

The Small Business Development Survey

Executive Summary

1. Introduction

In April, 1996, the Applied Social Research Unit of Illinois State University was commissioned by the Illinois Department of Commerce and Community Affairs (DCCA) to conduct a telephone survey of Illinois' small businesses eliciting market research information to support program planning activities. The goals of "The Small Business Development Survey" were to obtain companies' perspectives on:

- utility of small business development services and need for services not currently offered by state agencies;
- barriers to doing business in Illinois;
- experience and plans regarding the export of goods and services;
- use and evaluation of DCCA's current export and business support services;
- use of Internet services;
- interest in partnering with DCCA to facilitate business development goals.

A total of 636 businesses, representing both DCCA clients and organizations which have not used the agency's services, participated in "The Small Business Development Survey". The great majority of businesses surveyed have fewer than 50 employees.*

Businesses were surveyed within regions that were identified conceptually rather than geographically, according to presumed broad similarities of experiences and needs. Regions (based on counties) identified for this study are:

1. Chicago City (Cook County)
2. Chicago Metropolitan (DeKalb, Dupage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will counties)
3. Declining Metro-like (Macon, Rock Island, Henry, LaSalle, Adams, Knox and Vermilion counties)
4. Stable or Improving Metro-like (Peoria, Tazewell, Woodford, Champaign, McLean, Livingston, Menard, Sangamon, Clinton, Jersey, Madison, Monroe, St. Clair, Boone, Ogle, Winnebago and Logan counties)
5. Rural (all other Illinois counties)

To facilitate analysis of survey results, these companies were also categorized by type, size, and age.

Survey results

Utility of small business development services and need for services not currently offered by state agencies

Interviewees were asked about the utility of several business support services which might be offered by either private organizations or state agencies. Generally speaking, they rated

* Only three percent of businesses surveyed have more than 50 employees.

as of merely average usefulness information about business start-up, licensing and regulations, tax filing, links with suppliers and producers, and resources for more capital. However, the 27 percent of respondents who had used the Small Business Development Centers (SBDCs) gave their services almost perfect quality ratings. Most popular were help in identifying potential markets and service as a resource for access to capital.

Surveyed businesses were enthusiastic about a number of specified services not currently offered by the state. Three-quarters of interviewees said their companies would use a contact person for state-level support services, while approximately two-thirds were interested in advice about computers and telecommunications, access to a low-cost Internet link, and a service matching producers and suppliers. Just over half of surveyed companies would use mentoring programs, while one-third wanted training in how to export.

Barriers to doing business in Illinois

According to survey respondents, there are no major barriers to doing business in Illinois; most issues mentioned as possible barriers received average or below average ratings. Property taxes, state income tax, and worker's compensation were more likely to be viewed as barriers than factors including an available workforce, safety regulations, and transportation. Property taxes were regarded as most problematical by companies located (in descending order) in the Chicago, Improving Metro, Rural, Chicago Metro and Declining Metro regions. Environmental regulations were more likely to be viewed as a barrier by businesses with more than 50 employees; companies that had been in business for less than five years; and companies located in the Declining Metro, Improving Metro, and Rural regions. Safety regulations were more likely to be regarded as barriers by large firms and those engaged in manufacturing or transportation/communications/public utilities. Worker's compensation was viewed as most problematical by large companies involved in mining, manufacturing, and wholesale trade.

Experience and plans regarding the export of goods and services

Approximately one-tenth of the businesses surveyed sell goods and services in countries other than the United States. Manufacturers are at least twice as likely as any other type of company to be involved in exporting. Four-fifths of small exporters do business in Canada, while approximately one-third sell in Mexico, Western Europe, China, Eastern Europe, and Russia. Larger firms and companies engaged in manufacturing, service, and wholesale trade are most interested in increasing sales in Western Europe. Rural companies are most likely to export to eastern European countries other than Russia. Of the one-quarter of exporters selling in Japan, manufacturers and suppliers of transportation, communications and public utilities are most interested in increasing sales; these companies are most likely to be located in the Declining Metro or Improving Metro regions. Small Illinois companies are least likely to export to Vietnam and South Africa. However, of all businesses currently selling in Vietnam, most are engaged in supplying transportation, communications, or public utilities. Virtually all exporters would like to increase sales in the countries where they are currently selling. Most do not want to start selling in countries to which they are not currently exporting.

Of the great majority of small businesses that are not currently exporting goods and services, only 20 percent are interested in beginning to sell outside of the United States. Of these,

about one-quarter are involved in manufacturing, while one-fifth provide a variety of services. Three-quarters of these companies are very small, employing between one and nine employees. These companies are most interested in exporting to Canada, Mexico, Great Britain, and Germany. Approximately half would like to be selling in all countries specified.

Use and evaluation of DCCA's current export and business support services

The small businesses surveyed had used the International Trade Centers very little. Of those who had used the ITCs, most obtained information on international markets or information about doing business in specific foreign countries. Generally speaking, services that were used received above average ratings, with the exception of help with advertising in foreign countries, which was used by five percent of ITC clients and received a low rating.

A majority (70%) of surveyed businesses had heard of the Small Business Development Centers (SBDCs), compared to the three-fifths that had heard of the International Trade Centers (ITCs), the third that had heard of the NAFTA Opportunity Centers (NOCs), and the quarter that had heard of the Procurement Technical Assistance Centers. More businesses reported having used the SBDCs than the other specified services. It is noteworthy that despite relatively widespread awareness of the International Trade Centers among small businesses, fewer than five percent of companies surveyed had used the ITCs. So few small businesses had used the NAFTA Opportunity Centers that client responses to questions about services provided by the NOCs are not reported.

Approximately one-quarter of surveyed businesses had used the small business development services provided by DCCA. Help with developing business plans was the service most used by SBDC clients, while assistance with worker training programs was least used. All services received excellent quality ratings, with service as a resource for access to capital, used by 40 percent of SBDC clients, and help with identifying potential markets, used by 35 percent of SBDC clients, receiving the highest ratings overall. Help with developing marketing plans, used by 39 percent of SBDC clients, was overwhelmingly (85%) used by very small businesses with between one and nine employees. Businesses which found this service most useful were, in descending order, manufacturers, retailers, and providers of professional services.

About five percent of surveyed businesses had used the Procurement Technical Assistance Centers (PTACs). Of these, at least one-third had used all of the services provided by the PTACs and gave these services above average ratings.

Use of Internet Services

One-third of small businesses surveyed use the Internet. Three-quarters of these users access the Internet for research purposes, while seven-tenths use e-mail. Two-fifths of users advertise products and/or services, while approximately one-third buy and/or sell and participate in Internet discussion groups. Just over one-quarter obtain on-line information about state government programs. Approximately one-half of all businesses surveyed would be interested in participating in an Internet discussion group to share ideas about business and economic development issues.

Interest in partnering with DCCA to facilitate business development goals

The majority (57%) of small businesses surveyed are interested in partnering with DCCA to foster business activities. Of this group, most (60%) are very small companies, having between one and nine employees. Approximately one-fifth are service providers, 18 percent are engaged in retail trade, and 16 percent are manufacturers.

Conclusions

Information emerging from “The Small Business Development Survey” can be used to adapt and enhance current programs to meet the needs of Illinois’ small businesses. Survey results indicate that small business development services offered by DCCA are well regarded by clients. However, only a relatively small number of businesses are using these services. This indicates a marketing opportunity for the SBDCs. In addition, small businesses voice a need for a range of business development services not currently being offered by the agency. Many are also interested in partnering with DCCA to facilitate their organizations’ growth and prosperity. These findings indicate that small businesses are willing to accept state-provided services and would welcome the opportunity to develop an ongoing relationship with an agency staff member.

Small businesses’ relatively low interest and involvement in exporting is an issue which deserves some agency attention. Findings from “The Business Climate Survey” (also conducted in 1996) indicate a much higher utilization of export support services among large companies than “The Small Business Development Survey” reveals among small firms. Yet, as indicated above, small companies are interested in obtaining a variety of business support services from state agencies. These findings suggest opportunities for information provision, marketing and adapting agency-provided export services to meet the special needs of small businesses.