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Editor’s Preface

The Journal of Business Leadership [JBL] is the official journal of the American National Business Hall of Fame [ANBHF]. The ANBHF conducts an active research program with three primary objectives. The first objective is to collect and analyze information regarding the leadership skills of Hall of Fame members. The Hall believes that business success stories are an important part of American history and strives to document and preserve these stories.

The second objective of the research program is to support the research objectives of the associated academic journal, *JBL*, through support of certain areas of business leadership, ethical practices and management academic research.

The third objective is to evaluate the effectiveness of Hall of Fame classroom presentations. Evaluation instruments are developed and administered in classes following Hall of Fame presentations.

In support of the ANBHF mission, *The Journal of Business Leadership* is a multidisciplinary journal of interest to scholars, professionals, students, and practitioners in a broad range of management thinking. The purpose of the journal is to encourage the publication of case studies of business leadership. In keeping with the Hall’s longitudinal study, The Ethical Views of Business Leaders, University Faculty and Students in the United States, submissions highlighting ethical leadership practices are encouraged.

JBL offers both peer-reviewed and non-peer-reviewed articles. All peer-reviewed articles must meet the highest and most rigorous standards and are anonymously reviewed by at least two scholars in the field. Non-peer-reviewed materials can be essay, research-in-progress, pilot studies, or commentary on some topic relevant to the field of business leadership. All non-peer-reviewed materials will be reviewed by the Editorial Board for quality and appropriateness, but are not guaranteed publication.

Welcome to this issue of *The Journal of Business Leadership.*

Robyn Hulsart, Ed.D.
Contributing Editor

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MANAGING EMOTIONAL INTELLIGENCE IN THE HOSPITALITY INDUSTRY: A PROPOSAL TO USE VIGNETTES IN HOSPITALITY MANAGEMENT CURRICULUM

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INTRODUCTION

The hospitality industry requires that frontline employees, through senior management, have a high level of emotional intelligence that results in consistent customer satisfaction. Preparing future hospitality managers to navigate challenging and diverse situations in the workplace is a critical mission of hospitality management educators. Due to time and financial constraints in the hospitality management undergraduate curriculum, it is important to align and implement practical exercises within the current coursework that develop the emotional intelligence of the students. The current study proposes the use of the vignette technique to assist educators in developing key competencies with regards to hospitality management best practices along with practical experience that build fundamental emotional intellect required to deliver 'best in class' service.

LITERATURE REVIEW

Goleman (2000) (as cited by Benjamin, Gulliya, & Crispo, 2012) defines emotional intelligence as "the ability to manage ourselves and our relationships effectively and consists of four fundamental capabilities: self-awareness, self-management, social awareness, and social skills. Each capability, in turn, is composed of specific sets of competences" (p.78). Benjamin, Gulliya, and Crispo (2012) describe the four capabilities of emotional intelligence. Bay and McKeage (2006) further describe Mayer and Salovey's model of emotional intelligence as two branches. The first capability or branch is described as self-awareness or the ability for one to recognize and manage their own and others emotions. Self-assessment and self-confidence are further traits that describe one's strengths, weaknesses, and self-worth (Benjamin et al., 2012). Self-management or self-control is the ability for one to control their emotions. This can be displayed by showing initiative, being able to adapt to change, being conscientiousness, and displaying the internal drive for achievement (Benjamin et al., 2012). Bay and McKeage (2006) further describe this branch as thinking more creatively and utilizing problem solving skills.

Social awareness is the ability for one to sense emotions from those around them, and with those emotions to listen and show concern for their perspective. Within the firm, organizational awareness is another factor that involves building networks, meeting customer needs through service, and understanding the workings of the organizational culture (Benjamin et al., 2012). The final capability involved in emotional intelligence is social skill. When one possesses social skills they are able to lead and inspire others. This trait involves strong listening and feedback skills, conflict resolution, and the ability to build bonds and maintain healthy relationships. Essentially can one manage, not control, the emotions of others and oneself for internal personal growth (Bay & McKeage, 2006).

Bay and McKeage (2006), discuss the ability emotional intelligence can have on personal development as well as influencing quality relationship building with others. Along with leadership and intercultural communication skills, all of these attributes of a high emotional intelligence are important attributes to a successful leader in the workplace. Most industries require one to work with other people. People whom have emotions. There is pressure for higher education programs to not only focus on technical skill development, but to develop the "whole self." To teach students to be mindful of how they let their emotions affect themselves and others (Bay & McKeage, 2006).

Bay and McKeage (2006) bring up an interesting and important point, "As soon as emotions become recognized as an unavoidable aspect of the workplace and even as constituting a valuable resource for furthering organizational goals, it is a short step to the idea of the need for emotional intelligence" (p. 442). All too often emotions are ignored in the workplace, the focus is on productivity. Yet, many organizations are realizing that emotions play an influential and fundamental role in the success and performance of our employees (Saxena & Saxena, 2012). In any industry, employees must constantly be aware of how their emotions, and demeanor are being portrayed towards guests, co-workers, and management. It is the job of the employee to read another's emotion to better serve and create a positive experience.

In the hospitality workplace, teamwork, communication, and service are key attributes to a successful organization. "To achieve repeatedly successful results and to truly satisfy customers, it is crucial to look after the human side of the guest relationship" (Cavelzani, 2012). Emotions play a role in the ability of employees to work well with one another in order to provide the high level of service expected by employees (Cavelzani & Esposito, 2010). The theory of emotional intelligence requires one to be self-conscious about their emotions, to understand why they are exhibiting a particular emotion, and managing themselves to be able to focus on the job at hand (Cavelzani & Esposito, 2010). Self-motivating is another important skill, especially in jobs that typically are challenging and unmotivating. Front desk staff, housekeeping staff, and waitstaff are a few examples of these jobs that can benefit from self-motivation. Emotional intelligence can help employees to understand the value their job position plays to the success of the overall organization and customer satisfaction.

For example, in the context of casinos, "high-rollers" (that is guests that spend the majority of money and usually the guests that make the most money for the casino) expect high customer service. Employees often must have extensive emotional investment and management skills to meet the high demands of these influential guests (Prentice & King, 2013). These guests are winning and losing a substantial amount of money, which leads to a wide range of emotions that the casino host must be well trained to create a positive relationship, regardless of unfortunate circumstances.

As professionals in the hospitality industry it is our goal to create positive service experiences. Guests expect to experience positive interactions with employees and to have employees respond in a timely manner to their needs. Hospitality employees that have a greater understanding how to manage their own emotions and perceive others are more likely to create these positive interactions (Cavelzani & Esposito, 2010).

Importance of Emotional Intelligence in hospitality university classrooms

Educators need to be aware of the role emotions play in the education and overall development of their students in the classroom. Through key developmental years educators have an opportunity to address and educate students on effective emotional management. Saxena and Saxena (2012) discuss various moments within teaching students to address their emotions for different situations such as anxiety, depression, anger or fear. It is important for educators to teach students how to communicate why they are feeling these emotions. This provides an opportunity for the teacher and student to open up a dialog to search for support. First and foremost, the teacher must be emotionally intelligent in order to effectively model and teach emotional intelligence to students (Saxena & Saxena, 2012).

Another benefit of including emotional intelligence in education is the general increase in academic success and ability to navigate socially in the classroom. This is a benefit not only to the student but to the teacher as well (Ilkay & Omeroglu, 2007). Many stressful situations arise throughout the school year. Worry about passing an exam, stress about making friends, bullying, problems at home; situations such as these have a negative emotional effect on students. Emotions that can have a severe negative effect on their ability to focus on learning. The objective of emotional intelligence is not solely to teach children how to manage emotions so that they can focus on education. Managing emotions is a lifetime skill that can be a paramount benefit as these students move into the real world and must cope with everyday social situations (Ilkay & Omeroglu, 2007).

Along these lines, Fall, Kelly, MacDonald, Primm and Holmes (2013) address the multicultural nature of individual's present on a university campus. It is essential for today's students to be able to communicate with those from other cultures. Certain characteristics comprise intercultural communication (Fall et. al., 2013). For instance, cultures are fluid in nature, communication can be verbal and nonverbal, and makes the distinction that culture is not geography but rather an assimilation of beliefs and lifestyles. The researchers of this study imply that in order for students to become more competent in intercultural communication they must reduce their apprehension. The greater competence one has for intercultural communication the more willing and effective one is to communicate with those from other cultures (Fall et. al., 2013). With the growing diversity in our schools and work environments, teaching tolerance for other cultures through emotional intelligence is a becoming a necessity, rather than an option. Bay and McKeage (2006) describe how in today's working environment teamwork, networking, and leadership skills are becoming ever more important. Emotional intelligence is believed to be an effective means to predicting success in these important skill areas.

As discussed above, various levels of education can implement emotional intelligence into their curriculum. Emotional intelligence is a lifelong skill, which cannot be ignored. Universities have the potential to educate students at a very young age about the importance of respecting others and communicating their emotions. These skills can further be developed through developmental stages in education to aide in various skills needed to navigate a world full of never ending emotions.

Vignettes allow participants to react to a social situation or a short description of a person that focuses on the most important factors in a judgement-making process (Alexander & Becker, 1978). Alexander and Becker (1978) point out that only using surveys to collect data, respondents are asked to make judgments from abstract and limited information. Vignettes help to make the decision-making situation more real which is important when educating undergraduate hospitality management students related to emotional intelligence variables. "Vignette-based experimental designs offer a glimpse into how individuals' thoughts, feelings, behaviors, and decisions are affected by factors that may not be easily accessible in real-life situations because of confounding sources of variability that cannot be controlled" (Evans, Roberts, Keeley, Blossom, Amaro, Garcia & ... Reed, 2015). The purpose of this study is to understand the impact that emotional intelligence can have on the development of hospitality management students, and how effective the use of vignettes can be in that development.

Research questions:

1. What is the relationship between students' understanding of their own emotional intelligence and the use of vignettes as a learning tool?
2. Why is the use of vignettes in teaching emotional intelligence to hospitality management students effective?

METHODOLOGY

The current study will use vignettes to determine the level of emotional intelligence of hospitality management students enrolled in a sophomore level human resource management course. Four vignettes have been created from examples experienced by the researchers while working in the hospitality industry. The vignettes were created specifically to focus on the four capabilities of emotional intelligence; self-awareness, self-management, social awareness, and social skills (Appendix A).

Construct validity has been addressed by using vignettes developed by the researchers from their personal experiences in the hospitality industry. The questions were created by the researchers to test the level of emotional intelligence of hospitality management students. The questions reflect the decisions managers must make when faced with the examples as presented in the vignettes. The researchers experienced these situations as hospitality managers, and observed decisions made by other professionals in the industry. These vignettes resemble scenarios hospitality management students will encounter as managers, and may have already experienced while working in the industry (Evans, et al., 2015).

Internal validity will be addressed in this study through similar techniques used by Gould (1996) and Flaskerud (1979) who advocated that vignettes should be developed from real cases, submitted to a panel of experts for review, and a pre-test conducted to strengthen the vignette questions. A panel of hospitality management professionals including faculty of a four year hospitality management program were used for the panel to clarify ambiguous questions used in the vignettes. An initial pre-test will be conducted in the fall semester with approximately 25 students. In the spring semester, the same study will be conducted with approximately 25 students enrolled in a human resource course, in the same hospitality management program.

The researchers will distribute hard copies of the vignettes to the students and ask them to read, and then answer the questions at the end of the vignettes. The researchers will then deliver a one hour lecture focused on emotional intelligence in the hospitality industry, as part of the human resource curriculum within an undergraduate hospitality management program. After the one hour lecture, the researchers will again distribute hard copies of the vignettes to the students and ask them to read, and then answer the questions at the end of the vignettes (Appendix A). Comparisons of the students' responses from the first data collection and the second data collection will be used to answer the research questions as to whether or not vignettes are a useful method in instructing students in emotional intelligence.

DATA ANALYSIS

Five questions will be asked at the end of each vignette. The respondents will be asked to respond "yes", "no" or "I don't know". Two out of the five questions will be orientated to prompt a response that reflects a high level of emotional intelligence, and three of the questions will be oriented to prompt a low level of emotional intelligence. This similar technique was used by Finch (1987) to facilitate the statistical analysis and a meaningful interpretation of participants' responses.

The data collected will be analyzed through correlations to understand the students' level of emotional intelligence as it pertains to each of the four capabilities. Analysis will be conducted on individual responses as well as overall responses of all the students' to achieve a general understanding of emotional intelligence levels of all hospitality management students.

The researchers expect to find that the vignette technique is a useful tool to start the discussion with hospitality management students about their personal levels of emotional intelligence, and why it is important to understand as a manager in the industry. The researchers also expect that the findings will be beneficial to both hospitality educators and industry professionals in management training programs.

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APPENDIX A

Emotional Intelligence in the restaurant industry vignettes

Social Awareness

Sally is a server in a fine dining restaurant in a major city. She has over ten years of serving experience and is one of the restaurant's best servers. On a busy Friday night a group of eight people walked into the restaurant without reservations. The hostess seats the party in Sally's section because she knows Sally is able to handle the large group even with an already full section. Sally greets the table and is able to immediately tell that the table is going to require a lot of extra attention. Sally passes by you, the manager, and makes a comment about how the party is going to need extra attention and she needs your help.

Questions:

1. Do you ask Sally how you can help her with her table? (high level)
2. Do you tell another server to help Sally because it is not your job to serve guests? (low level)
3. Do you feel Sally should be able to handle all of her tables herself without your assistance? (low level)
4. Do you ignore Sally's comment all together and go about what you were doing? (low level)
5. While serving your own tables do you help Sally out by refilling waters and clearing dirty dishes when walking past the large party? (high level)

Self management

You are a new assistant manager in a national chain hotel. In your hotel, you are one of two assistant managers who are supervised by a General Manager. You were told when you accepted your position your work schedule would consist of five work days, and two consecutive days off. After working three weeks, you receive a phone call from your General Manager on your first day off of two days that week, while hosting your child's birthday party at your house. He states that the other assistant manager, who was to be working that day, just called and quit. The GM tells you you have to go in and cover his shift or you will be fired. You decide you better go into work to save your job.

Questions:

1. Do you go happily go into work and jump right in to help the staff? (high level)
2. Do you enter the hotel angry and go straight to your office, shut the door and do not speak to anyone? (low level)
3. Do you turn in your 2 weeks notice? (low level)
4. Do you fake a smile and complain every chance you get to the staff and the customers? (low level)

5. Do you go into work and start reviewing applications to find a replacement for the assistant manager that just quit? (high level)

Self Awareness
You are a manager in popular restaurant in a large city. There is buzz all over the city that major celebrities are coming into town to film a new movie. You receive a phone call from one of the event planners responsible for the film. A group of the celebrities from the film want to eat in your restaurant in 2 hours. It is a busy Saturday night, but you are still able to find a table to accommodate the party. You do not know exactly which celebrities from the film will be coming into the restaurant, but whoever comes in will definitely cause some excitement with the other customers, and the staff. You are excited and nervous about the party coming in on your shift, and all of the other managers have gone home for the evening.

Questions:
1. Do you get so excited you start texting all of your friends and family? (low level)
2. Do you loudly go around telling all of the staff and customers about the exciting news? (low level)
3. Do you keep the excitement to yourself and just tell the staff to prepare for a large group that just called in a reservation, and do not mention the celebrities until right before they are expected to arrive? (high level)
4. Do you confide in the host/hostess about the large group of celebrities to ensure the guests are greeted properly? (high level)
5. Do you go into the kitchen and yell to the Chef "Celebrities are coming. Be ready!" (low level)

Social Skills
It is your first week as a casino host in a popular Las Vegas casino. Your supervisor assigns you to a regular guest ("high-roller") who will be arriving that evening. You are excited to get started in your new job and want to make a great first impression on your client, and with your boss.
Your client arrives and he immediately demands his favorite drink to be brought to him at his lucky poker table. You ask what is his favorite drink and he blows up "I spend thousands of dollars here! Why don't you know my favorite drink?" How do you respond?

Questions:
1. Do you apologize and make excuses that it is your first day and no one told you? (low level)
2. Do you cry and run away? (low level)
3. Do you apologize and tell him you will be right there with his drink. Then go into his players club account and find out his favorite drink and order it right away? (high level)

4. Do you apologize and joke that you were just double checking to make sure it was the same as last time, then go into his players club account and find out his favorite drink? (high level)
5. Do you yell back “How am I supposed to know?” (low level)

HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES IN SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) PREDICTING THE USE OF FORMAL HRM PRACTICES IN SMES: OWNER & FIRM CHARACTERISTICS

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ABSTRACT

There have been suggestions that using formal HRM practices can positively shape SME performance at a time when SME survival continues to be an issue of concern. However, limited research has explored the factors that predict the use of such practices in SMEs. This study postulates an exploratory framework that includes specific owner and firm characteristics that can shape the use of HRM in SMEs.

A final sample of 132 SMEs in the Caribbean nation of Trinidad was used to test this framework. Structural Equation Modelling provide some support for the suggested framework. Implications, limitations and future research are discussed.

INTRODUCTION

A booming SME sector is one of the most significant characteristics of a growing, developed economy today. The precise definition of what are SMEs varies within regions and across countries. SMEs are however typically defined based on annual sales, annual assets and/or numbers of persons employed by the firms. Globally, SMEs constitute about 99% of business numbers and 40% to 50% of Gross Domestic Product (European Commission, 2003; Xinhua, 2009). SMEs also contribute significantly to social benefits, for example, by creating employment, boosting the spending power and development of the community within which they are based and by developing and expanding supply chain relationships (Blackman, 2003). Unfortunately, despite the importance, as well as, the potential of SMEs, the underperformance and poor survival rate of such enterprises continues to be problematic (OECD, 2006). The survival rate for most SMEs illustrates a considerably lower rate when compared to larger firms (OECD, 2006), with the tendency for higher mortality rates especially within the first few years of operation.

Arthur (1995) recognizes that for smaller firms to perform and survive, a more formal/structured approach to HRM is necessary. HRM can be defined as an umbrella concept that encompasses an attempt to attract, motivate, and retain employees in order to ensure the effective functioning, performance and survival of the organization and its members (Purcell & Boxall, 2008; Schuler & Jackson, 1999) through formal practices such as recruitment and selection, training and development, performance management and compensation (Huselid, 1995). Chandler and McEvoy (2000) stress that there are SMEs which have seen improvements in performance as a result of incorporating HR practices into their operation in a more focused, central way, thereby providing support for the argument that a more formal role for HRM in SMEs is important to performance and the competitive advantages of such entities.. A number of studies have shown, or rather, have confirmed this contribution of HRM. For instance, a study of small firms in the United States (U.S) illustrates that those firms which emphasized HRM practices and policies as a matter of importance, were able to experience a higher level of firm performance when compared against firms that employed, or rather relied on HRM to a lesser extent (Hayton, 2003) and in an informal manner. Arthur (1994) in a study of small and medium-sized steel mills, also found that those companies which emphasized HRM, experienced higher productivity, competitive advantages, lower turnover rates and consequently, a greater probability of viability and survival. Further, from investigations into Belgium SMEs, Sels et al. (2006) provide evidence as to how HRM affects performance, in this instance, corporate financial results. One of their key findings was that structured HRM practices improve SME liquidity and performance over time.

Even with this emerging body of research, the fact remains that many SMEs still maintain an ad-hoc, unstructured and informal approach to HRM and its practices, which can work for new start-ups but which can also stifle the growth and longevity of such entities over time (Benmore & Palmer, 1996; Heneman & Berkeley, 1999; Hornsby & Kuratko, 1990; Kotey & Slade, 2005; Marlow, 2000; Marlow & Patton, 1993; Nguyen & Bryant, 2004; McEvoy, 1984; Savery & Mazzarol, 2001; Ram, 1999). In this context, it becomes important to explore the context within which SMEs actually use formal HRM practices to impact their performance and longevity. The predictors of HRM- use in SMEs may very well be important indirect determinants of the survival and growth of SMEs over time. Limited studies have explored such predictor variables with emerging research focusing more on performance and other outcome variables. Given the positive outcomes associated with the use of formal HRM practices, however, it becomes important to understand the predictors of HRM in SMEs. This research gap is addressed in my study.

More specifically, I propose that owner and firm characteristics can predict the extent to which SMEs use formal HRM practices since it has been suggested that the characteristics of the owners of SMEs and of the SMEs itself can bear upon the choice of management practices by such entities (Cooper, 1998). The following owner and firm characteristics are expected to predict HRM-use in this study: owner gender, business experience and owner age; firm life cycle stage, firm-size, and firm-type. This study therefore seeks to address two (2) broad research aims:

1) To determine the extent to which owner characteristics predict SME use of formal HRM practices.
2) To determine the extent to which firm characteristics predict SME use of formal HRM practices.

In addressing these aims, a deeper understanding of SME performance can be achieved. As important drivers of economic and social development in many countries, understanding the factors that impact SME performance and survival through HRM is crucial.

To achieve these research aims, I first synthesize the literature on HRM-use in SMEs. This synthesis is then used with literature on owner and firm characteristics to postulate related hypotheses. These hypotheses are tested using Structural Equation Models on a sample of SMEs in the developing Caribbean nation of Trinidad. The findings of the study are then presented and the implications for research and practice are discussed. This study provides a strong empirical basis for an often ignored research area in the management of SMEs. In this way, the study contributes to the research and practice of HRM in SMEs.

LITERATURE REVIEW

HRM-use in SMEs

Employee management is synonymous with HRM. HRM can be defined as an umbrella concept that encompasses an attempt to attract, motivate, and retain employees in order to ensure the effective functioning, performance and survival of the organization and its members (Purcell & Boxall, 2008; Schuler & Jackson, 1999) through formal practices such as recruitment and selection, training and development, performance management and compensation (Huselid, 1995).

In SMEs there has been a traditional emphasis on functional areas such as finance, accounting and marketing associated with measurable performance outcomes (McEvoy, 1984). HRM as a functional area has been underplayed in SMEs with an ad-hoc, unstructured and informal approach to hiring, training, performance management and compensation (Umer, 2012). SMEs that take such an approach over time however have suffered from performance problems, stagnated or no growth and lower survival rates (Heneman, Tansky & Camp, 2000; Rutherford, Buller & McMullen, 2003; Tocher & Rutherford, 2009). It is noted that for new start-ups with resource constraints and loose organizational structures, an informal approach to HRM can provide SMEs with the needed flexibility to strategically choose more or less HR practices that could best utilize their limited resources in order to achieve maximum performance outcomes (Kerr & McDougall, 1999; King, Solomon & Fernald, 2001; McCann, Leon-Guerrero & Haley, 2001). However, research has shown that SMEs have seen improvements in performance as a result of incorporating formal HRM practices into their operation in a more focused, central way to enable growth (Cassell et al., 2002). In fact, an emerging body of research (Cassell et al., 2002; Chaudhary & Singh, 2014; Hayton, 2003; Obasan, 2012; Sels et al., 2006; Sharharin, 2012; Umer, 2012) has shown positive support for SMEs to use formal HRM practices as drivers of performance.

Predictors of HRM-use in SMEs

While research has suggested some positive relationship between the use of formal HRM practices in SMEs and performance, little is known about the predictors of formal HRM-use in SMEs beyond the availability of financial resources to do so (Tocher & Rutherford, 2009; Sharharin, 2012). It has been long suggested however, that apart from financial capability, the characteristics of the owners of SMEs and of the firms can bear upon the choice of management practices by such entities (Cooper, 1998). As such, it appears logical that such characteristics should also predict formal HRM-use in SMEs. This logic underlies my research study.

Importantly, Urbano and Yordanova (2007) in a study of tourism SMEs in Spain, suggest that the characteristics of the person responsible for HRM, which in the case of SMEs are likely to be the owner/entrepreneur (Tocher & Rutherford, 2009; Mazzarol, 2003; Matlay, 1999) shape formal HRM in SMEs. Tocher and Rutherford (2009) suggest that the characteristics of the firms can also influence formal HRM practice. This dual level of analysis- owner/manager and firm- is therefore seen as more relevant and comprehensive (Urbano & Yordanova, 2007) in predicting HRM in SMEs.

Owner Characteristics

Drawing from the work of Tocher and Rutherford (2009), owner characteristics such as owner-gender, business experience and owner-age are expected to relate to formal HRM-use given that such factors shape decision-making and management approaches. These characteristics will now be assessed using supporting literature.

Gender

Male SME business owners in comparison are known to emphasize management practices such as finance, marketing and accounting into their business plans that are associated with more measureable, quantitative outcomes (Brush, 1992). The very nature of men as egoistic, assertive and less concerned with nurturing and relationship-building (Daft, 2012) makes male entrepreneurs less inclined to prioritize formal practices aimed at enhancing employment relationships.

Brush (1992) notes that women leaders/SME business owners in comparison emphasize relationships in their management practices. The very nature of women as nurturing and caring makes female entrepreneurs more inclined to incorporate employment relationships and associated HRM practices in a structured way into their business plans (Daft, 2012). Formal HRM practices is synonymous with employee relationships. Therefore, if female-managed/owned businesses are said to focus on relationships, it is logical that their business practices would be structured accordingly. Studies (Kim, 2002; Verheul, Risseuw & Bartelse, 2002) have argued that this style employed largely by female entrepreneurs are associated with positive levels of employee satisfaction and performance outcomes. Given the logic outlined, the following hypotheses are postulated:

H1: There is a significant relationship between the gender of SME owners/managers and formal HRM-use, such that females are more likely to use formal HRM practices.

Business Experience & Age

According to Timmons (2001), corporate or business experience on the part of the owner/top manager of SMEs is instrumental to the use and success of various practices in entrepreneurial ventures. This can be explained by the fact that entrepreneurs with prior experience in related industries tend to be more successful through the accumulation of social competences or business social skills (Steiner & Solem, 1988). Social competence is accumulated over time with experience (Baron & Markman, 2003) and hence should be stronger with the age of the entrepreneur. Accumulated social competence or business social skills should better prepare entrepreneurs to deal with their human resources and to recognize the importance of organized HR practices to firm survival (Tocher & Rutherford, 2009). Logically, older entrepreneurs with a higher level of prior related experience are presumed to have a greater ability to attract, develop, motivate and retain people resources in a structured way in recognition of the crucial significance of people management (Steiner & Solem, 1988; Baron & Markman, 2003; Tocher & Rutherford, 2009). Both the experience and the age of the owner are undoubtedly related (Taylor, 1975; Hitt & Tyler, 1991). Vermeulen and Curseu (2008) recognize age as a proxy often used to measure experience. In combination, both age and business experience can have a stronger impact upon the development of essential business skills to recognize the importance of and use formal HRM practices to enhance performance and stimulate business growth. Based upon these arguments, the following hypotheses are proposed:

H2: There is a positive relationship between the business experience of SME owners/managers and formal HRM-use.

H3: There is a positive relationship between the age of SME owners/managers and formal HRM-use.

Firm Characteristics

Drawing from the work of Tocher and Rutherford (2009), firm characteristics such as life cycle stage and firm-size are expected to relate significantly with how HRM practices are used within SMEs to influence firm performance. Firm-type is also proposed to influence HRM-use in this study. Koty and Folker (2007) asserts that SMEs can be of different types (family-owned/managed or non-family owned/managed), hence this distinction is explored in my study. These characteristics will now be assessed using supporting literature.

Life-cycle Stage

Churchill and Lewis (1983) developed the concept of the stages of development or the life cycle of SMEs. They go on to distinguish between the start-up stage and the growth to maturity stages, prior to decline/death, while recognizing that new enterprises encounter diverse issues and decisions as they progress through their life cycle (Rutherford, Buller & McMullen, 2003). Therefore, they distinguish between the early stages and the later stages of development that firms typically go through, where the start-up stages is synonymous with the early stages and the growth/maturity stage is associated with the later stages of development for firms that survive. With regards to the role of HRM over the life cycle of SMEs, however, it appears that very little theory exists (Buller & Napier, 1993). Here, the work of Hornsby and Kuratko (1990) is exceptional to the extent that it specifically examines HRM in relation to the life of the firm. They argue that HRM appears to not only be related to the firm's stages of development, but also seem to be aligned to their differing business needs and issues over the various phases.

As organizations grow they tend to place more importance on areas and activities capable of sustaining or even improving their business position than organizations in an earlier phase of development (Rutherford, Buller & McMullen, 2003). For instance, in the start-up or formation stage, HRM and its related practices tend to be informal and narrow in scope. Comparatively, in the growth stages, people management decisions become more structured, broad in range, and more essential to firm performance. This growth in the relative importance of HRM over time appears positively correlated to the growth of the entity, the demand for new employees, the need for the growth and retention of employees to meet business demands and the struggle to not only gain, but to retain and build competitive advantages over time where appropriate (Terpstra & Olson, 1993; Kazanjian, 1988; Huang & Brown, 1999). Therefore, SMEs are more likely to use formal HRM practices in the later stages of development rather than in the earlier stages. On this basis, the following hypothesis is proposed:

H4: SMEs are more likely to use formal HRM practices in the later stages of the firm life cycle.

Firm-size

In studies looking at aspects of the HR function consistent with the overall approach of SMEs to HRM (Huang, 2001; Reid & Harris, 2002), it has been found that as SMEs get larger within its specified size definition, the limits of informality are stretched (Roberts, Sawbridge & Bamber, 1992). In fact, Jennings and Beaver (1997) find that as firms grow beyond 20 or more employees, the family-owner tends to get overstretched and needs to delegate responsibility to more professional management, more like the non-family SME. Kotey and Slade (2005) also report that if the attitude of managers towards employee training is to be seen as an indicator of the firm's overall HRM direction, as SMEs grow, HRM functions are not only increasingly delegated to specialists, but there is a tendency for these functions to become more formal, structured and oriented towards developing employees for positions within the growing entity (Westhead & Storey, 1996). Such formality, structure and orientation increases as SMEs grow towards the upper size limit. As such, the relative importance attached to the HRM function tends to grow as these enterprises grow in size. On the basis of the above arguments, the following hypothesis is postulated:

H5: There is a significant, positive relationship between SME growth and formal HRM-use.

Firm-type

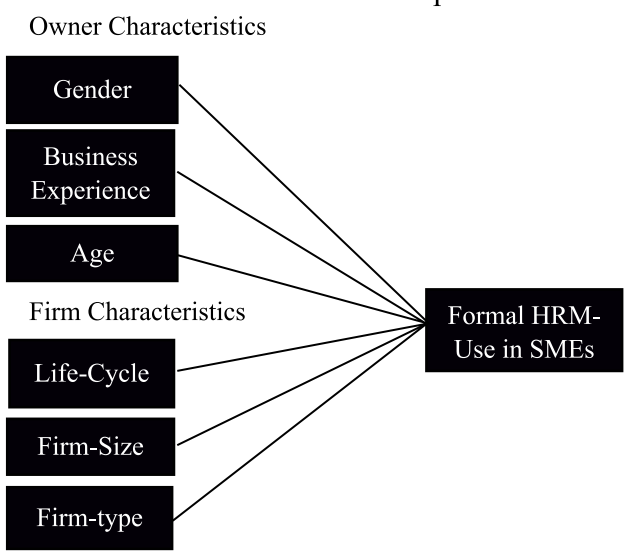
Koty and Folker (2007) distinguish between two main firm-types; family and non-family owned and managed. The characteristics and features typically used in distinguishing non-family from family-managed enterprises include: the influence of the family in decision-making processes (Sharma, Chrisman & Chua, 1997), family members who constitute the employee base (Koty & Folker, 2007), the extent to which the family members control business ownership (Litz, 1995) and the intention of transferring the business from generation to generation (Stewart, 2003). Loan-Clarke et al. (1999) provide evidence suggesting that non-family entities appear more likely than family-managed ones to provide employees with formal training and skills development and generally acknowledge the relevance of related people management practices in a structured way. In fact, Loan-Clarke et al. (1999) also argue that non-owner managers tend to show a greater degree of genuine interest in the development of their employees managerial competence, emphasizing work experience, university training (Fiegener et al., 1996) and ongoing management development. Consequently, this firm-type tends to give HRM due consideration comparative to family firms.

In family-managed enterprises, Reid and Adams (2001) argue that a negative relationship tends to exist between the number of family members who work in a firm and the use of formal HRM practices. In fact, Schulze, Lubatkin and Dino (2003) pinpoint "altruism" and issues related to nepotism as instrumental conditions which adversely impact upon objective people management techniques. For instance, recruitment may be restricted to the extent that family members are chosen over non-family members regardless of the suitability of the candidate to fill specific job roles and rewards may less likely be given solely on the basis of performance (De Kok, Uhlaner & Thurik, 2006). It is also important to draw attention to the point that family-owned enterprises tend to be characterized by a paternalistic culture (Dyer, 1986). The accommodating patriarchal culture and structure of the family-managed firms often becomes complex since responsibilities and authority are usually poorly defined and HRM practice largely unstructured. Given the arguments outlined above, the following hypothesis is proposed:

H6: There is a significant relationship between firm-type and formal HRM-use, such that, non-family-owned/managed SMEs are more likely to use formal HRM practices.

The six hypotheses (H1-H6) outlined above constitute the research model I propose in this study. This model is illustrated in Figure I below.

Figure I
Proposed Research Model



The model is tested on a sample of SMEs from the Caribbean nation of Trinidad and the methodology is now described.

METHODOLOGY

Design, Procedure & Sample

A cross-sectional research design was used to execute this study and to test the research hypotheses. A survey questionnaire was constructed using validated scales for each of the research variables and the variables were assessed at one point in time. The variables were tested on a sample of SME s drawn from the Caribbean nation of Trinidad. In fairly recent times, there has been an upsurge in entrepreneurial activities within this developing country. In fact, in Trinidad SMEs have flourished in the last decade numbering 18,000 by the end of 2010 and employing around 200,000 persons, thus contributing to nearly 28% of the country's GDP (Dookeran, 2012).

From a population of 4647 SMEs in the country, where small enterprises are defined as entities with approximately 6-25 employees, an asset base of TT$250,000- TT$1,500,000 (excluding real estate) and sales of between TT$250,000- TT$5,000,000; and medium-sized enterprises are classified as firms with 26-50 employees, an asset base between the range of TT$1,500,000- TT$5,000,000 and sales of TT$5,000,000- TT$10,000,000, a final sample of 132 SMEs were obtained for use in this study. This final sample came from established SMEs in the North-Western part of the island known for its entrepreneurial history. Out of 1050 SMEs in this area, a simple random sample of 525 were drawn from the listing provided by the country's Central Statistical Office (CSO). Of these, contact was successfully made with 239 firms. The other 286 enterprises were unreachable from the contact information obtained from the CSO. 175 out of the 239 contacted firms agreed to participate in the study and appointments were made to drop-off and collect completed questionnaires. Over a 7-week period, questionnaires were hand-delivered to 155 owners/top managers at their respective firm locations across the North-Western Corridor and were later collected with the help of 3 research assistants. The remaining 20 entities agreed to participate and return the completed questionnaires via e-mail. Complete data was obtained from 132 of the 147 collected questionnaires, that is, all questions were answered as instructed on 132 questionnaires. 28 of the initial 175 owners/top managers who initially agreed to participate in the study did not return the questionnaire at the scheduled time and subsequent attempts to collect them at four later appointments proved futile. This entire process yielded a final sample of 132 SMEs with an overall response rate of 12.5%.

The demographic make-up of the final sample was 72% male owners/top managers and 28% female with an average age of between 41-50 years. On average, owners had either an Associate or an Undergraduate Degree, had at least 2-5 years business experience and were operating primarily in the retail/wholesale industry. The age of the SMEs ranged from 5 to 50 years with the average length of existence being 20 years. Finally, 40% of the SMEs were family-owned while 60 % were not family-owned.

Measures

Validated scales were used to assess the dependent variables (formal HRM-use) and modified scales were used to assess the independent variables (owner and firm characteristics) used in this study. A confirmatory factor analysis was performed on the dependent variable scales, which were each shown to represent one factor accounting for an acceptable extracted variance (> 50%). The HRM practices were then averaged to create a new variable; HRM-Use Index, which was used to assess the formal use of HRM practices by the SMEs surveyed. The results of the factor analysis are summarized in Table I.

Table I

Confirmatory Factor Analysis on Scales
Variance Extracted by Scales used to assess Dependent Variables

VARIABLE	EXTRACTED VARIANCE (%)
Recruitment & Selection	65
Training & Development	81
Performance Management	85
Compensation	77
*Formal HRM-Use Index	Variables /4

The independent variable scales were tested for face validity. All scales were also internally reliable using the Cronbach's alpha value as a measure of internal consistency (Hair et al., 2006). The measures used are described in further detail below.

Formal HRM-Use

To measure formal HRM-use, sub-scales were used to assess SMEs use of formal HRM practices, namely recruitment and selection, training and development, performance management and compensation. SME owners/managers were ask to think about and rate their use of various HRM practices on 4-point Likert scales ranging from 1=Never Used to 4 = Always Used. A similar approach was used by Deshpande and Golhar (1994).

More specifically, to measure recruitment and selection, an 8-item scale was used. For example, "I used newspapers ads to recruit the employee"; "I used online ads to recruit the employee"; "In selecting that hire, I used a panel interview to select the employee"; and "In selecting that hire, I used Job Tryouts/Probation for a new hire".

To measure training and development, a 4-item scale was used. For example, "There are formal training plans to teach employees the skills needed to effectively perform their job.";" Training is provided to all employees on a recurring basis"; "Training plans are evaluated, monitored and amended for our employees and "Formal training programs are offered to employees in order to provide upward mobility" extended (To all employees, Just to key employees, Just to new employees, and None).

To measure performance management, a 4-item scale was used. For example, "Employees are appraised based on their work performance in our organization"; "Performance appraisals are based on an individual's quantifiable results" and "Employees in this organization receive a written performance appraisal (At least once a year)".

To measure compensation practices, a 3-item scale was used. For example, "Pay increases are aligned to job performance" extended (To all employees, Just to key employees, Just to new employees, and None); "Incentive schemes are aligned to job performance" extended (To all employees, Just to key employees, Just to new employees, and None); and "Job Evaluations are used to determine compensation/wages".

An HRM-use Index was then created by summing and averaging the sub-scales following an approach similar to Deshpande and Golhar (1994) and Sharharin (2012). This Index was used to assess formal HRM-use.

Gender, Business Experience & Age

Gender was measured as a dummy variable. As such, in terms of level of measurement, nominal data was produced. This variable was measured as follows: If the owner/top manager is male = 1, if the owner/top manager is female =2. The age of the owner or top manager was measured in terms of number of years using the following ranges; 18-30, 31-40, 41-50, 51-59 and 60 & over. Hitt and Tyler (1991) uses a similar approach to measuring these constructs. The business experience of the owner/top manager was measured via the following extended question: "Do you have previous related experience in your present field of business; none, 0-1, 2-5, 6-10 or more than 10 years. These measurements primarily produce ratio data which represents the most precise level of measurement.

Life-Cycle Stage, Firm-size & Firm-type

Life-cycle stage was measured using items modified from Hornsby and Kuratko (1990) and Rutherford, Buller and McMullen (2003) where firms were distinguished based on stages of development (earlier stages versus later stages). Firm-size was measured using number of persons employed by each firm. This number was compared against the Central Statistical

Office's definition of businesses by firm-size, based on number of employees. Sales and asset data was not used to measure firm-size because of the refusal of respondents to divulge such confidential information. Firm-type was measured as a dummy variable as follows: 1= No, the firm is not family-owned/managed; 2= Yes, the firm is family -owned/managed. This nominal data was validated by prompting participants to indicate why they considered their firm to be non-family or family in relation to various conditions. The following conditions were used: family members make decisions related to the business, family members are employed within the firm, family members altogether own more than 50% of the business, and your business was inherited from your family. This approach to validating firm-type is similar to the method used by Kotey and Folker (2007).

Analysis Approach

In order to test the hypotheses in the model, I utilized Structural Equation Modeling (SEM) in the Statistical Package for Social Sciences (SPSS). SEM seeks to ensure that the theorized research model and the sample data fit with each other through a series of iterations. In SPSS, I drew links or paths in between the dependent and independent variables as hypothesized in H1-H6 to test the research model.

I assessed model fit using various fit indices and statistics as outlined by Hair et al (2006) where greater fit indicates greater support for the proposed relationships, while a lack of fit indicates the absence of significant relationships. Fit was deemed acceptable when the Goodness of Fit Index (GFI) and the Adjusted Goodness of Fit Index (AGFI) were > 0.9, the Normed Fit Index (NFI) > 0.95, the Root Mean Squared Error of Approximation (RMSEA) < 0.05) and the Chi- Square/degrees of freedom ratio was < 3. The R-Squared value was also examined which indicate the amount of variance explained in the dependent variables by the significant independent variable, where a higher value was more acceptable. I then examined the parameter estimates of the relationships to test my research hypotheses for significance. The strength and direction of the proposed relationships were assessed by looking at the size and the signs of the standardized beta coefficients, with larger, positive coefficients indicating stronger, positive relationships and vice-versa (Hair et al., 2006). P-values <0.05 in this instance, indicated significant beta coefficients and vice-versa (Hair et al., 2006).

RESULTS

Table II displays the means, standard deviations, and inter-correlations between the main research variables in my study. The means and standard deviations indicate that the vast majority of the SMEs employed formal HRM practices (mean=3.6), the average respondent was male (sample mean= 1.27), had some degree of prior related experience (sample mean= 2.3; 2-5 years), between 41-50 years of age (sample mean= 3.16), their business appeared to be predominantly in the later stages of development (sample mean= 2.34), small in size (sample mean=4.89) and non-family-owned and managed (sample mean= 1.42). The correlation results indicate that gender was significantly correlated with formal HRM-use (r= 0.3), business experience and owner age were not correlated with HRM-use (r= -0.03 *ns* and r= -0.15 *ns*), life-cycle stage and firm-size correlated with HRM-use (r= 0.27, r= 0.35), and firm-type (r= 0.03 *ns*) did not correlate significantly with the use of formal HRM practices.

Table II
Means, Standard Deviations & Inter-Correlations

Independent Variables	HRM (Inter-Correlations)
1. Gender	0.3*
2. Bus. Experience	-0.03
3. Owner-Age	-0.15
4. Life-Cycle Stage	0.27*
5. Firm-Size	0.35*
6. Firm-Type	0.03

VARIABLES	Mean	Std. Deviation
Gender	1.27	.92155
Bus. Experience	2.30	.22692
Owner-Age	3.16	.42089
Life-Cycle Stage	2.34	.97030
Firm-Size	4.89	.54605
Firm-Type	1.42	.968887
Formal HRM-Use	3.60	.765544

These bivariate results illustrated in Table II above provide tentative support for some of the research hypotheses, which I further investigate below using multivariate analysis.

Based on the SEM, acceptable fit was achieved between some aspects of the sample data and the research model. All of the fit indices were acceptable. The GFI which represents an attempt to produce a fit statistics less sensitive to sample size was quite high at 0.985 confirming the fit and validity of the model (GFI values of greater than 0.9 is typically considered as quite good). The AGFI, which is an adjustment to the GFI to take into account differing degrees of model complexity (Hair et al., 2006) was also quite high at 0.943 and above the threshold value of 0.90, furthering supporting the fit of the model to the sample. The NFI which is one of the main incremental fit indices was also extremely high at 0.971 when compared against a value of 1 for perfect fit. Finally, the chi-sq. to DF ratio (5.044/4) was 1.25 (with ratios <3 considered as valid) and the R-Square value was quite high at 0.62.

With model fit achieved, an examination of the parameter estimates which tested the research hypotheses revealed some interesting results. More specifically, Hypothesis 1 which proposed a significant relationship between the gender of SME owners/managers (being female) and formal HRM-use was supported in the hypothesized direction (β= 0.143, p=0.010). Hypotheses 2 and 3 were not supported in the SEM model that there were significant, positive relationships between business experience and formal HRM-use and between owner's age and the use of formal HRM practices in SMEs (β= 0.01 *ns*; β= 0.08 *ns*). Hypotheses 4 and 5 were both supported by the sample data in the SEM model (β= 0.156, p=0.007; β= 0.403, p=0.000), that SMEs were more likely to use formal HRM practices when they are in later in the life-cycle stage and larger in size. Finally, Hypothesis 6 was not supported in the SEM model that a significant relationship exists between firm-type and HRM-use (β= 0.08 *ns*). These results are summarized in Table III.

Table III

Research Results

Hypotheses	β Values	P Values	Results

H1	0.143	0.010	H1 Supported
H2	0.01	*ns*	H2 Not Supported
H3	0.08	*ns*	H3 Not Supported
H4	0.156	0.007	H4 Supported
H5	0.403	0.000	H5 Supported
H6	0.08	*ns*	H6 Not Supported

The research results are discussed below as well as the implications, limitations and future research directions of this study.

DISCUSSION

The overriding goals of this study were to determine the extent to which owner characteristics (gender, business experience, age) and firm characteristics (life-cycle stage, firm-size, firm-type) predict the use of formal HRM practices in SMEs. To address these goals, a deeper understanding of SME performance through HRM practices was achieved by looking at possible predictors of HRM-use.

In this study, support was found for gender, life-cycle stage and firm-size as predictors of formal HRM-use in SMEs (H1, H4 and H5 respectively). No support was found for business experience, age or firm-type as antecedents of owners and firms using formal HRM practices (H2, H3 and H6). These findings fit partially with the suggestions of Tocher and Rutherford (2009) that some owner and firm characteristics can shape the way SMEs use formal HRM practices or not. The findings are explored below in more detail.

As expected female SME owners were more likely to use formal HRM practices in the management of employment relationship, and hence gender was significantly related to HRM-use (H1). While Rosa et al. (1994) recognize that the issue of gender is complex in relation to issues such as co-ownership between males and females and the subsequent approach adopted towards HRM, in this study such an issue did not arise. In fact, an attempt was made to ensure that for firms where males predominantly constituted the majority-owner, a male was solicited for the study and vice-versa for women-majority owners. Brush (1992) notes that women leaders/owners emphasize relationships in their business practices, rather than hierarchy. Therefore, if female-managed/owned businesses are said to focus upon relationships, it is logical that their business practices in including HRM would be structured accordingly as found in this study. The question may be asked why then do women still constitute the minority group in terms of SME ownership in many countries when compared against male owners (Verheul, Risseuw & Bartelse, 2002). It is well-documented that compared to males, women entrepreneurs face more constraints in sourcing business finance which is often cited as a major impediment to the establishment of women-businesses (Carter & Cannon, 1992; Goffee & Scase, 1983; Hisrich & Brush, 1985). Therefore, it may be the case that if women owners/managers were financially able to establish their businesses, the potential for exceptional growth and performance results may be phenomenal because of their tendency to recognize the importance of formal HRM practices.

The business experience and age of the SME owners, however, did not significantly relate to formal HRM-use as hypothesized (H2 & H3). These were surprising outcomes because of the perception that such owner characteristics should impact significantly upon the decision-making process of owners/top managers, and consequently on their use of HRM practices as well (Baron & Markman, 2003; Heneman, Tansky & Camp, 2000; Hitt & Tyler, 1991; Steiner & Solem, 1988; Taylor, 1975; Timmons, 2001;Vermeulen & Curseu, 2008). Owners who were both experienced and older apparently did not necessarily predict the use of formal HRM practices. Therefore, while owner- experience and owner- age may be predictors of business behavior and business decisions, factors beyond experience and age demographics can interact to influence the approach taken towards HRM to a significant extent. Assessing owner- experience and age in combination with other mediating, moderating, or control variables may be necessary to delineate the true impact, if any, of these independent variables on the use of formal HRM practices.

In relation to firm characteristics, life-cycle stage was found to be significantly linked to the dependent variable (H4) as hypothesized. This finding supports the suggestion of Rutherford, Buller and McMullen (2003) that SMEs later in their stage of development are more likely to use formal HRM practices. SMEs in the earlier stages of development typically have competing priorities and a constrained resource capacity. They struggle to establish their businesses, survive and eventually grow in the earlier phases of their life (Jawahar & McLaughlin, 2001; Kahneman & Tversky, 1979). The trend for SMEs has been to prioritize other functional areas such as finance and sales and marketing over HRM as they seek to establish themselves in the competitive marketplace during the early phases of the firm life-cycle (McEvoy, 1984). Therefore, SMEs are more likely to use formal HRM practices when they have established their business and are capable of doing so from a resource perspective. SMEs can therefore fuel and facilitate further growth and stability through the HRM function over time.

Firm-size was also found in this study to relate significantly to formal HRM-use in SMEs (H5) as hypothesized. This finding is in line with studies which looked at aspects of the HR function consistent with the overall approach of SMEs (Huang, 2001; Reid & Harris, 2002). Such studies supported the idea that as SMEs get larger within its specified size definition, the limits of informality associated (Roberts, Sawbridge & Bamber, 1992) with HR business practices become stretched). As firms grow beyond 20 or more employees (recall, 6-50 employee base defines SMEs in the Trinidad sample), SME owners get overstretched and delegate responsibility to more professional management (Jennings & Beaver, 1997). Therefore, at the smaller end of the SME- size scale, the owner/manager can more directly control decision-making regarding HRM in comparison to SMEs at the larger end of the SME-size scale. As responsibility is delegated to professional management with larger SMEs, the probability for more formal structured HRM practices to be used increases. The HRM function becomes more formal, structured and oriented towards developing employees for positions within the growing entity (Kotey & Slade, 2005; Westhead & Storey, 1996).

Finally, firm-type (family-owned/managed versus non-family) was not significantly related to formal HRM-use in this study (H6). This finding is contrary to the suggestions of Jennings and Beaver (1997), Kotey and Slade (2005) Loan-Clarke et al., (1999), Reid and Adams (2001), Roberts, Sawbridge and Bamber (1992), and Westhead and Storey (1996) that firm-type may be linked to the use of formal HRM practices within SMEs. However, Smith (2008) suggests that the differences between family-managed and non- family firms may be less significant than indicated by many earlier studies and as found in this study. Consequently, the theoretical rationale for differences between family and non-family firms in relation to formal business practices and HRM appears flawed (Smith, 2008). To increase the validity of research and literature on family and non-family firms and to delineate the existence or lack thereof of significant linkages to HRM within SMEs, Smith (2008) argues that controlling for context may be needed in future studies. The failure to account for contextual differences may lead to flawed or sample-specific results, rather than real, significant differences regarding firm-size and formal HRM relationships (Smith, 2008). Therefore, to assess the real relationship or lack thereof between firm-type and formal HRM-use in SMEs, there is a need for a broader understanding of possible contextual factors that could shape this relationship.

In summary, this research study validates the idea that owner and firm characteristics can predict the use of formal HRM practices in SMEs to some extent. In fact, 62% of the variance in formal HRM-use by SMEs was explained by owner gender, firm life-cycle and firm-size in this study. Therefore, even with the competing claims on the limited resources of the typical SME, SMEs can be proactive in their approach towards HRM; owner and firm characteristics can interact to predict the use of formal HRM practices. By providing an understanding of the predictors of HRM-use in SMEs, in a context where HRM-use has been associated with positive performance outcomes, these findings have important implications for practice and research. These implications are explored below.

Implications of Study

The fact remains that SMEs are important to the development of many countries and the under-performance and survival of these entities continue to be issues of concern. Recent research has suggested that the practice of formal HRM can significantly and positively influence SME performance and hence increase survival rates. Indeed, once a new firm is formed and hires its first employees, HRM comes into play to shape its development and success (Cardon & Stevens, 2004). Still, many SMEs continue to rely on unstructured, largely informal HRM approaches. In this context, understanding the factors that could possibly predict the use of formal HRM becomes important if the performance and survival of these entities are to be improved. This study finds some support for the idea that owner and firm characteristics may indeed be factors that predict formal HRM-use.

From a practical perspective, policy-makers at the national level could use these findings to target SMEs for support and training programmes focused on the power of formal HRM practices. SMEs are heavily dependent on support from government agencies primarily in the set-up stages of development. Knowing which SMEs to target for formal HRM support and training can be made easier by understanding which SMEs are more or less likely to prioritize HRM practices. Owner and firm characteristics can be predictors of formal HRM-use as shown in this study and hence provide a useful starting point for policy-makers to influence the performance and survival problems of SMEs.

From a research perspective, this study opens the door for further research on an often ignored side of SME research; HRM in SMEs. Indeed, research is emerging on the power of HRM on SME performance with several HRM-outcome studies. Hence, studies such as this one on the antecedents of HRM-use becomes timely. It provides the platform for more antecedent studies on HRM and SMEs to build the literature in this area. If a deeper appreciation of the role of HRM in SMEs to drive performance is to be achieved, researchers must recognize the need not only for HRM-outcome studies but also, antecedent-HRM studies in SMEs such as this one. In doing so, a more comprehensive understanding of SME performance and the role of HRM can be developed.

Limitations & Future Research

While this study has important implications for SME performance as discussed above, there are a number of limitations which must be noted to properly interpret the results. First, the study hypotheses were assessed using cross-sectional data since the data was collected at one point in time for all of the variables. This study therefore, does not provide evidence of a causal relationship between owner and firm characteristics and the use of formal HRM practices. It simply indicates that owner gender and being female, firm life-cycle and being in later stages of development, and firm-size relate positively to formal HRM-use in SMEs. This limitation provides the opportunity for future research to explore potential causal relationships between owner and firm characteristics and formal HRM practices, using a longitudinal research design.

Second, owner-experience, owner-age, and firm-type were not significantly related to formal HRM-use as expected in this study. The generalizability of these insignificant results, as well, the significant ones may be limited due to the sample being drawn from one segment of Trinidad's SME hub. While attempts were made to ensure sample representativeness, future research must be conducted to validate the study findings. The opportunity to validate the study findings therefore offers future research.

Finally, there are other owner and firm characteristics that can possibly predict formal HRM-use in SMEs beyond those assessed in this study. Only a few were tested in this study based on the suggestions of Tocher and Rutherford (2009). For instance, demographic variables such as owner education and firm characteristics such as firm-age may influence formal HRM practices. Beyond direct predictors of HRM in SMEs, future research could also explore the influence of moderating and/or meditating variables on formal HRM practices in SMEs that shape firm performance, survival and competitive advantage. Such research would offer a more comprehensive understanding of SME performance and the power of HRM in interaction with other factors.

CONCLUSION

The main objective of this study was to propose owner and firm characteristics as possible predictors of formal HRM-use in SMEs. This study found that owner gender and being female, firm- life cycle and being in later stages of development, and firm-size positively related to the use of formal HRM practices in SMEs. Owner-experience, owner-age and firm-type did not relate to the use of HRM. Even so, this study provide some support for owner and firm characteristics as predictors of HRM. In the context of emerging research, which supports the use of formal HRM practices to deal with SME under-performance and survival concerns, this study was timely in providing support for further research exploring antecedents of HRM practice in SMEs. It therefore fills the current gap in HRM-SME research to provide a broader understanding of HRM in SMEs.

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MINIMUM WAGE: AN OVERVIEW OF THE LEGAL HISTORY AND ECONOMIC IMPLICATIONS

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ABSTRACT

This article will provide a brief overview of the history of minimum wage legislation, which started in the late nineteenth century in New Zealand and Australia before the United States passed the Fair Labor Standards Act (FLSA) in the early twentieth century. This will be followed by a brief examination of the use of sectoral collective agreements that play a role in setting minimum wages in countries that do not have statutory minimum wage laws ending with a summary of arguments for and against minimum wage laws. The article will explore possible avenues of what it will take to lift more than 30 million Americans out of poverty through either a raise in the minimum wage so that people who work full-time are guaranteed a livable wage free from the social safety net or an effort to remove the barriers for workers to be able to engage in salary negotiations with their employers. The latter is what unions have historically accomplished through collective bargaining and something that countries with no statutory minimum wage laws use to protect low-wage workers. The political barriers to unionization and to raising the minimum wage are formidable given the grave distances between political parties in the United States. Nevertheless, an ongoing dialogue is crucial.

INTRODUCTION

According to the International Labour Organization (specialized agency of the United Nations) more than 90% of countries have minimum wage legislation—laws that prohibit employers from hiring employees for less than a given hourly, daily or monthly minimum wage (ILO, 2015). Beginning in the late 19th Century, New Zealand and Australia established arbitration boards and wage boards that set basic wages for industries that paid very low wages; these laws aimed at resolving labor conflicts before workers could strike (Starr, 1993). In 1938, President Franklin D. Roosevelt signed into law the Fair Labor Standards Act (FLSA) which set the federal minimum wage at 25 cents per hour. This action of the federal government was prompted (in part) from the pleas from workers—many of them women and girls in textile factorieswho described the abuses and poverty they suffered even while working full time. More than 75 years later, the federal minimum wage is $7.25 per hour. Yet more than 30 million people making the minimum wage live in poverty. While Congress is gridlocked regarding raising the minimum wage, some states and cities have approved measures to raise the minimum wage. In San Francisco (California), voters approved a measure in 2014 to raise the city's minimum wage to $15 over several years. Likewise, five states passed referenda increasing the minimum wage resulting in 29 states and Washington D.C. adopting minimum wages higher than the federal level. Nevertheless, the controversy over statutory minimum wage persists. Well researched data on both sides of the argument of whether or not minimum wage legislation causes higher unemployment rates and raises prices in industries that employ numbers of low-wage workers, or, if higher minimum wage legislation would result in reductions in employee turnover and training costs, higher productivity, and small price increases. For example, raising the federal minimum wage to $10.10 could lift almost 30 million Americans out of poverty and reduce the average pay gap between men and women. Going full circle to the historical beginnings of minimum wage laws, this article examines the effectiveness of alternatives to statutory minimum wage laws such as establishing renewed labor relationships between employees and employers and robust collective bargaining agreements that could realize fair living standards without minimum wage laws.

HISTORY OF MINIMUM WAGE

New Zealand legislated the first national minimum wage laws in 1894 through the Industrial Conciliation and Arbitration Act (I.C. and A. Act) (Evans, 2013). Under this Act, any registered union could bring any employer before the Arbitration Court and the Court's decisions were legally binding. Because many disputes concerned wages, the Act enabled compulsory wage setting. In 1936, the country amended the I.C. and A. Act to provide a forty-hour work week and compulsory union membership (Evans, 2013). "Centralized waes" would be set for an entire industry. However, such minimum wages were set when employers protested during economic downturns, such as during the economic depression of the 1930s (Evans, 2013). As inflation hit during the 1960s, the I.C. and A. Act was replaced with the Industrial Relations Act of 1973 which all but erased statutory restrictions on employment relations (Evans, 2013).

In 1896, Australia followed in the steps of New Zealand., by passing an amendment to the Factories Act created a wages board that set basic wages for industries such as brewery, liquor, hotels, and service that paid low wages (Starr, 1993). By 1904, the wages board covered 150 industries (Waltman, 2000). Both Australia and New Zealand approached compulsory minimum wage setting based on particular sectors of industry, which emphasizes the fact that the history of the working class and wage setting must be viewed within a context of gender analysis. Women and girls employed in the hotel and liquor industries received lower wages than their male counterparts, even when performing the same work (Waltman, 2000). This trend has not changed more than 100 years later; in the United States, for example, the average worker affected by any change in minimum wage laws is 35 years old and responsible for half of a family's income; fifty-five percent are women; thirty-one percent have children (Pearsall, 2015).

In the United Kingdom (U.K.), municipal regulation of wage levels began in some towns as far back as 1524. It wasn't until the 20th century dawned with the increased activity in the industrial age that Winston Churchill urged the country to follow the lead of Australia and New Zealand in setting up wage boards. (Edlin, 2006). Currently, the U.K. sets a minimum wage depending on a person's age and whether or not the person is an apprentice. Workers who have not reached the"school leaving age"of 16 are not eligible for minimum wage (Gov.Uk., 2015).

In 1912, Massachusetts enacted the first minimum wage law in the United States which provided for the establishment of regulatory boards, similar to those in Australia and New Zealand, that set minimum wages for women which were to be equal to a living wage as determined by the board (Thies, 1991). However, this law allowed for subminimum wages for children and "slow workers" (Thies, 1991). in 1914, Oregon was the first state to actually set a statutory minimum wage of & $8.25 per week for women and by 1923, fifteen states, Washington D.C. and Puerto Rico had passed minimum wage laws (Thies, 1991). A 1923 Supreme Court decision, however, struck down all of these minimum wage laws, holding that the minimum wage law was an unconstitutional infringement on the right to contract as protected by the due process clause of the Fifth Amendment (Adkins v. Children's Hospital, 1923). This decision was overturned one year before President Roosevelt signed the Fair Labor Standards Act into law (West Coast Hotel Co. v. Parrish, 1937).

FAIR LABOR STANDARDS ACT

In the United States, the Fair Labor Standards Act (FLSA) of 1938 was legislated to establish the forty-hour workweek, guarantee time and a half pay for working overtime hours in some jobs, prohibit and place restrictions on employing minors, and institute a national minimum wage. It applies to employees engaged in interstate commerce and only to employees who are non-exempt from the act.(Most managers and high-level executives are exempt from the Act.)

The initial minimum wage was set at $.25 per hour for the first year the Act was in place, progressing to $.40 per hour after seven years (1945) The Act also created an industry committee that would periodically recommend changes to the minimum wage rate. Since 1938, Congress has approved changes in minimum wage rates and the current national minimum wage of $7.25 per hour was established in 2009. Thus, an employee working 40 hours each week for 52 weeks per year earns $15,080.00 per year.

COUNTRIES WITHOUT STATUTORY MINIMUM WAGES

In the European Union (EU), 20 of 27 member states have minimum wage laws (Eurostat, 2015). These countries use nationwide collective bargaining agreements that set minimum wages by job classification for each industry (Eurostat, 2015). For example, Denmark, Finland, Italy and Sweden, do not have minimum wage rates. They collectively set minimum rates through sectoral collective agreements that jointly cover a high population of the working population (FedEE, 2015). Minimum wage laws and collective bargaining differ in how a common floor for wage levels is established; both systems involve a complex relationship between government, employers and trade unions. A common feature to those countries who use collective bargaining (instead of statutory minimum wage laws) is that a high percentage of sectoral agreements results in a majority of workers covered by these agreements (Funk, Lesch, 2005). In Germany and Norway, 70% of workers are covered by these agreements and almost 100% are covered in Austria and Italy (Funk, Lesch, 2005). Denmark, Finland and Sweden cover between 80% to 90% of workers in this way, meaning that at least two-thirds of all dependent employees are protected by collectively agreed wages (Funk, Lesch, 2005). Because these agreements are negotiated sector by sector, some sectors (such as business services, personal services, health care and social work), have very low coverage rates. Neither wages nor minimum standards on working time are covered by these agreements nor by statutes (Funk, Lesch, 2005). One study that compared the lowest collectively agreed wages to those with statutory minimum wages showed that the lowest collectively agreed wages are as high as statutory minimum wages (Funk, Lesch, 2005). It also might be useful to study whether or not the workers have more power to negotiate other aspects of their working agreement through these collective bargaining agreements.

CURRENT LAWS AND PROPOSED CHANGES

In his 2014 State of the Union Address, President Obama explained his intention of raising the federal minimum wage from $7.25 to $10.10 per hour. This would result in an increase of over 40 percent. His supporters claimed that this increase would greatly benefit the economy and result in no loss of jobs. The opponents claimed that this raise would be detrimental to minimum wage employees, resulting in a loss of 500,000 jobs (Halvorson, 2014). Obama proposed the raise for all workers but there was little support from Congress. Instead, the President issued an executive order to raise the minimum wage for employees of federal contractors to $10.10 starting January 1, 2015 (DOL, 2015).

Meanwhile, municipalities across the country were making changes to minimum wage laws such that some economics columnists were calling 2014 the "Year of the Minimum Wage" (McArdle, 2014). Seattle's City Council followed the lead of the Seattle airport—Sea-Tac—by raising the minimum wage to $15 an hour; Chicago raised its minimum wage to $13 an hour; and the residents of Los Angeles are debating over whether or not to raise the minimum wage in their city to more than $15 an hour (McArdle, 2014).

Private corporations have reacted in a pro-active way to these government experiments with raising the minimum wage. Wal-Mart raised its minimum pay to $9 an hour and Target matched that. Then McDonald's (which had sued Seattle over its raise)announced a raise of at least $1 an hour more than the local minimum wage for its workers at the restaurants it owns in the U.S (Ritholtz, 2015). However,this raise does not apply to the 90 percent of workers employed at McDonald's franchises.

Some organizations are reacting to the costs of high employee turn-over and demoralized workers by approaching employee needs in a broader manner by providing other kinds of support in addition to wages. Beginning in 2003, a non-profit in Grand Rapids, Michigan (The Source) studied its high turnover rates among its low-wage, entry-level workers and saw that poverty produces complications that affect job performance (The Source, 2015; Rampell, 2014). The company decided to bring caseworkers on site;some were partly funded by the state. The company leveraged the services that the state was already offering, eliminated red tape, and connected caseworkers with employees to offer social services and philanthropic support such as donated baby goods, food stamps and affordable loans (to avoid the usurious terms of payday lenders).The main goal was to stabilize workers' home lives so that they would be more reliable employees (The Source, 2015; Rampell, 2014). Turnover fell dramatically and yearly retention rates for welfare beneficiaries averaged 97.4 percent (The Source, 2015; Rampell, 2014). Since the inception of this experiment, The Source has taken its model to four other cities and 53 companies that collectively employ 27,000 employees. They hope to expand nationally (The Source, 2015; Rampell, 2014). Some see this work by The Source as a model that is privatizing government services and socializing worker compensation. Others argue that huge companies like Wal-Mart are already involved in socialized worker compensation because their low wage mode means that their workers (by necessity) must depend on government-provided social services.

IMPACT OF MINIMUM WAGE

Minimum wages remain controversial among economists and policymakers. Supporters emphasize the potential benefits of minimum wages pointing to the fact that an increase in the incomes of those living beneath the poverty line would ensure a fair and decent wage, increase buying power among millions, and lead to a meaningful reduction in poverty. The benefits of an increase in minimum wage include: 1) economic stimulus (more money would ripple through the economy); 2) more opportunity for jobs (minimum wage earners will be spending more, businesses will be earning more and will need to hire more employees); 3) reduced expenses for social programs (people earning a higher minimum wage will not have to depend so heavily on social programs, leading to lower taxes or a reallocation of those funds to support other needs); 4) decreased turnover rate (employees making a higher minimum wage are less likely to quit because they feel more satisfied in their jobs, resulting in fewer expenses for business to hire and train new employees); and 5) inflation (federal minimum wage needs to be raised because inflation has increased every year while the minimum wage rate has only increased three times in the past three decades (Halvorson, 2014). Proponents note that low-skilled workers who have insufficient bargaining power cannot attain a living wage on their own, and that, therefore, higher minimum wages are an important step to leveling the economic playing field (Neumark, Wascher, 2008).

Minimum wage opponents emphasize the potential adverse effects of minimum wages on the labor market claiming that higher minimum wages lead to substantial job losses and increases in prices (Neumark, Wascher, 2008). Arguments against the minimum wage include: 1) layoffs—employers may not be able to compensate the same number of employees at a higher rate within their budget and will make layoffs to remain within the budget; 2) price increases—employers will raise prices on their products in order to generate enough income to support the more highly paid employees, and this could lead to a higher cost of living; 3) fewer hirings—employers will not be able to afford to hire as many employees or may start outsourcing jobs to employees in other countries; 4) competition among potential employees will intensify—over qualified individuals will be applying for these minimum wage positions, pushing younger and inexperienced workers out of the application process; and 5) the minimum wage is applied inconsistently—in 2014, 21 states had minimum wages above the federal wage of $7.25, so the amount of the national minimum wage varies significantly from state to state (Halvorson, 2014).

A plethora of studies continues to produce conflicting evidence and conclusion as to whether or not minimum wages help poor, working families (Neumark, Washer, 2008; Burke, Miller, Long, 2010). A well-known study of the fast-food industry in New Jersey and Pennsylvania compared the impact in New Jersey--which had just raised its minimum wage--with Pennsylvania where no such change had occurred (Card, Krueger, 1994). The study concluded that there is “no indication that the rise in minimum wage reduced employment” and (in fact) employment actually rose in New Jersey compared with the control group in Pennsylvania (Card, Krueger, 1994). The problem with this study is similar to the problem with many of similar studies: the study only looked at 410 stores over a short time of less than 12 months. This problem elicits the following questions. What might these authors have found over a longer time period when multiple other factors began to intervene? What about store closings? What happens when state labor laws change or tax policy changes or local recessions occur or municipal ordinances interfere on some level (McArdle, 2015)?

One cross-national analysis studied the employment effects of minimum wage laws on youth employment in seventeen OECD (Organization of Economic Co-operation and Development) countries from 1975-2000, looking at the impact of minimum wage laws and the variations in other labor market policies and institutions (Neumark, Wascher, 2004). This study found that minimum wages cause employment losses among youths. However, the loss of employment--“disemployment”--from minimum wages is smaller in countries that have subminimum wage provisions for youths. Furthermore, the more restrictive labor standards and higher union coverage are important factors that balance against such “disemployment” effects of minimum wages; meanwhile, it is clear that employment protection laws and active labor market policies designed to bring unemployed individuals into the work force offset these effects (Neumark, Wascher, 2004). Not surprisingly, countries with the least regulated labor markets experienced the greatest impact on loss of employment statistics from minimum wage laws (Neumark, Wascher, 2004). The debate over whether or not raising the minimum wage will solve the problem of poverty rages on. In 2013, National Public Radio partnered with with the Cato Institute to host a debate over raising the minimum wage; the arguments for and against echoed those outlined above. Interestingly, 58% of the audience were against abolishing the minimum wage before the debate. After the debate, 67% were against abolishing the laws—making the side arguing for keeping the minimum wage the clear winner (NPR, 2013).

The debate over why wage increases has lagged in the United States includes many economic theories. The recent recession and weak recovery have discouraged millions of unemployed people from seeking employment; workers who have jobs may be fearful to look for new ones. Thus, employers have no need to raise wages, market forces might be too strong (due to intensified global competition) and shrinking union jobs have undermined workers' bargaining power (Samuelson, 2015).

ARGUMENTS FOR THE MINIMUM WAGE

Many agree that the government should intervene in the economy to correct market failures and advocate on the behalf of low-wage workers. The need for an advocate might not be as pressing during salary negotiations between employers and highly skilled professionals, or unions representing large numbers of lower wage workers. An individual who needs a low-wage job to survive has little chance of fair "negotiations" with a huge organization that employes teams of human resource experts and labor consultants. Many argue that the government must move to repair how the market has failed low-wage labor. This can be accomplished by removing the barriers to unionization that have gradually been put in place since the middle of the last century or raising the minimum wage so that people who work full time are guaranteed a livable wage. According to recent surveys, 44% of non-union workers and 90% of union workers want to be represented by a union. Nevertheless, only around 11% of American workers and just 7% of the private sector workforce are organized today (Holland, 2014). Likewise, people who work 40 hours a week, 52 weeks a year and make the federal minimum wage will take home just over $15,000 annually. This is well below the $23,850 poverty line for a family of four. As noted earlier (and repeated for emphasis), nearly 30 million Americans live in poverty (Pearsall, 2015).

Scant empirical research has explored the possibility that employers respond to minimum wages by adjusting non-wage components on the job, such as fringe benefits, job safety, and access to training (Simon & Kaestner, 2004). However, one study of San Jose, California looked at the impacts on employment when the city raised the minimum wage by 25 percent (from $8 to $10 per hour). Instead of job elimination and the slowing of retail growth, unemployment dropped from 7.6 percent to 4.6 percent in two years (Myers-Lipton, Quyo, 2014; Wirthman, 2015). In addition, the leisure and hospitality sectors (including food services) increased its labor force by 3 percent in 2013, and another 4.1 percent in 2014. The number of restaurants in downtown San Jose rose 20 percent. Low-wage workers added $4,000 per year to their income and consumer spending raised on rent, food and clothing (consumer spending accounts for about 70 percent of the U.S. economic activity)

ARGUMENTS AGAINST THE MINIMUM WAGE

The main controversy over state and federal minimum wage legislation concerns whether or not a hike in the minimum wage requirement causes unemployment. One study compared unemployment rates in geographically contiguous counties of Washington and Idaho that had the largest difference in minimum wage rates shortly after the state of Washington increased its minimum wage in 2007 (Burke, Miller, Long, 2010). This study suggests that when a minimum wage rate increase is large enough, higher unemployment rates follow compared to unemployment trends in contiguous counties without any minimum wage increase (Burke, Miller, Long, 2011).

LOOKING AHEAD

As mentioned earlier, a national minimum wage will continue to be a contentious debate. Some people believe a national minimum wage is necessary to stimulate the economy and bring the poor out of poverty, while others believe a national minimum wage will only cause more economic hardships for organizations. Some people assert that a happy employee is a productive employee. Thus, an organization that pays its employees well (i.e., a living wage) will have more productive employees and the organization will prosper (e.g., increase its profits). Others believe that the more money you pay employees, the more money they will expect and will only be productive as long as the current wage is satisfying their current expectations. Once the pay and rewards are no longer satisfactory, employees will reduce their production until their wages increase again.

There is no easy answer to the debate over minimum wage. It mostly depends on one's economic and political beliefs. One thing is obvious; employees want to earn at least a livable wage for their services but employers want to pay workers as little as possible to achieve high profit margins Some organizations do a great job of paying high wages and high benefits, and do not seem to be burdened by the cost. Other companies have a hard time staying afloat in the current economy and do not believe that paying employees higher wages is the answer.

When the government (whether federal, state or local) forces employers to increase wages, they offset the cost of the wage increases by either raising prices on their goods and services, reducing the number of employees or reducing their profits. The latter is probably the least acceptable option of the three for businesses driven strictly by the bottom line. If the businesses reduce the number of employees, unemployment numbers increase and those employees who lose their jobs are in a worse position. If businesses increase the cost of goods and services to consumers, it is only a matter of time before the new minimum wage is no longer a livable wage. It appears to be a vicious economic cycle with no apparent remedy.

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Colorado's Intrastate Crowdfunding Rules Help Small Entrepreneurs: But With a High Cost

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ABSTRACT

For more than a decade, thousands of entrepreneurs relied on crowdfunding websites, such as Kickstart or Indiegogo, to fund their start-ups (Kickstarter, 2016). Until recently, it was illegal under the existing securities rules to sell equity through these types of sites. The 2012 Jumpstart Our Business Startups Act, or JOBS Act, provided federal authorization for equity crowdfunding nationally. However, specific rules for equity crowdfunding slowed at the Federal Security Exchange Commission level, thus prompting states to write and approve their own legislation regarding intrastate equity sales. As a result, Colorado recently approved legislation allowing for intrastate crowdfunding sales. The purpose of this paper is to analyze the birth of Colorado equity crowdfunding. The authors closely examine what disclosure requirements business owners must meet, what regulations are in place for investments, risks involved regarding non-accredited investors, and the state boundary requirements per investment. A thorough review of Regulatory Crowdfunding rules are provided, as well as an analysis of what intrastate equity sales mean for Colorado entrepreneurs. Recommendations are provided for Colorado entrepreneurs regarding the risks/benefits of intrastate equity crowdfunding.
Key Words: entrepreneurs, entrepreneurship, small business owner, small business, crowdfunding, equity based crowd funding, crowd funding portals.

INTRODUCTION

For more than a decade, thousands of entrepreneurs relied on crowdfunding websites, such as Kickstart or Indiegogo, to fund their start-ups. Until recently, it was illegal under the existing securities rules to sell equity through these types of sites. The 2012 Jumpstart Our Business Startups Act, or JOBS Act, provided federal authorization for equity crowdfunding nationally. In fact, President Obama hailed the ability for entrepreneurs to use crowdfunding to sell equity in companies to help raising capital as a potential game-changer in 2012 when he signed the JOBS Act. (Erman, 2015; Fitzpatrick, 2012).

Three years later, it does not appear as though the game is changing any time soon. The federal Securities and Exchange Commission (SEC) only recently promulgated the rules necessary to implement the system which would allow interstate sales of securities, thus prompting states to write and approve their own legislation regarding equity crowdfunding laws strictly for intrastate sales. (Erman, 2015; Lash, 2015; SEC 2015; Wiens 2014).

The most recent state to approve legislation allowing for intrastate stock ownership investment through a crowdfunding site is Colorado. The sale of stock in the state of Colorado became legal on August 5, 2015 with the passage of its state securities regulations on equity crowdfunding. (DORA, 2015; Alois, 2015). Although many questions remain regarding intrastate sales of equity, many Colorado entrepreneurs are lining up to participate in this new form of funding. Entrepreneurs must understand that the amount of potential capital available through equity crowdfunding may be limited. The lack of viable online intermediaries or portals may hinder any ability to sell shares as well. (DORA 2015; Alois, 2015). There is a plethora of compliance rules to ensure that only Colorado investors are able to buy equity in Colorado companies, thus maintaining the need for intrastate-only sales. Sellers of securities must provide disclosure documents to investors and ensure that investors do not exceed annual monetary limits on purchases. C.R.S. § 11-51-308.5. Finally, even if entrepreneurs are successful in selling equity via crowdfunding, there may be limited access to instant funds thanks to additional rules on escrow accounts (Alois, 2015).

Although the process is not entirely clear or easy, some Colorado entrepreneurs will welcome and rely on equity crowdfunding to raise capital because they have no other access to capital through angel investors, accredited investors, wealthy relatives or credit to help launch or grow their business. However, once an entrepreneur completes the equity crowdfunding process, they may be left with the additional challenges of having multiple minority shareholders and no means of acquiring additional funding for growth. The purpose of this paper is to analyze the birth of Colorado equity crowdfunding. The authors closely examine what disclosure requirements business owners must meet, what regulations are in place for investments, risks involved regarding non-accredited investors, and the state boundary requirements per investment. A thorough review of the potential impact of Colorado's new equity crowdfunding statute is provided, as well as a thorough analysis of what intrastate equity sales mean for Colorado entrepreneurs. A detailed discussion is provided regarding the portal and the risks/benefits of equity crowdfunding for Colorado entrepreneurs.

What is Crowdfunding

According to the SEC, crowdfunding is a modern mechanism for raising capital through the internet for a variety of entrepreneurial projects (SEC 2015). Title III of the JOBS Act provided a federal exemption regarding crowdfunding under securities laws, allowing for crowdfunding to be used to offer shares for sale to the public and to interested investors (SEC 2015). As of today entrepreneurs have two choices regarding crowdfunding and raising capital: 1) entrepreneurs may solicit donation from investors through campaigns involving 'gifts or freebies' with special editions or limited editions of products or 2) in certain states entrepreneurs may solicit funding from investors for a fixed amount of money in exchange for shares or equity in the business (Blomfelt & Radojevich-Kelley, 2015; Belleflamme et al., 2014)

The Birth of Colorado Equity Crowdfunding

When the JOBS Act enabled equity crowdfunding, the task of creating rules fell to the SEC. The SEC proposed rules on October 23, 2013, which would enable entrepreneurs to sell securities to investors who do not meet the SEC's definition of an "accredited investor." (SEC 2013; Alois, 2015, Erman, 2015).

Under these proposed rules, a company could sell $1 million in equity via crowdfunding in a 12-month period to investors with a net worth and annual income less than $100,000 so long as these investors did not invest more than $2,000 or five percent of their annual income or net worth. The proposed investment amount rises to 10 percent of annual income or net worth if the investor's annual income or net worth exceeds $100,000. (SEC 2013). The SEC's proposed rules also contain requirements for crowdfunding companies to disclose specific information about the company to both the SEC and to potential investors. This information would include a description of the financial condition of the company which could include financial statements, backed up with tax returns and perhaps an audited review. (SEC 2013). The company seeking equity crowdfunding would have to set a target offering amount, a price of the securities and a deadline to reach the target. (SEC, 2013; Alois, 2015).

Criticism of these proposed rules, especially the rule concerning the potential of forcing small companies to provide audited financial statements, has resulted in a stalemate of sorts with the SEC unwilling to issue final rules. (Almerico, 2014). The cost to comply with the SEC's rules including the fees paid to online portals to facilitate the transactions, the cost for filing forms and compliance with the SEC rules and the audit requirement could be very steep, especially for smaller offerings of less than $100,000. (Neiss, 2014). The potential cost of complying with the SEC's requirements has left the rules in limbo with some wondering how committed the SEC really is to allowing equity crowdfunding at all or whether the SEC will issue final rules that reduce the financial burden of making such an offering. (Uzialko, 2015)

Meanwhile, apparently tired of waiting for federal action, some states have taken advantage of another existing exemption in the Securities Act of 1933 which already excludes intrastate offerings from the need to register the offering at the federal level so long as the securities are strictly sold within a particular state's borders. (Uzialko, 2015). So far, Georgia, Kansas, Alabama, Michigan, Washington, Florida, New Jersey, North Carolina and Texas have taken advantage of this loophole under Section 3(a)(ii) of the Securities Act of 1933 and the associated SEC Rule 147 to test the equity crowdfunding waters. (Uzialko, 2015). Colorado joined the party with the passage of the Colorado Crowdfunding Act in 2015 and the associated rules under the Act which became effective on August 5, 2015. (DORA, July 2015; Alois, 2015).

In order for a venture to offer securities through crowdfunding in the state of Colorado, the company must file numerous documents with Colorado Division of Securities (www.colorado.gov). In addition, Colorado also limits the amount of capital raised and limits investor contribution. The Colorado Crowdfunding Act stipulates that issuers of securities can raise no more than $1 million in a 12 month period, or $2 million if audited financial statements are submitted to the Division (www.colorado.gov; Alois, 2015; Storum, 2015). Non-accredited investors are limited to $5,000 or less of securities, while accredited investors have no maximum C.R.S. § 11-51-308.5. Colorado defines accredited investors as individuals whose net worth exceeds $1 million or whose income exceeds $200,000 C.R.S. § 11-51-308.5. Issuers are required to pay a fee, file a notice and file disclosure document with the Commissioner (Alois, 2015). Issuers must distribute notice within Colorado about the offer, including a link to the funding platform website where the security offering is maintained (Lidstone et al., 2015).Online funding portals are permitted to only post information on behalf of a crowdfunding issuer. The online intermediary is prohibited from accepting investments, providing investment advice, or engaging in securities transactions (Burns et al., 2015). On a final note, it is imperative to understand that the Colorado Crowdfunding Act is subject to rulemaking by the Colorado Division of Securities, while complying with SEC Rule 147 for the intrastate character of the issuer and the purchaser (Lidstone et al., 2015).

As stated, under Colorado's rules, there is no audit requirement for companies seeking to raise up to $1 million in a calendar year, but if a business in Colorado wishes to raise more than $1 million, the rules do allow for equity crowdfunding up to $2 million, but only if the business submits the audited financial statements to the Colorado Division of Securities. (DORA, November 2015). With either scenario, an individual investor in Colorado cannot contribute more than $5,000 in any calendar year unless the investor has "accredited investor" status with the SEC, generally meaning an individual with a net worth exceeding $1 million or an annual income in excess of $200,000. C.R.S. § 11-51-308.5(a)(III).

THE COST OF A COLORADO EQUITY CROWDFUND

Even without an audit requirement, the cost in fees and compliance costs to sell equity in a smaller company through an intrastate crowdfund in Colorado may still prove onerous to those businesses with other alternatives for raising capital. Below is a brief analysis of Colorado's equity crowdfunding rules pertaining as well as an estimate of the associated fees and requirements for intermediaries intending to host a platform or portal.

Colorado Equity Crowdfunding Requirements – Potential Portal Fees

Online intermediaries hosting funding platforms must be registered with the Colorado Division of Securities, are limited with their securities transactions, and are limited regarding platform compensation to ensure compliance with federal securities laws (DORA, November 2015); Storum, 2015). Colorado restricts all equity crowdfunding transactions on platforms in the state of Colorado to be between Colorado residents only (C.R.S. § 11-51-308.5; Storum, 2015). This creates a burden for platforms to ensure the issuers and the buyers both qualify as Colorado residents and imposes additional problems for issuers. Issuers must obtain evidence that any purchaser of securities through the crowdfund qualifies as a Colorado resident. C.R.S. § 11-51-308.5(3)(a)(VIII). The purchasers must also certify in writing they understand the riskiness of the investment. C.R.S. § 11-51-308.5(3)(a)(VII). If a portal proposes to accomplish these and similar statutory requirements on behalf of issuers, this will likely come with a cost.

Not only does the statute and associated rules provide for issuer compliance, the portals themselves must also comply with the rules specific to intermediaries. These include compliance requirements such as filing forms with the Colorado Division of Securities and annual reporting requirements. C.R.S. § 11-51-308.5.

Given all of these complex rules and compliance restrictions on funding portals, the cost associated with listing a business for crowdfunding could quickly become onerous. As mentioned above Colorado's rules do not allow crowdfunding portals to charge a fee per unit of equity sold. Instead, a portal must disclose its method of compensation when filing the necessary form to register with the state as an intermediary. (Division of Securities, 2016). The methods available compensation methods include a "listing fee," a "monthly fee" or both. (Division of Securities, 2016). Since the portal will have to ensure compliance with the rules, these fees could be significant, but a portal cannot charge too much or risk deterring entrepreneurs.

In one possible conservative scenario, a portal might charge more depending upon the amount paid per ownership percentage in a limited liability company or per share of stock in a corporation. While other fee possibilities exist, a possible fee structure might look as follows with increasing monthly fees depending upon the size of the offering:

Tier Level	Amount Paid Per Ownership Percentage or Share of Stock	Portal Listing Fee	Portal Monthly Fee	Total Annual Cost
1	$1,000	$2,500	$100/mo or $1,200/year	$3,700
2	$2,500	$2,500	$250/mo. or $3,000/year	$5,500
3	$5,000	$2,500	$500/mo. or $6,000/year	$8,500

Thus, in this scenario, the annual cost in portal fees to crowdfund would range from $3,700 to $8,500 and potentially higher.

Colorado Equity Crowdfunding Requirements – Potential Legal Fees

In addition to compliance requirements for portals and the potential for portals to take on the burden of some issuer compliance rules, the crowdfunding issuers will also have to deal with significant compliance requirements themselves. These include establishment of an escrow account for received investor funds, periodic reporting to the state and generation of certain disclosure documents. C.R.S. § 11-51-308.5(3).

The issuer must also decide upon a legal entity, e.g. limited liability company (LLC) or corporation, ensure sufficient equity is available for sale either a membership percentage or stock. Thus, examination and potential revision of an operating agreement and Article of Organization in an LLC or, similarly, Articles of Incorporation and bylaws in a corporation may be necessary. An entrepreneur must decide whether to attempt compliance with the complex crowdfunding and corporate statutes alone or engage the services of a law firm. The latter will not come without additional cost.

As with the potential fees from a portal, a law firm specializing in crowdfunding compliance might charge increasing amounts for legal services depending upon the size of the equity offering as follows:

Tier Level	Amount Paid Per Ownership Percentage or Share of Stock	Corporate Legal Review/Set Up Fee	Monthly Legal Fees to Ensure Compliance	Total Annual Cost
1	$1,000	$3,500	$250/mo or $3,000/year	$6,500
2	$2,500	$3,500	$500/mo. or $6,000/year	$9,500
3	$5,000	$3,500	$1,000/mo. or $12,000/year	$15,500

Again, in this possible scenario, the annual cost for legal fees associated with crowdfunding could climb to $15,500 and potentially higher depending upon what a law firm might charge to ensure compliance. Adding both the potential portal fees and the likely legal fees together, yields a total initial fee cost of the crowdfund as follows:

Tier Level	Portal Fees	Legal Fees	Total Initial Fees (One Time)	Portal Monthly Fees	Legal Monthly Fees	Total Annual Monthly Fees	Total One Year Cost

1	$2,500	$3,500	$6,000	$1,200	$3,000	$4,200	$10,200
2	$2,500	$2,500	$5,000	$3,000	$6,000	$9,000	$14,000
3	$5,000	$2,500	$7,500	$6,000	$12,000	$18,000	$25,500

Thus, a one-year crowdfunding issuance could cost between $10,200 ($6,000 initial fees plus $4,200 in monthly fees for one year) and $25,500 ($7,500 initial fees plus $18,000 in monthly fees for one year).

COMPARING CROWDFUNDING COSTS TO CAPITAL RAISED

With a conservative estimate of the potential for fees ranging from $10,200 to $25,500, the costs must be compared to the total amount of equity raised to determine whether the crowdfunding fees justify the amount generated from equity sales. Depending upon the legal entity, this may be a high price to pay for the amount of money raised. While Colorado limits the amount which could be raised to $1M or more in a year, the choice of legal entity and the desired level of control for the initial founders also dictate the amount of capital which a crowdfunding entrepreneur can conceivably raise. C.R.S. § 11-51-308.5.

Limited Liability Companies

A LLC can only sell up to 100 percent of its equity. Thus, a business founder choosing this legal entity can only sell 49 percent of the LLC's equity and still retain 51 percent, enough to retain control assuming one vote per percentage. This presents a limit on the amount of possible capital to raise via a crowdfund since Colorado limits each investor to investing no more than $5,000 per year unless qualified as an accredited investor. C.R.S. § 11-51-308.5(3)(a)(III).
Therefore, the maximum a LLC owner can raise is $245,000 assuming the owner is not selling fractional percentages of ownership as explained in the chart below which assumes selling a percentage in the LLC at various levels:

Tier Level	Amount Per 1% LLC Ownership Sold	Total Number of Percentages Sold	Total Possible Amount of Capital
1	$1,000	49	$49,000
2	$2,500	49	$122,500
3	$5,000	49	$245,000

Given these restrictions on the total amount of ownership percentage to sell, a LLC owner would pay a steep price compared to the amount of capital raised.

Tier Level	Amount Per 1% LLC Ownership Sold	Total Cost to Crowdfund	Total Possible Amount of Capital	Cost as a Percentage of Capital Raised
1	$1,000	$10,200	$49,000	20.8%
2	$2,500	$14,000	$122,500	11.4%
3	$5,000	$25,500	$245,000	10.4%

The other problem for LLC owners beyond the limitation in amount of capital which might be raised and the associated high costs is that once a crowdfund is completed, the LLC owner has no additional equity to sell. There can be no additional crowdfunding offerings because the outstanding total ownership percentage stands at 100 percent, thus giving the LLC owner "one shot" to raising capital through an equity crowdfund and no additional options for raising funds in the future through a sale of equity if the owner wishes to maintain a 51 percent controlling position.

S-Corporations

As with LLCs, a S-Corporation owner faces crowdfunding limitations. This time, the limitation stems for its classification as an "S-Corp" with the Internal Revenue Service (IRS). The IRS' rules do not permit an S-Corp electing this status to take advantage of favorable tax treatment to have more than 100 shareholders. (IRS, 2016).

Limited by the IRS rules, the S-Corporation can raise capital from up to 99 additional shareholders. There is no restriction on the amount of shares each shareholder might own, but even without such a limitation, the100-maximum shareholder rule still limits the amount of capital possible to raise in a crowdfund due to Colorado's restriction of no more than $5,000 invested per buyer as follows:

Tier Level	Amount Sold Per Shareholder	Total Number of Shareholder Investors	Total Possible Amount of Capital
1	$1,000	99	$99,000
2	$2,500	99	$247,500
3	$5,000	99	$495,000

While faring better than LLCs in the amount of total possible raised, the S-Corp owner still faces a high cost to obtain the capital via the crowdfund. Assuming the portal and legal fees remain the same, the cost as a percentage of capital raised would be as follows:

Tier Level	Amount Sold Per Shareholder	Total Cost to Crowdfund	Total Possible Amount of Capital	Cost as a Percentage of Capital Raised
1	$1,000	$10,200	$99,000	9.7%
2	$2,500	$14,000	$247,500	5.7%
3	$5,000	$25,500	$495,000	5.2%

THE SEC TO THE RESCUE?

If small business owners examining the costs associated with a Colorado intra-state equity crowdfund are dissuaded by the cost, they might look to the federal SEC rules as a way to find a more streamlined, and thus cheaper path to crowdfunding. The SEC announced its final rules on October 30, 2015 and prepared them to become effective in various stages in 2016. (SEC, November 2015) Unfortunately, the new SEC rules, dubbed "Regulation Crowdfunding) do not appear to make the process less complex or less expensive on a national scale.

Crowdfunding Platforms/Portal Requirements, Rules and Fees

Any intermediary seeking to host a company for an equity crowdfunding offer must comply with the Regulation Crowdfunding rules set forth by the SEC. The intermediary must register the platform or portal with the Commission on New Form Funding Portal and the intermediary must become a member of FINRA, the national securities association (SEC, November 2015). Recommended rules necessitate a company to conduct its equity offering through a single portal or intermediary platform at time (SEC, November 2015). Intermediaries are responsible for providing potential investors with the following: information regarding the process for investments, type of securities being offered, information regarding the company offering equity, resale limitations, investment limits, discuss how a given company is compliant regarding regulation crowdfunding rules, make available required disclosure information about a given company on the platform throughout the offering period and for 21 days before any security is sold in an offering, provide communication channels for discussion on platforms, provide disclosure information to investors about compensation for the intermediary, accept investment commitment from investors after the investor has created an account, provide due diligence on investors to ensure they are in compliance with investment limitations, provide notices to investors once investments have been confirmed, comply with transmissions of funds, comply with cancellation, completion and confirmations of offerings (SEC, November 2015).

In addition to the above, intermediaries are restricted from the following: 1) providing access to fraudulent companies or potentially fraudulent companies who wish to harm investors, 2) having financial interest in companies offering securities for sale on the platform, unless the financial interest is compensation for services rendered, 3) compensation for an person providing intermediary services with personal information about any given investor or potential investor (SEC, November 2015). Regulation rules also stipulate that funding portals are prohibited from offering investment advice, making recommendations, soliciting purchases or offers to buy securities, compensating promoters for the purposes of soliciting securities, and possessing investor funds and/or securities (SEC, November 2015). Lastly, intermediaries are required to maintain records of transactions and records/books for business. The intent of funding portals is to create a safe harbor where investment and security activities could be conducted consistent with Regulation Crowdfunding to help protect the investor and the company seeking to raise capital.

Company Compliance Requirements, Disclosure Requirements, Final Rule Requirements

To be qualified to offer securities on platforms, companies soliciting investors must file various information with the Commission and disclose publicly required material for investors to peruse on the funding portal. The following company information is required for offerings on a funding platform: 1) price of the security and the method used to determine the price, 2) target amount to be offered, 3) deadline at which target must be met, 4) clarification on whether a company will allow investments exceeding the target offering, 5) a discussion of the financial condition of the company, 6) financial statements for the company and current tax returns for the entity, 7) a description of the business and intended use of funds, 8) disclosure of corporate officers and directors, 9) information about owners holding 20% or more stake in the venture, and 10) an annual report given to the Commission and to investors (SEC, November 2015). It is important to note that first time companies seeking to offer $500,000- $ 1,000,000 in securities are permitted to provide reviewed financial statements instead of audited financial statements (SEC, November 2015; Alois, 2015; Lash, 2015). This is to help minimize the burden and costs associated with preparing audited financial statements to first time companies (SEC, November 2015).

Given their complexity, as well as the possibility of opening up a crowdfund beyond a single state's borders, the Regulation Crowdfunding rules from the SEC do not offer much hope a cheaper path to crowdfunding for small companies.

DOWNSIDES TO EQUITY CROWDFUNDING BEYOND THE COST

On the surface, equity crowdfunding seems like a great solution to raising capital. However, upon deeper analysis there are several concerns that entrepreneurs should consider prior to listing securities on platforms.

Entrepreneurs should consider the risks of having multiple minority shareholders to contend with when utilizing equity crowdfunding. Entrepreneurs could potentially end up with 30 shareholders each owning 1% stake in the business. This could lead to logistical concerns, board meeting cohesion issues, legal business entity compliance issues, shareholder meeting problems regarding control, long-term strategic plan concerns, distribution concerns, and minority shareholders rights concerns (Blomfelt & Radojevich-Kelley, 2015). Furthermore, entrepreneurs should consider if issuing equity to unknown investors or non-accredited, novice investors is worth it (Blomfelt & Radojevich-Kelley, 2015). Most start-ups lack strong performance records and a proven business model, which novice investors may not fully understand.

A second concern regarding regulation crowdfunding is with notice, meeting and disclosure requirements. The SEC disclosure requirements force entrepreneurs to provide annual reports and audited financial statements (after year 1) for the issuing company, provide tax returns, and publish information about officers and shareholders owning 20% or more to the public (SEC, November 2015; Blomfeld & Radojevich-Kelley, 2015). From a start-up perspective, publicly disclosing information on a platform to non-accredited and accredited investors broadcasts intellectual property information to the public that would otherwise be considered part of a company's competitive advantage. As a start-up, staying compliant with SEC audited financial record requirements will be costly, time consuming and cumbersome.

Regulation crowdfunding may reveal legal pitfalls regarding inventorship issues under patent law. Joint investorship issues may arise where multiple people work on or own an invention (Wolfson & Lease, 2011). Under current law, all inventors must be included on a patent application, otherwise a patent is rendered unenforceable (Wolfson & Lease, 2011). This bring to mind the notion that if a company crowdfunds either through donation or through equity and does not secure a patent prior to crowdsources, patents may be unenforceable or rendered unpatentable. This is concerning from an entrepreneurs perspective and must be analyzed, understood and though through prior to seeking out a crowd.

CONCLUSION & FUTURE RESEARCH

After thoroughly reviewing the laws and literature regarding equity crowdfunding, regulation crowdfunding and Colorado intrastate crowdfunding, it is recommended that empirical research be targeted toward states with active and live crowdfunding platforms. Specifically, the authors recommend a quantitative investigation on crowdfunding issuers and investors utilizing the

Texas platforms because they have been in place for several years. Lastly, it would be prudent to investigate the challenges and obstacles posed to issuers and investors who have provided or receiving funding through the Texas portals. Further research is needed regarding the funding portal model which should be developed, tested and validated for future benefit along with an analysis of the actual, rather than predicted, costs associated with portal and legal fees.

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LEGAL, ETHICAL AND ECONOMIC BENEFITS OF PRESERVING ECOSYSTEM FUNCTIONS OF RIPARIAN AREAS: THE EAGLE RIVER RESTORATION PROJECT

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INTRODUCTION

The headwaters of the Eagle River, a tributary of the Upper Colorado River on the west slope of the Continental Divide in central Colorado, are an essential water supply source for a diverse range of water users. The Eagle River is part of the river system that provides drinking water for more than 40 million people as well as habitat for abundant wildlife and grazing livestock, recreation opportunities for commercial and non-commercial winter and summer outdoor enthusiasts, and the setting for a unique history intertwined in our nation's role in defending liberty around the world. In this setting at Camp Hale in the Eagle River headwaters, environmental sustainability goes hand in hand with economic growth in a pursuit of a new values frontier that will enable continued prosperity in the American West.

The efforts of the National Forest Foundation to create a network of key stakeholders to reestablish a floodplain that supports functioning riparian and wetland ecosystems will be determined by a record of decision from the National Forest Service based on the requirements of the National Environmental Policy Act (NEPA) forthcoming in the summer of 2016. The National Forest Service's decision will impact water providers as they strive to meet the demands of a growing population with clean water resources, traditional ranchers that depend on clean water and abundant grasses for their livestock, outdoor commercial guides for summer and winter sports, and, in the case of Camp Hale, a unique following of historical devotees with ties to heroic efforts in World War II (Camp Hale Master Plan, 2015).

The Eagle River Restoration Project at Camp Hale provides a clear example of entrepreneurship: the National Forest Foundation as the leadership organization perceived an opportunity and exploited the opportunity by including design actions to develop a business plan and acquire the human and financial resources, including government agencies ready to assist, to undertake this essential enterprise that could deliver benefits to multiple stakeholders and generations of people. Team building, leadership and management have been key to the pursuit of the Eagle River Restoration Project, making this an excellent case study for students pursuing degrees in entrepreneurship, law, management or environmental sciences (Mazzarol, 2014).

Legal issues of water ownership, the role of federal and state governments, regulatory issues imposed by the U.S. Clean Water Act, and the immediate needs of local and state water providers as well as private commercial parties motivated stakeholders to move forward in finding an acceptable collaborative plan for restoring the Eagle River's natural riparian setting that is essential in providing a clean and sustainable water resource for all of those that depend on it (Camp Hale Master Plan, 2015).

"Riparian" comes from Latin meaning "along the side of the waterway," and thus would refer not only to the immediate land surrounding the streams of the Eagle River but the 240,000 acres surrounding the headwaters that were drained to become part of Camp Hale, the warfare training camp in World War II located high in the Rockies (Camp Hale Master Plan, 2015). The restoration of these riparian and wetland areas to conditions conducive to delivering clean water would diminish water treatment costs borne by municipalities and industries in meeting regulatory standards for drinking water. Concomitantly, such a restoration of riparian areas would improve recreation opportunities in the headwater areas and increase business opportunities for nearby ski areas and commercial and non-commercial business. By improving terrestrial habitat and vegetation, ranchers would also benefit.

In addition, the Eagle River headwaters are the source of national pride from an historical perspective, and thousands come each year to understand the historical significance of Camp Hale (White River National Forest Annual Report, 2014). In 1942, the United States government transformed the surrounding 240,000 acres of the headwaters into a winter and mountain warfare training camp, housing up to 17,000 troops at an elevation of 9,200 feet with an objective of finding suitable training in skiing, rock climbing, and winter survival skills for World War II (Camp Hale Master Plan, 2015). To establish Camp Hale, the Army drained the wetlands meadow, installed a sewage system, channeled the meandering forks of the Eagle River headwaters into a linear three-mile ditch and left behind huge stockpiles of explosives and asbestos (Camp Hale Master Plan, 2015). Therefore, the restoration of the Eagle River headwaters must honor the history of an area that played a key role in the United States' victory in World War II as well as the nascent north-American ski industry, while also accommodating the needs of water providers who seek a clean water resource, ranchers and outdoor recreationists. Indeed, tourism benefits could sour. Economic and environmental sustainability find common ground in this visionary project of the National Forest Foundation. This project illustrates that environmental concerns are not a separable concern from economic growth. The legal structures are in place to forge forth with a project that resonates with its ethical motivation in delivering the best possible outcome to the most people.

NATIONAL FOREST FOUNDATION AS ENTREPRENEURIAL LEADER: CAMP HALE

The National Forest Foundation (NFF) was created by Congress in 1993 as the official non-profit partner of the United States Department of Agriculture's Forest Service. Its mission is to bring people together to restore and enhance our National Forests and Grasslands and to promote the health and public enjoyment of the 193-million-acre the National Forest System (National Forest Foundation, 2016). The NFF focuses its efforts on connecting communities with tools, knowledge and funding in order to become stewards of this public estate. The Camp Hale project is one of several dozen in the Treasured Landscapes program in which the NFF concentrates on large scale restoration initiatives (NFF, 2016). For example, the NFF has addressed stream instability and fish habitat in the Idaho Panhandle National Forest, restored riparian areas and in-stream natural habitat in the Okanogan-Wenatchee National Forest in Washington State, restored the Little Truckee River riparian areas in the Tahoe National Forest, and restored critical habitats on the Big Tujunga River in Angeles National Forest in California (NFF, 2016). Starting in 2011, the NFF and the U.S. Forest Service identified Camp Hale and the Eagle River headwaters as one of its Treasured Landscapes program and commenced its archaeological review of the Camp Hale Eagle River Headwaters area (NFF, 2016; Camp Hale Master Plan, 2015).

In keeping with its mission, the NFF's campaign to restore the riparian areas of the Eagle River headwaters focused on two goals: 1) bringing together local, regional, State and Federal stakeholders to collaboratively develop a shared vision for future improvements to the Camp Hale site, and 2) establishing partnerships with local nonprofits, private companies, municipalities, contractors and the U.S. Forest Service to implement the shared vision (Camp Hale Master Plan, 2015). The shared vision of the stakeholders identified five different conditions and specific action plans to reach those conditions for the restoration of the site: 1) river and aquatic health; 2) riparian and wetland areas; 3) terrestrial habitat and vegetation; 4) recreation opportunities; and 5) historic preservation and interpretation (Camp Hale Master Plan, 2015). These action plans represent an understanding of the integral relationship between protecting riparian and other natural ecosystems while bolstering the local economy and preserving cultural heritage. The NFF and the stakeholders submitted their collaboratively developed master plan to the Forest Service which is initiating project planning and analysis per the requirements of the National Environmental Policy Act (NEPA); the Forest Service anticipates releasing its record of decision in the summer of 2016 (National Forest Service, 2015).

The overall goals of the Camp Hale Restoration Project are to restore the Eagle River's natural stream meanders from the linear three-mile channelized ditch system it became in the 1940s when the U.S. Army established Camp Hale and to re-establish a floodplain that supports functioning riparian and wetland ecosystems. Eliminating a natural stream meander through channelization alters natural vegetation and increases runoff, peak flows, erosion, sedimentation, and nonpoint source pollution – leading to a cyclical effect of increased channel erosion and loss of important biological systems (Randolph, 2004). Reintroducing a natural stream meander requires the restoration of 270 acres of wetlands and five miles of stream channel (Camp Hale Master Plan, 2015). The Master Plan also comprises the enhancement of the area's campgrounds, trailheads and other recreation infrastructures as well as the development of an historic interpretation plan, describing the area's rich history (Camp Hale Master Plan, 2015).

THE EAGLE RIVER HEADWATERS AND CAMP HALE HISTORY

The headwaters of the Eagle River form an important tributary to the Upper Colorado River, a river that sustains more than 40 million people in cities and communities from the east and west slopes of the Rockies in Colorado to the shores of southern California. The waters originate mostly from winter snowpack and also provide habitat for multiple wildlife species such as elk, deer, bear, mountain lions, lynx, beaver, trout and migratory birds. The area around the Eagle River headwaters provides year-round recreation opportunities including hunting, fishing, rock climbing, mountain biking, hiking, camping, jeeping and off-highway riding, snowmobiling, dog sledding and backcountry skiing (Recreation.gov, 2016).

These areas were part of the original Holy Cross Forest Reserve, established by Theodore Roosevelt in 1905 (Holy Cross Forest Reserve Proclamation, 1905). In 1932 the Reserve became part of the White River National Forest and provided ranchers and lumber mills with grazing and timber (White River National Forest History, 2015). In 1942, at the beginning of World War II, the United States Army transformed the Eagle River headwaters into a winter and mountain warfare training camp where more than 17,000 troops trained for the winter survival skills they would need in Europe (Camp Hale History, 2015). The Army chose this natural setting because of the large, flat valley bottom and surrounding steep hills that could be used for the winter survival training. Camp Hale was used by the 10th Mountain Division, the 38th Regimental Combat Team, 99th Infantry Battalion, and soldiers from Fort Carson from 1942 to 1965 for warfare training and testing of weapons and equipment (Camp Hale History, 2015).

When the Army established Camp Hale in 1942, it drained the large wetlands meadow surrounding the East and South Forks of the Eagle River, installed a sewage system, imported 2 million cubic yards of fill, and channeled the East and South Forks of the Eagle River into a three-mile linear ditch system that remains today (Camp Hale History, 2015; Camp Hale Master Plan, 2015). The threat of unexploded ordnances and widespread asbestos contamination remain along with the linear ditch that once was the meandering Eagle River headwaters (Camp Hale Master Plan, 2015). From 1959 through 1965, the Central Intelligence Agency secretly trained Tibetan soldiers at Camp Hale to help them prepare for war in China (Camp Hale History, 2015). In 1965, the U.S. Army deactivated the Camp Hale facilities and returned control of the lands to the U.S. Forest Service (Camp Hale History, 2015).

Many of the WWI veterans that trained at Camp Hale from 1942-1945 returned from war to become major players in the establishment of North America's modern winter ski industry, participating in the founding of more than 17 ski areas including Vail and Aspen. The leader of the Sierra Club, David Brower, the co-founder of Nike, Bill Bowerman, and the founder of the National Outdoor Leadership School and Wilderness Education Association, Paul Petzoldt, all trained at Camp Hale in the 1940s (Camp Hale Master Plan, 2015). The Camp Hale site is listed on the National Register of Historic Places (National Park Service, 2015).

The unique threats to the waters of the Eagle River and the unique group of stakeholders concerned about this waterway contributed to both the challenges and opportunities that the National Forest Foundation faced when it first decided to focus its efforts on this site as one of its Treasured Landscapes for restoration. The fact that the efforts took more than five years to culminate in a plan forwarded to the National Forest Service illustrate a confluence of legal guidelines, stakeholder determinism and the pull of ethical principles on all involved.

LEGAL ISSUES AND CONSIDERATIONS

The role of federal, state, and local government agencies plays large in the Camp Hale Eagle River Restoration Program. Clear legal requirements from statutory requirements codified in the Environmental Protection Act, the Clean Water Act, the National Environmental Policy Act, the National Pollutant Discharge Elimination System permit program and state and federally imposed Total Maximum Daily Load (TMDL) requirements for toxic substances guide the action steps of the NFF and the stakeholders (EPA, 1972; NEPA, 1970; NPDES, 1972; CDPHE, 2015). Water providers see advantages of the restoration project in that their costs for water treatment will diminish with the mitigation of the TMDLs of toxic metals originating from the remnants of 19th century mining endeavors, the asbestos and military ordnances left behind from the military operations. The water providers also see the potential for an increased delivery of the water rights they hold in the river (MOU, 1998).

TMDLs is a regulatory term in the U.S. Clean Water Act that describes a maximum daily amount of a pollutant that a body of water can receive while still meeting water quality standards (USGS, 2015). The Environmental Protection Agency (EPA) uses TMDLs to see if a body of water can sustain agriculture, fisheries, drinking water, recreation and industry; the restoration of the Eagle River headwaters, therefore, affords water providers, such as the large Colorado cities of Aurora and Colorado Springs as well as the smaller mountain towns dependent on the waterways, a promising venture to save on water treatment.

The Colorado Department of Public Health and the Environment is the state agency that monitors TMDLS and the upper Eagle River watershed has been on their radar since the early 21st century (CDPHE, 2015). The Camp Hale Restoration Project assists the State in meeting state and federal requirements for this important source of public drinking water. Municipalities that rely on the Eagle River for drinking water must submit water quality reports to the state and federal governments; for example, Colorado Springs Water, a major stakeholder in the Camp Hale Eagle River Restoration Project, invests time and money in making sure it is in compliance with said regulations (Colorado Springs, 2015).

The federal requirements of the National Forest Service, the "landlord" of this area, must be in line with federal laws. The National Environmental Policy Act is pivotal in the approval of this collaborative plan going forward (NEPA, 2015). The Forest Service will issue a record of decision on the NEPA review in the summer of 2016 (Camp Hale Master Plan, 2015).

Of utmost importance is the role of private rights owners: water rights, grazing rights, leasing rights for ranchers and for commercial recreational guides, not to mention the rights of the Camp Hale Military Munitions Project. The law must acknowledge and honor the rights of these private rights holders while striving to maintain the vision of the National Forest and its non-profit partner, the National Forest Foundation. The collaboration of all stakeholders illustrates a recognition of both the legal and ethical parameters that the project presents.

STAKEHOLDERS AND THE SHARED VISION PLANNING PROCESS

43 stakeholders were involved with the shared vision process that culminated in the Master Plan for the Restoration of the Eagle River and Camp Hale historical site. This community-based planning process included municipal water providers, state and federal government agencies, municipal and state land planners, recreation businesses, non-profit organizations, water conservation groups, ranchers and private land owners (Camp Hale Master Plan, 2015). In 2013, nine key stakeholders formed the steering committee and developed a list of stakeholders, all of whom had a critical voice in the process. Two working groups were formed—a land working group and a water working group. These groups then reported back to the full stakeholder group in bimonthly meetings for two years, reaching consensus for all recommendations for the Master Plan by 2015 (Camp Hale Master Plan, 2015).

Tensions arose between the water providers owning water rights on the Eagle River and the Forest Service as far back as 1997. The Cities of Aurora and Colorado Springs, two large metropolitan areas on the eastern slopes of the Rocky Mountains in Colorado, along with the Colorado River Water Conservation District, the District that oversees the protection, conservation, use and development of the water resources of the Colorado River in western Colorado, joined with the Vail Consortium—a group representing the sanitation and water districts that serve the Vail ski area and the towns surrounding the ski area--, and the Climax Molybdenum Company, the mining company located near the Eagle River headwaters, to develop a joint use water project in the Upper Eagle River basin (MOU, 1998). The objective of their Memorandum of Understanding (MOU) was to "develop a joint use water project in the Upper Eagle River basin that minimizes environmental impacts, is cost effective, technically feasible, can be permitted by local, state and federal agencies, and provides sufficient yield to meet the water requirements of project participants (MOU, 1998)."

Together, the signers of this MOU own more than 10,500 acre feet of absolute water rights and more than 100,000 acre feet of conditional water rights (Camp Hale Master Plan, Appendix B). In the state of Colorado, water rights are a property right, as valuable as any real property right, personal property right or intellectual property right. An acre foot of water is the amount of water needed to supply two homes for a year. For example, Denver Water that serves approximately 1.3 million people in the metro area harvests 234,000 acre feet of water per year to meet its demands (Denver Water, 2015). The water providers, therefore, with water rights on the Eagle River guard carefully their interest in this project.

The prior appropriation doctrine, also known as the Colorado Doctrine, dictates that the person that first diverts and uses a water right has the ownership of the use to that water (Colorado Constitution, 1876). With their obligations to provide water to their growing populations and their industrial and recreational needs, these stakeholders came slowly to the process, but nevertheless found their place in the NFF's collaborative process. The water providers that are party to the MOU of 1998, and are also stakeholders in the Master Plan, own three existing reservoirs upstream of Camp Hale to store water for various uses and are hoping to expand these existing up-stream storage reservoirs or construct new facilities that will help them meet the looming gap between water demand and supply as the population of the state of Colorado burgeons. The NFF shared vision process assisted these stakeholders in understanding how expanding these reservoirs and possibly constructing new facilities could actually assist in efforts to support riparian and aquatic habitats while also augmenting delivery of their own water supplies; likewise, the legally required water to support the stream could be increased (Camp Hale Master Plan, 2015).

"In-Stream flows" are water rights that the State of Colorado owns in order to meet the needs for aquatic life and to keep fish alive. These water rights are non-consumptive, in-channel uses of water owned by the Colorado Water Conservation Board for minimum flows between specific points on a stream (CWCB, 2015). These rights are administered within the state's water right priority system to preserve or improve the natural environment (CWCB, 2015). The health of the water ways and the support of fish and wildlife has an important economic impact on the state's economy. The stakeholders whose interests focus most on water resources joined forces with those whose interests focus more on land use and the ecological well-being of the river and strong ethical principles motivated this unusual collaborative effort.

ETHICAL PRINCIPLES AS APPLIED TO WATER QUALITY

"The significance of water for life…is fundamental…hence the pertinence of ethics to water utilization and management is clear. It is important for everyone involved in water resource management…to have a well-reasoned understanding of moral values and obligations that correspond to that significance (Jennings, B., Kintzele, K., Heltner, P., 2009)." The Eagle River Restoration Project evidences a clear understanding on the part of the stakeholders of the importance of the principles of water ethics and the ecological dimension surrounding the fact that water is a "linchpin" for all planetary life; a watershed connects water, soil, biotic communities as well as the humans that depend on the resource (Jennings, et. al, 2009).

Ethical values of efficiency and stewardship form the basis of a set of ethical principles that guide water management and policy decision-making: democratic governance rights, active participation, transparency, accountability and public-private collaboration all play important roles in a project such as the Eagle River Restoration. Among the prime ethical principles applied to water quality and water resources are the following: 1) human dignity—there is no life without water; 2) solidarity—up and down stream collaboration is critical; 3) common good—improper management of water resources amounts to the diminishment of human potential for all stakeholders; 4) stewardship—the central role of finding a balance between using, changing, and preserving our water resources and land; and 5) inclusive and deliberative participation—a participatory process marked by transparency, access to information, inclusiveness, and individual and community empowerment is crucial (Jennings, et. al., 2009).

The ethical principles embedded in ecological and environmental sustainability efforts highlight the important role of stakeholder theory and basic utilitarian principles—virtue is based on utility and conduct should be directed toward promoting the greatest good for the greatest number of persons. These efforts also result in real impacts for economic growth, evident in the participation of municipal utilities, water providers, large mining companies and for-profit business interests and corporations such as Vail Ski Resorts, commercial recreational businesses and ranchers. The economic benefits of restoring our environment and sustaining our ecological balance resonate with clear ethical values as well as legal structures.

ECONOMIC BENEFITS: ECOSYSTEM SERVICES

Should the preservation of natural places be a priority when trying to meet the water demands of municipalities or private industries? Or as a 20th century economist phrased it in a satirical essay, “What has posterity done for me lately (Boulding, 1966)?” Why should we preserve natural places for future generations when the demands from municipal, industrial, agricultural, and recreational uses continue in their intensity? Adopting a sustainable development perspective such as that of the NFF at Camp Hale assists us in looking at a current problem in a way that broadens our vision to include economic, environmental and social aspects so as to integrate all three to fashion solutions. Governments can find win-win-win policies that are economically sound, environmentally friendly, and socially responsible (Boyakhachyan, K). This is the vision that the National Forest Foundation and the Forest Service follow with this project in providing ecosystem services.

An ecosystem service is any positive benefit that wildlife or ecosystems provides to the people (UNEP, 2015). Protecting natural places and the species contained within them for the sake of posterity indirectly benefits present communities aesthetically, physically, and economically. For example, the estimate of the value of the pest control services that Brazilian free-tailed bats provide for cotton producers in south-central Texas is $741,000 per year (Cleveland, et. al, 2006). In Alabama, a single southeastern blueberry bee pollinates approximately $75 worth of berries by visiting nearly 50,000 blueberry flowers in a year (Ecological Society of America, 2015). The value of all bees and other natural pollinators in the United States is roughly $30 billion a year (Ramanujan, K., 2012). Several economists and the state of Hawai`i have estimated the economic importance of Hawai`i’s coral reefs, when combining recreational, amenity, fishery and biodiversity values, to be almost $10 billion (Cesar, H., et. al., 2002; Hawai`i Business Report, 2015).

Likewise, the riparian areas surrounding the headwaters of the Eagle River offer significant economic, environmental, and societal benefits. For example, the economic importance of the in-stream flows referenced above resonates to the tune of $1.8 billion a year for the state. In 2008, the Colorado Department of Wildlife (CDW) (now the Colorado Department of Parks and Wildlife) reported that there were 12.7 million hunting and fishing activity days in one year and that these activities generated $1 billion from trip expenses and equipment purchases (BBC Research, 2008). The CDW spent $58 million on operations directly related to fishing and hunting and the secondary spending—the dollars re-spent from this money spent--generated an additional $767 million (BBC Research, 2008). The U.S. Forest Service and commercial fishing guide businesses, therefore, heartily support the objectives of the Camp Hale Restoration Project as these high headwaters afford unparalleled fishing and hunting (Camp Hale Master Plan, 2015).

RIPARIAN ECOSYSTEM SERVICES

The restoration of the Eagle River watershed aims to bring back a large meadow and 300 acres of wetlands and riparian area to its pre-1942 condition. Prior to World War II, the Eagle River wound its way through a wetland meadow known as Eagle Park. When the Army drained the meadow and wetlands, imported millions of cubic yards of fill, and straightened the river to an engineered ditch, the river channel became steeper and 40 percent shorter. In the ensuing 70 plus years, the river banks are ever more destabilized, steepened and the channel deepened such that natural flood flows no longer spill onto the floodplain; the Eagle River headwaters are disconnected from the natural floodplain (Camp Hale Master Plan, 2015). Alteration and diminishment of the complexity of the aquatic habitat and the beaver pond habitat leave little support of wildlife species. Beavers are keystone species that have a drastic influence on the hydrology, biogeochemistry, and ecological identity of freshwater streams (Naiman, et. al., 1986). Stream bank erosion and collapse threaten water quality and ecological resilience (Camp Hale Master Plan, 2015). Military use and unmanaged recreation have likewise degraded the wildlife habitat that the once-healthy riparian areas provided.

Riparian zones are generally defined as the buffer between an aquatic environment and a terrestrial one. Riparian zones act as ecological transition areas and are effective filters of nonpoint and point source pollution. For example, riparian zones repeatedly demonstrate a reduction in the nutrient and chemical runoff from nearby agriculture into freshwater streams (Anbumozhi, V., et. al., 2005). Many researchers believe that, on land, riparian ecosystems are the most productive type of habitat and benefits the greatest number of species (Belsky, et. al., 1984). In addition to being areas of high biodiversity and regulators of excess nutrients and pollution, riparian ecosystems regulate stream temperature, provide bank stabilization and prevent erosion, act as a natural flood control, provide refugia for aquatic microbes and invertebrates, and serve as habitat for fish species among other services (Naiman, et. al, 2005). This abundance of ecosystem services has long been recognized in the scientific community but has only recently been incorporated into policy. The most current land use planning best management practices strongly recommend the protection and restoration of riparian buffer strips along freshwater resources (EPA, 2005). The decision at Camp Hale to place a priority on riparian ecosystem protection is a reflection of modern policy aimed at sustainability as well as current scientific understanding of ecosystem processes.

Economists have recently developed techniques to valuate the economic benefits of ecosystem services and the avoided costs to society through protection of natural resources. For example, the State of New Jersey has estimated the riparian ecosystems there to have an annual value of $51 million, mostly due to water filtration services (Liu, et. al., 2010). Riparian areas also provide direct monetary benefit through recreational opportunities and open space that attracts tourists. One study found that visitors to the California Kern River Preserve had a willingness to pay $77 per person for the preservation and enjoyment of the riparian habitat (Colby, et. al., 2005). With up to 8,000 visitors annually, the riparian habitat there contributes roughly $616,000 to the local economy every year. In Colorado, the mountain communities such as Vail and the towns surrounding the Eagle River Headwaters, accounted for 25% of all tourism dollars spent, according to one study (Blevins, 2014). In one year, travelers to Colorado spent $17.3 billion during their vacations to the state and the mountain communities reported that their sales taxes were “soaring” (Blevins, 2014). These tourists come winter, spring, summer and fall and the splendid beauty of natural settings such as the Eagle River Headwaters beckons them and their dollars. Although an economic analysis has not been done on the riparian zones of the Eagle River Headwaters, there is no doubt that the revitalization and protection of these complex ecosystems very likely has a meaningful impact on tourism in this region.

RIPARIAN RESTORATION OF THE EAGLE RIVER: RIPARIAN ECOSYSTEM SERVICES
WATER USES, LAND USES HISTORICAL PRESERVATION

The Eagle River accommodates a variety of water uses. As noted above, diversions from the River supply east-slope communities in Colorado, such as Colorado Springs, Pueblo, and Aurora, with water for all municipal and industrial uses. These diversions are completely consumed by these municipalities, meaning that no water returns to the stream.
The towns of Vail, Red Cliff, and Minturn, in the immediate vicinity of the River also depend on these headwaters for human consumption, however, their diversions return differing amounts to the River. All are stakeholders in the Camp Hale Master Plan (MOU, 1998).

In addition, because the Eagle River is a tributary to the Colorado River, per the 1922 Colorado River Compact, that water not diverted for use in Colorado, must flow to the main stem of the Colorado to meet the required amount of 7.5 million acre feet of water to feed the needs of the lower basin states of Arizona, Nevada and California (Colorado Compact, 1922). The water providers who own water rights on the Eagle River work diligently to divert and use all the water they own to prevent loss to the river (MOU, 1998). The in-basin diversions from the Eagle River accommodate snow-making and agriculture, in addition to the domestic uses by the municipalities on the west slope of the Rockies (Camp Hale Master Plan, 2015).

Land users of the Eagle River headwaters include recreationists and ranchers. The Trail Preservation and Rocky Mountain Sports Riders, the Walking Mountains Science Center, and sheep grazing permittees joined the stakeholders because they recognize that the reestablishment of native vegetation means more fertile soil and the development of a more natural, irregular topography throughout the valley floor that will be conducive to their activities (Camp Hale Master Plan, 2015). Vegetative plantings and other habitat improvement will create habitat for birds, small mammals and even endangered species such as boreal toads and the Canadian Lynx, all of which benefit wildlife viewing, hunting and permitted grazing activities in the area (Camp Hale Master Plan, 2015). Other stakeholders such as Colorado Parks and Wildlife and commercial recreation guides voiced approval of the Master Plan's objective to develop additional recreational and travel infrastructure to assure adequate access to the headwaters area (Camp Hale Master Plan, 2015). Increased camping sites and enhanced existing trailheads will add to the commercial and non-commercial winter and summer use of the National Forest lands.

The Camp Hale-Eagle River Headwaters Collaborative Group will honor the history of the project area by preserving existing structures and developing a comprehensive interpretive plan that will explain the rich history of the area, from its geologic formation to its military use and its role in the birth of the nation's ski areas (Camp Hale Master Plan, 2015). The legacy created by the soldiers who trained at Camp Hale will be a highlight of the interpretive plan.

The first two objectives of the five key land management plan objectives enumerated by the Camp Hale Master Plan are the protection of river and aquatic health and the restoration of riparian areas. Despite the spectrum of interests among the stakeholders, each understood that their own well-being, whether it be economic or otherwise, is directly related to the health of riparian areas and aquatic habitats.

CONCLUSION

So, what has posterity done for us lately? The National Forest Foundation has convened an impressive group of stakeholders that recognize that when aquatic resources are protected, ecosystem services deliver other benefits. The Camp Hale Eagle River Headwaters Restoration Project will create better recreational opportunities—better hiking, skiing, fishing, horseback riding, kayaking; it will increase property values; it will preserve important cultural and historic places; it will improve the local economy; and it will create healthier and more robust freshwater resources for the immediate communities and all those downstream.

By measuring the ecosystem services of riparian areas, support of their restoration and protection becomes critical as they provide direct environmental enhancement and indirect economic benefits. The ethical principles involved in water quality restoration can be more difficult to measure. Nevertheless, these ethical principles resonate clearly in ecosystem services: the preservation of human dignity; the encouragement of solidarity through up and down-stream collaboration; the discovery of a common good through proper management practices; and the encouragement of stewardship by finding an ethical balance between using, changing, and preserving our water resources and land.

Across political divides, the realization that "in Wildness is the Preservation of the World" continues to resonate (Thoreau, 1862). Despite varying ideologies, socioeconomic backgrounds, political leanings, or places of origin, we are all stakeholders collaborating towards a prosperous and sustainable future for all people. Water resources development plays a vital part in this. Almost thirty years ago, President Ronald Reagan, in a speech to Congress reporting on the work of the Council on Environmental Quality, rang with the spirit of the work of the National Forest Foundation in their Treasured Landscapes projects such as the Camp Hale project. Despite our political tensions in this 21st century, his words echo loudly:

"The preservation of parks, wilderness, and wildlife has aided liberty by keeping alive the 19th century sense of adventure and awe with which our forefathers greeted the American West. Many laws protecting environmental quality have promoted liberty by securing property against the destructive trespass of pollution. In our own time, the nearly universal appreciation of these preserved landscapes, restored waters, and cleaner air is a modern expression of our freedom and leisure to enjoy the wonderful life that generations past have built for us. (Reagan, 1988)."

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SELECTING EFFECTIVE INSTRUCTORS: AN EXPLORATORY STUDY OF UNIVERSITY FACULTY MEMBERS

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ABSTRACT

The literature on education and teaching effectiveness is replete with studies addressing student evaluation of instructors with regard to multiple variables. Student evaluations, in turn, are used for a myriad of purposes including selection, retention, tenure, promotion, and post tenure review. What may not be garnering the same attention is the personality of the faculty member when in the classroom. Intuitively, one would expect that an instructor's personality influences how that person approaches teaching and how students react to one's teaching techniques. Thus, gaining insight into the personalities and pedagogical beliefs of those applying for a teaching job may be more important determinants of classroom success than student ratings from a previous institution. The pilot study revealed significant correlations between student evaluations of instructors and the Myers-Briggs Type Indicator characteristics of Intuiting and Judging. Thus, this study indicated that the MBTI could be useful when selecting university instructors. The study also indicated that the format of student evaluations can bias SET providing additional reasons for hiring authorities to use selection tests that do not include SET.

Keywords: Myers-Briggs Type Indicator; selecting higher education instructors; personality; student evaluation of teaching

INTRODUCTION

In teaching organizational management, it is often asked whether management is an art or a science. Where 'art' can be viewed as the skills necessary to be an effective manager, 'science' could be considered the knowledge needed to successfully manage. Since the answer is that competent managers need to possess both perspectives, selecting faculty members who combine these with a personality that complements student learning modalities can be a daunting task for academic institutions.

After decades of teaching and observing other instructors in the classroom, a lingering question remains in the authors' minds: Which hiring criteria portend the most effective teacher? Generally, the desired characteristics of any faculty member are a combination of proven or potential scholarly activities that supplement a masterfully constructed instructional pedagogy with noteworthy classroom presence that captures student attention and promotes learning.

The authors' combined experience in higher education leads them to conclude that certain faculty members consistently receive accolades for their teaching acumen. That is not to say other faculty members achieve less than commendable reviews. Nevertheless, the same instructors are celebrated as receiving the best quantitatively scored end-of-course (EOC) student evaluations of teaching (SET). Neither instructor characteristics (e.g., gender, teaching experience, age, and professional background) nor system factors (e.g., course subject matter, time of the class, required or optional course, and grade distributions) appear to influence who the students designate as top notch instructors.

This indicates that the instructor's personality has a strong influence on EOC SET. The instructor's personality determines many factors including course design, class policies, and interactions with the students. Thus, an instructor's personality could be a meaningful predictor in a higher education selection decision when teaching excellence is an important criterion.

Considering the above, a pilot study was conducted to determine whether a relationship exists between EOC SET and personality types evidenced from the Myers-Briggs Type Indicator (MBTI).

LITERATURE REVIEW

Institutions of higher learning try various methods of screening and/or evaluating faculty applicants. Typical searches for faculty members include a variety of methods including interviews, classroom observations, resumes, letters of recommendation, academic credentials, and student evaluations. None of these guarantees that a prospective faculty member will engage the students and earn noteworthy EOC SET. Of these techniques, the predictive value of student evaluations may be the most questionable. For example, little is known about their process or validity since the SET are frequently from institutions other than the hiring institution.

The literature on education is replete with research addressing SET with regard to teaching effectiveness, student learning, and a myriad of other variables that can affect SET. For example, SET were influenced by student performance (Arnold, 2009; Backer, 2012), student ability (Braga, Paccagnella, & Pellizzari, 2014), student self-esteem and locus of control (i.e., core self evaluation construct; McCann & Gardner, 2014), and test format (Stehle, Spinath, & Kadmon, 2012). Braga et al (2014) found SET were affected by the degree to which students enjoyed a class and the weather (e.g., rainy and cold days). Silva, Silva, Quinn, Drapers, Cover, and Munoff (2008) noted differences between United States and Canadian students' SET. Tanabe and Mori (2013) reported Japanese students rated Japanese instructors more favorably than native English speaking instructors.

The relevance of a course to students' goals has been found to influence SET. Mori and Tanabe (2015) reported mixed results in that SET of non-majors in an English class were significantly correlated with three personality traits (neuroticism, extroversion and thoughtfulness) yet these correlations were not significant for English majors. This supported other studies that showed interest in (or the utility of) a course affected the SET (e.g., Barth, 2008; Braga et al, 2014). Related to the utility of a course and student goals, a few studies' results indicated expected course grades influenced SET (e.g., Barth, 2008; Patrick, 2011).

Another measure of faculty members' effectiveness in imparting classroom instruction is how favorably the faculty member is received by the students. The ability to engage students in the learning process can be a major determinant of teaching success. Thus, one question is: what constitutes engagement and how is it best achieved?

Past research has examined the relationship between instructor expressiveness and SET. Naftulin, Ware, and Donnelly (1973) concluded that instructor expressiveness influenced EOC SET more than teacher effectiveness. Interestingly, SET could be predicted without knowing anything of what the faculty member said during class. Backer (2008) expanded on the findings of Naftulin et al (1973) through a semester long case study. She reported that the instructor's charisma, enthusiasm, and wit influenced the SET even though the inadequacy of lecture content was verified by students, exams, and the instructor himself. In addition to Backer (2008), other studies revealed that the instructor's use of humor influenced SET (Adamson, O'Kane, & Shevlin, 2005; Ambady & Rosenthal, 1993; Makewa, Role, & Genga, 2011).

Schuman (2014) discussed how the students tended to rate instructors on personal and other factors unrelated to teaching effectiveness (e.g., gender, clothing, hair, beards). Ambady and Rosenthal (1993) found that personality traits (e.g. confidence, dominance, optimism, etc.) were very good predictors of EOC SET. Açikgöz (2005) suggested SET were influenced by the classroom culture established by the instructor's personality (e.g., warmth, enthusiasm, and extroversion). A limited number of studies have found a relationship between one or more of the Big Five Personality traits and SET (e.g., Clayson & Sheffet, 2006; Kneip, Kelly, Biscoe, & Richard, 2010; McCann & Gardner, 2013; Patrick, 2011). Klassen and Tze (2014) conducted a meta-analysis that indicated instructors' self-efficacy and personality were significantly associated with teaching effectiveness (e.g., SET).

The above discussion indicates SET can be based on factors other than instructors' technical or pedagogical competence. Therefore, university hiring authorities should consider replacing SET (as a selection test) with more valid predictors of teaching effectiveness: personality tests. Moderate evidence has supported the relationship between personality traits and SET (Klassen & Tze, 2014). When teaching is an important part of a professor's job, valid personality tests (e.g., MBTI) may be less biased selection techniques than SET. The following presents a brief literature review of the MBTI.

MBTI

The Myers-Briggs Type Indicator (MBTI) survey is designed to measure how people prefer to perceive the world and make decisions. These preferences are based on Carl Gustav Jung (1971) theory that there are four principal psychological functions by which people experience the world: sensation, intuition, feeling, and thinking. Isabel Myers and Kathryn Briggs (Keirsey, 1998) created the MBTI by expanding upon Jung's typological model. They added measures for extraversion versus introversion and judging versus perceiving. The four SET of preferences are briefly described below.

Extraversion or introversion

People who prefer extraversion (E) draw energy from action and reflect before they act again while those who prefer introversion (I) reflect before acting and reflect again. Introverts need quiet time alone while extraverts need to be around others and engaged in activities.

Sensing or intuiting

Sensing types (S) are likely to trust information that is in the present and concrete. They tend to distrust intuition preferring to look for details and facts. Intuiting types (N) typically trust information that is more abstract and that can be associated with other information (remembered or discovered by seeking a wider context or pattern). They may be more interested in future possibilities.

Thinking or feeling

The thinking (T) and feeling (F) functions are used to make rational decisions. Those who prefer thinking make decisions objectively--measuring decisions by applying a set of rules. Those who prefer feeling typically make decisions through empathy considering the needs of the people involved. In general, thinkers have difficulty interacting with people who are inconsistent or illogical (a.k.a., students) and tend to give very direct feedback. They are concerned with the truth and view it as more important than being tactful.

Judging or perceiving

Judging (J) and perceiving (P) orientations represent how people prefer to organize their lives (Hollister, 2006). Judging types prefer a planned, ordered world that is decisive while Perceiving types are more flexible and spontaneous. Perceiving refers to the desire to keep things open and gather more information. This is the only pair in the MBTI that a person can choose to change (Kiersey, 1998).

The MBTI has been used to predict various professions including teaching. Barry and Yates (2007) asserted that the MBTI provides a comprehensive model that is helpful when addressing teaching and learning. Yet, they noted that the MBTI is not as commonly used in in this context as similar surveys (e.g., Honey and Mumford, 1992). In fact, a meta-analysis summarizing how SET were influenced by instructors' self-efficacy and personality (Klassen & Tze, 2014) only included two studies that reported relationships between the MBTI types and SET; both were dissertations.

Given the variability of instructor and student preferences, the MBTI is typically utilized to help instructors become (more) aware of their types so that adjustments to teaching techniques can be adjusted to fit MBTI profiles of their students. Thus, an instructor's MBTI profile may stay dominant partly because of the difficulty to adapt to each student's profile.

Certain MBTI traits are more associated with teaching than others. Sears, Kennedy, Kay, and Gail (1997) reported that those with an NTJ profile were more attracted to careers in secondary teaching. Possible professions for high NTs include teaching business (Daft & Marcic, 2015). Others reported an ENFJ profile would be a good teacher, fluent presenter, persuasive, charismatic, sociable and active—all appropriate traits for engaging today's college students (e.g., Daft & Marcic, 2015; Keirsey, 1998). The ENFJ profile is labeled as 'Teacher' and people with this profile are drawn to be college professors or high school teachers (Keirsey.com, 2013).

As inferred in the above-noted profiles, findings addressing the relationship between Thinking (T) and Feeling (F) are inconclusive. In regard to extravert/introvert, one might expect that extraverted instructors would be more effective. However, results regarding EI and teaching are mixed (e.g., Barret, Sorensen, & Hartung, 1985/2007; Kneip et al, 2010; Roberts, Mowen, Edgar, Harlin, & Briers, 2007; Rushton, Morgan, & Richard, 2007).

In some studies, instructors illustrated most (if not all) MBTI profiles (e.g., Rushton et al, 2007). Nevertheless, the above-mentioned MBTI profiles and some studies indicated Intuiting (N) and Judging (J) appear to be more associated with teaching effectiveness or efficacy. For example, Cooper and Miller (1991) reported that the highest SET resulted when both student & instructor were SN and congruence on SN and IE yielded the second highest ratings. Roberts, Harlin, and Briers (2007) reported that judging (J) was positively related to teaching efficacy in classroom management.

Based on the above discussion, SET are proposed to be positively correlated with two MBTI types: Intuiting (N) and Judging (J).

METHOD

Organizational context

The study included 16 faculty members of the Management Department in a College of Business located at a large western urban university. The University is accredited by the Higher Learning Commission (HLC) and the business college is in the candidacy stage of AACSB accreditation. The faculty members included in the study had been recognized for earning commendable end-of-course SET in one of the most sought after academic programs: Management. Because the university has a teaching mission, excellence in teaching is given a higher priority by faculty and administrators than at other universities with research missions.

The original and follow-up surveys were distributed in paper form. Of the 16 faculty members in the department, 14 faculty members responded to the survey. Thus, the response rate was 87.5%.

Demographics of sample

The sample included eight male and six female faculty members. Nine were tenured and the other five were tenure-track—all of whom were one year from going up for tenure. The number of years taught at the university level ranged from 5 to 38 years. The faculty members' terminal degrees included Ph.D. in Business Administration (7), Industrial/Organizational

Psychology (1), Social Psychology (1), Education (1), Sports Administration (1). In addition, one faculty member had a Doctorate in Management and two had Juris Doctorates.

The faculty members typically taught four sections each semester with two to three preparations each semester. Many also taught one to two sections during the summer session. EOCs were administered during all semesters including summer session. The faculty members taught the typical management courses (e.g., organizational management, organizational behavior, operations management, international management, strategic management) with several elective courses in business law, entrepreneurship/small business, operations, and human resource management.

The instructors were evenly split between extroverted than introverted preferences. A few more instructors indicated a preference for intuiting, thinking, and perceiving. However, the differences were slight. Therefore, it might be more accurate to report they were evenly split among the four MBTI preferences.

During the time frame of this pilot study, the average student age was 26 years old. The students attended day and night classes. The majority of the students were business majors or minors many of whom also work part-time or full-time jobs. The students of this university were known for their multi-tasking abilities due to juggling home, work, and school. The majority of the students enrolled in at least six hours of classes each semester. At this university, it was common for students working full-time to take 12 to 15 hours of classes in a semester. The university was mainly a commuter campus with limited off-campus housing.

Measures

The SET were administered (in paper form) during the last 35 days of Fall 2011 and Spring 2012 semesters. The instructors decided which class period to have the SET filled out by the students and whether to have them administered at the start or end of class. Most instructors had students fill out SET at the end of a class session. No instructor was in the classroom during this 10-15 minute time period and the process was overseen by students in each class. Students were not required to fill out the SET.

Two forms of SET were used during the time period included in this study. The older long-standing format included four summary questions (Course as a Whole, Course Content, Contribution to the Course, and Effectiveness in Teaching Subject). These four questions were preceded by 18 questions including course organization, clarity of instructor's voice, and availability of extra help. The Fall 2010 and Spring 2011 SET were in the older format.

The newer SET format was first used during Fall 2011. This format included only the first and third of the summary questions utilized in the older format: Course as a Whole and Contribution to the Course. Each of these two summary questions was followed by a box with lines to encourage unscripted student comments. Thus, the Fall 2011 and Spring 2012 SET were in the newer format. All of the SET questions in either format used the same Likert scale (1=very poor, 2=poor, 3=fair, 4=good, 5=very good, and 6=excellent).

To assess the MBTI characteristics, the participants answered a 32 item Personality Assessment: Jung's Typology as presented in Daft and Marcic (2015). The participants selected one of two answers for each of the items. All of the scores for EI, SN, TF, and JP were calculated and included in the data analysis. Each MBTI type was analyzed separately.

All four pairs of MBTI characteristics have been reported to have acceptable reliabilities (e.g., Capraro & Capraro, 2002; Daisley, 2011; Wheeler, 2001). Although there are critics of the MBTI, various studies support its validity (Daisley, 2011).

RESULTS

First, MBTI trait was correlated with the two SET questions that were common to both SET formats.

In regard to the MBTI characteristics, all of the SET (except Fall 2010) were positively correlated with Intuition (N). The correlations with Contribution to the Course for Spring 2011, Fall 2011, and Spring 2012 were .63, .59, and .50 respectively ($p<.05$) and with Course as a Whole for the same semesters were .67, .67, and .54 respectively ($p<.05$). Only Contribution to the Course using the previous version of SET (Fall 2010) were positively correlated with Judging (J), $r = .55$, $p<.05$. No correlations of SET with Introvert/Extravert (IE) or Thinking/Feeling (TF) were significant providing partial support for the hypothesis.

Then, the different years of the same SET format were combined. For both SET questions, the newer format (Fall 2011 and Spring 2012) resulted in significantly higher SET than the previous format, $p<.001$. The means and standard deviations for the Course as a Whole in the new and previous formats were 5.09 (SD=.41) and 4.66 (SD=.77) respectively and Contribution to the Course were 5.33 (SD=.42) and 4.98 (SD=.82) respectively.

Finally, Years Teaching was negatively correlated with the combined ratings for the previous version of SET (Fall 2010 and Spring 2011): Course as a Whole, $r = -.529$, $p=.05$, and Contribution to the Course, $r =-554$, $p<.05$.

DISCUSSION

The most successful instructors are a special breed who enact a multitude of roles in any given day with fluidity and grace while remaining true to themselves (Lewis, 2008). Although Barth (2008) found quality of teaching had a major influence on SET, his results showed that SET was influenced by other factors such as Course Rigor, Level of Interest, Grades, and Instructor Helpfulness. He noted that the negative influence of rigor could be offset by instructor enthusiasm for the subject and willingness to help students outside the classroom.

Interestingly enough, students and faculty generally have agreed that an instructor's personality influences SET (e.g., Backer, 2008). Among others, Tanabe and Mori (2013) noted that students' perceptions of teacher personality traits are one of the possible sources of bias that may affect SET. Furthermore, Spooren, Brockx, and Mortelmans (2013) reported SET have questionable validity and generalizability. For these and other reasons, university hiring authorities should consider replacing SET with other measures of teaching excellence such as personality tests.

As noted earlier, Klassen and Tze (2014) credit recent personality frameworks (e.g., The Big Five Personality Traits and MBTI) for the renewed interest in investigating the effects of personality on job performance. Most studies have investigated the personality traits of primary and secondary teachers (e.g., Rushton et al, 2007), fewer studies have investigated the personality traits of university instructors as related to SET (e.g., Kneipp et al, 2010; Mori & Tanabe, 2015; Roberts, et al, 2007).

This study indicated the MBTI could help identify two personality types associated with teaching effectiveness: intuiting (N) and judging (J). Intuiting was correlated with higher SET for both questions in three of the four SET formats. This result is consistent with previous findings (e.g., Cooper & Miller, 1991). The results also indicated that Judging scores were correlated with the Contribution to the Course question for the previously used SET format. This finding was consistent with Roberts, Harlin, and Briers' (2007) conclusion that judging (J) was related to teaching efficacy in classroom management.

The Intuiting and Judging findings were consistent with those who have included intuiting and judging in the teaching profile (e.g., Daft & Marcic, 2015; Keirsey, 1998; Keirsey.com, 2013).

Extraversion/Introversion and Thinking/Feeling were not correlated with any of the SET. These results were not surprising because they support earlier findings (e.g., Sears et al, 1997).

Although the sample size was small, the results reflected the mixed findings from previous studies of relationships between SET and the MBTI. This might be due to the varied nature of university instructors' jobs which involves many solitary activities (e.g., course planning, research). Another reason might be the divergent personalities of university students especially since participants taught many courses required for Business and non-business students.

The sample size was too small to allow an investigation of different MBTI profiles and other potential influences. A larger sample in one field (e.g., Management) or a broader set of fields represented in a Colleges of Business may reveal more about the influence of the variables investigated in this study.

The two SET formats provided a unique opportunity to compare their ratings. The construction, administration and interpretation of SET play a considerable role in the validity and reliability of the evaluations. Surprisingly, the newer SET format resulted in higher ratings. This trend was informally acknowledged by an university administrator during a meeting about retention, tenure, and promotion. The higher ratings could be due to a variety of reasons including the Hawthorne Effect resulting from the change, a shorter form (two questions versus 22 questions using a Likert scale), and emphasis on student comments. Most of the students were sophomores, juniors, and seniors who had used both SET formats. The differences in ratings may even out in the future when the current format becomes the norm.

Finally, the ratings obtained through the older SET format were negatively correlated with years teaching. These findings further indicate SET can be influenced by factors other than personality and teaching prowess. Although the participants were not asked to disclose their ages, one would expect older professors to have taught longer. Thus, the correlation between years teaching and SET may indicate that some SET formats may result in age discrimination. If SET (or any selection techniques) were found to suffer from age bias, the university could be at risk for a lawsuit. Of course, the good news is that this bias was not seen with this university's newer format.

CONCLUSION

Among others, Schuman (2014) noted SET and research on SET have been dissected, discussed, debated, digested, and even dismissed (at times) by administrators and faculty members. Yet, there will continue to be student evaluations of faculty members because they serve a useful (albeit sometimes questionable) tool for purposes of retention, promotion, tenure, and merit pay increase decisions by administrators. Nevertheless, this study adds to previous findings that various factors influence EOC SET (e.g., instructor's personality).

Therefore, SET do not appear to be valid predictors when selecting university instructors who are expected to be excellent teachers. Hiring authorities also should be wary of illegal discrimination that EOC SET may introduce to the hiring process in regard to national origin, age, etc.

When it comes to the best personality one should have in the classroom, speculating about what makes a successful teacher is easier than actually achieving the moniker. An instructor's personality is relatively established and it is difficult to become someone you are not just to earn desirable student ratings. What is achievable is coming up with an approach to teaching that fits the instructor's personality (McDevitt, 2012). Typical characteristics from which every teacher can benefit include a sense of humor, a positive attitude, high expectations, consistency, fairness, and flexibility (Ambady & Rosenthal, 1993).

Whether personality should be a deciding (or even a predominant) factor in hiring is debatable. Just as with stage performers, an instructor can learn the correct lines but without an innate personality delivering the scripted lines to go with the performance the audience will want a refund. McDevitt (2012) recommended that a faculty member should find an approach that fits the instructor's personality. Although many personal characteristics may influence SET, they do not guarantee teaching success as measured by student achievement (Backer, 2008).

In conclusion, a pilot study was conducted to investigate a suspected correlation between SET and personality characteristics as measured by the MBTI. Although the underlying purpose of this research was not so much to validate other researchers' findings, the current findings provided further evidence that SET may be influenced by factors other than one's teaching effectiveness. Similar to previous studies on SET, the findings of this study indicated system factors may bias SET making them questionable predictors of teaching effectiveness. Thus, university hiring authorities should not use SET to predict teaching effectiveness especially when the evaluations originated at a different institution. The hiring decision-makers may benefit more from adopting generally accepted selection tests utilized in private organizations (e.g., MBTI).

This study is an initial investigation into improving strategic approaches to hiring faculty members who are expected to be excellent teachers in a College of Business. Further research is needed to determine if personality tests can replace SET to more effectively predict teaching excellence at the university level.

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