An Empirical Analysis of the Strategic Implications of Type of Entrepreneur in the Restaurant Industry

by

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(ABSTRACT)

The primary purpose of this study was to empirically test Smith’s (1967) typology of entrepreneurial type and Miles and Snow’s (1978) typology of strategy in the restaurant industry, and then to establish whether or not there is a relationship between type of entrepreneur and type of strategy.

A total of 1,000 entrepreneurs were surveyed using a structured questionnaire. One hundred and thirty three entrepreneurs participated in the study, yielding a response rate of 14.76%. From the basis of the objectives and research questions, four hypotheses were derived to identify the presence of Smith’s (1967) typology of entrepreneurs (craftsman and opportunistic entrepreneurs), Miles and Snow’s (1978) typology of strategy (defenders, prospectors, analyzers and reactors), and the relationship between type of entrepreneur and type of strategy in the restaurant industry.

The findings of the hypotheses tests indicated that Smith’s two entrepreneurial types may not be mutually exclusive and that there is probably a third group of entrepreneurs, combining characteristics from both Smith’s craftsman and opportunistic types. Support was
found for Miles and Snow's four generic strategies of defender, prospector, analyzer and reactor. Through the use of discriminant analysis, it was possible to demonstrate a relationship between type of entrepreneur and type of strategy. Furthermore, two moderating variables were found to also be associated with the relationship between type of entrepreneur
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CHAPTER ONE

Introduction
INTRODUCTION

This chapter provides the introduction and justification for the research study. The problem statement is defined which represents the reasoning behind this study, followed by a brief discussion of the problem context, specifically, the growing importance of research in the restaurant industry. Theoretical underpinnings regarding entrepreneurship, strategy and the entrepreneurship-strategy relationship are discussed. The motivation that directs this research effort is outlined. From this, the purpose and objectives are presented, providing the framework for the research effort. The contribution of this research study, regarding entrepreneurship, strategy and the entrepreneurship-strategy relationship is discussed, and reference is made to the relationship of the current research to prior knowledge. An overview of the study design is outlined and the limitations associated with this study stated.
PROBLEM STATEMENT

The strengthening of entrepreneurship has become a critically important goal of American society. Due to the fact that entrepreneurship is one of the most important forces for economic growth, individual entrepreneurs are playing greater roles in the global economy. As cited in Naisbitt and Aburdene (1990) p.302, Professor Burdett Loomis states that “The new breed of politicians have shaped a Congress [into] an institution that encourages entrepreneurial activity and large personal enterprises.” Morris, Avila, and Teeple (1990) attribute this increasing attention on entrepreneurship to the competitive problems facing American industries, and the recognition of the limitations inherent in current managerial practices.

Entrepreneurship tends to be characterized as a dynamic activity, applying to almost all organizations (Brandt, 1986; Reich, 1987), which represents a creative process through which both organizations and individuals can affect innovative change in their external environments (Miller and Freisen, 1982; Stevenson, Roberts and Grousbeck, 1985). A key premise in the creation and early development of organizations is the importance of the role played by individuals, structured processes, and environments (Kimberly, 1980; Pennings, 1980; Van de Ven, 1980). Furthermore, the charismatic leader is responsible for tremendously influencing the organization’s direction, particularly through infancy to the growth stage. In addition to the leader, as contended by Van de Ven, the presence or absence of formal planning (or strategy) in the early stages of organizational development would determine the success of the organization.

As stated by Tse (1988), strategy has been a buzzword in the business world for over
a decade. The increasing complexity and sophistication of business decisions has provided the need for strategic management (Pearce and Robinson, 1988). Consequently, strategic management is a fast developing field of study, primarily in response to the increasing turbulent and competitive business environment. Wheelen and Hunger (1988) state that current predictions indicate that the business environment will continue to increase in complexity and become more dynamic as the world enters the twenty-first century. Thus, the need for strategic management is expected to continue its growth.

Strategic planning in a small, entrepreneurial company is usually done primarily by the entrepreneur. A number of studies have found that the personality of the entrepreneur (Miller, Kets de Vries, and Toulouse, 1982), the management style of the entrepreneur (Leontides, 1980; Rowe and Boulgardies, 1983; Muller and Stumpf, 1987), and the leader's perceptions of the opportunities and threats in the external environment (Porter, 1980; Pearce and Robinson, 1988; Miller and Freisen, 1978) all significantly affect strategic decision making behavior.

From this, it would be pertinent to suggest that strategic decision making is related to the type of entrepreneur making those decisions. To the extent that this is true, little attempt has been made to determine whether there is a relationship between type of entrepreneur and strategy. However, although there has been little research synthesizing entrepreneurship and strategy theory, a number of studies have taken different focuses but have implied that there is a relationship between entrepreneurship and strategy. The primary studies that have implied the presence of such a relationship have not looked at entrepreneurship as a whole, instead concentrating on one aspect, such as personality:
• **Leader personality and strategy** (Collins and Moore, 1970; Miller, Kets de Vries, and Toulouse, 1982; Row and Boulgardies, 1983; Kets de Vries and Miller, 1984; Miller and Friesen, 1984; Miller and Droge, 1986).

• **Management styles and strategy** (Leontides, 1980; Rowe and Boulgardies, 1983; Muller and Stumpf, 1987; Tse and Elwood, 1990).

• **Other entrepreneurial variables and strategy** (e.g., structure, new venture creation) (Miller, 1983; Sandberg and Hofer, 1986; McDougall and Robinson, 1988; Romanelli, 1989).

The present study posits that the type of entrepreneur (combination of personality, experience, background and management style) will be related to the type of strategy adopted by his company, and that different types of entrepreneur may favor the pursuit of different strategic directions, despite operating under similar environmental conditions. This study is exploratory in nature and will make an important contribution to the fields of entrepreneurship and strategy and provide further insight into the theory of organizations. In testing the presence or absence of this relationship, this study will lay the groundwork for further research in the area in order to, eventually, make a practical contribution to the business community.

**PROBLEM CONTEXT**

The context for this research effort is the United States service industry, specifically, the restaurant industry. The service sector in the U.S. is the fastest growing segment of today’s business economy. To date, it is estimated that service organizations provide over 70% of all jobs (Mills and Morris, 1986). More recently, Kotler (1988) estimated that service businesses now provide 77% of the payroll jobs of the U.S. nonmanufacturing workforce and
that services account for 70% of the gross national product. The restaurant industry, represents a significant portion of this service sector, being the second largest employer in the U.S., with over 8 million employees (Spears and Vaden, 1985).

The restaurant industry is, however, experiencing some turbulent times. It is generally thought that the restaurant industry is in the mature stage of the ‘life-cycle’ (West, 1987; Tse 1988) and, as a result, operators are faced with uncertainty and increasing competitiveness. This maturity is characterized by the declining real sales growth, overcapacity (supply surpassing demand), increased price competition (for example, through couponing) and increased product diversification. Traditionally, restaurant sales have grown at the same rate as personal disposable income. Since 1983, however, restaurant sales growth has lagged behind disposable income quite significantly (Sunderland and Conway, 1986).

Since the recession of 1979-1983, 1988 was the weakest year for the restaurant industry (Nation’s Restaurant News, March 13, 1989). During 1988, total industry customer traffic increased by a poor 0.5%, considerably lower than the 3.5% rise in 1987. These gains in 1988 came mainly from quick service restaurants. The midscale and upscale segments of the industry are actually losing customers. In 1988, they continued their downward slide with a 1.4% and 2.2% loss respectively. On-premise customer traffic also showed a negative growth of 2.1% in 1988, whereas off-premises consumption (take-out and delivery) reflected a 3.8% increase in 1988 traffic (Nation’s Restaurant News, March 13, 1989). The slow real sales growth combined with the aggressive competition result in operators battling for larger pieces of a slowly growing pie (West, 1987).

The restaurant industry is typical of a fragmented industry and thus has a high percentage of entrepreneurs. Usually fragmented industries are populated by a large number
of small and medium sized companies, many of which are privately held (Porter, 1980). A large proportion of the restaurant industry, is owned and operated by small independents. As noted in Restaurant Management (1988), independent operations accounted for 59% of the foodservice expenditures. The low entry barriers, lack of economies of scale or experience curve, erratic sales fluctuations, diverse market needs, and the presence of exit barriers all contribute to the fragmentation of the restaurant industry. Thus, the study of entrepreneurship is particularly suited to the restaurant industry. As Small (1987:2) states, "Restaurants provide, in short, a field in which the personal characteristics of the entrepreneur can be related to the type of enterprise which one establishes with relatively little influence of exogenous factors".

As a consequence of this dramatically changing environment and the fact that many existing opportunity streams have been exhausted, creative approaches to management are necessary (Stevenson, Roberts, and Grousbeck, 1985). During the 1970s, entrepreneurs and corporate managers in the restaurant industry espoused a strategy of growth through the addition of new units in new markets. However, in the 1990s, with the maturity of the restaurant industry, leaders are faced with alternative strategies, such as diversification and integration, that do not rely on rapid growth (Olsen and Bellas, 1980).

Despite the increasing significance of the service industry, the majority of management concepts and theories have been developed with reference to the manufacturing industry. As noted by Hart, Spizizen and Wyckoff (1984), many of the concepts that are proven successful in the manufacturing industries, do not produce the same results when applied to the service sector. Mills (1986) states that "... as service managers grope for methods to deal with their organization's problems, it becomes strikingly clear that there is a conspicuous lack of information directly relevant to the operation of their firms." Thus, with the growing
significance of the service industry, there is also the growing need to test and develop similar concepts with reference to a service setting. Furthermore, there are even fewer theories and empirical studies relating specifically to the restaurant industry (West, 1988; Tse, 1988). The research that has been conducted with direct reference to the restaurant industry often lacks systematic study and research to test the validity, reliability and replicability of the models and theories developed for other industries (Tse, 1988).

THEORETICAL UNDERPINNINGS

The large majority of the literature written both about entrepreneurship and strategy is concerned with other industries, especially the manufacturing industry. Very few empirical studies have been conducted with reference to the service industry, in particular the restaurant industry. In order to address the topics of entrepreneurship and strategy within the restaurant industry, the necessary starting point for the research must be the studies and theories developed within other industries, such as manufacturing.

Entrepreneurship

A number of previous research efforts have sought to classify entrepreneurs according to their motivations or management methods, and have developed a typology of entrepreneurs (Smith, 1967; Braden, 1977; Filley and Aldag, 1978; Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Small, 1987; Woo, Cooper and Dunkelberg, 1988; Davidsson, 1988).
Smith (1967) was among the first to develop a classification of entrepreneurs. He identified the presence of “craftsmen entrepreneurs” and “opportunistic entrepreneurs” within the manufacturing industry. Braden (1977) essentially found the same results but labeled them “caretakers” and “managers”, following the “craftsmen” and “opportunistic” criteria. Further research has identified additional categories of entrepreneurs. Filley and Aldag (1978) identified three types, “craft”, “promotion” and “administrative”, whereas Dunkelberg and Cooper (1982) categorized their respondents into three categories, “craftsmen”, “growth oriented” and “independent” entrepreneurs.

In relation to the hospitality industry, Berger and Bronson (1981) posited an additional type to the “craftsmen” and “opportunistic” entrepreneurs - the “humanistic” entrepreneur. A further study by Small (1987) of restaurants in Southern California went on to test this typology and found that eighty percent of entrepreneurs studied could be classified as either “opportunistic” or “creative-craftsperson” and that the “humanistic” type was not distinguishable as a separate type but the characteristics were found to present throughout the sample.

Woo, Cooper, and Dunkelberg (1988) empirically investigated the impact of different variables and sets of criteria used in the classification of entrepreneurs. Using cluster analysis, the researchers found that by adopting different sets of criteria on the typing of entrepreneurs, different clusters or classifications of entrepreneurs are generated. As noted by Woo et. al. there are primarily three categories of classification variables used in entrepreneurial research: [1] goals, [2] education/managerial experience and [3] management style. The social orientation of the entrepreneur, communication ability and propensity towards risk-taking are variables that have also been used in prior research but, as stated by Woo et. al. they do not represent critical points of departure in the definition of typologies.
Several researchers (Comegys, 1978; Davidsson, 1988) have emphasized the need for more homogeneous samples in the study of entrepreneurs. Davidsson believes that with such samples, empirical studies of entrepreneurship will have potentially higher theoretical, and subsequently practical, value. Davidsson calls for the refining and further testing of Smith’s (1967) framework, utilizing a variety of homogeneous samples.

**Strategy**

Dess and Davis (1984) note that strategic management research has shifted away from viewing each firm as unique in all respects (the atomistic view of strategy) towards the view that supports the recognition of similarities that exist among firms. Porter (1980) suggests that the use of strategic groups in analysis provides a useful intermediate frame of reference between viewing the industry as a whole and considering firms separately.

A number of typologies of strategy have been developed in the literature over the years (Buzzell, Gale and Sultan, 1975; Utterback and Abernathy, 1975; Miles and Snow, 1978; Hofer and Schendel, 1978; Porter, 1980; Vesper, 1980; Miles, 1982; Galbraith and Schendel, 1983; Sandberg and Hofer, 1986).

In recent years, an increasing number of studies have applied typologies of strategy to the hospitality industry (Schaffer, 1986; West 1987; Tse, 1988; Dev, 1988). Porter (1980) identified three generic strategies that businesses use to deal with the competitive forces and create a defensible position: overall cost leadership, differentiation and focus. West (1987) and Tse (1988) applied this typology to the restaurant industry. Miles and Snow (1978) identified three strategic types that represent stable forms of decision making; Defenders, Prospectors, and Analyzers. Schaffer (1986) and Dev (1988) applied Miles and Snow’s
typology of strategic types to the lodging industry.

**Hypothesized Entrepreneurship-Strategy Relationship**

To date, there has been no work examining the possible relationship between type of entrepreneur and type of strategy. Previous research efforts have focused on particular aspects of entrepreneurship, such as leader personality and strategy, management styles and strategy, and other aspects of entrepreneurship and strategy, some of which suggest that there is a relationship between entrepreneurship and strategy.

Leontides (1982), Rowe and Boulgardies (1983), Muller and Stumpf (1987) and Tse and Elwood (1990) found that there are different types of management style, each of which can influence strategic decision making. Muller and Stumpf contend that management style could be a part of the leader’s personality and that leaders with different styles will likely make different strategic choices.

Miller and Toulouse (1986) noted that there are several common personality types of leaders that are said to be central in determining the strategies and structures of many organizations. It has also been suggested in the literature that there may be three of the many personality dimensions that are particularly pertinent to strategy and structure: flexibility, need for achievement, and locus of control (Miller and Toulouse, 1986). Miller, Kets de Vries, and Toulouse (1982) found that there was a strong relationship between locus of control and strategy-making behavior. The authors also found that there was more support for personality-based congruence, than for organization-based congruence. In essence, this means that there was more support for the hypothesis that an executive’s personality effects his strategies, which in turn might influence structure and environment, as opposed to the
hypothesis that organizational structures and climates may favor executives with corresponding personalities. Studies have shown that the personality of the leader is especially influential in determining strategies in small organizations (Miller and Droge, 1986). Thus, the personality of the leader in entrepreneurial firms is particularly important in determining the strategy of the organization. Cooper (1979:317) stated that the entrepreneur’s earliest decisions “... including the strategic decisions to found a firm and to position it within a particular industry with a particular competitive strategy .... “ help to shape the future development of the organization.

There has been some research investigating strategy and structure in explaining new venture performance (Sandberg and Hofer, 1986; McDougall and Robinson, 1988), strategy and the environment on new venture success (Romanelli, 1989), strategy and specific industry conditions for new ventures (Cooper, Willard and Woo, 1986), strategy and the stage of industry evolution for new ventures (Sandberg, 1984), and top executive locus of control and its relationship to strategy-making, structure and environment (Miller, Kets De Vries, and Toulouse, 1982). There has not, however, been any research focusing on entrepreneurial type and the possible relationship with the type of strategy espoused.

Miller (1983) identified three variables that have been shown to be related to entrepreneurship: environment; structure; and strategy. The latter of these variables, strategy, and its relationship with entrepreneurship is the thrust of the present research. However, there is no research to date on the same subject. This was noted by Cooper (1979:321) who contends that:
“There has been little explicit research on the relationships between characteristics of founders, the strategies of their firms, and subsequent performance ... Much more needs to be learned about the relationship between new firm performance and the chosen strategy. Important dimensions might include the product/market choice, the basis of competition or the business strategy, and the relationship to the industry life cycle.”

Cooper (1979) highlighted the likelihood of the relationship between type of entrepreneur and type of strategy. He suggested that the early decisions the entrepreneur makes, including the strategic decisions to found a firm and then position it within a particular industry and following a particular competitive strategy will help shape the future development of the firm. In agreement, Menger (1981) emphasized the vital role of a person’s awareness of relevant circumstances as well as the role of the circumstances themselves. Menger views the essence of entrepreneurship being the formation and acting upon a vision of the future, and that the successful entrepreneur sees the past and present in the same way as others do, but judges the future in a different way. Similarly, Rumlet (1974), notes the role of the entrepreneur in strategy making and the importance of subjectivity in the entrepreneur’s decisions.

On the subject of strategic management, Schendel and Hofer (1979:11) state that:

“Strategic management is a process that deals with the entrepreneurial work of the organization, with organizational renewal and growth, and more particularly, with developing and utilizing the strategy which is to guide the organization’s operations.”

One theory of entrepreneurship (Vesper, 1980) proposes that entrepreneurs range from the “solo self employed individual” to the “corporate entrepreneur” (also known as the “intrapreneur”) who may work for a large corporation but also exhibits many of the same characteristics of the independent entrepreneur. Knight (1983) (refer to Figure 1) suggests a framework for studying the behavior and the range of the entrepreneur’s degree of
Figure 1. Degree of Independence of Various Entrepreneur Types

Source: Knight (1983)

Low Degree of Independence
- Large corporation manager
- Cost center manager - large corporation
- Division manager - large corporation
- Conglomerate entrepreneurs
- Acquired entrepreneurs
- Joint venture entrepreneurs
- Franchise entrepreneurs
- Group of independent firms (e.g., buying group)
- Management team
- Partnership
- Solo independent entrepreneur

High Degree of Independence
dependence.

This research effort attempts to make the sample more homogeneous by narrowing the sample population to focusing on those entrepreneurs with a high degree of independence, that is, the solo independent entrepreneur and those in a partnership.

MOTIVATION FOR THIS STUDY

The business environment is increasingly complex and competitive, in particular for those industries that are entering the maturity phase of their life-cycle. The restaurant industry is one of the industries which is facing maturity, characterized by over-capacity, supply surpassing demand, and declining sales volumes. As an industry environment changes, entrepreneurship is required from every member of that industry, as each member has to ask the questions, "What is our business?" (Drucker, 1985), "What business(es) shall we be in?" and "How should we compete in a given business?" (Hofer, 1975). The survival and prosperity of firms in such situations requires the ability to adapt to the changing market conditions. The concept of strategy is becoming one of the major management tools for dealing with the changing internal and external environment. As the competitive environment for restaurant operators becomes increasingly turbulent and uncertain, the ability to create a defendable competitive position becomes of paramount importance. With the maturing of the restaurant industry, and the increasing importance of entrepreneurship in the economy, the study of entrepreneurship and strategy will be key ingredients in the understanding of management concepts as applied to the service industry.
Nailon (1982) found that in the hospitality industry there is a lack of any commonly agreed theoretical frameworks relating to organization and management theory. Historically, many of the theoretical frameworks used in the hospitality industry have been borrowed from other disciplines and industries, particularly manufacturing, despite research indicating that manufacturing and service industries are quite different (Mills and Moberg, 1982). Moreover, there has been little research synthesizing work in the areas of entrepreneurship and strategy. Such research will contribute to the existing literature base in order to improve theoretical and, ultimately, practical value.

**PURPOSE AND OBJECTIVES**

The major purpose of this study is to empirically test a typology identifying the presence of definite types of entrepreneurs, and to demonstrate the real significance and usefulness of the typology by investigating the proposition that entrepreneurial type is related to strategy in the restaurant industry. The unit of analysis in this research is the business unit, i.e. the restaurant.

In order to accomplish the above stated purpose, the classification of entrepreneurs was be based on the framework developed by Smith (1967) and adapted for the hospitality industry by Berger and Bronson (1981) and Small (1987). This typology will be used as it provides a previously demonstrated research tool for the classification of entrepreneurial types (Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Small, 1987; Woo, Cooper and Dunkelberg, 1988; Davidsson, 1988). The typology of business strategies, developed by Miles and Snow (1978), will be used to conceptualize the business strategies employed by
the entrepreneurs studied. This typology has been used extensively in previous research (Hambrick, 1980) and provides a research tool for classifying the strategies of organizations within an industry. Furthermore, the typology has been empirically tested in the lodging industry by Schaffer (1986) and Dev (1988).

Specifically, the following objectives were sought:

1. To refine and empirically test Smith’s typology of entrepreneurial types in the restaurant industry.

2. To determine whether there is a relationship between type of entrepreneur and type of business strategy espoused in the restaurant industry.

3. To determine if, within the restaurant industry, there exists any significant differences in the types of strategy followed according to the type of entrepreneur.

4. To determine if there are any other variables such as size and age of firm, that may impact the hypothesized relationship between type of strategy and type of entrepreneur.

CONTRIBUTION OF THIS RESEARCH

By addressing the above objectives, this research study makes a contribution to the growing body of knowledge on entrepreneurship and the growing body of knowledge on strategy. Furthermore, this study makes a significant contribution to the body of literature in the context of the service industry.
Entrepreneurship

Entrepreneurial studies in the literature reveal that small organizations can be influenced dramatically by the personalities of their leaders or chief executives (Miller and Droge, 1986). As noted by Miller and Toulouse (1986), several common personality types are said to be central in determining the strategies and structures of many organizations. Entrepreneurs are not homogeneous. They all come from different backgrounds, have different management styles and are motivated by different factors (Woo, Cooper, and Dunkelberg, 1988). While there are many typologies in the literature that deal independently with either environment, structure or strategy, which have all been shown to influence the nature of entrepreneurship (Smith and Miner, 1983), there has not been, to date, any synthesis between entrepreneurial type and business strategy.

The typology developed by Smith (1967) to classify entrepreneurs is still undergoing further testing and refinement. Recent studies include Small (1987) using a sample of restaurant entrepreneurs, and Davidsson (1988) using a sample of Swedish small firm managers. Different conclusions have been drawn from the various studies using Smith's typology which may be due to the diversity in samples and methods used. Thus, if this typology can be further developed, it will have further theoretical and therefore practical value (Davidsson, 1988)

Strategy

The typology developed by Miles and Snow (1978) has been empirically tested in a number of different studies, two of which pertain to the hospitality industry (Schaffer, 1986; Dev, 1988). However, as noted by Hambrick (1980), the typology warrants further testing
and development in order to further the 'universality' of the concept.

The major focus of this research is to identify the hypothesized relationship between type of entrepreneur using Smith's (1967) classification and business level strategy using Miles and Snow's (1978) typology. This study represents the first empirical assessment of this proposed relationship between type of entrepreneur and type of strategy followed. The results obtained by this research make a contribution to the knowledge base in both the fields of entrepreneurship and strategy research. Furthermore, this research contributes significantly to the body of knowledge on organizational theory in the context of the restaurant industry.

Specifically, the contributions of this research are as follows:

1. Further development and testing of Smith's (1967) typology of entrepreneurs in the context of the restaurant industry.

2. The examination of a hypothesized relationship between entrepreneurial type and type of strategy espoused.

3. A more thorough understanding of the entrepreneurial process and strategic management theory within the restaurant industry.

4. Stimulate others to conduct research in the areas of strategy and entrepreneurship within the restaurant industry.

RELATIONSHIP TO PRIOR KNOWLEDGE

Charles Comegys (1978:21) on entrepreneurship in the literature expressed the need for the use of a more homogeneous sample in future research. He stated that:
"Further research is needed to refine the existing knowledge so that specific entrepreneurial characteristics can be isolated and applied to various industries and business areas ... the characteristics of the successful manufacturing entrepreneur may be quite different from those possessed by the retailing venturist."

Grover (1987) identified the need for research directed towards the service industry. A large proportion of the management theory has focused specifically upon manufacturing organizations. However, with the growing significance of the service industry, there is the increasing need to test and develop managerial concepts and theories with reference to a service setting. This research extends the study of strategic management and entrepreneurship to the restaurant segment of the service industry.

Numerous authors agree that the ability of the leader to recognize the threats and opportunities presented in the environment is essential for effective strategic formulation (Miller and Friesen, 1978; Porter, 1980; Pearce and Robinson, 1988). Furthermore, it has been shown that the personality of the top executive significantly influences strategy making behavior (Miller, Kets De Vries, and Toulouse, 1982). However, there have been no studies which have examined directly the relationship between type of entrepreneur and type of strategy, and it is hoped that this study, and any preceding studies, will contribute to a better understanding of these two disciplines.

OVERVIEW OF THE STUDY DESIGN

In order to accomplish the research objectives, the following independent and dependent variables were utilized:
Independent Variable

- *Type of entrepreneur* was operationalized using Smith's (1967) typology of entrepreneurial types. The respondents were classified according to Smith's definitions, adapted for the hospitality industry by Berger and Bronson (1981) and Small (1987). This study utilized a modified version of Small's (1987) classification tool.

Dependent Variable

- *Type of business strategy* was operationalized utilizing Miles and Snow's (1978) typology of strategy, adapted for the hospitality industry by Schaffer (1986) and Dev (1988).

Moderating Variables

- *Size of firm* was operationalized by measuring the number of employees that the organization has and the number of units owned by the entrepreneur. Size could bias the findings in that larger organizations may be in a later stage of the organizational life cycle.
- *Age of the firm* was operationalized by asking respondents to indicate the number of years that the restaurant concept has been in operation.
- *Restaurant Type* was operationalized by asking respondents to indicate in which segment the firm competes: fast food, dinner house/theme, family/coffee shop, cafeteria or other.

As the sample was targeted to the entrepreneurial/growth phase of the life cycle by specifying that the firms had been in businesses for 2 - 5 years, the assumption was made that they have similar organizational structures. Consequently, it was not necessary to utilize organizational structure as a control variable for this study. Similarly, as the sample was taken from a single industry, the restaurant industry, the assumption was made that all firms would be experiencing a similar general environment. Therefore, it was not necessary to
incorporate the environment into the study. However, as there are segments of the industry which may experience different task environments (sub-environments), restaurant type was also used as a moderating variable.

**SUMMARY**

This chapter has presented the framework for the research effort. It has been shown that there is currently a void in the literature pertaining to organizational theory in the service sector, and that there is the absence of any study to date investigating the possible relationship between type of entrepreneur and type of strategy.

The problem statement guiding this research was provided accompanied by a short discussion of the problem context; the restaurant industry. This chapter stated the primary purpose of this study: [1] to retest Smith’s typology in the restaurant industry; [2] to examine the possible relationship between type of entrepreneur and type of strategy followed; and [3] to determine if there are any similarities in the types of strategy followed according to type of entrepreneur. The theoretical underpinnings and motivation guiding this research were offered, the purpose and objectives presented and the expected contributions of this works and its relationship to prior knowledge expressed. Following this, a short overview of the research design was presented and the limitations associated with this study outlined.
CHAPTER TWO

Literature Review
Introduction

This study examines the relationship between the type of entrepreneur and the type of business strategy employed in the restaurant industry. The purpose of the following chapter is to review both the conceptual and empirical body of literature pertaining to the two variables of study: entrepreneurship and business strategy. The relationship between these variables will also be discussed. Reference will be made to similar works conducted in the context of the restaurant industry.
ENTREPRENEURSHIP

Historical Perspective

The term “entrepreneur” is derived from the French word “entreprendre” which literally translated means to undertake (Kets de Vries, 1977). Redlich (1949) indicates that the term entrepreneur was first used in a 1723 dictionary by Savary. The term at that time referred to an individual who purchased goods or economic utilities for fixed prices when he did not know the price that he could sell those items for. More recently the term entrepreneur has denoted a risk-bearer or the action of innovation (Smith, 1967).

In the study of entrepreneurship within the last 10 years, there has been a substantial imbalance in the issues studied by researchers (Wortman, 1987). A large portion of this research has been directed towards studying individual entrepreneurial behavior. In fact, in the words of Wortman (1987), “.....there has been little or no shift away from this all-encompassing study of personal characteristics of entrepreneurs to other topics of importance ....”. The preoccupation with the nature of entrepreneurial behavior can be traced to the idea espoused by McClelland (1961) that the majority of people in the world can psychologically be divided into two broad groups. One group is the minority who is challenged by opportunity and is motivated by the need to achieve something, and the second group, the majority, really does not care too much. For over thirty years, researchers have tried to investigate the characteristic differences between the groups.

More recently, entrepreneurship research has diversified from the “census taking” of documenting entrepreneurial characteristics (Low and MacMillan, 1988) to examining the
relationship between entrepreneurship and different variables such as the corporate life cycle (Hofer and Charan, 1984); and entrepreneurship and decision making and strategy (Ackoff, 1970; Mintzberg, 1973; Miller and Friesen, 1978). Other research is emphasizing entrepreneurship in different contexts such as the restaurant industry (Berger and Bronson, 1981; Small, 1987). Furthermore, the studies that focus on the entrepreneur within an organizational context are becoming more useful from a practical standpoint (Low and MacMillan, 1988). The work by Kets de Vries and Miller (1984; 1985) sought to link executive personality with strategy and organizational structure. This type of work is important as it focuses not simply on the psychology of the entrepreneur, but takes a step forward and focuses instead on the relationship between the entrepreneur and the organization, and process by which individual characteristics may affect organizational outcomes (Low and MacMillan, 1988).

**Definition of Entrepreneurship**

A large proportion of entrepreneurship research has had major definitional problems in the past (Wortman, 1987). Empirical researchers have argued for some time that this inability to agree on common definitions has hampered research progress (Gartner, 1985). Furthermore, with the continuing emphasis on the individual entrepreneur as opposed to the corporate entrepreneur (intrapreneur), additional definitional problems occur. Kilby (1971) compared the search for a common definition of an entrepreneur to that of the search for the Heffalump (a fictional character in *Winnie-the-Pooh* by Milne). Kilby states that the subject is large and despite being hunted, is never captured. He concluded that even though people think they know what an entrepreneur is, they have difficulty in describing one. The entrepreneur has been defined in many different ways, ranging from vague to specific. Some examples are:
"The ‘successful entrepreneur’ was defined as a man or woman who started a business where there was none before, who had at least eight employees and who had been established for at least five years” (Hornaday and Aboud, 1971).

"....... the creator of new enterprise.....” (Low and MacMillan, 1988).

" ... the creative initiator of a new enterprise in the form of a new company. He plays a major role in starting the company and managing it, and usually has an important equity position in it” (Draheim, 1966; cited in Ronstadt, 1985).

While there are numerous definitions of entrepreneurs in the literature, most conform to a definition that believes that entrepreneurship includes starting a business for financial gains. The definition by Sandberg (1986) will be used for the purpose of this study as it is broad in nature and encompasses a wide range of entrepreneurial activities. “....... someone who undertakes to initiate and aggrandize a profit-oriented business unit, with financial returns as the measure of success” (Sandberg, 1986).

Shapero (1982; 1984) has progressed from defining the entrepreneur, to defining the event where entrepreneurship occurs. As Shapero suggests, there are five components that comprise the ‘entrepreneurial event’: initiative taking; obtaining resources in an organizational form to meet a given objective; management of the organization by the entrepreneur; autonomy of the entrepreneur; and risk taking.

Characteristics of the Entrepreneur

The entrepreneur has been overwhelmingly perceived in the literature to be different in several important ways from the non-entrepreneurs. Many researchers have believed these differences to be in the background and personality of the entrepreneur (Gartner, 1985).
Sandberg (1986) notes that the characteristics of the entrepreneur that have been the focus of the majority of research in the area fall under two broad headings: the entrepreneur’s psychology and the entrepreneur’s experience.

**The Entrepreneur’s Psychology**

A large proportion of the previous entrepreneurial studies have focused on the personality or background of the individual entrepreneur as a determinant of entrepreneurial behavior (Hornaday and Aboud, 1971; Miller and Droge, 1986; Shapero, 1975; Kets De Vries, 1977; Collins, Moore and Undwalla, 1967). The research relating to the psychology and personality of the entrepreneur have been studied primarily to ascertain what leads a person to entrepreneurship. Less attention has been devoted to their effects on the success or failure of a new venture (Sandberg, 1986). McClelland (1961; 1967) and Collins, Moore and Unwalla (1964) provided early research that started the flow of personality-based entrepreneurship research. More recently, Gasse (1982) and Sexton and Bowman (1985) have provided reviews of this psychological/personality-based literature. Brockhaus (1980) notes that the three subtopics that reflect those most researched are need for achievement, internal locus of control, and risk-taking propensity.

[1] *Need for achievement* (nAch) has been accepted as a principal motivator of entrepreneurial behavior for almost twenty years (Sexton and Bowman, 1985). An individual with a high nAch is characterized as (a) taking personal responsibility for decisions, (b) setting goals and accomplishing them through his/her effort, and (c) having a desire for feedback (McClelland, 1961; 1967). There is debate as to whether nAch is a strong predictor of prospective entrepreneurs (Shapero, 1982; Gasse, 1982). These researchers point out that a large number of entrepreneurs exhibit motivating factors other than nAch to properly attribute achievement
as the primary factor that characterizes an entrepreneur. However, some studies do show that entrepreneurs tend to score higher on Ach than normative groups (Entwistle, 1972).

[2] *Internal locus of control* refers to the belief held by individuals that they can largely determine their fate through their own behavior (Rotter, 1966; Low and MacMillan, 1988). A person with *internal* beliefs thinks that their own behavior determines the outcome, whereas *externals* believe that they hold little influence over fate. Researchers have found significantly more internals among entrepreneurs, than they have found externals (Shapero, 1975). Generally, studies (Hornaday, 1971; Brockhaus, 1975; Rupley, 1978; Scanlon, 1979) have identified a strong relationship between entrepreneurship and internal locus of control.

[3] *Risk-taking propensity* Risk is defined as the likelihood of failure and, despite some contradictory findings, the overall consensus is that entrepreneurs prefer moderate levels of risk and are said to be less risk adverse than managers (McClelland, 1961). However, other studies have failed to distinguish entrepreneurs from non-entrepreneurs according to their risk-taking propensity (Brockhaus, 1980).

**The Entrepreneur’s Experience**

The entrepreneur’s management experience is another major area of research in this focus. Buchele (1967) posited that an entrepreneur’s managerial skills are not transferable from one particular line of business to another. This is because small firms cannot afford the staff specialists needed to help a ‘generalist’ learn the aspects unique to the new line of business.
Several studies have focused on the value of education for entrepreneurs. In technical fields, it is a prerequisite (Sandberg, 1986). Research has shown a positive relationship between level of education and new venture performance. Hoad and Rosko (1964) found that education makes a difference when it extends a year or more beyond high school. Hoad and Rosko also cross-tabulated education with managerial experience in a similar line of business. They found that the educated-experienced entrepreneur performed best, but the least likely to fail was the unexperienced-uneducated entrepreneur. The latter type's success rate was lower than any other, but a high proportion of these ventures were marginal.

Some researchers have found it fruitful to look at the entrepreneur's background, experience, and attitudes (Gartner, 1985). Some of these individual characteristics include:


Source: Gartner (1985)
Entrepreneurship Versus Small Business Ownership

There is often confusion between the terms entrepreneurship and small business ownership. One of the contributors to this is the fact that entrepreneurs and their entrepreneurial events usually start as small ventures and grow as they progress through the organizational life cycle. However, a large proportion of new ventures continue to remain small in size even though they are no longer in the entrepreneurial stage of their life cycle. At this point, these ventures can be classified as small businesses (Collins and Moore, 1964; Small, 1987). Leading from this is the further debate as to what constitutes a ‘small’ business. Some measures proposed by researchers include level of sales volume, number of employees (Keisner, 1984; Broom and Longenecker, 1975) and managerial span of control (Keisner, 1984). This study will utilize number of employees and number of units in the company as a control for size. This will be discussed in further detail in Chapter Three: Methodology. In essence, this means that once a company has progressed from the entrepreneurial stage of the life cycle, the size of firm is the primary indicator of whether a firm can be still considered a 'small' business or not.

Webster (1977) considers the small business owner/operator to be a type of entrepreneur. He notes that such entrepreneurs (small business owners) have operations that are limited in scope regarding sales, geographical area, and profit potential. Alternately, Hoy and Carland (1983), in their study to differentiate between small business owners and entrepreneurs, examined the strategies and behaviors of 73 new venture founders using the Myers-Briggs Type Indicator. The researchers found that most small businesses appear to be started for personal reasons and lack strategic planning. Entrepreneurs, were found to be intuitive in their information gathering, were thinking or task-oriented in the processing of the information, and were perceptive and adaptive. Small business owners, on the other hand, were more
sensing or detail-oriented in their information gathering, were more people-oriented, and were more logical and methodological.

**Entrepreneurs Versus Managers**

There is recurring confusion in the definition of differences between entrepreneurs and managers (Kets de Vries, 1977). Smith and Miner (1983) contend that it takes a particular type of entrepreneur to develop a new venture to a substantial size. They assert that entrepreneurs are not like corporate or middle managers in that entrepreneurs are less favorably inclined toward authority figures, and are less competitive and assertive than managers. Bellu (1988) conducted a study to determine whether entrepreneurs and managers were different in terms of motivation behavior. For his study, Bellu identified the 36 entrepreneurs as those who had started their business from scratch, and the 34 managers as being those individuals at the higher levels of management within a company (e.g. CEO, Vice President etc.). The results obtained from this study confirmed previous research distinguishing entrepreneurs from managers. The findings concerning attributions for success and failure suggest that the two groups are different. Entrepreneurs, persist in the face of failure more so than managers. Entrepreneurs learn from failure to change what does not work, to try harder, and to avoid similar external causes of failure in the future. In contrast, managers appear to attribute their failure to unchangeable causes and their success to external causes.

Other studies (Schumpeter, 1935; Collins, Moore and Unwalla, 1964; Charan, 1976; Kimberly, 1976; Filley and Aldag, 1980) have distinguished between the role or person involved in capitalizing on an innovative opportunity (i.e. an entrepreneur) and the role or person involved in institutionalizing and managing an enterprise (i.e. a manager).
A number of research efforts have focused upon the need for a change in management style, from an autocratic entrepreneur to a professional manager, as a company evolves (Steinmetz, 1969; Thain, 1969; Greiner, 1972; Tuason, 1973). The central theme behind these studies is that the type of person who can create an organization as an entrepreneur is different in a number of respects from the type of manager who can direct the company at some subsequent stage of growth (Smith and Miner, 1983; Bellu, 1988). This has been termed as the ‘entrepreneur-bureaucratic manager’ shift concept. The key concept is that companies tend to elicit or require different managerial styles as they grow, thus, the entrepreneur must either undergo a style change, or be replaced by someone more suited to a bureaucratic management system (Steiner and Miner, 1982).

Baumback and Mancuso (1975) support this view and contend that the characteristics that make a successful entrepreneur, the ability to create a product to capture an unfilled market need, are not the same characteristics that will enable him to become an effective executive. Roberts (1987) reported that the successful transition from entrepreneurial to professional management requires both the delegation of responsibility to a layer of middle managers, and also the introduction of formal control mechanisms (for example: standardization, information systems, policies and objectives). However, as Hofer and Charan (1984) stated:

“...... the most likely causes of business failure are the problems encountered in the transition from a one-person, entrepreneurial style of management to a functionally organized, professional management team.”

Research also indicates that a large percent of entrepreneurs would have difficulty in heading a growing organization once it has been moved to a size where a bureaucratic system is needed (Smith and Miner, 1983). Hofer and Charan (1984) further developed this
contention and concluded that successful transitions from entrepreneurial management to professional management will not occur often unless they are planned carefully and implemented gradually.

Hofer and Charan (1984) reported the key characteristics of entrepreneurially managed firms that will need to be modified in the transition process: (1) a highly centralized decision making system, (2) an over-dependence on one or two key individuals for its survival and growth, (3) an inadequate repertoire of managerial skills and training, and (4) a paternalistic atmosphere. These characteristics are important, and often essential, to the success of small entrepreneurial firms. However, beyond that point, they can become barriers to the firm and inhibit efforts to capitalize on further market opportunities.

New Venture Creation and Entrepreneurship

It is believed that entrepreneurship involves the formation of a new venture and that entrepreneurship only occurs when a new venture is created, however, there is little consensus in the literature as to what constitutes a new venture. Vesper (1980) contends that new venture formation is synonymous with entrepreneurship, thus new venture formation can occur through new business start-up, franchising, or acquisitions. Alternately, Timmons (1982) asserts that new venture creation is the mechanical and procedural elements of the entrepreneur's business start-up, although new venture creation is one of the key components of entrepreneurship.

Gartner (1985) posits that the entrepreneur is only one dimension of “new venture creation”. He cites the definition of the new organization, developed by the Strategic Planning Institute, which he notes is synonymous with the definition of new venture creation:
- a new business venture launched as one of the following:

[1] an independent entity
[2] a new profit center within a company which has other established businesses, or
[3] a joint venture which satisfies the following criteria:
   - It's founders must acquire expertise in products, process, market, and/or technology.
   - Results are expected beyond the year in which the investment is made.
   - It is considered a new market entrant by its competitors.
   - It is regarded as a new source of supply by its potential customers.

**Entrepreneurial Typologies**

It is often recognized that not all entrepreneurs are alike. Therefore, a number of attempts have been made at classifying entrepreneurs into more homogeneous sub-groups (Davidsson, 1988). Many of these such attempts have tried to empirically extract relatively homogeneous groups (Smith, 1967; Redlich, 1971; Braden, 1977; Filley and Aldag, 1978; Vesper, 1980; Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Ettinger, 1983; Small, 1987; Davidsson, 1988). However, due to the different sizes and characteristics of the samples used in these studies, there have been contradictory results. The majority of these studies, do however, arrive at a classification of two or three types of entrepreneur. Among the most noted is the classification scheme first developed by Smith (1967). A number of other researchers have sought to further test Smith's typology or develop their own typology of entrepreneurs (Braden, 1977; Filley and Aldag, 1978; McCain and Smith, 1979; Scanlon, 1980; Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Smith, McCain, and Warren, 1983; Small, 1987; Davidsson, 1988).

Braden (1977) classified 69 technical entrepreneurs as either caretakers or as managers. Although labeled differently, Braden's managers and caretakers essentially paralleled the
craftsmen and opportunistic classifications utilized by Smith (1967). McCain and Smith (1979) found support for Smith's (1967) typology in their study of 91 retailing, service and manufacturing entrepreneurs. Scanlon (1980), also supported Smith's findings in his study of 64 mid-western entrepreneurs. Smith, McCain and Warren (1983) studied a group of 76 female entrepreneurs and found that the majority of women tended to be opportunistic-entrepreneurs and only a few were on the craftsman side of the continuum. More recently, research was conducted by Davidsson (1988) to test Smith's typology on a new sample of Swedish small firm entrepreneurs. Davidsson found fairly strong support for Smith's classification, however, in order to obtain two substantially different groups, it was necessary to accept a third "miscellaneous" group. Davidsson concludes that Smith's two-group typology performs well but may be over-simplified.

A number of other studies have resulted in more than two categories of entrepreneur. Using factor analysis to classify 416 business owners, Filley and Aldag (1978) found three types of entrepreneurs: craftsman, promotion and administration. In short, craftsmen were nonadaptive, risk adverse and happy with a comfortable living. Promotion firms tended to be informal, loosely structured and designed to exploit a temporary opportunity. Filley and Aldag described administrative firms to be large, complex organizations led by professional managers (intrapreneurs) who adopted formal planning and control systems.

Dunkelberg and Cooper (1982) also identified three types of entrepreneur: craftsmen, growth oriented and independent. The first two types were parallel to the craftsmen/opportunistic categories. The third, independents were driven by a need for managerial autonomy and had the highest growth rate among the three groups identified.
Smith's (1967) Typology of Entrepreneurial Types

Smith (1967) first pioneered the idea of a classification for entrepreneurs according to their personality, background, and behavior. For his research, Smith utilized the model for constructing 'Ideal Types' by McKinney (1966), called the Becker-McKinney Model. The model upholds that types are constructed around certain persistent variables:

[1] The relation of the types to the perceptual experience (ideal — extracted)
[2] The degree of abstraction involved in the type (general — specific)
[3] The purpose of the type (scientific — historical)
[4] The temporal scope of the type (timeless — time bound)
[5] The spatial scope of the type (universal — local)
[6] The function required at the end of the type (generalizing - individualizing)

These areas are the axes around which types are constructed. Smith used the continuum for constructing types of entrepreneurs and types of firms, specifically, the "ideal — extracted" continuum. The ideal type serves as a model or basic comparative unit and all empirical occurrences appear as derivations from the ideal type. The extracted type is at the opposite end of the continuum and involves the comparison from a central tendency (Smith, 1967).

Smith conducted unstructured interviews with 150 entrepreneurs and used 52 of these for his study. The remaining interviews were not used as their was not enough relevant information. The sample represented a broad range of manufacturing industries, all in business subsequent to 1945. All the firms in the sample had been in business for more than 5 years. This limit was used so that the firms studied would have survived the problems of the first few years. As more than half of new firms fail within the first five years, Smith termed these firms successful. Furthermore, as the firms were over 5 years old, Smith noted that his analysis was not limited to the stage of initiation, instead, looking at the subsequent phases
of maintenance and aggrandizement.

From his research, Smith identified two distinct "ideal" entrepreneurial types; "craftsmen entrepreneurs" and "opportunistic entrepreneurs" based on detailed interviews with 52 owner-managers of manufacturing firms. These two types of entrepreneurs are held to be polar opposites representing extreme parameters of behavior and orientation for entrepreneurs in the sample. Craftsmen usually came from a blue collar background and had narrow educational and managerial experience. They preferred technical work to administrative work and had low to moderate interpersonal skills. As owner-managers, craftsmen adopted an autocratic or paternalistic management style, and utilized personal relationships in marketing, and followed relatively rigid strategies. Such entrepreneurs tended to avoid risk-taking and were less likely to seek multiple investors or partners. Craftsmen tended to lack flexibility and confidence in dealing with the economic and social environment. Furthermore, businesses led by craftsmen enjoyed lower growth as such entrepreneurs had little desire for the external growth of their business, being content with "making a comfortable living".

In contrast, opportunistics were characterized by a high level of formal education and a wide variety of work experience. They tended to be of middle class background and had a past identification with top management. They preferred decentralized management styles and delegated more, they were proactive with regards to marketing and developed more innovative and diverse competitive strategies. Opportunistics were more oriented towards the future and their organizations experienced much higher growth rates than those of craftsmen entrepreneurs.

In his research, Smith also identified the presence of a third entrepreneurial type; the "inventor-entrepreneur". Smith indicates that there is no single industry that would produce
the inventor-entrepreneur, instead, he is located in such industries as drug manufacturing, electronic products, tools and supplies and industrial companies.

In addition to looking at type of entrepreneur, Smith also looked at the type of company to identify a fit between type of man and type of firm. He constructed two polar types of firms. One end of the continuum is the *rigid firm*, and at the other end, the *adaptive firm*. As noted by Smith (1967:71):

> "It is held that the construction of the types of firms can be best done by classifying them on the basis of strategic behavior which has changed the character of the firm. The following criteria have been chosen as being significant in determining the character of the firm........[1] customer mix, [2] product mix, [3] production methods, [4] concentration of production facilities, [5] concentration of markets, [6] concrete plans for change in any of the foregoing areas".

Smith found that the character of the organization will reflect the orientation of the entrepreneurial type associated with it. Furthermore, the craftsman-entrepreneur will most likely build an organization which can be termed rigid in character, and the opportunistic-entrepreneur will most likely build an organization which can be termed adaptive in character. However, the results of this study were limited due to the small sample size and the lack of statistical methods of analysis.

**Entrepreneurial Typologies in the Restaurant Industry**

Berger and Bronson (1981) studied 50 successful restaurant entrepreneurs (42 males and 8 females). The authors defined 'successful' as those operations that had been in operation between six and ten years. The firms in the sample varied in size from small (10-20 employees) to large (more than 300 employees) and were located in major cities within the U.S.
From their research, the authors identified three types of entrepreneur: creative-craftsman, opportunistic and humanistic. The first two classifications are similar to those established by Smith. The term "creative" was added by Berger and Bronson because the term describes the development of a unique restaurant concept and/or menu innovation. The third type, the humanistic entrepreneur, was conceptualized by the authors who suggested that "people interaction" is an important factor for restaurant entrepreneurs. The notion of a humanistic type of entrepreneur is characterized by having a high desire to interact with people and a genuine concern for employees. A humanistic entrepreneur tends to have a democratic or participative style of management but lacks highly developed business skills. The satisfied guest is the key measure of success for a humanistic entrepreneur.

Berger and Bronson's study suggests that due to the nature of the hospitality industry, restaurant entrepreneurs may be different from other entrepreneurs, partially due to the entry of women in the field and the importance of humanism as a characteristic (Small, 1987).

Small (1987) surveyed 565 restaurant entrepreneurs in Southern California, obtaining 161 usable responses. The sample for this study was generated from the listings of restaurants in the Consumer Yellow Pages for Southern California. Small defined a restaurant entrepreneur as "..... an individual who created a restaurant through initiative, combining of resources, management control through autonomy, an risk taking." In this study, no attempt was made to control for size and stage of the firm, or stage of life cycle the firm is in. Furthermore, no tests for reliability and validity of the instrument and data were conducted.

From this study, Small found the existence of opportunistic and creative-craftsperson entrepreneurs, which accounted for over 80 percent of the sample. However, the humanistic type was not distinguishable as a separate type but was found to be universal throughout the
sample. Furthermore, while Small's study validates the use of a typological approach in studying entrepreneurial types, modifications in approach are called for. While his research did identify that distinct types of entrepreneurs do exist, membership to a type may not be mutually exclusive, and some entrepreneurs may show characteristics of both opportunistic entrepreneurs and craftsman entrepreneurs.

Small attributes some of the differences in his findings when compared to Smith's (1967) to a number of possible factors. He states that it is likely that the differences between manufacturing and service industries may be one factor. Also, the age of respondents in Smith's and Small's studies are likely to be different. Many of Smith's respondents were children of the depression and may be influenced by the stresses of that era in their business orientation. The twenty years between the two studies is also likely to have affected the results. It is extremely possible that the changes in values and orientation of society has influenced the motivations of entrepreneurs (Small, 1987). This study will attempt to further refine Small's typology with reference to the restaurant industry, whilst at the same time, introducing the second variable of strategy.

The Entrepreneur and the Organizational Life Cycle

The typical 'entrepreneurial' stage is the beginning or creation of an organization, and is where the entrepreneur recognizes a market opportunity and initiates the supply of a product or service. Kimberly (1980) agrees with this entrepreneurial approach in that he believes that the creation of a new business focuses on the characteristics of the founder. Greiner (1972) asserts that each stage/phase of organizational development requires a different management style and is faced with a unique management problem. In short, Greiner's model moves from stages emphasizing creativity and entrepreneurship to formalization, and then to adaptability and flexibility.
Baumback and Mancuso (1975) state that as a business grows, the methods and procedures used to manage the business must change and new practices be integrated into the changing business environment. Collins, Moore and Unwalla (1964) proposed a theory which suggests that an entrepreneur initially founds a firm in order to escape the problems experienced with authority in hierarchic systems. Or as expressed by Stanworth and Curran (1976), as the firm grows, it becomes increasingly more like the systematic and bureaucratic situation which produce the feelings for which the firm was established in order to minimize, such as lack of independence and identity. Smith and Miner (1983) found support for this view that firms are often founded to escape from the problems experienced in a bureaucratic context. However, Smith and Miner found that this view may be valid for certain types of, primarily craftsman, entrepreneurs, but not across the board of all entrepreneurs. That is, there are types of entrepreneurs who are managerially oriented, and "... the motivation behind the entrepreneurial effort is not to escape from bureaucracy, but a much more positive desire to experience certain aspects of it fully (Smith and Miner, 1983:338).

Mintzberg and Waters (1982) in their study of entrepreneurial firms, found that between the extremely long cycle of transformation from a simple to a formalized structure, major reorientations of strategy can be identified. Hofer and Charan (1984) suggest that the transition from the entrepreneurial Stage I firm to the professionally managed Stage II firm will usually involve five or more of the following steps:

[1] The entrepreneur him/herself must want to make the change and must want it strongly enough to make major modifications in his/her own task behavior.

[2] The day-to-day decision making procedures of the organization must be changed. Specifically, participation in the decision making process should be expanded, and the consultative process should be introduced. Greater emphasis should also be placed on the use of formal decision techniques.
[3] The two or three key operating tasks which are primarily responsible for the organization's success must be institutionalized. This may involve the selection of some new people to supplement or replace those 'indispensable' individuals who have performed these tasks in the past.

[4] Middle level management must be developed. In general, this means that specialists will need to learn to become functional managers while functional managers are learning to become general managers.

[5] The firm's strategy should be evaluated and modified if necessary to achieve growth.

[6] The firm's organizational structure and its management systems and procedures should be modified slowly over time to fit the company's new strategy and senior managers.

[7] The firm must develop a professional board of directors.

Other research has demonstrated that different management styles become paramount at different stages of development (Low and MacMillan, 1988; Tse and Elwood, 1990). More mature organizations look for a leader who can match the culture and strategic challenges facing the firm (Miller and Toulouse, 1986), which differs from the culture and strategic challenges facing an entrepreneurial firm.

**Entrepreneurship and the Environment**

There are two schools of thought regarding entrepreneurship and the environment. The 'strategic adaptation' perspective which suggests that the individual, the entrepreneur, is responsible for the success or failure of the firm through his ability to develop and execute effective strategies. The alternative theory is the 'population ecology' perspective. This believes that the goal-driven behavior of the individual is irrelevant and that the environmental selection procedures are the most powerful determining factors (Low and MacMillan, 1988).
The population ecology theory asserts that those organizations that are well adapted to their environment will survive, and those that do not will die.

The authors that adopt a strategic adaption perspective usually identify key success factors that enhance the likelihood of survival. Among these, Vesper (1980) identified 5 key success factors: technical knowhow, product/service idea, personal contacts, physical resources and customer orders. Timmons (1982) in his review of the literature noted that there were several factors that recurred regarding successful venture creation: the importance of a lead entrepreneur, building a team with complimentary skills, a triggering idea for a product/service, a well developed business plan, a network of people and resources and appropriate financing. Vesper notes that another important consideration in addition to key success factors is entry strategies; new product/service, imitative product/service, franchising, geographical transfer, customer sponsored, parent company sponsored, government sponsored and acquisitions.

The dominant assumption of the strategic adaption perspective is that success is primarily dependent on the entrepreneur’s ability to develop and execute effective strategies (Low and MacMillan, 1988). Alternately, the essence of the population ecology perspective is that the environment will determine the characteristics of populations of organizations. That is, those that are well adapted to their environment will survive and those that don’t will fail. Child (1972) argued that the critical link in strategic choice/population ecology is in the decision maker’s evaluation of the position of the organization relative to the environment and future action that the organization may take.

This study upholds the strategic adaption perspective in that it believes the entrepreneur to be responsible for making the strategic decisions for the organization. The environment
will be used as a control variable in the study, as although the sample population will be drawn from one industry, sub-samples will be operating within different industry segments, such as family dining, fast food.

Much of the research in the area of the environment has concentrated on the uncertainty of the firm’s external environment (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Thompson, 1967). These studies have focused on this dimension, which relates to the level and unpredictability of change in customer tastes, competitive behavior, technology, source of supply, etc. (Miller and Droge, 1986). Through increased uncertainty in the environment, the administrative tasks of the organization are made more complex and less routine, consequently, less formalized and flexible structures are needed and more power delegated to lower-level managers who specialize in certain complex tasks (Burns and Stalker, 1961). Miller and Toulouse (1986) found that the personality of the top executive (or entrepreneur) is likely to have the greatest influence on the organization in dynamic, unpredictable, and changing environments. On the other hand, stable environments tend to induce conformity in strategy and structure. Environmental unpredictability and uncertainty make it impossible to implement a ‘standard’ response and thus, the leader has to interpret the environment, allowing more opportunity for him to be influenced by his psychology as well as external circumstances.

**Entrepreneurship and Structure**

Some authors have argued that the personality of the leader is what determines entrepreneurship, where as other authors have highlighted the role played by the structure of the organization. The research by Miller (1983) serves to indicate that the type of firm (structure) holds a strong relationship with leader personality, level of entrepreneurship,
environment, and strategy. Miller (1983) identified three types of organization:

- Simple firms
- Planning firms
- Organic firms

[1] *Simple Firms*: These are small firms that operate in homogeneous environments and are usually run by the owner-manager. Thus, the power is centralized, with entrepreneurship being predominantly influenced by the leader: i.e. his personality, his power and his information. Personality of the leader is a key determinant of entrepreneurship. Strategy making in these firms tends to be intuitive as opposed to analytical. Generally, as time horizons are short, there is little planning, and the focus is on day-to-day operations. Strategies are not usually explicit, rather, they are the implicit or vague vision of the leaders (Miller, 1983).

[2] *Planning Firms*: These firms tend to operate in stable and predictable environments and are more formalized and mechanistic than simple firms. The emphasis is on smooth and efficient functioning through the use of elaborate control and planning devices. Decision making is conducted by a powerful central group of managers. According to Mintzberg (1973), there are three central strategy making features that characterize this type of firm: the analyst plays an important advisory role in strategy making; there is a systematic analysis of the costs and benefits of competing proposals; and decisions are carefully integrated. The level of entrepreneurship in such firms tends to be largely a function of the strategy pursued. However, as the ultimate strategy making power is still somewhat centralized, the personality of the top executive plays an key role in determining entrepreneurship.

[3] *Organic Firms*: These organic firms tend to operate in complex, dynamic environments with a heterogeneous market. Authority is delegated in order to enable the firm to be flexible
enough to adapt to the changing environment. Strategy making emphasizes careful but quick
analysis of issues and is performed at many different levels of personnel. Planning horizons
are relatively short due to the dynamic environment, thus strategies must be loose and
flexible. The entrepreneurial efforts in an organic firm reflects the demands of the environment
and the capacities of their structure.

Smith (1967) identified two types of firm: adaptive and rigid. These were determined
using the following criteria:

1. Customer mix
2. Product mix
3. Production methods
4. Concentration of production facilities
5. Concentration of markets
6. Concrete plans for change

From his study of 52 entrepreneurial companies, Smith found a tendency for craftsman
entrepreneurs to operate rigid firms, and for opportunistic entrepreneurs to operate adaptive
firms.

In the restaurant industry, firms tend to operate in a complex and dynamic heterogeneous
environment as a result of the overcapacity and increasing competitiveness. New
entrepreneurial firms are likely to resemble the simple firm identified by Miller (1983).
However, as firms grow in size, mature and progress from their entrepreneurial phase, they
will be more likely to resemble the organic firm identified by Miller, delegating authority to
remain adaptive. The firms in the sample for this study will most likely be simple firms, still
in the early stages of their life cycle.
Summary Of Entrepreneurship Literature

The majority of literature relating to entrepreneurship has focused on the individual entrepreneur, and his personality/characteristics. Three primary determinants of entrepreneurial behavior have been the focus of a large percentage of this research: need for achievement, internal locus of control, and risk-taking propensity. Researchers have sought to distinguish entrepreneurs from managers and small business owners using these three characteristics in addition to many other aspects, such as education, entrepreneurial parents etc.

Recognizing that not all entrepreneurs are alike, a number of typologies of entrepreneurs have been developed, with the seminal work in this area by Smith (1967). These typologies have tended to result in two or three homogeneous groups of entrepreneurs. Two studies have sought to apply Smith's original typology to the hospitality/restaurant industry, finding confirmation for the presence of two or more types of entrepreneur.

STRATEGY

Historical Perspective

The term strategy is derived from the Greek word "strategos" which means the art of the General (Galbraith, 1980). It is from this military discipline that the concept of strategy has been applied to organizational theory. The concept of organizational strategy was
advanced by the Harvard Business School in the late 1950’s (Andrews, 1960). Following the lead provided by Harvard Business School, Chandler (1962) was one of the early proponents of strategy. He viewed strategy as an art in which the organization leader would develop a plan that ‘fit’ with the opportunities and threats in the environment, the strengths and weaknesses of the organization, and the managerial values.

**Definition of Strategy**

The concept of strategic management refers to the process that deals with the entrepreneurial work of the organization, with organizational renewal and growth, and with developing and utilizing the strategy which is to guide the organization’s operations (Dev, 1988). The strategic planning process brings the CEO, executive managers and board members together to plan the future of the organization and decide on the methods for achieving those goals.


Hofer and Schendel (1978) defined strategy as being the course of action that matches the organization’s resources and skills with the threats and opportunities in the environment and the organization’s mission. Other definitions of strategy include:

“.... the determination of the basic long-term goals and objectives of an enterprise, and the adoption of the courses of action and the allocation of resources necessary for carrying out those goals (Chandler, 1962, p. 16).”
"...... the pattern of objectives, purposes, or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and what kind of company it is or is to be (Andrews, 1979, p.9)."

The literature on strategy can be divided into three main areas: [1] the process of strategy formulation and implementation, [2] the content of strategy, and [3] the strategic hierarchy. Strategy formulation relates to the process of deciding the basic mission and objectives, and the major strategies and policies that determine the use of the firm's resources to achieve the objectives (Hofer and Schendel, 1978). In the implementation process, members of the organization develop an appropriate organization structure to achieve the strategies, monitor related activities and effectiveness of the strategies. The content approach focuses on the actual contents of the strategies implemented. The research on the hierarchy of strategy is subdivided into three levels: corporate strategy, business strategy, and functional (unit) strategies.

**Strategic Formulation and Implementation**

Strategy formulation is the development of long-term plans for the effective management of opportunities and threats provided by the environment, considering the corporate internal strengths and weaknesses (Dess, 1987). The formulation of an effective strategy centers around the clear definition of the company mission, the accurate appraisal of the external environmental, and the thorough internal analysis of the firm's strengths and weaknesses (Pearce and Robinson, 1988). In the case of a small, entrepreneurial organization, it will most often be the entrepreneur who is responsible for formulating the strategy. For such organizations, this is likely to be an informal process.
Strategy implementation is the process by which strategies and policies are put into action through the development of programs, budgets, and procedures (Wheelen and Hunger, 1989). The implementation of strategy is usually conducted by middle- and lower-level managers with review by top managers. Strategic implementation requires day-to-day decisions in resource allocation, and also requires constant feedback and evaluation (Wheelen and Hunger, 1989).

Reid and Olsen (1981) proposed a seven-step planning model for the hospitality industry, designed to facilitate the formation, implementation, and evaluation of strategies necessary for survival as well as adapt to the changing environment. In order to provide the customer with the desired product, at a suitable price, at the same time achieving a satisfactory financial performance, it is imperative for operators to thoroughly analyze and evaluate the internal strengths and weaknesses prior to deciding on the most suitable strategy.

**Strategy Content**

The content approach to the study of strategy focuses on the make-up of strategies actually implemented (Bourgois, 1980). That is, the specifics of what was decided during the strategy formulation phase.

There have been numerous approaches to describing strategy content, often referred to as strategic archetypes or generic strategies. The majority of these typologies of strategy have been developed in industrial settings (Tse, 1988). The number of possible strategy types and the characteristics of each type vary between authors (Galbraith and Schendel, 1983). Herbert and Deresky (1987) define a generic strategy as a broad characterization of strategic choice which would apply generally, regardless of the industry, type and size of organization.
etc. The primary objective of generic strategies is to provide a mechanism through which different strategies or patterns of strategies can be classified (Dev, 1988).

**Typologies of Strategy**

Typologies are useful in theory building as they capture frequently occurring combinations or patterns of strategic behavior. The number of typologies being developed in the strategic management literature is growing. However, the majority of these typologies of strategy are aimed at the business level.

There are a number of commonly cited typologies of business level strategies. Porter’s (1980) three generic strategies of cost leadership, differentiation, and focus were constructed in relationship to profitability performance, whereas Buzzell, Gale and Sultan’s (1975) three generic strategies of share-increasing, maintenance, and harvesting are directly related to market share performance (Galbraith and Schendel, 1983). Other typologies include the domain defense and domain offence (Miles, 1982); multiplication, monopolizing, specialization and liquidation (Vesper, 1979); share increasing, growth, profit, market concentration and asset reduction, turnaround, and liquidation (Hofer and Schendel, 1978); and the defender, prospector, analyzer and reactor (Miles and Snow, 1978). Each of these typologies suggest that there are a limited number of identifiable strategies, each of which involves a different pattern of competitive position objectives, investment strategies, and a competitive advantage (Hofer and Schendel, 1978).

**Miles and Snow’s (1978) Typology of Business Strategy**

Miles and Snow (1978) carried out extensive research through case studies, in different
industries, including, electronics, college textbook publishing, and healthcare. The underlying theme to their work is that effective organizations shape and maintain a viable market for their product whereas ineffective organizations fail at this market alignment. They define strategy as being the pattern of major and minor decisions derived from the behavior of the organization. The authors suggest that, through the observation of this flow of decisions, it is possible to classify organizations according to their strategic orientations.

Any typology is unlikely to include all dimensions of organizational behavior, nevertheless, Miles and Snow argued that every organization they observed, in comparison to other organizations within the same industry, can be classified predominantly into one of the four categories. That is, if observing organizations operating within the same industry, the patterns of behavior will be noticeable, suggesting the presence of strategic forms. These strategic forms can be reduced to fit into one of the four generic strategies (prospector, defender, analyzer and reactor). As noted by Snow and Hrebinia (1980), Miles and Snow’s typology provides a useful framework for the classification of the capabilities exhibited by organizations operating within the same industry.

This conceptualization of strategic types has been well received in the literature and seems to provide a concise and relatively measurable classification of strategy. Two primary studies have applied Miles and Snow’s typology to the hospitality industry. Schaffer (1986) argued that, based upon his research in the lodging industry, the industry configurations observed are not exact duplicates of Miles and Snow’s typology and may indicate specific industry related variations. The research conducted by Dev (1988), found examples of Miles and Snow’s strategic types in the lodging industry and found that hotels employing a defender strategy in a stable environment tend to perform better than hotels employing other strategies. However, hotels employing an analyzer strategy in a volatile environment outperform those
employing other strategies.

The typology, aimed at explaining business level phenomena is comprised of four strategy types:

- **Prospectors**: These organizations tend to operate in volatile environments and continually search for market opportunities. These organizations are often the creators of change to which competitors must respond. Response to emerging trends is the primary focus of prospectors, through new product research and development.

- **Defenders**: These organizations tend to operate in a narrow and stable product-market domain. Top managers are highly expert in their organization's limited area of operation but do not tend to search out of the domain for new opportunities. Primary attention is devoted to improving efficiency of existing operations.

- **Analyzers**: These organizations are between the extremes of prospector and defender, and thus exhibit characteristics of each. They watch competitors closely then adopt the most promising new ideas using their efficient research and production skills.

- **Reactors**: These are organizations in which top managers perceive change and uncertainty but are unable to cope with it. This strategy in not viable in the long term.

Miles and Snow (1978) developed a model of the adaptive process that arose from their research and referred to this process of adapting as an “adaptive (or adaptation) cycle”. This model is consistent with the strategic-choice approach to the study of organizations, which argues that organizational behavior is only partially preordained by the environment and that top manager decisions are the primary determinant of organizational strategy, structure and process (Miles and Snow, 1978). Within this adaptive cycle, three broad problems of organizational adaption were identified: the entrepreneurial problem; the engineering problem; and the administrative problem. These can be defined as follows:
- **The entrepreneurial problem**: This refers to the process by which a company defines its product-market domain and is most visible in new or growing organizations. The solution to the entrepreneurial problem is through the acceptance of a particular product-market domain - which can be seen when top executives allocate resources to achieve the objectives relative to the domain.

- **The engineering problem**: This refers to the process by which a company chooses technologies for production and distribution. The engineering problem involves management creating a system in order to implement management’s solution to the entrepreneurial problem. This problem usually occurs during the growth phase of the life-cycle.

- **The administrative problem**: This refers to the selection of areas for future innovation and the rationalization of structure and control processes so as to match the strategic choices. In essence, the administrative problem is that of reducing uncertainty in the activities faced by the organization.

In summary, Miles and Snow identified the four strategic types; defender, analyzer, prospector and reactor, as strategies used by organizations to solve their entrepreneurial, engineering and administrative problems as they move through the life-cycle. The defender, analyzer and prospector organizations are stable in nature, however, the reactor is unstable, resembling the “stuck in the middle” position identified by Porter (1980). Defenders tend to operate in a stable environment with a stable form of organizational structure. Prospectors are typically the opposite of defenders, operating in an unstable, dynamic environment with a flexible structure which enables them to adapt to the complex and uncertain environment. Analyzers are a combination of both defenders and prospectors. They strive to minimize their risk whilst maximizing profit opportunities. The reactor is not a viable strategy for the long run. It does not have a set pattern and is inconsistent with the environment.
Levels of Strategy

The hierarchy of strategy is typically divided into corporate, business, and functional levels (Pearce and Robinson, 1988; Hofer and Schendel, 1978). The corporate level is the top level of strategy making and is the responsibility principally of the board of directors and the executive managers. As noted by Pearce and Robinson (1988), corporate strategy involves the determination of the company’s mission, i.e.: what business should the firm be in, and how the firm should compete in that industry. Business strategy is also concerned with how the firm should compete within the industry. However, business strategy focuses on how an organization competes within a particular product or market segment of the industry (Hofer and Schendel, 1978). Business and corporate managers have responsibility for this level of strategy. The third level of strategy is functional strategy and is the responsibility of each functional area (such as marketing, human resources etc.). The primary emphasis at this level is the best way to implement the companies’ strategic plans.

In an entrepreneurial organization there is likely to be a combination of corporate, business, and functional strategies. The entrepreneur’s primary decision to enter an industry with a particular product/service can be classed as his corporate strategy. Business strategy, how the company competes, will likely be the most observable strategy. Due to the size of most entrepreneurial companies, the business/functional level strategies will be interlaced as the entrepreneur himself is most often responsible for implementing the strategies.

Intended Versus Realized Strategies

In the words of Mintzberg (1978) the majority of definitions treat strategy as: [a] explicit, [b] developed consciously and purposefully, and, [c] made in advance of the specific
decisions to which it applies. However, Mintzberg contends that there are intended and
realized strategies. The intended strategy is similar to the definition presented above, and
is a deliberate conscious set of guidelines that determines future decisions. The realized
strategy is ".... a pattern in a stream of decisions" and may form gradually, sometimes
perhaps unintentionally (Mintzberg, 1978).

Through comparing intended strategy with realized strategy, different combinations of
strategy can be identified. Deliberate strategies are intended strategies that are realized,
unrealized strategies are intended but not realized, and emergent strategies are realized
strategies that may or may never have been intended (Mintzberg, 1978; Mintzberg and
Waters, 1985). Based on these notions, Mintzberg and Waters (1985) identified eight
different types of strategy that were labelled: Planned; Entrepreneurial; Ideological;
Umbrella; Process; Unconnected; Consensus; and Imposed.

- Planned originate in formal plans; deliberate & intended
- Entrepreneurial originate in central vision; deliberate but can emerge,
  intended vision of single leader
- Ideological originate in shared beliefs; deliberate & intended
- Umbrella originate in constraints; partly deliberate, partly emergent,
  & deliberately emergent
- Process originate in process; partly deliberate, partly emergent,
  & deliberately emergent
- Unconnected originate in enclaves; emergent but may /may not be
  deliberate
- Consensus originate in consensus; not intended but evolves,
  emergent
- Imposed originate in environment; not intended, emergent

The entrepreneurial strategy is most relevant to this particular study. This type of
strategy is most commonly found in entrepreneurial firms which are tightly controlled by
their owners. It is where one person controlling the organization is able to impose his/her own
vision of direction upon the firm. Intentions do exist for entrepreneurial strategies, however,
they may come from a single individual who need not articulate them. Thus, this strategy is both intended and deliberate. Furthermore, because the entrepreneurial strategy is highly personal to one leader, it is very flexible and can be adapted easily in response to environments etc. (Mintzberg and Waters, 1985).

Summary Of Strategy Literature

The literature on strategy focuses on three main areas, the process of strategy formulation and implementation, the content of strategy, and the levels of strategy. There have been a number of strategic typologies developed in the literature, conceptualizing strategy in order to provide a concise and relatively measureable classification. One of the primary typologies in the literature is that by Miles and Snow (1978) identifying four types of strategy.

THE RELATIONSHIP BETWEEN ENTREPRENEURSHIP AND STRATEGY

Although there have not been any studies to date investigating the relationship between type of entrepreneur and type of strategy, there are a number of research efforts that have suggested such a relationship. Many of these research studies linking entrepreneurship and strategy have chosen to concentrate on a single aspect of entrepreneurship, such as the personality of the leader and strategy (Miller, Kets De Vries, and Toulouse, 1982) and management style and strategy (Mullen and Stumpf, 1987). Other studies focused on new venture success with strategy and environment (Romanelli, 1989), new firm success with strategy, structure and entrepreneurial characteristics (Sandberg and Hofer, 1982), strategies
of high performing new and small firms (Cooper, Willard, and Woo, 1986), strategic change and entrepreneurship in different phases of the life cycle (Melin, 1986), entrepreneurial and management experience on early performance (Stuart and Abetti, 1988), new venture performance and strategic behavior in (McDougall and Robinson, 1988), strategy and stage of industry evolution for new ventures (Sandberg, 1986) and entrepreneurship and organizational life cycle (Smith and Miner, 1983).

Leader Personality and Strategy

Studies by Collins and Moore (1970), Miller, Kets de Vries, and Toulouse (1982), Kets de Vries and Miller (1984), and Miller and Droge (1986) have found that the personality of the organizational leader is likely to be particularly critical influential variable in small firms. In small firms, leaders usually have direct contact with most management levels. Furthermore, the leader, along with the top executive management, plays a vital role in determining and reshaping strategy, dominating decision making, and sets the organization culture through their goals, attitudes, and management styles (Kets de Vries and Miller, 1984). As noted by Kets de Vries and Miller (1984:2):

"The ways in which strategies, leadership styles, decision making, and even structure are influenced by the broadly defined psychological orientations of managers seem both remarkable and dramatic."

Similarly, Miller and Friesen (1978) and Rowe and Boulgarides (1983) also contend that the personality of the top manager can influence the firm’s strategy. Miller and Droge (1986) theorize that the influence of a leader's personality may be greater in firms in which the leader owns a significant percentage of the firm. An entrepreneur usually owns the majority share of his businesses in the early stages of the life cycle, thus entrepreneurial personality could be a major factor in determining company strategy. Along this vein, Van
de Ven (1980) postulates that the absence or presence of formal planning in the early developmental stages would determine the success of the organization.

Prior research on the impact of leader personality on the firm has tended to look at one particular aspect of personality or one organizational variable (Kets de Vries and Miller, 1984). Examples have been need for achievement (McClelland, 1961; 1967), locus of control (Hornaday, 1971; Brochus 1975; Miller, Kets De Vries, and Toulouse, 1982), need for power (McClelland, 1975), and, formalization or bureaucratization (Merton, 1968). However, as noted by Kets de Vries and Miller (1984), by reducing complex situations to one dimension, the results can be misleading, thus, the focus should be on a combination of behaviors. Miller and Toulouse (1986) conducted an empirical investigation of 97 companies to determine the relationships that three aspects of the leader's personality have with the strategies, structures, decision making methods and performance of their firms. The three personality characteristics used were those that earlier literature suggests were the most germane to strategy and structure: flexibility, need for achievement, and locus of control. The authors found that flexibility was associated with niche strategies and simple, informal firm structures. Need for achievement was related to broadly focused, marketing-oriented strategies and formal, sophisticated structures. Locus of control was related to product innovation and adapting their structures to the circumstances. Miller and Toulouse found that the relationships between personality and organizational characteristics were significantly strongest in small firms (small firms = under 100 employees, large firms = over 100 employees), and in dynamic environments.

Management Styles and Strategy

As stated by Rowe and Boulgarides (1983), there are distinct managerial frames of references, and that personal predispositions may be a significant influence on strategic
management activity. With this in mind, Muller and Stumpf (1987) sought to explore strategic decision making in a four-year study. The researchers, from extensive interviews with 531 executives and 410 business students, identified six dominant styles, each style representing a particular approach to organizing and interpreting information in a strategic setting:

- Identifiers
- Sorters
- Selectors
- Unilateral discriminators
- Evolvers
- Searchers

From these styles, the acronym ISSUES was developed, and the paradigm called the ISSUES Model. The ISSUES styles can be divided into two groups: styles that indicate a focus on a subset of strategies and those that do not. The convergent styles are the sorter, the selector, and the unilateral discriminator. In this style, the manager selectively identifies and processes information according to a specific focus, thus a portion of the information does not enter the strategic agenda. Alternately, the nonconvergent style is characterized by the effort to avoid the selective screening of information towards a particular activity. The wide amount of information obtained is then incorporated into the strategic decision making.

Muller and Stumpf (1987) state that both ISSUES styles and the related decision style may be part of the general personality of the manager. In relation to the strategic management process, an individuals' perception of stimuli can be due to thinking/feeling. The authors hypothesize that managers' ISSUES styles could be an integral part of their personalities and that leaders with different ISSUES styles will likely make different strategic choices.
Other Entrepreneurial Variables and Strategy

Miller (1983) identified the relationship between entrepreneurship and several other variables: environment, structure and strategy, in three different types of firm: simple, planning and organic. The author found that entrepreneurship is integrally related to variables of environment, structure, strategy and leader personality, and that these relationships vary systematically and logically from one type of firm to another.

Romanelli (1989), studied strategy and environment on new venture success. The author explored the effects of two factors that influence the likelihood of an organization surviving the early, start-up period: environmental resource and competitive conditions at the time of start-up; and the strategies that an organization uses during the start-up years to exploit environmental conditions. Romanelli found that the environmental conditions at the time of start-up and the early organizational strategies jointly affect the likelihood of survival for new firms. Competition, however, is unrelated to the mortality of new firms. The implications of this research are that entrepreneurs have two ways of improving their firms' chances of survival. Firstly, by timing the start-up with rapidly increasing sales in the industry. Secondly, by tailoring the strategies to environmental conditions.

A number of research efforts have identified the relationship between strategy, structure and new venture performance (Sandberg and Hofer, 1986; McDougall and Robinson, 1988). These works have stated that it is critical for the new venture entrepreneur to match the venture's strategy with the structure of the industry segment the firm is competing in. Sandberg and Hofer (1986), developed a new paradigm of new venture performance: \( \text{NVP} = f(E, IS, S) \). That is, new venture performance is a function of the entrepreneur, industry structure and strategy. The authors found that ventures were more
successful when they combined Porter’s (1980) differentiation strategy with broad scope in growth industries or with focused strategies in mature industries; and when industries were in disequilibrium, had heterogeneous products, or had yet to mature. However, although both strategy and industry structure seem to play important roles in new venture success, the entrepreneur’s characteristics examined in the study did not significantly affect venture performance. The authors note that this is likely due to the characteristics studied (entrepreneur’s education and experience).

McDougall and Robinson (1988), in studying the importance of strategy and industry structure in explaining new venture performance found that the variation in strategy-industry structure “fits” accounted for 81% of the variance in new venture financial performance and 60% of the variance in market share growth. The remaining 20% “unexplained” by the strategy and industry of the venture could be explained by the entrepreneur or entrepreneurial team, however, the researchers chose not to interpret the results as such. Instead, McDougall and Robinson hypothesized that it is highly possible that the venture team plays a critical role in achieving a successful strategy-structure match. Thus, “Experience, drive, knowledge, skills and other factors [of the entrepreneur/entrepreneurial team] must play a central role in new venture success” (McDougall and Robinson, 1988).

As noted by Leontides (1982:85), the success or failure of a business often relies on management’s perception of its opportunities. “Managers make strategy and strategy determines business success or failure”. However, there are differences in perceptions that can’t always be accounted for by changing environmental conditions as firms in the same industries are faced with the same uncertainties. The results were due to the consequence of major strategy decisions - which are the responsibility of top management.
Entrepreneurial Strategies

As noted by Murray (1984:1):

"Entrepreneurial strategy is the means through which an organization establishes and reestablishes its fundamental set of relationships with its environment. It is strategy characterized by widespread and more-or-less simultaneous change in the pattern of decisions taken by an organization".

Murray states that entrepreneurial strategy is a subset of strategy in general and is specifically focused on fundamental change as opposed to adaption or maintenance strategies. A key feature of entrepreneurial strategy being "..... the emergence of a new gestalt demanding strategic change" (Murray, 1984). This gestalt being partly responsible for strategic change, along with the motivation of a strong organizational purpose. Murray contends that environmental change is one of the primary forces stimulating entrepreneurial behavior. However, he also notes that the initial act of entrepreneurial strategy - forming a new enterprise - is predominated by the individual entrepreneur or entrepreneurial group. Thus, the entrepreneurial purpose and not just the environmental variation may be the start of the chain of causation.

Mintzberg (1973) views strategy-making as occurring in three groups or "modes". These three modes being entrepreneurial mode, adaptive mode, and planning mode. In the entrepreneurial mode, one strong leader is responsible for the making the strategies. In the adaptive mode, small disjointed steps are taken to form the strategy in a difficult environment. In the planning mode, a formal analysis is used to explicitly plan strategies for the future.

Mintzberg delineates four main characteristics of the entrepreneurial mode of strategy-making. The organization in this mode believes that the environment is malleable and can
be confronted by the entrepreneur in the hope of controlling it.

[1] Strategy-making in this mode is dominated by the entrepreneur’s active search for opportunities. That is, the focus is on opportunities as opposed to problems.

[2] In this type of organization, the power is centralized in the hands of the chief executive. The personality, personal power and often charisma of the entrepreneur dominate the strategy-making in the entrepreneurial mode. However, it is often the case that the entrepreneur does not have a definite plan of action and is guided by his own vision.

[3] In this mode, strategy-making is characterized by large leaps forward in the face of uncertainty. That is, the strategy moves forward through bold decisions taken by the entrepreneur. These bold and courageous decisions are usually undertaken while facing uncertain conditions.

[4] Growth is the dominant goal of the organization in the entrepreneurial mode. As noted by Mintzberg, as the entrepreneur is chiefly motivated by his need for achievement, growth of the organization will be the dominant goal.

Mintzberg (1973) asserts that as the entrepreneurial mode requires that one powerful individual is responsible for strategy-making, such organizations are usually young or small companies. Furthermore, such organizations typically have a charismatic leader and have little to lose and much to gain by taking bold actions. As each strategic decision requires additional resources, finally, bureaucratic structures and specific strategies are called for. From this stage, the adaptive mode usually sets in.

Even within a single industry, there are opportunities for direct competition, however, only certain firms are in the position to adopt a direct competition strategy. In order for a firm to adopt such a strategy requires the right combination of insight, assets and commitment. It
is in this way that small companies can challenge much larger, established companies. The strategies that they follow are "niche strategies" in the idea that the company concentrates on serving the needs of a small group of customers (Cooper, Willard and Woo, 1986). This strategy resembles Porter's (1980) "focus strategy". If these challenges are successful, the company may eventually grow into an organization able to directly compete with the established companies.

Peter Drucker (1985 : 207) states that:

"Just as entrepreneurship requires entrepreneurial management, that is, practices and policies within the enterprise, so it requires practices and policies outside, in the marketplace. It requires entrepreneurial strategies."

Drucker, noting the absence of any discussion of entrepreneurial strategies in the literature, identifies four distinct entrepreneurial strategies. However, these are not necessarily mutually exclusive, and one entrepreneur can combine two or even three strategies into one. These four strategies are:

- Being "furstest with the mostest"
- "Hitting them where they ain’t"
- Finding and occupying an "ecological niche"
- Changing the economic characteristics of a product, market or industry

With the "furstest with the mostest" strategy, the entrepreneur aims from the start at creating a permanent leadership position. This strategy, whilst providing the greatest rewards, is also the most risky. Consequently, it is only likely to be used in the case of major innovations. The "hit them where they ain’t" strategy can be subdivided into two types: [1] creative imitation and [2] entrepreneurial judo. Creative imitation is where the entrepreneur does not invent a product/service himself, but instead takes what has already been done and
improves it. This strategy is less risky but also requires flexibility on the part of the company. Entrepreneurial judo is when the same strategy is repeated time and time again. The idea behind this strategy is that it establishes a ‘beachhead’ that the competition cannot defend, then once secured, the entrepreneur moves into the rest of the ‘beach’ then the ‘island’. Similar to furthest with the mostest, this strategy aims at market leadership. The “ecological niches” strategy aims at obtaining control of a small market. This is similar to Cooper et al’s (1986) “niche strategy”. The changing values and characteristics strategy is when the strategy itself is the innovation. That is, it changes the values/characteristic of a product turning it into something different and new.

**Summary of Literature on the Relationship Between Strategy and Entrepreneurship**

There have not been any studies, to date, investigating the possible relationship between type of entrepreneur and any type of strategy. A number of studies have focused on a single aspect of entrepreneurship, not type of entrepreneur. These studies have found that the personality of the entrepreneur and his management style are likely to affect strategy making behavior. Furthermore, other variables, such as the entrepreneurial team and the entrepreneur's perceptions of environmental opportunities and threats may possibly influence the entrepreneur's strategy making behavior.

**SUMMARY**

Both the concepts of entrepreneurship and strategy have received large amounts of attention in the literature in recent years. This chapter begins by presenting the background
behind entrepreneurship and then defining the concept. There are many different typologies of entrepreneurs in the literature. This study is primarily concerned with that first developed by Smith (1967), which identifies distinct types of entrepreneurs, allowing entrepreneurs to be clustered into separate groups according to a combination of management style, personality characteristics and background. Despite the increasing use of strategic management in organizations, there has been little attempt to link entrepreneurship theory with strategic management theory. Specifically, there is an absence of research on the subject of entrepreneurial typologies as related to type of strategy. As a result of the void in the literature, this led to the undertaking of the current study.
INTRODUCTION

In the preceding two chapters it has been proposed that the type of entrepreneur in a firm and the type of strategy followed by that firm are related. This chapter builds upon the conceptual framework developed in the previous chapters. From this framework, this chapter presents the research questions, operational definitions, and the working hypothesis for the study. Included in this chapter will be a discussion of the research design, survey instrument, and the appropriate reliability test.
RESEARCH QUESTIONS

This research seeks to address an issue that remains unsolved. The primary purpose of this study is to investigate the presence of a relationship between type of entrepreneur and type of business strategy followed in the restaurant industry. The underlying proposition of this research is that there is an observable relationship between type of entrepreneur and choice of business strategy. From this basis, the research questions addressed by this research effort are:

1. Does Smith’s (1967) typology of entrepreneurs and Miles and Snow’s (1978) typology of business strategy exist in the restaurant industry?

2. Is there a relationship between type of entrepreneur and type of strategy in the restaurant industry?

3. Do strategies differ among different types of entrepreneurs?

4. Are there any other variables that may impact upon this hypothesized relationship?

OPERATIONAL DEFINITIONS

Appropriate measures are required for the empirical study of the type of entrepreneur-strategy relationship. For this study, type of entrepreneur was selected as the independent variable, and type of strategy selected as the dependent variable. Furthermore, a number of moderating variables were included: size of company, age of company and type of restaurant.
Independent Variable: Type of Entrepreneur

Type of entrepreneur was measured by utilizing Smith’s (1967) typology of entrepreneurs. Smith identified two basic types of entrepreneur, opportunistic and craftsman. This research effort extends Smith’s typology to the restaurant industry. Small (1987) utilized Smith’s framework together with the work by Berger and Bronson (1981) in the restaurant industry. The type of entrepreneur was operationalized based on an adaptation of Smith’s and Small’s (1987) research, as follows.

[1] **Opportunistic Entrepreneur:**

The opportunistic entrepreneur is characterized as having a high level of formal education and training, with a wide breadth of work experience. Opportunistic entrepreneurs exhibit high levels of social awareness and have high social involvement. The opportunistic entrepreneur favors decentralized management and does not consider himself to be the sole decision maker. The opportunistic entrepreneur exhibits an awareness and orientation to the future, following market and economic trends. Business profits, personal income and business growth are the measures of success for the opportunistic entrepreneur.

[2] **Craftsman Entrepreneur:**

The craftsman entrepreneur is characterized by narrow education and training. Craftsman entrepreneurs tend to have either unrelated work experience or technical experience. Such entrepreneurs typically have a low level of social awareness and involvement, and tend to avoid communicating. The craftsman entrepreneur exhibits a lack of confidence in his ability to deal with the economic and social environments. He does not delegate authority, and makes all decisions. The craftsman entrepreneur does not usually have long range plans and has little desire for external growth of the business. This type of entrepreneur typically is
paternalistic in his employee relations. Craftsman entrepreneurs generally measure their success by customer satisfaction.

In his early research, Smith (1967) proposed a sub-type of entrepreneur which he called the Inventor-Entrepreneur. Several researchers (Filley and Aldag, 1978; Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Small, 1987) have since found a third category of entrepreneur. However, this category has differed in characteristics with each sample, and some other recent research efforts have only identified two types of entrepreneur, therefore, the findings to date are inconclusive, emphasizing the need for continued research.

**Dependent Variable: Business Strategy**

As noted by Dev (1988), there is no universally accepted operationalized measure for strategy and past researchers have shown no consensus. For this study, business strategy was measured using Miles and Snow's (1978) typology. This typology has been operationalized by Snow and Hrebinak (1980) in the context of the manufacturing industry, and by Shaffer (1986), Dev (1988), and Crawford-Welch (1990) in the context of the hospitality industry. For these research efforts, strategy was measured using two different approaches. The self-typing approach asked respondents to choose one of the four descriptions of a strategy type that corresponds most closely with their perceived strategic direction. Each of the four strategic types presented, describes one of Miles and Snow's (1978) types of Defender, Prospector, Analyzer and Reactor. Schaffer (1986), Dev (1988) and Crawford-Welch (1990) tested their instrument for validity using Cronbach’s alpha test, and found that the strategy characteristics questionnaire was internally consistent. This research effort will utilize the questions measuring strategy developed by Dev and used by Crawford-Welch (1990): the 23 strategy characteristics and a modified version of the 4 descriptive paragraphs.
Moderating Variables

As is the case in most empirical research, there is concern with the variables which increase error by contributing to method variance (West, 1988). Therefore, in addition to type of entrepreneur and strategy variables, several other variables were examined to ascertain their contribution to the relationship between the independent and dependent variables of type of entrepreneur and type of strategy followed. The moderating variables that were examined are: size of company, age of company and restaurant type.

As noted by Tse (1988), the size of a firm may bias the findings of the research by affecting the strategic making and influence of the entrepreneur. The size of an organization is also related to the stage of the organizational life cycle. Typically, a firm grows in size as each stage is likely to require different management styles, leader characteristics and strategies (Tse and Elwood, 1990). In the past, several researchers have utilized number of employees as a way of measuring size (Pugh, Hickson, Hinnings and Turner, 1969; Child, 1972). However, as Tse (1988) notes, for the hospitality industry, the number of operating units is a more appropriate indicator of size. For this research, size was measured both by number of employees, and by number of units. It was anticipated that the majority of the respondents to the survey will be sole proprietors, mostly operating only a single unit.

The number of years that the operation has been in existence may contribute to the variation in the strategies employed by different firms. This variable of age was operationalized by asking respondents to indicate the number of years that the restaurant concept has been in operation.

The companies in this study were selected from one industry, the restaurant industry
within the United States. Therefore, for this study it was assumed that all companies are operating within the same set of environmental conditions, both within the task and general environment. As noted by Prescott (1986), in his research on strategy and performance, the environment moderates the strength of the relationship between strategy and performance but not the form. For this study, it was assumed that the environment will not affect the form of the relationship between type of strategy and type of entrepreneur. Thus, no measurement of environment was used. However, the sub-environments (task-environments) in which the firms compete were controlled. The sub-environments or segments in this study are those used by Tse (1988) and West (1988) in their research: fast food, dinner-house theme, family-coffee shop, gourmet, and cafeteria.

For the purpose of this study, the assumption was made that as all organizations were in the entrepreneurial phase of the life cycle, their structures would be somewhat similar. Therefore, no measure of structure was included in this study.

WORKING HYPOTHESIS

Based on the research questions, the following working hypothesis were developed. These hypothesis are presented in their null form.

Hypothesis I

Smith's (1967) entrepreneurial types (craftsman and opportunistic) will not exist in the restaurant industry.
This hypothesis addresses the issue of retesting Smith's refined typology of entrepreneurs in the restaurant industry. There have been some inconsistencies in the literature as to the number of entrepreneurial types identified (Berger and Bronson, 1981; Small, 1987). This hypothesis will serve to clarify the number of entrepreneurial types present in this sample of the restaurant industry.

**Hypothesis II**

Miles and Snow's (1978) four generic strategy types (prospector, defender, analyzer and reactor) will not exist in the restaurant industry.

This hypothesis addresses the issue of retesting Schaffer's (1986) and Dev's (1988) identification of Miles and Snow's strategic types within the restaurant industry. This hypothesis serves to build on the work by Dev (1988) and Crawford-Welch (1990). Dev found that he could not successfully isolate Miles and Snow's (1978) four strategy types using the 23 strategy characteristics, whereas Crawford-Welch (1990) succeeded in identifying three of the four strategy types.

**Hypothesis IIIa**

There is no relationship between type of entrepreneur and type of business strategy in the restaurant industry.

**Hypothesis IIIb**

There is no relationship between type of entrepreneur, type of business strategy, and the moderating variables (size of company, industry sement and age of company) in the restaurant industry.

These hypotheses addresses the potential relationship between the type of entrepreneur
and the business strategy followed, by examining whether type of entrepreneur using Smith’s (1967) classification of craftsman and opportunist entrepreneurs is related to strategy using Miles and Snow’s typology of prospector, analyzer, defender, and reactor.

These hypotheses are based on the assumption that the organization is primarily the outcome of the strategic choices made by key organization members (Chandler, 1962; Child, 1972). These authors suggested that the environment is only partly responsible for influencing the behavior of organizations and that the choices made by top executives were critical determinants of organizational processes.

RESEARCH DESIGN

This research of a previously unexplored relationship between type of strategy and type of entrepreneur is thus exploratory in nature and as such, it was necessary to conduct it in the field, in this context, the restaurant industry. The relevant unit of analysis was the restaurant, and the restaurant owner, i.e. the entrepreneur. This study used the cross-sectional approach to the research. The use of a cross-sectional approach as opposed to the more suitable longitudinal approach was necessary due to time and financial constraints.

Sample Selection

There is no comprehensive listing of members of the restaurant industry. Therefore, it was not possible to select a sample from a population representative of the entire industry. Other researchers (Tse, 1988; West, 1988) have encountered the same problems. The sample
for this study was obtained through the Dun and Bradstreet Corporation, who compile extensive data bases for different industries in the United States. This sample was randomly selected from those companies identified as meeting the criteria for the study. However, the Dun and Bradstreet data base was not expected to be a comprehensive listing of companies and therefore not fully representative of the entire restaurant industry.

The literature on entrepreneurial typologies has varied tremendously in the sampling criteria used: companies less than 8 years old (McDougall and Robinson, 1988); companies greater than 5 years old (Smith and Miner, 1983); companies with 2-19 employees (Davidsson, 1988); less than 3 years old (Woo, Cooper and Dunkelberg, 1988). In selecting the target population, several *a priori* criteria were set in order to focus the research on entrepreneurs. The criteria for this study was that the company had been in operation between 2-5 years, in order to allow sufficient time for the entrepreneur to be aware of his/her strategic direction whilst maintaining that the restaurant remain young and entrepreneurial.

**Sample Size**

Within the Dun and Bradstreet data base, there are approximately 56,000 organizations meeting the above mentioned criteria for this study. From this population, a random sample of 1,000 organizations were selected. This number represents the maximum number possible, given the financial constraints with the study.

Previous studies conducted within the hospitality industry have varied in their response rates, from 30.7% (West, 1988 and Tse, 1988), to 10.5% (Dev, 1988). These studies were surveying CEO’s and top executives of large hospitality corporations. The current study is similar to that of Small (1987) who surveyed the independent entrepreneur/owner of
Californian restaurants. In his study, Small received 161 usable responses from 565 restaurant entrepreneurs, yielding a response rate of 28.5%. The anticipated response for the current research was approximately 260 responses, yielding a response rate of 26%.

Data Collection Process

The primary method of data collection for this research effort was a mailed structured questionnaire. The questionnaire was personally addressed to the owner of the business, to be completed by the same individual. The questionnaire was accompanied by a cover letter detailing the nature of the research and requesting the cooperation of the respondent.

The survey instrument contained 23 questions seeking information concerning general firm information, entrepreneurial characteristics, firm strategy, and demographic information.

The questions relating to demographics and entrepreneurial characteristics used primarily structured, closed-answer questions. However, strategy was identified and measured using both structured, closed-answer question and the self-typing approach. This self-typing method called for respondents to classify the strategies of their firm based on the written descriptions of four strategy types (each coordinating with Miles and Snow's analyzer, prospector, reactor and defender). Miles and Snow (1978), Snow and Hrebiniak (1980), and Dess and Davis (1984) have used this method for measuring strategy. Moreover, studies in the hospitality industry have utilized this method for Porter's (1980) typology of strategy (West, 1988; Tse, 1988) and for Miles and Snow's (1978) typology of strategy (Schaffer, 1986; Dev, 1988; Crawford-Welch, 1990).
SURVEY INSTRUMENT

A structured questionnaire was used to obtain the data. As noted previously, the variables were measured using the self-typing technique, and by closed-ended questions. This survey instrument builds upon the work by Small (1987), Dev (1988) and Tse (1988) providing the framework for the questions on type of entrepreneur, type of strategy and firm/entrepreneur information. The questionnaire contains 23 questions and is divided into four parts: general firm information, entrepreneurial characteristics, firm strategy, and demographic information. The purpose of each question included in the questionnaire will be discussed at length.

Part I: General Firm Information

This section aims to establish the qualification of the sample population to the research and to obtain a demographic profile of the responding firm, in terms of size, industry segment, ownership, and age of the concept.

Q-1. Are you the owner or co-owner of this restaurant?

______ Yes
______ No (If No, please pass this survey to the primary owner).

This question serves to establish whether or not the respondent is the entrepreneur.

Q-2. Please indicate below how you would best describe your overall commitment to this restaurant.

______ Active-controlling       ______  Active-shared          ______ Absentee
______ Inactive-shared         ______  Other ____________ (please specify
This question serves to determine the ownership commitment of the entrepreneur. This study focuses on those entrepreneurs that are either active controlling (sole independent entrepreneur) or active shared (partnership). In his study, Small (1987) found that 75% of respondents are sole owners of their restaurant.

Q-3. Please indicate the type of restaurant:

______ Fast food        ______ Dinner house/theme    ______ Cafeteria
______ Family/coffee shop  ______ Other ________________ (please specify)

The purpose of this question is to find out the type of restaurant the entrepreneur operates. As noted earlier, the segment of the industry the restaurant competes in (sub-environment) may influence the type of strategy employed.

Q-4. Are you part of a franchise operation? ______ No ______ Yes (If no, did you develop the idea for this concept yourself? ______ No ______ Yes)

The purpose of this question is to determine whether the entrepreneur is part of a franchise operation, and whether the respondent was responsible for developing the concept.

Q-5. How many years has this restaurant been in operation?

______ Under your ownership ______ Prior to your ownership

Q-6. Do you own any other restaurants?

______ No ______ Yes ________________ (please indicate how many)
Q-7. How many employees do you have in each of the following categories?

______ Work less than 20 hrs/wk  _______ 21-35 hrs/wk  _______ Over 36 hrs/wk

These questions (5-7) provide information regarding the size and age of the business.

Part II: Entrepreneurial Characteristics

This section is designed to measure the type of entrepreneur. The theoretical background for these questions comes from Smith (1967) and Small (1987).

Q-8. How many sources of funding did you use in creating this restaurant?

______ 1-2 _______________________________ (please specify)
______ 3 - 4 _______________________________ (please specify)
______ 5 or more __________________________ (please specify)

This question helps distinguish between craftsman entrepreneur and opportunist entrepreneur. Smith (1967) notes that the craftsman entrepreneur differs from the opportunist entrepreneur in that the opportunist entrepreneur has little fear of outside control and thus will seek out any possible source of financing, usually two or more. In contrast, the craftsman entrepreneur will typically restrict himself to one or two sources, such as personal friends or relatives if more than his own savings is required.

Q-9. How many years have you been in the restaurant industry?

______ Number of years as an employee  _______ Number of years as an owner

This question will determine the length of time the entrepreneur has been in the restaurant business both as an employee and as an owner. The length of time the entrepreneur
has been in the industry may influence the type of strategy employed by the restaurant. Smith found that the craftsman entrepreneur is more likely to have been in the same industry longer than the opportunistic entrepreneur.

Q-10. How would you consider the majority of your previous work experience?

_______ "Hands-on" Practical _______ Management

Q-11 What type of jobs did you have before owning your own restaurant and how long did you spend in each?


Questions 10 and 11 seek to determine the type of work experience the entrepreneur has had. Smith notes that the opportunistic entrepreneur typically has more varied work experience than the craftsman entrepreneur. However, the opportunistic entrepreneur is less likely to have 'job hopped' than the craftsman entrepreneur. In opening his own business, the craftsman entrepreneur will most always stay within the boundaries of the industry that he has worked in for the most part of his career, whereas the opportunistic entrepreneur will go towards the best opportunity regardless of industry. The opportunistic entrepreneur tends to have more managerial experience whereas the craftsman tend to come from a practical background.

Q-12 Have you owned your own business in any other industry?

_______ No _______ Yes (please specify) _______

Q-13 Is this the first restaurant you have ever owned?

_______ No _______ Yes (please specify how many) _______
Q-14 How far in advance do you plan for the future of your restaurant?

- Less than 1 year
- 1-3 years
- 4-6 years
- 7-9 years
- 10 or more years
- No planning at all

Q-15 Please circle the number that indicates how important to you each of the following factors are in measuring your personal success in business, with 1 = very unimportant, 3 = important and 5 = very important.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very Unimportant</th>
<th>Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a new product/concept</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Number of customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Community recognition</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Personal satisfaction</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Business profit</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Sales (revenue) level</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Satisfied customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Personal Income</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

This question serves to determine the importance of particular characteristics to each type of entrepreneur. The opportunistic entrepreneur will usually measure personal success by business profit, personal income, sales, and business growth. Alternatively, the craftsman measures success through the creation of a new product, the number of satisfied customers, the perceived level of respect, and personal satisfaction.
**Q-17.** Please circle the number that best indicates your level of involvement in specific restaurant activities, with 1 = rarely, 3 = sometimes, and 5 = often.

<table>
<thead>
<tr>
<th>Question</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you delegate decision making?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you hire personnel who yourself or friend have known personally?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you wear traditional business dress for work (eg. suite &amp; tie)?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you follow industry trends?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself in strategic planning?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself in food preparation?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself with customer relations?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you concern yourself with the changing external environment, such as increased competition?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
Q-17. Please rank the following statements in their order of importance in influencing your decision to own your own restaurant with 1 = most important and 7 = least important.

<table>
<thead>
<tr>
<th>Order of Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>You didn’t like working for your previous employer</td>
</tr>
<tr>
<td>You didn’t like working for anyone</td>
</tr>
<tr>
<td>You wanted &amp; enjoy your own creative freedom</td>
</tr>
<tr>
<td>You wanted greater opportunity to deal with &amp; serve people</td>
</tr>
<tr>
<td>You wanted greater opportunity to make more money</td>
</tr>
<tr>
<td>You wanted to feel more in control of your life</td>
</tr>
<tr>
<td>It was a long time dream</td>
</tr>
</tbody>
</table>

The above two questions (16-17) seek to determine characteristics of the entrepreneur. These two questions are based on work by Smith (1967) and Small (1987) respectively. Both of these questions are designed to tap the construct of entrepreneurial type, by differentiating between craftsman entrepreneur and opportunistic entrepreneur types.
Q-18. For each of the following statements, please indicate yes or no.

Do you have any plans for growth or change in your restaurant?  
[________] Yes [________] No

Would you like to own an additional restaurant?  
[________] Yes [________] No

Do you believe an increase in sales for your restaurant must be made at the expense of another restaurant?  
[________] Yes [________] No

Do you belong to any social organizations?  
[________] Yes [________] No

Do you belong to any professional organizations?  
[________] Yes [________] No

Are you active in the community?  
[________] Yes [________] No

Do you consider yourself to be the sole decision maker for the restaurant?  
[________] Yes [________] No

Do you consider your employees to be your ‘family’?  
[________] Yes [________] No

Do you rely on reputation/word of mouth to market your restaurant?  
[________] Yes [________] No

This question serves to distinguish between the craftsman entrepreneur and the opportunistic entrepreneur. Smith found that the craftsman entrepreneur is less involved in the community and social organizations than the opportunistic entrepreneur. The craftsman relies primarily on reputation to market his restaurant and believes that any increased in sales must be made at the expense of competitors. The opportunistic entrepreneur is much more future-oriented than the craftsman entrepreneur and usually has plans for the future growth of the restaurant/company.
Part III: Firm Strategy

The purpose of this section is to determine the type of strategy employed by the entrepreneurs studied.

Q-17. Please indicate the extent to which you consider each of the following items to be important to your strategy with 1 = Important and 5 = Unimportant.

<table>
<thead>
<tr>
<th>Important</th>
<th>Unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving special markets/segments</td>
<td>1</td>
</tr>
<tr>
<td>Controlling sources of business</td>
<td>1</td>
</tr>
<tr>
<td>Financial cost control</td>
<td>1</td>
</tr>
<tr>
<td>Training &amp; development of employees</td>
<td>1</td>
</tr>
<tr>
<td>Building reputation in community</td>
<td>1</td>
</tr>
<tr>
<td>Monitoring customer satisfaction</td>
<td>1</td>
</tr>
<tr>
<td>Providing a high service level</td>
<td>1</td>
</tr>
<tr>
<td>Quality control</td>
<td>1</td>
</tr>
<tr>
<td>Maintaining market leadership</td>
<td>1</td>
</tr>
<tr>
<td>New product/service development</td>
<td>1</td>
</tr>
<tr>
<td>Maintaining high inventories of F &amp; B</td>
<td>1</td>
</tr>
<tr>
<td>Providing many services/menu items</td>
<td>1</td>
</tr>
<tr>
<td>Selling at your lowest price</td>
<td>1</td>
</tr>
<tr>
<td>Testing new market ideas and methods</td>
<td>1</td>
</tr>
<tr>
<td>Serving a variety of customer types</td>
<td>1</td>
</tr>
<tr>
<td>Controlling material/supply sources</td>
<td>1</td>
</tr>
<tr>
<td>Using debt (loans) to finance projects</td>
<td>1</td>
</tr>
<tr>
<td>Providing special services</td>
<td>1</td>
</tr>
<tr>
<td>Trying innovative service ideas/methods</td>
<td>1</td>
</tr>
<tr>
<td>Maintaining operational efficiency</td>
<td>1</td>
</tr>
<tr>
<td>Searching for new markets/oports.</td>
<td>1</td>
</tr>
<tr>
<td>Keeping track of competition</td>
<td>1</td>
</tr>
<tr>
<td>Regular renovation/refurbishment</td>
<td>1</td>
</tr>
</tbody>
</table>

This question is based on the work by Dev (1988) who tested Miles and Snow’s (1978) typology of strategy. The 23 variables identified in the question are the key attributes of Miles
and Snow's generic strategies (prospector, defender, analyzer and reactor).

**Q-20** Restaurants are often described in general terms reflecting the way they do business. Please select one of the following descriptions that most closely fits your property compared to your competitors.

_______ Type 1. My restaurant serves a great variety of customer types which are always changing. I like to focus on being risk adverse by being very selective with new products/menu items. I tend to be less aggressive in adapting to new trends & would rather wait until it is necessary to make any changes to the menu/restaurant.

_______ Type 2. My restaurant serves an existing group of customers while trying to attract new one through new ideas/menu items. I like to wait & see how my competitors are doing with their new products before I try them. The major focus is to do what my competitors do, but do it better and more efficiently.

_______ Type 3. My restaurant serves a broad & changing group of customers. The major focus is on being the first with new products & ideas, & on keeping a close watch on other restaurants & what they are doing. I tend to recognize & capitalize on the opportunities presented by new trends.

_______ Type 4. My restaurant serves an existing group of customers in a fairly stable market. The major focus is to improve quality while reducing costs. I tend to concentrate more on price & quality than on what my competitors are doing.

This question attempts to classify respondent’s strategies into one of Miles and Snow’s generic strategic types. This question is based on the work by Dev (1988) and attempts to cross-validate the strategic variables used in the previous question.
Part IV: Demographic Information

Q - 21. How old are you?

_____ Less than 21  _____ 41 - 50
_____ 21 - 30      _____ 51 - 60
_____ 31 - 40      _____ 61 or more

Q - 22. Are you _____ Male       _____ Female?

The above two questions (20-21) are designed to obtain basic demographic information about the respondent.

Q - 23. Please indicate the highest level of education that you have completed.

_____ Grade school       _____ Some high school       _____ high school graduate
_____ Business college   _____ Some college           _____ College graduate
_____ Masters            _____ Phd

This question is designed to investigate the amount of education the entrepreneur has received. Smith (1967) found that opportunistic entrepreneurs tend to have more years of education than the craftsman entrepreneur.

Q - 24. Please check below the number of each group that have been or are currently self-employed?

_____ Mother          _____ Father               _____ Step parent
_____ Parent-in-law   _____ Sibling             _____ Uncle/aunt
_____ Sibling-in-law  _____ Spouse              _____ Children
_____ Grandparents    _____ Others              _____ None of the above

This question serves to find out the family background of the entrepreneur with regards to self-employment.
Q - 25. What race are you?

______ Black/Afro-American _______ White/caucasian _______ Asian

______ Hispanic __ ______ Other (please specify) _____________

Q - 26. Is English your primary language?

______ Yes ________ No (please specify) _____________

Q - 27. Please specify the geographical location of this restaurant

___________ Town/city ___________ State
RESEARCH PROCEDURE

The following is the research procedure used in this study, with the appropriate statistical analysis used at each stage. This procedure is presented in the order followed in the research. All analysis were conducted by means of the SPSS-PC software package.

Descriptive Statistics

Descriptive statistics were produced for the following variables: years the restaurant has been in operation under the present ownership and prior to the present ownership, the number of other restaurants owned by the entrepreneur, the number of employees, the number of years the entrepreneur has been in the restaurant industry and the number of other restaurants the entrepreneur has ever owned. Frequency statistics were compiled on all of the other survey questions.

Cluster Analysis

Cluster analysis was conducted to separate the sample into homogeneous groups of entrepreneurs. This test involved clustering the respondents on the entrepreneurial characteristics included in Questions 15, 16, 17, and 18.

Question 15 was a scale of 9 items asking respondents to rate how important each item is in measuring personal success in business. This scale was labeled the success scale for the analysis. A two cluster solution was expected for this scale, representing the craftsman
and opportunistic entrepreneurs. Question 16 was a scale of 9 items asking respondents to indicate their level of involvement with specific restaurant activities. This scale was labeled the involve scale for the analysis. A two cluster solution was expected for this scale, representing the craftsman and opportunistic entrepreneurs.

Question 17 was a scale of 7 items asking respondents to rank the items in order of importance in influencing the decision to own a restaurant. This scale was labeled the rank scale for the analysis. A two cluster solution was expected for this scale, representing the craftsman and opportunistic entrepreneurs.

Question 18 asked respondents to answer yes or no to 9 questions regarding their personal and business practices. This scale was labeled the yes/no scale for the analysis. A two cluster solution was expected for this scale, representing the craftsman and opportunistic entrepreneurs.

Cluster analysis was conducted separately on each of the four scales measuring entrepreneurial characteristics. The results of these cluster analyses were used to form two groups of respondents (craftsman and opportunistic) to be used in the discriminant analysis as a dependent variable. The dependent variables of involve (2 groups solution), success (2 groups solution), rank (2 groups solution), and yes/no (2 groups solution) were formed.

Cluster analysis was also conducted on question 19, a scale of 23 strategy characteristics, to classify the respondents into homogeneous groups according to type of strategy. This analysis produced an optimum solution of two groups on five of the twenty three strategy items (strategy 11, 12, 21, 22, 23). The rest of the twenty three items produced an optimum
solution of four groups. From then onwards, the strategy scale was divided into two types - the four and the two cluster solutions. These solutions were then used to form dependent variables for the discriminant analysis (strat (4) and strat (2)).

Factor Analysis

Factor analysis was used to examine the 23 strategy items to compare to the cluster analysis groups. It was possible to reconstruct four factors similar to Miles and Snow’s (1978) defenders, prospectors, analyzers and reactors. This collaborated the four group cluster solution.

Discriminant Analysis

Discriminant analysis was then performed on the cluster groups for type of entrepreneur using the success, involve, rank and yes/no scale results. Discriminant analysis was also performed on type of strategy using both the two group and four group cluster solutions of the 23 strategy characteristics. This analysis was conducted in order to identify which of the independent variables selected a priori (strategy 1-23 items, strategy using the self-typing paragraphs, restaurant type, the number of years the restaurant has been under the ownership of the entrepreneur, the number of other restaurants the entrepreneur owns, the number of sources of funding used to create the restaurant and how far in advance the entrepreneur plans for the future) best discriminated between both the groups of entrepreneurs and between the strategy groups.
These independent variables were used to conduct a series of discriminant models that classified the cluster groups. Those variables that correctly classified 60% or more of the cases for that model were retained. Next, the best set of independent variables were combined into final discriminant models and the percentage of properly classified cases were compared for each model.

Cross-tabulations

A subset of independent variables that did the best final job of discriminating entrepreneur types and strategy types were then crosstabulated to determine whether there are any significant associations between them.

Log Linear Analysis

Those independent variables that were strongly associated with each other were then entered into a log linear analysis. Five log linear models were constructed and tested.

Correlation Analysis

A correlation was performed to determine whether the 23 strategy characteristics were correlated with the four strategy paragraphs used in the strategy self-typing (genstrat).
SUMMARY

This chapter presented the research questions guiding this research and the conceptual framework to be used. The independent variable of entrepreneurial type and the dependent variable of strategic type were discussed and operationalized. The working hypothesis were derived, based on the research questions. The research method was presented, including sample selection, sample size and the procedure for data collection were discussed. The questions in the survey were discussed in order to cover all information needed from the study. The issues of reliability and validity were also presented and the statistical methods to be used discussed.
CHAPTER FOUR

RESULTS
INTRODUCTION

In the previous chapter, the methodology for the research was presented and discussed. The purpose of this chapter is to present the results of the data collection and the analysis of the data, using statistical testing. The statistical outcome of the survey data is presented and discussed. The results of the hypotheses testing is provided.
PRETEST RESULTS

The survey instrument was pretested by personally administering surveys to ten restaurant owners. Of the participating firms, two were from Baltimore, Md, 6 from Blacksburg, Va, 1 from Roanoke, Va and 1 from Christiansburg, Va. The restaurant owners were telephoned in advance, and where possible, a time was arranged to pretest the survey. Once the restaurant owners had pretested the survey, they were asked to identify any problems that they had experienced with the survey and if they had any comments or suggestions to offer. The pretest resulted in some minor changes to the survey. These changes were mainly grammatical, although following the difficulties experienced by one respondent who spoke little English, a question was added to the survey asking whether English was the primary language of the respondent. A final copy of the survey and accompanying cover letter is included in Appendices A and B.

SAMPLE AND RESPONSE RATE

As stated in the previous chapter, the sample of restaurant entrepreneurs was obtained from the Dun & Bradstreet Marketing Service. A mailing list of 1,000 restaurant entrepreneurs was furnished by Dun and Bradstreet, representing a random sample from the 56,000 restaurant entrepreneurs listed on the Dun and Bradstreet database. This population met the criteria for the study identified in chapter 3, in that they had been in operation between 2-5 years.
A first mailing of 1,000 surveys was sent out to the restaurant entrepreneurs on the mailing list. This resulted in 113 completed surveys returned and 84 surveys that were undelivered due to the business in question no longer being in existence. Allowing for those undelivered surveys, this yielded a response rate of 12.34%. As the response rate was lower than anticipated, a second mailing was conducted. Given the 3-4 week time period between the first and second mailings and recognizing that the original survey may have been lost or misplaced, it was felt that sending a new cover letter (refer to Appendix C) and a second copy of the survey would be more effective than sending a reminder postcard. Due to financial constraints, it was not possible to send a second survey to all 803 non-respondents. Consequently, half (400) were contacted with the second mailing. In order to obtain a representative geographical sample, every second name on the mailing list was contacted. Table 1 summarizes the number of responses obtained from the two mailings. All the table shows, the final number of usable responses was 133. Allowing for the undelivered surveys, the sample yielded a final usable response rate of 14.76% (901 delivered surveys/133 usable surveys returned).
Table 1. Response Rate for the First and Second Survey Mailings

<table>
<thead>
<tr>
<th></th>
<th>1st Mailing</th>
<th>%</th>
<th>2nd Mailing</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of surveys mailed</td>
<td>1000</td>
<td>100.0</td>
<td>400</td>
<td>100.0</td>
</tr>
<tr>
<td>Less non-delivered</td>
<td>84</td>
<td>8.4</td>
<td>15</td>
<td>3.8</td>
</tr>
<tr>
<td>Total number of surveys returned</td>
<td>113</td>
<td>11.3</td>
<td>27</td>
<td>6.8</td>
</tr>
<tr>
<td>Less unusable surveys</td>
<td>2</td>
<td>0.2</td>
<td>5</td>
<td>1.3</td>
</tr>
<tr>
<td>Total Response</td>
<td>111</td>
<td>11.1</td>
<td>22</td>
<td>5.5</td>
</tr>
</tbody>
</table>
NONRESPONDENTS

Demographic data was gathered on non-respondents to determine if they differed significantly from the respondents. A random sample of 15 entrepreneurs was selected from the nonresponding entrepreneurs. These individuals were telephoned and asked to provide specific demographic information to the following questions:

- Type of restaurant owned
- Age of respondent
- Gender of respondent
- Level of education completed
- Race
- Whether English is a 1st language

Of the 15 non-responding entrepreneurs selected, 11 provided the necessary information, one refused to comply, two were unavailable, and one was unable to be contacted through disconnected telephone service.

A chi square test of independence was conducted on the frequency of responses for each question item to determine whether there is any significant difference with the non-respondents and the respondents. Of the six variables, education level of respondent was the only one to show any significant difference between respondents and non-respondents with a $X^2$ of 5.9653 and a probability level of 0.0507. These results indicated that the non-respondents were slightly better educated than the respondents. The reason for this discrepancy is uncertain.

As only one of the six variables tested for independence showed that nonrespondents were slightly different from respondents, and given the small number of nonrespondents
questioned, it was felt that this was not sufficient reason to terminate the study. Instead, for these reasons and given the exploratory nature of the research, the decision was made to continue with the statistical analyses.

DESCRIPTIVE STATISTICS OF SAMPLE

This section provides an overview of the demographic profile of the respondents with regards to type of restaurant, ownership of restaurant, restaurant segment, size of company and whether the restaurant is part of a franchise operation or not.

Ownership of Restaurant

Table 2 shows that all respondents identified themselves as being the owner or co-owner of the restaurant. Only one respondent did not provide an answer to this question.

Ownership Responsibilities

As can be seen from Table 2, the most popular form of ownership was active-controlling which represented 79.7% of the responses, followed by active-shared which accounted for 15.0% of responses. There were two responses (1.5%) who described their ownership responsibilities as inactive-shared, and 1 response (0.8%) who checked ‘other’ and stated that the restaurant was operated under a management agreement.
Restaurant Segment/Type of Restaurant

The responding firms represented all of the major restaurant segments in the restaurant industry. Table 3 shows the total responses for each category. Of all segments, the dinner house/theme segment had the highest number of responses (n = 57) accounting for 42.9% of the sample. The fast food segment and the family/coffee shop segment were second, each accounting for 15.8%. The 'other' category received 27 responses (20.3%) and included deli's and fine dining restaurants.
Table 2. Number and Percentage of Respondents by Restaurant Ownership

<table>
<thead>
<tr>
<th>Ownership of Restaurant</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary owner/Co-owner</td>
<td>132</td>
<td>99.2</td>
</tr>
<tr>
<td>No answer</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership Responsibilities</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active-controlling</td>
<td>106</td>
<td>79.7</td>
</tr>
<tr>
<td>Active-shared</td>
<td>20</td>
<td>15.0</td>
</tr>
<tr>
<td>Absentee</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Inactive-shared</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>No answer</td>
<td>4</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 3. Number and Percentage of Respondents by Type of Restaurant

<table>
<thead>
<tr>
<th>Type of Restaurant</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Food</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>Dinner house/theme</td>
<td>57</td>
<td>42.9</td>
</tr>
<tr>
<td>Cafeteria</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Family/coffee shop</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>20.3</td>
</tr>
<tr>
<td>No answer</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Type of Operation

The majority of respondents (n = 111, 83.5%) indicated that they were not part of a franchise operation. Approximately fifteen percent of the sample stated that they did belong to a franchise operation and gave examples such as Domino’s Pizza, Taco Casa and Western Sizzlin. Table 4 presents the responses regarding type of operation. Of those respondents that were not part of a franchise 32.3% stated that they developed the idea for the concept themselves and only 15.0% stated that they did not develop the idea themselves. The remaining 52.6% did not provide an answer to this question, which included those respondents who were asked to bypass this question if they answered that they were part of a franchise operation in the previous question.
Table 4. Number and Percentage of Respondents by Franchise Affiliation & Responsibility for Developing the Concept

<table>
<thead>
<tr>
<th>Part of a franchise operation</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>No</td>
<td>111</td>
<td>83.5</td>
</tr>
<tr>
<td>No answer</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owner responsible for developing concept</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43</td>
<td>32.3</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
<td>15.0</td>
</tr>
<tr>
<td>No answer</td>
<td>70</td>
<td>52.6</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 5. Number and Percentage of Respondents by The Number of Additional Units Owned

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>80</td>
<td>70.2</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
<td>8.8</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>10.5</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>9</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Size of Operation

Size of operation was measured by the number of restaurants the respondent owned and the number of employees working for the respondent. In answer to the question, does the respondent own any additional restaurants, 66.9% (n= 89) said that they did not. Thirty two percent indicated that they did own other restaurants. Table 5 shows the number of additional restaurants owned by the respondents.

Size of operation was also measured by the number of employees. Table 6 shows the number of employees employed by the respondents. The respondents were asked to state the number of employees from each of the following categories: [1] working less than 20 hours a week; [2] working between 21 and 35 hours per week; and [3] working over 36 hours per week. Approximately a quarter of respondents did not provide an answer to this question. The mean number of employees that work under 20 hours per week was 7.8, the mean number that work between 21-35 hours per week was 8.6, and the mean number of employees that work over 36 hours per week was 7.5.
Table 6. Number and Percentage of Respondents by Their Number of Employees

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Number of Employees working less than 20 hrs/wk</th>
<th>Number of Employees working 21-35 hrs/wk</th>
<th>Number of Employees working over 36 hrs/wk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>No answer</td>
<td>28</td>
<td>24.6</td>
<td>29</td>
</tr>
<tr>
<td>1</td>
<td>7</td>
<td>6.1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>9.6</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>7.0</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>6.1</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>13</td>
<td>11.4</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>4.4</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>0.9</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>3.5</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>1.8</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>7</td>
<td>6.1</td>
<td>9</td>
</tr>
<tr>
<td>11-20</td>
<td>14</td>
<td>12.3</td>
<td>17</td>
</tr>
<tr>
<td>21-30</td>
<td>2</td>
<td>1.8</td>
<td>7</td>
</tr>
<tr>
<td>31-40</td>
<td>1</td>
<td>0.9</td>
<td>1</td>
</tr>
<tr>
<td>41-50</td>
<td>2</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>51 and over</td>
<td>2</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
<td>133</td>
</tr>
</tbody>
</table>
DESCRIPTIVE STATISTICS ON THE MAIN VARIABLES

Entrepreneurial Characteristics

Respondents were asked to answer a number of questions regarding their entrepreneurial characteristics. Tables 7 through 15 show the results of this section.

In response to the question of how many sources of funding the respondent used in creating the restaurant, as Table 7 shows, almost three quarters of the sample (74.4%) stated that they used between one and two sources. A further 15.8% indicated that they used between three and four sources. A small number of respondents stated that they used five or more sources of funding to create the restaurant.

Respondents were asked to indicate whether they considered the majority of their previous work experience to be “hands-on” practical or management. Instead of checking one of the two options as designed, a number of respondents checked both answers. The results of this question are presented in Table 8.
Table 7. Number and Percentage of Respondents by Number of Sources of Funding Used to Create the Restaurant

<table>
<thead>
<tr>
<th>Number of Sources of Funding</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td>1-2</td>
<td>99</td>
<td>74.4</td>
</tr>
<tr>
<td>3-4</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>5 or more</td>
<td>10</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 8. Number and Percentage of Respondents by Previous Work Experience

<table>
<thead>
<tr>
<th>Majority of Previous Work Experience</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td>&quot;Hands-on&quot; practical</td>
<td>64</td>
<td>48.1</td>
</tr>
<tr>
<td>Management</td>
<td>41</td>
<td>30.8</td>
</tr>
<tr>
<td>Both</td>
<td>23</td>
<td>17.3</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 9 shows that 66.2% of the responding population have not owned their own business in another industry. Almost a third of the sample, 32.3% stated that they had owned their own business in an industry, other than the restaurant industry. Some examples of other businesses owned include retail, construction and sales.

Table 10 shows the results of the question, asking whether this is the first restaurant the entrepreneur has ever owned. The majority, 67.7% (n = 90) said that it was, but approximately 31% of respondents said that this was not the first restaurant they had ever owned. The majority of these respondents stated that they had owned one or two restaurants previously. One respondent acknowledged having owned 10 restaurants in the past.

When asked, how far in advance do you plan for the future of your restaurant, the majority of answers (76.7%) were in the less than 1 year or 1-3 year response categories. Six percent of the respondents stated that they did not plan for the the future of their restaurant at all. Table 11 presents the results of this question.
Table 9. Number and Percentage of Respondents by Their Previous Self-Employment in Other Industries

<table>
<thead>
<tr>
<th>Owned own business in other industries</th>
<th>Number of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>No</td>
<td>88</td>
<td>66.2</td>
</tr>
<tr>
<td>Yes</td>
<td>43</td>
<td>32.3</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 10. Number and Percentage of Respondents by First Restaurant Owned

<table>
<thead>
<tr>
<th>First Restaurant Owned</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>No</td>
<td>90</td>
<td>67.7</td>
</tr>
<tr>
<td>Yes</td>
<td>41</td>
<td>30.8</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 11. Number and Percentage of Respondents by the Number of Years in Advance they Plan for the Future

<table>
<thead>
<tr>
<th>Years in advance Planning for the future</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>44</td>
<td>33.1</td>
</tr>
<tr>
<td>1-3 years</td>
<td>58</td>
<td>43.6</td>
</tr>
<tr>
<td>4-6 years</td>
<td>11</td>
<td>8.3</td>
</tr>
<tr>
<td>7-9 years</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td>10 or more years</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>No planning at all</td>
<td>8</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
As Table 12 demonstrates, 87.2% (n = 116) of the entrepreneurs surveyed indicated that satisfied customers were the most important measure of personal success in business. Over 75% (n = 100) identified number of customers as a very important measure of personal success.

Table 13 shows the level of involvement in specific restaurant activities. The restaurant entrepreneurs surveyed indicated that they were often involved in food preparation (50.4%), customer relations (62.4%), and strategic planning (66.2%). Surprisingly, given the high level of involvement in strategic planning, a small percent (15%) stated that they often followed industry trends. Given the involvement in food preparation, over fifty percent of respondents indicated that they rarely wear traditional business dress to work. Despite the fact that only 15% of respondents indicated that they often follow industry trends, almost fifty percent stated that they do concern themselves with the changing environment.
Table 13. Percentage of Respondents by Their Level of Involvement in Specific Restaurant Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Rarely 1</th>
<th>Sometimes 2</th>
<th>Sometimes 3</th>
<th>Often 4</th>
<th>No Response 5</th>
<th>Total 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegate decision making</td>
<td>12.8</td>
<td>9.0</td>
<td>21.8</td>
<td>18.0</td>
<td>34.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Hire personnel known to you</td>
<td>14.3</td>
<td>12.0</td>
<td>30.8</td>
<td>17.3</td>
<td>20.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Wear traditional business dress</td>
<td>51.1</td>
<td>5.3</td>
<td>12.8</td>
<td>9.8</td>
<td>15.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Follow industry trends</td>
<td>11.3</td>
<td>6.0</td>
<td>39.1</td>
<td>24.8</td>
<td>15.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Involved in strategic planning</td>
<td>5.3</td>
<td>0.8</td>
<td>6.0</td>
<td>18.0</td>
<td>66.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Involved in food preparation</td>
<td>11.3</td>
<td>3.8</td>
<td>20.3</td>
<td>9.8</td>
<td>50.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Involved with customers relations</td>
<td>5.5</td>
<td>2.3</td>
<td>6.8</td>
<td>19.5</td>
<td>62.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Concerned with changing environment</td>
<td>7.5</td>
<td>3.0</td>
<td>13.5</td>
<td>24.1</td>
<td>48.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>
Table 14. Percentage of Respondents by Their Ranked Influences in the Decision to Open a Restaurant

<table>
<thead>
<tr>
<th>Influence</th>
<th>First Choice*</th>
<th>First Two Choices*</th>
<th>First Three Choices*</th>
</tr>
</thead>
<tbody>
<tr>
<td>You didn’t like working for your previous employer</td>
<td>10.5%</td>
<td>14.5%</td>
<td>22.8%</td>
</tr>
<tr>
<td>You didn’t like working for anyone</td>
<td>12.8%</td>
<td>18.8%</td>
<td>32.3%</td>
</tr>
<tr>
<td>You wanted and enjoy your own creative freedom</td>
<td>39.1%</td>
<td>56.4%</td>
<td>67.7%</td>
</tr>
<tr>
<td>You wanted greater opportunity to deal with and serve people</td>
<td>22.6%</td>
<td>37.6%</td>
<td>52.6%</td>
</tr>
<tr>
<td>You wanted greater opportunity to make money</td>
<td>31.6%</td>
<td>48.9%</td>
<td>60.2%</td>
</tr>
<tr>
<td>You wanted more control of your life</td>
<td>39.1%</td>
<td>50.4%</td>
<td>62.4%</td>
</tr>
<tr>
<td>It was a long time dream</td>
<td>30.8%</td>
<td>45.1%</td>
<td>50.4%</td>
</tr>
</tbody>
</table>

* Percentages do not add up to 100.0% as some respondents provided more than one response
As Table 14 indicates, creative freedom is ranked most important in influencing the decision to open a restaurant, when considering the top three choices made by respondents (67.7%). More control of life is also considered to be one of the most important factors influencing the decision to open a restaurant, followed by wanting more opportunity to make money. Few respondents (23.8%) considered not liking working for a previous employer as one of the top three influences to open a restaurant.

Table 15 shows the responses from entrepreneurs regarding a variety of questions pertaining to their entrepreneurial characteristics. As can be seen from the following table, almost three quarters of respondents have plans to either grow or to change their current restaurant, however only 54.9% would like to own additional restaurants. More than half of the respondents indicated that they belong to social and professional organizations and are active in the community. Approximately three quarters of the sample consider their employees to be their “family”, and 75.2% rely on the reputation of the restaurant and word of mouth to market their restaurant.
### Table 15. Percentage of Responses to Entrepreneurial Activities

<table>
<thead>
<tr>
<th>Factor/Activity</th>
<th>Yes</th>
<th>No</th>
<th>No Answer</th>
<th>Total 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plans for growth/change in restaurant</td>
<td>73.7</td>
<td>21.1</td>
<td>5.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Increase in sales at expense of another restaurant</td>
<td>27.1</td>
<td>67.7</td>
<td>5.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Like to own additional restaurants</td>
<td>54.9</td>
<td>39.8</td>
<td>5.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Belong to social organizations</td>
<td>62.4</td>
<td>31.6</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Belong to professional organizations</td>
<td>54.1</td>
<td>39.1</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Active in the community</td>
<td>57.9</td>
<td>36.8</td>
<td>5.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>You the sole decision maker</td>
<td>46.6</td>
<td>47.4</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Employees as your family</td>
<td>75.2</td>
<td>18.0</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Rely on reputation to market the restaurant</td>
<td>75.2</td>
<td>17.3</td>
<td>7.5</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Firm Strategy

Twenty three factors were used to measure firm strategy. As Table 16 shows, the responses among these factors were varied. In summary, the factors considered to be the most important to business practices include financial cost control, building the reputation of the restaurant in the community, monitoring customer satisfaction, quality control, providing a high level of service and monitoring operational efficiency.

Firm strategy was also measured using the self-typing approach, where the respondent selects one of the four strategic profiles offered. The results of this question are presented in Table 17. The vast majority of respondents (67.7%) indicated that they followed strategy type 4 which was based on Miles and Snow's (1978) Defender strategy. Approximately 17% of respondents followed strategy type 3, which was based on the Prospector strategy. The remaining respondents followed the analyzer strategy (type 2) and the reactor strategy (type 1)
<table>
<thead>
<tr>
<th>Factor</th>
<th>Important 1</th>
<th>Important 2</th>
<th>Important 3</th>
<th>Unimportant 4</th>
<th>Unimportant 5</th>
<th>No Response 0</th>
<th>Total 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving special markets</td>
<td>24.1</td>
<td>21.1</td>
<td>30.1</td>
<td>9.8</td>
<td>8.3</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Controlling sources of business</td>
<td>29.3</td>
<td>26.3</td>
<td>27.1</td>
<td>6.8</td>
<td>3.0</td>
<td>7.5</td>
<td>100.0%</td>
</tr>
<tr>
<td>Financial cost control</td>
<td>60.9</td>
<td>21.8</td>
<td>4.5</td>
<td>0.8</td>
<td>6.0</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Training of employees</td>
<td>53.4</td>
<td>20.3</td>
<td>11.3</td>
<td>3.0</td>
<td>5.3</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Building reputation</td>
<td>68.4</td>
<td>12.0</td>
<td>4.5</td>
<td>3.0</td>
<td>6.0</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Monitoring customer satisf.</td>
<td>66.9</td>
<td>12.0</td>
<td>6.0</td>
<td>5.3</td>
<td>3.0</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Providing high service level</td>
<td>76.7</td>
<td>7.5</td>
<td>3.8</td>
<td>3.0</td>
<td>3.0</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Quality control</td>
<td>76.7</td>
<td>7.5</td>
<td>3.8</td>
<td>0.8</td>
<td>5.3</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Maintaining mkt leadership</td>
<td>29.3</td>
<td>31.6</td>
<td>23.3</td>
<td>6.0</td>
<td>3.8</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>New menu/service developmmt</td>
<td>26.3</td>
<td>28.6</td>
<td>26.3</td>
<td>5.3</td>
<td>7.5</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Maintaining high inventories</td>
<td>13.5</td>
<td>7.5</td>
<td>29.3</td>
<td>19.5</td>
<td>24.1</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Providing many menu items</td>
<td>16.5</td>
<td>18.0</td>
<td>22.6</td>
<td>23.3</td>
<td>13.5</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Selling at lowest price</td>
<td>18.0</td>
<td>18.8</td>
<td>30.8</td>
<td>15.0</td>
<td>11.3</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Testing new ideas &amp; methods</td>
<td>15.0</td>
<td>25.6</td>
<td>30.1</td>
<td>17.3</td>
<td>5.3</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Serving variety of customers</td>
<td>39.1</td>
<td>23.3</td>
<td>19.5</td>
<td>7.5</td>
<td>4.5</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Controlling supply sources</td>
<td>43.6</td>
<td>22.6</td>
<td>16.5</td>
<td>6.0</td>
<td>4.5</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Using debt financing</td>
<td>12.8</td>
<td>13.5</td>
<td>30.8</td>
<td>15.8</td>
<td>20.3</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
<tr>
<td>Providing special services</td>
<td>23.3</td>
<td>19.5</td>
<td>30.1</td>
<td>12.0</td>
<td>8.3</td>
<td>6.8</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Table 16. continued

<table>
<thead>
<tr>
<th>Category</th>
<th>64.7</th>
<th>15.0</th>
<th>7.5</th>
<th>3.0</th>
<th>3.8</th>
<th>6.0</th>
<th>100.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational efficiency</td>
<td>32.3</td>
<td>26.3</td>
<td>23.3</td>
<td>6.8</td>
<td>5.3</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Searching for new opports.</td>
<td>21.1</td>
<td>23.3</td>
<td>29.3</td>
<td>13.5</td>
<td>6.8</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Keeping track of competition</td>
<td>24.8</td>
<td>27.1</td>
<td>27.8</td>
<td>9.8</td>
<td>4.5</td>
<td>6.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Renovation/refurbishment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 17. Number and Percentage of Responses by Type of Strategy Using the Four Self-Typing Profiles

<table>
<thead>
<tr>
<th>Type of Strategy</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>6</td>
<td>4.5</td>
</tr>
<tr>
<td>Type 1 - Reactor</td>
<td>8</td>
<td>6.0</td>
</tr>
<tr>
<td>Type 2 - Analyzer</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>Type 3 - Prospector</td>
<td>22</td>
<td>16.3</td>
</tr>
<tr>
<td>Type 4 - Defender</td>
<td>90</td>
<td>67.7</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
DEMOGRAPHICS OF RESPONDENTS

Age and Gender of Respondents

As can be seen from Table 18, the majority of respondents fell into the 31-40 age category (34.6%) and into the 41-50 age category (31.6%). Not surprisingly, few respondents were under 21 years or over 61 years old. Table 18 also shows that almost a quarter of respondents (24.0%) were female. Small (1987) found that only 12% of his sample were female.

Education Level of Respondents

Table 19 shows that the education level achieved by respondents is relatively high, with 63% having attended or completed college.

Family Self-Employment

Table 20 provides the responses to the question asking which family members have been or are self-employed. As can be seen from the table, a self-employed father was most common with 49 of the 133 respondents (37%) indicating that their father is currently, or has previously been self-employed. A self-employed spouse was also quite common, with 34 (25.5%) respondents stating that their spouse was or is self-employed.
Table 18. Number and Percentage of Respondents by Age and Gender

<table>
<thead>
<tr>
<th>Age of Respondent</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td>Less than 21</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>21-30</td>
<td>17</td>
<td>12.8</td>
</tr>
<tr>
<td>31-40</td>
<td>46</td>
<td>34.6</td>
</tr>
<tr>
<td>41-50</td>
<td>42</td>
<td>31.6</td>
</tr>
<tr>
<td>51-60</td>
<td>15</td>
<td>11.3</td>
</tr>
<tr>
<td>61 or more</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender of Respondent</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td>Male</td>
<td>96</td>
<td>72.2</td>
</tr>
<tr>
<td>Female</td>
<td>32</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 19. Number and Percentage of Responses by Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>13</td>
<td>9.8</td>
</tr>
<tr>
<td>Grade school</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>Some high school</td>
<td>6</td>
<td>4.5</td>
</tr>
<tr>
<td>High school graduate</td>
<td>22</td>
<td>16.5</td>
</tr>
<tr>
<td>Business/technical college</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>Some college</td>
<td>31</td>
<td>23.3</td>
</tr>
<tr>
<td>College graduate</td>
<td>45</td>
<td>33.8</td>
</tr>
<tr>
<td>Masters</td>
<td>6</td>
<td>4.5</td>
</tr>
<tr>
<td>Phd</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Table 20. Number and Percentage of Responses by the Number of Family Members Self-Employed

<table>
<thead>
<tr>
<th>Family Member has been or is Currently Self-Employed</th>
<th>Number of Respondents Indicate Yes</th>
<th>No Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mother</td>
<td>20</td>
<td>113</td>
</tr>
<tr>
<td>Parent-in-law</td>
<td>17</td>
<td>116</td>
</tr>
<tr>
<td>Sibling-in-law</td>
<td>10</td>
<td>123</td>
</tr>
<tr>
<td>Grandparents</td>
<td>17</td>
<td>116</td>
</tr>
<tr>
<td>Father</td>
<td>49</td>
<td>84</td>
</tr>
<tr>
<td>Sibling</td>
<td>25</td>
<td>108</td>
</tr>
<tr>
<td>Step parent</td>
<td>2</td>
<td>131</td>
</tr>
<tr>
<td>Uncle/aunt</td>
<td>26</td>
<td>107</td>
</tr>
<tr>
<td>Children</td>
<td>10</td>
<td>123</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>131</td>
</tr>
<tr>
<td>None of the above</td>
<td>29</td>
<td>104</td>
</tr>
</tbody>
</table>
Table 21. Number and Percentage of Respondents by Race and Primary Language

<table>
<thead>
<tr>
<th>Race</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td>Black/afro-american</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>White-caucasian</td>
<td>103</td>
<td>77.4</td>
</tr>
<tr>
<td>Asian</td>
<td>17</td>
<td>12.8</td>
</tr>
<tr>
<td>Hispanic</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>English as Primary Language</th>
<th>Number of Responses</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>Yes</td>
<td>107</td>
<td>80.5</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
As Table 21 shows, over three-quarters of respondents indicated that they were white/ caucasian. Approximately 13% of the sample indicated that they were asian, and very few respondents indicated that they were black/afro-american or hispanic. These responses were similar to Small (1987) who found that 73% of his sample were white/caucasian.

Table 21 also shows that the majority of respondents (80.5%) considered English to be their primary language. Of the 14% that stated that English was not their primary language, most indicated that Chinese was their first language. A small number, possibly Canadians, indicated that French was their primary language.
ANALYTICAL STATISTICS

Cluster Analysis on Type of Entrepreneur

Cluster analysis was conducted to classify the survey responses of the entrepreneurial characteristics (part II of survey) into small clusters of similar groups. This test involved clustering the 133 respondents on the entrepreneurial characteristics. Cluster analysis was performed on the four individual scales measuring entrepreneurial characteristics. This resulted in four sets of cluster data, one of each of the four scales. The scales were labeled as follows:

- Success scale Question 15 Items a-i
- Involve scale Question 16 Items a-h
- Rank scale Question 17 Items a-g
- Yes/no scale Question 18 Items a-i

From the previous work seeking to classify entrepreneurs into more homogeneous subgroups (Smith, 1967; Redlich, 1971; Braden, 1977; Filley and Aldag, 1978; Vesper, 1980; Berger and Bronson, 1981; Dunkelberg and Cooper, 1982; Ettinger, 1983; Small, 1987; Davidsson, 1988), it was expected that two or possibly three clusters would emerge from the analysis that would correspond to previous research. Of these clusters, it was expected that two of the clusters could be identified as being ‘opportunistic’ or ‘craftsman’ following Smith’s (1967) original typology. Furthermore, the study by Small (1987) found the existence of distinct types of entrepreneurs in the restaurant industry, two of which resemble those identified by Smith.

As a first step, the complete linkage method was used to form cluster patterns on each of the four scales (involve, success, rank and yes/no). The complete linkage method of
cluster analysis was chosen for this research as it maximizes the distance between two neighboring points (Norusis, 1988). This method was the preferred choice as it was anticipated that there would be two clusters of entrepreneurs.

From the complete linkage method, four sets of cluster data were obtained, one for each of the scales (success, involve, rank and yes/no). From this data, it was possible to identify a maximum of four and a minimum of two clusters, suggesting that there are three clusters of entrepreneurs. However, as the second and third clusters were extremely small, and as it was expected that there would be only two distinct clusters of entrepreneurs, a second type of cluster analysis was performed: the average linkage between groups method.

The average linkage method is the most appropriate choice of cluster analysis to most clearly define more than two clusters (Norusis, 1988). This method classified the entrepreneurs into two clusters, one of these two groups being extremely large and including 128 of the 133 respondents in the cluster. The second group contained only 5 respondents. From the basis of frequency results, it was hypothesized that the large group was the ‘craftsman’ cluster of entrepreneurs and the small group was the ‘opportunistic’ cluster of entrepreneurs. These results, and the fact that the third group observed using the complete linkage method was extremely small, led the researcher to decide to use the two cluster solution, craftsman and opportunistic, even though the opportunistic cluster was extremely small.

To examine the internal consistency reliability of the four subscales, Cronbach’s alpha measure was used. As Table 22 shows, only the success scale met Crocker and Algina’s (1986) coefficient alpha guidelines of reliability at .70 or higher. Due to the exploratory nature of the research, it was decided to continue with the statistical analyses despite the low reliability scores. However, it is important to note that given these low reliability scores, the results of the statistical analyses will be considered unstable.
Table 22. Reliability Tests on the Four Entrepreneurial Scales

<table>
<thead>
<tr>
<th>Scale</th>
<th>Question Number</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success scale</td>
<td>15 (a-i)</td>
<td>.92*</td>
</tr>
<tr>
<td>Involve scale</td>
<td>16 (a-h)</td>
<td>.49</td>
</tr>
<tr>
<td>Rank scale</td>
<td>17 (a-g)</td>
<td>.30</td>
</tr>
<tr>
<td>Yes/no scale</td>
<td>18 (a-i)</td>
<td>.35</td>
</tr>
</tbody>
</table>

Total measure used

* reliable at .70
Cluster and Factor Analysis on Type of Strategy

Cluster Analysis

Cluster analysis was conducted to classify the survey responses of the strategy characteristics (part III of survey) into small clusters of similar groups. This test involved clustering the 133 respondents on the 23 strategy characteristics. In order to test for the internal consistency reliability of this strategy scale, Cronbach's alpha was used. The coefficient alpha for this scale was .88, adequately meeting the .70 guideline for reliability.

Previous literature has identified the presence of a number of different types of strategy (Hofer and Schendel, 1978; Miles and Snow, 1978; Vesper, 1979; Porter, 1980; Miles, 1982; Galbraith and Schendel, 1983). Miles and Snow (1978) labeled the four types of strategy they identified as being 'prospector', 'defender', 'analyzer' and 'reactor'. Recent studies utilizing the restaurant and lodging industries as samples have found support for Miles and Snow's typology (Schaffer, 1986; Dev, 1988; Crawford-Welch, 1990). From this research, it was expected that four clusters of strategy would emerge, that would correspond to the strategic types as identified by Miles and Snow (1978).

The complete linkage method and the average linkage between groups method of cluster routines were run on the 23 strategy characteristics. The complete linkage method yielded from two to four cluster solutions and the average linkage between groups method yielded a four cluster solution.
Factor Analysis

Another multivariate analysis was conducted to identify any underlying components that might be associated with Miles and Snow's theory. This test involved performing factor analysis on the 23 strategy. Factor analysis with VARIMAX rotation was used as it was felt that this would most clearly identify the underlying factors on the 23 strategy characteristics that might differentiate respondents into different groups. Table 23 presents the results of the factor analysis for the four significant factors identified and their eigenvalues. The eigenvalue represents the column sum of squared factor loadings, which represents the relative importance of each factor in accounting for the variance associated with the set of variables being studied (Hair, Anderson and Tatham, 1987). The guideline for a significant eigenvalue is \( > 1.00 \) (Hair, Anderson and Tatham, 1987).

When looking at the strategic characteristics contained in each factor, it is possible to compare these results with Miles and Snow's (1978) typology. Table 24 shows the composition of each of the four factors. Factor 1 closely resembles a defender strategy, whereas Factor 2 closely resembles a prospector strategy. The defender strategy is very efficiency oriented and price competitive. Alternatively, the prospector strategy is more innovation oriented as it focuses on new markets, ideas, and products. The variables that loaded on factors 1 and 2 are characteristic of a defender and prospector, respectively. Factor 3 is comprised of variables that are both prospector and defender in nature. Thus, factor 3 could be likened to the analyzer strategy which is essentially a combination of prospector and defender. Factor 4 does not appear to have a common theme and thus may be interpreted as the strategy type reactor.
Dev (1988) did not find any distinct groupings of strategy characteristics, despite using the same scale in the lodging industry. Crawford-Welch (1990) was somewhat more successful and identified at least two of Miles and Snow's strategic types; prospector and defender. This study offers further application of the 23 strategy characteristics and is successful at identifying the four strategy types postulated by Miles and Snow (1978); prospector, defender, analyzer and reactor.
Table 23. Factor Analysis with VARIMAX Rotation on Type of Strategy

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strat1</td>
<td>0.12542</td>
<td>0.24755</td>
<td>0.13995</td>
<td>0.69352</td>
</tr>
<tr>
<td>Strat2</td>
<td>0.23048</td>
<td>0.07638</td>
<td>0.45861</td>
<td>0.43294</td>
</tr>
<tr>
<td>Strat3</td>
<td>0.77164</td>
<td>0.06512</td>
<td>-0.04071</td>
<td>0.40569</td>
</tr>
<tr>
<td>Strat4</td>
<td>0.77051</td>
<td>0.24273</td>
<td>0.16020</td>
<td>0.10470</td>
</tr>
<tr>
<td>Strat5</td>
<td>0.87304</td>
<td>0.06954</td>
<td>0.02868</td>
<td>0.07833</td>
</tr>
<tr>
<td>Strat6</td>
<td>0.81966</td>
<td>0.27414</td>
<td>0.15254</td>
<td>-0.04892</td>
</tr>
<tr>
<td>Strat7</td>
<td>0.92428</td>
<td>0.18446</td>
<td>0.02325</td>
<td>0.00529</td>
</tr>
<tr>
<td>Strat8</td>
<td>0.90072</td>
<td>0.11781</td>
<td>-0.02212</td>
<td>0.14903</td>
</tr>
<tr>
<td>Strat9</td>
<td>0.46497</td>
<td>0.16577</td>
<td>0.29570</td>
<td>0.56861</td>
</tr>
<tr>
<td>Strat10</td>
<td>0.42233</td>
<td>0.25606</td>
<td>0.50141</td>
<td>0.33913</td>
</tr>
<tr>
<td>Strat11</td>
<td>-0.12759</td>
<td>0.06001</td>
<td>0.78365</td>
<td>0.29745</td>
</tr>
<tr>
<td>Strat12</td>
<td>0.02256</td>
<td>0.24794</td>
<td>0.80597</td>
<td>0.25732</td>
</tr>
<tr>
<td>Strat13</td>
<td>0.05225</td>
<td>0.20078</td>
<td>0.62925</td>
<td>-0.08483</td>
</tr>
<tr>
<td>Strat14</td>
<td>0.18565</td>
<td>0.64926</td>
<td>0.29326</td>
<td>0.31748</td>
</tr>
<tr>
<td>Strat15</td>
<td>0.53944</td>
<td>0.36750</td>
<td>0.38436</td>
<td>-0.00745</td>
</tr>
<tr>
<td>Strat16</td>
<td>0.54964</td>
<td>0.31246</td>
<td>0.25362</td>
<td>0.29815</td>
</tr>
<tr>
<td>Strat17</td>
<td>-0.04407</td>
<td>0.28248</td>
<td>0.08847</td>
<td>0.75998</td>
</tr>
<tr>
<td>Strat18</td>
<td>0.20209</td>
<td>0.56800</td>
<td>0.31383</td>
<td>0.30944</td>
</tr>
<tr>
<td>Strat19</td>
<td>0.26857</td>
<td>0.71289</td>
<td>0.30472</td>
<td>0.15190</td>
</tr>
<tr>
<td>Strat20</td>
<td>0.83751</td>
<td>0.33350</td>
<td>0.04698</td>
<td>0.05981</td>
</tr>
<tr>
<td>Strat21</td>
<td>0.25999</td>
<td>0.81788</td>
<td>-0.02826</td>
<td>0.18559</td>
</tr>
<tr>
<td>Strat22</td>
<td>0.18262</td>
<td>0.64647</td>
<td>0.19959</td>
<td>0.18869</td>
</tr>
<tr>
<td>Strat23</td>
<td>0.34638</td>
<td>0.47942</td>
<td>0.49426</td>
<td>0.01079</td>
</tr>
</tbody>
</table>

Eigen Value of Each Factor

<table>
<thead>
<tr>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.70577</td>
<td>3.21548</td>
<td>1.26206</td>
<td>1.20250</td>
</tr>
</tbody>
</table>
Table 24: Description of Strategic Factors From the Factor Analysis

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1</td>
<td>Defender</td>
</tr>
<tr>
<td>Strat3</td>
<td>Financial cost control</td>
</tr>
<tr>
<td>Strat4</td>
<td>Training and development of employees</td>
</tr>
<tr>
<td>Strat5</td>
<td>Building reputation of restaurant in community</td>
</tr>
<tr>
<td>Strat6</td>
<td>Monitoring customer satisfaction</td>
</tr>
<tr>
<td>Strat7</td>
<td>Providing high level of service</td>
</tr>
<tr>
<td>Strat8</td>
<td>Quality control</td>
</tr>
<tr>
<td>Strat15</td>
<td>Serving a variety of customer types</td>
</tr>
<tr>
<td>Strat16</td>
<td>Controlling material/supply sources</td>
</tr>
<tr>
<td>Strat20</td>
<td>Maintaining operational efficiency</td>
</tr>
<tr>
<td>Factor 2</td>
<td>Prospector</td>
</tr>
<tr>
<td>Strat14</td>
<td>Testing new market ideas and methods</td>
</tr>
<tr>
<td>Strat18</td>
<td>Providing special services</td>
</tr>
<tr>
<td>Strat19</td>
<td>Trying innovative service ideas/methods</td>
</tr>
<tr>
<td>Strat21</td>
<td>Searching for new market opportunities/markets</td>
</tr>
<tr>
<td>Strat22</td>
<td>Keeping track of competition</td>
</tr>
<tr>
<td>Factor 3</td>
<td>Analyzer</td>
</tr>
<tr>
<td>Strat2</td>
<td>Controlling sources of business</td>
</tr>
<tr>
<td>Strat10</td>
<td>New menu/service development</td>
</tr>
<tr>
<td>Strat11</td>
<td>Maintaining high inventories of food/beverages</td>
</tr>
<tr>
<td>Strat12</td>
<td>Providing many services/menu items</td>
</tr>
<tr>
<td>Strat13</td>
<td>Selling at your lowest price</td>
</tr>
<tr>
<td>Factor 4</td>
<td>Possibly Reactor</td>
</tr>
<tr>
<td>Strat1</td>
<td>Serving special markets/segments</td>
</tr>
<tr>
<td>Strat9</td>
<td>Maintaining market leadership</td>
</tr>
<tr>
<td>Strat17</td>
<td>Using debt (loans) to finance projects</td>
</tr>
</tbody>
</table>
This factor analysis provides support for the four cluster solution by identifying the underlying variables which could be used to divide restaurant entrepreneurs into four groups on the basis of their strategies. This collaborated the four cluster solution over the two cluster solution.

In summation, a four cluster solution for the type of strategy and a two cluster solution for the type of entrepreneur were used to serve as dependent groups in a discriminant analysis.

**Discriminant Analysis on Type of Entrepreneur and Type of Strategy**

From the cluster analysis, the two groups of entrepreneurs and the four groups of strategy that were observed served as dependent variables for the discriminant analysis. A number of independent variables were selected, *a priori*, that were thought to best discriminate between the groups. The independent variables used were:

- Question 3  Type of restaurant operated (restype)
- Question 5  Number of years the restaurant has been in operation under the respondent's ownership (yearsun)
- Question 6  Whether or not the respondent owns any other rests. (owntoth)
- Question 8  Number of sources of funding used to open the rest. (srcfund)
- Question 14 How far in advance respondents plan for the future (planfut)
- Question 19 Type of strategy followed using the 23 characteristics (strat 1-23)
- Question 20 Type of strategy followed using the self-typing method (genstrat)

Discriminant analysis involves deriving the linear combination of the independent variables that will best discriminate between the dependent variables (ie. the two entrepreneur groups and the four strategy groups). The general discriminant model (discriminant function) used for this research was:
\[ D = B_0 + B_1 X_1 + B_2 X_2 \ldots \ldots B_p X_p \]

Where  \( D = \) discriminant score  
\( B = \) discriminant weight  
\( X = \) independent variable

Table 25 shows the results of the initial discriminant analysis which determined the relative importance of each of the above noted independent variables in discriminating between clusters. Discriminant analysis was run separately on each of the four scales measuring entrepreneurial type: success scale, involve scale, rank scale, and yes/no scale, with each individual independent variable: strat 1-23, genstrat, restype, yearsun, owwother, srcfund and planfut as it was not known which of these independent variables would be the best discriminators.

From this analysis, it was possible to identify those independent variables that best discriminated between the dependent variable clusters, ie: any variable that classified over 50% of the cases, assuming equal probability for the groups. Five final discriminant models were constructed as Table 26 shows, comprising of those independent variables that classified over 50% of the cases. The discriminant functions for each model are given.

Once the best discriminating independent variables were identified and the five discriminant models were constructed, discriminant analysis was then run on each of the models. This analysis sought to determine the percentage of properly classified cases for each model. As Table 27 shows, only one of the five models (model number 4) had a significant Wilks' Lambda score at \( p < .046 \) (ie. less than .05). The discriminant classifications for each of the five models are presented in Tables 28 through 32.
Table 25. Identification of Best Discriminating Independent Variables for Entrepreneur and Type of Strategy

### A. Type of Entrepreneur

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variables</th>
<th>% of groups correctly classified</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strat 1-23 Genstrat</td>
<td>Genstrat Restype</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Success Scale (2)</td>
<td>83%* 35% 40% 49%</td>
<td>60%* 27% 77%* 1</td>
<td></td>
</tr>
<tr>
<td>Involve Scale (2)</td>
<td>69%* 41% 50% 63%*</td>
<td>60%* 45% 42% 2</td>
<td></td>
</tr>
<tr>
<td>Rank Scale (2)</td>
<td>78%* 40% 41% 78%*</td>
<td>36% 70%* 33% 3</td>
<td></td>
</tr>
<tr>
<td>Yes/no Scale (2)</td>
<td>92%* 34% 60%*</td>
<td>29% 34% 27% 75%* 4</td>
<td></td>
</tr>
</tbody>
</table>

### B. Type of Strategy

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variables</th>
<th>% of groups correctly classified</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Subscale (two group)</td>
<td>Genstrat Restype Yearsun Ownother Srcfund Plan fut</td>
<td>67%* 41% 81%* 66%* 26% 68%* 5</td>
<td></td>
</tr>
<tr>
<td>Strategy Subscale (four group)</td>
<td>68%* 66%* 84%* 74%* 28% 64%* 6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* correctly classify over 50% of cases
Table 26. Five Final Discriminant Models and Their Discriminant Functions

<table>
<thead>
<tr>
<th>Model</th>
<th>Final Discriminant Models With Discriminant Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Success scale = Strat 1-23 + Ownother + Planfut</td>
</tr>
<tr>
<td></td>
<td>D = .56799 (strat1) + .00187 (strat2) + .42430 (strat3) + .79695 (strat4) + .43814 (strat5) + .21675 (strat6) + .17331 (strat7) + .16877 (strat8) + .30871 (strat9) + .13002 (strat10) + .48351 (strat11) + .11634 (strat12) + .39892 (strat13) + .01892 (strat14) + .40316 (strat15) + .27568 (strat16) + .13230 (strat17) + .38477 (strat18) + .18305 (strat19) + .00201 (strat20) + .09515 (strat21) + .00704 (strat22) + .04458 (strat23) + .25135 (planfut) + .21805 (ownothr)</td>
</tr>
<tr>
<td>2</td>
<td>Involve scale (2) = Strat 1-23 + Yrsun + Ownother</td>
</tr>
<tr>
<td></td>
<td>D = .65302 (strat1) + .48120 (strat2) + .58655 (strat3) + 1.00868 (strat4) + .06429 (strat5) + .36217 (strat6) + .26332 (strat7) + .16302 (strat8) + .36669 (strat9) + .38424 (strat10) + .13637 (strat11) + .19443 (strat12) + .31412 (strat13) + .21454 (strat14) + .52104 (strat15) + .29359 (strat16) + .06654 (strat17) + .06797 (strat18) + .34473 (strat19) + .14328 (strat20) + .31499 (strat21) + .11176 (strat22) + .11405 (strat23) + .12381 (yearsun) + .07413 (ownothr)</td>
</tr>
<tr>
<td>3</td>
<td>Rank scale (2) = Strat1 through Strat23 + Yrsun + Srcfund</td>
</tr>
<tr>
<td></td>
<td>D = .51223 (strat1) + .14144 (strat2) + .08210 (strat3) + .42829 (strat4) + .61309 (strat5) + .34615 (strat6) + .11463 (strat7) + .75732 (strat8) + .00821 (strat9) + .06313 (strat10) + .11321 (strat11) + .15984 (strat12) + .32438 (strat13) + .74496 (strat14) + .06938 (strat15) + .13468 (strat16) + .53464 (strat17) + .31921 (strat18) + .22993 (strat19) + .11265 (strat20) + .29275 (strat21) + .42100 (strat22) + .04189 (strat23) + .02634 (yearsun) + .07740 (srcfund)</td>
</tr>
<tr>
<td>4</td>
<td>Yes/no scale (2) = Strat1 through Strat23 + Restype + Planfut</td>
</tr>
<tr>
<td></td>
<td>D = -.03908 (strat1) + -.40211 (strat2) + -.35531 (strat3) + -.35738 (strat4) + -.16841 (strat5) + .78527 (strat6) + .23046 (strat7) + .01866 (strat8) + .19992 (strat9) + .06810 (strat10) + .45656 (strat11) + .03556 (strat12) + .00734 (strat13) + .00385 (strat14) + .74124 (strat15) + .68155 (strat16) + .32140 (strat17) + .09362 (strat18) + .31380 (strat19) + .00166 (strat20) + .21095 (strat21) + .57799 (strat22) + .50893 (strat23) + .02080 (Restype) + .01319 (Planfut)</td>
</tr>
<tr>
<td>5</td>
<td>Strat clusters (2) = Genstrat + Yearsun + Ownother + Planfut</td>
</tr>
<tr>
<td></td>
<td>D = .67618 (genstrat) + .59537 (yearsun) + .34893 (ownother) + .00000 (planfut)</td>
</tr>
</tbody>
</table>
Table 27. Identification of the Best Discriminating Models

<table>
<thead>
<tr>
<th>Groups</th>
<th>Model</th>
<th>n</th>
<th>Independent Discriminators</th>
<th>% classified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success (2)</td>
<td>1</td>
<td>114</td>
<td>Strat 1-23 + Ownother + Planfut</td>
<td>86.44%</td>
</tr>
<tr>
<td>Involv (2)</td>
<td>2</td>
<td>111</td>
<td>Strat 1-23 + Yrsun + Ownother</td>
<td>67.57%</td>
</tr>
<tr>
<td>Rank (2)</td>
<td>3</td>
<td>104</td>
<td>Strat 1-23 + Yrsun + Srcfund</td>
<td>75.96%</td>
</tr>
<tr>
<td>Yes/No (2)</td>
<td>4</td>
<td>109</td>
<td>Strat 1-23 + Restype + Planfut</td>
<td>96.46% *</td>
</tr>
<tr>
<td>Strat clusters (4)</td>
<td>5</td>
<td>114</td>
<td>Genstrat + Yrsun + Ownother + Planfut</td>
<td>77.50%</td>
</tr>
</tbody>
</table>

* Wilks' Lambda significant at p < .046
Table 28. Discriminant Classification Results for Model 1: Success Scale

<table>
<thead>
<tr>
<th>Actual Group</th>
<th>Number of Cases</th>
<th>Predicted Group</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Group 1 (craftsman)</td>
<td>113</td>
<td>97</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85.8%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Group 2 (opportunistic)</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Percentage of “grouped” cases correctly classified: 86.44%
Table 29. Discriminant Classification Results for Model 2: Involve Scale

<table>
<thead>
<tr>
<th>Actual Group</th>
<th>Number of Cases</th>
<th>Predicted Group Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Group 1 (craftsman)</td>
<td>69</td>
<td>50</td>
</tr>
<tr>
<td>Group 2 (opportunistic)</td>
<td>42</td>
<td>17</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

Percentage of “grouped” cases correctly classified: **67.57%**
Table 30. Discriminant Classification Results for Model 3: Rank Scale

<table>
<thead>
<tr>
<th>Actual Group</th>
<th>Number of Cases</th>
<th>Predicted Group Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Group 1 (craftsman)</td>
<td>89</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>76.4%</td>
</tr>
<tr>
<td>Group 2 (opportunistic)</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26.7%</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>80.0%</td>
</tr>
</tbody>
</table>

Percentage of “grouped” cases correctly classified: 75.96%
Table 31. Discriminant Classification Results for Model 4: Yes/No Scale

<table>
<thead>
<tr>
<th>Actual Group</th>
<th>Number of Cases</th>
<th>Predicted Group Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Group 1 (craftsman)</td>
<td>108</td>
<td>106</td>
</tr>
<tr>
<td></td>
<td></td>
<td>98.1%</td>
</tr>
<tr>
<td>Group 2 (opportunistic)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40.0%</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>80.0%</td>
</tr>
</tbody>
</table>

Percentage of “grouped” cases correctly classified: 96.46%
Table 32. Discriminant Classification Results for Model 5: Strategy (2 cluster)

<table>
<thead>
<tr>
<th>Actual Group</th>
<th>Number of Cases</th>
<th>Predicted Group Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Group 1 (craftsman)</td>
<td>112</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td></td>
<td>78.6%</td>
</tr>
<tr>
<td>Group 2 (opportunistic)</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>37.5%</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>62.5%</td>
</tr>
</tbody>
</table>

Percentage of "grouped" cases correctly classified: **77.50%**
Out of all the discriminant models, the Yes/No Subscale model did the best job of discriminating. However, as this was a dichotomous scale, it was more likely to correctly classify the respondents into two groups. It is also necessary to note that due to the nature of the responses, i.e. that the majority of responses are in group 1, then this group will be heavily weighted in the analysis.

Summary of Discriminant Analysis

The results of the discriminant analysis showed that it was possible to classify the two groups of entrepreneurs (craftsman and opportunistic) on the basis of certain independent variables. The models that did a particularly good job of discriminating were models 1, 4 and 5. From this, the independent variables that did the best job of discriminating between the two types of entrepreneur were:

Model 1: the 23 strategy characteristics (strat 1-23), whether or not the respondent owns any other restaurants (ownother), and how far in advance the respondent plans for the future (plandut).

Model 4: the 23 strategy characteristics (strat 1-23), the number of years the restaurant has been under the ownership of the respondent (yrsun), whether or not the respondent owns any other restaurants (ownother), and how far in advance the respondent plans for the future (plandut).

Model 5: the type of strategy followed using the self-typing paragraphs (genstrat), whether or not the respondent owns any other restaurants (ownother), the number of years the restaurant has been under the ownership of the respondent (yrsun), and how far in
advance the respondent plans for the future (planfut).

Based on these results, it can be summarized that the success scale, the yes/no scale and the strategy scale (2 cluster) do the best jobs of discriminating between entrepreneurial types. This suggests that as the two cluster solution of strategy types discriminates between the two types of entrepreneurs, that the two strategy groups and the two entrepreneur groups may in fact be the same groups. This will be discussed further in the following chapter.

Crosstabulations and Log Linear Analysis

Based on the results of the cluster analysis, cross-tabulations were performed in order to investigate whether or not type of entrepreneur and type of strategy are related. The independent variables of restype, genstrat, ownother and srcfund were identified as being the most important for the following analysis.

Restaurant type (restype) was crosstabulated with the groups formed by the strategy scales for the two entrepreneurial types of craftsman and opportunistic. A crosstabulation with restaurant type was then conducted using the groups formed by the four strategy types of defender, prospector, analyzer and reactor. Crosstabulations were also conducted using the independent variables of srcfund and genstrat with the groups of entrepreneurial type (craft and opportune) formed by the involvement scale and the yes/no scale. Also conducted was a crosstabulation of the independent variable ownother with the four strategy groups formed by the self-typing strategy scale (genstrat). Table 33 shows the crosstabulations performed and those that yielded the most significant results.
Table 33. Results of the Cross-Tabulation Analyses

<table>
<thead>
<tr>
<th>Cross-tabulation</th>
<th>$X^2$</th>
<th>DF</th>
<th>PROB</th>
<th>Contingency Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restype by Strategy Cluster 2</td>
<td>8.96</td>
<td>5</td>
<td>0.11</td>
<td>0.25</td>
</tr>
<tr>
<td>Restype by Strategy Cluster 4</td>
<td>33.76</td>
<td>15</td>
<td>0.004*</td>
<td>0.47</td>
</tr>
<tr>
<td>Genstrat by Involve Subscale (2)</td>
<td>6.92</td>
<td>4</td>
<td>0.14</td>
<td>0.21</td>
</tr>
<tr>
<td>Ownother by Genstrat</td>
<td>26.02</td>
<td>8</td>
<td>0.001*</td>
<td>0.23</td>
</tr>
<tr>
<td>Srcfund by Yes/No Subscale (2)</td>
<td>11.88</td>
<td>5</td>
<td>0.04*</td>
<td>0.30</td>
</tr>
</tbody>
</table>

* significant at .05
As Table 33 shows, the best prospective variables for the log linear model seem to be restype (restaurant type), strategy cluster 2, genstrat (strategy using the self-typing question number 20) and srcfund (number of sources of funding used). From this evidence and that gained from the discriminant analysis, enough confidence was gained in the variables to conduct a series of log linear models. Table 34 shows the log linear models conducted and the appropriate results.
Table 34. Log Linear Models Constructed and Results of Log Linear Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables</th>
<th>$X^2$</th>
<th># higher order DF interactions</th>
<th>PROB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Restype + Ownother + Strat (2) + Strat (4) + Genstrat</td>
<td>1.57</td>
<td>2</td>
<td>213</td>
</tr>
<tr>
<td>2</td>
<td>Restype + Ownother + Strat (2) + Strat (4)</td>
<td>9.56</td>
<td>2</td>
<td>47</td>
</tr>
<tr>
<td>3</td>
<td>Restype + Ownother + Strat (2)</td>
<td>11.12</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Restype + Ownother + Genstrat</td>
<td>29.00</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>5</td>
<td>Restype + Ownother + Strat (4)</td>
<td>42.54</td>
<td>1</td>
<td>27</td>
</tr>
</tbody>
</table>

* significant at .10
As can be seen from this table, Model 5 demonstrates the most significant results. These results suggest that the strongest set of associated variables are the type of restaurant owned, whether or not the respondent owns any other restaurants, and the type of strategy followed.

SUMMARY AND CONCLUSION

This chapter has presented a profile of the respondents in the study and a profile of the descriptive statistics relating to these respondents. Analytical statistics were conducted to examine the relationships among the variables under study. The results of these analyses were presented and discussed briefly.
CHAPTER FIVE

DISCUSSION AND CONCLUSIONS
INTRODUCTION

The previous chapter detailed the results of the analyses conducted on the data collected from the survey. This chapter presents a discussion of the hypotheses tests, findings, conclusions made from the research, limitations associated with this study, and suggestions for future researchers.
OVERVIEW OF RESULTS

Before proceeding with the discussion of the results, it is beneficial to review the findings of the analysis. The four hypotheses and a summary of the major findings will now be outlined:

Hypothesis I

"Smith's (1967) entrepreneurial types (craftsman and opportunistic) will not exist in the restaurant industry."

The primary results from the testing of hypothesis I are:

There is evidence to suggest that there may be more than two groups of entrepreneurs present in the restaurant industry. It appears from the research that Smith's (1967) typology of entrepreneurs may be too simplistic for use in the restaurant industry. When the sample was forced to form two clusters, (as were expected a priori) one of the clusters was extremely large, accounting for 96% of respondents. The second cluster was extremely small, accounting for the remaining 4% of the sample. This result is not in keeping with previous research. Smith (1967) found that from a nonstatistical analysis of the 52 cases in his study, 34 could be classified as craftsman and 18 could be classified as opportunistic. Small (1987) found equal numbers of craftsman and opportunistic entrepreneurs.
From analysis of the frequency results, it was possible to identify the large cluster of entrepreneurs as being similar to Smith's craftsman and the small cluster as being similar to Smith's opportunistic. However, due to the large disparity in the size of the two groups, it can be concluded that the entrepreneurs in this sample do not fully conform to the classification scheme developed by Smith (1967), who found equal numbers of each type of entrepreneur. Instead, the evidence suggests that the two groups of craftsman and opportunistic entrepreneurs may not be mutually exclusive. Instead, the third group identified in the analysis is most likely to be a combination of the two groups. That is, entrepreneurs exhibiting both craftsman and opportunistic characteristics. This will be discussed in more detail further in the chapter.

In view of these findings, the null hypothesis that Smith's classification of entrepreneurial types will not exist in the restaurant industry cannot be rejected.

In order to facilitate further hypothesis testing, the two cluster solution of entrepreneurs was used in this study. Even though these groups did not fully conform to Smith's classification they were still labeled craftsman and opportunistic for the purpose of identification.

Hypothesis II

"Miles and Snow's (1978) four generic strategy types (prospector,
defender, analyzer and reactor) will not exist in the restaurant industry.”

The primary results from the testing of hypothesis II are:

The results of the analysis indicate that there are four strategy types present in the sample. Of these four types, three clearly correspond with those identified by Miles and Snow (1978): defender, prospector and analyzer. Miles and Snow found that the fourth strategy type, the reactor, is not a viable strategy over the long term. The fourth cluster identified in this research did not appear to have a common theme and thus could probably be identified as the reactor strategy.

In the analysis of the 23 strategy characteristics, it was found that some of the items formed four clusters best whereas other items formed two clusters best. Therefore, for the remaining analysis both the two group strategy solution and the four group strategy solution were utilized.

The results clearly show the presence of three and possibly four strategy types that correspond with Miles and Snow’s (1978) solution. In view of these findings, it was possible to reject the null hypothesis.

Hypothesis IIIa

"There is no relationship between type of entrepreneur and type of business strategy in the restaurant industry.”

The primary results from the testing of hypothesis IIIa are:
The results of the analysis indicate that there is evidence of a relationship between type of entrepreneur and type of strategy. From the discriminant analysis, it was possible to successfully discriminate between the two groups of entrepreneurs (craftsman and opportunistic) using the two cluster strategy solution (refer to Table). These results suggest that there could be two primary strategy types which are successful in discriminating between the two types of entrepreneur. This research study did not attempt to identify which strategy type discriminates which entrepreneurial type. This is a possible area for future study.

Based on the results of the discriminant analysis for hypothesis IIIa, it was possible to reject the null hypothesis.

Hypothesis IIIb

"There is no relationship between type of entrepreneur, type of business strategy, and the moderating variables (size of company, restaurant type and age of company) in the restaurant industry."

The primary results from the testing of hypothesis IIIb are:

Building from hypothesis IIIa, this hypothesis includes three variables (size of company, restaurant type and age of company) that were thought a priori to be potential moderating variables in the proposed relationship.

The results show that two of the three moderating variables were associated with the relationship between type of entrepreneur and type of strategy. The log linear analysis (refer
to Table 34) showed that restaurant type and size of company (measured by the number of 
other restaurants the entrepreneur owned) were associated with the relationship. The age of 
the company did not appear to be an important factor in this relationship throughout the dis-
criminant and log linear analyses.

In view of these results, this null hypothesis can be rejected as two of the three 
moderating variables, restaurant type and size of company, were found to be associated with 
the relationship between type of entrepreneur and type of strategy.

DISCUSSION

The purpose of the following sections are to discuss what the results mean and the 
implications of these findings to the study of the entrepreneurship-strategy relationship 
explored. The contributions of these results to the literature will also be discussed.

DISCUSSION OF ENTREPRENEURIAL TYPE

One of the preliminary tests of this study attempted to distinguish entrepreneurial 
types corresponding to the typology developed by Smith (1967) in the context of the 
restaurant industry. Smith (1967) developed a two item classification scheme of entrepre-
neurs into which he placed individual entrepreneurs based on their motivations, management 
styles, background, and personal characteristics. These two entrepreneurial types were 
termed craftsman and opportunistic.

Small (1987) conducted an empirical study of entrepreneurs in the restaurant industry
in Southern California. Small, using Smith’s (1967) typology was able to classify two thirds of his sample as being either opportunistic or craftsman. Parts of his modified research instrument measuring entrepreneurial type was used here, along with additional items.

This study attempted to build on the works of Small (1987) by modifying the research instrument, using a different sample and using different statistical analyses to test the applicability of Smith’s typology in the context of the restaurant industry. The multivariate statistical technique of cluster analysis was used in attempting to classify respondents according to their entrepreneurial type.

The findings indicate that the characteristics that were identified for use in this study failed to result in the anticipated groupings of respondents based on their entrepreneurial characteristics. While the data shows that entrepreneurs can be separated into distinct groups, it also shows that these groups may not be mutually exclusive. The results suggest that there is a third group of entrepreneurs present, possibly being an ‘overlap’ group, exhibiting both opportunistic and craftsman characteristics. By demonstrating that membership in an entrepreneurial type may not be exclusive, this helps to explain the large difference observed in the size of the craftsman and opportunistic groups. That is, that the larger group, the craftsman group which accounted for 96% of the sample, is really two groups. For identification purposes, these two groups were labeled craft and opportune respectively, even though they did not fully match Smith’s classification.

In comparing these results with Smith’s (1967) classification, a number of factors could account for the difference in findings. Firstly, the time-gap between his study in 1967 and the present study, could be an important factor. The business environment is vastly
different today than it was 25 years ago. It is more competitive and dynamic today, requiring
different business techniques and practices from the late 1960s. Some of the typical
opportunistic characteristics, such as planning for the future and keeping track of competition
are becoming more of a necessity for all business operators, particularly in the competitive
restaurant industry. Similarly, some of the typical craftsman characteristics, such as focusing
on satisfied customers and customer relations (as opposed to strictly profit orientation) are
also necessary of all industry operators, given the high levels of competition and supply
surpassing demand in the restaurant industry.

The importance of this finding is that craftsman and opportunistic entrepreneurs may
not necessarily be polar opposites of each other, and that the “overlap” group could possibly
be the ideal type of entrepreneur for the current business environment, encompassing the
most suitable characteristics from each of the two primary entrepreneurial types.

The research procedures used in this study, whilst using the same entrepreneurial
attributes and characteristics, do not exactly follow those procedures used by Smith (1967).
Smith’s study was based on the case study of organizations and entrepreneurs. The difference
in methodology was also noted by Small (1987), p. 121:

“Smith’s research does not determine the statistical significance of each
variable, but rather generates a total score of all variables; therefore, the
strength of the relationship of each variable is unknown.”

In his study, Small (1987) found that approximately one third of his sample could not
be classified using Smith’s classification scheme. He hypothesizes that this could indicate
the presence of a third group of entrepreneurs, however, he was not able to identify this third
group. For the current study, Small’s research instrument underwent extensive modification.
However, as Small did not test for reliability and validity in his study, it was not possible to determine, statistically, the best measures of entrepreneurial type. Part of the reason for the different results between Small’s study and the current study could be due to the different use of statistical analyses.

Based on these findings, it appears that further research is needed to be conducted in two primary areas. The first area is in the further development and refinement of the entrepreneurial characteristic instrument. Despite the fact that Smith’s classification in not confirmed by the data in this study, it does not mean that Smith’s ideas should be rejected. Instead, further work should be done on modifying the research instrument to provide a more reliable measure of entrepreneurial type. Three of the four scales do not meet the minimum criteria for reliability, thus suggesting that they require further modification before they are reused. The second area of research needs to concentrate on isolating the third group of entrepreneurs from the sample. The findings indicate that the two groups of entrepreneurs may not be mutually exclusive as though by Smith (1967). Additional questions need to be added to the research instrument in order to try and isolate the third, “combination” group of entrepreneurs.

In this study, the results of Cronbach’s alpha test for reliability showed that only one of the four scales used to measure entrepreneurial characteristics was reliable at .70. This was the success scale. Thus, it appears that on the whole, the entrepreneurial characteristic instrument did not do a good job of measuring entrepreneurial characteristics.

In sum, it appears that the Smith (1967) classification of entrepreneurs has limited applicability to the restaurant industry as it stands now. Further research is required into the development of a more appropriate instrument for tapping different types of entrepreneurs.
DISCUSSION OF STRATEGY TYPE

The Cluster and Factor Analysis Method

One of the primary tests of this study was to distinguish between strategy types according to the typology developed by Miles and Snow (1978) in the context of the restaurant industry. Miles and Snow (1978) developed a four item classification of strategy types. Organizations could be classified into one of four possible generic strategy types: defender, prospector, analyzer and reactor. The first three were identified as being viable strategy types whereas the fourth, reactor, was not considered to be a viable strategy over the long term.

Dev (1988) and Crawford-Welch (1990) conducted empirical studies using Miles and Snow's classification scheme in the hospitality industry. Dev (1988) was not able to successfully cluster respondents according to type of strategy using the cluster method. Crawford-Welch (1990) was more successful, and was able to identify three of the four strategy types using cluster and factor analysis. A modified version of the research instrument designed by Dev, and also used by Crawford-Welch was used in this study.

This study attempted to build on the works of Dev (1988) and Crawford-Welch (1990) by administering the research instrument to a different sample population. The multivariate techniques of cluster analysis and factor analysis were used in the attempt to classify the responses to the 23 strategy characteristics according to their strategy type.

The cluster analysis resulted in some of the 23 strategy variables clustering best into two groups whereas others clustered best into four groups. With the support of the factor
analysis, the four group solution can be likened to Miles and Snow’s four strategies of
defender, analyzer, prospector and reactor. The prospector and defender are essentially
opposites of each other, the analyzer is a combination of the two strategies, an “overlap”
group, and the reactor strategy is the strategy with no identifiable pattern. In the two group
solution, it is likely that the two groups resemble the prospector and defender strategies. What
this means is that there are really two primary types of strategy, the prospector and the
defender. However, these two groups are not mutually exclusive, with the overlapping group
being the analyzer. Figure 2 demonstrates this relationship diagrammatically. Those that are
unable to be classified in any of the three strategies can be thought of as reactors, following
no set pattern of strategy.

The findings indicate that there are four distinct groups of strategy present in the
sample. This is different to the findings of Dev (1988) and Crawford-Welch (1990) using the
sample instrument but a different sample population. One of the groups closely resembled
a defender strategy, being very efficiency oriented and price competitive. The second group
closely resembled a prospector strategy, being very innovation oriented and focused on new
markets and ideas. The third group exhibited characteristics typical of both defender and
prospector. This group is most likely the analyzer group, which is essentially a combination
of prospector and defender strategies. The fourth group did not appear to have any common
theme. It is probable that this strategy is the reactor strategy. This would not exhibit any
distinct characteristics as it is not a viable strategy over the long term. This is in keeping with
Miles and Snow’s claim that a reactor strategy has no set pattern.

The factor analysis yielded four factors, two of which are similar to those found by
Crawford-Welch (1990). The findings indicate that the 23 characteristics identified in the
research instrument are useful in grouping respondents based on their strategy characteris-
tics. Cronbach’s alpha on the 23 strategy characteristics was conducted to test for the internal
Figure 2. Diagram of the "Overlap" Group Between Prospector and Defender
reliability of the strategy scale. The coefficient alpha was .88 for the strategy scale, easily meeting the .70 guideline for reliability.

These findings suggest that the strategy scale used in this analysis is useful in classifying strategy into the classification scheme developed by Miles and Snow (1978). Further research needs to be done focusing on the fourth type of strategy, the reactor. Perhaps some additional characteristics could be included into the scale that can better isolate the reactor strategy.

The Self-Typing Method

In addition to the 23 strategy characteristics used in the statistical analyses, the self-typing measure of strategy was also used (called genstrat for the analyses). As shown in Table 18, 90 of the 133 respondents (68%) described their strategy as being defender. Only 22 respondents (17%) described themselves as being prospector. This result is different from Dev (1988) who found, using the same method, that 48.3% of his sample of industry executives described their strategy as prospector, 25% described their strategy as being analyzer and 23.3% described their strategy as being defender.

From the basis of the discriminant analysis, it was anticipated that the self-typing measure of strategy and the 23 strategy characteristics were not successful in both providing the same measure of strategy. In order to test this statistically, a correlation test was run. The result of this test showed that the self-typing measure is only low to moderately correlated with 5 of the 23 strategy characteristics and not correlated at all with the remaining 18 characteristics. The self-typing measure shares only 5-10% variance with the 23 strategy characteristics. Table 35 shows those characteristics that were correlated with the self-typing measure of strategy. From the analysis of the five items that were shown to be correlated with
the self-typing measure of strategy, there does not appear to be any significant link between the items.

From these results, it can be established that the self-typing measure of strategy is only partially useful in approximating Miles and Snow's (1978) typology. Therefore, for future studies, unless this measure is modified, it will not be necessary to include it in research instruments that contain the 23 strategy characteristics.
Table 35. Results of Correlation Analysis Between the Self-Typing Measure of Strategy and the Twenty Three Strategy Characteristics

<table>
<thead>
<tr>
<th>Variable Number</th>
<th>Variable Description</th>
<th>Probability Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strat 11</td>
<td>Maintaining high inventories of food &amp; beverages</td>
<td>P = .009</td>
</tr>
<tr>
<td>Strat 12</td>
<td>Providing many services/menu items</td>
<td>P = .021</td>
</tr>
<tr>
<td>Strat 21</td>
<td>Maintaining operational efficiency</td>
<td>P = .071</td>
</tr>
<tr>
<td>Strat 22</td>
<td>Keeping track of competition</td>
<td>P = .034</td>
</tr>
<tr>
<td>Strat 23</td>
<td>Regular renovation &amp; refurbishment</td>
<td>P = .000</td>
</tr>
</tbody>
</table>
THE RELATIONSHIP BETWEEN TYPE OF ENTREPRENEUR AND TYPE OF STRATEGY

The primary purpose of this study was to investigate if type of entrepreneur and type of strategy are associated. This was addressed through the testing of hypotheses IIIa and IIIb. The results of the analyses showed an association between type of entrepreneur and type of strategy, and also two moderating variables of restaurant type and size of company. Furthermore, in demonstrating that the dependent and independent variables are associated, the discriminant analysis showed that the two group cluster solution of strategy was a significant discriminator between the two groups of entrepreneurs.

Essentially, what this finding indicates is that the craftsman entrepreneur and opportunistic entrepreneur can be distinguished on the basis of strategy. From the analysis of the characteristics of each type of entrepreneur, it is most likely that the opportunistic entrepreneur would follow a prospector strategy, emphasizing new opportunities and following trends in the environment. The craftsman entrepreneur is most likely to follow a defender strategy, emphasizing organizational efficiency and quality.

There are some normative implications that can be drawn from these results. It is possible that the type of entrepreneur may influence the choice of strategy followed. A prospector strategy may be the most appropriate strategic choice for those entrepreneurs that resemble the opportunistic entrepreneur. Alternatively, a defender strategy may be the most appropriate choice for the craftsman entrepreneurs. It is possible that the third group of entrepreneur, the “overlap” group would thus choose to pursue a strategy that is a combination of the prospector and analyzer strategies. Figure 3 provides a graphical representation of this suggested relationship.
Figure 3. A Suggested Entrepreneur-Type and Strategy-Type Link
These results provide a significant contribution to the study of entrepreneurship and strategy. Furthermore, these findings offer opportunities for future study. Further testing of this relationship is called for, with particular emphasis on statistically identifying what type of strategies are followed by each type of entrepreneur.

SUBSTANTIVE CONCLUSIONS

One of the primary conclusions of this exploratory study is that type of entrepreneur is related to type of strategy in the restaurant industry. This finding is supportive of the strategic choice theoretical perspective in that the individual leader has the primary responsibility for the success or failure of the firm through his ability to develop and execute effective strategies. The findings show that type of entrepreneur is associated with type of strategy and that it is possible to discriminate between the types of entrepreneurs on the basis of their strategic choice.

Another substantive conclusion of this study is that Smith's (1967) classification of entrepreneurs cannot be fully applied to the restaurant industry. It has been demonstrated that there is probably a third group of entrepreneurs, which is essentially a combination of some of the craftsman and opportunistic characteristics. It is possible that this third group of entrepreneurs may be the most appropriate combination of characteristics for operating in today's competitive business environment.

The further testing of Miles and Snow's (1978) typology provided significant results. It was shown in the analyses that there are four strategy types present in the restaurant
industry. However, the findings also indicate that these four strategy types could probably be reduced and compacted into two primary strategy types of prospector and defender.

It is likely that the craftsman entrepreneur is strongly associated with the defender strategy and that the opportunistic entrepreneur is strongly associated with the prospector strategy. However, this research study did not attempt to statistically test this, presenting an area for future research.

LIMITATIONS OF THE RESEARCH

The results of this study are limited in their generalizability to the population of all restaurant entrepreneurs across the United States. There are several reasons for this. Firstly, the sample frame was selected from a population of entrepreneurs on a database compiled by Dun and Bradstreet. This database, despite including over 56,000 restaurant entrepreneurs, cannot be considered as inclusive of all restaurant entrepreneurs in the U. S.. Secondly, such a low response rate was obtained from the survey. This could have been due to respondents being overwhelmed or intimidated by the complicated nature of the survey questions. A larger sample size would have made the statistical analyses more powerful and would have enhanced generalizability.

Due to both time and financial constraints, this study is cross-sectional in nature. The lack of a longitudinal design restricts the collection of indepth information. A combination of personal visits to restaurant entrepreneurs and the completion of closed-ended survey questions to facilitate statistical analyses may produce more detailed findings. Additionally, this type of research procedure will also enable the researcher to better isolate the third group
of entrepreneurs identified from the findings.

A further limitation of this research is the absence of causal analysis techniques. Thus, this study is only capable of showing the presence of an association between entrepreneurship and strategy, and cannot infer causality.

Three moderating variables were identified a priori as being likely to demonstrate an association with the entrepreneur-strategy relationship. It is likely that other variables could impact this relationship, however, a study of this size can only consider a small number of variables at one time. Other variables such as the location of the business (downtown, airport etc.) and customer profile may also impact this relationship.

Given the low reliability scores (using Cronbach's alpha coefficient) for the measures of entrepreneurial type, the results of the statistical analysis are considered to be unstable. Thus, caution is required in interpreting these findings.

RECOMMENDATIONS FOR FUTURE RESEARCH

This study was exploratory in nature. As with the majority of exploratory research, more questions were raised than were answered.

The primary recommendation for future research studies involves overcoming the main limitations of this research effort as noted above. Further research is needed in order to refine the instrument used. Specifically, the measures of entrepreneurial type needs modification and refinement which will result in a better level of reliability. Through the
further testing of the entrepreneur-strategy relationship, it may be possible that the 23 strategy characteristics could be all that is required to identify the different types of entrepreneurs. This could lead to discarding the part of survey measuring entrepreneurial characteristics.

A larger sample is suggested for future research in order to better facilitate the use of multi-variate statistical analyses. The use of a longitudinal study to track how strategy may change as the company ages. This could be done by following the same respondents for five years and then comparing results. The contribution of this would be to determine what effect changes in entrepreneurial characteristics would have on the strategy of that firm.

In further developing the association empirically validated in this research, it has been suggested that one type of entrepreneur is likely to follow a particular strategy. This could be addressed by investigating the proposition that “a particular type of entrepreneur will suggest a particular type of strategy”. This approach could have practical used, especially with the introduction of performance as an additional variable to determine whether the strategy a particular type of entrepreneur follows affects the performance of that firm.

A high number of women participated in the survey (25%), which is substantially higher than Small (1987) who found only 12% of women in his sample. Thus, as more women enter the workforce and more own their own business, future studies could address the issue of whether gender plays a role in choice of strategy and whether women entrepreneurs are more likely to be, for example, opportunistic entrepreneurs than craftsmen.

The geographical region where the entrepreneur operates could also be a significant factor in the choice of strategy. Thus, a recommendation for future study could be to investigate whether entrepreneurs operating in areas with poor economic conditions differ in
their choice of strategy from those operating in areas with more favorable economic conditions.

**SUMMARY**

This study was exploratory in nature and thus there are a number of limitations inherent. However, the primary objective of the study was to investigate and test, through primary data collection, hypotheses regarding an association between type of entrepreneur and type of strategy. From this, the researcher was able to make a significant contribution to the theory in both entrepreneurship and strategy disciplines.

One of the primary contributions of this study is in the attempt to refine the instrument for future research. Furthermore, this study has provided a number of potential avenues for future research, continuing the development and testing of theory.

Despite the fact that this study was designed to focus on the restaurant industry, it is possible that these findings may be indicative of organizations in other industries or organizations in general.
REFERENCES


September 24, 1990

Dear Entrepreneur:

I am a graduate student at Virginia Tech and I am collecting data on entrepreneurs for my Master's Thesis. This data will be used solely for research purposes and will provide useful information about individuals operating restaurants and the type of restaurants that they operate.

Please take a few minutes to complete the enclosed questionnaire. The questionnaire will take only 10 minutes to complete. Most of the questions require you to only check or circle an answer. Once completed, please return the questionnaire to Virginia Tech in the postage-paid envelope provided. Please be assured that all information received in this study will be held in strictest confidence and will be reported only in the form of statistical summaries so that information about an individual firm cannot be identified.

Your participation in this study is greatly appreciated and is a significant contribution to research in the restaurant industry. If you have any questions, feel free to contact myself at (703) 552 7855. If you would like to receive a summary of the results of this study, please enclose your business card with the survey.

Thank you for your assistance and cooperation.

Sincerely yours,

Clare Elwood
Graduate Student
TO BE COMPLETED BY THE OWNER OF THE RESTAURANT

I. General Firm Information

1. Are you the owner or co-owner of the restaurant?
   ______ Yes  ______ No (If No, please pass this survey to the primary owner).

2. How would you best describe your ownership responsibilities in this restaurant?
   ______ Active-controlling  ______ Active-shared  ______ Absentee
   ______ Inactive-shared  ______ Other ________________________ (please specify)

3. Please indicate the type of restaurant:
   ______ Fast food  ______ Dinner house/theme  ______ Cafeteria
   ______ Family/coffee shop  ______ Other ________________________ (please specify)

4. Are you part of a franchise operation? ______ No  ______ Yes (please specify) ________________________
   (If No, did you develop the idea for this concept yourself? ______ No  ______ Yes)

5. How many years has this restaurant been in operation? ______ Under your ownership ______ Prior to your ownership

6. Do you own any other restaurants?
   ______ No  ______ Yes ________________________ (please indicate how many)

7. How many employees do you have in each of the following categories?
   ______ Work less than 20 hours/week  ______ Work 21-35 hours/week  ______ Work over 36 hours/week

II. Entrepreneurial Characteristics

8. How many sources of funding did you use in creating this restaurant (eg. personal savings, friends, banks etc.)?
   ______ 1-2 ________________________ (please specify)
   ______ 3-4 ________________________ (please specify)
   ______ 5 or more ________________________ (please specify)

9. How many years have you been in the restaurant industry?
   ______ Number of years as an employee ______ Number of years as an owner

10. How would you consider the majority of your previous work experience?
    ______ “Hands-on” practical  ______ Management

11. What types of jobs did you have before owning your own restaurant and how long did you spend in each?
    __________________________________________________________

12. Have you owned your own business in any other industry?
    ______ No  ______ Yes (please specify) ________________________

13. Is this restaurant the first restaurant you have ever owned?
    ______ Yes  ______ No (please specify how many) ________________________

14. How far in advance do you plan for the future of your restaurant?
    ______ Less than 1 year  ______ 1-3 years  ______ 4-6 years
    ______ 7-9 years  ______ 10 or more years  ______ No planning at all
15. Please circle the number that indicates how important each of the following factors are to you in measuring your personal success in business with 1 = very unimportant and 5 = very important.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very Unimportant</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a new product/concept</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Number of customers</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Community recognition</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Personal satisfaction</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Business profit</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Sales (revenue) level</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Satisfied customers</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Personal Income</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Other __________________________</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

16. Please circle the number that best indicates your amount of involvement in specific restaurant activities with 1 = rarely, 3 = sometimes and 5 = often.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you delegate decision making?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you hire personnel who yourself or friends have known personally?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you wear traditional business dress to work (i.e. suit)?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you follow industry trends?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself in strategic planning?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself in food preparation?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you actively involve yourself with customer relations?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Do you concern yourself with the changing environment, such as increased competition?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

17. Please rank the following statements in their order of importance in influencing your decision to own your own restaurant with 1 = most important and 7 = least important.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Order of Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>You didn’t like working for your previous employer</td>
<td></td>
</tr>
<tr>
<td>You didn’t like working for anyone</td>
<td></td>
</tr>
<tr>
<td>You wanted &amp; enjoy your own creative freedom</td>
<td></td>
</tr>
<tr>
<td>You wanted greater opportunity to deal with &amp; serve people</td>
<td></td>
</tr>
<tr>
<td>You wanted greater opportunity to make money</td>
<td></td>
</tr>
<tr>
<td>You wanted more control of your life</td>
<td></td>
</tr>
<tr>
<td>It was a long time dream</td>
<td></td>
</tr>
</tbody>
</table>
18. For each of the following statements, please indicate yes or no.

Do you have any plans for growth or change in your restaurant? ______ Yes ______ No

Do you believe an increase in sales for your restaurant must be made at the expense of another restaurant? ______ Yes ______ No

Would you like to own additional restaurants? ______ Yes ______ No

Do you belong to any social organizations (e.g. sports, church etc.)? ______ Yes ______ No

Do you belong to any professional organizations? ______ Yes ______ No

Are you active in the community? ______ Yes ______ No

Do you consider yourself to be the sole decision maker for the restaurant? ______ Yes ______ No

Do you consider your employees to be your ‘family’? ______ Yes ______ No

Do you rely on reputation/word of mouth to market your restaurant? ______ Yes ______ No

III. Firm Strategy

19. Please indicate the extent to which you consider each of the following items to be important to your business practices with 1 = Important and 5 = Unimportant.

<table>
<thead>
<tr>
<th>Important</th>
<th>Unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving special markets/segments</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Controlling sources of business</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Financial cost control</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Training &amp; development of employees</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Building reputation of restaurant in community</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Monitoring customer satisfaction</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Providing a high service level</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Quality control</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Maintaining market leadership</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>New menu/service development</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Maintaining high inventories of food &amp; beverages</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Providing many services/menu items</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Selling at your lowest price</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Testing new market ideas and methods</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Serving a variety of customer types</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Controlling material/supply sources</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Using debt (loans) to finance projects</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Providing special services</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Trying innovative service ideas/methods</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Maintaining operational efficiency</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Searching for new markets/opportunities</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Keeping track of competition</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Regular renovation/refurbishment</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
20. Restaurants are often described in general terms reflecting the way they do business. Please select one of the following descriptions that most closely fits your property compared to your competitors. (Note: none of the types are inherently 'good' or 'bad'). *Please check one.*

Type 1. My restaurant serves a great variety of customer types which are always changing. I like to focus on being risk adverse by being very selective with new products/menu items. I tend to be less aggressive in adapting to new trends & would rather wait until it is necessary to make any changes to the menu/restaurant.

Type 2. My restaurant serves an existing group of customers while trying to attract new ones through new ideas/menu items. I like to wait & see how my competitors do with their new products before I try them. The major focus is to do what my competitors are doing, but do it better and more efficiently.

Type 3. My restaurant serves a broad & changing group of customers. The major focus is on being the first with new products & ideas, & on keeping a close watch on other restaurants & what they are doing. I tend to recognize & capitalize on the opportunities presented by new trends.

Type 4. My restaurant serves an existing group of customers in a fairly stable market. The major focus is to improve quality while reducing costs. I tend to concentrate more on price & quality than on what my competitors are doing.

IV. Demographic Information

21. How old are you?
   - Less than 21
   - 21 - 30
   - 51 - 60
   - 61 or more

22. Are you Male ______ or Female ______

23. Please indicate the highest level of education that you have completed.
   - Grade school
   - Some high school
   - Business/technical college
   - Some college
   - Masters
   - Phd
   - High school graduate
   - College graduate

24. Have any of the following been or are currently self-employed?
   - Mother
   - Parent-in-law
   - Sibling
   - Spouse
   - Grandparents
   - Others
   - Step parent
   - Uncle/Aunt
   - Children
   - None of the above

25. What race are you?
   - Black/Afro-American
   - Hispanic
   - White/caucasian
   - Asian
   - Other (please specify) ______________________

26. Is English your primary language?
   - Yes
   - No (please specify) ______________________

27. Please specify the geographical location of this restaurant.
   ______________________ Town/city ______________________ State

THANK YOU VERY MUCH FOR YOUR TIME AND PARTICIPATION
Please return promptly in the stamped, addressed envelope provided
October 29, 1990

Dear Entrepreneur:

Within the last three weeks, you should have received a survey questionnaire concerning a research project on entrepreneurs. I have not yet heard from you. Perhaps the questionnaire was misplaced, or it may not have reached you. In any event, I am enclosing another copy of the questionnaire.

The completion of the enclosed questionnaire by yourself will be extremely beneficial to this research. I am hopeful that you can find ten minutes in your busy schedule to fill it out and simply drop it in the mail. Please be assured that all information received in this study will be held in strictest confidence and will be reported only in the form of statistical summaries so that information about an individual firm cannot be identified.

I hope that you take the time to supply this important information and return it by November 8. If you have any questions, please contact me at (703) 552 7855. If you would like to receive a summary of the results of this study, please enclose your business card with your completed survey.

Thank you for your time and efforts.

Sincerely yours,

[Signature]

Clare Elwood
Graduate Student
VITA

Clare Marie Elwood, daughter of Brendan and Margaret Elwood, was born on July 27, 1966 in Sheffield, England. She completed her ordinary level (O'level) and advanced level (A'level) examinations at the Presentation Convent, Matlock, England. She attended Leeds Polytechnic, England where she received a Higher National Diploma in Hotel, Restaurant and Institutional Management. She has worked for Crest Hotels, De Vere Hotels, Swallow Hotels, and Trust House Forte Hotels.

In March 1988, she entered the graduate school at Virginia Polytechnic Institute and State University to study for a Masters of Science in Hotel, Restaurant and Institutional Management. Her major areas of research include strategic management and entrepreneurship. While working on her masters degree, she has presented and published papers in the area of strategic management, finance, human resources and entrepreneurship.