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## MICRO BUSINESSES: WHERE DO THEY TURN FOR HELP?

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### ABSTRACT

*Research consistently shows those entrepreneurs who obtain business assistance from various service providers are more likely to be in business over time and are more likely to experience success. Micro business, enterprises with less than five employees, have not been specifically studied in terms of how, or whether, outside business assistance was used or if it produced results. This study examined micro businesses to determine what service providers were used for business assistance and how they differ by demographics. The paper offers the implications and possible strategies for these service providers.*

*Key words: micro business; business assistance; service providers*

### INTRODUCTION

Micro business research has primarily focused on either home-based businesses, sole proprietorships, or minority or disadvantaged business ventures (Mattare, Monahan, & Shah, 2009). However, micro business comprises over one-half of all businesses in the United States (McGibbon & Moutray, 2009). This study looked at the utilization of business assistance service providers in a selection of micro businesses in the State of Maryland. Micro business is defined as those businesses with less than 5 employees (Kelly & Kawakami, 2008).

In the State of Maryland, microenterprises provide jobs for over a half-million people, and are considered critical as a focus of public investment with returns ranging from \$2.06 to \$2.72 for every dollar invested (Maryland, 2008). Many of those microenterprises that are successfully nurtured become larger businesses, employing more, and contributing significantly to the tax base of the state. It is to everyone's benefit to foster microenterprise. However, according to Maryland state officials, not enough is known about either micro enterprise in general or its subset, home-based businesses. Maryland has a population of over 5.6 million with a growth rate of 6.4%. The population is 63.6% Caucasian, 29.5% Black, 6.3% Hispanic, and 5.0% Asian. Other ethnicities range at or below 1% (*Maryland quick facts from the US Census Bureau*, 2009). The state has often been called a "America in miniature" (MarylandFacts, 2010). Maryland's workforce is considered among the best educated in the United States with over one-third of its population twenty-five or older holding a bachelor's degree, and 16% with a graduate or professional degree ("Maryland at a Glance," 2009).

Both nationally and in the state, there are numerous programs dedicated to small business startups, existing businesses, and specifically micro business, albeit mostly are focused on

women or disadvantaged businesses. Amazingly, there is not much known about how these small ventures utilize business assistance programs, and if they are more successful as a result. In addition, little is known about what service providers have the best track record.

## **LITERATURE REVIEW**

Scholarly research regarding entrepreneurship has advanced considerably over the past 30 years. Existing streams of literature address “who” is the entrepreneur, “why” he or she becomes an entrepreneur, or provides statistics on new business startups related to gender, socioeconomic status, ethnicity, geographic area, and type of business. There is also a significant amount of literature that addresses why businesses succeed or fail, and what comprises the definitions of success and/or failure. The federal government and a number of state governments publish extensive studies on new business startups with demographic and geographic information regarding these enterprises. Furthermore, several key studies funded by the federal government and compiled in special reports by the Small Business Administration (SBA) indicate small business is vital to the U.S. economy (McGibbon & Moutray, 2009). Of the new business startups in a year, some 53% are home-based, meaning there are over 250,000 home-based businesses startups per year (SBA, 2004). Two thirds of new firms survive at least 2 years and about one-half survive 4 years. Interestingly, closure data shows one-third of firms were successful at the time of closure (Boden, 2001; D’Elia, 2009).

### **Small Business and Micro Business**

SBA defines small businesses as those enterprises with 500 or fewer employees. Many scholars break that figure down into finer subsets— groups more typical of small businesses in the US today, such as enterprises with 50 employees (Katz & Green, 2007). Then, there is the micro business or those enterprises with less than five employees. The paucity of data in the literature is evidence that microenterprise is under researched in the United States. Until recently, the aid and development of microenterprises focused on those in third world countries, in spite of the fact that microenterprise development has been a successful pathway to financial independence in the United States (Guste, 2006). Microenterprise development programs (MED) were formally initiated in the United States in the 1980’s as an attempt to assist women, minorities, and disadvantaged individuals in starting businesses. Studies had shown the traditional support network for small business startups was not working for these particular groups. MED programs were modeled after those developed for less developed countries (LDCs) (Else, Doyle, Lisa, & Messenger, 2001). With the advent of these programs, more attention has been paid to microenterprise growth in the United States and the importance of its role in entrepreneurship.

Some research has looked at home-based businesses which are often sole proprietorships or employ less than five people and are, therefore, micro businesses. Joanne Pratt, in a special report for the SBA, found “working out of the home has become a significant and growing phenomenon in the United States” (Pratt, 1993, 1999). There are nearly 15.9 million home-based workers out of a workforce of 119.9 million (SBA, 2009). Many of these businesses need less startup capital and fewer employees. Five percent of these businesses gross \$1 million or more. And, home-based businesses tend to move to more traditional office space when gross receipts

reach about \$50,000, hire more employees, and contribute significantly to the US economy. But, many home-based business owners just want to earn a secondary income, whereas those businesses that are non-home based are earning the primary income for the owner (SBA, 2009).

The National Federation of Independent Business (NFIB) Small Business Poll, Business Activity in the Home (2008) found home-based businesses employ fewer than 10 people. The study found that one in four employing business operates primarily from the home (Dennis Jr., 2008). Some of the literature concentrates on “work-at-home-moms,” (called “homework”). Nancy Jurik described self-employed homework as a gendered phenomenon (Jurik, 1998, p. 8). She stated that research on small business and entrepreneurship portrays two views of those who work from home; one view is of liberated innovators “getting away” from many of the constraints of conventional employment (Beach, 1989; Carter & Cannon, 1992; Heck, Owen, & Roe, 1995 in Jurik 1998).

The other view is of the marginalized, minority or disadvantaged worker (Blackford, 1991; Else & Raheim, 1992 in Jurik, 1998). In other studies, home-based entrepreneurs were viewed as those who chose to work at home in order to care for children or because of factors in the external labor market, fewer jobs available, layoffs, and so on (Ammons & Markham, 2004; Berke, 2003; Carr, 1996). Some recent research on women-owned businesses deemphasized home-based ownership, even though it is on the rise. The research concluded home-based ownership may be a good option only for women who do not have strong financial needs (Loscocco & Smith-Hunter, 2004). This study found 28% of responding micro businesses worked from home with 59.1% stating they earned their sole income from their venture. Other research has looked at home-based entrepreneurs who are crafts persons (Litrell, Stout, & Reilly, 1991).

Micro businesses, including home-based businesses, comprise a very big portion of all small businesses in the United States, or more than one-half of all business (SBA, 2004). Among the few studies of micro entrepreneurship are several recent studies conducted among very small enterprises in West Virginia (WV) and Vermont (VT) which found significant employment and productivity gains were typical of these enterprises. In WV, roughly 10% of the labor force was employed in microenterprises and they accounted for 12.9% of the goods and services produced in the state (Hicks, Wrenn-Harrell, Summitt, & Broughton, 2000). In VT, 55% of all businesses were micro businesses (Vermont, 2000).

### **Small Business and Micro Business Success Factors**

Several studies have looked at factors that could be considered related to success or to challenges that can be anecdotally compared, such as the Panel Study on Entrepreneurial Dynamics (PSED). The PSED study looked at the economic and community context for entrepreneurship and found uncertainty was high when firms were asked how certain they were they could comply with local, state, and federal regulations; obtain new customers; and maintain balance in their lives (Gartner, Shaver, Carter, & Reynolds, 2004). The findings from this study categorized these factors into 1) financial uncertainty; 2) competitive uncertainty; and 3) operational uncertainty. Exploring entrepreneurs’ perceptions of their economic and community context is an important stream of future research (Matthews & Human, 2004).

In a study conducted by Rogoff et al, open-ended questions were used to explore success factors and factors that impeded success. The resulting transcripts were coded and compared the findings across three groups: the sample of entrepreneurs, a sample of independent pharmacists, and a sample of business experts (Rogoff, Lee, & Suh, 2004). The main factors identified as contributing to success include individual characteristics of the entrepreneur, marketing activities of the firm, with most success factors having to do with internal factors (Rogoff, et al., 2004). The factors that impeded success included regulation, the human resources market, financing, competition, environmental, and technological aspects. These factors were more externally oriented (Rogoff, et al., 2004).

Paige and Litrell (2002) conducted a study regarding how art-related retailers defined and achieved success. The businesses fell into the micro enterprise category, as the average number of full time employees was 1.4 and .9 were part-time. Craft retailers were found to identify success factors related to the production of their crafts, their contribution to the region's craft traditions, and to preserving the craft tradition (Paige & Littrell, 2002).

Robert Lussier and Sanja Pfeifer looked at prediction models for success with a sample of small businesses in Central Eastern Europe. Several predictive factors were found: successful owners were more educated than unsuccessful ones; successful businesses did more planning than did unsuccessful ones; and, successful businesses had more difficulty finding adequate employees (Lussier & Pfeifer, 2001). Another study of self employed individuals in eight European nations found factors impacting the duration of self-employment (considered success) were: higher levels of education; ownership of one's place of residence; the number of hours worked per week. When gender is looked at separately, the number of hours spent in childcare negatively impacted the duration of female-owned businesses, but had a positive effect on male-owned businesses (Williams, 2004).

Monahan, Shah, & Mattare (2010) found the three most important success factors to be a strong national economy, the ability to penetrate new markets, and a trained workforce. Conversely, the three biggest challenges were the national economy, finding new customers and taxes.

In the studies previously discussed, assumptions were made in most cases that hypothesized narrowly assumed potential success factors and challenges or impediments to success. This study did not attempt to link usage of service providers to success of the firm. However, we know, based on recent research, that outsider – or service provider – assistance can positively impact startup, survival, and enterprise performance (Chrisman & McMullan, 2004; Katz & Green, 2007). SBA, Service Corps of Retired Executives (SCORE), and various Small Business Development Centers (SBDCs) and incubators dedicate a large number of people and resources to new business startups and success. Recently, to improve its ability to impact small business success, SCORE has revamped its approach to client businesses and is dedicated to fostering the birth of 1 million firms over the next 7 years (Yancey, 2009).

## **Small Business, Micro business, and the Effect of Service Providers**

Currently, there are many service providers offering business counseling or training services to startups or existing businesses: SBA, SCORE, local SBDCs, colleges and universities, MED providers, the Kauffman and Coleman Foundations, for profit entities and many state and local organizations. A review of some studies of the effect of the multitudes of programs provides a look at organizations in Puerto Rico where participants are taught how to turn hobbies into businesses (Blanca, 2009). The Webadvantage, enlisting the help of SBA and the Maryland SBDCs, successfully provided assistance even in the current recession (Terry, 2009). The Western Reserve SBDC promoted the advancement of women-owned businesses with low-cost training, and training with a business analyst (Lariviere, 2001).

In the 2009 Small Business Economy Report to the President, research drawn from the PSED (Gartner, et al., 2004) on pre-venture planning showed entrepreneurs who worked with government sponsored entrepreneurship programs were five times more likely to start a business than those who did not (McGibbon & Moutray, 2009). Additionally, those nascent entrepreneurs who engaged in business planning were six times more likely to successfully start a new business, and the greater the degree of the formality of the plan, the more likely the business will be started. Similarly, Chrisman & McMullan (2004) found a positive, curvilinear relationship between firm survival, and the time spent in venture preparation where there was an outside counselor involved (Chrisman & McMullan, 2004).

Other factors that might influence new venture startups were examined by Peake & Marshall (2007). Using economic modeling, the authors found state expenditures on education, highways, and natural resources positively affected business births (Peake & Marshall, 2007). The PSED study found 20% of nascent entrepreneurs make contact with a ‘helping’ program – or service provider – and that knowledge about these programs is generally wide spread albeit not utilized (Gartner, et al., 2004). The types of assistance provided ranged from general training (29.1% vs. 22.7%), learning how to start/manage a new business (25.2% vs. 24.9%), and information and/or application assistance on financing (10.6% vs. 15.2%) (Carter, Gartner, Shaver, & Gatewood, 2003). Over half of the nascent entrepreneur group felt the assistance provided was ‘extremely valuable.’ General findings from the PSED study which relate to our study show that:

About 1 in 5 was actively engaged with business assistance programs. Program assistance was provided via “government programs, educational institutions, and business, professional, and service associations” p. 348. Evaluations of the programs were positive Business startups that are involved with these programs were more likely to develop a ‘going’ business (Carter, et al., 2003). Dennis and Reynolds (2004) cautioned, however, about conclusions drawn in a simplistic way which would assume association with business assistance programs are directly correlated to success (Dennis & Reynolds, 2004). Their point, well taken, is that those who are organized enough to assemble the resources to assist them in starting or running a new venture, and conduct sound start up planning processes, may in and of themselves be more likely to experience success.



The Aspen Institute conducted a survey of 517 microenterprise programs which provided loans, training, and technical assistance. The number of programs for micro enterprises has risen dramatically from 84 in the Microenterprise Program Directory in 1992 to the 517 noted today (AspenInstitute, 2010). Of the 517 programs in service, 37.2% provide service to urban areas, 24.3% to rural areas, and 38.5% to both urban and rural areas. Many of those served are low-income individuals, or women, or minorities. More than half of the businesses were ongoing. Training and technical assistance services averaged 11 hours per counselee. Some programs charge fees for the services provided (AspenInstitute, 2010). Aspen also tracked microenterprise program changes over a two year period, finding 88% of women's initiatives clients graduated with some of the clients utilizing the skills taught, their confidence levels had been raised during training, business ownership increased, and that some clients had as high as 85% survival rate after two years (Edcomb & Klein, 2005).

The client profile of microenterprise programs breaks down into 42% African-American, 18% Hispanic, and 2% Asian (Nelson, 2005). Seventy-eight percent of clients were women with predominantly a high school education (83%), 58% post-high school, 19% with 4 years of college, and 8% with graduate degrees. Findings of studies conducted by the Aspen Institute show that two years after enrollment in a program, the median household income of participants increased by 87%. Thirty seven percent of participants were still operating a business two years after enrolling in a training program (Nelson, 2005).

Survival rates of microenterprises participating in various programs, studied by the Association for Enterprise Opportunity (AEO) and the Aspen Institute, found that 57-90% survive after four years, higher than the general population of startups studied by SBA (Nelson, 2000). Of those who remained in business after five years, average revenues increased by 27% and profits doubled (Nelson, 2000).

## **RESEARCH METHOD**

In addition to building a profile of micro entrepreneurship in the State of Maryland, this research study examines the utilization of business assistance services by micro business owners in Maryland. The services were those provided by various organizations or government agencies that specialize in business assistance for small businesses. A survey was developed and mailed to a compiled list of 9,184 micro businesses in the State of Maryland (with 0 - 4 employees). A pre-paid postage reply envelope was included. A total of 959 usable responses were gathered for a response rate of 10.44%, well within the desired response to a survey mailing (Fowler, 1998, 2002). The survey specifically asked for which service providers were used and for what services as well as other questions related to functions that are core to any small business enterprise. The data was entered and analyzed with Excel and SPSS to obtain descriptive and inferential statistics. In addition to frequency distribution, t-tests and chi-square goodness of fit tests were conducted.

### **Research Questions**

In order to determine which service providers, if any, were utilized, a list of the most commonly used service providers was developed based on discussions with more than ten

practicing entrepreneurs and business assistance counselors from a number of service provider organizations, including SCORE and the MD Microenterprise Council. A list of thirteen organizations was created along with a list of twelve types of services provided. Micro business owners were asked to check all of the providers and services from these providers they have used. Specifically, this study sought to answer the following questions:

- What is the demographic profile of micro entrepreneurs in the State of Maryland?
- What service providers do micro businesses use as they start and run their ventures?
- Which business assistance services do micro businesses use and does the usage vary by gender, ethnicity, sales, education, length of time in operation, and type of business?

## FINDINGS

The 966 usable responses yielded a portrait of micro business owners in Maryland.

### **What are the demographics of micro business in Maryland?**

Table 1 presents the demographics of the study participants. The respondents were predominantly male (70%), married (81%), Caucasian (92%), and owned their business (97%). Most had been operating their business for more than ten years (64%), were between 44-62 years of age (63%), had at least a Bachelor's degree (54%) and had sales between \$100,000 - \$500,000 (42%). Interestingly, the majority (72%) was not home-based and this enterprise was their primary means of support (63%). This finding indicates a higher percentage of home-based businesses among microbusinesses in Maryland, or 28% versus Joanne Pratt's findings of 13.3% (Pratt, 1993, 1999). However, this finding supports Dennis Jr.'s (2008) research that found one in four employing businesses operated primarily from home. In addition, of those whose business was home-based, only 8.5% cared for children or the elderly. This number would not tend to support Jurik's findings about work-at-home-moms (Jurik, 1998).

Fascinatingly, this study showed the majority (62%) of micro businesses were organized as a corporation which is contrary to national data. At the national level, 71% of the total of all US businesses are sole proprietorships, while only 25% are corporations (Shah, 2011).



**Table 1***Demographics*

<b>Gender</b>	<b>%</b>	<b>Length of time in Operation</b>	<b>%</b>
Female	29.6%	<1 yr	0.8%
Male	70.0%	1-3 yrs	8.4%
		4-6 yrs	12.5%
		7-10 yrs	14.1%
		>10 yrs	64.0%
<b>Ethnicity</b>	<b>%</b>		
Caucasian	91.1%		
Non-Caucasian	6.8%		
<b>Education</b>	<b>%</b>	<b>Business Classification</b>	<b>%</b>
No HS Diploma	1.1%	Professional	29.4%
High School Diploma	17.3%	Construction	10.7%
Some College	21.2%	Manufacturing	3.8%
2 yr CC	5.9%	Distributor/Wholesale	2.8%
4 yr Degree	29.8%	Retail	20.3%
Graduate Degree	23.9%	Finance, Ins, Real estate	13.4%
		Other for profit	1.3%
		Other	12.5%
<b>Marital Status</b>	<b>%</b>		
Married	81.0%		
Single, Divorced	10.0%		
Single, Never Married	5.0%		
Widowed	3.0%		
		<b>Family Owned</b>	<b>%</b>
		Yes	61.0%
		No	39.0%
<b>Age</b>	<b>%</b>	<b>Annual Sales</b>	<b>%</b>
<28	1.0%	<10K	4.9%
29-43	14.0%	10-25K	2.9%
44-62	63.0%	25-50K	6.6%
>63	21.0%	50-100K	12.4%
		100-500K	41.9%
<b>Homebased Business</b>	<b>%</b>	500-1,000K	11.2%
Yes	28.0%	>1,000K	15.2%
No	72.0%		

### What service providers do the micro businesses utilize?

Over one fourth of the respondents sought the services of their local Chamber of Commerce (COC) followed by assistance from institutions of higher education (17.3%) and the SBDC (13.3%). Interestingly, Women and Minority Business centers were only used by 2.5% of the respondents and a dismal .6% utilized the assistance of a business incubator (see Table 2).

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**Table 2**  
*Service Providers Used*

<b>Provider</b>	<b>Total</b>
SBDC	13.30%
Chamber of Commerce	26.10%
College Training	17.30%
Local Economic Development	7.00%
Minority Business Center	2.30%
Women Business Center	2.50%
Procurement Tech Asst Ctr	0.70%
SBA	9.70%
Dept of Agriculture	2.00%
Conferences	10.80%
SCORE	2.90%
Certificate programs	5.90%
Business incubator	0.60%
Other	9.60%

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### Does the usage of service providers vary by gender of the owner, education of the owner, or ethnicity of the owner?

The top three service providers used by female micro business owners were the COC, SBDC, and support from local colleges. Males most frequently utilized the COC, Colleges and the SBDC. Even though both genders used the SBDC, there were significant statistical differences by gender as twice the females utilized the SBDC (see Table 3).

**Table 3***Service Providers Used by Gender*

<b>Provider</b>	<b>Female</b>	<b>Male</b>	<b>Sig</b>
SBDC	20.6%	9.9%	***
Chamber of Commerce	28.3%	25.1%	
College Training	18.2%	17.0%	
Local Economic Development	9.1%	6.1%	
Minority Business Center	4.5%	1.3%	**
Women Business Center	7.3%	0.4%	***
Procurement Tech Asst Ctr	0.7%	0.7%	
SBA	13.6%	8.1%	**
Dept of Agriculture	2.8%	1.6%	
Conferences	13.3%	9.8%	
SCORE	5.2%	1.8%	**
Certificate programs	7.7%	5.2%	
Business incubator	0.3%	0.7%	
Other	11.2%	9.0%	

\* = p.05, \*\* = p.01, \*\*\* = p.001

Regarding ethnicity, the top three providers used by Caucasians were COC at 27.2%, colleges (17.5%) and the SBDC (12.4%). Non-Caucasians however, utilized SBDC and the SBA at 21.2% and colleges at 16.7%. It is interesting to note less than 11% of non-Caucasians went to Minority Business Centers for assistance (see Table 4).

**Table 4***Service providers by Ethnicity*

<b>Provider</b>	<b>Caucasian%</b>	<b>Non-Caucasian</b>	<b>Sig</b>
SBDC	12.4%	21.2%	*
Chamber of Commerce	27.2%	15.2%	*
College Training	17.5%	16.7%	
Local Economic Development	6.6%	12.1%	
Minority Business Center	1.7%	10.6%	***
Women Business Center	2.7%	0.0%	
Procurement Tech Asst Ctr	0.7%	1.5%	
SBA	9.0%	21.2%	***
Dept of Agriculture	2.2%	0.0%	
Conferences	10.5%	12.1%	
SCORE	2.8%	1.5%	
Certificate programs	5.9%	6.1%	
Business incubator	0.7%	0.0%	
Other	9.9%	9.1%	

\* = p.05, \*\* = p.01, \*\*\* = p.001

The largest percentage found in this study concerned micro business owners without a high school diploma. Nearly 55% of these respondents used the local economic development authorities, while less than 10% of owners with more education used them. Conversely, owners with at least a high school diploma up to and including a graduate degree relied on the services of the Chamber of Commerce. However, none of these exceeded 30% (see Table 5). It appears if an owner had at least a two-year community college degree, they were more inclined to utilize the services offered by the local institutions of higher education.

**Table 5***Providers used by Education*

<b>Provider</b>	<b>No HS</b>	<b>HS Diploma</b>	<b>Some Coll</b>	<b>2 yr CC</b>	<b>4 yr Deg</b>	<b>Grad Deg</b>	<b>Sig</b>
SBDC	9.1%	12.0%	15.6%	12.3%	14.9%	10.0%	
Chamber of Commerce	9.1%	18.6%	24.9%	26.3%	29.5%	29.4%	
College Training	9.1%	3.6%	12.2%	24.6%	23.6%	22.9%	***
Local Economic Development	54.5%	0.0%	9.8%	8.8%	7.3%	6.5%	***
Minority Business Center	0.0%	2.4%	3.9%	0.0%	2.4%	1.3%	
Women Business Center	0.0%	1.2%	4.4%	0.0%	2.8%	2.2%	
Procurement Tech Asst Ctr	0.0%	0.6%	1.0%	0.0%	1.4%	0.0%	
SBA	0.0%	10.2%	12.2%	10.5%	9.4%	8.2%	
Dept of Agriculture	0.0%	1.8%	2.4%	1.8%	1.4%	2.6%	
Conferences	0.0%	4.8%	9.3%	7.0%	12.8%	15.6%	**
SCORE	0.0%	2.4%	2.9%	3.5%	3.1%	2.6%	
Certificate programs	0.0%	7.2%	4.9%	7.0%	5.2%	6.9%	
Business incubator	0.0%	1.2%	0.0%	1.8%	0.3%	0.9%	
Other	9.1%	8.4%	10.7%	10.5%	11.5%	7.4%	

\* = p.05, \*\* = p.01, \*\*\* = p.001

**The type of business, the number of years the business has been in operation, or the sales volume of the business:**

The COC was used the most (between 23% - 31%) regardless of the length of time the business was in operation. Less than 13% of new business used the services of the minority business service assistance provider. Incredibly, less than 3% of firms in operation longer than one year enlisted minority business support. It was interesting to note that no firms in operation less than 4 years used the services of SCORE; while just over 3% of others took advantage of this valuable resource (see Table 6).

Table 6

*Providers Used by Years in Operation*

<b>Provider</b>	<b>&lt;1 yr</b>	<b>1-3 yrs</b>	<b>4-6 yrs</b>	<b>7-10 yrs</b>	<b>&gt;10 yrs</b>	<b>Sig</b>
SBDC	12.5%	22.2%	24.8%	14.7%	9.2%	***
Chamber of Commerce	25.0%	30.9%	23.1%	30.1%	25.2%	
College Training	0.0%	9.9%	8.3%	19.1%	19.9%	**
Local Economic Development	12.5%	14.8%	9.1%	9.6%	5.0%	**
Minority business Center	12.5%	0.0%	1.7%	2.9%	2.4%	
Women Business Center	0.0%	1.2%	0.8%	4.4%	2.6%	
Procurement Tech Asst Ctr	0.0%	1.2%	0.0%	0.0%	1.0%	
SBA	25.0%	11.1%	15.7%	10.3%	8.1%	
Dept of Agriculture	0.0%	1.2%	2.5%	0.7%	2.3%	
Conferences	12.5%	7.4%	6.6%	10.3%	12.1%	
SCORE	0.0%	0.0%	3.3%	3.7%	3.1%	
Certificate programs	25.0%	7.4%	4.1%	4.4%	6.1%	
Business incubator	0.0%	1.2%	0.8%	0.7%	0.5%	
Other	12.5%	13.6%	10.7%	5.9%	9.7%	

\* = p.05, \*\* = p.01, \*\*\* = p.001

Table 7

*Providers by Business Type*

<b>Provider</b>	<b>Prof</b>	<b>Const</b>	<b>Manuf</b>	<b>Distr/Wh</b>	<b>Retail</b>	<b>Transp</b>	<b>Fin, Ins</b>	<b>Oth/prof</b>	<b>Other</b>	<b>Sig</b>
SBDC	8.5%	9.7%	16.2%	11.1%	23.5%	21.4%	3.1%	7.7%	19.8%	***
Chamber of Commerce	23.2%	19.4%	21.6%	7.4%	26.0%	21.4%	45.7%	30.8%	26.4%	***
College	19.4%	15.5%	5.4%	14.8%	12.8%	14.3%	27.9%	15.4%	16.5%	*
Local Economic Development	3.2%	2.9%	2.7%	7.4%	12.8%	0.0%	10.9%	7.7%	8.3%	***
Minority Business Center	1.8%	2.9%	0.0%	0.0%	2.0%	7.1%	0.0%	0.0%	5.0%	
Women Business Center	2.5%	1.9%	0.0%	3.7%	3.6%	7.1%	0.0%	7.7%	3.3%	
Procurement Tech Asst Ctr	1.4%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	7.7%	0.8%	
SBA	7.4%	8.7%	2.7%	3.7%	16.3%	7.1%	4.7%	7.7%	11.6%	**
Dept of Agriculture	1.4%	2.9%	0.0%	0.0%	0.5%	0.0%	0.0%	7.7%	5.8%	**
Conferences	13.7%	4.9%	0.0%	0.0%	9.2%	7.1%	12.4%	15.4%	14.9%	*
SCORE	2.5%	0.0%	0.0%	7.4%	4.1%	0.0%	3.9%	0.0%	2.5%	
Certificate programs	5.3%	6.8%	2.7%	0.0%	4.6%	0.0%	7.8%	0.0%	7.4%	
Business incubator	0.7%	1.0%	2.7%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	
Other	8.8%	5.8%	10.8%	14.8%	8.2%	7.1%	13.2%	7.7%	10.7%	

\* = p.05, \*\* = p.01, \*\*\* = p.001

Regardless of the type of business, the COC was generally used the most. Nearly half (46%) of the financial, insurance and real estate firms used the services of the Chamber. It is interesting to note while many of the service providers are used in very small percentages, there are a number of services where no firm utilized their services (see Table 7).

The COC was used primarily by small sales volume firms and by those with large sales volumes with 92.1% of those indicating sales of more than 100K. Firms in the \$25,000 to



\$50,000 range utilized the services of the SBDC and Conferences. Less than 2% of the smallest firms, and less than 1% of all others, used a business incubator (see Table 8).

**Table 8**

*Providers by Annual Sales*

<b>Provider</b>	<b>&lt; \$10K%</b>	<b>10-25K%</b>	<b>25-50K%</b>	<b>50-100K%</b>	<b>100-500K%</b>	<b>500-1,000K%</b>	<b>&gt;1,000K%</b>	<b>Sig</b>
SBDC	12.8%	14.3%	12.5%	20.0%	10.9%	15.7%	12.9%	
Chamber of Commerce	27.7%	25.0%	10.9%	18.3%	27.7%	32.4%	32.0%	**
College Training	19.1%	3.6%	10.9%	23.3%	15.3%	18.5%	21.8%	
Local Economic Development	0.0%	3.6%	4.7%	11.7%	5.9%	8.3%	7.5%	
Minority Business Center	2.1%	3.6%	3.1%	3.3%	1.7%	2.8%	2.0%	
Women Business Center	2.1%	0.0%	3.1%	3.3%	2.7%	2.8%	0.7%	
Procurement Tech Asst Ctr	0.0%	0.0%	0.0%	0.8%	0.7%	1.9%	0.7%	
SBA	6.4%	14.3%	4.7%	13.3%	10.1%	12.0%	6.8%	
Dept of Agriculture	2.1%	0.0%	4.7%	1.7%	2.0%	0.0%	2.7%	
Conferences	10.6%	10.7%	12.5%	11.7%	8.6%	15.7%	10.9%	
SCORE	4.3%	0.0%	0.0%	3.3%	3.7%	0.9%	2.7%	
Certificate programs	4.3%	3.6%	6.3%	7.5%	4.9%	8.3%	6.1%	
Business incubator	2.1%	0.0%	0.0%	0.0%	0.7%	0.0%	0.7%	
Other	23.4%	7.1%	6.3%	11.7%	8.1%	7.4%	12.2%	*

\* = p.05, \*\* = p.01, \*\*\* = p.001

This study supports earlier findings that home based businesses tend to need less startup capital than those who might start up renting office space. Nearly 66% of respondents borrowed no funds to start their business and only 6.6% borrowed more than 35K (see Table 9).

**Table 9**

*Home based Businesses with Borrowed Startup Capital*

<b>Amount Borrowed</b>	<b>&lt;35K</b>	<b>&gt;35K</b>	<b>Did Not Borrow</b>
Home based Businesses	25.30%	6.60%	65.90%

## DISCUSSION AND IMPLICATIONS

Research has shown that startups remain in business longer if they utilize business assistance services such as business planning (Chrisman & McMullan, 2004; Katz & Green, 2007). However, more research needs to be done regarding the short- and long-term effects of business assistance services on small businesses, and particularly on micro businesses which constitute such a high percentage of businesses in the US. In this study, micro businesses turned largely to their local COCs for assistance which is not surprising as the COC is an excellent source of networking opportunities. Relative to the literature regarding the influence of service providers on success, this study found 92.1% of those who used COC had sales of more than 100K. The SBDC was in second place in terms of utilization and of those who used SBDC, 39.5% had sales of greater than 100K. And, in third place for usage, were institutions of higher education. The traditional services we think of that provide startup or maintenance services for

small businesses, such as SCORE, offering counseling services since 1964 (SCORE, 2010), or minority business service centers, were not utilized in any significant way.

This study shows even the most used services are only used by roughly one-third of the businesses. This is an interesting finding; the low level of usage of so many of these service providers. Why are they not being used more? Is it because they are underfunded and are unable to accommodate the demand? Or, are their services out of date, and not adapted to the needs of today's entrepreneur? Are entrepreneurs unaware of their existence due to lack of advertising? Is there significant duplication across service providers, watering down utilization of any one service or are the services being offered just not needed? Curiously, the usage of targeted resources, those for minorities or women-owned businesses, was exceedingly low. Barely 7% of female micro entrepreneurs sought the assistance from agencies specializing in helping women's business. Similarly, only 11% of non-Caucasians tried to enlist the aid of minority business agencies.

For 15% of new businesses, those in operation less than three years, the local economic development offices were a source of assistance. But, for those in operation longer than three years, services offered by institutions of higher education were more often utilized. Perhaps this is due to 'growing pains,' as the new entrepreneur realizes that expanded or greater degrees of skill is necessary as the start up cycle is passed and the next phases of the enterprise emerge.

Anecdotal evidence indicates SCORE's transition from the "Service Corps of *Retired Executives*" to a new mix of counselors drawn from active, working adults as well as highly experienced retired professionals may positively impact the level of usage. Additionally, there has been a noticeable lack of ethnic diversity among SCORE counselors which may cause a reticence by women and minorities to use the services (Mattare, 2009).

Business assistance programs have, in addition, not done a good job at evaluating the effect of their services on clients although there are a few studies that looked at effectiveness in one way or another. Solomon, et al (2005) looked at the effectiveness of information provided by SCORE via email counseling and found that counseling for new business startups was perceived as more effective and that, overall, email counseling was perceived at a rating of 2.3 in effectiveness on an overall scale of 1 to 5 with 1 as highly effective (Solomon, Fernald, Dennis Jr., & Tarabishy, 2005). This study, however, was focused on differences of perception of usefulness of counseling for new business startups vs. existing businesses. Another study looked at whether the volunteer status of SCORE counselors impacted the paid employees of SBA (Brudney & Gazley, 2002). But, this study was not focused on the impact of services on clients. Some studies have been conducted that evaluated the effectiveness of Small Business Institute's (SBI) marketing consulting, or looked at the employment impacts of regional small business assistance, or evaluated a state's SBDC program (Chrisman, Nelson, Hoy, & Robinson, 1985; Felsenstein, Fleischer, & Sidi, 1999; Weinstein, Nicholls, & Seaton, 1992). However, none of these studies are current nor did they explore the impact of services provided.

In this study, most importantly, very small businesses, or micro businesses, are not adequately utilizing the array of public sector, such as SBDC, SCORE, or minority business assistance programs, or private business assistance service providers. There are also important

findings regarding gender and ethnicity in levels of usage that point the way to providing more outreach to those groups.

## FUTURE RESEARCH

Specific research that surveys awareness, usage, and satisfaction levels with organizations such as SCORE, or similar providers, is needed. It behooves service providers to request or to conduct more studies to ascertain whether they adequately reach their potential client populations, to determine what is the impact of their services on their clients, to explore what today's needs are in terms of delivery of service, and to explore whether the array of services provided are adequate. Additionally, research is needed that looks at whether these business assistance programs actually impact longevity, sales, expansion, and job creation.

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