

SMALL BUSINESS BRIEF

**STARTING NEW SMALL BUSINESS INSTITUTE PROGRAMS:
A SURVEY OF NEW PROGRAMS BEGUN SINCE 1996**

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ABSTRACT

In 1996 the U.S. government eliminated federal funding for Small Business Institutes, resulting in a significant loss of formal SBI membership. A poll of Small Business Institute Directors Association members identified five schools that had started new SBI programs since 1996, despite the lack of federal funding. The authors conducted a survey of these five new SBI programs. The authors conclude that starting new SBI programs is a viable means of offering students hands-on business experience despite the lack of federal funding.

INTRODUCTION¹

The U.S. Small Business Administration began the Small Business Institute™ (SBI) in 1973 (SBIDA, 2000). The purpose of the program was to provide counseling services at no charge to small businesses in the areas surrounding member schools. At its peak, more than 500 schools participated in the SBI program, spending approximately \$3 million in Federal monies alone and assisting 6,000 businesses per year. However, the federal government discontinued funding the SBI program in 1996, and since then no federal funds have been allocated. Presently, the SBI program is administered by the Small Business Institute Director's Association (SBIDA). Since the elimination of federal funding, SBIDA has seen a tremendous decrease in membership to approximately 115 schools (SBIDA, 2001), as many schools chose not to continue their SBI programs (Brennan, Hoffman, & Vishwanathan, 1997).

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The SBI program received considerable attention for the positive impact it can have on student learning, (Brennan, 1995b; Schindler & Stockstill, 1995; Hedberg & Brennan, 1996; and Elbert & Harneson, 1999) as well as benefits for the clients (Brennan, 1995a). Given the pedagogical and consulting benefits this study seeks to evaluate the viability of starting a formal SBI program in an era without federal funding. Despite the absence of federal funding, a small number of colleges and universities have created new Small Business Institute (SBI) programs by January 1999. This paper describes the issues associated with starting a new SBI program based upon a survey of the five new SBI programs started since 1996, including the authors' own.

SELECTED SBI PROGRAM LITERATURE

Several studies look at benefits of SBI to the student (Brennan, 1995b), the client (Brennan, 1995a), or the impact of loss of federal funding (Brennan, et. al. 1996). However, none of these studies investigate creating an entirely new SBI program in the post-federal funding era. Brennan, Hoffman, and Vishwanathan (1997) and Brennan, Hoffman, and Vishwanathan (1996) are of particular interest with regard to the loss of federal funding. The authors initially predict (Brennan, Hoffman, & Vishwanathan, 1996) that a large percentage of schools would eliminate their SBI program due to the loss of federal funding. The second study, conducted approximately one year later, (Brennan, Hoffman, & Vishwanathan, 1997) reveals that almost 80 percent of the common respondents between their first and second studies continued to operate SBI programs. However, only 62 percent planned to continue the SBI program. Of those who planned to discontinue their SBI program, 79 percent cited lack of funding as the primary reason for discontinuing their programs. Thus, these studies reflect the importance of Federal funding in continuing formal SBI programs. This study seeks to assess the importance of Federal funding in creating new, formal SBI programs, defining a formal SBI program as a program that was a current member of the Small Business Institute Director's Association as of 1999.

RESEARCH METHOD

The authors attempted to identify all formal SBI programs created since January 1996 by contacting the membership director of SBIDA. The authors found more than 40 new SBI directors. After eliminating new directors of existing programs, the authors identified only five new SBI programs, including their own. A later attempt identified no additional new programs. Of course, other programs may have been started, but chose not to affiliate with SBIDA. This survey method would not discover such programs. The authors surveyed each of these five directors of new SBI programs. The near-uniqueness of starting a new SBI program since 1996 is a controlling element of the authors' research method. The extremely small population size made it impossible to formally test hypothesis. However, the surveys offered perspectives on the experience of establishing a Small Business Institute without federal funding. The authors believe these perspectives, as well as the more basic point- that one can successfully launch a SBI program without federal funds- made this research effort worthwhile. Though this research effort employs a survey, the limited population required the results to be interpreted as a case study, rather than an experimental study (Yin, 1994).

Each respondent was an SBI Director and a member of SBIDA, which administers the SBI program and controls the copyrights to the Small Business Institute name. The authors asked each director to answer a series of questions regarding the development and subsequent implementation of his new SBI program. The questions were based on the personal experience gained by developing the authors' SBI program. Table 1 provides a list of the questions used in the survey instrument, and the survey responses. The questions were open-

ended, due to the exploratory nature of this research and in an effort to avoid restricting the respondents' responses.

TABLE 1

Question	Alpha	Bravo	Charlie	Delta	Echo
<i>Why did you decide to start an SBI Program?</i>	Ex-SBI Director at previous school	Text application, Professional Exp., Bus. Planning Exp., Outreach	Provide consulting service to community	Outreach, Entrepreneurship, Class Basis	Suggestion of Dean & Advisory Council
<i>School's location?</i>	South-East	Massachusetts	Florida	Pennsylvania	Upper Mid-West
<i>Describe types of cases completed thus far.</i>	Manufacturing, service, retail	Manufacturing, service, retail	Various; non-profit and quasi-public clients	Manufacturing mostly	Manufacturing, service
<i>How is funding handled?</i>	Donated and budgeted	Budgeted	Paid Fees	Uncertain	Donated
<i>Did you have to seek approval by school administration?</i>	Informal approval	None	Formal approval	None	None
<i>What issue(s) were most difficult to overcome before program approved by administration?</i>	Locating funds ex ante	None	Establish formal revenue sharing plan among functional units	Locating willing Director	Merging SBI program with existing business curriculum
<i>What lessons were learned while starting program?</i>	Early marketing of program	Take your time setting up the program and conducting cases	Seek broad buy-in by all stakeholders; concentrate on consulting quality	Use SBI Manual in conjunction with Kaufman Foundation's FastTrac materials	Generate student enthusiasm, as SBI is extracurricular
<i>What lessons learned since program was started?</i>	Need for close supervision of students	Continuous marketing to students, faculty, community	Need for close supervision of students	Same as above	Do fewer cases, but do them very well

SURVEY FINDINGS

Table 1 presents the information gathered from each of the five programs. The un-edited survey response data is available from the authors upon request. All of the new programs except one were located in states east of the Mississippi River; unsurprising given the concentration of business schools in the United States. All five schools have assisted businesses in manufacturing; four schools have assisted service industries, while three schools also assisted retail businesses. Only one of the schools required formal approval from an administrative body; the remainder were instituted under informal processes. There did not appear to be a common motivation for starting a new SBI program. Two of the five schools indicated their motivation was to provide students an opportunity to work closely with a real business. Program funding came from a variety of sources including private donations, business program or departmental budgets, and client fees. This variety of funding sources is typical of existing SBI programs (SBIDA, 1998). Interestingly, most schools did not identify

funding as a problem facing their programs. In fact, many of the schools suggested the programs were started without any real assurance of sources of funding.

The authors asked the SBI directors to state both lessons learned while starting the program and lessons learned after the program was in place, which generated the greatest variation in answers. For Alpha, the primary lesson learned while starting their SBI related to the viability of entering the market as a consulting service. Based upon the director's prior SBI experience at another school, he was confident that financial issues could be addressed and students could be motivated to perform; however, the school's rural location limited the number of possible clients, requiring continuous marketing of the new SBI. For Bravo, the primary lesson related to timing the initial cases: the need "to take [one's] time" when starting a new SBI and when doing cases. For Charlie, the lesson related to splitting revenue between administrative units at the school. Charlie's program started as a consulting outreach program. Nonetheless, they chose to align themselves with SBIDA, although small businesses compose only a minor portion of their total consulting cases. For Delta, the director believed that formal appointment of a director was critical to getting the program started: "[We] needed some fool to try to make it work, with no funding." Echo's director indicated his primary concern was the difficulty fitting the SBI program into the present curriculum.

The surveys reveal much less variety regarding the lessons learned after the programs had begun. Directors from Alpha, Charlie, and Delta all expressed concern over operating details, specifically close supervision of students during the consulting process. Delta's director specifically noted the benefits of using the SBI manual (SBIDA, 1998) and the Kauffman Foundation's FastTrac program to guide student consulting and student analysis, respectively. As SBI programs are no longer federally funded, financial needs must be a major consideration. For some programs it may be the primary consideration. Historically, many schools used the SBI as a revenue generator. For example, anecdotal evidence reveals some SBIs, because they generated \$500 per case while costing much less per case, created total revenues of thousands of dollars.² The monies remaining after SBI expenses helped fund travel and other faculty expenses which otherwise were insufficiently funded through typical budgetary channels (Rose & Wong, 1991). Highlighting the importance of Federal funding, membership in SBIDA, the SBI program's sponsoring organization, has dropped over fifty percent since the cessation of federal funds.

With the elimination of federal funding, alternatives to SBA funding had to be developed. Yet, despite funding challenges and a lack of previous experience, these five schools were able to start formal Small Business Institute programs. As previously noted, each of the schools in this study indicated that their present program funding comes from a variety of sources including donations, school budgets, and client fees. These responses concerning funding are typical of the sources of funding indicated by existing SBI programs (SBIDA, 1998). Interestingly, lack of institutional funding is not identified in the survey as an insurmountable barrier, or even a serious deterrent. Three of the five schools indicate that their SBI program was undertaken without any assurance of school budgetary support.

SUMMARY

This research provides early evidence of the viability of starting new SBI programs or revitalizing SBI programs that were eliminated after the loss of federal funding. The information from a survey of five new SBI programs created since 1996 suggests that loss of federal funding is not an insurmountable hurdle in creating a new, formal SBI program. This

² Based on an author's conversations with numerous SBI directors at an SBA-sponsored meeting of SBI Directors in South Carolina in the early 1990s.

small-sample, case study finding in no way minimizes the undeniable effect of losing Federal funds. Many schools have discontinued SBI-like work; many programs have dropped out of SBIDA, but may persist as "ghost" programs; many schools anticipating joining SBIDA may have shelved their plans. This case study finding should be of particular interest to those schools who have delayed beginning an SBI program. This study presents evidence that at least five schools were able to begin their programs absent federal funding. Is it easy? No, but not too many worthwhile endeavors are. Starting a new SBI program represents an opportunity to introduce 'action learning' (Raelin, 1995) into the curriculum of business schools using a proven method that affords students an opportunity to exercise their newly-learned business theory. While SBI programs are not the only practical business education programs available to schools of business, they may be distinguished from some 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.

What does it take to start an SBI program? The five directors of newly-created SBI programs indicate that marketing the program, supervising student teams, and funding the program, are some, but not all of the issues that are the most critical for starting a new SBI program. The real key to success may simply be persistence and a genuine desire to succeed, rather than assured governmental or institutional funding.

Further research is needed to help us better understand the many issues associated with starting, promoting, and nurturing new SBI programs. Why have only five schools started SBI programs since 1996? The SBI program developed a large following as evidenced by SBIDA's one-time membership of 200-plus. Yet, the authors identified only five new programs according to the membership records of SBIDA (1998). Perhaps the sponsoring agency is at fault. Maybe SBIDA needs to do a better job 'selling' themselves to schools and colleges of business, and convincing potential members that they *can* establish an SBI absent Federal funding.

Another possibility is the existence of 'ghost' SBI programs. A *ghost program*, for lack of another descriptor, is a former SBI program that no longer maintains membership with SBIDA. One author's doctoral-granting school continues to require student participation on small business consulting projects that were previously administered as part of the federally funded SBI program. In addition, according to a regional SBDC director, at least one public school in the authors' state does the same thing. Thus, it is possible that former SBI programs are continuing to operate independent of SBIDA, and that new small business consulting projects are starting that cannot be tracked because they lack affiliation with a sponsoring agency. This may indicate a need on the part of SBIDA to better publicize the benefits of formal membership, even in the absence of federal funding. Further research is called for to identify these programs, remind them of the benefits of SBIDA membership, and spread the message that SBIs can effectively continue despite losing Federal funding.

Many management educators doubt the rigor of programs like SBI, feeling they lack the academic integrity of more traditional programs (Raelin, 1995). Yet the authors' study identifies students' experiential learning as a primary reason for establishing new programs, and continual oversight and advisement of students as the key to implementing a new program. These results anecdotally indicate the educational validity of SBIs. Importantly, this study does *not* identify the lack of Federal funding as the "make or break" issue for instituting an SBI program, followed by affiliation with SBIDA. Perhaps SBIDA and the remaining SBI directors should concentrate energies into communicating their perceived educational benefits of SBI programs to others.

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