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A STUDY OF THE ATTITUDES AND PERCEPTIONS OF SELECTED  
PUBLIC UNIVERSITY ADMINISTRATORS IN MICHIGAN CONCERNING  
THE DESIGN FOR A STATEWIDE BUSINESS EXTENSION SERVICE

*Michigan State University*

PH.D.

1980

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PUBLIC UNIVERSITY ADMINISTRATORS IN MICHIGAN  
CONCERNING THE DESIGN FOR A STATEWIDE  
BUSINESS EXTENSION SERVICE

By

Burton R. Jones

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## ABSTRACT

# A STUDY OF THE ATTITUDES AND PERCEPTIONS OF SELECTED PUBLIC UNIVERSITY ADMINISTRATORS IN MICHIGAN CONCERNING THE DESIGN FOR A STATEWIDE BUSINESS EXTENSION SERVICE

By

Burton R. Jones

The purposes of this research were: (1) to collect detailed and factual information that would enable the researcher to assess the feasibility and desirability of establishing a small business development center program that would be administered through the business colleges at Michigan's public, four-year colleges and universities; (2) to secure relevant views and information from the business deans concerning specific issues and operational concerns involved in designing and implementing a small business development center program; (3) to analyze the extent of agreement and disagreement on the issues and concerns examined; and (4) to develop from the interview data a set of normative statements concerning the desirable characteristics of a small business development center program in Michigan.

The specific concerns addressed in this study were:

- Concern 1 - The potential for integrating the small business assistance program with the instructional program of the business colleges/schools.
- Concern 2 - The potential for integrating the small business assistance program with the research activities of the business colleges/schools.
- Concern 3 - The potential for integrating the small business assistance program with the service activities of the business colleges/schools.
- Concern 4 - The type of small business assistance program model that would be most effective in utilizing college and university resources.
- Concern 5 - The types of small businesses that should receive assistance.
- Concern 6 - The resource requirements and funding arrangements needed to initiate a small business assistance program.
- Concern 7 - The most appropriate arrangement for administering and coordinating a statewide program.

The population was composed of all deans of business and/or management schools or colleges at the fifteen public, four-year colleges and universities in Michigan. Two of the fifteen deans were selected for the pilot interviews. The sample was composed of the remaining thirteen deans.

Interviews of the deans were recorded on a cassette tape deck. After each interview, the researcher listened to the cassette tapes with a copy of the interview format as a guide and transcribed the relevant portions of the interviews. Two judges participated in this part of the study for the purpose of reviewing and validating the work of the researcher.

On the basis of the interview data it was concluded that the establishment of a small business development center program in co-operation with business colleges and schools at most of Michigan's public, four-year colleges and universities would be feasible.

It was further concluded that the following normative guidelines should be followed in designing a small business development program for Michigan:

- (1) The small business assistance program should be integrated with the instructional, research, and service programs of the business colleges and schools that participate in the program.
- (2) The small business assistance program should be based in universities rather than in the private sector, but the private sector should be directly involved in planning and advisory capacities.
- (3) The small business assistance program should provide services to all types of small businesses with certain types of businesses receiving higher priority or more in-depth assistance than others.
- (4) The small business assistance program should be initiated with a very small staff at each participating institution and function as a clearinghouse in matching small business needs with the appropriate resources.
- (5) The small business assistance program should be funded by the State of Michigan until such time as the program is supported by other sources of funding including an institutional match.
- (6) A state-funded small business assistance program should be administered through and coordinated by the Office of Economic Development of the Michigan Department of Commerce.

## DEDICATION

This dissertation is dedicated to my parents whose exemplary lives and values have shaped and inspired my life at every step and to my wife whose love and confidence in me have provided the cornerstones needed to complete this undertaking.



## ACKNOWLEDGEMENTS

The writer wishes to express his sincere appreciation to the chairman of his doctoral committee, Dr. Richard L. Featherstone. His friendship, advice, and sensitive criticism have provided me the proper balance between freedom and constraint needed to complete the program and dissertation.

Special thanks is also due to my secretary, Carolyn K. Towsley, for her tireless efforts in typing this manuscript.

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## CHAPTER I

### THE PROBLEM

#### Introduction

" . . . a great current challenge is to gear up the public service role of the universities to meet social demands, while insuring that such service is related to main institutional activities and conducted at the highest possible professional level."<sup>1</sup>

Corson gives five valid reasons why the nation has called upon the university to help build a better society. They are: "unique institutional strengths," a "substantial monopoly" of human talent, a "discipline of objectivity," a commitment to the "search for new knowledge," and "values."<sup>2</sup> The contemporary public service role of higher education institutions is a logical extension of the land-grant idea of institutional commitment to services that reach beyond the traditional classroom and the university has a responsibility to the society to expand the benefits of learning to the larger public.

Operationally, Long categorizes public service activities to include:

1. Dissemination of knowledge beyond the campus.
2. Delivery of instructional programs beyond the campus.
3. Applied research for immediate public problems.
4. Sharing of resources, including facilities and instructional and other learning resources and personnel.
5. Public participation in cultural, esthetic, and other university activities.

6. The development of public policy issues and alternatives.
7. Community development and community problem solving.<sup>3</sup>

Long points out that:

Too often, in recent years, these service programs have not been natural by-products of existing instructional and research programs. Many have had only a tangential connection, focusing more on humanitarian assistance or on political and ideological activity than on intellectual and scholarly purposes.<sup>4</sup>

While arguing that universities should continue to accept increasing responsibility for developing and applying useful knowledge in the solving of society's major ills, Corson summarizes a dilemma which this acceptance of responsibility imposes:

Acceptance of these responsibilities may make of the university an intellectual holding company. Even as it has subsidiaries, known as colleges, concerned with teaching and research, it may also have subsidiaries, known as institutes, laboratories, or centers, engaged in research and in the application of new knowledge to current problems. Within this holding company structure may exist many nonprofit institutions. Now, many of these valuable institutions float in unproductive space, lacking the umbilical cord to an institutional setting.

Failure to accept these responsibilities - and the inability of universities to effectively modify their procedures and their structure in the past suggests they may fail - will likely result in the proliferation of nonprofit, independent research agencies unrelated to the pools of talent that make up the university faculties.<sup>5</sup>

In order to maintain institutional integrity while responding to public needs, Long recommends that traditional and current modes and organizational mechanisms for delivering public service activities be improved:

Improved mechanisms should include more flexible instructional patterns and "boundary" devices that enhance the university's creation and dissemination of knowledge mission while responding to public policy and other needs of external publics. Service programs should be disciplined, evaluated and reviewed with as much internal scrutiny and precision (perhaps more) as instructional and research programs. The objectives of the institution should be clear and not confused with the objectives of the persons served.<sup>6</sup>

Or, as Shannon and Schoenfeld put it, "To be worthy of the name university extension, an outreach operation must be of and not simply in the university."<sup>7</sup>

The concerns expressed above, and the variety of issues implicit in those concerns, are once again being brought into focus in an area of public service which is currently evolving. A new clientele whose needs are being addressed by a growing number of universities are small business manager-owners.

#### The Need for Education, Research, and Management and Technical Assistance for Small Business

Although reported statistics vary, it appears that approximately one-third of new businesses are discontinued within the first year of operation, fifty percent within two years, and sixty to eighty percent are discontinued prior to the fifth year. The situation is summarized by Welsh:

The dismal record of failure among new business is an unnecessary tragedy. The entrepreneur leaps after his dream with little if any conception of the responsibility he is about to assume without adequate preparation. What is needed is a plan.<sup>8</sup>

There have been several efforts to determine reasons beyond personal characteristics for the high failure rates. Charlesworth surveyed 200 small businesses which were clients of the University of Kentucky's



Office of Business Development between July 1968 and July 1972.<sup>9</sup>

The findings of the survey indicate that the problems most frequently confronted by small business persons included financial planning, accounting, and marketing. On the basis of verbal reports, Charlesworth concluded that lack of good management was the most likely reason for failure. Dun and Bradstreet tend to confirm these findings in a report which concludes that over ninety percent of small business failures are management related.<sup>10</sup>

Welsh also confirms the belief that management problems account for small business failures. He identified five characteristics of a group of small business presidents that he had personally known and whose businesses were in financial difficulty. The characteristics identified are:

1. Lack of fluency in the language of business, especially in understanding the financial aspects of the business and more specifically, the concept of financial accounting; hence the entrepreneur is dependent upon others for such matters.
2. Lack of knowledge of the regulatory agencies of government which impact on the business; here, the entrepreneur delegates authority to a lawyer rather than attempting to understand the issues himself.
3. Lack of timely financial reports to check the current financial status against financial forecasts. Welsh explains that only the future can be managed, and without knowledge of the rate of current progress, as compared to the desired rate of progress, the entrepreneur cannot manage anything.
4. Lack of understanding that a business is a group of people who have the same objectives; when this ceases to be the case, members of the group begin to work toward divergent objectives.<sup>11</sup>

Lack of management skills on the part of those initiating new ventures is also considered an important factor in influencing investors'

decisions to provide financing. The soundness of management strategy and the quality of personnel involved in a venture were the two factors ranked as most important by venture capitalists in a study conducted by Bean.<sup>12</sup> The prevailing market and competitive factors were ranked second, and product soundness factors were ranked third.

The federal government has invested large sums of money to identify and meet specifically defined needs of entrepreneurs through the Small Business Administration, Department of Commerce, National Bureau of Standards and the National Science Foundation. In addition, Cicchinelli and Grad report that many universities have recently developed programs to assist entrepreneurs in their endeavors.<sup>13</sup> At the forefront of this activity is the Small Business Development Center program which has been fostered by the federal government through eight university-based pilot programs.

#### The Small Business Development Center Concept

The Small Business Development Center (SBDC) concept involves the development of university-based management delivery systems which utilize the resources of local, state and federal government programs, the private sector, and the interdisciplinary facilities and students of participating universities. By linking together the above resources, the SBDC program attempts to provide a framework for cooperatively relating university resources to external resources.

Although the Small Business Administration has been the catalyst in the organization of the Small Business Development Center concept, it is accurate to state that the modules from which it is constructed are the product of many federal agencies and the innovative outreach

programs of numerous universities and colleges throughout the nation. Nor does the Small Business Administration claim that the SBDC concept is an entirely new concept. Some of the basic "building blocks" are:

1. The Economic Development Administration's University Center Program.
2. The Department of Health, Education and Welfare's cooperative education program in which students work in a business.
3. The Small Business Administration's Service Corps of Retired Executives and Active Corps of Executives (SCORE/ACE) programs which provide for volunteer management counseling services.
4. The SBA Small Business Institute Program which has involved business students and faculty coordinators in providing small business counseling services.<sup>14</sup>

Small Business Development Center programs are designed to provide to small business clients all of the following services:

1. Determining by investigation, analysis and judgment, the factors which appear to be preventing a profit-oriented enterprise from making a profit;
2. Determining the factors which are inhibiting further growth in a profit-oriented enterprise;
3. Determining, as appropriate, the specific factors which the management of a new enterprise must understand and practice to assure profit making;
4. Working with SBDC clients to develop understanding of accepted business practices and convincing the client of the necessity of adhering to them; and
5. Monitoring, periodically, the client's business operations for purposes of assuring continued management development.<sup>15</sup>

In addition to these basic services, universities and other organizations which have specialized services of value to small business entrepreneurs can be included in the Small Business Development

Center network. The specialized services which the SBA identifies as desirable include:

1. Business Skills Assessment Centers - which will evaluate the clients' levels of business skills in relation to the types of businesses undertaken.
2. International Trade Center - to assist SBDC clients who manufacture exportable products to analyze, develop, and implement an appropriate international marketing program.
3. Business Law Information Services - which will offer legal information to SBDC clients.
4. Capital Formation Advisory Services - which will provide in-depth financial counseling, including financial planning and loan packaging guidance.
5. Technical Centers - which will make technology assistance services available to small business clients, e.g., energy audits, product analysis and improvement, new product development, etc.
6. Special Group Emphasis Services - which will provide outreach services, training and counseling for minorities and other special need groups.
7. Economic and Business Data Analysis Centers - which will develop information to be used in developing client business plans; make market analyses; and provide business and economic forecasts.<sup>16</sup>

The SBDC concept outlined by the SBA is intended to be flexible and to provide the freedom in program development and implementation required by the various universities participating in the program.

Concerning the appropriateness of the SBDC concept, Dr. Horace J. DePodwin, Dean of Rutgers University's Graduate School of Business Administration, made the following remarks before the Select Committee on Small Business of the U.S. Senate:

A few universities, including our own, have demonstrated that a partnership with government can make an important contribution to the rapid growth of some small businesses and to the survival of others. My observation is based on the experience of those few schools, which, with the support of the Department of Commerce and the Small Business Administration, initiated programs to aid businesses of small size . . . .

The concept of the Small Business Development Center is an appropriate foundation upon which to build government programs of assistance to small business. We envision the centers coordinating the application of resources, especially knowledge and manpower available within the universities, to the small business sector . . . .

Many beginning entrepreneurs have no knowledge of the assistance universities can provide. However, with proper promotion, the small businessperson will come to recognize the SBDC as the place where he, or she, may readily avail themselves of the skills and knowledge needed to begin a new enterprise or to support an existing one.<sup>17</sup>

#### Purpose of the Study

The purposes of this study are as follows: (1) to collect detailed and factual information that will enable the researcher to assess the feasibility and desirability of establishing a small business development center program that would be administered through the business colleges at Michigan's public four-year colleges and universities; (2) to secure relevant views and information from the business deans concerning specific issues and operational concerns involved in designing and implementing a small business development center program; (3) to analyze the extent of agreement or disagreement on the issues and concerns examined; and (4) to develop from the interview data a set of normative statements concerning the desirable characteristics of a small business development center program in Michigan.

### The Research Problem

There are many issues and concerns which must be considered when designing a university-based program for the purpose of providing services to small businesses. The many options available to decision makers highlight the necessity for careful planning of such a program. Shannon and Schoenfeld identify ten factors which are crucial to the development of an effective university extension program. These are:

1. A clear-cut statement of the university's extension mission, incorporating dimensions, methods, priorities, and standards.
2. A sense of the significance of this mission and an ungrudging commitment to it on the part of the entire university faculty, from the chief administrative office to each individual professor.
3. A direct, consistent two-way channel between extension personnel and all the appropriate departments, schools, and colleges of the university.
4. A symbiotic relationship between university research and university extension.
5. Imaginative, coordinated extension administration.
6. An extension staff that merits and wins full fellowship in the university community while performing its essential mission.
7. An extension curriculum that reflects responsibility for industrial ideals and responsiveness to modern adult needs.
8. Effective teaching techniques and learning materials.
9. Adequate financing based on broad public support.
10. Viable communication to and from, and working relationship with individual students, clientele groups and sister agencies.<sup>18</sup>

While these factors vary in scope and some are more complex than others, they do provide a useful indication of the broad range

of concerns that must be considered in designing and implementing college and university-based small business assistance programs.

The issues addressed in this study are derived from the writer's review of the literature and a careful study of the experiences of eight pilot Small Business Development Center programs as reported in various Congressional hearings, descriptive materials and management reports produced by the directors of pilot SBDC programs at an information sharing conference held in Athens, Georgia on September 25-27, 1978. The issues also reflect concerns arising from the program development responsibilities of the writer. The specific concerns addressed in this study are as follows:

- Concern 1 - The potential for integrating the small business assistance program with the instructional program of the business college/school.
- Concern 2 - The potential for integrating the small business assistance program with the research activities of the business college/school.
- Concern 3 - The potential for integrating the small business assistance program with the service activities of the business college/school.
- Concern 4 - The type of small business assistance program model that would be most effective.
- Concern 5 - The types of small businesses that should receive assistance.
- Concern 6 - The resource requirements and funding arrangements for initiating a small business assistance program.
- Concern 7 - The most appropriate structure for administering and coordinating a statewide program.

These strategic issues will provide the broad focus for the research in this study. The research problem, then, is to secure strategic "advice" from the business college deans in Michigan's public higher education institutions concerning specific issues within each of these issue areas.

#### Significance of the Study

The significance of the study is related to the following points: (1) it will provide specific information to the respective policy makers involved in developing the state SBDC plan concerning the range of agreement and disagreement on the issues explored; (2) such information will enable policy makers from the various institutions to appraise their own positions with regard to the programmatic, organizational and administrative questions, and to understand more fully the views of other institutional representatives; (3) a more sensitive understanding of the needs and concerns of higher education institutions on the part of government officials should result from this study; (4) a plan for delivering small business services which is sensitive to institutional needs and concerns should result in improving the outcomes of public higher education in Michigan; and (5) the issues identified and examined in this study will provide guidance to officials in other states who are or will be undertaking the responsibility for developing plans in their respective states for cooperating with colleges and universities in assisting small businesses.



### Research Design

In order to develop the information needed, in-person interviews will be conducted with the business deans at each of Michigan's public four-year colleges and universities. This will include the following institutions:

1. Central Michigan University
2. Eastern Michigan University
3. Ferris State College
4. Grand Valley State College
5. Lake Superior State College
6. Michigan State University
7. Michigan Technological University
8. Northern Michigan University
9. Oakland University
10. Saginaw Valley College
11. University of Michigan, Ann Arbor
12. University of Michigan, Dearborn
13. University of Michigan, Flint
14. Wayne State University
15. Western Michigan University

The business deans of the public four-year colleges and universities are the primary university administrators who, presumably, will be directly involved in developing and approving a state small business development center plan.

A letter will be sent to each of the business deans informing them of the purpose of the study and informing them that an appointment will be made to discuss the Small Business Development Center concept with them.

An interview guide will be developed that is both highly structured and semistructured to permit the interviewer to probe more deeply into the responses to obtain more complete data. The interviews will be recorded on a tape recorder to facilitate detailed analysis.

Two pilot testings of the interview schedule will be performed so that any problems in the interview format can be identified and

corrected prior to conducting the study. The pilot testing will be conducted with the business deans at two of the fifteen institutions. The trial interviews will not be included in the study.

The analysis of the data collected from the thirteen interviews will be reported in descriptive and summary statistical formats with accompanying narrative. The analysis of the interview data will not employ inferential statistical analysis or techniques because the entire population of interest will be interviewed. Consequently, the results and conclusions will be based upon the total population rather than a sample of it.

### Scope and Limitations

#### Scope

This study is delimited to include only public four-year colleges and universities in Michigan. The study is also delimited to include the responses of thirteen deans of colleges of business and management at the institutions included in the research population.

#### Limitations

The study is limited by the extent to which the significant issues that are raised in the literature on this subject have been, or have not been, identified and examined in this study. The study is also limited by the reliability of the data collected by the interview method.

### Overview of the Study

The study will be reported in five chapters. Chapter I will include the introduction, the significance of the study, the research

problem, the research design, definitions of terms, scope and limitations of the study, and an overview of the study.

Chapter II will include a review of the literature related to the study and also will include a review of the evolution of the small business development center program and the experiences of higher education institutions in other states in providing educational and technical services to small businesses.

Chapter III will describe the study design and procedures employed in carrying out the study.

Chapter IV will contain a summary and analysis of the data collected from the survey.

Chapter V will contain a summary of the findings, conclusions, and recommendations.

## NOTES--CHAPTER I

<sup>1</sup>John J. Corson, cited in Charles G. Dobbins and Calvin B. T. Lee (eds.), Whose Goals for American Higher Education (Washington D.C.: American Council on Education, 1968), p. 83.

<sup>2</sup>Ibid., pp. 84-86.

<sup>3</sup>Durward Long, "The University As Commons: A View From Administration," New Directions in Higher Education, No. 18 (Summer, 1977), p. 82.

<sup>4</sup>Ibid., p. 82.

<sup>5</sup>Corson, op. cit., p. 89.

<sup>6</sup>Long, op. cit., p. 85.

<sup>7</sup>Theodore J. Shannon and Clarence A. Shoenfeld, University Extension (New York: Center for Applied Research in Education, 1965), p. 73.

<sup>8</sup>John A. Welsh, Profit and Cash Flow Management for Non-Financial Managers (Dallas, Texas: School of Business Administration, Southern Methodist University, 1974), p.4.

<sup>9</sup>Harold K. Charlesworth, "Urgently Needed: A Reordering of SBA Priorities to Save Small Businesses," MSU Business Topics (Summer, 1972), pp. 45-57.

<sup>10</sup>The Business Failure Record (Business Economics Division of Dun & Bradstreet, Inc., 1978), pp. 12-13.

<sup>11</sup>John A. Welsh, Proceedings of the Second Annual Seminar, Investing in the Entrepreneur (Dallas: Caruth Institute, Southern Methodist University, 1974), pp. 8-10.

<sup>12</sup>Alden S. Bean, Dennis D. Shiffel and Mary S. Mogee, The Venture Capital Market and Technological Innovation (Paper submitted to Office of National Research and Development Assessment, National Science Foundation, Washington D.C., 1974).

<sup>13</sup>Louis Cicchinelli and Marcia Grad, Innovation Center and Technical Assistance to Business Study (Unpublished Report Prepared for the Michigan Department of Commerce, 1977), p. 36-38.

<sup>14</sup>U.S., Small Business Administration, Small Business Development Center Guidelines (May, 1978), p. 2.

<sup>15</sup>U.S., Small Business Administration, SBDC: Special Instructions for State Plans (August, 1978).

<sup>16</sup>Ibid., pp. 4-12.

<sup>17</sup>U.S. Senate, Select Committee on Small Business, Hearings on Small Business Development Center Programs. 95th Cong., 1st Sess., pp. 242-243.

## CHAPTER II

### SMALL BUSINESS: A NON-TRADITIONAL CLIENTELE IN NEED

#### Introduction

During recent Congressional hearings on the "Future of Small Business in America," the House Committee on Small Business heard numerous witnesses from government, academia and the small business community testify to the important role played by small business in our economy.<sup>1</sup> As a provider of jobs, as a deterrent to high prices and monopoly power, and as the wellspring of the innovation and development that have made our nation a world leader in technological advances and standard of living, the small business sector's record is unsurpassed. It is the small business community that has been, and continues to be, the traditional vanguard of the free enterprise system.

The committee's foresight hearings on the "Future of Small Business in America: were the first of their kind in the history of the U.S. Congress. Testimony received during the hearings expressed the recurrent themes that the federal government has consistently ignored the small business sector, despite statutory rhetoric to the contrary, and has failed to consider properly the future impact of congressional policy on this massive and major segment of our economy. In summarizing their views on the role and importance of small business, the committee's report stated:

The attempt to seek to preserve and strengthen small business opportunities does not grow from some misplaced feeling of nostalgia. Instead, the subcommittee wants to preserve the opportunities, the genius, the energies and the aspirations of the American way of life for future generations. This is not just the opportunity to start a business, important as it is for those who desire to do so. It is also important to preserve for the consumer the freedom of choice of both product and services - in quality, price, value and availability. For this reason, economic diversity must be fostered and competition, through a plurality of competitors, must be strengthened as the only true hedge against growing concentration. The natural ally of the consumer is, therefore, small business.<sup>2</sup>

### Defining Small Business

For many years Americans have prided themselves in being successful small businesspersons or entrepreneurs. Indeed, major American corporations have grown from the efforts of such men and women. Herman Lay (The Frito Lay Corporation), Conrad Hilton (The Hilton Corporation), Henry Ford (The Ford Motor Company) and Margaret Rudkin (Pepperidge Farms, Inc.) are persons who had an idea for a small business which eventually grew into a very large enterprise. These persons are, however, anomalies in the U.S. economy. In fact, Bureau of Census statistics indicate that 98% of all businesses in the United States employ fewer than 50 people.<sup>3</sup>

The definition of a small business varies from source to source. For example, in 1947, the Committee for Economic Development defined small business as having two or more of the following characteristics:

- (1) independent management (it is generally owner-managed);
- (2) owner-supplied capita;
- (3) mainly local in its area of operation; and
- (4) relatively small size within its industry.<sup>4</sup>

When the Small Business Act was passed in 1953, thereby creating the Small Business Administration (SBA), the federal government began formally to support small businesses. The problem of defining a small business was posed to the SBA. The basic SBA criteria for a small business are:

- (1) independently owned and operated; and
- (2) not dominant in its field of operations.<sup>5</sup>

Because the SBA is charged with providing small businesses with financial, management and technical assistance, as well as assistance in processing government contracts, further definition of small businesses was required. The new definition of small businesses was based on quantitative measures (e.g., income, number of employees) within a parent industry. For example, a retail business is considered to be a small business if its annual receipts do not exceed \$1 million, whereas all manufacturing firms are considered small if they employ fewer than 250 persons. However, a manufacturing firm employing between 250 and 1500 persons may still be considered a small business by the SBA depending on the specific industry of which it is a part.<sup>6</sup>

Perhaps the most definitive statement of Congressional intent, in regard to size standards, was included in the Twenty Third Annual Report of the Select Committee on Small Business, released in 1973. It stated:

The Small Business Act contains a very general definition in terms of a firm which is: "independently owned and operated and . . . not dominant in its field of operation." The Statute leaves the further and more detailed definition to the Small Business Administration to be worked out administratively, with reference to two criteria--number of employees and dollar volume of business--among others.



The SBA, pursuant to this mandate, has developed a dual system of definitions which stem from the eligibility for SBA's two most important functions; financial assistance and procurement assistance.

It has been SBA practice to consider size standards on an industry-by-industry basis. The results are contained in SBA regulations. Hearings are held when necessary to modify the standards and bring to light relevant distinctions within each separate industry category.

While this approach to definitions is advantageous for SBA in administering its programs, their very flexibility may lead to confusion in the public mind over the "true" domain of small business.

This confusion is compounded by the fact that other departments and agencies have adopted size standards which are similarly functional for purposes of administering their particular programs . . . .

This explanation should illustrate the difficulty of finding a simple definition for "small business." The committee sometimes believes it advantageous to think of its areas of concern as embracing new, growing, and family and other independent business.<sup>7</sup>

Despite the variation of definitions of small businesses, two basic elements are generally included: the business is owned and managed by the same person, and that person has private capital at risk.<sup>8</sup>

### The Structure of the American Economy

Professor John Kenneth Galbraith characterizes the modern American economy as a "bimodal structure."<sup>9</sup> One part of this structure is composed of a small number of firms of very large proportions; these firms, according to Galbraith, comprise half of the private sector and account for half of the total private product.

The Bureau of Economics at the Federal Trade Commission has developed data which show the growth of firms in the dominating part of the economy. In 1960, there were 141 firms with assets of \$250 million; they controlled 52 percent of all manufacturing assets. By 1976, their number had increased to 466 firms which controlled 72 percent of all manufacturing assets. In that same year, there were 162 firms with assets of \$1 billion and they controlled 55 percent of all manufacturing assets.<sup>10</sup>

Professor Charles Mueller estimates that approximately one-third of our nation's economy is subject to the rule of monopolistic and oligopolistic forces.<sup>11</sup> Mueller provides data that illustrate the size of the businesses that populate the concentrated part of the economy:

In 1971, for example, there were 12.4 million business enterprises of all sizes and kinds in America, including 3.3 million farms. Of that 12.4 million total, however, over half of them (6.4 million) had gross sales of less than \$10,000! Another 3.4 million failed to reach \$50,000 in sales and still another 1 million got only as high as \$100,000 in yearly sales. Altogether then, nearly 11 million of the nation's 12.4 million firms - 87.2 percent - had sales of less than \$100,000 that year.<sup>12</sup>

With big business increasing its share of the market at such a rapid pace, it is clear that small business, as a result, suffers a substantial diminution of its importance. As Charles Mueller put it, "The implication is clear: Since big business is steadily increasing its share of the nation's economic activity, the share left to small business is necessarily dwindling."<sup>13</sup>

The Committee on Small Business, in its report entitled, Future of Small Business in America, concludes:

Because of their size, small firms do not possess the measure of economic power that large firms do. The large firm can, to a great extent, insulate itself from the full impact of external market forces, while the small firm is completely subject to those forces . . . . The small firm's lack of economic power prevents it from exerting any substantial control over its prices and costs; its returns, therefore, are far less secure than those of the large firm. And unlike the large firm which has huge resources of capital at its disposal, the small firm is often unable to secure the capital it needs to improve its operations from either the lending institutions or its own returns.<sup>14</sup>

At the same time, the role and significance of small business has not declined. The activities of small businesses may range from operating a corner grocery store, motel, insurance agency, or bowling alley, to operating a complex, high-technology electronics manufacturing firm. These small businesses are the basic components of most industries. Furthermore, they are interdependent. For example, a small manufacturing firm will most likely require a CPA firm, suppliers of product components, suppliers of machinery, and an attorney.

As Cicchinelli and Grad point out, small businesses clearly support and stimulate the economic growth of a community.<sup>15</sup> The interdependence of small businesses forms the basis of a nearly self-sustaining income network. That is, they provide income for and derive income from other small businesses. They pay taxes, provide major sources of public revenue, and, by their very nature, create and maintain competition in the marketplace.

Small businesses also create jobs. A recent M.I.T. study of the job generation process in which an attempt was made to determine the size of the firms that are generating the jobs found these rather striking results:

- (1) Small, independent firms employ 52 percent of all employees;
- (2) Medium-size and large firms provide relatively few new jobs; and
- (3) Two-thirds of all new jobs in the U.S. are generated by small firms (i.e., those with 20 or fewer employees).<sup>16</sup>

### Why Small Businesses Fail

There have been several detailed studies on the reasons for failure of small firms, primarily in the United States. Hoad and Rosko, for example, studied approximately 100 Michigan manufacturers which started their businesses in 1960.<sup>17</sup> Of this sample, approximately 33% had failed by the time of their study in 1964 and 25% were only marginally successful. They found that the single most important characteristic was an inability to find a profitable market. This appeared to be the result of a lack of marketing skills within the companies. According to them, and contrary to popular belief, lack of capital, inability to collect from customers and poor record keeping rarely caused failure. The more important factors, in their study, included over-extension of the company in terms of plant and equipment, unrealistic pricing, disagreement among co-owners and lack of training and experience. They also commented on strengths of the small firms over larger firms. These included low overhead, good personal contacts with customers, and a reputation for a high quality work force as the primary factors with other areas such as flexibility and specialization being general characteristics of such firms as well.

Another study of failures was conducted by Mayer and Goldstein in which 80 small retail and service firms were studied over a two-year

period to determine the factors that distinguished the firms that failed from the firms which had survived during that period.<sup>18</sup> This study examined factors that prompted the decision to start the business, choice of location, and timing of the start-up of the firm. In addition, they examined capital resources and other major factors they found that influenced success or failure. The businesses studied covered a wide range of small stores, restaurants and service shops which were characteristic of owner managed firms which are usually self-employed individuals with no employees. Thus the management functions of these firms were very elementary and the owners' training, if any, was in their respective areas of occupational skill. This study found that the primary reason for failure was lack of sales resulting from faulty location and lack of recognition of the true market.

A study in Britain by Jonathon Boswell which focused on 44 manufacturing firms indicated that performance and growth were inversely related to the age of the firm and the age of owners but not related to size.<sup>19</sup> Boswell's work related the problems of these firms to the problems of succession, and he found that older firms were more likely to decline and eventually fail because of the rigidities of top-management. It also appeared unlikely that changes would be made in the marketing and other management areas necessary for reviving those firms. He illustrated several cases in which new management was able to pull the companies out of decline and turn them into viable enterprises.

A study by Russell Knight examined the causes of business failure in small businesses in Canada.<sup>20</sup> Nearly all of the bankrupt firms in the study (75%) had only one individual involved in managing

the firm. In most of these cases (80%), the background and experience of these individuals was technical or operational in nature. These individuals typically had no experience or training in marketing, financing, or accounting. While they could secure financial and accounting assistance from their bank manager or accountant, they had no readily available source of assistance in the area of marketing. Even in those firms where more than one manager was present, they frequently had similar backgrounds - usually technical or operational. Examples of this phenomenon included carpenters who had started their own construction firms, machinists who had opened their own machine shops, truck drivers who had started their own trucking companies, and people who had worked in a restaurant or motel trying to run their own businesses in those areas. All of these individuals were reasonably qualified in the operational areas but did not seem to understand the marketing, financial and accounting end of their business because they had never been exposed to management functions in their previous work experience or training. Thus, many of the bankrupt firms studied had failed to keep reasonable financial records, had no concept of cash flow, and were in trouble from the day of their formation.

Much of the literature indicates that most small business owners have not been exposed to professional management prior to establishing their own business. In most instances, they are entrepreneurs who have been successful in the past without having to plan systematically. Isaac Fogel points out that the discipline required for planning is one characteristic that is usually missing from entrepreneurs. He says:

The planning process takes time. Many small business owners see their function more in the operations area than in the management area. Therefore, they feel that they are not making a contribution to the company unless they are involved physically. Spending four weeks a year to plan what a small business will be doing over the next 12 months, often seems to be a waste of valuable time, that could be better spent on putting out the existing fires. What most small business owners do not realize is that planning is a form of fire prevention as opposed to fire fighting.<sup>21</sup>

Yvon Gasse observes that much of the success of a small firm in the early stages of its development is the result of the ability of and capacity of the owner-manager to carry in his head knowledge of the detailed operation of all aspects of his business and to remain in effective control of each activity.

The owner-manager's policies and techniques evolve more from the custom and practice of tried and tested decisions in particular situations than from any attempt to identify and standardize particular principles, guidelines, and procedures; therefore, the entrepreneur will tend to perpetuate his informal way of doing things until the growth of his firm will reach a point where he will begin to lose control unless a formal management system is introduced to supplement his personal rules.<sup>22</sup>

There is a great deal of agreement in the literature concerning the phenomenon that as a firm grows in size, the direct, face-to-face interaction which characterized life in the beginning gives way to more formal, less direct modes of supervision. Argenti describes the process this way:

The entrepreneur no longer can keep a personal hand in all the major functions of the firm. His decisions about who to hire as assistants, how to define job responsibilities, and how to specify work flows, assume a greater importance. He risks severe problems of communication, coordination, and control. In the past, a company could grow to a considerable size and still be managed in the same way as when it was small. Given sufficient energy and courage, flair, and common sense, an entrepreneur could build a company of almost any size and still remain

in command. Today he cannot do this because business problems have become so complex, competition has become so strong and the rate of change is so swift . . . . At some point, the entrepreneur begins to lose control unless a formal management system is introduced to supplement, at least, his personal rule. It is not possible to say when a company will reach this point. All that can be said is that companies today reach it much earlier than they used to.<sup>23</sup>

### University Responses to Small Business Needs

The small business community today is much like the agricultural community of the late 19th and early 20th centuries. The agricultural establishments were relatively small. Their owners had little experience and usually no formal training in operations and management. Their access to market information was limited. They lacked knowledge about available technology, financial resources, materials, processes, and techniques. In fact, most of the present products, processes, materials, and technology were yet to be developed. The small farmer faced a built-in competitive disadvantage with larger competitors and was at the mercy of other segments of society. The small business segment of society today has the same problems and can profit from a government-university-small business partnership as has the agricultural segment.

Schools of business throughout the country have for half a century been providing services to the business community. Each year several thousands of businesspersons attend college and university seminars and short courses. Thousands more benefit from research or provision of needed information. However, the resources made available for these services have been relatively meager.



The purpose of this section is to review the status of college and university educational programs and consulting services that are specifically designed for practicing and potential small business managers and entrepreneurs.

### Educational Programs for Small Businesses

Interest in the management training of owners and prospective owners of smaller businesses appears to be growing significantly. Since 1967, the number of universities offering entrepreneurship courses has increased to more than eighty--an increase of over 800 percent during the last ten years. However, despite this development, the relative number of colleges and universities offering courses in entrepreneurship remains small.<sup>24</sup>

A 1977 study conducted by the International Council for Small Business surveyed over 400 universities and colleges (all members of the American Assembly of Collegiate Schools of Business) to determine how many schools were offering courses in either entrepreneurship or small business management. The study revealed that approximately 50 percent or 200 of the colleges and universities surveyed offered courses and programs in these areas.<sup>25</sup>

The "entrepreneur" and the "small business manager" are not necessarily synonymous terms. The emphasis in entrepreneurship is on the "development of something new with regard to the organization, processes, products, or other significant aspects of a business."<sup>26</sup> The owner-manager of a small business may or may not be an entrepreneur. The work of the owner-manager centers around "keeping his

business afloat and perhaps increasing sales and profits by gradually expanding the present operation."<sup>27</sup>

The themes of small business educational programs are becoming more sophisticated, but for the most part still fall within the scope of traditional business activities. Table 1 displays the degree of emphasis placed on the content of small business programs as determined by a survey study conducted by the National Council for Small Business Management Development. Eighteen common topics were listed in the questionnaire and respondents were asked to indicate by three degrees--low, medium, high--the emphasis placed on each of these eighteen topics in the content of their programs.<sup>28</sup>

The survey study conducted by the National Council for Small Business Management Development revealed other characteristics of small business programs of interest. The major clientele orientation of the small business management programs offered by the respondents is reported in Table 2. An examination of the data in Table 2 shows that over half (55.1%) of the programs offered were primarily oriented toward small businesses, e.g., covering some topics of interest such as financing small businesses, marketing the product, etc., or it was designed for the individual considering a career in small business. Approximately 17%, or 30, of the reported programs were minority business oriented. Fifty of the programs (28%) were oriented primarily toward executive development.<sup>29</sup>

The time periods for course offerings are summarized in three categories in Table 3. The largest number of programs, 60 or 51.4%, were offered during both day and evening hours. Daytime only programs

TABLE 1  
EMPHASIS PLACED ON CONTENT OF PROGRAMS  
IN SMALL BUSINESS MANAGEMENT

	Low	Med	High
Analysis of potential need for a new small business . . . . .	23	31	34
Financing . . . . .	2	18	72
Insurance requirements . . . . .	39	35	15
Capital requirements . . . . .	5	25	60
Long-range planning and forecasting . . . .	13	37	43
Buying an existing business . . . . .	39	34	14
Types of individuals who succeed as entrepreneurs . . . . .	25	39	27
Accounting and information systems . . . .	12	23	56
Pricing strategy . . . . .	21	45	28
Location selection (retail, service, or manufacturing) . . . . .	22	38	32
Personnel, labor relations . . . . .	26	38	28
Reporting forms (tax, etc.) for govern- ment agencies . . . . .	32	29	28
SBA aids available . . . . .	26	38	28
Production management . . . . .	39	35	19
Marketing management . . . . .	19	40	40
Service business management . . . . .	24	41	28
Marketing research . . . . .	26	30	35
Cost controls . . . . .	15	30	43
Other, e.g., supervisory management, social responsibility, inventory control, credit collections, etc. . . . .			

TABLE 2  
MAJOR CLIENTELE ORIENTATION OF SMALL  
BUSINESS MANAGEMENT PROGRAMS

Orientation of Programs	Number	Percent
Oriented toward small businesses or designed for individuals considering careers in small businesses	98	55.1
Minority-business oriented	30	16.9
Executive development oriented	<u>50</u>	<u>28.0</u>
Total	178	100.0

TABLE 3  
TIME PERIODS FOR COURSE/PROGRAM OFFERINGS

Time Periods	Number	Percent
Daytime Only (8 a.m. - 4 p.m.)	25	22.5
Evening Only (4 p.m. - 10 p.m.)	26	23.4
Both day and evening	<u>60</u>	<u>54.1</u>
Total	111	100.0

were offered by 22.5% of the respondents, while an equal number of respondents (23.4%) indicated their programs were offered only during the evening hours.<sup>30</sup>

The various types of instructors utilized in the programs are detailed in Table 4. The findings suggest that it is a relatively common practice of the colleges and universities to reach out into the business community for instructional personnel in these more pragmatic subject areas.<sup>31</sup>

TABLE 4  
TYPES OF INSTRUCTORS UTILIZED IN PROGRAMS

Types of Instructors	Number	Percent
Academicians (College and University Faculty)	93	22.2
Practitioners, e.g., accountants, bankers, management consultants, government officials, lawyers, etc.	277	66.1
Combination of Academicians and Practitioners Utilized in Same Program	<u>49</u>	<u>11.7</u>
Total	419	100.0

The largest percentage (38%) of respondents reported that the length of programs was either a semester (usually 15 to 16 weeks) or quarter (usually 10 to 12 weeks) time period (Table 5). The next most frequent time period was the full day format reported by 18.6% of the respondents.<sup>32</sup>

TABLE 5  
PROGRAM FORMAT AS TO TIME LENGTH

Time Length	Number	Percent
One-half Day	10	7.0
One Full Day	27	18.6
Two Full Days	9	6.2
Three Full Days	5	3.4
Semester	39	26.9
Quarter	16	11.0
Other, e.g., 1 week, 2 weeks, 3 evenings, 1-hour sessions for 10 weeks, etc.	<u>39</u>	<u>26.9</u>
Total	145	100.0

The trends in educational programs for small businesses reflect the readiness of many colleges and universities to reach out to a non-traditional clientele--the small business practitioner.

Universities are also more involved in teaching courses about small business than ever before. Louise and Vince Luchsinger report that:

More classes are being offered by a larger number of institutions, and increasing numbers of students are taking the courses. While a decade ago many students reflected a distaste for the risk-taking aspects of a small business, there is a revival of student interest in small businesses.<sup>33</sup>

A pilot study was conducted by William Brannen of Creighton University to determine the desirability of adding a separate course in

small business marketing to the traditional business marketing curriculum. His survey sample included 436 students (256 of whom were marketing majors) at 14 business colleges. In response to the statement that "a course in small business marketing should be offered at this school," 85% agreed, 3% disagreed and 12% had no opinion. In response to the statement, "I would take a small business marketing course if it were offered," 75% agreed, 14% disagreed and 11% had no opinion. Brannen concluded that, "If results of a major study were as favorable as those of the pilot study, marketing educators should be positively influenced toward adding such a course to the curriculum."<sup>34</sup>

In attempting to determine how much interest university business students have in small business ownership as well as in taking related coursework, Gerald Hills conducted a survey in the business school at the University of Tennessee. Of the 659 student respondents, 59% indicated that it was "somewhat" or "very likely" that they would someday own and/or operate a business of their own. Nearly half of the students expressed considerable "uncertainty" about the value of their business coursework in contributing to their preparation of owning a business. In reply to a question regarding the value of application-type business courses (defined as working with actual business problems), about 92% responded by marking the "valuable" end of the scale. Asked whether they would be interested in taking a course in small business management, 87% said "yes." In concluding, Hills stated:

Perhaps the greatest message in these statistics is not the few statistical differences, but rather the commonalities and the high degree of interest by groups who are technically considered less interested . . . . The future is bright for small business entrees and for small business education.<sup>35</sup>

### Consulting Assistance: The Small Business Institute Program

The Small Business Institute Program, implemented in 1972, was designed to involve business students and faculty resources in a counseling effort with small business owners across the country. The Small Business Administration supports the program financially by providing a fee to colleges and universities on a semester-by-semester basis. The faculties of participating institutions, in turn, supervise upper division and graduate students in counseling teams to provide direction for the program. Last but not least, small business owners volunteer for counseling and provide the basis for the semester's activity - their marketing, management, accounting, financial, and other business problems.

Schools of business are generally recommended for participation in the SBI program by the District and/or Regional Directors of SBA Offices. Interest in helping small business owners is a prime requisite for recommendation. In addition, it is usually preferable that the program is administered through a specific course (such as a policy course, small business management course, etc.) and that faculty and students be committed to the idea of working with small business owners.

Before the beginning of the semester, a specified number of cases to be assigned to a particular school of business is selected, and information on the firms concerned is forwarded to the faculty-coordinator by the District SBA Office. The number of cases to be assigned is usually determined by the size of the class involved, the density of small business in the metropolitan-economic area, and other factors. The participating school of business is supported financially



on a case-by-case basis during the semester, with the number of cases assigned often varying from one semester to another.

The class through which SBA activity is implemented is usually segmented into relevant teams of students, with an attempt by the faculty to provide each team with persons of diverse backgrounds and majors. Thus it is possible to have represented on a particular team individuals with specialized knowledge of accounting, marketing, finance, and management. Each team works with one case during the semester, analyzing problems, making personal calls to the place of business, and formulating recommendations for improved management.

Small business clients may be invited into the classroom for discussions during the semester. All company information made available to the students is considered confidential and students are expected to use it for class purposes only.

Because of the interdisciplinary nature of the problems, some courses are taught by a team of professors. In other cases, the faculty coordinator leans on his or her own interdisciplinary background while inviting in faculty consultants from other disciplines as needs dictate.

The growth of the program is demonstrated by the fact that the total number of students involved increased from 1,000 in 1973 to 20,000 in 1976 while the number of faculty coordinators rose from 72 to 2,000 in the same period.<sup>36</sup> The number of colleges and universities, listed as 36 in 1973, increased to 385 in 1976, as shown in Figure 1.<sup>37</sup> The dispersion of these across the country is shown in Figure 2.<sup>38</sup> Every state is represented by at least one participating school, with Texas showing the largest number - thirty-six.

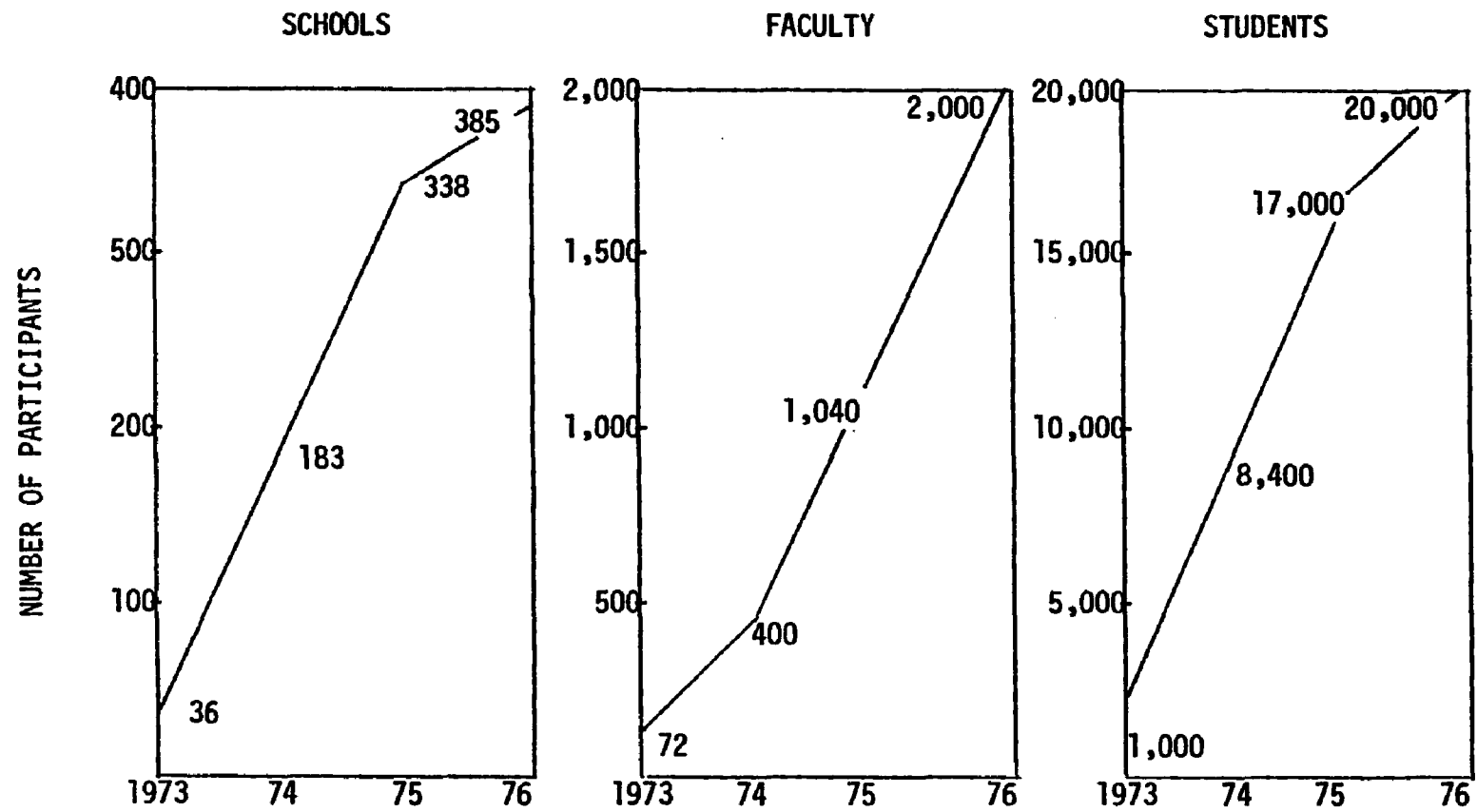


FIGURE 1 - THE GROWTH OF THE SBI

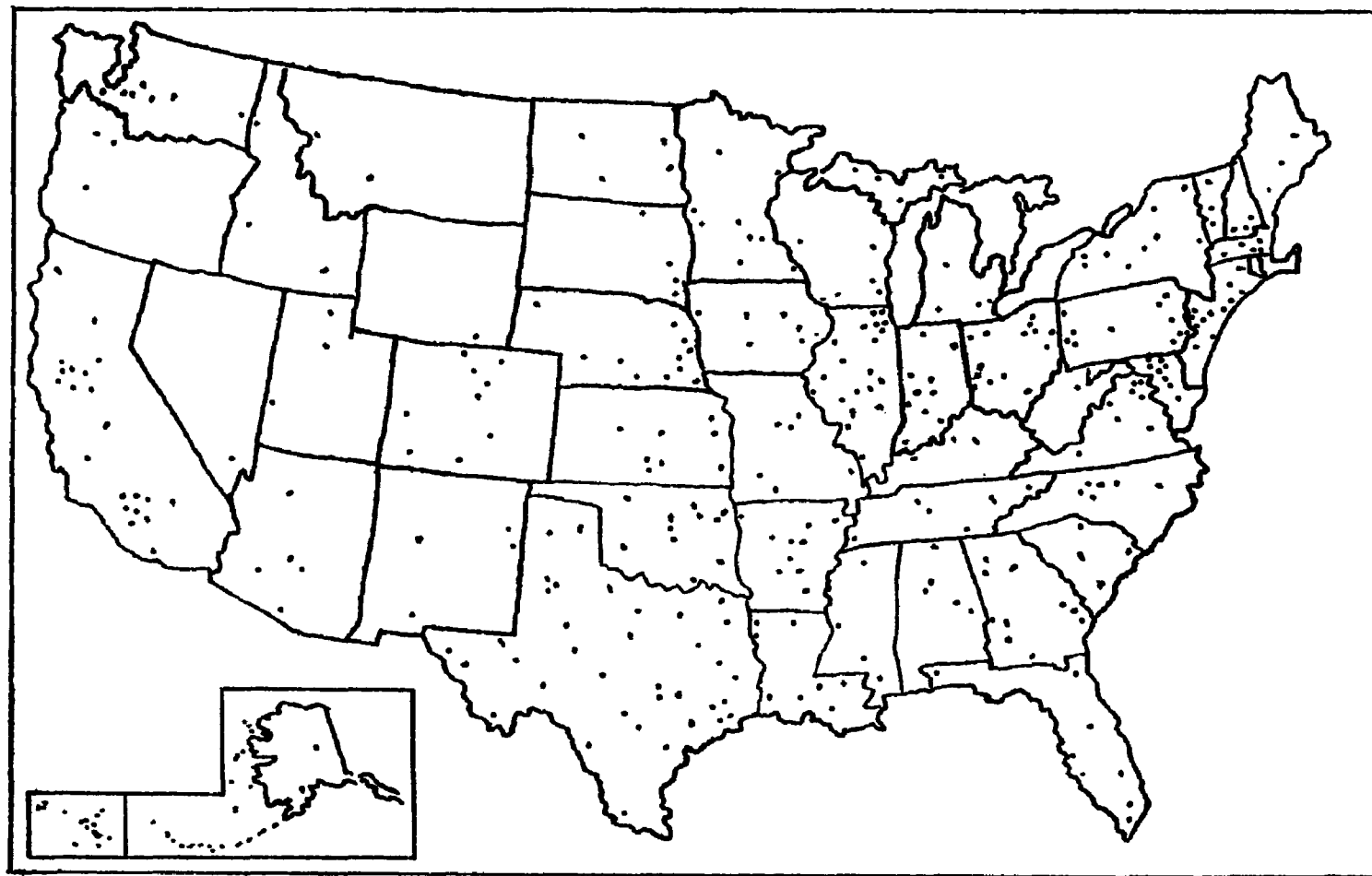


FIGURE 2 - SBI COLLEGES AND UNIVERSITIES

Approximately 400 colleges and universities are participating in the SBI program at the present time.

In 1978, the Small Business Administration conducted a survey study to obtain an evaluation of the SBI program as perceived by deans of business colleges. The following points summarize some of the major findings from the study:

1. Overall effectiveness of the SBI program was rated as "excellent" or "very good" by over 83 percent of the respondents. Only ten respondents (15.1 percent) rated the SBI program as average or fair.
2. To the question asking if the SBI was worth the time and effort, 93.9 percent of the deans responded "yes." Only four deans (6.1 percent) believed the program was not worth the time, effort, and cost.
3. Analysis of the responses to the question asking if the University would continue the SBI program if SBA funding was discontinued, was interesting and revealing. Sixteen deans indicated that the SBI program would "probably not" or "definitely not" be continued if funding was discontinued. However, 27 (40.9%) indicated that the program would be continued even if funding were suspended. A rather sizable group -- 34.9% -- responded that they were "not sure" if the SBI would continue if funding was suspended.
4. In response to the question "Should SBI be continued?" over 92% of the deans responded that it should be; only five (7.6%) answered "no" or "not sure."
5. Three questions were concerned with existence and status of the SBI director. Ninety-one percent of the deans surveyed indicated having an SBI project director. In the majority of colleges, the SBI director did not receive additional pay or a reduced teaching load. Eight deans (2.1 percent) indicated that the SBI director received additional pay. In 17 schools (25.8%), the SBI project director received a one course reduction in teaching load.
6. Two questions dealt with the place of the SBI in the curriculum and the amount of academic credit received by participating students. Nearly 85 percent of the responses indicated academic credit of at least three

hours or more. A course in small business management including participation as an SBI student consultant was required in five schools (7.6 percent). It was not required in either graduate or undergraduate programs in 92.4 percent of the colleges represented in this study.

7. The deans believed the most significant benefits of the SBI program (in order of frequency of response) were: "providing practical dimension to curriculum"; "providing opportunity for service to the community"; and "provides opportunity for faculty to gain greater knowledge of problems of small business and leads to improved teaching."
8. The most significant disadvantages of the SBI, as viewed by deans, (in order of frequency of response) were: "inadequate financial support by the SBA"; "lack of interest of faculty"; and "cost of the program to the college/university."<sup>39</sup>

The SBI Innovation Program, initiated in 1979, is a recent variation of the original SBI Program. This program is a joint venture between the Small Business Administration and the NSF-Funded Innovation Center at the University of Oregon. Its purpose is to stimulate industrial innovation by providing low-cost assistance to independent and small business inventors and to expose SBI students to the innovation process.

The Innovation Center at the University of Oregon has been experimenting with various incentives to stimulate non-corporate innovation. Serving independent and small business innovators nationwide, the Center is currently evaluating about two-hundred ideas, inventions and new products each month.

Linking the SBI program and the Innovation Center's evaluation service makes inventor assistance available on a more localized basis throughout the country.

The channels for accomplishing this linkage have been standardized and accommodated to normal SBI procedures. The Oregon Innovation Center will (1) furnish cooperating SBI schools with the appropriate background information on its evaluation system; and (2) act as a referral center for inventions and new product ideas which appear to have sufficient potential to warrant further assistance. Inventions and new products selected for SBI assistance will be referred to the SBA ARDMA (Assistant Regional Director-Management Assistance) in the region in which the inventor resides for assignment to an appropriate SBI school under normal SBI procedures.

Although this program will not differ procedurally from the existing SBI program, it will open a new dimension for both students and inventors. Students will have the opportunity to view the innovation process from its early stages. Inventors, normally forced to go it alone, will have access to badly needed assistance in their efforts to bridge the gap between invention and innovation.<sup>40</sup>

#### Comprehensive Assistance: SBDC Pilot Programs

The concept of a Small Business Development Center was first articulated publicly by Louis Laun, Acting Small Business Administrator, in 1975. Speaking at a national workshop meeting of SBI Project Directors, he said:

The scope would be broader than the SBI program. It would reach into all academic disciplines with specific expertise beneficial to small business, such as engineering, law, journalism and communication, education, the sciences and even medicine. There could also be interface with other government agencies where applicable.

Some of the possible functions of these centers would be: (1) to conduct feasibility studies for starting or expanding a business, the resources required, product evaluations, and development; (2) to determine business aptitudes, general knowledge, or knowledge peculiar to a specific business, by the development of entrepreneur evaluation methods; and (3) to publicize programs and objections in order to attract venture capital or an SBA loan to the centers.<sup>41</sup>

Beginning in 1976 the Small Business Administration provided funding for the initiation of eight pilot SBDC programs at eight

universities: California State University at Chico, California State Polytechnic University at Pomona, The University of West Florida, The University of Georgia, University of Maine at Portland-Gorham, University of Missouri at St. Louis, The University of Nebraska at Omaha, and Rutgers University. Even though national legislation and guidelines for establishing the SBDC program had not been completely developed, the basic outline of the concept as expressed by the eight pilot programs could be summarized as follows:

- (1) A Small Business Development Center is an organization that has been created to assist in stabilizing the economy, developing jobs in the private sector, fostering the survival of the free enterprise system, creating new businesses and improving the net worth of existing businesses.
- (2) A Small Business Development Center is an omnibus service organization established to assist small business owners and managers with their management problems and opportunities.
- (3) A Small Business Development Center is an advocacy organization for free enterprise and independent business.
- (4) A Small Business Development Center is a partnership between business, higher education and government.
- (5) A Small Business Development Center is a coordinating agency for small business assistance activities for a state or a district within a state. State planning is an essential element for effective programming.
- (6) A Small Business Development Center is an organization that attempts to utilize both existing and newly-created resources for the enhancement of the small business community.
- (7) A Small Business Development Center is an agency that draws financial support from the federal government, state government, local government, higher education, and private enterprise.

- (8) A Small Business Development Center is an organization that uses the expertise of individuals from the private sector, higher education, and government to carry out its mission.
- (9) A Small Business Development Center is an organization that is integrated with a business school, business department or business division. It is not a separate, autonomous operating unit of higher education. The Center is integrated with the disciplines related to business.<sup>42</sup>

Essentially the SBDCs have educational missions with closely related economic objectives. Their basic missions are to assist the managers of small business in improving their managerial skills. SBDC programs are built upon the assumption that more efficient management performance leads to economic growth and to greater stability of employment and that better management of existing resources is the best long range approach to economic development.<sup>43</sup>

In addition to providing training programs and counselling to the managers of existing firms, SBDCs provide a sounding board for clients who wish to start new businesses. Many people enter a business who do not have the necessary skills, or the business itself is not economically feasible. Because of this, business mortality rates are high, and the resulting costs of society are staggering. Thus, an important function of the counselling provided through SBDCs is to identify these risks for those seeking counsel, and to guide and, in some instances, even discourage those who do not appear to have the necessary qualification or who lack a practical view of their proposed venture.<sup>44</sup>



### The University of Georgia SBDC

In order to provide a better understanding of the Small Business Development Center concept, it will be useful to examine one of the eight pilot programs in depth. The original SBDC was established at the University of Georgia in conjunction with the U.S. Small Business Administration. This center began operations on April 30, 1977.<sup>45</sup>

### The Central Organization

The Small Business Development Center, the University of Georgia, is a highly flexible organization designed to serve the needs of the small business community throughout Georgia. The organization plan (see Figure 3) recognizes the need for a statewide coordinating unit with district centers located throughout the state. The statewide coordinating unit and one of the district centers are located at the University of Georgia. The state coordinating unit consists of three basic divisions with special units added as need dictates. The three basic divisions are the Division of Continuing Education, the Division of Business Information Services, and the Division of Residential Instruction. As coordinating units for the state, they provide staff work and leadership for program development in their respective areas. The district center units provide services to small businesses in the district. The three functions--continuing education, business information, and residential instruction--are found in each of the district centers.

### The Service Delivery Network

Twelve district centers have been established at key locations throughout Georgia. These centers will be operated by sister

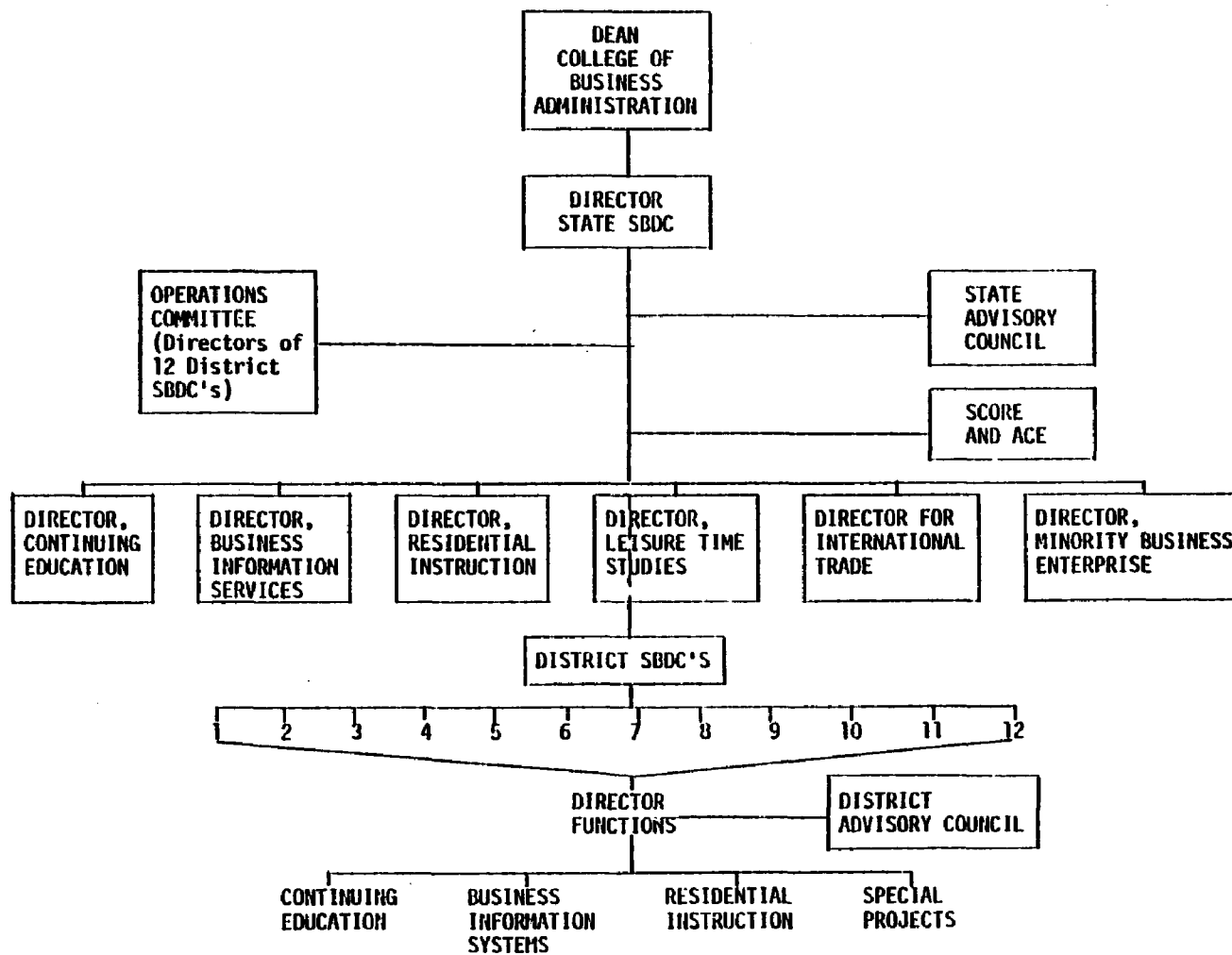


FIGURE 3 - UNIVERSITY OF GEORGIA SBDC ORGANIZATION CHART

institutions within the University System of Georgia. Currently, only two district centers are fully operationalized. Others will be opened as finances permit. Each district center will provide basic counseling and basic continuing education services to the business constituents of the respective districts.

Each district center will be operationalized by contractual agreement with the State Small Business Development Center at the University of Georgia in Athens, Georgia. In addition to providing other institutions of higher education funds to support district business development center operations, the State SBDC provides professional expertise in the various districts when the district centers are unable to handle requests due to excess workloads or the lack of requisite expertise.

Also, the State Center serves as the coordinating agency and fund-raising agency for each of the district operations. Finally, the State Center engages in professional activities that are more efficiently undertaken at the state level.

Each participating institution of higher education develops an annual statement of work that represents what the institution agrees to accomplish in a given year. Significant latitude is given to a contracting institution to develop a program that meets the needs of small businesses in its district. The statement of work formulates the basis of the contractual agreement.

#### The Continuing Education Division

A primary function of the Small Business Development Center is to provide lifelong learning opportunities for potential and existing

managers of small businesses in Georgia. During the first year of operation, the SBDC sponsored 182 short courses, seminars and workshops. These continuing education programs were made as accessible to the small business clientele as possible. The courses were offered on a statewide basis at times convenient to thousands of small businesspersons. Approximately 7700 individuals participated in the SBDC sponsored programs.

The State SBDC Director administers the continuing education program through field representatives who travel throughout the districts on a planned basis to acquaint businesses with the services of the SBDC, to discuss their problems and determine whether the SBDC can be of assistance. The needs identified are referred to the continuing education division, the business information division, or one of the special units for action.

The continuing education delivery system includes group instruction, independent study programs, and educational television. As continuing education needs develop, a director and instructors are assigned to each program. The program directors and instructors are faculty members, members of the Service Corps of Retired Executives, full-time staff members of the SBDC, or graduate students working on a part-time basis.

#### Business Information Division

The purposes of the Division of Business Information Services are three-fold: (1) to promote the development of applied research which will advance the body of knowledge surrounding small business

management; (2) to provide one-on-one business counseling services on a statewide basis; and (3) to provide business data that is supportive of the basic counseling services provided through the regional centers, e.g., short and long-range economic forecasting data tailored to meet the planning needs of small businesses in the respective regions.

The counseling program was established to handle requests for services from individual businesspersons. It complements the Center's continuing education programs which instruct persons in general business principles by providing on-site, one-on-one counseling to businesses in need of assistance. Counseling ranges from advice in one or two specific areas to long term evaluation of all areas of a person's business.

Counseling activities have been a central function of the SBDC since May of 1977 when the initial staff consisted of its Director, Assistant Director, and two staff consultants. Since then, the staff has grown to eleven half-time persons, three from the area of accounting, two from marketing and finance, and one each in the fields of management science, management, law and public relations. This staff is supported by professors in the College of Business, work-study students majoring in business, retired volunteers, and representatives of the Small Business Administration.

It is intended that the Cooperative Extension Service staff of the University of Georgia will become an integral component of the statewide service delivery network in the near future.

### Residential Instruction Division

The purpose of the Residential Instruction Division is to educate future owners and managers of small businesses.

During the summer of 1977 the Curriculum Committee of the College of Business Administration approved the adoption of several additional credit courses in the area of small business management. The newly adopted courses were introduced in the fall of 1978.

Also in 1978, a statewide student intern program and student cooperative program were initiated for degree seeking students in construction with participating small businesses.

### Specialized Services

There are three specialized service oriented programs that are coordinated with the SBDC: the State of Georgia's Office of Minority Business Enterprise, the Small Business International Trade Center, and the Center for Leisure Time Studies.

The Minority Business Enterprise Program provides management, technical and education assistance for minority and economically disadvantaged businesses within the state by serving as a focal point for educational and consultative assistance.

The International Trade and Development Center for Small Business engages primarily in those activities associated with the identification of foreign markets and encouragement of firms to sell in overseas markets. Both continuing education programs and counseling services are offered by this unit.

The Leisure Time Studies unit was created to provide the SBDC services to thousands of small businesses in Georgia that operate leisure-time and tourism related businesses.

### Financial Resources

Financial support for the programs and objects of the Center comes from federal and state sources and from private sources. Initial funding for the Georgia based program consisted of a \$40,000 grant from the Small Business Administration, plus \$50,000 provided by the College of Business Administration. The 1978 budget for the Center exceeded \$800,000 of which two-thirds were state funds and one-third were federal funds.

It has been estimated by the University of Georgia's Business College that a fully developed program would cost approximately two million dollars.

### Evaluation of SBDC Pilot Programs

To assess the effectiveness of the pilot SBDC programs, the Small Business Administration contracted with a private consulting firm to conduct an in-depth study of the programs for an eighteen-month period, April 1977 through September 1978. The study concluded that the linking together of business assistance resources through an university is a valid concept, and that the SBDC program was relatively successful in demonstrating that it was capable of achieving several goals and objectives set by the SBA, including the following:

- (1) The SBDC concept provided a framework for linking the resources of the university, federal programs, and the private sector to assist small business.
- (2) The SBDC concept provided a mechanism through which relevant management and technical assistance could be provided to public and private sector institutions serving the small business community.

- (3) The SBDC concept demonstrated that it had the capability to serve a clearinghouse function for economic and business data.
- (4) The SBDC concept provided opportunities for both basic and applied research at the university level.
- (5) The SBDC concept provided an environment in which interested students could systematically acquire experience in small business development and management.
- (6) The SBDC's Specialized Services concept demonstrated that university-based institutions have the capability to render assistance in such areas as technology, international trade, capital formation and business law.<sup>46</sup>

The study also cited certain deficiencies, specifically:

- (1) The ability of the non-academic SBDC program to become a more integral part of the university structure, especially with respect to faculty participation.
- (2) The ability of the SBDC program to increase opportunities for socially and economically disadvantaged entrepreneurs through organized outreach and business development programs.
- (3) The ability of the SBDC concept to be successfully expanded through statewide programs.
- (4) The ability of the SBDC program to facilitate the "graduation" of small business clients to professional counseling firms.
- (5) The ability of the SBA and the SBDCs to develop effective quantitative and qualitative record keeping and reporting procedures.
- (6) The ability of the SBDCs to develop effective follow-up and evaluation programs for the services they offer.<sup>47</sup>

While a variety of procedural recommendations were made that would improve the overall management of the program, "the Study Team found no evidence to suggest that any of the SBA's goals and objectives for the SBDC program should be abandoned as being too ambitious or significantly unrelated to the SBDC concept."<sup>48</sup> In this regard, all



of the SBA's stated goals and objectives were found to be relevant to and their evolution consistent with the development of the program concept.

## NOTES--CHAPTER II

<sup>1</sup>U.S. Congress, House, Committee on Small Business, A Report on the Future of Small Business in America, 95th Cong., 2nd Sess., 1978.

<sup>2</sup>Ibid., p. 5.

<sup>3</sup>U.S. Department of Commerce, Bureau of Census, 1972 Enterprise Statistics Part I, General Report on Industrial Organization (U.S. Government Printing Office, 1977), pp. 143-213.

<sup>4</sup>Louis Cicchinelli and Marcia Grad, Innovation Center and Technical Assistance to Business Study (Unpublished Report Prepared for the Michigan Department of Commerce, Office of Michigan's Changing Economy Project, 1977), p. 11.

<sup>5</sup>U.S. Congress, Small Business Act, Public Law 699, 85th Cong., 2nd Sess., 1958.

<sup>6</sup>U.S., Small Business Administration, Office of Advocacy, The Study of Small Business, Part II - What Is A Small Business? (U.S. Government Printing Office, June, 1977), p. 61.

<sup>7</sup>U.S. Congress, Senate, Select Committee on Small Business, Annual Report, No. 93-357, 1973, pp. 3-5.

<sup>8</sup>Cicchinelli and Grad, op. cit., p. 12.

<sup>9</sup>U.S. Congress, House, Committee on Small Business, Hearings, Future of Small Business in America - Part II, 95th Cong., 2nd Sess., p. 32.

<sup>10</sup>Ibid., Part I, p. 11.

<sup>11</sup>Ibid., p. 29.

<sup>12</sup>Ibid., Part II, p. 4.

<sup>13</sup>Ibid., p. 4.

<sup>14</sup>Ibid., p. 29.

<sup>15</sup>Cicchinelli and Grad, op. cit., p. 12.

<sup>16</sup>David L. Birch, The Job Creation Process (An Unpublished Report Prepared for the U.S. Department of Commerce, Economic Development Administration, Office of Economic Research (1979), p. 8.

<sup>17</sup>William H. Hoad and P. Rosko, Management Factors Contributing to the Success or Failure of New Small Manufacturers (University of Michigan, Small Business Administration Report, 1964).

<sup>18</sup>Kurt Mayer and Sydney Goldstein, The First Two Years: Problems of Small Firm Growth and Survival (Brown University, Small Business Administration Report, 1961).

<sup>19</sup>Johnathon Boswell, The Rise and Decline of Small Firms (London: George Allan and Unwin Ltd., 1972).

<sup>20</sup>Russell Knight and J. C. Lemmon, The Level of Management Expertise in Small Technically Oriented Businesses in Canada (University of Western Ontario, 1977).

<sup>21</sup>Isaac Fogel, Importance of Planning in Small Business, A Paper Delivered at the 24th Annual Conference of the International Council for Small Business (Quebec City, June, 1979), p. 20-8.

<sup>22</sup>Yvon Gasse, Management Techniques and Practice in Small Manufacturing Firms, A Paper Delivered at the 24th Annual Conference of the International Council for Small Business (Quebec City, June, 1979), p. 16-13.

<sup>23</sup>J. Argenti, "The Techniques of Growing," Management Today, Vol. 12 (February, 1970), pp. 2-4.

<sup>24</sup>Karl H. Vesper, Entrepreneurship Education - A Bicentennial Compendium (Milwaukee, Wisconsin: Society for Entrepreneurship Research, 1976).

<sup>25</sup>George Solomon, Course Offerings in Small Business Management/Entrepreneurship (International Council for Small Business, University of Wisconsin-Extension, Milwaukee, Wisconsin, 1977).

<sup>26</sup>Edison Easton, "Entrepreneurship: Undergraduate Option, Concentration, Or What?", Journal of Small Business Management, Vol. 15, No. 3 (July, 1977), p. 42.

<sup>27</sup>Ibid., p. 28.

<sup>28</sup>Joyce Heisick and Jack Ferner, Education Programs in Small Business Management, A Research Study by the National Council for Small Business Management Development (Milwaukee, Wisconsin, 1976), p. 18.

<sup>29</sup>Ibid., p. 10.

<sup>30</sup>Ibid., p. 11.

<sup>31</sup>Ibid., p. 12.

<sup>32</sup>Ibid., p. 13.

<sup>33</sup>Louise Luchsinger and Vince Luchsinger, "New Trends in Educational Programs Oriented Toward Small Businesses," Journal of Small Business Management, Vol. 15, No. 1 (January, 1977), p. 43.

<sup>34</sup>William Brannen, "Small Business in the Marketing Curriculum," A Paper Presented at the 22nd Annual Conference of the International Council for Small Business (Wichita, Kansas, 1977).

<sup>35</sup>Gerald Hills, "Future Entrepreneurs From the Business Schools - Innovation Is Not Dead," A Paper Presented at the 22nd Annual Conference of the International Council for Small Business (Wichita, Kansas, 1977).

<sup>36</sup>Pat L. Burr and George T. Solomon, "The SBI Program: Four Years Down the Road," Journal of Small Business Management, Vol. 15, No. 2 (April, 1977), p. 2.

<sup>37</sup>Ibid., p. 3.

<sup>38</sup>Ibid., p. 4.

<sup>39</sup>Robert E. Holmes, "How 'U' Administrators View the SBI Program," Small Business Institute Review (Spring, 1978), pp. 21-24.

<sup>40</sup>Gerald G. Udell, "The SBI Innovation Program: Involving Students In The Innovation Process," Journal of Small Business Management, Vol. 17, No. 1 (January, 1979), pp. 4-6.

<sup>41</sup>Louis Laun, Insight, Vol. 3 No. 3 (December, 1975), p. 1.

<sup>42</sup>Larry Bramblett and William C. Flewellen, "The Small Business Development Center Program for Georgia," AACSB Bulletin (Spring, 1978), pp. 107.

<sup>43</sup>U.S. Congress, House, Committee on Small Business, Hearings On SBA and SBIC Authority and General Small Business Problems, 95th Cong., 2nd Sess., 1978, p. 381.

<sup>44</sup>Ibid., p. 381.

<sup>45</sup>The description of the University of Georgia SBDC is based on the following documents:

- (A) Proposal for Development of University Development Center, Prepared by the College of Business Administration, the University of Georgia and Submitted to the U.S. Small Business Administration (October, 1976).

- (B) First Quarter Report - October 1, 1977 - December 1, 1977,  
Prepared by the Small Business Development Center, the  
University of Georgia for the U.S. Small Business Adminis-  
tration (December, 1977).
- (C) State of Georgia Small Business Extension Program, Prepared  
for: Dr. George L. Simpson, Chancellor, the Univeristy  
System of Georgia, by the University Business Development  
Center, the University of Georgia (August, 1977).
- (D) The Small Business Development Center Program for Georgia,  
First Annual Report, the University of Georgia, College of  
Business Administration (May, 1978).

<sup>46</sup>Bently Clark Associates, Inc., An In-Depth Study of Eight  
Small Business Development Centers, A Final Report Submitted to the  
Small Business Administration (August, 1979), pp. 1-5, 1-6.

<sup>47</sup>Ibid., p. 1-6.

<sup>48</sup>Ibid., p. 1-7.

## CHAPTER III

### METHODOLOGY

The purposes of this study are as follows: (1) to collect detailed and factual information that will enable the researcher to assess the feasibility and desirability of establishing a small business development center program that is administered through the business colleges at Michigan's public four-year colleges and universities; (2) to secure relevant views and information from the business deans concerning specific issues and operational concerns involved in designing and implementing a small business development center program; (3) to analyze the extent of agreement or disagreement on the issues and concerns examined; and (4) to develop from the interview data a set of normative statements concerning the desirable characteristics of a small business development center program in Michigan.

#### The Population and Sample

The population was composed of all deans of business and/or management schools or colleges at the fifteen public, four-year colleges and universities in Michigan. Two of the fifteen deans were selected for the pilot interview. The sample was composed of the remaining thirteen deans.

### The Research Interview

Personal interviews were conducted in order to obtain data for this study. The personal interview method was selected for several reasons. Van Dalen reports that, "Many people are more willing to communicate information verbally than in writing and, therefore, will provide data more readily and fully in an interview than on a questionnaire."<sup>1</sup> For this reason, the use of a survey questionnaire as a tool for data collection was deemed to be inappropriate.

Hyman notes some of the advantages of the interview:

A variety of gains result from the fact that the interviewer, while he might be a biasing agent, might conceivably be an insightful, helpful person. He might be able to amplify a given question, probe for clarification of an ambiguous answer, or elaboration of a cryptic report, or to persuade the respondent to answer a question that he would otherwise skip. All such advantages involving the insightful and resourceful interviewer are lost in the self-administering situation where mistakes of the respondent have a quality of finality.<sup>2</sup>

There are, however, several limitations which any researcher must consider in using the personal interview technique. The major disadvantage is the possibility of inducing greater subjectivity and possible bias into data collection. Described by Borg:

The very adaptability gained by the interpersonal situation leads to subjectivity and possible bias. The interactions between the respondent and the interviewer are subject to bias from many sources. Eagerness of the respondent to please the interviewer, a vague antagonism that sometimes arises between the interviewer and the respondent, and the tendency of the interviewer to seek out answers that support his preconceived notions are but a few of the factors that contribute to possible biasing of data obtained from the interview.<sup>3</sup>

Good lists several possible sources of error and bias:

1. An inadequate number and length of interviews
2. Lack of rapport and insensitivity to the interviewee.
3. An uncomfortable or unrelaxing setting.
4. The desire of interviewees to make a good impression.
5. The reluctance of many subjects to reveal highly personal information that might appear damaging to the interviewee.
6. A lack of confidence in or respect for the interviewer, on the part of the interviewee.<sup>4</sup>

At the same time, Bingham, More, and Gustad point out that:

Sources of unreliability inhere in the interviewer, in the person interviewed, and in the relationship between the two. Paradoxically, it is precisely these same elements which make the interview a valuable instrument. The difference lies in the conduct of the interview and the quality of the relationship.<sup>5</sup>

All of the above factors were taken into consideration during the developmental stages of formulating an interview guide. Likewise, in conducting the interviews, the investigator attempted to eliminate those factors which would bias the data collected.

An interview guide was developed for the purpose of structuring the interviews. As stated in Chapter I, the concerns addressed in the interview guide were derived from a review of the literature and from a careful study of the experiences of eight pilot Small Business Development Center programs as reported in various Congressional hearings, descriptive materials and management reports provided by the directors of pilot SBDC programs at an information sharing conference in 1978. The concerns also reflect, in part, issues arising from the program development responsibilities of the writer.

A letter explaining the project and a copy of H.B. 5058 was sent to each of the business deans. Follow-up telephone calls were then made to arrange appointment dates and times. It was left to



each dean's discretion whether or not to include other staff in the interviews. In twelve of the visits, the researcher talked only with the dean; in three of the interviews, the researcher talked with other members of the staff as well.

Two trial runs of the interview were performed prior to interviewing the remainder of the deans. In both cases, the trials were performed so that any problems in the interview format could be identified and corrected prior to conducting the interviews with the remaining thirteen deans. The trial interviews were not included in the study. Each of the interviews took approximately one and one-half hours. All of the interviews were conducted between March 27 and May 22, 1980.

Since the standardized questions incorporated in the interview guide were based on the purposes and premises of the study, the interviewer did exercise judgment in asking probing questions when the respondents' answers seemed incomplete or vague. A copy of the interview guide is located in Appendix B.

An important consideration in the development of an interview instrument is the method of recording the responses of the participants. The method used in this study was the cassette recorder. This method was selected for several reasons. First, the entire text of the interview could be recorded so that total recall was possible by replaying the cassette. Second, the use of the cassette recorder afforded the researcher the freedom of concentrating totally on the interview itself without being hindered by taking notes and recording responses on paper. Third, cassette recording made the posteriori analysis much easier and more systematic.

Borg has noted some of the following advantages associated with the technique of tape recording the interview: (1) the tendency of interviewers to select data favoring their bias is reduced; (2) a thorough analysis of responses can be made during several tape play backs; and (3) the interview process is speeded up since note taking by the interviewer is not necessary.<sup>6</sup>

It should be noted that permission of the respondents to record the interviews was requested prior to conducting the interviews and, fortunately, all of the participants in this study granted such permission.

#### The Method of Data Analysis

The approach to this study was descriptive in method. Best states that descriptive research:

. . . involves the description, recording, analysis, and interpretation of the present nature, composition, or process of phenomenon. The focus is on prevailing conditions, or how a person, group, or thing behaves or functions in the present.<sup>7</sup>

The study was also exploratory in nature. Good and Scates characterized the exploratory approach:

General description is characteristic of the early stages of work in an area where the significant factors have not been isolated, and where perhaps one would not have the means for measuring them if they were identified. It is, therefore, a method of exploration.<sup>8</sup>

Due to the exploratory nature of the study, the investigator believed the descriptive technique was the best method for presenting the findings. Van Dalen has suggested several advantages of descriptive research.<sup>9</sup> Studies of a descriptive nature frequently provide practical

and useful information for planning, alert educators to future trends, and facilitate an understanding of the current status in areas where procedures are perpetually in transition. This study was undertaken not only to do research in an area where little research has been done but also to provide useful insights for the enhancement of future program development efforts. The descriptive approach seemed best suited to meet the needs and objectives of this study.

After each interview, the researcher listened to the tapes with a copy of the interview format as a guide. As answers to the questions on the interview format were given, they were transcribed on the appropriate page of the interview format. Two judges were asked to participate in the study at this point. Mr. Del Willis, a graduate student in the field of continuing education at the University of Michigan, and Dr. Thomas Johnston, of the Research and Marketing Division of the Michigan Office of Economic Development, were each supplied with tapes of the first two interviews and asked to listen to the tapes and write the administrator's answers to the questions on the interview format. They were instructed to write the answers verbatim and to include all qualifying statements regarding the question or issue. The researcher collected the copies of the interview formats which were used by the judges, and a meeting of the researcher and the two judges was held. Answers were compared and the judges determined that their answers and those of the researcher were the same and instructed the researcher to proceed with this phase of the study independently.

The researcher then listened to the remainder of the tapes and recorded the answers. The data were then collated according to the specific questions asked and the answers given. In some cases, the answers were simple "yes" or "no" answers, easily identifiable and easily categorized. In other cases, the answers were quite different and categories were difficult to determine. In a few cases, the answers given by the interviewees could not be categorized, so each different answer was listed separately. Due to this fact, some of the tables show many answers to the same question. The data were then put into table form, and the percentage that each answer represented of the total sample was computed.

The data have been presented in Chapter IV.

## NOTES--CHAPTER III

<sup>1</sup>Deobold B. Van Dalen, Understanding Educational Research (New York: McGraw-Hill, 1962), p. 258.

<sup>2</sup>Herbert H. Hyman, Interviewing In Social Research (Chicago: University of Chicago Press, 1954), p. 16.

<sup>3</sup>Walter R. Borg, Educational Research: An Introduction (New York: D. McKay Co., 1963), p. 221.

<sup>4</sup>Carter V. Good, Introduction to Educational Research (2nd ed.; New York: Appleton-Century-Crofts, 1963), pp. 295-296.

<sup>5</sup>Walter Bingham, Bruce Moore and John W. Gustad, How to Interview (4th rev. ed.; New York: Harper, 1959), p. 9.

<sup>6</sup>Borg, op. cit., p. 225.

<sup>7</sup>John W. Best, Research in Education (Englewood Cliffs, New Jersey: Prentice-Hall, 1950), p. 12.

<sup>8</sup>Carter V. Good and Douglas E. Scates, Methods of Research: Educational, Psychological, Sociological (New York: Appleton-Century-Crofts, 1950), p. 275.

<sup>9</sup>Van Dalen, op. cit., p. 184.

## CHAPTER IV

### ANALYSIS OF RESULTS

The purposes of this study were as follows: (1) to collect detailed and factual information that would enable the researcher to assess the feasibility and desirability of establishing a small business development center program that would be administered through the business colleges at Michigan's public four-year colleges and universities; (2) to secure relevant views and information from the business deans concerning specific issues and operational concerns involved in designing and implementing a small business development center program; (3) to analyze the extent of agreement or disagreement on the issues and concerns examined; and (4) to develop from the interview data a set of normative statements concerning the desirable characteristics of a small business development program in Michigan.

In order to address the goals stated above, seven areas of concern were identified, and specific problems or matters of interest within each area of concern were addressed in each of the interviews with the business college deans. The interview responses were summarized and are presented in narrative form in this chapter. The data have been presented in Appendix C. It was felt that the text could be more easily read if the data were presented in this fashion. Each question asked of the business deans has been numbered and has been

referred to by number in the text. All questions presented in Appendix B have been discussed in the text of this chapter.

Concern 1 - The Potential for Integrating the Small Business  
Assistance Program with the Instructional Programs  
of the Business Colleges/Schools

Eleven (78%) of the deans indicated that they currently do offer small business courses as a part of their academic programs. Two deans (14%) indicated that they do not offer small business courses (Question 1).

Of those institutions that do offer small business courses, six offered one course, two institutions offered two courses, and three institutions offered three courses (Question 2).

Ten of these courses were designed for graduate students, and eleven courses were designed for undergraduate students (Question 3). Six of the graduate courses were offered in conjunction with a Small Business Institute program. Four of the graduate courses focused on entrepreneurship and problems related to creating a small business. The undergraduate courses, for the most part, were entitled Small Business Management, and examined management problems and responsibilities in such areas as decision-making, marketing, finance, personnel selection, recordkeeping, taxes, and controls.

When asked if their business school had developed a formal specialization in small business as a part of their academic programs (Question 4), two deans (16.3%) responded that their business students had the option of majoring in small business management at the undergraduate level. At one institution this major involved three basic courses plus general electives. At the other institutions

the students' major was comprised of one small business management course plus electives. Two deans (15.3%) reported that a formal specialization in small business was currently being developed. One of the programs being planned included the development of an undergraduate major with small business courses in marketing, accounting, and entrepreneurship, plus electives. The other program being planned was either intended to be a one-year certificate or a two-year associate degree in small business management.

Four deans (30.7%) reported that developing a formal specialization in small business had been considered, but no specific actions had been taken.

Various explanations were offered by these four deans:

I'm not sure we would want to separate it out as an option because small business permeates the entire curriculum as a general orientation - due to the dominance of small business in this region.

The problem quickly becomes that of a lack of faculty. We would have to give up some other area to add this.

The decision to go ahead hinges on one or two key faculty members deciding it is time for them, personally, to incorporate this as a focus.

It was determined that it is premature for us to take any action. Because of our involvement with SBA we have asked ourselves, "What next?" Right now we are watching federal trends....It will be a couple of years before we look at this again unless some new impetus arises.

Five deans (38.4%) reported that the idea of developing a specialization in small business as a part of their curriculum had not been considered. Three of these deans explained that while they do offer courses in small business management, their school does not offer majors or minors. The remaining two deans expressed the desire



to consider the possibility of developing a small business specialization in the future.

In every case, it appeared to this researcher that the existence of small business courses was due solely to the fact that one, two, or three faculty members had a special interest in small business.

Also, it is relevant to note that several deans expressed the opinion that high student enrollments in recent years have kept the pressure on them to build and maintain a high quality faculty in the existing areas of specialization.

Eight (61.5%) of the business colleges offer life-long learning programs for small businesses, i.e., short-term seminars and workshops designed for and marketed to small business (Question 5), and at five (38.4%) of the institutions, the courses are taught primarily or exclusively by full-time faculty members. In two (15.3%) of the institutions, the mix between full-time faculty and adjunct faculty members was fairly well-balanced. And in two (15.3%) of the institutions, there was only limited participation on the part of full-time faculty members. At those institutions in which the small business seminars and workshops were taught primarily or exclusively by full-time faculty members, the deans expressed the view that these programs were a useful form of public service to their particular communities.

Two deans expressed their intention to involve their faculty in this kind of activity at some point in the future.

Three (23%) of the business colleges offer small business seminars and workshops throughout a region of the state. The remainder of the business colleges offer programs on campus and in the local community (Question 7).

Five (38.4%) of the eight colleges providing life-long learning programs for small businesses had either established service-oriented management centers within the college which were responsible for the delivery of these programs or had given that responsibility to a faculty member. The other three colleges worked closely with their institution's continuing education division.

To some extent, it was found that business schools involved their students in working directly with small businesses as a part of their academic programs. This involvement is arranged through cooperative education programs, internships, course-related field projects, and through Small Business Institute programs.

Twelve business colleges (92.3%) offered service-learning programs that gave students the opportunity to have direct contact with a small business (Question 9). Several deans hastened to add, however, that while this was true, contact with small businesses was not a conscious objective - with the exception of the SBI programs. Two of the deans (15.3%) indicated that their colleges did not sponsor any service-learning programs for their students with the exception of occasional course-related projects.

Eight (61.5%) of the business colleges reported sponsoring cooperative education programs (Question 10). Only two deans said that their cooperative education programs were oriented primarily toward small businesses (retail and service-oriented businesses). Four deans said that their cooperative education programs were oriented largely toward big businesses. In the view of one dean, "small businesses have a hard time qualifying for co-op assignments because they too often provide a poor educational environment and are unable

to provide the student with a sufficient amount of personal supervision." Another dean expressed the view that it is more cumbersome to work with small business in setting up co-op programs because "these firms don't usually want to commit to do it more than once or twice."

Eight of the business colleges (61.5%) provided internship programs for their students. Again, only two deans reported that their internship programs were primarily oriented toward small businesses. Four of the programs were limited to a single functional area such as accounting or office administration. Only one institution reported having a large, well-rounded internship program in which every department had an internship coordinator and every senior student could enroll for up to six credit hours for an internship project.

Four business college deans (30.7%) reported that their students have direct involvement with small businesses on a sporadic basis through such means as course-related field projects and independent studies.

Seven (53.8%) of the business colleges reported having a contract with the Small Business Administration to operate a Small Business Institute program. The business deans at each of these institutions expressed their belief that the SBI program was very beneficial for the students that participated in it as well as being beneficial for the small business clients (Question 11). (One of the two institutions included in the pilot study also reported having an SBI program.) Four business deans expressed the view that they would be interested in expanding this program if this were possible (Question 12). Only two business deans were opposed to expanding their SBI

program, and one dean was uncertain. However, there was a clear consensus that given current resources it would not be possible to expand this program (Question 13).

Six of the seven business deans expressed the intention of continuing the SBI program indefinitely, and only one dean stated that he did not intend to see this program continued indefinitely (Question 14).

One dean expressed uncertainty about the possibility of expanding the SBI program at his institution, but six deans gave reasons as to why they thought this would not be feasible including: (1) a lack of faculty resources; (2) difficulty in enrolling more than the existing number of students participating in the program each year; (3) lack of faculty interest; and (4) unavailability of increased financing from SBA.

There are various frustrations and difficulties associated with the responsibility of administering a SBI program (Question 15). Three deans mentioned that the SBA doesn't refer a sufficient volume of clients, which leaves the burden of soliciting and screening of potential small business clients in the hands of the faculty SBI coordinator. At one institution, the SBI coordinator had difficulty securing student participation because most of the business college students at that institution worked part-time and were not available to participate in the SBI program. One dean explained the problems involved in trying to coordinate university activities with an external agency whose rules and time frames are not compatible with the semester system:

For instance, students must register early for academic programs and that is too early for us to handle the SBA program because we are not sure what contract we will have, which of our faculty will handle it, how many cases we will have, and it is difficult to plan. Typically, we begin a semester not knowing who the clients are, how many there will be and how many students we need.

According to another business dean, participating in the SBI program ran counter to faculty reward structure, and, consequently, he had trouble keeping faculty interested in supporting the program. Another dean stated that given the location of his institution, meeting with clients often involved long distance travel which discourages student participation and becomes wearisome to the SBI coordinators over time. And still another business dean stated that he felt that the SBA grant for running the program was not sufficiently remunerative.

The deans of the business colleges which do not have SBI programs were asked if they and their faculty had ever considered establishing an SBI program. Three business deans said "yes," and three said "no" (Question 16). Only five deans gave reasons as to why they did not have an SBI program.

Two deans explained that this simply had not been a priority concern. One explained that, given their faculty reward structure with its emphasis on research and publishing, it was not rewarding for their faculty to serve as SBI program coordinators. Another dean explained that his college did not have a graduate program, and that another institution nearby did have an SBI program which serviced that part of the state.

In four instances, it was pointed out that the program was successful and operative because of the interest and dedication of a single tenured faculty member who did not receive any additional remuneration for his or her efforts.

Concern 2 - The Potential for Integrating the Small Business  
Assistance Program with the Research Activities of the  
Business Colleges/Schools

At seven of the business colleges visited (53.8%), the deans reported that they do have faculty members who specialize in researching small business topics (Question 17). Six business deans (46.1%) reported that none of their faculty specialized in small business research.

The number of business college faculty members found to be specializing in small business research topics throughout the state was quite limited. The numbers ranged from three small business researchers at one institution, two small business researchers at another institution, and only one small business researcher at five institutions.

Several factors that account for this general lack of faculty specialization in small business as an area of research interest were surfaced (Question 18). The most common explanation given (six deans, 46.1%) was that small business is not a discipline or a subdiscipline, per se, and that faculty try to find niches within disciplines or subdisciplines in which to specialize. The second most common explanation given (four deans, 30.7%) was that due to their own graduate programs, faculty members are oriented to larger business organizations. It was felt that the traditional role of a business college had been that of preparing students for careers in larger businesses and that

courses in business colleges had been oriented that way. This orientation, it was pointed out, was sustained by the textbooks and the accrediting associations. Two deans (15.3%) pointed out that the lack of available data is a major barrier. As one expressed it:

There is no data base for research. If you go to a Burroughs or a GM, everything is self-contained that you would need for a research project. But go to a small business...you have to go to twenty of them. That poses additional problems.

One business dean, whose faculty members were largely young and untenured, speculated that perhaps the fact that small business has not been established as a disciplinary specialization, coupled with the need of his faculty members to produce publications that would lead to promotion and tenure, accounted for the lack of faculty interest in this area. And two of the deans interviewed indicated that their faculties were essentially oriented toward teaching rather than research.

Most of the deans (nine, 69.2%) felt that the establishment of a Small Business Development Center at their institution would stimulate more research on small business problems (Question 19). Three (23%) were not sure, and only one (7.6%) felt that such an approach would not stimulate research on small business. Four believed that an SBDC could facilitate research if it could provide research grants. It was suggested that such a center could go after federal grant money to do research on small business. Four felt that to the extent that an SBDC could successfully identify classes of problems and surface projects for faculty members to focus on, it would succeed in stimulating research on small business. Two expressed the view that the presence of an SBDC could involve more faculty members with small businesses (e.g. teaching small business seminars and workshops) which in turn would

create an empathy and interest in smaller business firms. One dean qualified his "yes" with the view that an SBDC would stimulate research on small business topics only if the faculty were given release time for those research projects.

Most of the deans did not view the SBI program as a catalyst for generating research interest in small business (Question 20). Five (38.4%) said that the SBI program did not provide research opportunities for students, and six (46.1%) said that the program did not generate research opportunities for faculty members. Two of these deans qualified their statements by pointing out that many of the SBI projects do involve marketing survey studies, but they regarded this activity to be an aspect of consulting rather than research. Two deans (15.3%) indicated that the SBI program did create research opportunities for their students, and one (7.6%) said that the program provided occasional applied research opportunities for those faculty members involved in the SBI program. One dean expressed puzzlement as to how or why an SBI program would provide either students or faculty members with opportunities to do research on small business topics.

Seven business deans (53.8%) expressed the view that the best approach for systematically generating more research on small businesses would be to establish and fund a small business research center (Question 21). This center would perform various functions including: identifying topics which needed to be researched, soliciting research proposals from faculty members, providing research grants, and publishing the final research product. One dean suggested that the business colleges could solicit the research projects, charge the fees, and parcel out research projects to faculty members as a part of their



public service responsibilities. Other facilitating factors mentioned included: (1) clearly defining a research agenda; (2) identifying research topics that would lead to research findings that would be publishable; (3) giving faculty members release time or making small business research a part of their contractual assignments; and (4) involving representatives from the small business community along with a group of faculty members that would jointly establish some research goals.

Concern 3 - The Potential for Integrating the Small Business  
Assistance Program with the Service Activities of the  
Business Colleges/Schools

In discussing institutional policies governing private consulting activities of faculty members, nine (69.2%) of the business deans indicated that their college did have formal policies limiting the amount of time their faculty members could spend in this way (Question 22). Four deans (30.7%) said their college had no formal policy governing this. Six of the colleges limited this activity to one day per week; two colleges limited this activity to two days per month; and one college limited this activity to one day per month. One observation which was repeatedly volunteered, was that the policy which restricted the faculty members' time did not include weekends, and faculty members were free to use that time as they wished. Another frequent comment made was that, informally, there was no limit imposed upon a faculty member as long as his or her private consulting activities were not interfering with his or her teaching and other responsibilities. Two business deans pointed out that the union contracts at their institution

specified that once faculty members fulfilled their contractual obligations they were free to spend their time as they saw fit.

Eleven deans (84.6%) indicated that faculty members were required to report all of their private consulting activities to their department chairman (Question 23). Only three deans (23%) stated that faculty members were not required to report this type of information.

Six of the business deans estimated that between 30 to 50 percent of their faculty members were involved in providing consulting services to small business firms (Question 24). Four deans estimated that 1 to 20 percent of their faculty were consulting small businesses; two deans estimated between 50 and 60 percent of their faculty members were consulting small businesses; and only one dean thought that all of his faculty members provided some consulting services to small businesses from time to time.

When asked about the ability of small businesses to pay faculty consulting fees, eight deans (61.5%) felt that faculty fees were probably too high for the "average" small businessperson to afford (Question 25). Several qualifying observations were offered in this regard. One dean stated that faculty members will do projects below market costs if they have a strong personal interest in the project topic. Another dean expressed the opinion that in many cases small businesses can afford faculty consulting rates but simply don't believe that the benefits will outweigh the costs. Still another dean expressed the view that if faculty members were to lower their fees, there would probably be a corresponding assumption made on the part of businesspersons that their consulting services weren't any good.

Five deans (38.4%) expressed the view that faculty consulting fees were not too high for the average small business person to afford. According to one dean, his faculty members realized that they could price themselves out of the market, and, in that particular region, most consulting opportunities came from small business firms. Another dean indicated that the answer to the question depended upon how often the small business needed a consultant. In his view, the average small business could probably afford to use faculty consultants if the frequency weren't too great.

All of the deans identified one or more types of incentives that could be introduced to encourage faculty members to provide consulting assistance to small businesses which otherwise could not afford their services (Question 26). The most common form of incentive recommended by six deans (46.1%) was that of providing monetary compensation. The second most common suggestion offered by five deans (38.4%) was that the public service category could be given greater priority by the college in evaluating faculty members for promotion and tenure. Other suggestions included: (1) granting faculty members release time for such projects, and (2) setting up consulting opportunities that would yield data for publishable research. At the same time, four deans expressed doubts that their suggestions could be implemented. The reasons given for those doubts were: (1) union contracts would make this impossible; (2) providing monetary compensation would depend entirely upon the university being given the money to do this with; and (3) due to the increasing importance of research and the need for institutions to attract

outside money, the public service category would probably continue to rank low in evaluating faculty. One other innovative method for securing low cost consulting assistance for small businesses by setting up an arrangement outside of the faculty incentive system was recommended:

Set up a Small Business Development Center, strike a very nominal wage, and ask people to work for that. You will get the McCrackens, the Danielsons, the Horowitzes and other big names to work for \$35 or \$50 an hour - or whatever it is. I would give you five days of my time, and I could convince some other big names in the state to give you X number of days of their time to be used wisely, at your discretion, for a nominal fee. You, then, would sell those days, and you would guarantee the work.

Concern 4 - The Type of Small Business Assistance Program  
Model That Would Be Most Effective in Utilizing  
College and University Resources

A small business assistance program set up in the private sector and working closely with the public colleges and universities was viewed as being the most effective approach to follow in designing a program according to six (46.1%) of the business deans (Question 27). Five deans (38.4%) felt that such a program would be more effective if it were based in and operated by the colleges and universities. Two deans (15.3%) had no clear preference.

Those supporting the concept of a program based in the private sector gave a variety of reasons to support their views:

I don't know of any small business assistance program that is university based. Part of the problem is, I don't think the university has the ability to coordinate all the work that would be necessary to operate such a program effectively. Also, small businesses are leary of the university, so there is a perceptual problem....A private sector based program would be free of political funding problems because it would be supported privately.

I think the private sector based model would work. Universities are not well-designed to solve individual problems; they are designed to solve classes of problems. The whole question of starting new enterprises is a worthwhile intellectual activity. But helping individual "X" start up is not where our expertise lies.

To a certain extent, the SBDCs represent a roundabout way of getting government money in through the university to help the small business person. If I know anything about the way universities work, after ten years in one, a lot of funds will be lopped off to pay for secretaries and other overhead.

The SBDC program is reminiscent of the State Technical Services Program of a few years ago. That approach did not involve enough input from the business community. It was too much controlled and directed by individuals in the universities and was too wrapped up in what was good for the institutions.

I would think a free standing office could have pretty good success if the small business firms knew about it and recognized it as a place where they could get answers to their problems. It would take a lot of contact with business firms to let them know what could be done.

On the other hand, those deans supporting the concept of a program based in the universities gave reasons such as the following to support their views:

The problem I see with the private sector approach is (1) having a statewide delivery system. It would be located near the center of population in the state and would not be likely to deliver services to the outlying areas of the state; and (2) I don't think the reward to the universities would be sufficient to make it a real viable program.

Properly channeled, colleges and universities have a lot of talent that could be utilized. I don't think an operation based in the private sector could properly mobilize that talent.

If it were set up in the private sector, it would be limited in its ability to access university resources. When we are interacting with a private sector organization, it usually involves a fee of some sort for the interchange of information. Whereas, when we are interacting

with a public agency, such as the Michigan Office of Economic Development, we are all public supported, out of state or general funds, and the interchange of information is fairly open. We both service the private sector. But the idea of using someone in the private sector to interact with us to serve someone else in the private sector, I guess would be a new experience for us.

I would think, if for no other reason than cost-savings, we would use the existing institutions. Rather than setting up another office, the state should make use of higher education resources.

We are involved with the Small Business Administration here - we sponsor an SBI program. We are aware of the SBDC pilot programs, and we would like to be able to expand our service role in this community. I think a university-based SBDC would give us a good vehicle for doing that.

One of the deans who did not express a clear preference explained his views as follows:

I see some real difficulties either way. The reason I see difficulties either way is because what you are trying to do is to find a commitment from people who are already overcommitted. And neither way is going to solve that basic problem. You will be able to find people from the private sector who may have the expertise and commitment to small business. If you go the private way, you have two ways of staffing the needed expertise: external to the universities and internal to the universities. That may be, at this point in time, an advantage to you, because if you have to rely totally on the university - because of what we described as the present swamping of our boat (demand exceeding supply) - it's just not there to be got, except in those rare cases where somebody says, "Professionally, this is the single most important thing I could be doing." But that's going to be tough to find.

While the preferences between the university-based approach and the private sector approach were fairly evenly divided, most of the reasons given pertained to the advantages or disadvantages of basing such a program in a university. In summary, those reasons included: (1) the availability of a large body of talent; (2) the desirability

of utilizing existing resources; (3) the greater ability of the university to mobilize its own resources; and (4) the statewide geographical distribution of the universities which could overcome a tendency to skew services toward the center of population. The primary disadvantages of basing a small business assistance program in the universities included: (1) externally funded programs tend to become absorbed and abused by institutional priorities; (2) small businesses feel apprehensive toward universities; (3) research oriented universities tend not to be oriented toward solving the daily operating problems of particular businesses; and (4) the universities might simply attempt to use such a program as a budget supplement.

The advantages of the private sector approach which were stated or alluded to were: (1) small businesses could readily identify with a private sector operation; (2) it would have less difficulty keeping its mission and priorities clearly focused; and (3) it would be free from political funding problems because it would be supported by fees and contributions from the private sector. The disadvantages of the private sector based program which were identified included: (1) it would have a limited ability to access university resources; and (2) its services would tend to be skewed toward the major population centers of the state, thus ignoring smaller and rural communities.

When asked what part of their institutions should have the responsibility for administering a university-based SBDC in the event one were established (Question 28), seven deans (53.8%) felt that it should be located in the business college. Four of these explained that they had service oriented units, e.g. management centers, within

their college that would provide an appropriate organizational focus. Four deans (30.7%) felt that the SBDC would more appropriately be located in the division of continuing education because it was already staffed to perform the intrainstitutional and off campus functions that would be required of an SBDC. Two deans recommended other locations within their institutions, both of which would enable the center to have as much intrainstitutional visibility and support as possible.

#### Concern 5 - The Types of Small Businesses That Should Receive Assistance

Eight of the business deans (61.5%) felt that a small business assistance program should be targeted to assist particular segments of the small business sector (Question 29). Five deans (38.4%) felt that the program should be open-ended and that assistance should be provided, to the extent possible, to any small business that approached the center for assistance.

Among those who felt that the program should be targeted, three recommended that the Michigan Department of Commerce should identify goals that reflect the economic development needs of the state, and the economic development needs of the region in which the SBDC would be located, and develop performance contracts that would focus on those needs. Four other deans agreed with that approach but added that the private sector in their regions should be actively involved in the process of defining the economic development needs to be addressed by the center. One dean cautioned that while the program should have a targeted economic development strategy, it should be a



flexible strategy. He explained that the needs of the economy are constantly changing, and that it would be useless to pursue goals that were not timely in the sense that the business sector being served didn't perceive the value of the assistance being offered. For example, at the present time certain segments of the small business sector strongly perceive the need to eliminate their dependence upon the automobile industry. They would be more receptive to a program designed to help them attain that goal at the present time, however, than they would have been three years ago.

Another dean felt that the program should have a targeted assistance approach, but this would not mean that the program could not also be open-ended. He explained:

These approaches are not mutually exclusive. The small businessperson who needs help should be able to come to the SBDC. At the same time, there are some needs in the local area that need to be determined and prioritized. For example, in this area we need a general upgrading in the tourism industry. It's a very competitive industry. Our tourism has gone down. We don't do a very good job in my estimation. We could use training programs for people in the tourist business, their employees, gas station attendants, etc.

Still another dean, who felt the program should be targeted in some way, cautioned that the program should be flexible:

From a purely theoretical point of view, you would obviously decide ahead of time who you were serving, but in reality you may be restricting yourself right out of business. You may want to start open-ended and then prioritize. If you prioritize too soon, you may cut out some needy markets.

Among those who felt the program should be open-ended, three felt that it would be too politically awkward to exclude anyone from the program. One dean felt that it would be sufficient to delineate

the eligible clientele by limiting services to a given geographical area. Another dean expressed reservations about being able to determine what kinds of businesses in his area needed priority assistance.

Five business deans (38.4%) felt that existing businesses should receive the highest priority, three (23%) felt that new businesses with high growth potential should receive highest priority, and five (38.4%) did not express any opinion on this subject (Question 30).

Of those deans who thought the program should focus on existing businesses, two specified that they meant existing businesses that are sufficiently complex in terms of staffing:

I would give higher priority to the larger small businesses... those that are large enough to have four or five responsibilities going on with people heading those up. This, as opposed to the one-man operation where the owner is the boss, and he knows everything that is happening. And his accounting system is his checkbook with very sketchy records. When you get a little larger than that, where the boss can't personally supervise, this is where the small businessperson gets into problems. He doesn't know what kind of people to hire; he doesn't know, really, what he needs. This is where some coursework and seminars and consultation would help him figure out ways to do what he needs to do.

The more you have business people who are well-educated or have back-up staffs with some degree of specialization, the greater your chance is of providing successful assistance. If that back-up staff or expertise doesn't exist, instead of coming in, analyzing, and providing the kind of consulting guidance and expertise you've agreed to do and then being able to withdraw yourself and go on to the next case, you get trapped because you get into the implementation side when they say, "What did you say? I'm not sure how to do this. Is this right?"...and you're back with them again and again. Pretty soon you are forced to announce to them that your job is to provide the information, not to carry it out. They have got to be able to implement it on their own. They can't keep coming back for the hand-holding, because if they do, they absolutely consume you, and you have nowhere to go.

Two deans felt that existing businesses which are declining due to a shift in market potential should be given priority assistance. For example, the foundry industry in Michigan might be nearing a state of obsolescence and with proper guidance could be helped to retool and be redirected into new market areas.

One dean expressed the view that existing manufacturing firms should receive high priority assistance - particularly those manufacturing firms that would be exporting products outside the state or the local region and would, thereby, be contributing substantially to the growth of the local economic base.

Three deans felt that the program should place a higher priority on developing new businesses rather than helping existing businesses.

Two deans elaborated on this view:

I think we are really talking about the person who has an idea, or experience in a field, who believes there is a market not being served - a niche between the divisions of a large corporation....I believe there are a large number of people of this sort. Some of them need training. Some need financial backing. There's a combination of things. You really ought to be helping people who have an idea. The SBDC could provide a continuing commitment to help these people and to serve as a facilitator in advising them as to what their problems are and helping them pursue various avenues in search of solutions.

The focus should be on new businesses that have the potential to stop being small and get big rapidly, and, thereby, employ a lot of people. Any program should have a very sophisticated screening process that doesn't pretend that everybody is qualified for assistance. The major criteria ought to be: what is the potential for future growth, for sales and for employment.

The business deans were also asked to express any views they might have on the types of businesses that should receive low priority (Question 31). Four indicated (30.7%) that this would include

businesses that were failing because of poor management; two (15.3%) indicated that they would place a low priority on "ma and pa" businesses; one (7.6%) identified non-manufacturing firms as a low priority; and six (46.1%) did not offer any opinions.

Concern 6 - The Resource Requirements and Funding Arrangements for Initiating a Small Business Assistance Program

There was complete agreement among the business deans that a small business assistance program could be initiated with a very small staff (Question 32). In addition to a program director and a secretary, ten deans (76.9%) recommended that the program be staffed by one or two professionals; one dean (7.6%) recommended a staff of three or four professionals; and two (15.3%) suggested that the program be staffed by part-time faculty services. One dean also recommended that in addition to the professional staff that advisory committees made up of representatives of the business community and faculty members representing various areas of expertise be utilized.

There was a general feeling that it would be duplicative to hire a large staff of professionals when the colleges' faculties already had the expertise to assist businesses. It was most generally viewed (eight deans, 61.5%) that the professional staff should be made up of business generalists who would be capable of screening potential business clients and matching the needs of clients with the appropriate faculty expertise (Question 33). Beyond this, individual areas of programmatic focus which were recommended included: training, marketing, accounting, production, and community development. Only two deans (15.3%) had no recommendations or desired staff expertise.

Ten deans (76.9%) thought that it would be very appropriate to augment the college's consulting capabilities by utilizing the expertise of retired business executives who would be willing to volunteer their services (Question 34). Two (15.3%) were not sure of this approach, and only one (7.6%) was opposed to this approach. The general consensus was that the center should tie in with existing resources wherever they could be found.

The idea that the program should be designed to be self-supporting was supported by nine deans (69.2%), and opposed by five (38.4%) of the deans (Question 35). Some deans indicated that the major problem would be that of getting the program started, and that with some seed money they could produce a self-supporting program given enough lead time. Estimates of "sufficient" lead time ranged between three and five years. One dean felt that the continuation of the program should be dependent upon financial support from the business community because if the continuation depended upon substantial support from the institution, it wouldn't succeed.

Those deans that opposed designing a self-supporting program expressed these reservations: (1) a center might be able to be partly self-supporting, but not entirely, if it were expected that client fees would be the source of that support; (2) this would be a program that would be providing services at a time when clients could not afford those services; and (3) not all regional economies of the state would have equal abilities to support such a program.

Most of the deans (eight, 61.5%) thought that the host institutions should be required to provide institutional funds to match state funds (Question 36). It was felt that a host institution would be more

serious about its commitment to the program if its own funds were involved.

The deans that opposed requiring an institutional match (five, 38.4%) gave these reasons: (1) the university doesn't have money to provide a match; and (2) the university doesn't receive enough direct benefit from the program to expect it to provide a match. Each of these five deans, however, did indicate that their institution could probably provide an in-kind match of some sort.

#### Concern 7 - The Appropriate Structure for Administering and Coordinating a Statewide Program

The largest number of deans, seven, (53.8%) indicated that they would prefer to see a statewide or multi-center network of small business assistance centers administered and coordinated by a state agency such as the Michigan Department of Commerce's Office of Economic Development (Question 37). Two (15.3%) identified a state agency as their second choice, and only one (7.6%) identified a state agency as the least preferred alternative.

The second largest number of deans, three (23%), felt that a single lead institution of higher education would be the most preferable arrangement. Two (15.3%) deans identified this approach as their second choice, and five (38.4%) felt that this would be the least suitable alternative.

The least popular alternative was the consortium approach. Only two deans (15.3%) identified this as their first choice. Three (23%) selected the consortium approach as their second choice, and three identified this as the least desirable alternative.

The interviewees were asked to identify the advantages and disadvantages for each of these alternatives, which many of them did (Question 38).

Several advantages of administering and coordinating a multi-institutional program through a state agency were identified. A state agency would be free from the problems arising from interinstitutional competition that the universities experience in Michigan, and, therefore, could act as an objective broker in program planning and coordination. As an objective third party, a state agency could also ensure differentiation of institutional roles in providing assistance to the small business sector. And because of the state's responsibility for state economic development, the state would have a better overview of the state's needs. Furthermore, it was felt that because the Office of Economic Development has direct contact with the business community and has statewide visibility, that agency could very easily serve as a statewide referral center for the SBDC network.

In terms of disadvantages of utilizing the services of a state agency, it was felt by some that this would simply provide another opportunity for state bureaucracy to expand. There was some concern, too, that a non-academic agency would not understand the environment of academic administrators, and that this could lead to frustrations and misunderstandings in program coordination activities. Furthermore, there was some concern that the continuity of funding could not be guaranteed because that was the nature of public funding.

Various advantages to having a single higher education institution serve as the lead agency were perceived. It could establish

clear visibility throughout the state as the place small businesses could turn to for assistance. Administratively, this approach would permit responsibility for administering the program to be clearly established. Academic administrators would be relating to academic administrators. And, assuming that one of the larger institutions served as the lead agency, this would bring a large number of resources into the program at the outset.

There were disadvantages that were perceived also, if a single higher education institution were to serve as the lead agency. The lead institution would be in a position to dominate the program and the allocation of funds. The fact that no one institution had, to date, established itself as a leader in the area of small business knowledge and/or assistance would undermine any one institution's leadership credibility with the other institutions. The lead institution would be faced with the task of establishing working relationships among institutions which normally maintain competitive relationships. And this approach would require that one institution be willing to assume a new, major administrative responsibility.

The only advantages that were identified for the consortium approach were (1) that institutional resources could be harnessed by common goals and objectives, and (2) that institutions could determine their own specialized roles and establish a simple organizational mechanism for referring clients to the appropriate institution.

In terms of disadvantages, it was felt that the institutions were too competitive and that too much in-fighting would take place under a consortium arrangement. Integrating institutional resources



would be difficult to accomplish, and the consortium would be too difficult to administer. And even the consortium approach would require the lead initiative of one of the larger institutions which might or might not be forthcoming. In short, there was very little support for the consortium approach.

### Summary

In this chapter, the results of the research have been reported. The major findings were summarized in order in which the concerns were presented.

In the area of concern dealing with the potential for integrating a university-based small business assistance program with the instructional program it was found that all but two of the business colleges included in this study offered small business oriented courses. Most of those colleges offered only one course, and no college offered more than three courses. Most of the graduate level courses were focused on entrepreneurship while most of the undergraduate courses were focused on small business management topics. Only two deans indicated that new small business courses were being planned for future introduction. Students could elect to major in small business at two of the colleges and two other colleges were in the process of developing a specialized option in small business.

A majority of the business colleges were involved in providing life-long learning seminars and workshops for small businesses. Those programs were being taught by faculty members and adjunct faculty both on campus and off campus. Five colleges were not engaged in this type of activity.

Almost all of the colleges offered service-learning programs such as internships and cooperative education programs which put many of their students into direct contact with small businesses. This, however, was a side-effect rather than an intended result.

Seven of the business colleges sponsored an SBI program through which students provided consulting assistance to small businesses. Virtually all of the deans saw this program as being highly beneficial for their students, and all but one indicated that they would be continuing this program indefinitely.

In the area of faculty research activities, it was found that a little over one-half of the business college faculties had at least one person who considered small business to be his or her area of research interest. Various reasons that would account for the relatively few number of faculty members whose research interest lay in this area were identified. Primarily it was felt that small business was not a discipline or a subdiscipline in the formal sense of those words, and that business colleges had traditionally been oriented toward larger business firms.

Most business deans did not think that their SBI program served to stimulate research on small business problems - except for applied marketing studies for either students or faculty members.

There was general agreement that the most effective way to engage a larger number of business college faculty members in conducting research on small business problems would be to establish and fund a research center which would solicit proposals and provide research grants.

Most institutions have formal policies limiting the number of working hours that a faculty member can spend in private consulting activities. However, the rule of thumb explained was that faculty members were encouraged to engage in private consulting activities to whatever extent he or she could handle without having it adversely affect his or her other contractual duties.

All of the deans were certain that their faculty members, to varying degrees, were providing consulting services to some unspecified number of small businesses (however defined). At the same time, most deans believed that faculty consulting fees were probably too high for the "average" small businessperson to afford, although several attempts to qualify this were made. Some deans did not believe this to be the case, particularly the deans of business colleges which were located in non-urban and smaller urban areas.

Given that faculty members had a limited amount of time to devote to consulting activities, and that the rational thing for them to do would be to maximize the use of that time in terms of income, it did not appear that there were many options available that would provide faculty members with sufficient incentive to provide a higher volume of services to small businesses that could not afford to pay competitive rates.

The views of business deans concerning the type of small business assistance program model that would be most effective in terms of its ability to access and utilize college and university resources were mixed. Those who favored establishing the program in the university felt that it would be easier to access and mobilize university resources

if it were a part of the university. Those who thought it would be preferable to locate such a program in the private sector felt that the small business clientele could more easily identify with it, and that its mission would not be subsumed by competing priorities within a university setting.

If the program were to be designed as a university-based program, however, most deans indicated that it should be administered by the business college, and a few deans thought it would best be administered by their continuing education divisions or some other outreach unit which operated across all organizational units within their institution.

In attempting to determine the types of businesses that should receive assistance, most business deans felt that the program should be targeted toward some predetermined segment of the small business sector. It was recommended by some that the program goals should reflect the economic development needs of the state of Michigan, e.g., diversifying the economy as well as the economic development needs of the regions within the state. It was also recommended that representatives of the small business sector should be involved in the process of establishing the goals of the program.

The views of the deans concerning the types of businesses that should receive high priority assistance were mixed. More than sixty percent of the deans thought that attention should be focused on existing businesses having growth potential or on new businesses that have high growth potential. In any event it was not viewed that the program should be a "bail out" program for failing businesses.

There was a total consensus that a small business assistance program could be, and should be, initiated with a very small staff. Given the increasing austerity of all publicly financed programs, it appeared that expansionary notions were not prevalent. The basic staff that was recommended included a director, a secretary, and one or two business generalists who could diagnose clients' problems and match their needs with the appropriate university resources. Also, most deans thought it would be desirable to utilize the talents of retired business executives on a voluntary basis - as well as any other existing resources that could be tied in with the center.

Recommendations as to the functional areas of assistance that could be provided to small businesses included: training, marketing, accounting, production, and community development.

Most deans thought that the program should be designed to be self-supporting. It was believed that with "seed money" and sufficient lead time, the program could be self-sustaining. The deans located in the more rural areas of the state, however, were more skeptical. They were more inclined to think that the program could become partially self-supporting but that it would need to be permanently underwritten in part.

A majority of the business deans thought that it would be desirable for the participating institutions to be required to provide a funding match. Many deans, however, expressed the view that an in-kind matching arrangement would be more acceptable.

Given three alternative arrangements for administering and coordinating a statewide network of small business assistance centers, a majority of the deans determined that this responsibility could best

be performed by a state agency. In many cases, this choice was arrived at only by a process of elimination rather than by immediate attraction. The second best alternative, as perceived by the business deans, would be to have one higher education institution serve as the lead agency and assume the administrative and coordinating responsibilities. The consortium approach was largely vetoed.

## CHAPTER V

### SUMMARY AND CONCLUSIONS

#### Summary of the Study

The purposes of this research were: (1) to collect detailed and factual information that would enable the researcher to assess the feasibility and desirability of establishing a small business development center program that is administered through the business colleges at Michigan's public four-year colleges and universities; (2) to secure relevant views and information from the business deans concerning specific issues and operational concerns involved in designing and implementing a small business development center program; (3) to analyze the extent of agreement and disagreement on the issues and concerns examined; and (4) to develop from the interview data a set of normative statements concerning the desirable characteristics of a small business development center program in Michigan.

The issues addressed in this study were derived from the writer's review of the literature as presented in this study and from a careful study of the experiences of eight pilot Small Business Development Center programs as reported in various Congressional hearings, descriptive materials and management reports presented by the directors of pilot SBDC programs at an information sharing conference held in Athens, Georgia on September 25-27, 1978. The issues

also reflected concerns which stemmed from the program development responsibilities of the writer. The specific concerns addressed in this study were:

- Concern 1 - The potential for integrating the small business assistance program with the instructional program of the business colleges/schools.
- Concern 2 - The potential for integrating the small business assistance program with the research activities of the business colleges/schools.
- Concern 3 - The potential for integrating the small business assistance program with the service activities of the business colleges/schools.
- Concern 4 - The type of small business assistance program model that would be most effective in utilizing college and university resources.
- Concern 5 - The types of small businesses that should receive assistance.
- Concern 6 - The resource requirements and funding arrangements needed to initiate a small business assistance program.
- Concern 7 - The most appropriate arrangement for administering and coordinating a statewide program.

The population was composed of all deans of business and/or management schools or colleges at the fifteen public, four-year colleges and universities in Michigan. Two of the fifteen deans were selected for the pilot interview. The sample was composed of the remaining thirteen deans.

A letter was sent to each of the business deans informing them of the purpose of the study and informing them that an appointment would be made to discuss the Small Business Development Center concept with them.



An interview guide was developed which addressed the seven areas of concern listed above. The interview guide was semistructured to permit the interviewer to probe more deeply into the responses to obtain more complete data.

A letter explaining the project and a copy of H.B. 5058 was sent to each of the business deans. Follow-up telephone calls were then made to arrange appointment dates and times. It was left to each dean's discretion whether or not to include other staff members in the interview. In twelve of the interviews, the researcher talked only with the dean; in three of the interviews, one staff member had been invited by the dean to sit in for the purpose of providing supplementary information as needed.

Two pilot interviews were performed prior to interviewing the remainder of the deans. In both cases, the trials were performed so that any problems in the interview format could be identified and corrected prior to conducting the interviews with the remaining thirteen deans. As a result of the pilot interviews, certain questions were amended, a few were deleted, and the order in which the concerns were addressed was changed. It was found that it was easier for the interviewer to begin the interview by addressing questions of fact rather than questions which required creative speculation and opinions. The pilot interview results were not reported in the findings of this study.

Each of the interviews took approximately one and one-half hours. They were recorded using a cassette tape deck and ninety minute tapes. Notes were taken after each session regarding impressions,

important points, and aspects of each interview which were conducted between March 27 and May 22, 1980.

After each interview, the researcher listened to the cassette tapes with a copy of the interview format as a guide. As answers to the questions in the interview were given, they were transcribed on the appropriate page of the interview format. At this point two judges were asked to participate in the study. They were asked to record answers from the first two interviews. Their answers were compared to the researcher's and they were judged to be the same. At this point the researcher continued independently. The researcher then listened to the remainder of the tapes and recorded the answers. The data were then collated according to the specific questions asked and the answers which were given. The two judges were asked to participate in categorizing the data. All answers beyond simple "yes" and "no" answers were submitted to them for final approval on categorization. The data were reported in lists showing the responses to each question, the number of deans who were judged to have responded in the same way, and the percentage that the number represented.

### Major Findings

The major findings of the research were discussed under the seven headings describing the issues which provided the focus for the study.

#### Concern 1 - The Potential for Integrating the Small Business Assistance Program with the Instructional Program of the Business Colleges/Schools.

All but two of the business colleges offered small business courses. Most of the colleges offered only one course. Only one

college offered as many as three. For the most part, graduate level courses focused on entrepreneurship and undergraduate courses focused on small business management topics. There was no evidence that many more courses would be introduced in the near future. Only two colleges had any course development plans underway with the intention of introducing these within the coming year.

Due to course packaging arrangements, students could elect to declare majors in small business management at two of the colleges. Two other colleges were also in the process of setting up an option for their students to declare a specialization in small business management.

Given the expansive enrollments in the business colleges in recent years, the primary concern of most of the business deans has been to develop and maintain high quality faculties for providing instruction in the basic, fundamental courses.

Most of the business colleges were involved in providing life-long learning programs for small businesses. In nearly half of these seminars and workshops, full-time faculty members were involved in providing the instruction as well as adjunct faculty members. Many of these programs were offered at off-campus settings in the local community and a few were offered at off-campus settings within a given region of the state. More than one-third of the business colleges had established service-oriented management centers which were responsible for the delivery of life-long learning programs for businesses.

It was found, to some extent, through cooperative education programs, internships, course related field projects, and Small

Business Institute programs, that business colleges involved their students in working directly with small businesses as a part of their academic programs. Only the SBI program is systematically directed toward small business involvement.

All of the deans felt that the SBI program was beneficial. Almost all of the deans planned to continue that program indefinitely and would like to be able to expand that program. At the same time, a variety of practical problems were identified: (1) difficulties in securing and maintaining a sufficient volume of client referrals from the Small Business Administration; (2) students who worked part-time could not participate in the program due to lack of time; (3) serving as a faculty coordinator for the program was not sufficiently rewarding to attract faculty participation; (4) it was difficult from a timing standpoint to coordinate the signing of faculty contracts, registration of students for the SBI course, and identifying and screening small business clients; and (5) the total SBA grant to the business colleges was not considered to be sufficiently remunerative. It seemed apparent that the success of the existing SBI programs was due in large measure to the personal commitment of a small number of faculty members who had a strong personal interest in seeing to it that the program continued.

Concern 2 - The Potential for Integrating the Small Business Assistance Program with the Research Activities of the Business Colleges/Schools

A majority of the business colleges reported having between one and three (in most cases, one) faculty members who specialized in researching small business problems. Several factors which might account

for the small number of business college faculty members whose research interest is in small business were identified: (1) the fact that small business seems to be more a matter of personal interest than a discipline or subdiscipline; (2) faculty members were trained in business colleges which, traditionally, have been oriented toward larger business organizations; (3) the relative difficulty of securing data for research on small firms compared to larger firms; and (4) the comparative lack of opportunities to publish small business research articles given the orientation of the major business journals, coupled with the need of faculty members to publish in order to advance their careers.

Most business deans thought that a small business development center, if one were to be established at their campus, would be able to create more faculty interest in researching small business problems. Two things identified, that would augment the effectiveness of such a center, would be for the center to be able to define the topics or problems that would need to be researched and to solicit applications for research grants to underwrite this activity.

The SBI programs were not perceived by most of the deans as being a catalyst for stimulating research on small business topics for either students or faculty members. There seemed to be a consensus of opinion that the types of studies conducted in conjunction with the SBI programs were marketing research studies for individual firms.

The most common approach suggested for systematically generating more research on small business topics was that a small business research center be established and funded for the purpose of identifying research

topics, soliciting research proposals from faculty members, providing research grants, and publishing the findings.

Concern 3 - The Potential for Integrating the Small Business Assistance Program with the Service Activities of the Business Colleges/Schools

A majority of the business deans indicated that their institutions had policies limiting the amount of time their faculty members could spend in private consulting activities. However, it was made clear in almost every interview, that the actual rule of thumb enforced was that faculty members not become so involved in private consulting that it interfered with their other contractual obligations--especially teaching responsibilities.

All of the deans reported that their faculty members are involved in providing consulting services to businesses, including small businesses. While estimates as to the percentage of private consulting services devoted to small businesses varied widely, the majority of deans expressed the view that faculty fees were probably too high for the "average" small businessperson to afford.

In discussing possible incentives which could be introduced to encourage faculty members to provide consulting assistance to smaller businesses which otherwise could not afford faculty consulting fees, the most common form of incentive recommended was that of providing monetary compensation. The second most common suggestion was that the public service category be given greater priority by the colleges in evaluating faculty members for promotion and tenure. The barriers to accomplishing these possibilities included: (1) a lack of funds for

providing monetary compensation as an offset; (2) the lack of a compelling rationale for elevating the public service category in evaluating faculty performance; and (3) a lack of flexibility in altering faculty incentives, in some instances, due to the existence of faculty union contracts.

Concern 4 - The Type of Small Business Assistance Program Model That Would Be Most Effective in Utilizing College and University Resources

Opinions among the business deans were fairly evenly split on the question of whether a small business assistance program which would make use of university talent and resources would be more effective if it were based in the private sector or based in one or more universities. More deans favored the private sector approach than favored the university-based approach, however, there was no majority opinion on this question. Advantages and disadvantages to each approach were cited.

The advantages of basing the program in the private sector included: (1) small businesses could readily identify with a private sector operation; (2) a private organization would have less difficulty in keeping its mission and priorities clearly focused than a program based in a university; and (3) a private organization would be free from the political funding problems encountered by publicly supported institutions.

The disadvantages of basing the program in the private sector included: (1) such a program would be more limited in its ability to gain access to university talent and resources; and (2) the services

of a private sector organization would likely be skewed toward the major population centers of the state with less attention being given to lesser urban areas and outlying regions of the state.

The advantages of a university-based program included: (1) the availability of a large body of talent within the colleges and universities; (2) the desirability of utilizing existing resources; (3) the greater ability of universities to mobilize their own resources as opposed to an outside organization; and (4) the statewide geographical distribution of colleges and universities which could overcome a tendency to skew services toward the center of population in the state.

The disadvantages of basing a small business assistance program in the colleges and universities included: (1) an externally funded program would be vulnerable to being absorbed and abused by institutional priorities; (2) small businesses feel apprehensive toward universities and might be less likely to approach a university-based program for assistance; (3) research oriented universities tend not to be oriented toward solving the daily operating problems of particular businesses; and (4) the universities might simply attempt to use such a program as a budget supplement.

#### Concern 5 - The Types of Small Businesses That Should Receive Assistance

A majority of the business deans felt that a small business assistance program should be targeted to assist particular segments of the small business sector rather than providing open-ended assistance for any and all types of small businesses that might approach the center for assistance.



It was recommended that a targeted approach would include: (1) identifying state economic development needs; (2) identifying regional economic development needs; and (3) private sector participation in determining program goals and priorities.

The views of the business deans were divided on the issue of whether the program should give priority assistance to new businesses or existing businesses.

If priority assistance were to be given to existing businesses, it was recommended that this include: (1) businesses that are sufficiently complex in terms of administrative staffing; (2) businesses that are declining due to a shift in market potential; and (3) manufacturing firms that are exporting products outside of the state or the local region, thereby contributing to the growth of the local economic base.

If priority assistance were to be given to new businesses it was recommended that this include: (1) entrepreneurs who have a new product idea that has market potential; and (2) new businesses that have potential for growing rapidly and creating jobs.

The types of businesses that should receive low priority assistance, as identified by the deans, included: (1) businesses that were "going under" because of mismanagement; (2) "ma and pa" businesses--meaning family owned retail operations; and (3) non-manufacturing firms.

#### Concern 6 - The Resource Requirements and Funding Arrangements for Initiating a Small Business Assistance Program

There was unanimous agreement among the business deans that a small business assistance program could be initiated with a very small

staff. Most deans visualized the program being staffed by a director, two business generalists, and a secretary. Most deans felt that it would be desirable to augment the program's consulting capabilities by utilizing the expertise of retired business executives who would be willing to volunteer their services.

A majority of the deans felt that the program should be designed to be self-supporting, following a lead time of three to five years. Those deans who opposed designing a self-supporting program expressed these reservations: (1) a center might be able to be partly self-supporting, but not entirely, if it were expected that client fees would be the source of that support; (2) this would be a program that would be providing services at a time when clients could not afford those services; and (3) not all regional economies of the state would have equal abilities to support such a program.

A majority of the deans felt that the host institution(s) should be required to provide institutional funds as a match. The deans who opposed the requirement of a funding match did, however, indicate that their institution could probably provide an in-kind match of some sort.

#### Concern 7 - The Appropriate Structure for Administering and Coordinating a Statewide Program

A majority of the deans felt that a state agency could best perform the responsibilities of administering and coordinating a statewide network of small business assistance centers. The second best alternative would be to have one higher education institution serve as the lead agency in assuming the administrative and coordinating

responsibilities. There was almost no support for the consortium approach.

The advantages perceived in administering the program through a state agency included: (1) ability to act as an objective broker in the context of interinstitutional conflict; (2) ability to ensure the differentiation of institutional roles in providing assistance to the small business sector; (3) the state, because of its responsibility for state economic development, would have a better overview of the small business sector's needs; and (4) the Office of Economic Development, because of its established contact with the business community and its statewide visibility, could very easily serve as a statewide referral center for the SBDC network.

The disadvantages perceived in administering the program through a state agency included: (1) this might simply provide an opportunity for another state bureaucracy to expand; (2) non-academic administrators would not understand the environment of academic administrators; and (3) public funding continuity could not be guaranteed.

The advantages perceived in administering the program through a single lead institution of higher education included: (1) a single institution could establish clear visibility throughout the state as the place small businesses could turn to for assistance; (2) responsibility for administering the program could be clearly established; (3) academic administrators would be relating to academic administrators; and (4) assuming that one of the larger institutions served as the lead agency, this would commit a large number of resources to the program at the outset.

The disadvantages perceived in administering the program through a single lead institution of higher education included: (1) the lead institution would be in a position to dominate the program and the allocation of funds; (2) no single institution in the state has established any credibility with the other institutions as being a leader in the area of small business development; (3) any lead institution would be faced with the task of establishing working relationships among institutions which normally maintain competitive relationships; and (4) the lead institution must be ready and willing to assume a new, major administrative responsibility.

The advantages perceived in administering the program through a consortium of higher education institutions included: (1) institutional resources could be harnessed by common goals and objectives; and (2) the institutions could determine their own specialized roles and establish a mechanism for referring clients to the appropriate institutions.

The disadvantages perceived in administering the program through a consortium of higher education institutions included: (1) too much in-fighting would be likely to take place; (2) integrating institutional resources would be difficult to accomplish; and (3) a consortium would be too difficult to administer.

#### Conclusions and Recommendations for the Design of a Small Business Assistance Program

On the basis of the interview data it is the conclusion of this researcher that the establishment of a small business development center program, in cooperation with business colleges and schools at most of

Michigan's public four-year colleges and universities, is feasible and is considered by most business deans to be desirable. It is anticipated, however, that there will be some variation among the interested institutions in terms of their capacities and predispositions toward integrating a small business assistance program with existing instructional, research and service programs and activities. Therefore, the feasibility and desirability of any particular institution's participation in a small business assistance program should remain subject to further investigation and demonstration of institutional commitment to assisting small businesses.

One of the purposes of this study was to develop a set of normative statements describing the desirable characteristics of a small business development center program in Michigan. The normative statements which follow are based in the writer's interpretation of the findings of this study, and the responsibility for these prescriptive statements are his alone.

Recommendation 1 - It is recommended that the SBDC program be integrated with the instructional programs of the business colleges/schools that participate in the program.

The most obvious point of integration that could occur would be to incorporate or coordinate the SBDC program with the existing SBI programs. The SBDC staff could augment the SBI program by assisting in screening and referring small business clients to the SBI coordinator. Conceivably, additional funding could be made available to expand existing SBI programs and establish new SBI programs where needed.

SBDC staff efforts could also be directed toward ferreting out quality opportunities for internships and cooperative education experiences for students in small businesses.

Furthermore, the SBDC staff could exercise initiatives in identifying appropriate management topics for which small business seminars and workshops could be developed. Strategic life-long learning programs which address classes of problems and systemic needs in the small business sector could be devised to serve as a point of intake for small business managers needing follow-up consulting assistance.

Recommendation 2 - It is recommended that the SBDC program be integrated with the research activities of the business colleges and schools that participate in the program.

The SBDC program should be designed to serve as a catalyst for generating faculty research interest in small business problems. The SBDC staff could identify classes of problems, particularly in the areas of applied research and public policy. Ideally, the SBDC would be able to provide research grants to interested faculty members. The SBDC staff could also work with faculty members and graduate students interested in applying for federally funded research grants that are available for studying small business problems.

Recommendation 3 - It is recommended that the SBDC program be integrated with the service activities of the business colleges and schools that participate in the program.

It is unrealistic to expect faculty members to become systematically involved in consulting small businesses through and SBDC in a way that ignores the faculty incentive systems that are in place, or ignores

the faculty incentive systems that are in place, or ignores the competitive realities of private consulting activities. Therefore, if an SBDC is to succeed in securing appropriate faculty expertise when needed, the SBDC program budget should include funds which could be used as an off-set for faculty members whose services are needed to provide consulting assistance to high priority clients who would not otherwise be able to afford this service. Obviously, such a fund, if it were to exist would be relatively small and would be drawn upon in limited, strategic circumstances. For the most part, the increased involvement of faculty members in providing consulting assistance to small businesses would result from the screening and referral activities of the SBDC staff. Additionally, the possibility that the public service category be given greater priority by the participating colleges and universities in evaluating faculty members for promotion and tenure should be explored.

Recommendation 4 - The SBDC program should be university-based.

Only a university-based program can assure access to university talent and resources, and only a university-based program can ensure adequate geographical coverage around the state. The program mission would be clearly defined in terms of performance contracts to ensure the integrity of the program. Also, the use of SBDC advisory boards comprised of small business sector representatives and university personnel should be considered as a means of securing useful guidance and legitimizing the universities as a source of assistance for small businesses.

Recommendation 5 - The SBDC program should provide services to all types of small businesses with certain types of businesses receiving higher priority or more in-depth assistance than others.

Certain types and levels of service should be provided for virtually any small business that would contact the SBDC. Such services could include informational assistance, referral to other sources of assistance, basic screening and referral to potential faculty consultants, enrollment in an appropriate seminar or workshop, etc.

At the same time, more in-depth assistance could go to new businesses that (1) are developing a new product that has market potential and (2) can demonstrate high growth potential. Higher priority could also go to (1) manufacturing firms that contribute substantially to the economic base of a community; (2) businesses that are experiencing a decline due to structural changes in the economy, e.g., drastic shifts in markets which render a given product obsolete; and (3) businesses that are sufficiently sophisticated enough to be able to absorb and implement, on their own, any information and guidance received.

In any event, the SBDC program should be designed to provide strategic assistance to strengthen the small business sector. The SBDC program goals should reflect an understanding of the state's economic development needs, regional economic development needs, and the concerns of the small business sector.



Recommendation 6 - The SBDC program should be initiated with a very small staff at each participating institution which would function as a clearinghouse in matching small business needs with the appropriate resources.

The basic purpose of the SBDC would be to redirect existing talents and resources toward assisting small businesses. As such, there is no need for a large cadre of additional professional staff members. The professional staff of the SBDC would consist of a director and one or two business generalists who would be capable of screening potential business clients and matching the needs of clients with appropriate faculty expertise or non-university resources such as the Service Corps of Retired Executives or other sources of assistance.

The most important staffing factor to be considered is that of leadership. If the delivery system is to function effectively in both the small business and academic communities, it is important that the director have sufficient credibility and influence within both communities. The director must have enough business experience to interact with and understand the problems of the small business community and enough academic status to command respect within the university environment.

Recommendation 7 - The SBDC program should be funded by the State of Michigan until such time as the program is supported by other sources of funding including an institutional match.

State funding has the advantage of being relatively easy to obtain if the program is believed to be important to the well-being of the state. However, it has the disadvantage of being unstable to the extent that the level of funding is reviewed annually and appropriations are often tied to political considerations. Further, when a state

budget has to be cut, programs of this nature are often the first to be reduced or eliminated. Private funding agencies typically support projects for a specific period of time (usually three to five years), but continuation funding is difficult to obtain. Obtaining funds from small business user fees will be difficult because small business managers will have to be convinced that the SBDC services rendered are of sufficient value to warrant the fees charged. In any event, the short term goal should be to secure funding from as many sources as possible, and the longer term goal should be for each SBDC program to become self-supporting.

Initially, the participating institutions should be required to provide either matching funds or a substantial in-kind match to demonstrate the institution's commitment to the program.

Recommendation 8 - A state-funded, university-based, multi-campus SBDC program should be administered through and coordinated by the Office of Economic Development of the Michigan Department of Commerce.

Given the level of interinstitutional competition and conflict that exists, and is taken for granted in this state, there is a definite need for an independent third party to serve as an objective, administrative broker. This approach would not necessitate the formation of a new state bureaucracy in that this programmatic responsibility could be handled by the existing Small Business Development Division in the Office of Economic Development. Furthermore, the involvement of the Office of Economic Development would ensure that the state's economic development needs would be taken into account in designing the SBDC

program. And, as perceived by the business deans, this alternative approach has fewer disadvantages than the consortium approach or the lead institution approach.

### Implications for Further Research

Given the breadth of the topic addressed in this study and the relative newness of the concept of university-based small business development centers, there are a variety of related topics that could usefully be addressed in other research projects.

This study focused on the attitudes and perceptions of college and university administrators. It would be of great interest to determine the attitudes and perceptions of small businesspersons toward the existing small business development centers. It would be instructive to compare the attitudes and perceptions of SBDC users with those of non-users.

This study was delimited to include only four-year public colleges and universities. A similar study should be conducted to determine what roles community colleges are playing and can play in assisting small businesses. Relating this to the above topic, it may be that there is a small business clientele that would more readily relate to a community environment than to a university environment.

In an era of zero-base budgeting, it would be of great value to design a study of the impacts of one or more of the existing SBDC programs. The impact measures should document the value of the assistance received by the small business clients and document the cost/benefit ratios for the public funds invested in the program(s).

Finally, there is a need for a more systematic understanding of why businesses succeed and fail if SBDC programs are to be able to provide strategic assistance designed to maximize resources and impacts.

## **APPENDICES**

**APPENDIX A**

**LETTER AND COPY OF H.B. 5058**

STATE OF MICHIGAN



WILLIAM G. MILLIKEN, Governor

**DEPARTMENT OF COMMERCE**

WILLIAM F. McLAUGHLIN, Director

OFFICE OF ECONOMIC DEVELOPMENT  
WAYNE L. WORKMAN, Director

April 3, 1980

P.O. Box 30225  
Lansing, Michigan 48909

Dear Dr. \_\_\_\_\_:

I am writing to you because of your position as a college administrator and because of your knowledge of matters pertaining to business development. As Director of the Small Business Development Division of the Michigan Office of Economic Development, I have become most interested in the roles which colleges and universities across the country are assuming in focusing on small businesses. I am also a candidate for the Ph.D. at Michigan State University and have decided to conduct a research project for my dissertation which is relevant to an area of responsibility which may involve my Division in working with colleges and universities in developing a program or programs of assistance for small businesses. I would like to explain the nature of my project in the hope that you will be able to help me.

During the current session of the State Legislature, a bill (H.B. 5058) has been introduced which would authorize my Division to establish centers that can assist small businesses. This bill has been passed in the House and is now in the Senate. A copy of H.B. 5058 is enclosed for your information.

The purpose of my research is two-fold: to determine the desirability of establishing university-related small business development centers and to secure the views of university administrators on specific issues and operational matters that would be involved in designing and implementing a university-related small business assistance program in Michigan.

In order to accomplish this, I am interviewing selected college and university administrators. No institutions or individuals will be identified by name. To insure accuracy in reporting the data, the interviews will be taped and notes will be taken. The interviews will take approximately one and one-half hours and will be structured around questions deemed important but will allow for discussion of the issues and for qualifying.

I will be contacting you by telephone very shortly after you have received this letter to arrange an interview with you at your convenience.

Sincerely yours,

Burton R. Jones, Director  
Small Business Development Division

# HOUSE BILL No. 5058

October 8, 1979, Introduced by Reps. Gingrass, Scott, Brotherton, Thaddeus C. Stopczynski, Welborn, Dodak, Geerlings, Conroy, Vanek, Bennane, Ryan, Vaughn, Buch, Fessler and Nick Smith and referred to the Committee on Economic Development and Energy.

A bill to create a small business development program within the department of commerce; and to prescribe the powers and duties of the department with respect thereto; and to provide for appropriations.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. As used in this act:

2       (a) "Center" means the business development center established in  
3 section 2.

4       (b) "Department" means the department of commerce.

5       (c) "Small business" means an independently owned and operated business  
6 enterprise which is not dominant in its field of operation. The department  
7 shall provide by rule a detailed definition of what constitutes a small  
8 business. The definition shall vary according to the particular industry  
9 and may contain criteria such as number of employees, dollar volume of busi-  
10 ness, total assets, capitalization, or other related factors.

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1       Sec. 2. A small business development program is created within the  
2 office of economic development of the department of commerce. The program  
3 shall be implemented through a business development center. The head of the  
4 center is the director who shall be appointed by the director of the office  
5 of economic development.

6       Sec. 3. The director of the business development center shall implement  
7 a small business development program which shall provide for all of the  
8 following:

9       (a) Establishment of a network of small business development centers  
10 which will provide informational, managerial, technical, and other appropri-  
11 ate programs and services to small businesses and will ensure adequate access  
12 to those services.

13       (b) Employment of a central staff core of business formation and  
14 development professionals who can coordinate the activities of and provide  
15 specialized assistance to the small business development centers.

16       (c) Development, collection, and dissemination of information that will  
17 be useful to persons and organizations throughout the state in undertaking  
18 or promoting the establishment and successful operation of a small business  
19 enterprise.

20       (d) Continuous examination of the needs of small businesses in this  
21 state and development of data and analyses on the composition, distribution,  
22 rates of growth and decline, special problems, and other useful information  
23 which will provide an understanding of the dynamics of the small business  
24 sector.

25       (e) The development and implementation of small business training  
26 programs which will provide a better understanding of state government pro-  
27 grams affecting small businesses and improve small business entrepreneurial

1 and management skills.

2 (f) Promotion of activities and resources of state agencies, local  
3 governments, business and trade associations, educational institutions,  
4 foundations, professional organizations, and volunteer and other groups  
5 toward the growth of small business enterprises, and coordination of the  
6 efforts of these groups with those of other state departments and agencies.

7 (g) Entering into contractual arrangements with qualified institutions  
8 of higher education to provide services designed to encourage a more effec-  
9 tive application of science and technology for both new and established  
10 business, commercial, and industrial establishments, including the following:

11 (i) Preparing and disseminating technical reports, abstracts, computer  
12 tapes, microfilm, reviews, and similar scientific or engineering information.

13 (ii) Providing a reference service to identify sources of engineering  
14 and other scientific expertise.

15 (iii) Sponsoring workshops, seminars, training programs, demonstrations,  
16 and field visits designed to encourage the effective application of scientific  
17 and engineering information.

18 (h) Securing and administering federal funding grants for the purpose of  
19 engaging in experimental and demonstration programs designed to overcome the  
20 problems of small business enterprises.

21 Sec. 4. (1) The business development center shall perform the following  
22 small business advocacy and policy development services on a continuing basis:

23 (a) Serving as a focal point for the receipt of complaints, criticisms,  
24 and suggestions concerning the policies and activities of state agencies which  
25 affect small businesses.

26 (b) Counseling small businesses on how to resolve questions and problems  
27 concerning the relationship of small business to state government.

1 (c) Developing legislative recommendations and changes in state govern-  
2 ment policies and procedures that will assist in the development and streng-  
3 thening of small businesses in this state.

4 (d) Representing the views and interests of small businesses before  
5 state agencies whose policies and activities may affect small business.

6 (2) The director of commerce shall organize a representative statewide  
7 small business advocacy council to advise and assist the office of economic  
8 development in carrying out the purposes of this section. The council  
9 shall consist of 15 members. The governor shall appoint members to the  
10 council with the advice and consent of the senate. Except as otherwise  
11 provided by law, members of the council shall serve without compensation but  
12 shall be entitled to reasonable and necessary expenses incurred in the dis-  
13 charge of their duties. The council members shall be appointed for 3-year  
14 terms, except that 7 of the initial appointments shall be for a term of 18  
15 months.

16 (3) In implementing this section, the director of the business develop-  
17 ment center may do any or all of the following:

18 (a) Consult with experts and authorities in the fields of small busi-  
19 ness investment, venture capital, investment and commercial banking, and  
20 other comparable financial institutions involved in the financing of business;  
21 with individuals with regulatory, legal, economic, or financial expertise,  
22 including members of the academic community; and with individuals who gener-  
23 ally represent the public interest.

24 (b) Utilize the services of the small business advocacy council  
25 established pursuant to section 4(2) and appoint other advisory boards or  
26 committees as necessary to implement this section.

27 (4) Each year the small business advocacy council shall submit to the

5

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1 governor and the legislature a description of its activities and a summary  
2 of its findings and recommendations.

3       Sec. 5. The director of the office of economic development shall report  
4 to the legislature within 12 months after appropriation of operating funds,  
5 and thereafter on an annual basis, on the progress made in implementing the  
6 activities and programs provided for in this act. The report to the legis-  
7 lature shall state the goals and objectives of the center's programs and  
8 criteria by which the performance of the programs may be evaluated. Three  
9 years after the appropriation of operating funds the legislature shall make  
10 a redetermination concerning the continuance or discontinuance of funding  
11 for all or part of the center's programs.

12       Sec. 6. The legislature shall annually appropriate operating funds for  
13 the small business development program prescribed in this act, which shall  
14 be included in the budget for the department.

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**APPENDIX B**

**STRUCTURED INTERVIEW FORMAT**

## APPENDIX B

### STRUCTURED INTERVIEW FORMAT

Concern 1 - The potential for integrating the small business assistance program with the instructional program of the business college/school.

- A. Do you currently offer academic courses within your degree programs in entrepreneurship and/or small business management?
- B. How many entrepreneurship/small business management courses do you offer?
- C. Are these courses designed for graduates or undergraduates?
- D. Have you considered developing curricula which would give students the option of formally specializing in entrepreneurship and small business management?
- E. Does your college/school offer life-long learning programs that are designed for and marketed to small businesses?
- F. Who provides the instruction in these life-long learning programs?
- G. At what locations are these life-long learning programs offered?
- H. Through what organizational unit are these life-long learning programs administered?
- I. Does your college/school sponsor any service-learning programs that give students direct contact experiences with small business firms?
- J. What kind of service-learning programs do you sponsor?
- K. Have you found the SBI program to be beneficial for your students?
- L. Would you favor expanding your SBI program if this were possible?
- M. Would it be feasible to expand your SBI program?
- N. Do you plan to continue the SBI program indefinitely?

- O. What difficulties, if any, do you experience in administering the SBI program?
- P. (For those institutions not sponsoring an SBI) Have you considered establishing a Small Business Institute here?

Concern 2 - The potential for integrating the small business assistance program with the research activities of the business college/school.

- A. Do you have faculty members who specialize in researching small business problem topics? If so, how many?
- B. Does the fact that small business management is not a discipline per se inhibit faculty research in this area? What other factors might account for the general lack of faculty interest in conducting research on small business topics?
- C. If a small business development center were based in this college/school, do you think this would provide a mechanism for stimulating more research related to small business problems?
- D. Has your SBI program generated research opportunities for your students? For your faculty?

Concern 3 - The potential for integrating the small business assistance program with the service activities of the business college/school.

- A. In your opinion, what is the most probable way in which more research which focuses on small business topics could be generated in a systematic way?
- B. Does your institution have a policy governing the amount of time faculty members may devote to private consulting activities?
- C. Are your faculty members required to report on all of their private consulting activities?
- D. What percent of your faculty members would you estimate are providing some consulting services to small businesses?
- E. In your opinion, are faculty consulting fees generally too high for the average small businessperson to afford?
- F. What forms of incentives could be introduced to encourage faculty members to provide consulting assistance to small businesses that otherwise could not afford their services?

Concern 4 - The type of small business assistance program model that would be most effective.

Explanation: The Michigan Department of Commerce is currently evaluating two basic program models for providing managerial and technical assistance to small businesses. Both program models would attempt to utilize university talents and resources. One model would be organized and based in the private sector as a nonprofit SBDC. The other would be a university-based SBDC.

- A. Do you think that one of these approaches would be more effective than the other in securing the participation of and access to the resources of the colleges and universities? Which one? Why?
- B. If the college/university-based model were selected and implemented at this institution, what organizational unit or units within this college/university should administer the program?

Concern 5 - The types of businesses that should receive assistance.

- A. In view of the limited resources available to assist small businesses, do you think that it would be necessary to prioritize the target groups within the small business sector that would be receiving assistance or should the program remain open-ended?
- B. How would you characterize the kinds of businesses that should receive high priority?
- C. How would you characterize the kinds of businesses that should receive low priority?

Concern 6 - The resource requirements and funding arrangements for initiating a small business assistance program.

- A. In your opinion, what would be the staffing requirements for operating a small business assistance program?
- B. What kind or kinds of expertise should be represented on the staff?
- C. Some Small Business Development Centers have attempted to augment their capacity for providing consulting assistance by developing an affiliation with the SBA's Service Corps of Retired Executives and the Active Corps of Executives. Do you think this is a course of action you would want to pursue?



- D. Should the program be designed to become self-supporting within a given amount of time?
- E. Should institutional funds be required to match the state's funds?

Concern 7 - The appropriate structure for administering and coordinating a statewide program.

- A. Assuming that federal and/or state funds were available to establish several college/university-based small business assistance programs in Michigan, the administration and coordination of these programs could be achieved in various ways. Three possible approaches that have been considered are: (1) to coordinate the program through a single, lead institution of higher education; (2) to coordinate the program through a consortium established by the participating institutions; or (3) to coordinate the program through a state agency such as the Michigan Department of Commerce's Office of Economic Development. Given these alternatives what would be your first, second and third choices in order of priority?
- B. What are the advantages and disadvantages you see related to:
  - (1) Coordinating the program through a single, lead institution?
  - (2) Coordinating the program through a consortium?
  - (3) Coordinating the program through a state agency?

**APPENDIX C**

**COMPILATION OF DEANS' RESPONSES**

**TO STRUCTURED INTERVIEW**

APPENDIX C

COMPILATION OF DEANS' RESPONSES  
TO STRUCTURED INTERVIEW

CONCERN: THE POTENTIAL FOR INTEGRATING THE SMALL BUSINESS ASSISTANCE PROGRAM WITH THE INSTRUCTIONAL PROGRAM OF THE BUSINESS COLLEGE/SCHOOL

1. Question: Do you currently offer academic courses within you degree programs in entrepreneurship and/or small business management?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	11	78.0
b. No	2	14.0

2. Question: How many entrepreneurship/small business management courses do you offer?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. One	6	54.4
b. Two	2	18.1
c. Three	3	27.2

3. Question: Are these courses designed for graduates or undergraduates?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Undergraduates	9	47.3
b. Graduates	8	42.1
c. Both	2	10.5

4. Question: Have you considered developing curricula which would give students the option of formally specializing in entrepreneurship and small business management?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes; One is currently offered	2	15.3
b. Yes; An option is currently being developed	2	15.3
c. Yes; No action has been taken	4	30.7
d. No; It has not been considered	5	38.4

5. Question: Does your college/school offer life-long learning programs that are designed for and marketed to small businesses?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	8	61.5
b. No	5	38.4

6. Question: Who provides the instruction in these life-long learning programs?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Primarily full-time faculty	4	30.7
b. A mix of full-time faculty and adjunct faculty	2	15.3
c. Primarily adjunct faculty	2	15.3

7. Question: At what locations are these life-long learning programs offered?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. On campus	6	46.1
b. Off campus, locally	6	46.1
c. Off campus, regionally	3	23.0

8. Question: Through what organizational unit are these life-long learning programs administered?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Business college/school	5	38.4
b. Continuing education division	3	23.0

9. Question: Does your college/school sponsor any service-learning programs that give students direct contact experiences with small business firms?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	11	84.6
b. No	2	15.3

10. Question: What kind of service-learning programs do you sponsor?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Small Business Institute	7	53.8
b. Cooperative education	8	61.5
c. Internships	8	61.5

11. Question: Have you found the SBI program to be beneficial for your students?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	8	(100.0)*
b. No	0	-0-

12. Question: Would you favor expanding your SBI program if this were possible?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	4	(57.1)
b. No	2	(28.5)
c. Uncertain	1	(14.2)

13. Question: Would it be feasible to expand your SBI program?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	0	-0-
b. No	6	(85.7)
c. Uncertain	1	(14.2)

14. Question: Do you plan to continue the SBI program indefinitely?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	6	(85.7)
b. No	1	(14.2)

\* Percentages in parentheses refer only to those institutions with SBI programs, (n=7)

15. Question: What difficulties, if any, do you experience in administering the SBI program?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Sufficient volume of clients no referred by Small Business Administration	3	(42.8)
b. Students not available in sufficient numbers due to part-time employment	1	(14.2)
c. Faculty involvement is not sufficiently rewardint to maintain their support	2	(28.5)
d. Difficult to coordinate student registration in SBI, faculty work load contracts, and lining up business case loads	1	(14.2)
e. SBA grant is not sufficiently remunerative	1	(14.2)
f. Meeting with clients often involves long travel distances	1	(14.2)

16. Question: (For those instances not sponsoring an SBI) Have you considered establishing a Small Business Institute here?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	3	DNA
b. No	3	DNA

Reasons Institutions do not have SBI programs:

a. Low priority consideration	2
b. Would not be a beneficial use of faculty time	1
c. Lack of faculty resources	1
d. Lack of graduate program	1

**CONCERN: THE POTENTIAL FOR INTEGRATING THE SMALL BUSINESS ASSISTANCE PROGRAM WITH THE RESEARCH ACTIVITIES OF THE BUSINESS COLLEGE/SCHOOL**

17. Question: Do you have faculty members who specialise in researching small business problem topics? If so, how many?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes:		
One	5	38.4
Two	1	7.6
Three	1	7.6
b. No	6	46.1

18. Question: Does the fact that small business management is not a discipline per se inhibit faculty research in this area? What other factors might account for the general lack of faculty interest in conducting research on small business topics?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Small business not a discipline	6	46.1
b. Graduate training of faculty oriented toward large organizations	4	30.7
c. Data on large organizations is easier to obtain	2	15.3
d. Small business is a broad orientation; not a specialization	1	7.0

19. Question: If a small business development center were based in this college/school, do you think this would provide a mechanism for stimulating more research related to small business problems?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	9	69.2
b. No	1	7.0
c. Not sure	3	23.0

20. Question: Has your SBI program generated research opportunities for your students? For your faculty?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. For students		
Yes	2	(28.5)
No	5	(71.4)
b. For faculty		
Yes	1	(14.2)
No	6	(85.7)

**CONCERN: THE POTENTIAL FOR INTEGRATING THE SMALL BUSINESS ASSISTANCE PROGRAM WITH THE SERVICE ACTIVITIES OF THE BUSINESS COLLEGE/SCHOOL**

21. Question: In your opinion, what is the most probable way in which more research which focuses on small business topics should be generated in a systematic way?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Establish and fund a small business research center	7	53.8
b. Facilitate publishing of research findings	1	7.0
c. Give faculty release time or make such research a part of their contracts	1	7.0
d. Define small business research agenda	1	7.0
e. The college could take on the projects and charge the fees and parcel out the research assignments	1	7.0
f. Don't know	1	7.0

22. Question: Does your institution have a policy governing the amount of time faculty members may devote to private consulting activities?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	9	69.2
b. No	4	30.7

23. Question: Are your faculty members required to report on all of their private consulting activities?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	11	84.6
b. No	3	23.0



24. Question: What percent of your faculty members would you estimate are providing some consulting services to small businesses?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. 0 - 10	1	7.0
b. 10 - 20	1	7.0
c. 20 - 30	2	15.3
d. 30 - 40	3	23.0
e. 40 - 50	3	23.0
f. 50 - 60	2	15.3
g. 60 - 70	0	-0-
h. 70 - 80	0	-0-
i. 80 - 90	0	-0-
j. 90 - 100	1	7.0

25. Question: In your opinion, are faculty consulting fees generally too high for the average small businessperson to afford?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	8	61.5
b. No	5	46.1

26. Question: What forms of incentives could be introduced to encourage faculty members to provide consulting assistance to small businesses that otherwise could not afford their services?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Provide monetary compensation	6	46.1
b. Community (public) service could be given greater consideration in evaluating faculty	5	38.4
c. Provide faculty with release time	1	7.0
d. Set up consulting opportunities that yield data for publishable research	1	7.0

**CONCERN: THE TYPE OF SMALL BUSINESS PROGRAM MODEL THAT WOULD BE MOST EFFECTIVE**

**Explanation:** The Michigan Department of Commerce is currently evaluating two basic program models for providing managerial and technical assistance to small businesses. Both program models would attempt to utilize university talents and resources. One model would be organized and based in the private sector as a nonprofit SBDC. The other would be a university-based SBDC.

27. **Question:** Do you think that one of these approaches would be more effective than the other in securing the participation of and access to the resources of the colleges and universities? Which one? Why?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. University-based	5	38.4
Reasons:		
1. If it were in the private sector, it would be limited in its ability to access university resources.		
2. Properly channeled, colleges and universities have a lot of talent that could be utilized.		
3. We should use existing resources rather than set up something new.		
4. A private sector-based program would be skewed toward the center of population in the state.		
b. Private sector-based	6	46.1
Reasons:		
1. Institutions of higher education tend to get too wrapped up in what's good for themselves.		
2. Small businesses are leary of universities.		
3. Freedom from political funding problems.		
4. Universities are too political.		
5. Universities will look at this as a budgetary supplement.		
6. Universities are not designed to solve individual problems; they are designed to solve classes of problems.		

28. Question: If the college/university-based model were selected and implemented at this institution, what organizational unit or units within this college/university should administer the program?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Existing or porposed unit in college/school	7	53.8
b. Continuing education division	4	30.7
c. Other unit	2	15.3

**CONCERN: THE TYPES OF BUSINESSES THAT SHOULD RECEIVE ASSISTANCE**

29. Question: In view of the limited resources available to assist small businesses, do you think that it would be necessary to prioritize the target groups within the small business sector that would be receiving assistance or should the program remain open-ended?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Program should be targeted	8	61.5
b. Program should be open-ended	5	38.4

30. Question: How would you characterize the kinds of businesses that should receive high propriety?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. New businesses	3	23.0
- new businesses with high growth potential		
b. Existing businesses	5	38.4
- larger small businesses with four or five staff functions		
- categories of businesses that are declining due to a shift in market potential		
- manufacturing firms that "export" products		
c. Don't know	5	38.4

31. Question: How would you characterize the kinds of businesses that should receive low priority?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Businesses that are failing	4	30.7
b. Ma and pa businesses	2	15.3
c. Non-manufacturing	1	7.3
d. Don't know	5	38.4

**CONCERN: THE RESOURCE REQUIREMENTS AND FUNDING ARRANGEMENTS FOR  
INITIATING A SMALL BUSINESS ASSISTANCE PROGRAM**

32. Question: In your opinion, what would be the staffing requirements for operating a small business assistance program?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Program director	7	53.8
b. Secretary	6	46.1
c. One to two professionals	10	76.9
d. Three to four professionals	1	7.0
e. Part-time faculty	2	15.3
f. Advisory committees	1	7.0

33. Question: What kind or kinds of expertise should be represented on the staff?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Business generalists	8	61.5
b. Training specialist	1	7.0
c. Marketing specialist	1	7.0
d. Accounting specialist	1	7.0
e. Production specialist	1	7.0
f. Community development specialist	1	7.0
g. Don't know	2	15.3

34. Question: Some Small Business Development Centers have attempted to augment their capacity for providing consulting assistance by developing an affiliation with the SBA's Service Corps of Retired Executives and the Active Corps of Executives. Do you think this is a course of action you would want to pursue?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	10	76.9
b. No	1	7.6
c. Not sure	2	15.3

35. Question: Should the program be designed to become self-supporting within a given amount of time?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
Yes	8	61.5
No	5	38.4

36. Question: Should institutional funds be required to match the state's funds?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Yes	8	61.5
b. No	5	38.4

**CONCERN: THE APPROPRIATE STRUCTURE FOR ADMINISTERING AND COORDINATING  
A STATEWIDE PROGRAM**

37. Question: Assuming that federal and/or state funds were available to establish several college/university-based small business assistance programs in Michigan, the administration and coordination of these programs could be achieved in various ways. Three possible approaches that have been considered are: (1) to coordinate the program through a single, lead institution of higher education; (2) to coordinate the program through a consortium established by the participating institutions; or (3) to coordinate the program through a state agency such as the Michigan Department of Commerce's Office of Economic Development. Given these alternatives what would be your first, second and third choices in order of priority?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Single lead institution		
First choice	3	23.0
Second choice	2	15.3
Third choice	5	38.4
b. Consortium		
First choice	2	15.3
Second choice	3	23.3
Third choice	3	23.3
c. State agency		
First choice	7	53.8
Second choice	2	15.3
Third choice	1	7.6
d. Uncertain		
No first choice given	1	7.0
No second choice given	6	46.1
No third choice given	4	30.0

38. Question: What are the advantages and disadvantages you see related to: (1) coordinating the program through a single, lead institution? (2) coordinating the program through a consortium? (3) coordinating the program through a state agency?

<u>Answer</u>	<u>Number</u>	<u>Percent</u>
a. Single, lead institution		
<u>Advantages</u>		
- more economical	1	7.0
- a large, lead institution would have more resources	1	7.0
- academic administrators would be relating to academic administrators	1	7.0
- this would permit fixing of responsibility	1	7.0
- visibility with business community could be clearly established	1	7.0
<u>Disadvantages</u>		
- would give too much control to one institution	2	15.3
- no single institution has established itself as a leader in area of small business	1	7.0
- would create unnecessary conflicts	1	7.0
- the lead institution would have to create working relationships	1	7.0
- would place a major, new responsibility on one institution	1	7.0
b. Consortium		
<u>Advantages</u>		
- resources could be harnessed by common goals and objectives	1	7.0
- academic administrators would be relating to academic administrators	1	7.0
- could determine specialized institutional roles and establish a referral mechanism	1	7.0



<u>Answer</u>	<u>Number</u>	<u>Percent</u>
<u>Disadvantages</u>		
- institutions are too competitive; too much infighting would take place	3	23.0
- integrating resources would be difficult	2	15.3
- would be more expensive: staff plus overhead costs	2	15.3
- would be too difficult to administer	1	7.0
- would still require one large institution to take the initiative - which probably wouldn't happen	1	7.0
c. State agency		
<u>Advantages</u>		
- could function as an objective broker	2	15.3
- has an overview of the state's needs	2	15.3
- could ensure differentiation of institutional roles	2	15.3
- OED already has contact with the business community	1	7.0
- could operate as a statewide referral center	1	7.0
<u>Disadvantages</u>		
- would expand state bureaucracy	1	7.0
- funding continuity can't be guaranteed	1	7.0
- non-academic agencies don't understand environment of academic administrators	1	7.0

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