry fashion, he has pulled together a team consisting of a 95-year-old member of the church where for some years Terry has been a leader in its programs for elders, plus his son. As in all other projects under Terry's leadership and care, he has formed a clever and seamless craft and technology team. Two other Model T's, housed by his son, remain in earlier stages of restoration. He will not retire from these projects.

The difference between his hobby and his work is that Terry is supplying the financing without outside investors. He calls his collaborative process in work and hobbies "Tom Sawyering." He says it is the method by which he gets others to whitewash his fence. His friends and colleagues know better. Tom Sawyering is the essence of Terry's management and leadership style.

Terry would not approve of any article about him that did not mention Jay, his recently deceased wife of 30 years, or his devoted three children, seven granddaughters, and one great-granddaughter. Through the intensity of his many work passions and "retirements," his years of care and devotion have kept his family around him. They have repaid his loyalty with an even greater degree of support than even Terry's many friends and colleagues.

Terry cannot retire. His "public" won't let him. We still need what he has to teach. About four decades before Terry was born, Henry Adams, a famous history professor at Harvard University and the grandson of a U.S. President, said, "A teacher is dangerous. He can never tell where his influence stops." That could be said of Terry Bibbens. As small business becomes increasingly important in American economic development, and as his colleagues can testify, Terry has been a teacher in the finest Adams tradition.

> ***Editor's Note**: Mr. Bibbens represents an entrepreneurial success story and an exemplary commitment to champion the growth and sustainability of small and minority businesses. These are ideals and aspirations that the UWest Center for Minority and Small Business and The Review seek to promote. He is also a great person. We are happy to feature Mr. Bibbens as The Review's first Profile story.*
>
> *Our sincere thanks go to Dr. Philip Borden, a long-time associate and friend of Mr. Bibbens, as well as of the UWest Center for Minority & Small Business., for accepting our request to write this article.*
>
> ***Prof. Meskerem Tadesse***

Nonprofit Accounting for Funds

By Fredrick Ho, CPA, MBA

FASB ASC 958-605-20 (formerly SFAS No 116) defines contributed income as cash or in-kind resources that are unconditionally given to the nonprofit organization as in a gift or grant, and does not include earned income such as membership dues or transaction fees, loans or investor proceeds. These revenues may include grants from governments and private philanthropy.

Accounting standards prescribe that nonprofit organizations should report contributed income at fair value in one of three categories—unrestricted, temporarily restricted, or permanently restricted. The appropriate income classification is to be determined by either the absence or the existence of donor-imposed restrictions on the use of the contributed funds. Although restricted contributions and grants often pose financial management challenges, these sources of funds for program and organizational support are important and desirable.

This article aims to define the different categories of contributed income and discuss the basics of recording, reporting, and effectively managing contributed income and net assets.

Classification of Funds

As indicated earlier, contributed funds should be classified as either unrestricted, temporarily restricted, or permanently restricted. Restrictions can only be legally imposed on contributed funds by their donors. The details of the restrictions may be found in any form of documentation provided along with the contributed income that establishes the use of the donated funds. Examples of gift documentation may include award letters from foundations and letters from individual donors. It is important to note that at times, restrictions may be implicit and no documentation may be available such as in the case of gifts received in an appeal for a particular program or in a capital improvement drive.

• Unrestricted (U):
These contributed funds are not subject to any external restrictions and are available for the general use of the organization. Many individual contributions are unrestricted, as are general operating and unrestricted grants.

• Temporarily Restricted (TR):
These contributed funds have donor-imposed restrictions that can be fulfilled by the passage of a defined period of time (time restriction) or by the performance of specified activities (purpose restriction). For these funds, the organization is allowed to deplete the donated amounts and often involve grants received to operate a specific program or project or individual contributions given with the intent of supporting a particular program or campaign.

• Permanently Restricted (PR):
These contributed funds are limited by the donor for a designated purpose or time restriction that will never expire. The intent is for the principal balance of the contribution to remain intact as an investment forever, and the nonprofit will have access only to the interest and investment returns, such as in the case of endowments. Sometimes an endowment temporarily restricts the use of the income from the principal, such as an endowment to a community center requiring the income to be used only to fund a food distribution program for low income families.

Exhibit 1: The following examples illustrate how to classify funds

	U	TR	PR
To support the nonprofit's general operations, an individual sends in $2,000.	X		
The nonprofit sends appeals to donors seeking funds to support its family services program.		X	
A foundation awards a grant of $100,000 for a capital campaign.		X	
An award is received of $20,000 for three years of general operating support.	X	X	
An individual gives $5,000 to a school to support 10 scholarships.		X	
An individual gives $20,000 to support general operations in perpetuity from the interest and investment returns.			X

Accounting Requirements

Once a contribution or grant is identified as restricted, two fundamental guidelines will dictate its accounting treatment. First, restrictions are set by the donors when they make the gifts or grants. Second, income must be recognized in the year that an unconditional commitment for the funds is received by the nonprofit organization regardless of when the related expenses will take place, that is, none of the income received is to be treated as deferred. These guidelines complicate nonprofit financial reporting due to the timing of funding, which makes an accurate and reliable accounting system especially important. The following examples—a Statement of Activities and Statement of Financial Position for the fictional nonprofit Family Community Center (FCC) — illustrate these rules.

Exhibit 2: Statement of Activities

Family Community Center
Statement of Activities
For the Year Ending 12/31/2012

Support, Revenues & Reclassifications	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Individual Contributions	$82,850		$10,000	$92,850
Grants		$60,000		60,000
Net Assets Released from Restrictions	20,000	(20,000)		0
User Fees	5,250			5,250
Contract Income	3,900			3,900
Total Support, Revenues & Reclassifications	112,000	40,000	10,000	162,000
Expenses				
Program Related	69,850			69,850
General and Administrative	4,750			4,750
Fundraising	1,375			1,375
Total Expenses	75,975			75,975
Change in Net Assets	$ 36,025	$ 40,000	$10,000	$ 86,025

Accounting requirements for temporarily and permanently restricted funds can be effectively managed by setting up accounts for restricted contributions and grants. As presented on Exhibit 2, new contributed income from restricted grants and contribution are recorded in restricted income accounts. In the case of temporarily restricted funding, when the purpose or time restriction has been fulfilled, an entry is made to transfer the funds from the temporarily restricted account to the unrestricted account, called "Net Assets Released from Restrictions". For permanently restricted funding, no release from restriction will need to be accounted for. When reporting restricted funds, additional columns are added to both the Statement of Activities and the Statement of Financial Position called "Temporarily Restricted" and "Permanently Restricted". This is the format commonly applied in the preparation of audited Financial Statements. Nonprofits that adopt this format for internal financial reports will find the information easier to understand and manage.

Exhibit 2 presents the impact of a multi-year grant on the Statement of Activities. Accounting regulations require a nonprofit to record the full income amount of a multi-year grant in the year it is received. If the organization's Statement of Activities were only to show total income and expenses without segregating the restricted amounts, inflated surpluses may appear in the first year of the grant period and potentially artificial deficits throughout the remaining years of the grant period. For example, in Exhibit 2, FCC receives a three-year, $60,000 grant to support a new program for the years 2012, 2013, and 2014. When the award is received, FCC presents the $60,000 as temporarily restricted grant income on the Statement of Activities. A portion of the grant will be released from restriction during each of the three-years of the grant period. The Statement of Activities for 2012 in the Exhibit shows $20,000 being released from restrictions, while the remaining $40,000 remains in the Temporarily Restricted column. The same release of $20,000 will take place in each of the next two years of the grant award. In this FCC example, the Total column for 2012 includes the full $60,000 multi-year grant, the $10,000 of permanently restricted funding, and reports a surplus of $86,025. It is important to note here also that although $10,000 of permanently restricted funding is included in the $86,025, that amount will never be available to the organization. For all practical purposes, only $20,000 is available to support the program during this year. The Unrestricted column contains the critical information for monitoring the current year's financial activities.

Exhibit 3: Statement of Financial Position

Family Community Center (FCC) **Statement of Financial Position** **12/31/2012**				
ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash & Investments	$ 46,558	$ 40,000		$ 86,558
Accounts Receivable	5,900			5,900
Leasehold Improvements	18,000			18,000
Equipment and Furniture	24,000			24,000
Total Assets	94,458	40,000		134,458
LIABILITIES AND NET ASSETS				
Accounts Payable	4,375			4,375
Accrued Expenses	1,100			1,100
Loans Payable	8,000			8,000
Total Liabilities	13,475			13,475
Net Assets				
Beginning of Year	34,958			34,958
Change in Net Assets	36,025	40,000	10,000	86,025
Total Net Assets	70,983	40,000	10,000	120,983
Total Liabilities and Net Assets	$ 84,458	$ 40,000	$10,000	$ 134,458

Exhibit 3 shows the Statement of Financial Position for Family Community Center (FCC). This format clearly segregates permanently restricted, temporarily restricted, and unrestricted funds. By emphasizing on unrestricted net assets, the nonprofit organization has a more accurate and relevant picture of the net assets that are available. For the purpose of analysis, planning, and decision-making, it is essential for a nonprofit to understand its unrestricted net asset position.

As presented on the Statement of Activities earlier, FCC has recorded the three-year, $60,000 grant, in the first year as required. After releasing the first $20,000, the remaining balance of the grant award for years two and three are presented on the Statement of Financial Position as Temporarily Restricted assets. In addition, the $10,000 of funding is also presented here under the caption of Permanently Restricted. These funds are part of the Total Net Assets on the Statement of Financial Position, but they are not actually available to the nonprofit to use except according to donors' restrictions. Therefore, it is recommended to report restricted dollars separately, and to focus on unrestricted amounts when planning and making operational decisions.

Contributions with Restrictions Met in the Same Year

Temporarily Restricted contributions may be reported as unrestricted support if (a) the restrictions are fulfilled in the same reporting period, (b) that policy is followed consistently, (c) the policy is disclosed in the notes to the Financial Statements, and (d) the nonprofit organization has a similar policy for accounting for restricted investment income and gains. For example, an organization may receive a $10,000 contribution to fund the cost of a series of parenting workshops. If the $10,000 is received in the same year the workshops are held, the contribution can be presented as an unrestricted contribution in the Statement of Activities granted the nonprofit meets the criteria presented in this paragraph. If the workshops straddled the organization's year end and restrictions on only $5,000 of the donation were met, the Statement of Activities could reflect unrestricted contributions of $5,000 and temporarily restricted contributions of $5,000.

Organization Self-Imposed Designations

At times, the governing board (that is, the board of directors or trustees) of a nonprofit organization may designate a portion of unrestricted net assets for a particular purpose as a management planning tool. For example, the board of directors may designate a certain amount of current year contributions for funding future roof or parking lot repairs. Users of the Financial Statements of nonprofit organizations may confuse board designations with restrictions on net assets. Board designations are not to be treated as restrictions because the designations may be reversed by the board, and do not alter the nature of unrestricted contributions.

Management Concerns

Nonprofits that receive restricted funding will often encounter increased management challenges. Financial decisions involving restricted funds should take the following guidelines into consideration:

• When planning and budgeting, any and all of the time and activity restrictions on funds should be considered. This will prevent spending unavailable money.
• Management, staff, and board members who are accountable for the organization's financial decisions should be educated to fully understand funding restrictions.
• When analyzing financial reports, focus should be placed on unrestricted funds unless planning and decisions are being made regarding programs with restricted funds. Otherwise, it is essential to avoid basing decisions on restricted funds. Formatting financial reports with columns that clearly segregate unrestricted and restricted funds will be very helpful.
• Understanding how restrictions will affect cash flow and availability of funds.
• Knowing when restrictions are satisfied and how to release the funds from restriction.
• Developing a simple and reliable method to track restrictions on funds.
• Most restrictions on funds directly relate to a grant or fundraising request. When researching and applying for grants, consideration should be given to any challenges that potential donor imposed restrictions could present to the organization.
• Fundraising letters and appeals can inadvertently place restrictions on donations. Staff charged with fundraising should understand that appeals can lead to restricted gifts.
• Management and staff should understand clearly the true cost of programs and allocate all direct costs associated with them. These allocations will allow for the preparation of more accurate budgets for grants and fundraising appeals, and better utilize contributions restricted to specific programs to reduce the pressure on limited general operating dollars.

Conclusion

Not only do nonprofits have an obligation to their donors to use contributed funding as designated, they are also bound by law to do so. If a restriction on funding has not been met and the money has been spent, the donor can request that the funds be returned, pursue legal action, or contact the Office of the Attorney General. While managing restricted contributions may provide challenges to any nonprofit, diligent tracking will demonstrate accountability and ensure legal compliance. Proper use of restricted funds will bring additional benefits to the organization, including attracting support for quality programs, meeting the expectations of funders, and having the most accurate financial picture possible when planning for the future.

ABOUT THE AUTHOR

Fredrick Ho, CPA, MBA is principal of Ho & Associates, Certified Public Accountant, a full service public accounting firm. Since his graduation from the University of Southern California's School of Accounting, Mr. Ho has been providing accounting services to profit and nonprofit organizations for over 20 years, and his firm has been awarded certificates of recognition by the American Institute of Certified Public Accountants. In addition to his accounting practice, he has been concurrently an educator at various colleges and universities in the southern California area. He is currently a tenured faculty member in Accounting for the Los Angeles Community College District and an Adjunct Accounting Professor at University of the West.

Frederick Ho, CPA, MBA
Mr. Ho can be reached by email at Hocpa@yahoo.com.

China Market Entry Overview For Foreign Enterprises

By Prof. Steven J. Clarke and Dr. Peng Chan

Abstract. Since 1979, the People's Republic of China (PRC) has continued to progress economically both domestically and internationally, creating a vast new market for foreign business entities wishing to enter the PRC. Although this success is evident, foreign organizations face significant hurdles based on cultural habits of the Chinese that challenge western concepts and strategies for business development. Investigation and evaluation of 12 academic peer-reviewed sources considered the subject of what role ethics play in foreign managers developing business in the (PRC). In this study, examination by cross-cultural, Guanxi and socialist groupings helps identify some current views of the impact of ethics as they relate to business managers impediments in developing business in the PRC. The results of this review suggest the assessment that most literature to date is western scholarship based and that significant additional dual directional academic based research is necessary in order to develop strategies for dealing with ethical issues when opening and expanding the China market.

1. Introduction

The goal of this paper is to evaluate selected peer-reviewed sources that reflect upon Chinese business manager's ethical behavior when dealing with foreign managers. As China develops economically, since Mao's death (1976) a transition has taken place, from Marx's communist economic system of production based on need, to a market driven form of socialism. The State has allowed and encouraged Confucian teachings to reappear. "The main principle of Confucianism is ren ("humaneness" or "benevolence"), signifying excellent character in accord with li (ritual norms)" (ReligionFacts. n.d.).

Expanded relationships in business between differing cultures, adds strain to the loyalties and requirements of the Chinese individual and organization. This conversion multiplies and increases the import of foreign interaction in domestic and international business during this economic reform movement. The question of how Chinese and foreign managers deal with the changes in economic systems is complex and rather unique based on China's very long history of cultural and economic isolation, with slight exception throughout history, controlled and managed by dynastic rule. China's borders, although somewhat unlocked at times to trade and commerce, have only moderately opened since Mao's death and Deng's takeover. China was the world's largest economy for over 300 years through the early nineteenth century profusely concentrated on domestic growth. As China has flourished to become the second largest economy, a significant portion of the growth is global. (Barboza, 2010)

As China abridges the state controlled and/or owned enterprises and transitions to a private control market based funding mechanism, revolutions to horizontal, vertical, individual, and organizational relationships in business including structure, and management techniques will optimistically result in better-quality crucial interactions.

The problem endures as China continues to benefit from this extensive economic progression and the need for research and concept elaboration concerning ethics in business is expanding. However, most source articles materialize based on scholarly surveys, interviews, case studies, national cultural indexing, and historic literature. The resultant summaries present a shortfall in academic research by not utilizing credible actualities of China business strategies and concepts in use now and supportive statistical data.

A mixed method approach reflects quantitative theoretical research included in the reviews, counting cultural indexing, surveys and questionnaire and qualitative research demonstrated popular category concepts. Ethics have practical and social consequence in business and current evaluations neglect specific strategic development hypotheses to improve the success rate of foreign enterprises in the PRC.

2. Literature Review

The conceptual framework for this source review incorporates analysis within three business categories: social market economics: cross-cultural habits, and Guanxi relationships. A review of historical perspective and appraisals combined provide a focus on behavior, tradition, and economic factors.

Social Market – Defined as a "an economic system in which industry and commerce are run by private enterprise within limits set by the government to ensure equality of opportunity and social and environmental responsibility" (Collins English Dictionary.com, n.d.).

The capitalist market creates wealth, utilizing surplus in opposition to strict socialist theory of production based on need. This points to the need to evaluate the field of "business ethics", as it relates to the allocation and use of capital, as it attaches to production and use of resources in China's socialist economy. "Capital, as defined by Marx, is not a sum of values or money, but a specific mode of production – the capitalistic mode of production. This mode is not the same as the market system" (Lu, 2010, p. 96).

The capital component of profit is an extension beyond what socialist market theory encompasses. The result of motivational tools, in particular, share options based on responsibility for adding value, create added opportunity for corruption, embezzlement and other violations of ethical behavior. China's socialistic market historically does not match up well with the corporate ethics and social responsibility models demonstrated by western corporations participating in business for the benefit investors, employees, customers and all other stakeholders in the organization.

Therefore, we are facing problems coming from two aspects in making use of capital to produce, which is also a challenge to the socialist market economy from two ways: the first is how to restrict and supervise capital's inborn nature of putting profit first, the second is how to resolve the problem of making sure that the management of public corporations is loyal to corporate interests and exercise their managerial authority within the boundary that keeps safe the interests of investors, employees, and society. (Lu, 2010, p.108)

Prior to the change in China's economic system (from a planned economy to a market driven economy) instigated by Deng Xiaoping in 1978, Karl Marx viewed capitalism as leading to overproduction, greed, and unethical behavior. In the view of William H. Shaw (2009) "Marxism and business et hics - are not that far apart" (p. 565). As Milton Friedman considered the only role of business is to create a profit, it is understandable that as China expands in a market driven economy, the subject of ethics can get confusing and create impediments to the mutual success of foreign managers in their relationship with both Chinese business managers and consumers.

"Cultural differences in ethical decision-making are most often discussed within the frame of Hofstede's (1991-2001) typology, which includes (1) individualism/collectivism, (2) uncertainty avoidance, (3) power distance, (4) masculinity/femininity, (5) Confucian dynamism" (Shafer, 2007, p. 265). The issue of long-term and short-term outlooks as values represents differences between western and Chinese cultures, explained by what is termed Confucian dynamism, as per (Hofstede & Bond, 1988) includes persistence, reliability, thrift, respect for tradition and protecting face.

The change from a planned communist controlled market economy to a market driven economy incorporates changes in all areas of business, from social, political, and economic to individual personality characteristics that influence ethical differences and beliefs. As evaluated by Hulpke, J., and Lau, C. (2008) "Steps can be taken to improve Chinese business ethics at the societal level, at the individual level, and, importantly for this paper, at the organizational level (p. 58).

The market changes include increased variances between poverty and wealth, corruption and various other social benefits. As both Chinese and foreign managers progress through the demands of ethics and social responsibility, the role of government will change, from management to oversight, comprising legal and regulatory responsibility in addition to adherence and improvement by the state in light of acceptance into the World Trade Organization. Ethical and socially responsible market driven economics will include both compulsory and alacritous strategic progress.

Cross-cultural business relationships create an imbalance as "Societies create their own cultures and organizational systems compatible with that culture," offered by Ralston et al. 1993a, b, (as cited in Chinta, 2007). Cultural characteristics include; values, beliefs, respect, morality, tradition, ideology, religion, art, history just to name a few. The sum of cultural habits in China defined by Confucianism reflects a long-term outlook and collectivism.

Elucidated in Dong (2010) "Future cross-culture management practices in China should follow several basic principles: be applicable, that is, build unique organizational culture that is embedded in the host country; be practical, since there is no well-developed multinational culture in China" (p. 223). Foreign managers need to understand, appreciate, and accommodate cultural qualities of the Chinese in order to treat ethics and social behavior in a positive and successful manner.

Pan, Y., Song, X., Goldschmidt, A., & French, W. (2010) report "resolving an ethical dilemma, the American subjects apply egalitarianism as their most frequent expressed value, reflecting their horizontal perspective. The Chinese subjects, in contrast, rely strongly on a traditional vertical value system to resolve the ethical dilemma" (p. 283).

"Li' (profits) is found to have received more attention than 'Yi' (ethics) in the contemporary development of business ethics in China. At this stage, we cannot conclude that 'Yi' or ethics is a means or an end to conducting business in China. Possibly it is both a means and an end!" (Szeto, 2010, p.173)

Additionally, ethical behavioral and modus operandi by Chinese business managers are a result of culture habits based in history manifested through such works as Sun Tzu's, the Art of War, Miyamoto Musashi's, The Book of Five Rings, The Three Kingdoms and The Thirty-Six Stratagems. The following draw from these workings:

The 12 Principles guiding the East Asian approach to business:

1. The importance of strategy
2. Transforming an adversary's strength into weakness
3. Engaging in deception to gain a strategic advantage
4. Understanding contradictions
5. Compromise
6. Striving for total victory
7. Taking advantage of misfortunes of an adversary/competitor
8. Flexibility
9. Gathering Intelligence and information
10. Grasping the interdependent relationship among matters/situations
11. Patience
12. Avoiding strong emotions

(Warner & Joynt, 2002, Chapter 11)

Economists will argue the merits of adaptation and standardization in global marketing and product/services strategies, however, on open mind is mandatory for global partnerships as it relates to diversity in culture and ethics. "Globalization that inter-cultures to inter-deepen requires Chinese thinking to be Chinese, not Western, and thereby lets Western philosophy be Western, not Chinese. Chinese thinking must be Chinese, as any cultural thinking has been that culture for millennia, Chinese or Western" (Kuang-ming, p. 193). Western culture requires the rule of law and that society follow those laws. Chinese society puts a premium on relationship loyalty in place of laws. As both societies grow to understand each other better and work in chorus, the distances between them culturally will diminish.

In summary, the cross-cultural relationships between western and Chinese business managers require convergence in communications and understanding of each other's needs, goals, and strategies. The role of history, law, media, individual and organizational ethical behavior can be evaluated and improve understanding based on empirical experience and experimentation.

Guanxi – "describes an intricate and pervasive personal relational network that the Chinese cultivate energetically, subtly, and imaginatively" (Hwang, D. B., Golemon, P. L., Chen, Y., Wang, T., & Hung, W., p. 235).

As part of the strategic plan to address cultural issues and ethics, the foreign business manager should be duty-bound to investigate Guanxi dynamics including the perceptions Chinese managers employ and how these relationship features affects negotiations and traditions. There are both advantages and disadvantages of the ritual of Guanxi. Advantages consist of local and regional networking, cost reductions, and ease of obtaining legal and regulatory approvals. Disadvantages can incorporate corruption and unethical practices. "Managers and employees must exercise their judgment carefully to manage situations when their Chinese colleagues and business partners are practicing Guanxi" (Hwang, et al. 2009).

In the view of Su, C., Mitchell, R. K., & Sirgy, M. J. (2007), "not all Guanxi relationships are necessary, and among the necessary Guanxi participants, not all are equally important" (p. 301). This statement points to having both internal and external relationships, each requiring review as to the stakeholder approach to relationships. Many forms of a Guanxi relationship come into play and each necessitates careful assessment as to value and the method of implementation. Additional review of the properties of these relationships occur partially based on the size of the players, that is, large companies have a greater ability to absorb costs, even losses, thereby avoiding Guanxi. Smaller companies are typically not in a position to escape the cost and process of networking relationships.

The issue of Guanxi has ramifications regarding supervisors and subordinates, which include influences operations, human and financial resources. These developments can be positive or negative. The social exchanges that result from relationship building in China influence the quality of the bond. According to the research results of Han, Y., & Altman, Y. (2009) "Guanxi tends to be non-job specific and informal relationship driven, the job related support, protection, care and recognition for each other from both supervisors and subordinates" (p. 99).

Guanxi affects both individual and organizational levels dynamics. In the United States, one theory exists suggesting that a company is a reflection of the CEO's style and personality. Individual business managers in China treat interpersonal relationships differently than organizational level interactions, although, transferring these qualities to the organizational level can be an added asset. “Guanxi not only has important social and cultural implications but also distinct organizational and economic implications” (Zhang, Y., & Zhang, Z., p. 389).

In summary, the overriding motives in the networking labeled Guanxi are comfort and trust. In affairs between foreign and domestic managers, the ability to display concern, support, respect, understanding, and patience outside the work place, transcends normal western approaches to these same disciplines. In China, the prominence and implements of Guanxi is required before developing business, in the west; the emphasis is while doing business.

3. Research Problem

While existing research is growing exponentially, to date, the concepts and theories offered to overcome the issues of unethical business practices in China are not sufficiently beneficial. Existing research abounds in historic and scholarly labors emphasizing cross-cultural, economic and relationship synopses lacking consensus on either cause or effect. Hofstede’s cultural index utilized in a number of sources is not enough; it tends toward all-purpose whereas national cultural characteristics do not allow for the extensive and complex regional and provincial differences embracing numerous languages, history, and behavior in China incorporating over 50 ethnic groups. Overall, the research problem in developing data derives from a long social history, a short international market relationship past while experiencing exponential growth, hence attracting serious-minded and significant interest and opportunity for business development managers.

Research will necessitate the exploration of distinctive categorization of cultural elements including individual and organizational maturity based on edifying goals, with emphasis on China’s managers and consumers’ expectations and needs. Supplementary research should include western habits and standards, expectation and needs in order to find ways to incorporate the allies. Inquiry should include face-to-face interviews, surveys, focus groups, corporate and governmental data acquisition efforts. The goal is to find useful information, both qualitative and quantitative that builds evidence in all historic and cultural aspects of personal and organizational behavior in order to advance understanding and therefore tools and strategies for dealing with two-way ethical and unethical models

4. Methodology

The approach to source collection utilized database sources from peer-reviewed articles. Future research will include books and other scholarly sources along with statistical research to support the argument that most foreign businesses fail upon entering the China market. The reviewed articles and additional research provide some empirical surveys, experiments, and interviews, including focus groups, however, hard data on business success and failure rates, including the reasons are difficult to find. China is still a communist governed country with carefully controlled release of private and corporate data, limiting timely availability for research projects.

In order to develop actionable models in speaking to the role of ethics when participating in doing business in China, research methodologies will include the following:

- Additional qualitative research is vital on individual and organizational behavior with a focus on the explanations and causes of this behavior.
- Supplementary quantitative research is required, concentrating on China’s economic and political landscape to include historic and projected data based on regionalism, business type and consumer demographic indexing based on provincial and cultural parameters.
- Specialized empirical research is requisite bringing together personal and direct observation through field investigation, interview, surveys, and focus groups both individual and organizational in China.
- Development of a method to update research results into the future thereby modernizing data and concepts based on the dynamic changes that are natural to economics, politics, and human behavior.
- Research will necessitate a continued systematic review of available literature with the goal of synthesizing all research into a complete proposition.
- Specific research should reflect the degree of Confucian modern teachings and interpretation, and to the extent of actual application in current practices.

5. Conclusion

The implications of the evidential materials support the view that ethics in business are crucial as it determines the degree of success of companies and affects all stakeholders. To develop a prosperous company, managers face ethical considerations in individual relationships, corporate level partnerships, consumer trust, socially responsible corporate activities, employee loyalty and legal and state regulated activities. As the principled struggle in China continues between "Li" (profits) and "Yi" (ethics), an ongoing analysis and adjustment to ethical behavior will be required to advance throughout this endless learning curve route.

The source articles confirm cross-cultures, socialist market economics, and Guanxi by means of each contributing to relationships between Chinese and foreign business managers. The articles researched, provide various supportive empirical investigation with sound fundamental principles. Additional future studies will need to focus on Chinese managers doing business with foreigners both inside and outside of China, to develop both domestic and foreign markets. The articles appraisal of prevailing attributes of supervisors and subordinates needs to include additional horizontal and vertical relationships, internal and external, necessitating greater understanding of the "why's" these attributes exist and are practiced in order to develop strategic collaboration between the parties. Additional research should emphasis categories of organizations, considering that interpretations of the data allow for divergences relating size, type, location, composition and product and services categories in order to be truly helpful for manager's future application. Developing human resources management models is paramount in establishing manners that recognize these dissimilarities.

While Guanxi adapts to internationalization, westerners will also need to adapt to Guanxi. Productive potential research needs to address not only the role of ethics by Chinese managers, the reasons and proposed solutions to how western managers impart and apply western practices in an amalgamation for everyone's success. Future study will need to allow for the transition by all, along the way, in order to be timely and useful.

In order to achieve higher rates of success in ethical business relationships in China, the goal of future studies should focus on additional scholarly study, while concentrating on specific investigation into the reasons uneasy cultural business ethics exist and strategies and applications offering tangible recommendations for specific categories of individual and organizational behavior.

References

1. Barboza, D. (2010, August 15). China passes Japan as second-largest economy. The New York Times. Retrieved July 11, 2011, from http://www.nytimes.com/2010/08/16/business/global/16yuan.html
2. Chinta, R., & Capar, N. (2007). Comparative analysis of managerial values in the USA and China. Journal of Technology Management in China, 2(3), 212-212. doi:10.1108/17468770710825151
3. Culture. (n.d.) In American Heritage Dictionary. (4th Ed.) Retrieved July 7, 2011from http://www.dictionarygeek.com/?url=http://www.wordnik.com/words/&word=culture
4. Confucianism -In ReligionFacts. (n.d.). Retrieved July 11, 2011, from http://www.religionfacts.com/a-z-religion-index/confucianism.htm
5. Dong, K., & Liu, Y. (2010). Cross-cultural management in China. Cross Cultural Management, 17(3), 223-243. doi:10.1108/13527601011068333
6. Han, Y., & Altman, Y. (2009). Supervisor and subordinate Guanxi: A grounded investigation in the People's Republic of China. Journal of Business Ethics, 88(01674544), 91-91-104. doi:10.1007/s10551-008-9827-8
7. Hofstede, G. and M. H. Bond: 1988, 'The Confucius connection: From cultural roots to economic growth', Organizational dynamics 16 (4), 4-21
8. Hulpke, J., & Lau, C. (2008). Business ethics in China: A human resource management issue? Chinese Economy, 41(3), 58-67. doi:10.2753/CES1097-1475410304
9. Hwang, D. B., Golemon, P. L., Chen, Y., Wang, T., & Hung, W. (2009). Guanxi and business ethics in Confucian society today: An empirical case study in Taiwan. Journal of Business Ethics, 89(2), 235-235-250. doi:10.1007/s10551-008-9996-5
10. Kuang-ming, W. (2010). "Let Chinese thinking be Chinese, not western": Sine qua non to globalization. Dao: Journal of Comparative Philosophy, 9(2), 193-193-209. doi:10.1007/s11712-010-9161-6
11. Lu, X. (2010). Business ethics and Karl Marx's theory of capital - reflections on making use of capital for developing china's socialist market economy. Journal of Business Ethics, 91(1), 95-95-111. doi:10.1007/s10551-009-0070-8
12. Mulbrandon, C. (2008). Percentage of World GDP (last 500 years), Figure A. In Visualizing Economics. Retrieved July 10, 2011, from http://visualizingeconomics.com/2008/01/20/share-of-world-gdp/
13. Pan, Y., Song, X., Goldschmidt, A., & French, W. (2010). A cross-cultural investigation of work values among young executives in China and the USA. Cross Cultural Management, 17(3), and 283-283-298. doi:10.1108/13527601011068379
14. Shafer, W. E., Fukazawa, K., & Lee, G. M. (2007). Values and the perceived importance of ethics and social responsibility: The U.S. versus china. Journal of Business Ethics, 70(3), 265-265. doi:10.1007/s10551-006-9110-9
15. Shaw, W. H. (2009). Marxism, business ethics, and corporate social responsibility. Journal of Business

Ethics, 84(4), 565-565-576. doi:10.1007/s10551-008-972
16. Social Market (2009) In Collins English Dictionary. (10th Ed.) (2009). Retrieved July 7, 2011from http://dictionary.reference.com/browse/social+market
17. Su, C., Mitchell, R. K., & Sirgy, M. J. (2007). Enabling Guanxi management in China: A hierarchical stakeholder model of effective Guanxi. Journal of Business Ethics, 71(3), 301-301-319. doi:10.1007/s10551-006-9140-3
18. Szeto, R. W. F. (2010). Chinese folk wisdom: Implications for guarding against unethical practices by Chinese managers. Journal of Public Affairs (14723891), 10(3), 173-185. doi:10.1002/pa.355
19. Warner, M., & Joynt, P. (Eds.). (2002). Managing across cultures (2nd ed.). London, England: International Thomson Business Press.
20. Zhang, Y., & Zhang, Z. (2006). Guanxi and organizational dynamics in China: A link between individual and organizational levels. Journal of Business Ethics, 67(4), 375-375-392. doi:10.1007/s10551-006-9031-7

ABOUT THE AUTHORS

Professor Steven Clarke is Senior Consultant and Advisor to Global Management Group, a leading consulting firm that helps US companies and executives succeed in Asia (www.globalmanagementgroup.com). He has consulted for Fortune 500 companies and has extensive experience in the China market. In addition, he has more than 25 years of experience in international business at top department stores and reputable companies such as Federated (Macy's, Bloomingdales), May, Carter Hawley Hale, Eddie Bauer, National Football League (NFL), Arnold Palmer Golf Design, Central (Thailand), Robinson (Philippines), and #1 Department Store (China). He has also been a successful entrepreneur founding China Silk Wines, in addition to consulting foreign companies entering the Asian market. He has taught strategy, ethics, social media, foreign market entry, marketing, economics, organizational behavior, operations management and brand development. He is a graduate of Northern Arizona University and Grand Canyon University. He is currently a Senior Consultant with Global Management Group and guest business analyst for "The Nation" newspaper and "Sunday Night Business" weekly television show in Bangkok Thailand.

professor Steven Clarke
Email: stevenjayclarke@gmail.com

Professor Peng Chan is Full Professor of Strategic Management at Cal State Fullerton. He has more than 200 publications in the fields of strategic management, franchising, entrepreneurship, marketing, and international business and has over 25 years' business and consulting experience in the US and the Asia Pacific region. He is a pioneer in franchising and strategy in Asia and has given many guest lectures and speeches in countries such as China, Hong Kong, Thailand, Malaysia, Singapore, Indonesia, Philippines and Vietnam. He has advised many Asian and US companies on successful global expansion. He is Honorary President of the Asia-Pacific CEO Association.

Dr. Peng Chan
Email: pengchan@gmail.com

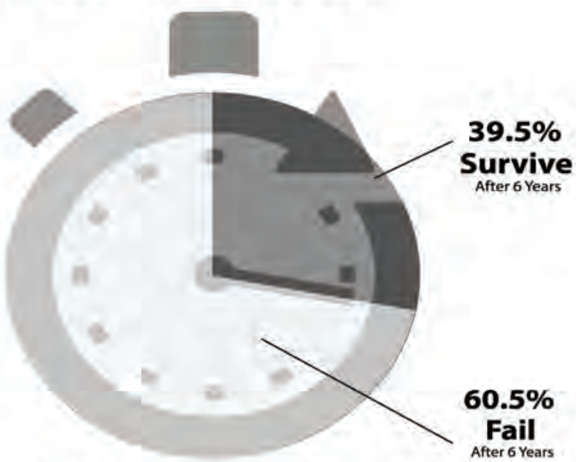
Marketing and Emerging Businesses: The Neglected Priority.

By John Espinoza

The purpose of this article is to evaluate the attitudes of emerging businesses (small, minority, and women-owned businesses) attitudes towards marketing and the results from either actively engaging in the practice, or refraining from it entirely. There are powerful marketing and analytic tools that are economical, easy to use, and emerging businesses are amongst those with the most to gain when utilizing these to gain a foothold in any marketplace.

A study by Entrepreneur[1] *explains that minorities own 15.1% of all U.S. businesses, that is roughly 3 million firms, and of this group, 99% are small businesses.* A further look at the *Entrepreneur*[1] data is very clear: 66% of small businesses survive after 2 years, and the number drops to less than half at 49.6% at 4 years, and after 6 years very few survive.

Small Business Survival Rate



So what are some of the major reasons why emerging firms are either successful or don't survive? *Before diving into the data I took a look at my own first-hand experience.*

For over 30 years, I have been involved in the world of branding and advertising. Working as an Art Director has allowed me to have a bird's eye view of what both large and small companies do for branding and advertising.

During the first 20 years of my career, I worked on national campaigns at leading ad agencies, learning the art of branding, marketing and how to conduct market research while working with products such as a new deep-dish pan pizza for Pizza Hut or selling the "cold" attributes of Coors Beer. At these large agencies, we were armed with research, demographic analysis, and focus group data. At times it seemed to be almost too much to the point where we began to think that focus groups were the death of any fresh or intrinsically interesting idea that came from a hunch or gut feeling.

However, emerging businesses do not have these luxuries as marketing research is rarely conducted due to limited resources. The budget for marketing often has to come out of constrained financial resources as opposed to a marketing budget, directly competing with payroll, taxes, and other critical business expenses.

Following my work with large ad agencies, I have 12 years of experience as a Hispanic running my own advertising firm. Like many entrepreneurs, there was a turning point where I embraced living my own American dream and took my skills directly to the customer. Like many minority entrepreneurs, my hope was that running a small business would allow me to pursue my passions, eventually leading to the financial freedom that can't be achieved working for someone else. With the lure of great rewards, there are equally great risks that can lead to financial failure. Over the past years, working with small businesses coming to market, I have observed the opportunity cost emerging businesses suffer for not giving marketing a high priority. I am a sympathetic observer, understanding the challenges that emerging businesses face when determining where to allocate precious resources.

Branding, Marketing and Market Research.

The terms branding, marketing, and market research are commonly used but often misunderstood. For example, the word "branding" has been used to mean anything from applying a logo to a pencil to appliques that can be color coordinated with our clothes.

Branding
As an analogy, cattle ranchers use a branding iron to specifically say that particular cattle belonged to a ranch and then branded each cattle's ear with a specific number on it so that they could determine exactly where that cattle stood within that market place. For the buyers of cattle, the brand represented a permanent mark that the cattle had a particular pedigree, were raised in a certain way, and the ranch stood behind the development of this product and its current market standing for a long period of time.

In the modern context, a corporation uses brands in the exact same way. A company uses a brand to denote how it developed and supports a product or service, and that by doing so, the product or service has a particular market standing. In the long run, branding requires differentiation, which is easy until the realization that this differentiation must be consistent and sustainable over a long period of time.

Market Research
Following the same analogy, ranchers had to determine what method worked best for selling their cattle. Was it that they put a sign up alongside their pen and people passing by decided to inquire about buying a cow or the recent auction where the cattle were displayed? The Rancher could benefit from a better understanding of what the cattle marketplace was like, so the rancher decides to start asking potential and existing customers questions about why they purchase his product, what he could do better to serve their needs, who else they buy from, why they buy from his competitors, what he could do to improve his product, and so on. This is an example of market research.

In the modern context, a corporation uses market research to determine what truly matters to a customer by figuring out what marketing channel motivated them to buy the product, why customers are choosing a particular product, what a competitor is selling, how to improve one's own product, etc. Market research comes in many shapes and forms, but those are the basic metrics to build upon.

Marketing
Taking the cattle analogy further, marketing is the act of taking cattle to market. A rancher needs to understand what his customer wants, and then effectively tell the world that this product or service satisfies the customer because cattle from his pen ran free, ate wild grass and were happy. Because potential customers understand exactly where the cattle came from and where it stands in relation to other cattle, it becomes highly desirable to the person who is looking for exactly that type of cattle.

In the modern context, marketing is exactly how a company understands how their product or service satisfies what the customer wants, then in what way it effectively conveys that the product or service they have brought to market is exactly what a potential customer is looking for. This means stressing how the product solves a problem for the customer in a creative and engaging way.

Emerging business owners: what are users and non-users of marketing doing?

As most emerging business owners know, the last few years have required a tightening of belts and cut corners as a way to make ends meet. This often results in business owners thinking that dedicating time and indeed funds to a marketing plan is not a high priority, simply because they want to see immediate results. An owner could justify the expense of a marketing plan if there are short-term results, but marketing takes time to work.

Mark Cuban, NBA Team owner of the Dallas Mavericks, and business executive on the TV show "Shark Tank" who considers offers from entrepreneurs seeking investments for their business or product said, *"Sales are the most important aspect of a small business…no sales, no company."* [2] Lucky for most business owners today, the web offers a direct and accountable way for businesses to market themselves, eventually leading to sales. A business can display and hone its branding, conduct marketing research, and market their products and services all on the web. And they can do it affordably.

In a recent study by *Forbes Magazine*, October 2012[3], small business owners who do use the web, in particular social media, nearly 50% spend 6 hours a week posting to social media websites and another 25% percent spend even more time 6-10 hours a week posting to LinkedIn, Facebook, and Twitter. These same owners want to spend less time on marketing through social media because the results are disappointing, they don't see clients beating a path to their door. Most businesses don't know what the return on investment is for spending all of this time marketing through Social Media. Only 36% use paid analytical or scheduling tools to gauge user engagement.

Few emerging business are using analytical tools built into website resources, all directly at their fingertips. For example, WordPress can be used to create a website with a Content Managed System (CMS) either by themselves, or hire an outside consultant to do it. Emerging businesses can also easily create a presence on Facebook, Twitter, and LinkedIn as well as other leading social media websites through platforms like HootSuite. A simple marketing plan is posting content on sites potential customers frequent, engaging them by providing interesting content that would be relevant to them.

The majority of emerging businesses do not conduct formal marketing.

The majority of emerging businesses do not engage in formal marketing practices, as noted *by Journal of Academy of Business and Economics*[4] in January 2011. Of the respondents to the survey, a common picture of an emerging firm has less than 10 employees, has little experience with formal marketing, and spends less than .05% of gross sales on research. If anyone is doing the market research and marketing in this firm, it's usually only one person, the owner.

There are a multitude of platforms in the web-based universe that allow for market studies. Immediately within anyone's grasp is Survey Monkey, LinkedIn surveys, Newsletter A/B testing to name a few. Companies such as the respondents in the *Journal of Academy of Business and Economics* could easily use these tools to engage with their potential customers.

Why some do not market in spite of the dangers.

Data notes that a large number of emerging businesses do not engage in marketing and face significant dangers by not doing so. A recent study by *ReachLocal.com*[5] finds that 85% of consumers search for local business online, while 60% of small businesses do not have a website, and 25% of minority businesses do not show up in search results. These marketing challenges are easily mitigated. The question lies herein, as to why businesses do not engage in these seemingly easy practices.

According to the study by *Journal of Academy of Business and Economics*[4] reasons for not conducting formal marketing research are as follows. (1= most used, 6 = least used).

1 Formal marketing research is costly
2 Other
3 We are too small
4 Lack of qualified staff
5 Formal marketing research is time consuming
6 Lack of knowledge of conducting research

It comes as no surprise that emerging businesses often resist conducting marketing research, let alone marketing activities, because they are unaware of the importance that marketing has to their bottom line. The perceived cost and effort of engaging in marketing is in the belief that doing so requires hiring professional research companies. Small minority businesses have limited personnel, units of less than 10 and often made of micro units of 3 down to solo entrepreneurs. There is a systemic lack of exposure or experience among the staff to the value that marketing and marketing research can provide, and what the easy and affordable Internet based marketing tools are. This will lead to failure for emerging businesses.

People expect to find information about products and services on the Internet. These numbers will continue to grow with more people using smartphones and tablets. According to the *USC Annenberg School of Communication*[6], screen time has exploded:

• In 1975, consumers watched television for 16 hours a week.
• In 2012, consumers are interacting with a screen (TV, PC, Smart Phone, Tablet) 41 hours a week.

Over the next 3-4 years, consumers are expected to interact with a screen a total of 55 hours a week.

The reason why our online attendance is growing is due to moving from dial-up to the always-on direct connection broadband. The result of not having a website or at least a social media page will make your business invisible to a majority of the world's population.

Poor marketing is a highly avoidable cause of emerging business failure. A small business will need to effectively market its brand in order to compete against more established businesses. It is critical to invest enough resources into promoting products through the ideal channels. Doing so will ensure a potential customer knows that you can serve their needs. Online marketing in conjunction with traditional marketing methods such as brochures, flyers and business cards is a must.

Participating emerging business owners who applied marketing found it to contribute to their success.

It's important to note that all types of business marketing have evolved as technology has become more available. Strategic planning for the gathering and processing of information has become extremely important to the success of emerging businesses.

In order to make sound marketing decisions and strategies, entrepreneurs need high quality and reliable data that is easily available. There are many firms acquiring data about the marketplace and economic environment in order to inform others of their strategic decisions about to whom and how to market their products and services.

The recent study by Journal of Academy of Business and Economics[4], analyzed whether emerging firms that have applied marketing strategies, tactics, and practices agreed or disagreed with statements regarding formal marketing research. There were two groups of respondents, users and non-users of marketing research. Overall emerging firms who used marketing believed in its effectiveness while firms that did not use marketing didn't clearly see the benefits.

In this study users disagreed with the statement, while non–users agreed with the statements "marketing research is justifiable for only large firms" and "there is no need for marketing research when the demand for a firm's product exceeds its supply".

When asked about the cost and benefit of conducting marketing research, users of marketing research thought it was worth the time and expense required to perform this activity. They were also of the opinion that the cost of conducting marketing research was minimal compared to cost of making a major mistake.

There was a split with users disagreeing with the statement "Marketing research is a wasteful activity for our business" while non-users agreed that it was wasteful.

When asked about conducting formal marketing research, marketing research users indicated more confidence in their ability to evaluate and implement marketing research studies, disagreeing with the statements "We would have difficulty evaluating the results of marketing research", and "We would have difficulty in implementing the results of marketing research". Reviewing the analysis even further, it's important to note that emerging firms that are users of marketing research are better off when reviewing revenue and number of employees compared to non-users of marketing research.

The same study then further addressed the formal marketing experience of 64 emerging business organizations. The infographic below shows some insights culled from the study.

Of those firms who collected marketing data, 56 percent use personal interviews, 55 percent use observation, and 53% use telephone interviews. Accordingly, only eight of the pool of 64 firms used the Internet to gather their data. More specifically, tools like Survey Monkey, Google Analytics, Google Words, and Social Media research platforms are readily available to acquire market data and are seldom used.

86% of these same firms use their own staff to conduct and evaluate marketing research, which seems logical due to the bootstrap mentality of emerging businesses, rather than employ outside agencies. This group also felt that their efforts produced effective to very effective results at 86%.

Emerging businesses indicated that the most important use of marketing information was to formulate a marketing mix or a big picture marketing program at 58%. Followed by 52% of the businesses using of marketing data to help forecast how much they might grow, with 47% forecasting sales and market share. Forecasting profits seems less relevant to an emerging business.

Recommendations

Emerging business can do a great deal to increase their own chances of success, all with easy to use and readily available tools. Market research is the key to making strategic decisions about brand development and marketing tactics. Key points are:

- An emerging business' greatest need is to utilize market research when business is NOT profitable and use time to research the marketplace, competitors and customers.
- To become profitable, emerging firms should conduct market research to find the information needed to determine how to make the best use of its marketing resources.
- Don't put off marketing research because of fears about costs. Market research can be done at a minimal cost, impedes the flow of valuable information emerging firms need.
- Include a brief survey to your clients next time you send an invoice or email.
- Utilize online surveys for free with tools like SurveyMonkey, Social Media surveys from Linked In, Facebook, and Twitter.
- Find demographic statistics, and supporting data about industry and competitors by going online, to a library or a chamber of commerce

Emerging businesses and successful businesses alike should continually renew marketing research efforts because their business, their clients and competitors are not standing still. As the marketplace evolves, emerging business must adapt by using marketing intelligence to inform their strategic decisions in order to be competitive.

References

1)http://www.entrepreneur.com/sbe/minority/index.html

2)http://www.entrepreneur.com/sbe/minority/index.htmlhttp://thenextweb.com/insider/2012/12/24/mark-cuban-participates-in-reddit-ama/

3)http://www.forbes.com/sites/caroltice/2012/10/31/small-businesses-dont-have-time-for-social-media-and-dont-track-results/

4)http://www.freepatentsonline.com/article/Journal-Academy-Business-Economics/260873290.html

5)http://www.slideshare.net/ReachLocalPresentations/150 smartstatsonlinemarketingtrendseverybusinessneedstoknow#btnNext

6)http://new.livestream.com/accounts/1380107/events/1568288

ABOUT THE AUTHOR

John Espinoza, CEO of Green Street Ads. Inc. brings over 30 years' experience in global and multicultural marketing to the Green Street team. Established in 2006, Green Street is a multicultural branding consultancy providing global clients innovative communications platforms utilizing state-of-the-art technology. Espinoza has led his team to develop and release its proprietary, web-based tool GeoBrand that allows users to easily create custom, branded global maps using Geographic Information System (GIS) technology. Under Espinoza's direction, Green Street has created outstanding advertising for companies like Agility Global Logistics, Orange County Transit Authority, California Office of Traffic Safety/City of Pasadena, and Center for Contract Compliance.

Espinoza is currently providing pro-bono marketing services to the TapRoot Foundation. He has won numerous advertising awards including Cannes, and Clio, while learning the art of branding at top-ten ad agencies like McCann-Erickson Worldgroup, and Disney Consumer Products. Espinoza has taught as an adjunct professor, for over 15 years, at Art Center College of Design, a world-wide recognized art school. He has also been a member of the Alumni Board of Directors at Art Center. Espinoza has also served on the City of Alhambra, California Design Review Board.

Contact Info: john@greenstreetads.com

Sources of Financial Institution Ratings for the Small Business Borrower

By Sara Matin and Daryl K. Ono

Introduction

Many financial institutions currently possess adequate amounts of cash and liquidity to loan, yet are reluctant to do so. The "Great Recession" of 2007 through 2009 badly damaged many banks and the survivors are adverse to risk. These financial institutions have taken a very conservative approach to their lending practices to lend to those companies with the strongest financial fundamentals. These financial institutions will only lend to those entities which have the strongest leverage ratios and demonstrate the highest probability of repaying their debt obligations. These banking fundamentals are reinforced by vigorous interest of regulators in the credit quality of banks.

This creates a difficult borrowing environment for the small business borrower as many financial institutions will overlook the small business due to current lending practices. Small businesses represent too large of a risk to these financial institutions and are complicated to justify as risks to regulators. The key problem remains that small businesses are specifically require cash infusions to begin its business or to fund ongoing operations. The small business borrowers do not have that "bridge" to the financial institutions which have the ability to assist the small business.

This paper will not discuss policies to remedy this situation. Large-scale structural changes in the financial services industry would be necessary to change this and is therefore beyond the scope of this article. The Federal Reserve Board would have to implement fundamental changes which would require approval by the US Congress. The political discourse in and of itself would be overwhelming and would probably leave the small business still groping for a cash infusion for its business.

So where does this leave the small business? There are financial institutions willing to lend to the small business. These are not the multinational commercial banks. This may also rule-out large credit unions which have billions of dollars in assets. Many of these larger financial institutions are willing to lend to the small business, but the multinational commercial banks and large credit unions mainly focus on well-established corporations and industries.

Fortunately, many community banks and small and medium credit unions target the small businesses. These community banks and small and medium credit unions typically understand the needs of the small business and have operations built for small business lending. Small businesses are valuable and long-time customers for many community banks and small and medium credit unions.

A basic problem is that many community banks and small and medium credit unions are not well-known to the business community in general. Their advertising budgets may be at the bare minimum, many depend on social media as a marketing source. Like most small businesses, the community banks and small and medium credit unions do not have the financial resources for effective advertising. They focus on outstanding in-store customer service, and rely heavily on "word-of-mouth" advertising by members.

The community banks and small and medium credit unions may only have a single branch in the geographies in which they serve, so small businesses from other locations do not see the branch. This is a problem for small business, community banks and small and medium credit unions due to the disconnect between them. The community banks and small and medium credit unions can create a feasible business relationships however the cost of search for the potential business partner is high.

Problem Definition

If the small business does find a lender, how can the small business be certain the lender is financially viable? What if the small business establishes a line-of-credit, only to have the lender fail and leave the small business with an unanticipated cash shortage? An inherent problem is that the community banks and small and medium credit unions are not well-known, so the small business must somehow determine the viability of the potential lender.

An unfortunate consequence of this situation is that there are some unscrupulous lenders which are not closely regulated as the banks will take advantage of the small business. Most small businesses do not have the labor and financial resources to perform the due diligence on the potential lender and the unscrupulous lenders know this. The unscrupulous lenders may require nonsense upfront fees, unnecessary compensatory balances and usury interest rates.

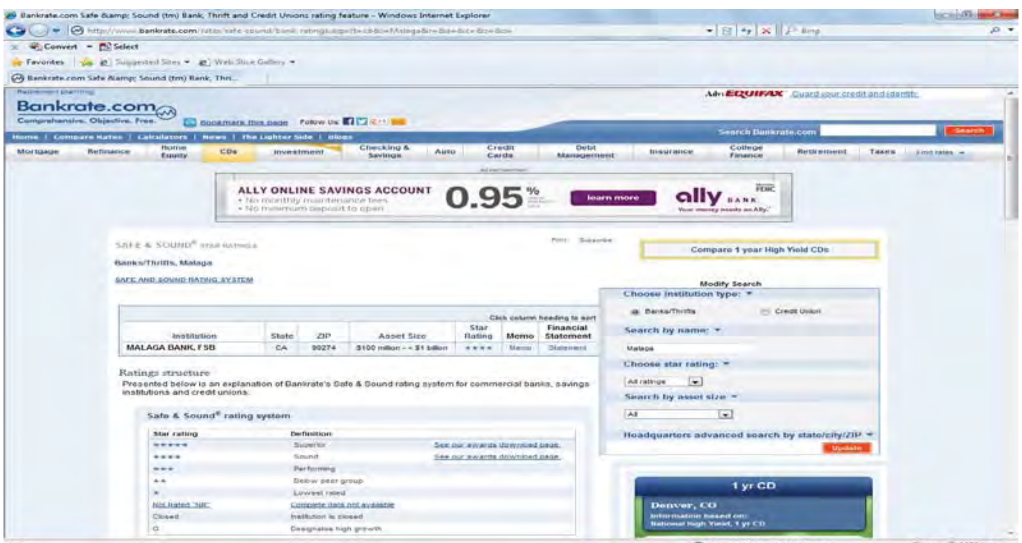
The basic problem resides with the small business not being aware of information in order to perform necessary due diligence. Fortunately, there are free sources of data available on-line and through print that the small business can easily implement. In addition, there are many low-cost sources of information, many less than $1000. While this may be a large sum for a small business, there is potential that it is a critical source of information to the small business.

Sources of Information

One of the best free sources of financial institution ratings is "Bankrate.com" with its "Safe and Sound Rating System". Bankrate.com states that its ratings are "Comprehensive, objective, and free." and configures its ratings in a format that is indeed comprehensible. The financial statements are included and Bankrate.com has a rating system it uses to grade a financial institution. It also has a "Memo" link which provides a general description and forecast of the company to be studied. The user may choose "Banks/Thrifts" or "Credit Union", the user may search by name, star ranking, or asset size. The Bankrate.com website is one of the most popular websites of its kind because its website is intuitive, the data and rating are current, and the basic search engine is simple and clutter-free. Bankrate.com provides a wealth of information which includes CD rates, mortgage rates and a host of many other financial metrics.

Bankrate.com is not limited to small businesses and is available to the general public. It requires only simple Internet access and there are no subscription fees. The Bankrate.com website ratings can be found at:
http://www.bankrate.com/rates/safe-sound/bank-ratings-search.aspx

A sample screen print of the Bankrate.com output is shown on the following page:



Example screen print from Bankrate.com

Another reliable source of financial institution ratings is "IDC Financial Publishing, Inc." which provides comprehensive information about many Financial institutions.

IDC developed its famous "CAMEL" rating, which stands for:

Capital Adequacy
Asset Quality
Margin
Earnings Returns
Leverage/Liquidity

The IDC website is http://www.idcfp.com/ and sates: "IDC Financial Publishing, Inc. (IDC) uses its unique CAMEL rankings of financial ratios to determine the safety ratings of banks, bank holding companies, savings banks, savings and loans, and credit unions".

IDC's methodology for ranking financial institutions for safety is an open platform which helps banks, savings institutions, credit unions, and any client to understand financial ratios and rank for a specific institution.

IDC Financial Publishing, Inc. does not accept compensation prior to, or as a requirement to rate an institution, thus is impartial when determining a rank. Clients which subscribe to IDC's published ranks include the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Federal Home Loan Banks, Federal Reserve Banks, state and municipal governments, insurance companies, financial firms specializing in brokered certificates of deposit, individuals and institutions investing in brokered deposits, portfolio managers, treasurers of corporations, and individuals cautious regarding their bank safety ratings. The website further states: "IDC ranks over 6,500 commercial banks and over 1,000 bank holding companies using its proprietary methodology and regulatory reports submitted to the federal government. The Bank Financial Quarterly identifies several financial ratios, assigns a weight factor to each based on its relative importance to the health of the institution, and then combines the overall view into a numeric bank safety rating. Ratings range from 1 (the lowest) to 300 (the highest). IDC has a remarkable track record of being able to identify deteriorating or improving performance many months, and sometimes years, before it becomes apparent to less-sophisticated ranking companies." Finally, IDC ranks over 1,100 saving institutions and over 7,400 credit unions.

IDC Financial Publishing, Inc. information is not free however, IDC can parse its data to customize it for its customers. Many of these customized reports are available for less than $1,000 and low-cost subscription services are also available.

The "gold standard" for financial institutions ratings is Moody's and Standard and Poor's. The websites for these ratings are:
http://www.standardandpoors.com/ratings/financial-institutions/en/us
http://www.moodys.com/researchandratings/market-segment/financial-institutions/005001/4294966440/4294966623/0/0/-/0/rr
The quality of their ratings is outstanding; however, they come at a fairly steep cost, usually beyond the means of the small business.

Conclusion

This paper has presented a short, non-comprehensive list of sources of financial institutions ratings for the small business. This list can assist the small business when dealing with a financial institution they are unfamiliar with. The small business should use these ratings to perform its due diligence to ensure the potential lender is reputable. This will also help the small business find the lowest borrowing rates possible while protecting its self from weak, unstable or unscrupulous lenders. Other sources of ratings may be equally viable, it is critical for the small business to have quick access to current financial institution ratings.

The authors of this paper are not responsible for the rates or information provided in the websites of Bankrate.com, IDC Financial Publishing, Standard and Poor's, or Moody's.

Bibliography

http://www.bankrate.com/rates/safe-sound/bank-ratings-search.aspx

http://www.idcfp.com/

http://www.moodys.com/researchandratings/market-segment/financial-institutions/005001/4294966440/4294966623/0/0/-/0/rr

http://www.standardandpoors.com/ratings/financial-institutions/en/us

Pratt, Shannon; Robert F. Reilly, Robert P. Schweihs, *Valuing a Business, 4th Ed.,* McGraw-Hill Professional. McGraw Hill, 2000.

ABOUT THE AUTHORS:

Sara Matin is the Dean of Academics at Westwood College, Torrance CA. Sara effectively handles all academic affairs at one of these most successful campuses in the Westwood College system. She has won numerous awards for her educational management skills. Sara is the mother of two beautiful daughters.

Daryl Ono is an associate professor at Embry-Riddle Aeronautical University, Worldwide Campus. in addition, he is the treasurer for the JACOM Credit Union, one of the most highly rated credit unions in its asset class.

Please contact Daryl at onodk@hotmail.com.

E-Business Strategies:
The Creation of Unique Selling Propositions

By Cindy Lo and Dr. Peng Chan

ABSTRACT. *The Internet has evolved from a novelty gadget into a common market space. Its popularity and utilization became no less important than the traditional brick and mortar storefront. Numerous studies have tested the viability and potential of the cyber sales channel. However, there is a lack of attention to the topic of how internet retailers can create their own unique selling propositions (USPs). Case studies and personal interviews were conducted in this study to provide practical answers to online merchants. The results showed that analytical tools have long been overlooked and should be further applied to daily business operations. Customer service remains crucial for electronic businesses, in which physical communication is absent between buyers and sellers. The degree of electronic customer service can be translated into order fulfillment, online service interactions, website design, and seller reputation. Finally, periodic company strategic reviews should be the core activities for internet retailers since the market environment changes constantly.*

1 Introduction

The Internet has undoubtedly reshaped the business landscape for all players from all industries over the last decade. Many traditional brick-and-mortar stores such as Toys R Us and Wal-Mart have incorporated the Internet as an additional sales channel. At the same time, more and more companies are operating solely based on an electronic store front, managing daily transactions without any physical office space (Oudan, 2010). With the number of web users on the rise, traditional storefronts are inevitably being taken over by online cyber shops (Karakas, 2009).

The electronic market space continues to expand as online sales volume was expected to grow from $132 billion in 2006 to more than double the amount in 2011 (Linn & Alison. 2007). On top of tremendous growth rate, this relatively new sales channel also enables something that cannot be easily achieved by traditional storefront, that is, high customer/vendor reach and instantaneous information exchange (Chang, 2010).

The online market is becoming more competitive as businesses embrace this sales channel. Many studies on the overall electronic environment and salient trends have been published over the years. However, there is a lack of in-depth and specific studies with respect to ways of helping web sellers identify and achieve their unique selling propositions (USPs).

Nearly every person with internet access can start an online store with minimal restrictions. As a result, the entry barrier is relatively low compared to physical sales channels. Taking one of the biggest third party merchants, eBay, for instance, the only requirements for selling on eBay are a legitimate bank account and credit card information (Chang, 2010).

In addition, the number of online shoppers is increasing with the general public's growing familiarity with electronic technologies, especially online storefronts. Customer-opinion seeking behavior gradually moved from family/friends references to easily available online reviews and feedbacks. Therefore, competition became fiercer with more sellers and buyers entering the new sales channel with good knowledge of cyberspace (Edelman, 2010).

One distinction that sets the traditional brick and mortar store apart from the online store is the way of identifying and promoting differentiating features. Unfortunately, it is especially difficult for customers to recognize what an online merchant does better than other sellers without physical interaction. Moreover, existing publications and studies rarely cover up-to-date information in regards to helping online sellers creating their own USPs. The most common differentiating practice among internet merchants is simply price cutting. However, this will only induce further profit loss and decrease in customer loyalty (Chang, 2010).

This research contains three main objectives that can serve as valuable input for decision makers – in this case, existing online merchants and business owners who seek to do well in the cyber market. The first objective is to identify areas where online merchants can leverage the internet technology to create their own USPs that are difficult to imitate by rivals. Business owners who have not entered the electronic market can also refer to the information as a feasibility evaluation. The second objective is to suggest an operational change where the top management can sufficiently communicate company goals and targets to different level employees. This can apply to both online companies and traditional brick and mortar entities. The final objective is to urge merchants to think beyond their current operational scope to discover unexplored business opportunities on the internet.

The central research question of this study is: "How can an internet-based retailer create a unique selling proposition (USP) under in extremely competitive environments?" In the process of answering this question, this study will also illustrate ways to help an online retailer stay on track within a company's strategic direction, create an organizational culture that generates learning incentives, and boost employee motivation.

2 Utilization of Analytical Tools

Analytical tools have been well established and incorporated in many online and offline businesses. To name but a few popular tools: management information system (MIS), business process analysis and systematic decision making (Vitez, 2010). Moreover, online retail stores established with third party merchants such as Amazon and Yahoo are usually provided with hosts' proprietary data management tools. Google Analytics even offered a fairly thorough analysis without any additional fees and heavy restrictions.

Unfortunately, the ways online retailers utilize analytical tools to manage their business operations pose an issue. The common practice is simply to use the analyzed statistics as performance measures and adjustments. Some of these metrics include sales per square foot and product profit margins. These numbers should have been further utilized to gauge company reactions to the market, but usually were not done by retailers. Online merchants often missed the real benefits that can be leveraged into strategic implementation and marketing opportunities (Todd, 2008).

Ebay, one of the biggest internet shopping portals, was used to illustrate the importance of analytical tools utilization (Chang, 2010). The vast number of sellers made each individual advertising effort nearly irrelevant to target customers. Product and service features also became less identifiable to consumers with abundant established online sellers. Customer loyalty seemed nonexistent for the majority of the merchants; especially since most of the shoppers' purchasing decisions were made solely based on competitive price offerings. As a consequence, price wars started to dominate eBay's market space and served as the prevailing method to attract business. The study suggested several ways for online merchants to refrain from severe price wars and search for differentiated edges that are more sustainable. Identifying unique product features, creating positioning strategy, and utilizing analytical tools were proposed; however, detailed processes with respect to methods of achieving the proposed goals were not discussed in the study

Online merchants need to understand and learn how to utilize the full potential of analytical tools as one way to establish their USP. Research has been done to showcase the correlation between the utilization of analytical tools and online retailers who out-perform their competitors in the cyber space. These successful merchants are capable of translating analytics into company actions that help positive growth (Todd, 2008). The following are some examples of electronic-based companies' skillful use of analytical tools:

1. Old Navy (www.OldNavy.com)
Real time database informs the company when the number of outdated or overstocked products reached a pre-determined amount. To better utilize the inventory space, these items were immediately discounted in order to speed up the turnover rate and lower the warehouse occupancy (Oudan, 2010).

2. Amazon (www.amazon.com)
This giant third party merchant has dissected the analyzed numbers and created a system for all operational departments within the company. As a result, Amazon is capable of delivering the products to customers by a promised day, with the coordination of its inventory management, supply chain, logistics, and fulfillment centers in a timely and efficient fashion (Todd, 2008).

<u>CASE STUDY: Toner Spot</u>
We conducted interviews with a relatively new online merchant, Toner Spot, to illustrate ways that one can better utilize analytical tools to create a company's USP. Toner Spot was first launched on the Amazon platform as a printing supplies merchant in early 2010. According to CEO Yang, company sales have increased steadily with the help of analytical tools and the efforts to dissect data provided by Amazon.

Amazon's analytical tools automatically generate a series of report instantaneously. Some of the data include: customer metrics, feedback rates, seller performance, and site metrics. The sales and traffic time series under site metrics section enable Toner Spot to understand the amount of business volume that occurred during different days of the week. This metric was merely a sales graph to Mr. Yang during the first few months of operation. However, a noticeable trend emerged after a period of time, and Mr. Yang decided to further investigate the data to see if any operating actions can be modified based on the results.

He found that the lowest sales volume generally occurs on Mondays and Tuesdays. As time progress, sales volume increases accordingly within weekly span. To fully invest in this information, the company decided to launch various sales campaigns and introduce variable price points every Wednesday in order to attract more traffic to the site. The tactic works since the competitors rarely modify their selling price and initiate promotions in the middle of the week.

The retention and improvement of customer metrics is usually rewarded as a "featured" seller box by Amazon. As a result, Toner Spot implements organization-wide guidelines for order handling and customer service procedure. This helps the company retain ideal percentages such as lower order defect rate and lower late shipment rate. The outcome is constant rewarded seller boxes that further increase sales volume for the company.

The efficient use of analytical tools has set Toner Spot apart from other competitors within the same market space. The knowledge of understanding and leveraging the numbers and metrics became the USP for Toner Spot, especially when other competitors do not realize the full potential of it.

Implementation Suggestions

Several suggestions are listed below that can help an online merchant to utilize the data from analytical tools and implement actions in future business operations:

1. Identify less popular products/services and consider alternate marketing campaigns for these items. One such campaign is bundling these products with more popular items, discount, and free shipping offerings.
2. Identify repeat customers and strengthen the relationship by dedicated customer service representatives, faster order processing time, and personalized email communication. Referral programs are useful if sufficient number of repeat customers is present.
3. Study past transaction history to predict future sales and identify the most efficient promotion dates.

3 Creation of Exceptional Customer Service

The internet sales channel eliminates the distance between sellers and buyers worldwide. Unfortunately for online merchants, it can also shorten the promotional effect of newly introduced or so called "breakthrough" products and services (Todd, 2008). Moreover, price promotion can appear as futile due to severe price wars for the majority of the commodity products online (Chang, 2010). As a result, it is inevitable that the creation of excellent customer service is one of the few ways for an online merchant to establish their own USP.

One study surveyed more than 1,400 medium-sized internet retailers established in the United Kingdom. The respondents were carefully selected with pre-qualified selling products and annual sales volume in order to construct an unbiased report (Gunawan: Ellis-Chadwick: King, 2008). According to the study, establishing points of differentiation in consumers' minds can be difficult for internet-based stores. The reason is that websites lack real physical contact with customers such as friendly employee, store ambience, and actual location. However, three areas were identified as unique fields where online merchants can leverage in building traffic, customer service points, and even differentiated edges:

1. Website traffic
2. Website quality, including order fulfillment time
3. Performance measures

(Gunawan et al, 2008)

It was estimated that exceptional customer service for an online business posed a value of $17.3 billion in 2010, based on a study conducted by STELLAService, a well-established customer service rating agency. The study further concluded that customers were willing to pay as high as additional 10.7% for superior customer service on the internet. This is especially true for high-end products (Luo & Chung, 2010). The reason is that customers often feel safer and more comfortable shopping without the presence of physical interaction when knowing that there is a reliable service department backing up the online store (Amore, 2010). Therefore, creating exceptional customer service as an online merchant's USP proves to be a "winner" idea to pursue.

In summary, excellent customer service for electronic business can translate into the following benefits:

1. Speed of delivery
2. Helpful and polite customer service representatives
3. Accessibility and ease of understanding company's website
4. Trust-worthy seller reputation

CASE STUDY: Zappos

Zappos has been rated one of the most successful online retailers in delivering exceptional customer service over the years. A study done by STELLAService ranked online stores with more than 300 different customer service-related features. Based on a perfect score of 100, Zappos ranked number one with a score of 88, while there were 12 other stores with a score above 80. A complete list of companies with a score of 80 and higher is included in Appendix 1 (Stambor, 2010).

Excellent customer service is truly Zappos' USP. The company receives an average of 65% repeat customer orders every day, which showcases how customer loyalty can be retained by superior customer service for an online merchant (Saftlas, 2010). One reason for Zappos' success is their ability to permeate the "customer-is-king" culture throughout the company. Every employee truly embraces Zappos' mission – "to provide the best customer service possible" (Zappos.com, 2013).

Not everyone can work at Zappos. The company sets a high recruiting standard where only qualified interviewees who believe in the company's mission (i.e. customer service), are able to work in the firm. This helps create a cohesive company culture with respect to service standards. There are no preset rules regarding ways to interact with customers. On the other hand, when serving customers, the representatives are able to make decisions that are best for the clients solely based on their own best judgments (Zappos.com, 2013).

Zappos is also involved in numerous community services such as holiday gift drive, the shade tree donation, and goodie two shoes giveaway. Their activities not only help the community grow, but also creates a positive word of mouth across different media channels. The caring image associated with Zappos can further translate into ideal customer service (Zappos.com, 2010).

An empirical study tested the relationship between website design and subsequent performance. The results failed to prove the correlation between interactive website designs and increased sales figures. However, it did show that there is a positive feedback from web users visiting commercial sites that are interactive, which can be translated into real time chatting programs, order tracking systems, and so on (Auger, 2005).

Implementation Suggestions

The following are some suggestions for online merchants to establish their USP by offering exceptional customer service:

1. Examine current logistic flow and inventory control system thoroughly. The purpose is to identify areas of improvement for achieving faster order fulfillment time.
2. Hire people who truly embrace the concept of superior customer service. The firm can consider creating a set of guidelines for recruiting and screening prospects.
3. Execute company-wide customer service training programs to improve service quality. This also assists in aligning different divisions and levels with a central goal of higher customer satisfaction (Agarwal et al, 2006).
4. Evaluate the need of revamping the website by visiting industry leaders' online portals and learning from other high performance pages. An ideal website should be at least cluster-free with consistent design, functional headings, interactive contact page, and secure checkout features.
5. Obtain positive feedback from customers and display positive testimonials to attract traffic. Two ways to achieve this objective are by sending out customized feedback request emails periodically and requesting testimonials from repeat customers.
6. Searching and monitoring online reviews that are not administered by the company constantly. Sellers need to be responsive with the reviews and feedbacks, especially negative comments. Contact the reviewer to remedy the situation to minimize the number of unhappy customers and bad word of mouth.

4 Companywide Strategic Reviews

Strategic reviews have been overlooked by many corporations, not just for online merchants. Many companies are still stuck with the basic strategic approach, i.e., solely focusing on cost reduction, channel and market expansion, and customer service presentation (Oudan, 2010).

Technology has changed the market structure and how business shall be conducted in the future. Modern technologies enable companies to launch products and services into the market space in a very short period of time. The result is strategic surprises for unprepared online merchants. It is inevitable that online merchants must implement strategic change and reviews to remain competitive in cyberspace.

CASE STUDY: Toner Spot

Our interviews with Toner Spot reveal that the company conducts bi-monthly strategic reviews with staff members as one way to ensure the company is heading toward the planned direction. Performance overview and market monitoring analysis were covered during the meeting to help shape upcoming plans and set short-term goals for each department.

Constantly monitoring the market enables Toner Spot to craft counter-competition strategies, especially when new competitors emerge from cyberspace almost every month. Toner Spot was able to adjust listing prices and launch sales promotion at the right times. While the core company strategy remains the same, new strategic directions and action plans are brainstormed by all staff members during each session. This helps in building a mutual growth culture in the company and broadens the opportunity of possible new ventures.

CASE STUDY: InVogue, Inc.

InVogue, Inc. is a well established retail site selling wigs and related hair products. In our interview with the CEO, Mr. Wang stated that company-wide strategic meetings are held biannually. InVogue was able to expand its business spectrum and increase sales volume based on employee's suggestions during these meetings. Like other companies, InVogue always sets a new sales target for each quarter. Wigs and peripheral products such as specialized shampoo and hair net were the only few categories carried by InVogue. One employee suggested the possibility of introducing party items, or costume wigs, to the company line to attract more traffic. Mr. Wang decided to give the idea a try. Since that time, the costume wig has become the company's top selling line, especially during the Halloween season. This example underscores the importance of internal communication and strategic performance reviews.

Implementation Suggestions

Below are some suggestions for online merchants to establish their USP by conducting companywide strategic reviews:

1. Communicate with employees constantly. This can be done by daily casual chats, luncheon meetings, email messages, company events and predetermined internal meetings.
2. Establish a more liberal corporate culture starting from the higher level executives to the lower functional level employees. Encourage every party to express their ideas freely without harsh judgments.
3. Share responsibilities in competition monitoring because this should be a companywide effort instead of making a few personnel accountable.
4. Encourage feedback and even disagreements from subordinates as one way to understand potential problem areas within the operation (Lovallo & Sibony, 2010).
5. Select strategic review participants based on their job functions and expertise instead of seniority if the number of involving parties is limited. These participants can subsequently pass on the information and new directions to other employees (Lovallo & Sibony, 2010).
6. Follow up with planned targets and actions periodically.

5 Managerial Implications

Identify and Pursue Company-Specific Competitive Edge

The above suggested ways can help online merchants to achieve company USPs. However, it is up to each distinctive electronic business to identify which method is the most ideal route based on its current capabilities and resources. Once the areas has been identified, the company must set specific action plans to reach measurable goals. This will help companies turn improved performances into an identifiable USP that will stand out from the competition.

Strategic Reviews and Communication

Crafting company culture that encourages idea sharing is essential for online merchants. Moreover, top management needs to communicate with employees from all departments constantly. This helps in transcending company strategies and directions into real actions. On the other hand, this also assists in obtaining feedback from functional level employees who are usually the people with the most knowledge of daily operations and who directly interact with customers (Oudan, 2010).

Decision makers should further utilize technologies to increase communication efficiency. Emails, conference calls, and companywide electronic learning workshops are a few ways that can enhance the communication channel (Karakas, 2009).

Blue Ocean Strategy

Brainstorming for possible blue ocean strategy is always an ideal exercise for any electronic business. As competition grows fiercer, management can encourage employees to constantly search for the "next big thing." The process should lean towards a fun and refreshing exercise away from daily operational hassles instead of a serious evaluation process. The underlying concept is to turn the brainstorming session into a habit rather than another task on the to-do list.

Learning programs are suggested for all levels of employees since it can increase company's intellectual knowledge asset and enhance mutual understanding of each other's job functions. This not only promotes company growth as a whole, but also increases the possibility of idea generation that might one day become the "next big thing" (Karakas, 2009).

6 Conclusion

The Internet has inevitably become one of the major ways to conduct business. This relatively new sales channel enables virtual instant information exchange for both sellers and buyers, thereby creating an extremely competitive marketplace.

Studies have been done over the years ranging from the understanding of cyberspace, in-depth review of current major online players, to possible directions and marketing suggestions for web merchants. However, specific ways that can assist online retailers in creating their own USP have never been discussed in detail.

Online retailers' success stories, company examples, and personal interviews were conducted in order to answer the following question: "How can an internet-based retailer create a USP in an extremely competitive environment?" The findings of this study led to three key categories of strategies:

- Utilization of analytical tools
- Creation of exceptional customer service
- Implementation of companywide strategic reviews

These are more than mere theories and vague headings. Rather, they represent practical ways to help e-tailers and online providers achieve a competitive advantage in the marketplace.

The online sales channel changes constantly. New marketing tools and creative advertising media can emerge with a blink of an eye. There are more areas that need to be studied and discussed in order to provide further insights into cyber-competitiveness and ways to sustain USP. The following are some of the areas suggested for future research:

- Emerging internet social marketing tools such as blogs and networking channels
- Mobile marketing and bar code advertising
- Streaming video marketing and its utilization

References

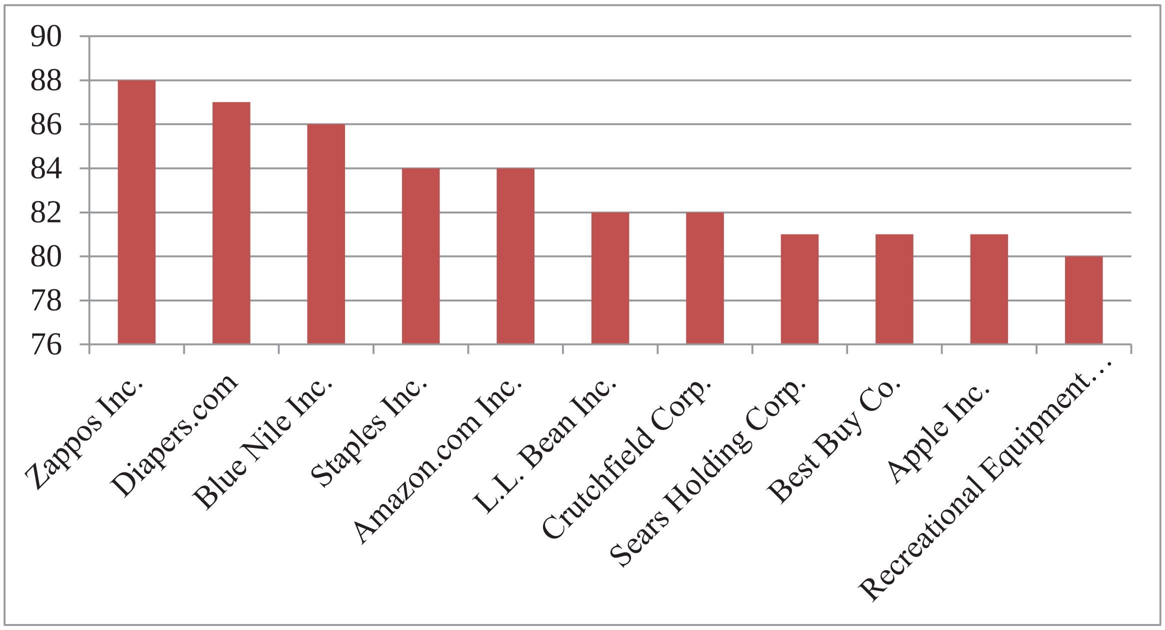
1. Agarwal, Anupam & Pietraszek, Wayne & Singer, Marc. (2006). Connecting CRM Systems for Better Customer Service. McKinsey Quarterly.
2. Amore, Lisa. (2010). Great Online Customer Service Is Worth USD $17.3 Billion per Year. STELLAService.
3. Auger, Pat. (2005). The Impact of Interactivity and Design Sophistication on the Performance of Commercial Websites for Small Businesses. Journal of Small Business Management.
4. Chang, J. (2010). EBay: Towards A Perfectly Competitive Market. The International Business & Economics Research Journal, 9(3), 65-70.
5. Edelman, David. (2010). Four Ways to Get More Value from Digital Marketing. McKinsey Quarterly.
6. Gunawan, G & Ellis-Chadwick F & King M. (2008). An Empirical Study of the Uptake of Performance Measurement by Internet Retailers. Internet Research, 18(4), 361-381.
7. Karakas, Fahri. (2009). Welcome to World 2.0: the new digital ecosystem. The Journal of Business Strategy, 30(4), 23-30.
8. Linn, Alison. (2007). Online Shopping Growth to Slow in Next Decade. MSNBC.com.
9. Lovallo, Dan & Sibony, Olivier. (2010). Taking the Bias Out of Meetings. McKinsey Quarterly.
10. Luo, W., & Chung, Q. (2010). Retailer Reputation and Online Pricing Strategy. The Journal of Computer Information Systems, 50(4), 50-56.
11. Oudan, Rodney. (2010). Strategic Decision-Making In the Emerging Field Of E-commerce. International Journal of Management and Information Systems, 14(2), 19-26.
12. Saftlas, Yitzchok. (2010). Customer Retention Case Studies. Yated Ne'eman.
13. Stambor, Zak. (2010). Zappos' Customer Service Draws in Rave Raves in a New Report. Internet Retailer.
14. Todd, Greg. (2008). Retailers Using Analytics are Outperforming Rivals. DM Review, 18(6), 35.
15. Vitez, Osmond. (2010). Analytical Tools for Business Decisions. eHow.
16. Zappos.com. (2013). Customer Service Isn't Just a Department.

ABOUT THE AUTHORS

Cindy Lo is an independent business and marketing consultant. Her primary interests are in e-business strategies and social media marketing. She obtained her MBA degree from Cal State Fullerton. She can be reached at: g_mg@hotmail.com

Professor Peng Chan is Full Professor of Strategic Management at Cal State Fullerton. He has published widely in the fields of strategy, franchising and international business and has over 25 years' business and consulting experience in the US and the Asia Pacific region.

Appendix 1: 12 Highest Online Merchants Customer Service Score



Source: Stambor, Zak. (2010). Zappos' Customer Service Draws in Rave Raves in a New Report. Internet Retailer.

University of the West

Department of Business Administration

Provides

Free Tax Return Service During Tax Season Every Year

The VITA Program which is sponsored by IRS generally offers free tax help to people who make $51,000* or less and need assistance in preparing their own tax returns.

*or as determined by IRS each year.

Service Location:

UWest Business Administration Department

Address: 1409 N. Walnut Grove Avenue, Rosemead, CA 91770

For Information and Questions: Contact Us:

Phone: (626) 571-8811

Website: http://uwest-vita.site90.net/

Email: vitaprogram@uwest.edu

UWest Business Administration Dept.

ENTREPRENEURSHIP CLUB

2012 HIGHLIGHTS

UWEST BOT Member Mr. Roger Frank Addressed Entrepreneurship Club

We Are Ready For 2013

<u>We Invite You To Help Us</u>

<u>Optimize Our Business Education</u>

<u>As: Mentors * Internships * Speakers</u>

Minority and Small Business Review

Volume 11, 2013
ISSN 1543-1029

Editor: Professor Meskerem Tadesse

SUBSCRIPTION RATES:
(Postage Included)

US$10.00 per volume within USA
US$15.00 per volume outside USA

ORDERING INFORMATION

For all orders and requests for a sample copy of this periodical, please complete this Order Form in full and return to:

Center for the Study of Minority and Small Business
University of the West
1409 N. Walnut Grove Avenue,
Rosemead, CA 91770, USA

By Fax:
(626) 571-1413
By Telephone:
(626) 571-8811, ext. 380
By E-mail:
meskeremt@uwest.edu.

- **Prior-year Volumes** may also be ordered by completing this Order Form, and indicating the Volume number/Year and the number of copies, on the space provided.

ORDER FORM

Please enter my subscription to Minority and Small Business Review

- ☐ Volume 11, 2013 ____ Copies
- ☐ Volume 10, 2012 ____ Copies
- ☐ Volume 9, 2011 ____ Copies
- ☐ Volume 8 ,2010 ____ Copies
- ☐ Volume 7, 2009 ____ Copies
- ☐ Other (Specify which Volume/Year)

____

RATE (including postage)

- ☐ US$10.00 per volume within USA
- ☐ US$15.00 per volume, outside USA

METHOD OF PAYMENT

- ☐ Payment enclosed. Checks/bank drafts/money orders should be made payable to **University of the West** and must be drawn on a US bank.

- ☐ Credit Card Payment:

Please charge ☐ **MasterCard**
☐ **VISA**

Card Number

Expiration Date

Signature:_________________________

Date:_____/______/________

Please mail the Review to:
Name:____________________________

Organization:______________________

Address:__________________________

____

City/State/Post/Zip:_______________

Country:__________________________

Telephone:________________________

Fax:_____________________________

E-mail:___________________________

UNIVERSITY OF THE WEST

University of the West (UWest) is a private, nonprofit, non-sectarian, co-educational university offering degree and non-degree programs consistent with the educational mission of California higher education degree granting institutions. It has been accredited by the Western Association of Schools and Colleges (WASC). Organized under the Nonprofit Public Benefit Corporation Law of the State of California, UWest is not conducted for the private gain of any individual or institution.

The mission of the University is to educate students in a context informed by Buddhist wisdom and values and to facilitate cultural understanding and appreciation between the East and West.

A highly qualified faculty and a supportive and attractive learning environment are provided so that students can master a body of knowledge; acquire analytical, problem-solving, creative and learning skills; cultivate moral and cultural discernment and develop personal and social responsibility.

UWest was founded in 1990 by Venerable Master Hsing Yun. It is a pioneering effort among Chinese and American Buddhists to establish a Buddhist-affiliated university dedicated to transferring students' lives and providing a quality education based on American standards and traditions and fostering mutual recognition and respect among diverse spiritual traditions and cultures. The University is located on an attractive and peaceful campus with seven spacious buildings that have been fully remodeled to accommodate the needs of the University, the students, and the wider community that it serves.

The University offers programs of study at Bachelor's, Master's, and Ph. D. levels, including majors in Business Administration, Religious Studies, Psychology, English Literary Studies, and Chinese Language and Literature. The University also offers courses in General Education, Academic English and English as a Second Language (ESL).

For further information, please contact:

University of the West

1409 N. Walnut Grove Avenue, Rosemead, CA 91770, USA.

Tel: (626) 571-8811

Fax: (626) 571-1413

E-mail: info@uwest.edu

Website: http:// www.uwest.edu