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SMALL BUSINESS DEVELOPMENT CENTERS: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

The nationwide network of Small Business Development Centers (SBDCs) provides training and assistance to small businesses and nascent entrepreneurs. The academic research to date indicates that SBDCs have a positive impact on national and regional economies and are cost efficient in accomplishing their mission. Other evidence, however, suggests that SBDCs are currently facing severe challenges that threaten their continued success. We provide evidence on the scope and severity of these challenges based on the responses of a random sample of SBDC directors. We find that the most pressing issues are funding, attracting and retaining competent counselors, inability to meet demand, obtrusive oversight from the Small Business Administration (SBA) and host institutions, target market problems, and outcome assessment. We offer suggestions for opportunities to resolve some of the issues noted.

INTRODUCTION

Providing assistance and training to small firms and pre-venture entrepreneurs are significant activities for economic growth and societal gains. A leading provider of small business support services is the nationwide network of Small Business Development Centers (SBDCs) (Kuratko, Hornsby, & Naffzinger, 1999). More than $86 million is provided annually by the Small Business Administration (SBE) to support SBDCs (FY 2002 Appropriation for the SBDC Program, 2002). Small business owners as well as nascent entrepreneurs seeking advice on business feasibility, financing, and planning (Allerton, 1996) are the primary consumers of SBDC services. Evidence suggests that small businesses rely on the services of the SBDC more than those of any other service provider (Kuratko et al., 1999).

The academic literature reviewed below strongly suggests that the nationwide network of SBDCs has been extremely successful in accomplishing its mission to "provide management assistance to current and prospective small business owners" (Chrisman, Hoy, & Robinson, 1987; Chrisman & Katrishen, 1994, 1995; Chrisman & McMullan, 2000; SBDC Mission and Overview, 2002). Despite the generally glowing accounts of the SBDC success story, the authors' discussions with several SBDC Directors over the past few years indicated that their SBDCs are encountering a great deal of difficulty in continuing success at accomplishing their mission. These Directors indicated that SBDCs are severely constrained by inadequate funding, unrealistic expectations, low compensation levels for employees, conflicts with other organizations, and many other problems. One Director, for example, told us that his funding has been flat for the past four years while the demand for their services has continued to grow rapidly, straining his ability to function effectively. The authors have found no mention of these pressing issues in the academic literature to date.

It is against this backdrop that the current study was conducted. The purposes of this paper are to: 1) provide evidence, gathered from a nationwide survey of SBDC Directors, on the scope and severity of the challenges facing SBDCs; and 2) explore some remedies for these issues and examine some of the currently unexploited opportunities for accomplishing the SBDCs' vital mission.

BACKGROUND ON THE SBDC

Funding from both the public and private sectors has been provided to SBDCs over the past few decades to provide advice and guidance for small businesses (MacDonald & Cook, 1997). SBDCs are nonprofit organizations that partner with government, education, and business organizations. In many states, the SBDC is supported by a land grant college or community college in partnership with local economic development entities (Wilton, 1997). Federal funding for the nationwide SBDC network exceeds $85 million per year (FY 2002 Appropriation for the SBDC Program, 2002) and provides for less than half of the costs incurred in running the centers. SBDCs claim these funds are well spent, as SBDC programs have contributed substantially to economic growth, job creation, and the overall satisfaction level of small business owners (Association of Small Business Development Centers, 2001).

There are nearly 1,000 SBDCs in universities, colleges, vocational schools, chambers of commerce, and economic development corporations nationwide (Levenburg, 1999). Centers are located in all 50 states as well as the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. These centers are partially funded and administered by the U.S. Small Business Administration (SBA). The centers aim to "assist small entrepreneurs and small business owners, resolve problems, increase productivity, and expand to ultimately improve profitability" (MacDonald & Cook, 1997).

Clients have access to training sessions on various small business topics as well as individual counseling based on their specific needs. In addition to providing assistance and training to existing small business owners, SBDCs potentially play a valuable role by discouraging start-ups that have little chance for economic success. SBDCs also provide indirect assistance to lending institutions by helping their clients prepare comprehensive business plans (Wilton, 1997). In doing so, not only do they increase the chances of the loans being approved, but they also assist in clarifying to their clients what they can expect from the various sources of debt and equity capital.

The bulk of the academic research on SBDCs has focused on their economic impact. These studies strongly suggest that SBDCs provide useful services that have a strong economic impact on both the regional and national economies. Chrisman et al. (1987) studied SBDC effectiveness in Georgia and South Carolina and found that sales generated by SBDC clients totaled $30 million with 1,100 new jobs created by SBDC clients. In a national study of the economic impact of SBDCs Chrisman and Katrishen (1994) found that SBDC services generated $2.61 in tax revenue for each $1 spent on SBDC programs. In addition, SBDC clients created about 65,000 new jobs during this one-year study period. Pelham (1985) provided evidence that the SBDCs are cost effective in delivering their services. More recently, Chrisman and McMullan (2000) found evidence that previous research on economic impact of SBDCs may have actually underestimated such impact because they did not include long-term follow-up of SBDC clients. Internal SBDC reports dealing with overall economic impact and effectiveness by state have also been conducted. (e.g., *New Mexico Small Business Development Center Performance Statistics for Fiscal Year 1997*, 1997). These reports indicate a positive and substantial economic impact.

The literature on SBDCs also provides information about client satisfaction with SBDCs' services. For example, Chrisman et al. (1987) measured clients' assessment of the overall quality of SBDC services. The mean response was 4.06 using a 6-point scale, with the modal response being "good" (4). In addition, Chrisman and Katrishen (1994) reported that 80% of established and pre-venture clients perceived SBDC services to be beneficial. The New Mexico internal study (*New Mexico Small Business Development Center Performance Statistics for Fiscal Year 1997*, 1997) found that clients' satisfaction with SBDC services was very high and 98.8% of pre-venture clients indicating that they would recommend SBDC services to others. An internal study in the Commonwealth of Virginia (*Client Satisfaction Survey, Virginia Small Business Development Center Network*, 1997) also reported a very high level of client satisfaction. While a few studies reported a less glowing account of client satisfaction (Gray & Eylon, 2002; Kuratko et al., 1999), the bulk of the literature indicates an impressive level of client satisfaction with SBDC services.

METHODS

The focus of our research, as outlined above, is to describe the current conditions affecting SBDCs across the U.S. and to suggest some potential remedies. Our research is necessarily exploratory in nature as there are no published accounts to guide us. As a result, we have chosen a descriptive research methodology as our primary tool of inquiry.

We obtained a listing of all SBDCs from the website of the SBA (*Directory of Small Business Development Centers*, 2001). From this universe we drew a stratified random sample of 250 Centers using a random number generator. The sample was stratified by state since there is substantial variation in the numbers of SBDCs in different states. We obtained the name of the Director and the mailing address of each SBDC in the sample from the same website.

The questionnaire we used had been previously developed and pilot tested on a small number of SBDCs. Based on feedback from respondents, the instrument was refined and mailed to the sample Directors. Since the final instrument differed significantly from the pilot instrument, the pilot data were not included in our analyses.

The questionnaire was mailed to the Director of each SBDC in the sample. The cover letter requested that only the Director of the SBDC complete the questionnaire. We received 138 completed questionnaires for a response rate of 55.2%. Since we promised respondents total confidentiality, we did not code the questionnaires for follow-up mailings. As a test for non-response bias, we compared the percentage of female Directors in the returned questionnaires (36.1%) to the percentage of known female Directors in our entire sample (34.3%). Missing data reduced the useable sample size to 128.

The questionnaire included questions on general demographics, services offered, resources employed, fiscal conditions, and personnel characteristics. The survey also included open-ended questions that allowed us to collect information about the challenges currently faced by

SDBCs. We used two open-ended questions rather than a checklist approach due to the exploratory nature of this study. The first question dealt with pressing issues being faced by the SBDC. The question asked, "What do you see as the primary challenges facing your SBDC?" It yielded a total of 228 comments, as some respondents identified more than one issue. The second open-ended question asked for other information on outcome assessment strategies used by the specific SBDC. Specifically, the question stated, "Please provide any additional information you may have about the effectiveness or the economic impact of your SBDC." A sample copy of the questionnaire is available from the first author upon request.

The qualitative data yielded by the open-ended questions were examined using a content analysis methodology. The two authors independently read and categorized each of the responses to the first open-ended question. We then met to compare our categorizations and resolve any disagreements over specific responses. Typical differences were in the degrees of specificity. To keep the category numbers low, the more general category headings were chosen. Once we reached a consensus on the categories, a Ph.D. student was asked to independently code the comments into the identified categories. Both authors also independently evaluated each comment or set of comments from an SBDC and determined which categories that response addressed. Interrater reliability was calculated as 89.7%.

RESULTS

The quantitative data we collected indicate that SBDC directors are well endowed with experience and education. The directors reported they had a mean of 6.3 (*SD* 4.1) years of experience as director of their current SBDC, and 3.1 (*SD* 3.7) years with other SBDCs. In addition to their SBDC experience, they reported 18.1 (*SD* 9.3) years of business experience. Their highest educational levels were reported as Ph.D. (2.4%), Master's degree or law degree (64.2%), college degree (31.7%), and less than college degree (1.6%).

Some general characteristics of SBDCs are presented in Table 1. The modal SBDC is located on an educational campus, has its own web site and strategic plan, does not have an incubator, and primarily serves microenterprises (less than 5 employees).

Table 1 - Selected SBDC Characteristics

Characteristic	Percentage
Located on Educational Campus	62.6
Has Own Web Site	79.7
Has an Incubator	14.8
Has Written Strategic Plan	73.8
Clients With Less Than 5 Employees	69.9

The sample SBDC Directors also revealed their clients fell into three categories by type of business—startups (39.4%), existing small businesses (39.9%), and clients who do not own a business but are considering starting one (20.7%).

Table 2 summarizes the most requested services provided by SBDCs. Respondents were asked to pick their top three services and the percentage figures in Table 2 indicate the percentage of respondents choosing each item as one of the top three. The most requested services were financial assistance, business plan preparation, and help with marketing. The least requested services were technical assistance, people skills, and production. Requested services in the "Other" category included help with buying and selling businesses, community relations, energy conservation, export expansion, and assistance with specific government contracts.

The problem areas identified in the responses to the first open-ended question fell, for the most part, into five categories: funding issues, difficulty in attracting and retaining competent counselors, inability to meet demand for services, problems encountered in dealings with the SBA and other stakeholders, and target market issues. Table 3 indicates the number of responses in each "primary challenge" category and the percentage of SBDCs reporting this issue. There were 111 responding centers and 228 separate comments coded across those centers. This means that the centers had identified on average about two primary challenges each.

Table 2 - Services Most Requested by SBDC Clients

Service	Percent of Respondents Rating Item in Top Three Services Requested
Financial Assistance	82.0
Business Plan Preparation	78.1
Marketing	53.9
Business Feasibility	25.8
Accounting/Bookkeeping	18.8
Legal, Including Organizational Structure	10.2
Technical Assistance	5.5
People Skills	1.6
Production	0.0
Other, Not Listed	12.5

Table 3 - Primary Challenges Indicated by SBDC Directors

Issue	Number	Percentage of SBDCs
Inadequate Funding	70	63.0
Recruiting and Retaining Personnel	53	47.7
Stakeholder Issues	44	39.6
Inability to Meet Demand	34	30.6
Target Market	27	24.3

When examining some of the resource needs and uses of the SBDCs, we used both information from specific questionnaire items and information provided by the open-ended questions. Some of the information regarding resources is embedded in the general descriptions provided above and will be restated as appropriate. Each of the problem and challenge areas will be examined separately, although it is important to note that there is inevitably some overlap between the issues. Since many comments were deemed by the researchers to fit into more than one category of pressing issues, there was confounding inherent in the results. For example, 60.4% of those SBDCs who mentioned personnel issues also mentioned funding. Of those that mentioned stakeholder problems (typically with the SBA or their host University), 34.1% also listed funding issues. Over half (52.9%) of those that mentioned demand issues also included funding issues. Finally, of those that mentioned issues related to their target market, 55.6% also listed funding issues. Thus funding problems appear to impact all other categories. We discuss each category of issues in more depth below.

Funding

The SBDCs reported a mean annual budget of $248,067 (*SD* $354,035; median $150,000). Funding sources are reported in Table 4.

Table 4 - SBDC Funding Sources

Funding Source	Mean (%)	*SD*
SBA	39.4	19.3
Educational Institutions	26.6	23.4
State Government	20.9	19.9
Chambers of Commerce	3.3	11.5
Business Funding	1.6	4.9
Client Fees	1.5	4.9
Other Funding Sources	6.9	16.0

Slightly less than 40% of SBDC funding is provided by the SBA, with educational institutions and state governments accounting for about 47%. Only 1.5 % of funding came from client fees and 1.6% from the local business community. Funding, however, was the primary issue in the responses to the open-ended question. Of the 111 responding SBDCs, 63.0% identified funding as a pressing issue. Some typical comments received were:

> *"The SBDC has been flat funded for the past 5 years. Because of this, ability to maintain counselor resources is difficult and it has become impossible to maintain professional development, technology, tools, etc."*

> *"Static funding with increased demand for services."*

> *"Not enough funding to be competitive in salary for SBDC director."*

> *"Funding sources have been flat for the past 4 years."*

> *"The formula for funding (1:1) and the local political changes where our SBDC is located mean that much effort is spent ensuring match funding."*

> *"Money—especially getting financial support from college dean."*

Recruiting and Retaining Personnel

Another issue we identified, which tends to overlap with funding issues, is the inability to attract, train, and retain competent counselors (45.7% of those who mentioned funding also mentioned personnel issues in this way). The SBDCs in our sample reported employing a mean of 3.3 full time and 2.6 part time employees with a mean annual payroll of $149,930 (*SD* $220,395; median $90,000). Almost half (47.7%) of SBDC directors identified personnel issues in various forms as their primary challenge. Interestingly, SBDCs reporting personnel problems tended to be located on college campuses and have a very high number of clients served per year. Some typical comments from the responding directors:

> *"Getting qualified counselors."*

> *"Inadequate salaries to get competent help."*

> *"Keeping well trained, highly qualified personnel given poor salary structure for SBDC personnel within the University pay plan."*

> *"The biggest challenges are identifying, recruiting and retaining qualified business analyst/counselors. Once they have benefited from our Professional Development training, they find higher paying positions and leave. Average turnover rate 2 years."*

> *"Keeping good consultants."*

> *"Lack of incentive to remain in position – underpaid for experience/knowledge."*

Stakeholder Issues

The third issue identified deals with problems with SBDC stakeholders (39.6%), primarily funding sources, host institutions, and the community in general. Difficulties dealing with funding sources primarily involved the SBA. While less than 40% of the funding was provided by the SBA, 56.7% of the problems with funders was with the SBA. Comments reveal the nature of the relationship to be the perceived bureaucracy and obtrusive oversight by the SBA. The strained relationship with the SBA seemed to the researchers to be especially frustrating for the respondents as many underlines and exclamation points were used in their responses. Some comments from the respondents:

> *"Inability to meet unrealistic (double underline) SBA imposed goals for both # of clients counseled and workshop attendees, as well as ethnic based goals for loan application."*

> *"We feel that we are one of the best SBDC programs in the nation but the SBA district director is too busy taking credit for our work to even say thank you. We make a real difference in the lives and fortunes of our clients."*
>
> *"Stupid SBA requirements!"*
>
> *"SBA initiatives do not match service area needs!!"*
>
> *"SBA's total disinterest in our program."*
>
> *"SBA's ever-changing 'special emphasis' projects which take away from our ability to do what we were created to do."*
>
> *"The SBA does everything it can to discredit (double underline) our program while promoting the SCORE program."*
>
> *"Our biggest problem is how to fulfill non-funded SBA mandates!"*

Remaining comments in this category dealt with relationships with host institutions, state and local governments, and other stakeholders. Some examples are:

> *"Leveraging center's capabilities through partnerships with other centers."*
>
> *"Overcoming a bad reputation from first 2 years of center's operation."*
>
> *"Getting the word out about our services and working with the incubator in letting him know we are not a competitor."*
>
> *"Having SBDC & host institution strategic planning run parallel."*
>
> *Two 'bosses' (funding agencies) who have different priorities."*
>
> *"Competing organizations – EDC's won't share leads on existing or potential businesses."*

Difficulties Meeting Demand

Almost a third (30.6%) of the responding SBDCs identified problems meeting demand for their services as a critical issue. The comments indicated that inability to meet demand might be more a reflection of the level of entrepreneurial and small business activity in the U.S. rather than an ongoing chronic problem. Unmet demand, however, may result in increased competition among service providers for existing resources. Losing resources to competitors would certainly compound the SBDCs problems of funding and personnel and meeting demand even further. An additional threat would be the decreased value to the community due to increased waiting lists or lags in service. The demand issue is closely related to the two issues identified above. Some typical comments received:

> *"Only so many hours in the day. Too much need/demand for services."*
>
> *"Meeting demand—we turn one client away for every one we see."*

> "70-80% increase in goals over past 4-5 years despite no increase in funding."
>
> *"Keeping up with growing need."*
>
> *"Trying to provide quality services to ever-increasing SBA imposed goals."*

Target Market

The fifth issue identified deals with problems in identifying and focusing on a target market (24.3% of responding SBDC identified this area as critical). Comments indicated a great deal of frustration with the "take-all" policy of the SBDC. By this the respondents referred to not being able to define niches but having to meet the needs of all who walk through their doors. Comments indicated that the problem was in part due to meeting the directives of the SBA. Some typical responses include:

> *"How to continue to pull in established business owners, as opposed to start-ups and 'tire kickers'."*
>
> *"Our biggest challenge is shifting client base from 'wannabe' start-ups to viable start-ups and existing businesses."*
>
> *"Attracting high impact, viable clients."*
>
> *"Moving away from so many start-ups to more high growth type existing businesses."*
>
> *"Dealing with volume of start-ups."*
>
> *"SBA's ever-changing 'special emphasis' projects which are incorporated as SBA/SBDC goals which take away from our ability to do what we were created to do."*

Outcome Assessment

While economic impact was not the primary thrust of our study, we did collect data on the number of new businesses and jobs created by SBDC clients. We were somewhat dismayed to learn that only slightly over half of SBDCs maintain this data (56.1% for new businesses creation and 57.4% for job creation). As one Director wrote on the survey, *"Lack of personnel and time prevent our particular center from tracking clients over time to determine economic impact. Until funding improves this task is not one we can pursue."* For those SBDCs that do maintain these records, we find the three-year average of new businesses created is 50.3 (*SD* 49.3) and jobs created is 187.7 (*SD* 370.4) per SBDC. Total SBDC cost per job created averaged $2,534 (*SD* $3,988.6; median $1,479). Obviously, this is an area that needs further investigation and again underscores the critical issues of funding and personnel noted above.

While most of the research reviewed earlier in this paper evaluated economic impact in terms of job creation and new business start-ups, we felt there was room for the inclusion of other evaluative criteria. Although the initial formation of small enterprises may not provide convincing evidence of success or failure of SBDC programs, many SBDCs do indeed examine these indicants for evidence of a successful program. Alternatives have yet to be established in the literature. Our motivation for investigating this issue further was to add to the literature base by examining possible new evaluative criteria.

We asked an open-ended question requesting additional information about how the Director felt it best to evaluate their particular SBDC's economic impact. Most of the responses dealt with volume of loans processed and financing arranged for clients. For example, one Director responded, *"We track loan dollars received by our clients by year. Our SBDC clients receive on average $2M every year."* Other responses dealt primarily with efficiency of operations, cost effectiveness, and money clients save by avoiding ill-advised new ventures. Many respondents conveyed a sense of urgency about evaluating their impact. Some responses of this type are:

> *"I think the toughest part is not doing the work, rather it is gauging our impact!"*
>
> *"Amount of economic impact is difficult to quantify. We are currently tracking $ generated and jobs created/retained—but that is inexact at best and does not measure the incremental benefits provided our clients."*
>
> *"In the mid 90's we began receiving referrals from banks, chambers of businesses that were about to fail—today those companies are employing 8-25 people, grossing $700,000 – $1M and still growing. By rights, without our assistance they would have failed. Why can't government see the impact we have made over the years and the importance of continuing to do these services in the future—we need more funding!"*
>
> *"Economic impact is impossible to quantify. We rely on client responses to semi-annual, mailed surveys. Most clients do not return the surveys and many of our activities are not reflected in the survey anyway. We need a better way."*

We concluded that evaluating the performance of an SBDC is frustrating and difficult for many SBDCs. Clearly, a better way to evaluate effectiveness is warranted. In the section that follows, we address this and other issues raised by the SBDC Directors.

OPPORTUNITIES FOR SUSTAINABILITY

A majority of the SBDCs reported that funding is the crucial issue that affects their staffing and ability to meet demand for services. The adequate staffing and retention of qualified counselors in the SBDC is a problem identified by almost half of the responding SBDCs. Funding problems are confounded by increased demands from the host institution and/or the SBA without additional funding to meet such demands. In general, meeting the demand for their services constitutes a problem for over a quarter of the respondents. This problem may also be the result of a lack of a specific target market or forced inclusion of a wide target market than can be served with current resources.

Obtaining adequate funding is clearly the major issue facing SBDC Directors. The funding issue is closely related to the other issues discussed above. For example, funding is a supporting issue in the acquisition and retention of appropriate personnel and in assessing their current output. Funding problems are compounded by the "take-all" policy and lack of target market focus in many SBDCs. It is somewhat ironic that the SBDCs' problems are very similar to those of their clients. As noted in Table 2, the three services most requested by clients are financial assistance, business planning, and marketing.

The problems of the SBDC network are also related to broader macroeconomic and political trends. All types of organizations—business firms, nonprofits, universities, and government agencies—are facing an increased need for higher levels of performance in an environment marked by limited resources and demands for more accountability. We believe that the challenges outlined above are severe and that the SBDCs cannot continue on their present course. We also believe that SBDCs have a number of attractive opportunities that may enable them to become sustainable over the long run. We present some of those opportunities below.

Training in the acquisition of other funding sources appears to be a crucial need of the existing SBDC directors. Only an average of 13.4% of current funding comes from sources outside of the SBA, state government, and local host institution. As noted above, SBDC personnel appear to be stretched to their limits and hence it is very difficult for Directors to engage in extensive fund raising under current conditions. In addition, fiscal constraints prohibit hiring personnel to raise funds.

The researchers believe that the SBDCs have an opportunity to immediately improve their fiscal situation by relying more on fees from their clients. Client fees currently provide only 1.5% of SBDC funding. While SBDCs create a public good through job creation and economic growth, they also help to create private goods through wealth creation and growth of their clients' businesses. It seems only reasonable that these private enterprises should share in the cost of providing these valuable services.

Increased funding from clients may also help to resolve some of the current problems SBDCs are having meeting demand for their services. Basic economic theory holds that maximum demand occurs at a zero price level. By instituting or increasing basic counseling fees, demand for services would certainly decline, perhaps to a sustainable level. Fees could be designed on a sliding scale according to clients' ability to pay.

The authors also suggest that partnering with other organizations may help to alleviate some of the other issues we identified. For example, many of the SBDCs are co-located with institutions of higher education. Such institutions typically have students that are interested in opportunities for internships and semester-long projects. Developing relationships with the various departments whose expertise can be utilized on short-term projects may be a way of providing both educated help for the center and experience for the student. The past several years have seen the advent of local Service Corp of Retired Executives (SCORE) chapters, Entrepreneurship Centers, business incubators, and similar organizations. Working collaboratively may increase the effectiveness and efficiency of each of these support organizations by leveraging resources, avoiding duplication of effort, and allowing each organization to specialize in what it does best.

The SBDCs' "take-all" policy is a major strategic issue. This issue is associated with the lack of defined target markets and the pressure from the SBA to provide services to a wide constituency. Like many of the other issues, this is not a freestanding problem but one that is intertwined with other issues. As mentioned earlier, charging for services (even on a sliding scale basis) may help mitigate this problem of unmet needs.

We believe, however, that the SBDCs' current "take-all" policy needs to be refined. The feeling of many of the Directors we surveyed seems to be that the core business of the SBDC is serving existing small businesses and high-potential startups. Focusing exclusively on this target market is certainly not out of the question, but would require an increased level of coordination with other service providers as mentioned earlier. The recent increase in Entrepreneurship Centers throughout the country makes a niche strategy for the SBDC more compelling. In our local market, for example, the Entrepreneurship Center, through agreement with the SBDC, handles most of the clients that one SBDC Director referred to as "tire kickers."

The emerging issue of outcome assessment also needs to be addressed. Despite the obvious importance of economic impact information, almost half of the SBDCs in our sample do not currently maintain this data. Many expressed frustration because their level of funding does not allow them to engage in this activity. There also seems to be a variety of opinions regarding the specific types of data that should be collected. We believe the SBDCs have an opportunity to obtain better outcome assessment information by partnering with local colleges and universities. Class projects could be designed to collect and analyze data, providing valuable experience for students taking courses in research and statistics while relieving the SBDC Director of the responsibility and time commitment for much of this work.

We have pointed out that opportunities exist for collaborations that may have been overlooked in a typical "defend one's territory" mentality that can be adopted by those who depend upon governmental funding. However, when the overarching mission of the SBDCs is considered, the judicious use of collaborations appears to be a viable strategy to gain access to needed resources and facilitate the missions of multiple service organizations.

Finally, it is worth considering whether or not SBDCs are viable, sustainable entities under their current relationship with the SBA. Friction between SBDCs and the SBA and host institutions, as well as current political and economic conditions, suggest that the SBDCs' situation might indeed be a perilous one. SBDCs may need to organize a national effort aimed at a strategy of self-sufficiency and reduced reliance on Federal funding over the long term. The mission and activities of the SBDC are far too important for these problems not to be aggressively addressed before they reach crisis proportions.

CONCLUSIONS

In summary, our exploratory project found many challenges and opportunities facing Small Business Development Centers today. The major issues were identified as funding, attracting and retaining qualified personnel, stakeholder relationships, inability to meet demand, target market issues, and outcome assessment. We concluded that funding impacted all of the other issues. The major stakeholder relationship problems were those with funding sources and host institutions. The largest problem appeared to be the strained relationship between the SBDC and the SBA. The issues of increased range of services and project support mandated but not funded by the SBA contributed to clouded target market issues, increased demand, restricted funding, and reduced time for providing the services central to the SBDCs mission.

Opportunities also became evident. SBDCs have a multitude of organizations with whom they can partner. Sometimes these potential partners were presented as competitors for a reduced funding stream, but most SBDCs looked on the organizations as having complementary goals with each focusable on separate niches. Certainly, interorganizational alliances are not uncommon and the SBDCs with their background in communicating with other organizations are ripe for taking advantage of these potential partners. Partnering with other nonprofit, quasi-governmental organizations in seeking specific grants to meet the needs of their constituents represents a compelling opportunity.

It is important to note that this study is based on self-reports and that our findings and interpretations need to be confirmed with additional research. Our research was exploratory in design and needs to be supplemented with a quantitative approach. Indeed, there is the question as to whether the conditions mentioned by the directors are chronic or acute. A longitudinal study conducted 5 to 10 years from now will help to determine whether these are simply the conditions under which the SBDC operates or if there has been a marked increase in demand, marked decrease in funding, and so on.

Potential future areas of research include: 1) studies designed to examine these issues and confirm their presence and severity, 2) other exploratory studies to examine the various ways that SBDCs have an economic impact and how to measure their effectiveness, 3) longitudinal studies to determine if these issues are always present, present in cycles or simply a reflection of this time. We look forward to exploring this topic further over the years and call for others, as it meets their interests, to join us.

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