

Institute for Public Policy and Business Research  
The University of Kansas

**KANSAS SMALL BUSINESS DEVELOPMENT CENTERS:  
PERFORMANCE AND IMPACT**

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TABLE OF CONTENTS

KANSAS SMALL BUSINESS DEVELOPMENT CENTERS: PERFORMANCE & IMPACT

<u>SUMMARY OF FINDINGS</u> .....	1
DESCRIPTION OF COUNSELING	
<u>Type of Counseling</u> .....	3
<u>Hours of Counseling</u> .....	3
<u>Areas of Assistance</u> .....	4
<u>Counselor Recommendations</u> .....	4
<u>Out of Business?</u> .....	4
DESCRIPTION OF CLIENT	
<u>Stage of Business at First Contact</u> .....	5
<u>Standard Industrial Classification</u> .....	5
<u>Still in Business</u> .....	6
<u>Before and After</u> .....	6
<u>Full-Time Employees</u> .....	6
<u>Part-Time Employees</u> .....	6
<u>Total Annual Sales</u> .....	7
<u>Net Annual Income</u> .....	7
CLIENT EVALUATION OF COUNSELING	
<u>Evaluation of Individual Counselors</u> .....	7
<u>Recommendations</u> .....	8
CLIENT EVALUATION OF IMPACT	
<u>Impact on Employees</u> .....	9
<u>Impact on Sales</u> .....	10
Appendix A	
Methodology.....	13
Appendix B	
Small Business Development Center Survey Research Instrument.....	16

LIST OF TABLES

Table 1	Hours of Counseling Received by Clients.....	3
Table 2	Areas of Assistance Sought by Clients.....	4
Table 3	Standard Industrial Classification of Clients.....	5
Table 4	Effectiveness Rating by University Center.....	8
Table 5	Client Recommendation of Development Centers.....	9
Table 6	Positive/Negative Recommendation by University Centers..	9
Table 7	Client Evaluation of Impact on Number of Employees.....	10
Table 8	Client Evaluation of Impact on Sales Volume.....	11

## SUMMARY

This study was conducted by the Institute for Public Policy and Business Research for the Kansas Department of Commerce. Kansas's Small Business Development Centers play an important part in the state government's economic development program. Research shows that the majority of new jobs are created by small businesses, and entrepreneurs remain an important source of innovation and creativity. This report examines the performance of the state's eight Development Centers based on a telephone sample survey of 410 former clients. The report is divided into three sections. First the findings are summarized. Second, the results of the survey of clients are detailed. Third, the research methods, basic frequencies, and the survey instrument itself are reported in two appendices.

## SUMMARY OF FINDINGS

1. Thirty-five percent of those businesses contacting a Small Business Development Center are retailers. Twenty-eight percent are service providers, and 18 percent are manufacturers. Individuals contacting the Centers are almost evenly divided between those with an existing business and those interested in starting a business.
2. Of those who sought assistance from the Small Business Development Centers, 43 percent mentioned that they sought help with preparing a business plan. Thirty-two percent mentioned market analysis; 26 percent mentioned financial assistance.
3. Nineteen percent of the former clients we contacted reported that the counseling they received had some impact on the number of workers they employed. Predictably, the percentage reporting an impact on the number of workers employed increased with the hours of counseling they

received and with whether or not they received specific recommendations from the counselor.

4. Thirty-eight percent of our respondents indicated that the counseling they received had a positive impact on their sales. Again, the percentage reporting an impact on sales increased with the number of hours of counseling they had received and whether or not they had received specific recommendations from the counselor.
5. Almost half of all respondents surveyed would strongly recommend the Center to another business person. Three-fourths would give the Center a positive recommendation.
6. Thirty-four percent of our respondents received from two to five hours of counseling. Twenty-four percent received only one hour; 19 percent more than five hours.
7. Sixty-one percent of the former clients we contacted stated that they had received specific recommendations from the counselor with whom they worked. As already stated above, the reported impact on number of employees and sales was greater among those who received specific recommendations.
8. Significant variations between Centers appeared when respondents were asked if the counselor possessed the necessary skills and knowledge to be of assistance. The Washburn Center received the highest effectiveness rating.
9. Significant variations between Centers also appeared when we collapsed the five-point recommendation scale into a straight positive/negative format. Again the Washburn Center received the highest effectiveness rating.

DESCRIPTION OF COUNSELING

Type of Counseling

Most respondents primarily received short-term counseling. Eight-four percent of the sample we surveyed received short-term counseling; only 15 percent received long-term counseling.

Hours of Counseling

Twenty-four percent of those using the Small Business Development Centers received approximately one hour of counseling. Thirty-four percent received from two to five hours and 18 percent received more than five hours. Twenty-three percent of those respondents listed as clients indicated they had received no counseling. Some reported that they had been contacted by the Development Centers but had received no counseling; others did not recall any contact. The time spent by clients with the Centers ranged from a minimum of one half hour to a maximum of 150 hours. Five percent received between 20 and 60 hours of counseling.

TABLE 1: HOURS OF COUNSELING RECEIVED BY CLIENTS

Hours of Counseling	Valid Percent
Contacted but no Counseling	23.3
1 Hour	24.0
2 to 5 Hours	34.1
More than 5 Hours	<u>18.6</u>
TOTAL	100.0

n=408

Areas of Assistance

Business plan preparation was most often mentioned (43%) by those we contacted as one of the reasons for seeking assistance from a Development Center. Market analysis was second in importance, mentioned by 32 percent. Financial assistance, business feasibility, and assistance with accounting and bookkeeping were all mentioned by over 20 percent (see Table 2).

TABLE 2: AREAS OF ASSISTANCE SOUGHT BY CLIENTS

Areas of Assistance	Count	% of Responses	% of Cases
Business Plan Preparation	118	22.9	43.1
Market Analysis	87	16.9	31.8
Financial Assistance	67	13.0	24.5
Business Feasibility	64	12.4	23.4
Accounting/Bookkeeping	61	11.8	22.3
Technical Assistance	34	6.6	12.4
Management Structure	34	6.6	12.4
Legal	27	5.2	9.9
Production	24	4.7	8.8
TOTAL RESPONSES	516	100.0	188.3

n=274

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Out of Business?

One of the questions we were asked to discuss with our respondents was whether or not the counselors at the Development Center advised them to get out of business. Such advice can prove helpful, if unwelcome for a failing or a promising business. Only 4 percent were advised to get out of business.

DESCRIPTION OF CLIENT

Stage of Business at First Contact

Those seeking counseling at the Small Business Development Centers are almost evenly divided between those within business and individuals without an existing business. Forty-six percent of those in our sample were in the pre-establishment stage of business; 54 percent already had an existing business.

Standard Industrial Classification

Of those individuals contacting the Small Business Development Centers, 35 percent were retailers. Services were second with 28 percent, and manufacturing third with 18 percent. Table 3 gives a further breakdown of client Standard Industrial Classifications. It should be noted that the majority of clients did not list a Standard Industrial Code.

TABLE 3: STANDARD INDUSTRIAL CLASSIFICATION OF CLIENTS

=====	
Type of Business	Valid Percent
Mining	.7
Construction	5.1
Manufacturing	18.4
Trans. Comm. Elect. Sanit. Services	3.7
Wholesale Trade	5.9
Retail trade	35.3
Finance, Insurance, Real Estate Services	2.9 <u>27.9</u>
TOTAL	100.0
	n=136
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### Still in Business

Overall, 68 percent of those surveyed are still in business. Of those businesses opened with the assistance of the Development Centers, 54 percent are still in business. Fully 80 percent of those businesses already in existence when they contacted the Center are still in business.

### Before and After

One of the areas we discussed in detail with our respondents was the change in sales, income, and employees before and after they contacted the Small Business Development Center. Interpreting these results requires caution. There are many reasons why sales and number of employees change that have nothing to do with the Small Business Development Centers. For instance, many of our respondents, while indicating that their sales had declined, clearly stated that this decline was due to factors other than following the advice received. While the change in sales, income, and number of employees presents an interesting picture, it is not clear exactly what that picture shows.

Full-Time Employees. Forty-one percent of our respondents suffered a "great decrease" in the number of full-time workers they employed. (A "great decrease" or "great increase" is defined as a gain or loss of 50 percent or more. A small increase or decrease is defined as a change of less than 50 percent.) Thirty percent reported no change in the number of their full-time employees.

Part-Time Employees. When asked about part-time employees, the firms responding to our questions indicated that 36 percent remained the same, 35 percent had a small or great increase, and 29 percent suffered a loss in the number of part-time workers they employed.

Total Annual Sales. Sixty-two percent of those businesses responding to our study indicated that their sales had increased, and 20 percent had stayed the same. Eighteen percent suffered a decline in sales.

Net Annual Income. Fifty-four percent of the firms we contacted indicated that their net income had increased. Thirty-one percent stated that their income had remained the same. Only 15 percent reported a decrease in income. For a more complete breakdown of these figures, see Appendix B.

#### CLIENT EVALUATION OF COUNSELING

##### Evaluation of Individual Counselors

The effectiveness of the Small Business Development Centers is likely to increase when the counselors working with small business entrepreneurs are able to recommend specific solutions to a client's individual problems. Sixty-one percent of our respondents indicated that they did indeed receive specific recommendations from the counselors with whom they worked. Of those who received long-term counseling, 73 percent stated that they received specific recommendations; of those receiving short-term counseling, only 58 percent stated they received specific recommendations from their counselor. There was no significant difference between Centers on this question.

As shown in Table 4, there were significant differences between Centers when respondents were asked if the counselor possessed the necessary skills and knowledge to assist them effectively. The Washburn Center received the highest effectiveness rating (100%); the University of Kansas Center, the lowest (70%).

TABLE 4: EFFECTIVENESS RATING BY UNIVERSITY CENTER

	Yes	No
Washburn	100.0%	0
JCCC	94.3%	5.7%
Emporia	92.3%	7.7%
K-State	86.1%	13.9%
Pittsburg	85.0%	15.0%
Ft Hays	84.9%	15.1%
Wichita State	78.5%	21.5%
KU	70.0%	30.0%

n=312

Our interviewers were instructed to listen carefully to the answer to the question on effectiveness. Only when the respondent answered "yes, the counselor was effective," but expressed some indecision or equivocation, did they ask a follow-up question, "Could he have been better?" Of this small subset, 82 percent indicated that the counselor was good, but could have been better.

Recommendations

As shown in Table 5, overall our respondents seemed very happy with their experience with the Small Business Development Centers. Fully 74 percent of our respondents gave the Development Centers a positive recommendation. Only 26 percent would not recommend the Center they worked with or would give it a negative recommendation. Although it is only anecdotal evidence, our interviewers frequently reported that even respondents who found the Center unable to help them stated that they strongly supported the Centers.

When the five-point scale we used to code this question was recoded into a straight positive/negative selection, significant differences between Centers appeared. These data are reported in Table 6. The Washburn Center

again received the highest rating with a positive recommendation from 94 percent of its clients; the University of Kansas Center received the lowest rating with a positive recommendation from 61 percent of its clients.

TABLE 5: CLIENT RECOMMENDATION OF DEVELOPMENT CENTERS

	Valid Percent
Strong Negative Recommendation	2.0
Negative Recommendation	2.7
Would Not Recommend	21.1
Positive Recommendation	28.5
Strong Positive Recommendation	45.7
TOTAL	100.0

n=407

TABLE 6: POSITIVE/NEGATIVE RECOMMENDATION BY UNIVERSITY CENTERS

	Positive Recommendation	Negative Recommendation
Washburn	93.8%	6.2%
Emporia	86.2%	13.2%
JCCC	82.3%	17.7%
Pittsburg	80.0%	20.0%
K-State	76.0%	24.0%
Ft. Hays	72.5%	27.5%
Wichita State	67.2%	32.8%
KU	61.5%	38.5%

n=406

CLIENT EVALUATION OF IMPACT

Impact on Employees

Two of the most important questions included in this study asked our respondents to rate the impact of the counseling they received from the Small Business Development Centers on a scale from one to five (see Appendix B, Q12 and Q13 for the full text of these questions). Overall, 19 percent indicated that the counseling they received had had some impact on the number of workers they employed (see Table 7).

Predictably, the impact on the number of employees varied with the hours of counseling each client received. Of those receiving only one hour of counseling, only 11 percent stated that there was any impact on the number of workers they employed. Fourteen percent of those receiving two to five hours of counseling reported some impact in this area. And 33 percent of those receiving more than five hours stated that the counseling they received had some impact on the number of their employees.

The impact on number of employees reported by clients of the Small Business Development Centers also varied with whether they received specific recommendations or not. Of those receiving specific recommendations from the counselor, 24 percent reported some impact on the number of workers they employed; 10 percent of those who did not receive specific recommendations reported an impact in this area.

TABLE 7: CLIENT EVALUATION OF IMPACT ON NUMBER OF EMPLOYEES  
 =====

Value Label	Value	Valid Percent	Cum Percent
No Impact	1	81.3	81.3
	2	5.7	87.1
Limited Impact	3	10.5	97.6
	4	1.9	99.5
Great Impact	5	.5	100.0
TOTAL		100.0	

n=209

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Impact on Sales

Overall, client evaluation of the impact of counseling on their sales was much higher than the impact on the number of their employees. As may be seen in Table 8, 38 percent of those making use of the Centers reported an impact on their annual sales.

TABLE 8: CLIENT EVALUATION OF IMPACT ON SALES VOLUME

	Value	Valid Percent
No Impact	1	62.2
	2	10.0
Limited Impact	3	12.0
	4	9.6
Great Impact	5	6.2
TOTAL		<u>100.0</u>

n=209

Reported impact on sales volume also varied with the number of hours of counseling received and whether or not the client received specific recommendations. Only 30 percent of those receiving only one hour of counseling reported any impact on sales. Of those receiving two to five hours, 37 percent reported an impact on sales; and of those receiving more than five hours, 47 percent reported an impact on sales.

The importance of making specific recommendations to clients is highlighted by the difference in impact on sales. Only 19 percent of those who did not receive specific recommendations reported any impact. But almost half (49%) of those who did receive specific recommendations reported an impact on their total annual sales.

APPENDIX A

#### METHODOLOGY

This IPPBR research study was conducted 21 March 1988 to 7 April 1988. The survey was by telephone and a total of 410 interviews were completed with former clients of the state's eight Small Business Development Centers. The response rate for the survey was 94 percent. This means that for every 10 individuals contacted, nine responded to the survey.

Questions used in the survey were designed by the Institute research staff in collaboration with the Kansas Department of Commerce and the Small Business Development Centers. Readers should consult Appendix B of this report on the survey instrument for a full text of the questions and responses.

Respondents were selected from a data base provided by the Kansas Small Business Development Center headquarters for the years from 1984 to 1987.

The percentages obtained in the sample are estimates of the entire populations under consideration. Sampling theory suggests when an adequate random sample is obtained within a population, the sample will adequately reflect the responses that would be given if the entire population were surveyed. The margin of error in a survey is the theoretical difference between interviewing everyone in a given population and a sample drawn from that population. The margin of error for the Small Business Development Center research study is 5 percent at a 95 percent level of confidence. Given this margin of error, chances are that in about 19 out of 20 cases, if all clients and former clients of the Development Centers in Kansas had been surveyed with the same questionnaire, the result would differ from the poll findings by no more than 5 percent in either direction.



Note that the sample size varies from question to question. Certain questions were asked only of specific subsets of respondents. Additionally, the sample size for those questions asked of all respondents ranges from 405 to 410. This small variation is the result of some respondents' unwillingness to answer questions or other sources of mission data. It does not affect the accuracy of the survey.

Note also that 95 respondents, or 23 percent of the total, indicated that they received no counseling at all. This accounts for the lower sample size on many questions.

Although great care is taken in composing questions and drawing a sample, caution should be exercised in the interpretation of telephone survey results. Responses generally represent immediate answers to questions, and respondents are limited to the answer categories given. Nevertheless, telephone surveys are by far the best form of public opinion polling to obtain random and representative samples in a timely fashion.

APPENDIX B

SMALL BUSINESS DEVELOPMENT CENTER SURVEY  
RESEARCH INSTRUMENT

Q1 Approximately how many hours of counseling did you receive?

<u>Value Label</u>	<u>Percent</u>
Contacted But No Counseling	23.3
1 Hour	24.0
2 To 5 Hours	34.1
More Than 5 Hours	<u>18.6</u>
TOTAL	100.0

n=408

Q2 What were the specific areas in which you received counseling? (CHECK ALL THAT APPLY.)

<u>Areas of Assistance</u>	<u>Count</u>	<u>% of Responses</u>	<u>% of Cases</u>
Accounting/Bookkeeping	61	11.8	22.3
Business Plan Preparation	118	22.9	43.1
Market Analysis	87	16.9	31.8
Financial Assistance	67	13.0	24.5
Technical Assistance	34	6.6	12.4
Management Structure	34	6.6	12.4
Business Feasibility	64	12.4	23.4
Legal	27	5.2	9.9
Production	<u>24</u>	<u>4.7</u>	<u>8.8</u>
TOTAL RESPONSES	516	100.0	188.3

n=274

Q3 Did you receive specific recommendations from the counselor?

<u>Value Label</u>	<u>Percent</u>
No	38.9
Yes	<u>61.1</u>
TOTAL	100.0

n=319

Q4 Did the counselor possess the necessary skills and knowledge to assist you effectively?

<u>Value Label</u>	<u>Percent</u>
No	15.1
Yes	<u>84.9</u>
TOTAL	100.0

n=312

Q4A The counselor was effective, but could he have been better?  
 (ONLY IF RESPONDENT ANSWERS "YES" TO Q4 BUT HESITATES OR SHOWS SOME  
 INDECISION.)

<u>Value Label</u>	<u>Frequency</u>	<u>Percent</u>
No	12	17.6
Yes	56	82.4
	<u>342</u>	<u>MISSING</u>
TOTAL	410	100.0

n=68

Q5 Are you still in business?

<u>Value Label</u>	<u>Percent</u>
No	31.6
Yes	<u>68.4</u>
TOTAL	100.0

n=307

Q5A Did the Development Center advise you to get out of business?

<u>Value Label</u>	<u>Percent</u>
No	96.4
Yes	<u>3.6</u>
TOTAL	100.0

n=308

Q6 Before your first contact with the Small Business Development Center,  
 how many full and part-time employees worked for your company?

and

Q9 At this time, how many full and part-time employees work for your firm?

a. Percentage change in Full-time Employees:

<u>Value Label</u>	<u>Percent</u>
Great Decrease	40.9
Small Decrease	9.1
No Change	29.5
Small Increase	2.3
Great Increase	<u>18.2</u>
TOTAL	100.0

n=88

b. Percentage change in Part-time Employees:

<u>Value Label</u>	<u>Percent</u>
Great Decrease	23.1
Small Decrease	5.8
No Change	36.5
Small Increase	3.8
Great Increase	<u>30.8</u>
TOTAL	100.0

n=52

Q7 Before your first contact with the Development Center, what approximately was the total annual sales of your firm?

and

Q10 Approximately what is the total annual sales of your firm at this time?

Percentage Change in Total Annual Sales:

<u>Value Label</u>	<u>Percent</u>
Great Decrease	7.6
Small Decrease	10.1
No Change	20.3
Small Increase	34.2
Great Increase	<u>27.8</u>
TOTAL	100.0

n=79

Q8 And, before your first contact, what approximately was the net income of your firm?

and

Q11 Approximately what is the annual net income of your firm at this time?

Percentage change in Net Annual Income:

<u>Value Label</u>	<u>Percent</u>
Great Decrease	9.6
Small Decrease	5.8
No Change	30.8
Small Increase	21.2
Great Increase	<u>32.7</u>
TOTAL	100.0

n=52

Q12 Do you feel that the counseling you received at the Small Business Development Center had an impact on the number of people you employ? How would you rate that on a scale of 1 to 5 with 1 meaning no impact, 3 meaning limited impact and 5 meaning great impact?

<u>Value Label</u>	<u>Value</u>	<u>Percent</u>
No Impact	1	81.3
	2	5.7
Limited Impact	3	10.5
	4	1.9
Great Impact	5	<u>.5</u>
TOTAL		100.0

n=209

Q13 Do you feel that the counseling you received had an impact on your firm's sales volume? How would you rate that using the same scale in the last question?

<u>Value Label</u>	<u>Value</u>	<u>Percent</u>
No Impact	1	62.2
	2	10.0
Limited Impact	3	12.0
	4	9.6
Great Impact	5	<u>6.2</u>
TOTAL		100.0

n=209

Q14 And our last question is, would you recommend the Small Business Development Center to another businessman? Would you give the Center a positive or a negative recommendation, or no recommendation at all?

<u>Value Label</u>	<u>Percent</u>
Strong Negative Recommendation	2.0
Negative Recommendation	2.7
Would Not Recommend	21.1
Positive Recommendation	28.5
Strong Positive Recommendation	<u>45.7</u>
TOTAL	100.0