Book Reviews

Judd, Richard J., Greenwood, William T. and Fred W. Becker (eds.), *Small Business in a Regulated Economy*. Westport, CT: Quorum Books, 1988. 240 pp., bibliography, index.

This book boasts to be the first comprehensive exploration of the impact that government regulations, policies and other attitudes have had on the formation and growth of small businesses in the United States. As such, it contains a series of fifteen original essays by noted scholars in the field of small business economics and associated policy analysis.

The intent of the work is to identify the public policy issues that have affected small business in the 1980s. Issues are discussed that have arisen due both to structural changes in the U.S. economy and to the challenges that small businesses must meet in a highly regulated economy.

An introduction by Richard Judd and William Greenwood dealt with the relationship between public policy and small business. The role of the small business sector as a harbinger of change in the U.S. economy was examined in the context of the relationship between public policy and small business. The issue of strong, economic growth was addressed as a national priority, with small business a vital contributor to overall economic growth.

In the first section on how small business affects on public policy, Bruce Kirchoff presented a multi-sector approach to small business policy development. Kirchhoff emphasized the requirement that public policy development must make economic growth its central issue, even though economic growth is achieved by only a small percentage of small businesses. The heterogeneous nature of the small business sector complicates attempts to identify predictors of business success in producing economic growth. In his presentation, Kirchhoff develops a classification scheme for describing different types of small business ventures and demonstrating the impact tax legislation has on small business and entrepreneurship.

The second paper, by Zoltan Acs, is a case study of mini-mills in the steel industry. It illustrates how the emergence of flexible technologies help small businesses compete with the larger steel mills. The steel industry is dominated by large, mass production-oriented firms. The emerging mini-mills are small, efficient and expanding. The newer, flexible technologies used by the smaller mills capitalize on innovation, reduce operating costs and produce quality products that restore competitiveness to new segments of the steel industry. This is in contrast to the older, larger, integrated giants of mass production. The financial record compiled by the mini-mills is impressive.

The second section on the impact of public policy on small business opens with a paper by Paul Sommers and Roland Cole on the costs of complying with government requirements. The authors found, by studying of firms in three states that compliance costs per-employee were higher for small firms than for large firms. The smaller firms also showed less tendency to challenge requirements, to get outside help, or to maintain full compliance with government requirements. The authors recommend wiser requirements and cost-benefit studies to achieve regulations that are neutral to firm size.

The next paper, by Herbert Northrup and Evelyn Erb, covered the impact of government incentives on business. This study was conducted at the Wharton School and supported by the Small Business Administration (U.S.A.). It found that incentives most often benefitted large firms and served as disincentives to smaller firms. Employment, safety, labor and contract legislation were found to have the most unfavorable impact on small businesses. The burden of compliance cost led to the recommendation that minimal legislation would be most beneficial.

The next selection, by Thomas McCaleb, reviewed the impact of taxation on business policy. The study found taxation to have a greater impact on small firms because sources of small business capital depended on personal and family resources. This material was compiled previous to the Tax Reform Act of 1986, which has actually aggravated the tax situation for small businesses. However, the author concluded that definitive measurements of the impact of differential tax legislation on small and larger business was still an open question.

In the next selection, George Vozokis and Timothy Mescon studied problems and opportunities in world trade exporting by small businesses. Owners and managers of small business were found to lack the information for informed decision-making, as well as the channels for sales and distribution. A valuable checklist was developed to analyze the various stages of a firm's life-cycle and the development of export markets. Guidelines were given to enhance the quality and quantity of small business exports in the national question for a more favorable trade balance.

William Saugh and Deborah McCorkle Waugh authored the next piece on economic development programs of state and local governments and the site selection decisions of smaller firms. Their survey of 200 firms with large research and development budgets found that smaller firms did not express special needs or preferences in site selections. Larger firms were stronger in their expression of those preferences. Overall, the most important factor was the availability of labor, followed by the influence of taxes and regulatory practices.

Donald Kuratko, a noted author on small business issues, provided an essay on coalitions for contemporary public policies to aid small business. He stated the chief problems faced by small business as follows: inflation and cash flow; taxes; sources of capital; innovations and government policy. All those are functions of government policy. Kuratko suggested a coalition for action that included the Small Business Administration, various Chambers of Commerce, unions, professional societies, universities, associations and state commerce departments. With the diverse nature of the small business community, the author claims that only through coalition formation will the best interests of the small business sector be served.

In the next major section on public policy implications for small business, Steven Lustgarten studies economic growth impacts and related issues. He examines productivity growth in industries with diverse firm sizes. He found that the largest firms show significantly greater growth rates of productivity. At the same time, he ascertained that productivity growth is not at all inhibited by the size of small firms.

Another dimension to economic growth is the subject of an essay by Benjamin Mokry. He found that the entrepreneurial policies of state and local government did not have a significant impact on new business start-up decisions. This finding flies in the face of the popular notion that local policies to enhance start-up programs would be productive for smaller ventures.

A related piece by Victor Levine and David Allen tested a model which analyzed the utility to small-sized, advanced-technology firms of various university relationships. Linkages of university assets and resources with technology-related ventures have been considered advantageous due to libraries, laboratories, faculty-student input and other amenities. Nine unique relational roles were examined which indicated that obstacles to the interactions between firms and universities should be carefully examined, in spite of the attractiveness of such relationships.

Another vital view was provided by Van Auken and Ireland in their look at the social responsibility of small firms. They found the most telling imbalances of power between managers and workers to exist in small businesses situated in small towns with low labor mobility. This unrecognized policy issue suggested that the avoidance of social *ir*responsibility is the primary measurement of social responsibility for small firms. With limited resources, the smaller firms often found social responses uneconomic and impracticable.

The final paper in this section, by Longbrake and Nichols, addressed minority business enterprises (MBEs) as a special case of independently-owned small businesses. On a regional basis, the participation of black businesses increased, proceeding from east to west, with the least participation in the southeast. Such regional studies were presented as important to understanding the formation and function of black-owned businesses.

The final section reviewed implications for small business management and public policy foundation. Berney and Owens claimed the small business's lack of political power and lack of public policy support imperiled the achievement of national, economic goals. The authors recommended "neutral" tax policies to reduce the relative susceptibility of small businesses to improper tax policy.

The final paper, by Richard Judd and Barbara Sanders, gave a historical perspective on business regulation. It is noted that small business provides new job creation at a time when the large firms are contracting. In the development of economic policy, the authors cite two themes: attempting to get out of the way of business development and creating policies and programs that stimulate business formation and job creation in order to contribute to economic vitality and growth.

On the whole, this book provides an excellent panorama of the issues in economic and public policy development that affect the small business sector. Many of the essays were written in the early 1980s but address issues that are still current. Many of the findings cited are drawn from limited and carefully selected samples, but the methodologies do provide insight for continued research about small business topics. Changes in tax policy and restructuring of the SBA programs are changes not fully discussed in this work, but the core of the concern for small business is still a vital issue of national policy.

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Peter Daley, *The Biotechnology Business: A Strategic Analysis*, London: Frances Pinter Publishers, 1985. ISBN 0 86187 551 6. $27.50.

The U.S. biotechnology industry in the 1980s is a fascinating case of unrealized potential. The unbridled investor enthusiasm of the 1970s has given way in this decade to caution, disappointment and even disillusionment. Dreams of a new generation of blockbuster drugs, developed by small entrepreneurial start-up companies, funded by clairvoyant venture capitalists, hitting the market and reaping enormous profits after a short-term commitment of time and resources have, indeed, faded. In the late 1980s, the industry is passing through a crisis of confidence. In some cases, regulators have been slow in approving new products with promise, and, in other cases, product test results have demonstrated the absence of either performance or promise. Lags between product design and commercialization have been very long. Accordingly, product sales have been sluggish in the industry.

Despite the disappointing performance and profitability of the industry in the 1980s, however, industry analysts persist in predicting that biotechnology is the wave of the future and that biotech products will eventually affect productivity and welfare in society in some profound and important ways. Industry profitability will naturally follow. Globally, it is evident that governments of technologically advanced countries view biotech as the growth industry of the future and subsidize it accordingly. Of course, these optimistic forecasts and positive views of the industry are the same as those formulated in the 1960s and 1970s. What has changed as the result of the industry's experience in the 1980s? It is the time horizon of these forecasts. Handsome returns to investments in biotechnology are predictable, but the payoff will be long term, not short term. The challenge in the short term, particularly for small entrepreneurial firms, is survival. Survival and ultimate success will depend, of course, on how effectively firms manage uncertainty in the present and strategize to exploit product development opportunities in the future. Peter Daly, in his very timely book on the biotechnology business, examines the issues and options relating to strategic management in the industry and develops what he considers to be a 'blueprint' for success.

The first two chapters of the book are introductory, focusing on the recent history of the industry with a special emphasis on emerging technologies and technological applications. Readers with scientific credentials will probably find these chapters to be elementary and will skip them. Other readers (including social scientists and management students) will find the author's explanations of monoclonal antibodies and recombinant DNA technology to be concise, precise and clear. There is nothing in these early chapters which will push back the frontiers of knowledge of