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Small Business Needs Assessment

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Small businesses are expanding and thriving in Michigan, but increasingly they find they need assistance in managing their growth and success.

This article highlights some key findings of a recent statewide project focused on small business growth, challenges and how to help Michigan small businesses prepare for future success. It has been twenty-five years since a comprehensive small business

needs assessment of this depth was conducted in the state by a combination of partners.

The study was designed to answer the following questions:

- What are the key barriers and challenges that impede the survival and growth of small firms? What are the key service needs that arise from them?
- What beliefs do business owners have about the most effective means of delivering business services?
- How can providers of business services apply their services and resources to better meet the needs of small businesses?

Key Findings

- Diversity among small business owners is increasing. The proportion of businesses owned by racial minorities and women is on the rise.
- More than two-thirds of the businesses surveyed indicated that they have a “strong desire and take steps to scale up the company.”
- Nearly all businesses experience challenges, but relatively few seek outside help to address those challenges. Almost 90 percent of respondents noted one or more challenge areas, and 45 percent identified two or more areas as challenging. However, only 50 percent of those experiencing challenges indicated that they had ever sought outside assistance to address those challenges.
- Decisions to seek outside assistance and experiences with outside business services are influenced by the nature of

the challenges small businesses are seeking to address. Respondents were most likely to seek outside help for challenges related to defining and serving a market and accessing capital.

- The extent of small business challenges and access to outside assistance vary by region within the state.
- In-person methods of delivering small business services and support were perceived as more effective than other methods.

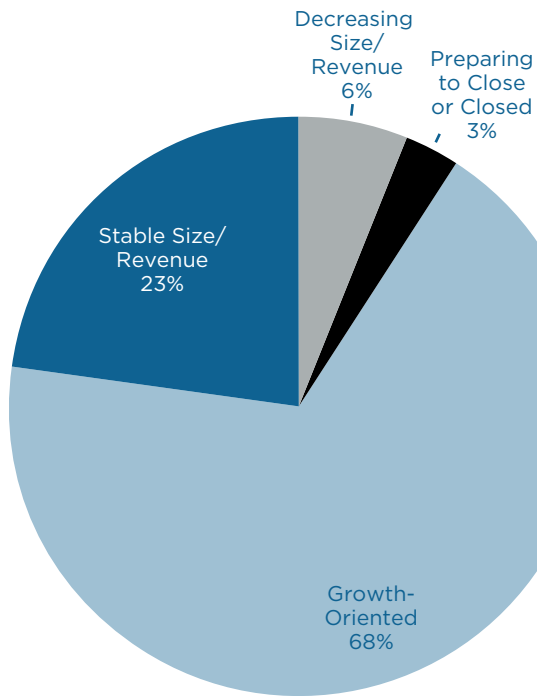
Lessons and Implications

- It is increasingly important to tailor approaches to outreach and service delivery in order to meet the needs of more diverse business owners.
- Outreach and service-delivery strategies that emphasize positive impacts on sales growth may help convince more small businesses to engage outside help.
- Firms might value advice in deciding whether to seek outside assistance and in locating appropriate help. Firms may need to be more aware of available resources.
- Considering the volume of small firms and variety of challenges facing small businesses, the data in this report may provide some basis for targeting services in challenge areas where firms are looking for outside help and struggling to find it.
- In regions with lower perceived levels of access to needed assistance, additional assessment of service availability and barriers to access may be necessary in order to develop effective strategies to better connect small businesses with high-quality service providers.
- When designing and delivering small business services, efforts to increase efficiency and convenience should be balanced with an emphasis on relationship-building and face-to-face contact with customers.

Growth Orientation

Nearly 70 percent of respondents indicated that they would describe their businesses as growth-oriented, meaning they have a “strong desire and take steps to scale up [the] company” (Figure 1). An additional 23 percent of respondents described their businesses as stable in size and annual revenues, with only nine percent indicating that their businesses were downsizing, preparing to close, or closed.

Figure 1: Self-Reported Growth Orientation of Small Businesses



Among growth-oriented businesses, sales were, by far, the most frequently identified target for business growth. Proportion of businesses seeking to grow sales, market share or headcount:

- 57.1 % seeking to grow sales
- 12.2% seeking to grow market share
- 10.7% seeking to increase headcount

Small Business Challenges

Small businesses face a myriad of challenges that can impact growth and/or stability. Survey respondents were asked whether the stability or growth of their companies was limited by challenges. Nearly all businesses experienced challenges. The proportion of respondents who selected each area as a challenge were:

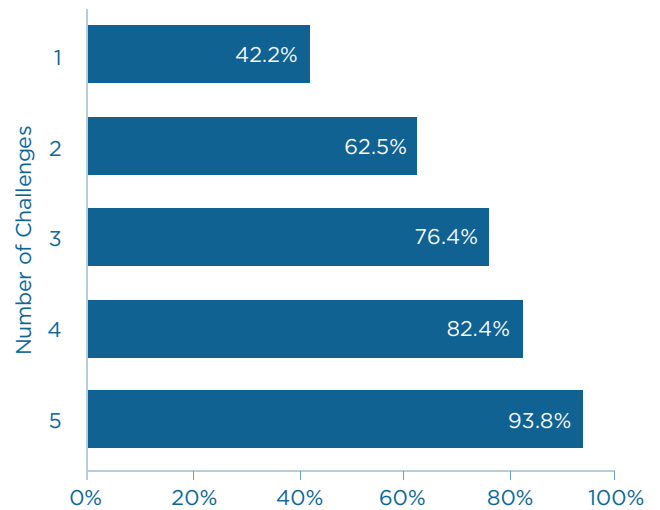
- 36.9 percent in defining and serving a market
- 35.6 percent accessing capital
- 29.2 percent in workforce or talent development
- 20.2 percent in operations and technology
- 13.5 percent in management or administration

While no single area was identified as a challenge by more than 37% of respondents, almost 90% of respondents indicated that they experienced challenges in at least one of the areas. Forty-five percent identified two or more areas as challenging.

Small Business Assistance

Half of the small businesses facing challenges sought outside assistance. Although 9 out of 10 small businesses indicated that they experienced challenges in at least one of the areas listed, only 50% indicated that they had ever sought outside assistance with addressing any of those challenges. As illustrated in Figure 2, though, the likelihood of a small business deciding to seek outside help increased as the number of identified challenges increased.

Figure 2: Proportion of Businesses That Sought Outside Help for Any Challenge, by Number of Challenges Identified



Communication Channels for Delivering Information Needed by Small Businesses

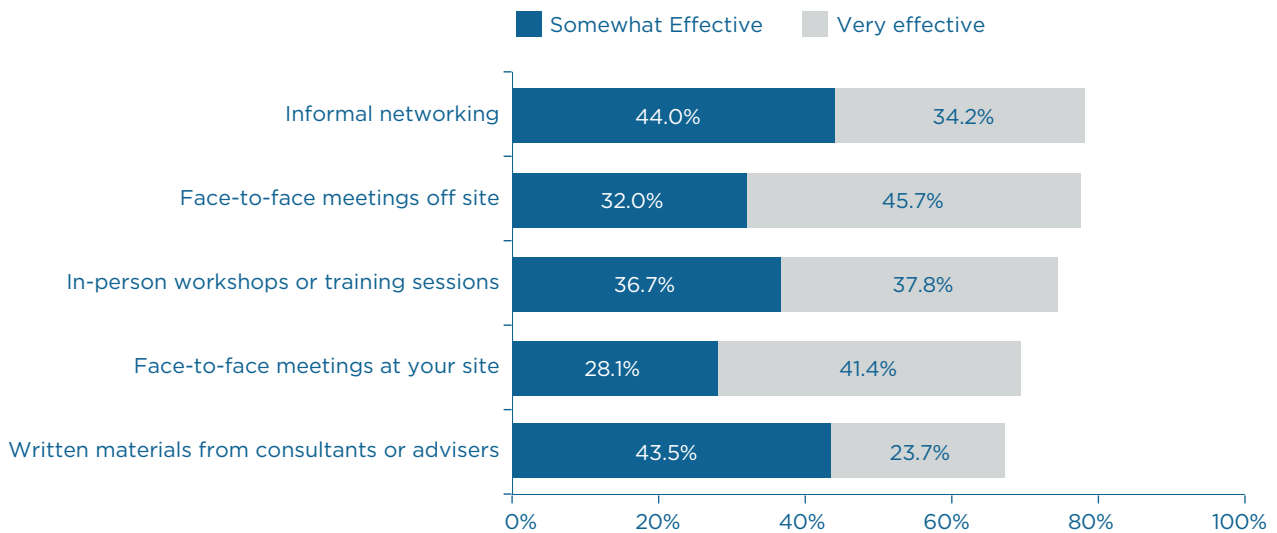
Survey respondents were asked to rate the effectiveness of various communication channels in delivering the information needed to run a successful business. The majority of respondents perceived nearly all of the options presented below to be somewhat effective or very effective. The communication channels rated as effective by the highest proportion of respondents, though, tended to be the options that involved in-person interaction (i.e., informal networking, face-to-face meetings, and in-person workshops or training sessions). On the other hand, the options least likely to be rated as effective were those that often require sorting through a wide variety of content in order to find specific and relevant guidance (i.e., e-mails; Twitter, Facebook, or other social media; and newspapers).

Michigan SBDC and the PINE Consortium

The Michigan SBDC is funded by a combination of federal, state and local funding to provide business counseling, training, secondary market research assistance and technology commercialization services to existing and startup businesses. The Michigan SBDC guides small business as well as keeps a pulse on small business needs all across Michigan to ensure the right services and tools are available to help small businesses succeed. For sixteen years, the Lead Center of the Michigan SBDC has been hosted by Seidman College of Business, Grand Valley State University.

Both the Michigan SBDC and SBAM are part of the PINE Consortium, an international collaboration of business, government and university members helping to better align public and private entrepreneurial support with the priority needs and interests expressed by small and medium-size enterprises. ■

Figure 3: Most Effectiveness of Means for Delivering Assistance



In Summary

There are a significant number of small businesses in Michigan that are positioned for growth. These small businesses plan to, and in many cases will, encounter a number of challenges. The results and the information gathered by the Michigan Small Business Needs Assessment will provide guidance on how to better serve Michigan's small businesses to help foster their economic growth.

Acknowledgments:

The Michigan Small Business Development Center (Michigan SBDC) would like to thank the Small Business Association of Michigan (SBAM) for collaborating on this joint research project, the expertise of Public Policy Associates (PPA) and Neil Sheridan who facilitated the project collaboration with PINE and fielded the survey.

Methodology

The research team at PPA used an online survey tool and e-mail invitations to engage potential respondents. The target audience included Michigan firms with fewer than 500 employees. The pool of invitees was assembled from multiple business lists, including a subset of Michigan SBDC clients, current SBAM members and a proprietary list of Michigan businesses. A total of 1,186 usable responses were completed. These responses were then weighted according to sector, age of business, and number of full-time employees, to permit results that represented the full spectrum of Michigan businesses.