

Starting a Small Business Outreach Program: The Experience of a Small Southeastern University

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ABSTRACT

When the Federal government decided not to fund the Small Business Institute through the U.S. Small Business Administration, many business schools eliminated or severely curtailed their SBI activities. Despite lacking federal funds, a southeastern rural university founded a new Small Business Institute program in 1999. Since inception it has assisted forty-five small businesses in a five county area. This paper describes starting a new business outreach program without Federal funds. It concludes with observations and implications relating to other schools starting or renewing an SBI program.

INTRODUCTION

The U.S. Small Business Administration started the Small Business Institute (SBI) program in 1973 to provide counseling services at no charge to area small businesses surrounding member schools. At its peak, the SBI program had over 500 participating schools and spent approximately \$3 million assisting 6,000 businesses per year. However, the SBI program was discontinued by Congress in 1996 and has not been funded since. As a result, many schools chose not to continue their SBI programs, and the SBI program, presently administered by the Small Business Institute® (SBI), has also a tremendous decrease in membership.

Despite lacking federal funding, a small, rural, southeastern state university decided to start a new Small Business Institute program. The purpose of this study is to describe our efforts to start a new Small Business Institute program. This paper describes the process of doing so and how Colleges and Schools of Business can benefit from such an endeavor. Hopefully serve as an impetus for others to consider starting new SBI programs or renewing former SBI programs.

As entrepreneurship education is still in the exploratory stage (Gorman and Hanlon, 1997), our choice of a research design was influenced by the limited theoretical knowledge researchers have of entrepreneurial education (Fiet, 2001a). In such a situation, it is appropriate to use a qualitative research method in order to gather the necessary information (Yin, 1994). The current research necessitated that we observe the process of starting a new entrepreneurship and small business center in great detail. Thus, we adopted a research method described by

Audet and d'Amboise (1998) which was broad-minded and flexible. Like their study, our aim was "to combine rigor, flexibility and structure without unduly restricting our research endeavor" (Audet and d'Amboise, 1998, p. 4 of 10).

LITERATURE REVIEW

We use a case study (Yin, 1994) to describe the state university's efforts to develop and operate a Small Business Institute program. The literature suggests that U.S. and European universities follow many models of entrepreneurial education (Fiet, 2001a, Solomon, Winslow, and Tarabishy, 1998, and Shepherd and Douglas, 1997), using a variety of pedagogies (Solomon, et al., 1998). We had to choose a means for evaluating the program, given the university's desire to emphasize practical solutions to business problems, an effort which contrasts greatly with a center that teaches entrepreneurship, conducts entrepreneurial research, and also provides consulting services. We decided to conduct the research project using a three-step approach. First, we began by surveying the extant literature to sample the models for creating and operating an entrepreneurship program. Then, we specifically reviewed the literature on the Small Business Institute® program.

Entrepreneurship Education and Entrepreneurship Outreach

The literature entrepreneurship education from a variety of perspectives including what is taught, why it is taught, how it is taught, and how well it works (see Gorman and Hanlon, 1997; Vesper and Gartner, 1997; Solomon, et al., 1998). The problem with assessing entrepreneurship education is that no generally accepted pedagogical model has been adopted in the U.S. or Europe (Solomon, et. al. 1998). Given that some researchers suggest that "[t]he concept of entrepreneurship is inadequately defined [, and] this lack of a clear entrepreneurship paradigm poses problems for both policy makers and for academics" (Carton, Hofer, and Meeks, 1998, p. 1 of 11), the state of entrepreneurial education cannot be too surprising (Schindehutte, Morris, and Kuratko, 2000). If we cannot agree on the phenomena we are discussing, it becomes very difficult to develop a curriculum or build an academic program based upon those phenomena. (Amit, Glosten, and Mueller, 1993).

Solomon, et al. (1998), discuss the results of six national surveys spanning twenty years of teaching entrepreneurial education and small business management in the U.S. They believe a trend exists toward greater integration of practical applications and technology. They note that new venture creation, small business management, and small business consulting remain the most popular courses in the field.

Shepherd and Douglas (1997) argue that entrepreneurial education falls into four categories: The Old War Stories Approach, the Case Study Approach, the Planning Approach, and the Generic Action Approach. The "*Old War Stories*" Approach provides a series of success stories told by entrepreneurs, emphasizing experience, intuition, judgment, and the leader's innate qualities without any recognition of the contribution of the organization or the environment. This approach uses very little theory and emphasizes anecdotal evidence. The

Case Study Approach assumes that entrepreneurship is "a process that is a controlled and conscious thought process" (Shepherd and Douglas, 1997, p. 4 of 10). Critics argue this perspective assumes that formulation can be separated from acting, as if the world stands still while the planning occurs. The *Planning Approach* breaks a controlled, conscious process into a series of steps that lead to a full-blown strategy, often in the form of a business plan. Critics argue because the very nature of planning is designed to extrapolate known trends, the planning process is too inflexible to accommodate the entrepreneurial spirit. The *Generic Action Approach* is linked to the competitive markets model. It assumes that market forces, such as bluffing, price deterrence, and the timing of entry, dictate action. "Once formulated, there is no need for initiative, 'only' implementation" (Shepherd and Douglas, 1999, 5 of 10). This approach argues that after scanning the environment, the entrepreneur will be able to draw appropriate conclusions necessary to move in the right direction. Shepherd and Douglas are critical of this approach, arguing that this form of entrepreneurship education emphasizes the science of entrepreneurship while ignoring the art of entrepreneurship. They believe the "art of entrepreneurship does not divorce the formulation from the implementation; they are one" (Shepherd, et al., 1999, p. 6 of 10). Shepherd and Douglas emphasize the importance of creative thinking and learning throughout entrepreneurship education. They believe entrepreneurship should be taught so that the direction is deliberate but the details are emergent.

Leo Dana (1992) surveyed 55 universities in Europe having a business school, and he describes a variety of programs in France, Spain, Germany, the United Kingdom, Italy, Denmark, Switzerland, Norway, and Sweden. Dana states that in some European countries "culture and social policy are such that entrepreneurs are not looked upon as necessarily good elements...."(Dana, 1992, p. 80). He concludes that Europe's strength in entrepreneurial education is its practical approach. He also believes Europe has spread its entrepreneurship education programs to rural areas more so than the U.S. He expresses concern that Europe emphasizes small business education more than entrepreneurship and that Europe has not developed doctoral programs in entrepreneurship as are found at numerous U.S. universities. Dana experiences some ambiguity regarding the term entrepreneurship. While he recognizes an emphasis on small business management in Europe, he categorizes these types of programs as representative of the "state of *entrepreneurial* education in Europe" (Dana, 1992, p. 75, italics added), conflating small business and entrepreneurship. His research ignores the Small Business Institute™ (SBI) program in the U.S. At the time of his data collection (circa 1991-1992), the SBI program was flourishing in the United States as it was funded through the U.S. Small Business Administration. In 1992, the SBI program had approximately 500 members, colleges and universities that provided student-based consulting on behalf of small businesses, some of whom were entrepreneurial firms (www.sbida.org). Of further concern is his criticism that rural U.S. universities do not offer entrepreneurship programs, for Dana fails to define "rural" or "non-metropolitan" in a reasonable manner. Western Europe has a larger population than the U.S. confined to a space that is one-half the size. Thus, describing any school in Europe as rural, and comparing European and U.S. rural areas raises questions. In 1992, the U.S. had a large number of schools in rural areas that taught entrepreneurship (www.sbida.org).

Twaalfhoven (2001) provides an interesting comparison between the U.S. and European funding for entrepreneurship education that are more current than Dana's (1992) study. His

research of 22 European and 47 North American business schools shows that U.S. business schools have six times more funds for entrepreneurial research than their European counterparts, as well as three times more professors and three times more courses in entrepreneurship. Amazingly, U.S. business schools receive 20 times more funding from alumni and entrepreneurs than European business schools.

Vesper and Gartner (1997) present the survey results of ranked university entrepreneurship programs. The top seven criteria for ranking these programs were courses offered, faculty publications, impact on community, alumni exploits, innovations, alumni start-ups, and outreach to scholars. While many American universities may wish to focus on these criteria as they develop new entrepreneurship programs, it remains to be seen if these criteria are meaningful or affordable for universities in rural areas.

The Small Business Institute

Several studies discuss the Small Business Institute program (See Brennan, 1995; Dietert, Halatim, and Scow, 1994; Hatton, and Ruhland, 1994; Schindler and Stockstill, 1995; and Watts and Jackson, 1994). Most of the studies focus on the ability of the SBI program to provide clients with a viable consulting job or with the educational benefits of the program to the students. For many schools, a primary impetus for starting an SBI program was the potential benefit of the program to the students' learning experience. The literature (Hedberg and Brennan, 1996, Brennan, 1995, and Borstadt and Byron, 1993) provides considerable evidence that SBI programs are of educational value to the students. In addition, recent evaluations of business schools have called for "a stronger practicum and projection emphasis in both curriculum and coursework" (Lyman, 1997). The SBI program represents just such a practical approach to learning and applying business concepts.

Many of these publications study the benefits of SBI programs to either the student (Brennan, 1995), the client (Madison, et. al. 1998), or the study the impact of losing federal funds (Hoffman, et. al. 1996). However, none of these studies investigated the issues associated with starting an entirely new SBI program in an era without federal funding.

The work of Brennan, Hoffman, and Vishwanathan (1997), Hoffman, Vishwanathan, and Brennan (1997), and Vishwanathan, Hoffman, and Brennan (1996) with regard to loss of federal funding by SBI programs is of particular interest to this research. Their work gathered information from SBI Directors just prior to the cessation of federal funding for the SBI program and subsequently after funding was eliminated. Their initial research (1996) predicted that a large percentage of schools would eliminate the SBI program due to the loss of federal funding. The second study (Brennan et. al, 1996; Hoffman, et. al. 1997) revealed that almost 80 percent of the common respondents continued to operate SBI programs. However, only sixty two percent said they planned to continue the SBI program. Of those who planned to discontinue their SBI program, 79 percent said lack of funding was the primary reason for dropping their SBI programs. Thus, one might conclude that starting a new SBI program would be a difficult, if not impossible, undertaking given the attitudes of SBI Directors in the studies.

THE CASE STUDY

The School

The focal point of this case study is a small state university in the southeast U.S. (The University's name is disguised to avoid revealing the authors' names and affiliations. Should this manuscript be accepted for publication, the university would be named.) The University is located in rural Appalachia in a city of 3,000 citizens and a county of 22,000 citizens. A city of approximately 30,000 residents is located about 21 miles away. A much larger metropolitan area of over 1,000,000 residents is 70 miles away.

The university has 4,000 students with approximately 680 enrolled in the Bachelor of Business Administration (BBA) program, housed in the School of Business and Government. The BBA program offers majors in Accounting, Finance, Management, and Marketing; the two largest majors are marketing and management. The university does not have a M.B.A. program. In the department there are 18 full time faculty members, including the Dean and the Chair of the Department of Business Administration. Most faculty members are assigned four classes to teach each semester. Of the 18 faculty members, 16 had an earned doctorate in business or economics.

The business program only offered one course with entrepreneurial content, Small Business Management, which is a required course for management students, and a business elective for other students.

Starting the Program

The stated goals for the school's proposed SBI program were (1) to increase the rigor of the current course in Small Business Management, and (2) to increase the relevance of the material to the student. The process of starting and operating the Small Business Institute program was done in a series of phases. These phases began in 1998 and continue through the present date. The impetus for considering a Small Business Institute program was the work experience of one of the faculty, who had directed an SBI program at a university with a doctoral program in business. He had an additional 8½ years of experience as a consultant for a Small Business Development Center (SBDC). Thus, he had a reasonable understanding of how an SBI program worked and what it would take to operate a program. He had no preconceived notions about starting a program as his former SBI program had over 20 years of continuous operation.

Phase I

The creation and operation of the program began with secondary data research, including an academic literature review. This process can be likened to a feasibility study for a new venture. We did not assume that the new program was a good idea, as our preliminary investigation revealed some interesting findings. Firstly, only four other schools had started a

new SBI program since federal funding was discontinued (SBIDA, 1998). Secondly, the rural area surrounding the university was not supported by any public economic development programs except for a poorly staffed SBDC responsible for an area larger than 3,000 square miles. The business program was beginning to pursue AACSB Accreditation, so AACSB standards had to be considered. This phased concluded with a formal request to the Dean and the Department Chair for approval to start the program.

Phase II

We considered financial requirements in the next phase. First, we evaluated enrollment trends to determine the average number of students expected to enroll in the course, Small Business Management. This process proved to be difficult. Course enrollments varied from as few as 10-15 students to as many as 25-35 students per section per semester. Since the pedagogy for a course built around the SBI program is based on completing consulting projects, the enrollment numbers were used to project the caseload, the number of projects needing to be completed by any given section of the class. The caseload was converted to a financial figure for budget planning purposes. The “Director” (so-called because he was not formally named to the program) estimated that four students would complete a project and that each project would require a budget of \$200.

Phase III

Fund raising was necessary to ensure the program had a budget. The Dean and the department chair approved the concept, but would not promise any financial support. Thus, the “Director” decided to seek external financial support. As a novice in fund-raising, he used a direct approach and “cold called” each of the banks in the town. Four of the banks supported the proposed program with a small financial contribution, resulting in \$1,500 in total contributions.

Phase IV-V

Phases IV and V involved promoting the program and conducting a pilot program that began in January 1999. Very few students pre-registered for the course for the spring semester 1999, so the course needed very few clients. The “Director” promoted the program by both word-of-mouth and a brief description of the program in the university’s employee newsletter, a process that yielded three clients for the pilot program. Only 12 students enrolled in the class, each client had four students per team.

Phase VI

The sixth phase is best described as an operational phase. This phase began during the summer of 1999. As with many entrepreneurial ventures, this process included a little bit of serendipity. The Vice President of Academic Affairs (VPAA) earned his doctorate from the same university as the “Director.” At the time, the VPAA’s office was being renovated so his temporary office was in the same building on the same floor as the “Director.” Fortunately, the “Director” showed the VPAA a copy of a pamphlet he had developed for promotional purposes.

At the end of the informal meeting, the VPAA offered to print a three-color brochure and paid to print 1000 brochures in June 1999.

Additionally, during the summer of 1999, the “Director” was assigned to the university’s Strategic Planning Committee. During a summer 1999 meeting, the President announced, without any prior notice, that the program would be formally called the Small Business Center and would have an annual budget of \$3,000 (“Institute” could not be used due to state regulations).

Phase VII

The fall semester proved to be an exciting time for the program, beginning with the discovery that enrollment figures for the two sections of the class Small Business Management class were far above projected numbers. One of the sections was taught at a neighboring two-year college as part of the university’s evening program in business. Evening classes often had last-minute student registrations. The revised enrollments meant the Center needed at least five more clients. Finding additional clients proved to be incredibly time consuming because the program was not established in the community. The “Director” again went door to door throughout the community to solicit participation. Additionally, the “Director” contacted the manager of the local SBDC for clients. The search process yielded six more clients; in its first semester of operation the program assisted 16 clients.

Phase VIII

The program is presently operating in what is best described as an on-going Operational Phase. As of May 6, 2002, students at the university had assisted over 45 clients in five surrounding counties. The program earned three grants totaling \$29,000. The annual university budget for the Small Business Center was increased to \$3,500. As of August 2002, the program entered its eighth semester of operation.

DISCUSSION

We believe the Small Business Center has been a success. The program received leadership support from both the VPAA and the President of the university. Entrepreneurship centers highlighted in the extant literature have robust support systems. Thus, the budgetary support of the university is a welcome sign. Despite budget cuts throughout the state in 2001 and 2002, the program continues to be funded.

We believe we learned at least five important lessons through the experience of starting and operating a new small business outreach program. Firstly, program expectations are important. We had no grandiose ideas about what we hoped to accomplish. The Director had experience managing an SBI program, and he had a good idea of what he wanted to do, both in terms of academic experiences and consulting products.

Secondly, the community surrounding the university proved to be a challenge. The university is located in rural Appalachia, which presents challenges associated with identifying potential clients due to low population densities and low levels of economic development.

Thirdly, the students who take the course really seem to like the challenge of completing the projects. Many of them are somewhat alarmed at the thought of actually assisting a business. However, by the conclusion of the semester, most students comment favorably on the unique nature of the course that encourages them to apply their newly acquired business skills.

Fourthly, financial requirements cannot be ignored. The current budget is far larger than is necessary to operate the consulting portion of the program. However, the slack funds have been invested in computer equipment so that the program can develop the resources needed for the students to conveniently analyze data, search for information via university electronic databases, and write the reports.

Lastly, implementation of the program remains a challenge. Marketing issues have already been addressed. However, an interesting faculty issue is the operational complexity of managing 10 to 16 projects while simultaneously teaching a four-course load. Efforts to obtain a reduced teaching load have not been well received. Inevitably, this conflict has led to changes in the depth and breadth of the program. More students are assigned to cases in order to reduce the total number of projects completed, especially during semesters when both an on-campus and off-campus section of the host course, Small Business Management, are being taught.

CONCLUSION

This research provides early evidence of the viability of starting a new small business outreach program or revitalizing an existing SBI program that was eliminated after the loss of federal funding. Is it easy? No, but not too many worthwhile endeavors are easy to start. Starting a new small business outreach program represents an opportunity to introduce *action learning* into the curriculum of business schools using a proven method that affords students an opportunity to exercise their newly developed business skills. While SBI programs are not the only practical business education programs available to universities, they can be distinguished from other options because they require interaction between a team of students and a real business owner faced with a real problem or issue that needs to be resolved. Nonetheless, future research is needed to help us better understand the many issues associated with starting not only new SBI programs, but other small business programs intended to provide students opportunities for action learning. Ultimately, the real key to success may simply be persistence and a genuine desire to succeed.

LIMITATIONS

This study is limited by the nature of case studies (Yin, 1994). The findings of case studies cannot always be generalized to other situations. However, given the lack of a universal model for entrepreneurship education, it was both practically and theoretically appropriate to use

a case study. While the results of this research may not specifically be extended to other universities, the faculty and administration at other universities may certainly use the current study as the basis for their own efforts to start a Small Business Institute program or some other entrepreneurship outreach programs.

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