

Helping the Small Businessman

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Is the small businessman a clientele for Extension? Do Extension professionals have something to offer small businessmen? The author makes a case for Extension serving the small business community and provides some findings on what the small businessman would like from the Extension educator. A model for improving Extension's role in serving this clientele is included. Do you agree with the author's conclusions?

Extension is confronted with a clientele—the small businessman—that needs the same kind of services successfully offered to his agricultural counterpart—the farm owner-operator.

What's the nature of U. S. business? Dun and Bradstreet lists about 2,500,000 business firms in this country. Of the total, only half have net assets of more than \$50,000, while only 5 percent have net assets of more than \$200,000.¹ Firms with net assets of \$50,000 or less are usually independently owned by sole proprietors, small partnerships, or closely held small corporations. They include retailers, small manufacturers, and a variety of service businesses.

What kind of person owns and operates an independent business? In many ways, he resembles his counterpart, the farm owner-operator. He may own his business as an alternative to employment elsewhere. He's often

a person who feels that his business is an extension of his life goals. Thus, his business operation is a very personal part of his life.

He's often apprehensive about external controls, like government regulation, feeling these threaten his existence. In many cases, his very survival is constantly threatened by changing markets, products, and population shifts. To make his situation worse, the independent businessman is often ill-equipped to manage his business because he has few business skills or little business experience.

In general, the small business scene is characterized by a good deal of churning, with new businesses springing up and others being discontinued. Dun and Bradstreet recorded the appearance of 571 new business firms in Wisconsin between November, 1972, and January, 1973. During the same period, 443 firms discontinued busi-

ness.² This represents a net gain of 128 new firms. It suggests that to get a net gain of one new business, it takes five business starts.

Business failures that end in bankruptcy or with a loss to creditors represent a small percentage of the discontinuences. But all discontinuences represent a loss to the economy due to the lack of continuity in the use of the productive assets of the nation. Also, they often represent a substantial loss of assets by the owner, who may well lose everything he owns in a business failure.

While failures and business discontinuances are disruptive and expensive to any economy, in many cases they also represent the demise of unsound economic ventures. Although the continuance of such ventures shouldn't be encouraged, many business ventures, if given sound advice and help, could succeed and strengthen the economy.

The President's Task Force on Improving the Prospects of Small Business identified these needs of small business:

1. The need for sound management counseling.
2. The need for trained people.
3. The need for capital and due consideration of the financial problems that small firms face in their early years.³

The need for capital is an obvious and continuing problem. However, studies of small business failures and successes point out the *key* ingredient to business success is management know-how. A study of 81 small

firms from inception through the first 2 years indicated that the reason 32 firms failed during that time was a lack of business management skills involved in deciding to open and operate the business.⁴

Knowledge Needed

Enough research has been done to give a reasonably clear picture of the information the independent owner-manager needs. Colorado small businessmen were asked: "What type of additional information would be most valuable to you?" They answered: accounting or bookkeeping, general business, sales training, merchandising and display, and advertising and promotion (see Table 1).⁵

A study done in the Fox Valley of Wisconsin asked small businessmen what sources of business advice they preferred. They indicated heavy preference for professionals like accountants, lawyers, and bankers for financial advice. For technical advice, they said manufacturers, salesmen, and trade association personnel.⁶

How Knowledge Is Received

Equally important is the way they prefer to get business advice. Table 2 shows the preference of growers (those whose business was expanding) and nongrowers (those whose business wasn't expanding). Clearly, personal discussion and study groups were the preferred methods, with reading coming in a poor third.

In summary, independent businessmen prefer financial, general busi-

Table 1. Additional information that would be most valuable to the small businessman.

Accounting or bookkeeping	25%	Business law	3%
General business	20	General marketing	1
Sales training	15	Layout	1
Merchandising and display	13	Office procedures	1
Advertising and promotion	11	Credit administration	1
Inventory and purchasing	7	Pricing	1
Banking and finance	5	Miscellaneous business subjects	4
Human relations	4	Miscellaneous nonbusiness subjects	31
General Management	4	None	27

ness, and marketing information delivered by professionals in either personal or group discussions.

Business Information Delivery Model

When information delivery systems are designed, the situation of the receiver must be considered. Independent businessmen have some unique characteristics that affect their ability to use management information:

1. Day-to-day and hour-to-hour pressures that reduce the available time to analyze and evaluate business information.
2. A lack of background or interest that affects his ability to apply business information to his own business.
3. A feeling that his business is so unique that no one from the outside can understand it.
4. Resentment of outside agencies, such as regulatory agencies, that try to give advice.
5. Inability to pay for advice.

6. Inability to understand data that are written in complex language the small businessman can't comprehend.

To overcome these barriers, an information delivery system for independent businessmen needs to have these characteristics:

1. A way of providing business information or consulting services locally so independent businessmen can seek help by telephone or on a walk-in basis.
2. Personal contact with a qualified business agent who works both as a consultant and an organizer of small group workshops and conferences.
3. A linkage system to sources of business information and the rewrite of information into a form usable by the independent businessman.
4. A research program that's directed at dealing with the problems of the independent businessman.
5. An organized effort on the part of a qualified institution that's

Table 2. Preferred method of receiving advice by growth of the business.

Preferred method of receiving advice	Growth of the business	
	Growers	Nongrowers
Personal discussion	78%	69%
In study groups	16	24
In print	4	4
Not ascertained	2	3
TOTAL	100%	100%
Number of cases	133	70

capable of a sustained effort on a long-range basis.

Figure 1 shows a general model that describes these characteristics. It features two major concepts: (1) an information linkage system to the sources of business information and (2) a change-agent relationship between the client and the change agency.

The information linkage and processing portion of the model focuses on the process of gathering and interpreting information that's usable to the small businessman. This is a major need because the sources of business information are presently diffused and unorganized.

The second part of the general model is the change-agent relationship. The change-agent functions as a communication link between the agency and the client system. Rogers points out that the change agent is "a man with one foot in each of two worlds" (see Figure 2).⁷

Thus, he's the medium by which new practices move to the client and

the client's needs and feedback move to the agency. Building a trust relationship with the client system is clearly the first and most important task of the change agent if he's to be successful as the man in the middle.

In applying the general model to Extension, a model (Figure 3) is created with these general features:

1. It uses an agency, University of Wisconsin-Extension, that's organized to do adult education work at a community level. Such an agency has a mission of public service and is experienced in such work.
2. The key man in the system is the local business development agent—a position located in the county Extension office with direct contact with the clients. He may play several subroles:
 - a. *Catalyst*: Occasionally, clients need to be pushed toward change. The agent may provide the catalytic effort necessary to start action on change.

- b. *Analyst*: Making an analysis of a situation so the client may look at the situation realistically.
- c. *Alternative identifier*: Based on the analysis, the agent may present alternatives for the client to consider.
- d. *Resource linker*: Sometimes

clients seek only information, not advice. The agent then directs the client to the information source most appropriate to his needs.

- e. *Educator*: A broad role, usually including the advocacy of a solution to a client problem.

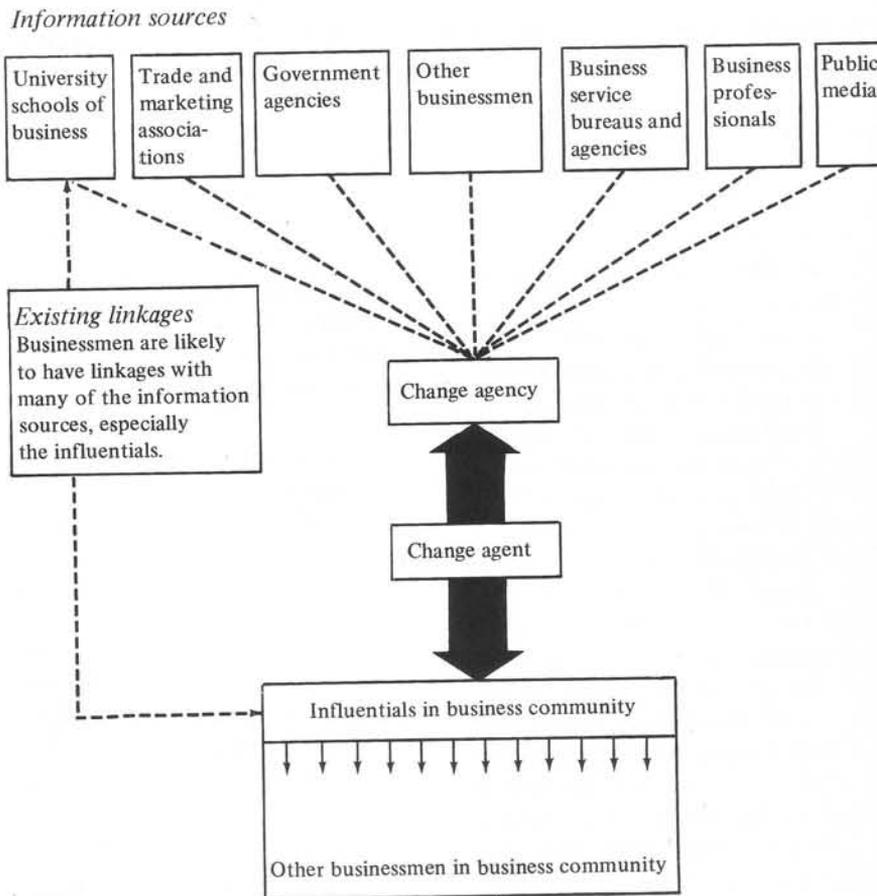


Figure 1. General change model for improving business practices among owners-managers of small businesses.

3. Specialist backup is a critical part of the model. A Business and Management Department made up of subject-matter specialists is essential for overall coordination, specialist support, program development, and information gathering and dissemination in forms useful to support the business agent in his work with the clients.
4. The program should be multi-method, including conferences,

evening classes, consultation, community economic development, and economic studies. The method should be selected according to the need of each client group.

This model is based on the premise that independent businessmen will accept help from an agency like Extension. Fortunately, this premise is correct. A study done in 1967 in Clark County, Wisconsin, by Douglass

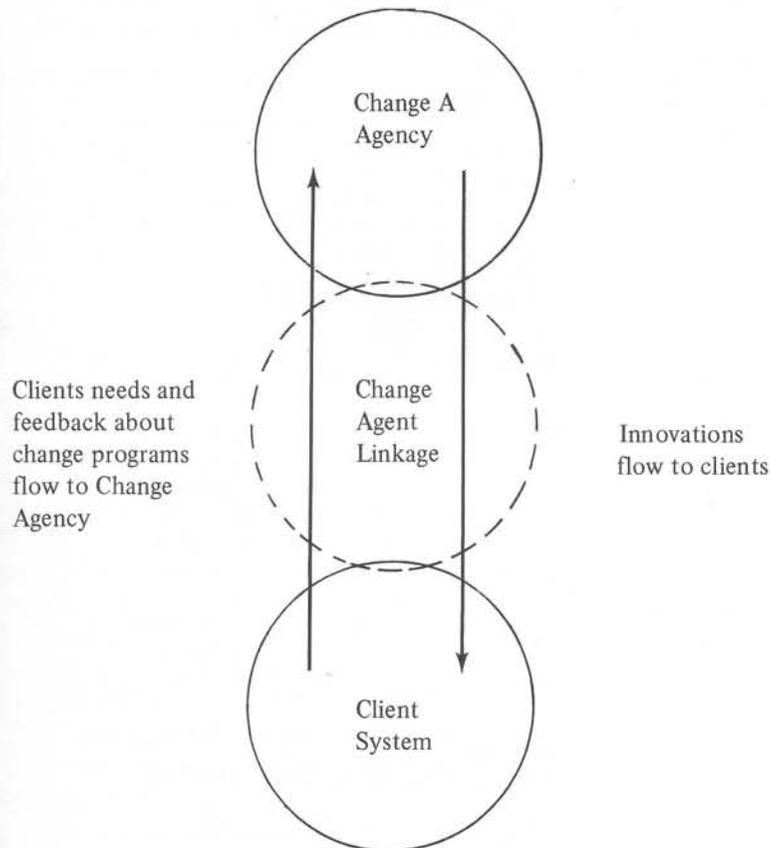


Figure 2. Change agent as a linkage between client system and the change agency.

Information sources

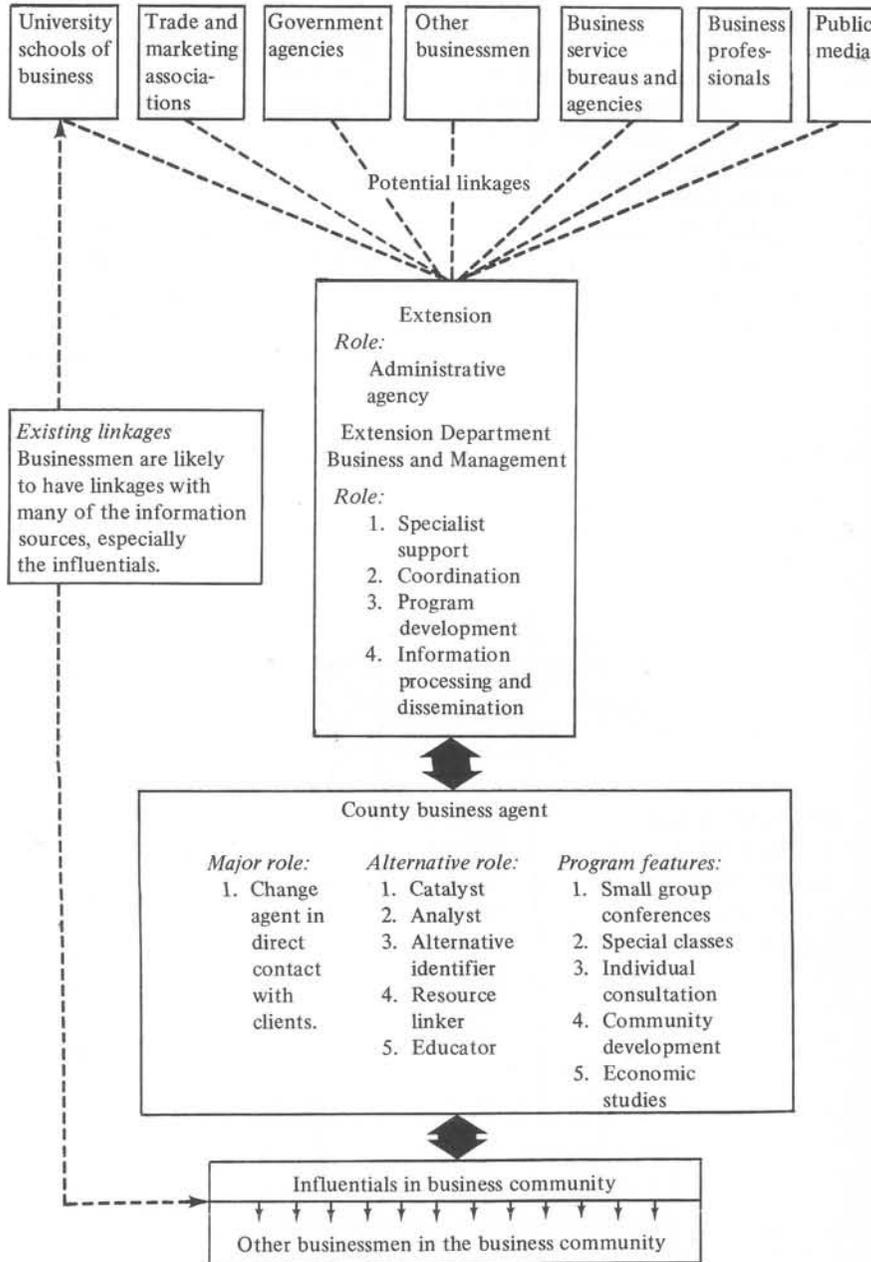


Figure 3. Extension model for improving business practices among owner-managers of small business.

and Dopp indicated a willingness to participate in Extension business programs designed to meet client needs.⁸ More than 50 percent indicated they were willing to pay a \$15-\$25 fee.

Current experience in Extension programming in Wisconsin reinforces the accuracy of these findings. Over 5,000 independent businessmen attended programs during the 1972-73 programming year and paid a reasonable fee to do so.

Critical Implementing Factors

Several key factors are critical for effective implementation of the model.

Business Development Agent

The business development agent is a new kind of Extension agent emerging in Extension work. The scope of his work may include economic analysis, help in developing new business ventures, management education, and community economic development.

To a large extent, his program focus is determined by the situation and needs of his county clientele. Rather than try to build a job description for him, it might be well to identify the key skills essential to the agent's effectiveness:

1. The ability to analyze a situation, identify key problems, and identify the causes of these problems.
2. The ability to establish effective relationships with clients, based on the strategy of helping clients discover or define their problems and seek solutions to them.

What kind of preparation should he have for business work? Business

experience is definitely helpful. While a business subject-matter specialization, like accounting, marketing, etc., may be functional and a positive contribution to his effectiveness, it can be dysfunctional if the agent approaches all problems from the limited framework of a functional discipline.

In reality, he works mainly as a process helper, helping the clients work through the cycle of problem definition, solution selection, and implementation of the solution. Specialist help on technical or specialized areas are usually available to him and the agent is wise to use them rather than try to specialize himself in a variety of disciplines.

County Extension Office As a Resource Center

While the concept of the county Extension office as a resource center isn't new, it's new in relation to Extension business programming. The business resource center at the county level should have available:

1. Demographic data about business activity in the county, including employment data, economic data, and business trends.
2. Information on starting and operating an independent business in the form of fact sheets, bulletins, etc.
3. Current information on regulatory requirements for business.
4. Economic development plans (if available) for each community in the county.
5. Business program offerings by various agencies that provide educational programs.

6. Information on business opportunities in the county.

In addition, the resource center should provide appropriate educational programs, serve as a base for consulting with individual clients, and provide regular informational inputs into the public media on current business developments and business-related events in the county.

Department of Business and Management

An essential part of the model is an Extension department made up of subject-matter specialists who have expertise in both subject matter and adult programming and teaching. This requires an unusual mix of practical business experience coupled with the ability to translate subject matter into programs and teaching sessions related to the independent businessman's needs.

The key is translating subject matter into terms the businessman can use. For example, the principles of marketing are of little value unless they can be translated into practical situations such as "how to organize a marketing plan" or "how to display merchandise in a retail store."

Some subject-matter areas that should be included in such a department are marketing, financial management, personnel management, and production management. Other subject areas may be added as the needs arise.

A secondary objective of the department, beyond the specialist role and program design role, should be the training and development of the business agent both in subject matter

and in business analysis techniques. Through both regular program contacts and special group sessions, the department should serve as a significant resource in the development of business agent skills.

Another objective of the department is to gather and translate business information into ways that small businessmen can use it. Approaches such as single-page fact sheets, bulletins, ETN programs, radio and television, and news releases are ways to disseminate information through the county Cooperative Extension office to the small businessman.

Establishing Contact

One of the key problems facing the business agent is establishing contact with business people. An excellent place to start is with business leaders in the community who influence other businessmen's opinions.

A useful strategy is to have these people serve on an advisory committee to help identify business problems and develop and promote programs. Associations of businessmen—Chambers of Commerce, marketing associations, trade associations, etc.—are other vehicles for contact and co-sponsorship of programs.

In smaller communities, I've had excellent experiences with banks, finding them helpful in both identifying needs and sponsoring programs, especially those concerned with financial management.

Another technique is the information and program planning meeting. Here businessmen are invited, through the mail, to dinner (often courtesy of

a bank). Then, by using a group planning approach, they identify needs and make suggestions for programs.

Finally, a complete mailing list of businessmen within a county is an essential tool for the business agent. Used along with mass media and educational programs, it's a useful communication link with the business community.

In the final analysis, it's personal contacts and useful programs that pay off in the confidence and trust necessary to build a successful Extension business program.

Relationships with Other Programs and Agents

Successful Extension programs are often built on cooperative ventures between functional disciplines and other agencies. A successful program for small businessmen should include other Extension agents and departments, campus units, and other agencies involved with small businessmen.

The model isn't intended to exclude, but include, these other Extension program areas. For example, the home economist with an expertise in consumerism might work with retailers on consumer education, and the farm management agent might work with the business agent on improved management practices in agribusiness. The business professor from a campus unit might work with small manufacturers on factory production problems.

The model is intended to facilitate these interdisciplinary activities and bring expertise to bear on problems, not artificially segregate clients, academic functions, and problems.

Some Final Conclusions

Extension has a significant role in helping independent business in the same way that it has successfully helped the farm operator in the past. By building on this experience, Extension can move on to a new generation of success with the small businessman.

However, this requires a new commitment on its part and the development of new skills and a new type of Extension agent. It can be a rewarding experience as well as means of keeping Extension congruent with the needs of the present and future.

Footnotes

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8. Mohammad A. Douglah and Arvid D. Dopp, *Small Business Perceptions of University Extension*, Resource Report No. 4 (Madison, Wisconsin: University of Wisconsin, College of Agriculture, 1967).

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B. Paid circulation		
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C. Total paid circulation	5,400	5,754
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Samples, complimentary	83	91
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F. Office use, left-over, unaccounted, spoiled after printing.	517	355
G. Total	6,000	6,200

I certify that the statements made above are correct and complete.

(Signed G. Paul Sims, October 24, 1973, *business manager*.)