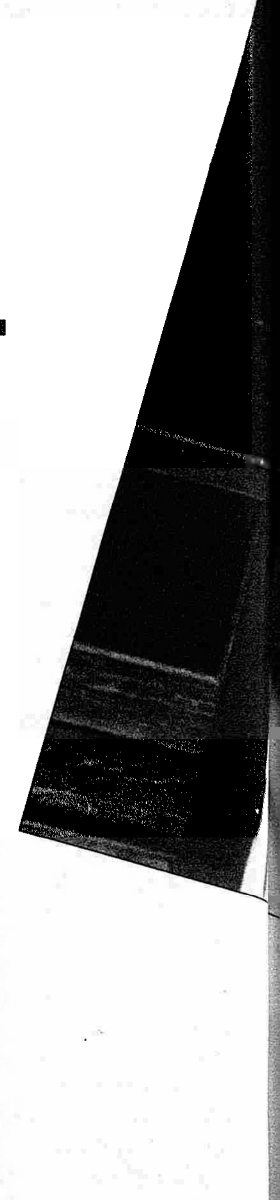
Small Business's Big Training Needs

There are 16.8 million small businesses in the U.S. Fifty percent of those launched in 1984 will fail within a year, primarily because of poor management. And thus far, training professionals have virtually ignored this vast market.

By LESLIE KELLY



Harvard University recently ran an ad in a national magazine announcing a seminar for small business owners. Their idea of a small business was one with $3 million in annual sales and more than 40 employees.[1] But most small businesses have less than $500,000 in annual sales and employ fewer than 20.[2]

The ad illustrated the fact that few seminars meet the needs of the majority of small businesses. One of training's major markets is being ignored, a market that needs more attention than all our other markets combined.

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As trainers and business people, we cannot afford to ignore the facts about small business:[3]

- There are 16.8 million small businesses in the U.S.
- They represent 75.5 percent of all U.S. businesses.
- They created 47 percent of America's new jobs in 1983—2.65 million jobs—while industrial America cut 1.7 million.
- They provide 67 percent of initial job opportunities and on-the-job training.
- They are primarily in the wholesale, service and construction industries.
- The majority employ 20 or fewer.
- Fifteen small businesses are launched for every ten that fail.
- In 1983, small businesses achieved a new growth record of 12.9 percent.
- Female-owned small businesses are increasing at a rate of 35 percent, while male-owned are increasing at a rate of only 7 percent.

In addition to these statistics, the 1983 President's Report on Small Business reveals some important information about small businesses' potential training needs:[4]

- Small businesses often suffer from a lack of resources.
- Employees usually are not specialists; each does several jobs and gains far broader experience than most employees of large corporations.
- Personnel and training departments rarely exist.
- Priorities are based on short-term needs and not on long-term planning. The owners manage their businesses reactively rather than proactively.
- Employees remain with small businesses for longer periods of time and for lower salaries if they believe they are growing with the job.
- Poor management is the number one reason small businesses fail.
- Successful small business owners are active in community service and profes-

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Leslie Kelly, principal of Kelly & Associates, Indianapolis, founded the Central Indiana National Association of Women Business Owners.

sional organizations.

A small business's first years focus on survival; in their first year 50 percent of all new businesses fail, and by the tenth year, between 80 and 90 percent have failed. The fourth year seems to be a milestone in establishing the business. Visibility, name recognition and finances usually are secure by then, and the business can focus on maintenance and growth.

These data have far-reaching implications for training and development professionals. If we are to serve this major portion of the current and future employment sector, we must devise some new strategies.

Small businesses, like this loan office in Marion, Ohio, photographed by Ben Shahn in 1938, have always been part of the American scene. Reprinted here, from a collection at the Library of Congress, are photographs of some American classics.

Top: This photograph, made by Arthur Siegel in 1942, shows Mr. Currier of the Currier Lumber Company, Detroit, Michigan.
Bottom: Main Street, Marked Tree, Arkansas, 1935. Photo by Ben Shahn.

Who are small business owners?

Small business owners come from all types of backgrounds. They certainly are not all Harvard Business School graduates; the typical Small Business Administration seminar attendee doesn't have a college degree.

The small business owner is vastly different from the corporate manager, and familiarity with this difference is essential for the trainer who works with small business owners. A Purdue University study found three distinct types of people who go into business for themselves.[5]

■ *The Technical Expert.* This small business owner knows the product or service intimately. He or she can design, create and perform at a high level of proficiency.

Steven Job, founder of Apple Computer, is a technical expert who began his business in his garage. As Apple grew, he realized that he was happiest and best at creating the products, not managing the business. After an almost two-year search, he hired John Scully of PepsiCo, who knew marketing and finance well, to run the business.

Steven Job was lucky; others in the volatile computer market have gone out of business because they were technical experts who did not realize they needed someone else to run the company.

■ *The Independent Individual.* Many creative people cannot function well in a corporate setting but thrive on their own. In fact, many successful small business owners who sell their businesses start new ones to avoid having to work in large corporations.[6]

Jerry Donovan began his career in real estate sales. He was highly successful, and over a 10-year period contributed greatly to his company's tremendous growth.

Tired of "sharing" his commissions, Donovan started his own company. His own sales continued to grow, but his sales staff struggled due to a lack of leadership. Finally he hired someone to manage his people. Battered by the economy in the early 1980s, he merged with a large company.

He became the heir apparent to the larger company and thrived for several years, only to discover that what he really liked best was selling and sales training. He recently joined a training and development company to do sales training for the real estate industry.

■ *The Growth-Oriented Person.* This individual starts a business to reach financial or growth goals, a popular entrepreneurial motivation among retired persons.

Rick Miner started his business 40 years ago. It grew from 10 to 500 employees before he sold it in 1983, realizing a tremendous profit. An active person in his 60s, he invested in a few small businesses that needed capital to realize their potential.

Miner now is a partner in a housecleaning business, a limited investment corporation and a computer software company. His goals are purely financial and growth-oriented. He has brought strong management experience to these businesses, all of which are run by technical experts. His knowledge of marketing and financial and resource development helped one of the businesses grow 200 percent in less than six months.

Articles in *The Wall Street Journal* and *Indianapolis Magazine* and a survey of the Indiana State Chamber of Commerce's Small Business Council revealed some characteristics successful business owners share.[6-8] They are listed in the box on this page. The degree to which these characteristics exist in an individual varies significantly, and business owners' training needs are abundant.

Training topics

A list of training topics useful for business owners appears on page 40. Many experts believe that the business owner's greatest training need is learning how to manage growth. The recent near failure of a major computer software firm highlights the need to plan growth carefully. The firm had agreed to develop a major program for banks without asking for research and development funds. The development took almost 18 months longer than anticipated and drained the firm's resources. Cash flow halted, and the firm was forced to default on $4 million in loans.

The owner was a technical expert who had managed the firm well until it began to grow at an annual rate of 200 percent.

Characteristics of Successful Small Business Owners[6]

■ Vision; intellectual creativity.
■ A low patience threshold; disdain for bureaucracy.
■ A consummate sales personality; contagious self-confidence.
■ The esteem of his or her employees.
■ Excellent communication skills; the ability to articulate the business's mission.
■ Fanaticism about fundamentals.
■ Attentiveness to finances and operations; involvement in every aspect of the business.
■ Support for experimentation.
■ The ability to think like their customers.
■ Strong emphasis on developing and motivating employees and tying incentives to performance.
■ Perseverance to the point of obsession.
■ Commitment to heavy reinvestment in the business; a focus on long-term rather than short-term results.
■ The ability to create an environment conducive to outstanding work.
■ Good health; high energy.
■ Street smarts.
■ High levels of achievement and initiative; self-reliance.
■ Measurement of performance against previous achievement, not against others; measurement of success by results.
■ No need for peer approval.
■ High tolerance for ambiguity.
■ Enjoyment and wise use of power.
■ Strong powers of concentration.
■ Resilience.
■ Easy accessibility to employees, customers and community.
■ Maintenance of a problem-solving attitude in a crisis.

No one in the organization had expertise in growth management, and the owner had not hired anyone to take this responsibility. The story is a familiar one.

Another high-priority training need is selecting and developing people. The small business's survival depends on a small corps of dedicated individuals, and failure to allow each person to grow in his or her job often results in severe business problems. But the small business owner often lacks the time to train and develop new employees.

The proprietor of a successful heating and air conditioning business learned his lesson the hard way. His daughter started to work for him eight years ago. She wanted to buy into the family business so that eventually she could own it. Her older brother, who had no interest in the business, gave her his blessing and offered to help her get a business degree and bring those skills to the business.

The father's ambivalence toward his daughter's schooling was obvious; what was not apparent was his reluctance for her to purchase the business. After graduation, when she confronted him about the purchase, he replied, "Girls aren't competent to run a business like this." Stunned and furious that he had not made his beliefs known eight years earlier, she quit and persuaded her brother to loan her the funds to start a house- and business-cleaning enterprise.

Her father had failed to realize that his daughter was responsible for the business's recent growth. When she left, he had to hire two people to replace her, at more than twice her salary. The replacements received no training, and their errors were frequent and costly. The business began losing money, and the father became ill and was advised to retire.

When he approached his daughter to ask her to return to the business, she flatly refused. Her cleaning business grossed more than $250,000 in 1983. Now he must sell the business, a staggering blow because he always believed that, in the end, his son would manage it. He may be forced to take a considerable loss. This small business owner's shortsightedness cost him 35 years of hard work.

Training strategies

The cost of a training program is a primary consideration for the small business owner. Common sources of training include the local or state Chamber of Commerce, Private Industry Councils, the National Federation of Independent Business Owners, the U.S. Small Business Administration, professional organizations, the U.S. government, consulting firms, vocational and junior colleges, and colleges and universities.

Many small business owners, especially those who lack a college education, are reluctant to attend university-sponsored programs, even though universities are a valuable and inexpensive resource.

Associations of small business owners need to concentrate on training to help their members survive and grow. Local chapters of training associations should offer low-cost small business workshops as part of their community service programming, and encourage other groups, such as the Chamber of Commerce, to sponsor small business programs.

Corporations can sponsor "loan-a-trainer" programs or offer slots at appropriate in-house training programs for

Training Topics for the Small Business

- Managing Growth
- Selecting and Developing Staff
- Valuing Your Business
- Personnel Management in the Small Organization
- Orientation Training
- Succession Planning
- Financial Management for the Small Business Owner
- Computers and the Small Business
- Benefit Package for the Small Business
- The Community and the Small Business Owner
- Incentives for Small Organizations
- Problem Solving and Crisis Planning
- Time Management: Family, Self, Business and Community

Left: A feed store in Borger, Texas, photographed by John Vachon in 1942.
Below: The Biel market in Six Points, Texas, 1940. Photo by Russell Lee.

a moderate price. Consultants should devote a portion of their time to small businesses, even if it means smaller fees for some jobs.

Better methods must be devised for keeping records on local small businesses. Now the U.S. Small Business Administration uses Internal Revenue Service statistics to estimate figures.

Stop or be stopped

Many years ago I saw a play that I thought very odd. Now that I am a small business owner, the play's message has become important to me. Several times each year I wish I could yell, like the clown in the play, "Stop the world; I want to get off!"

Of course the world won't stop for the small business owner; it continues on its hectic way. If small business owners are to succeed, they must stop, plan and reflect on their progress. They need the training community's help to close the gap between what they know and what they need to know.

If they don't get this help, the business world will stop them, and they will become a statistic in *The Wall Street Journal's* listing of business failures.

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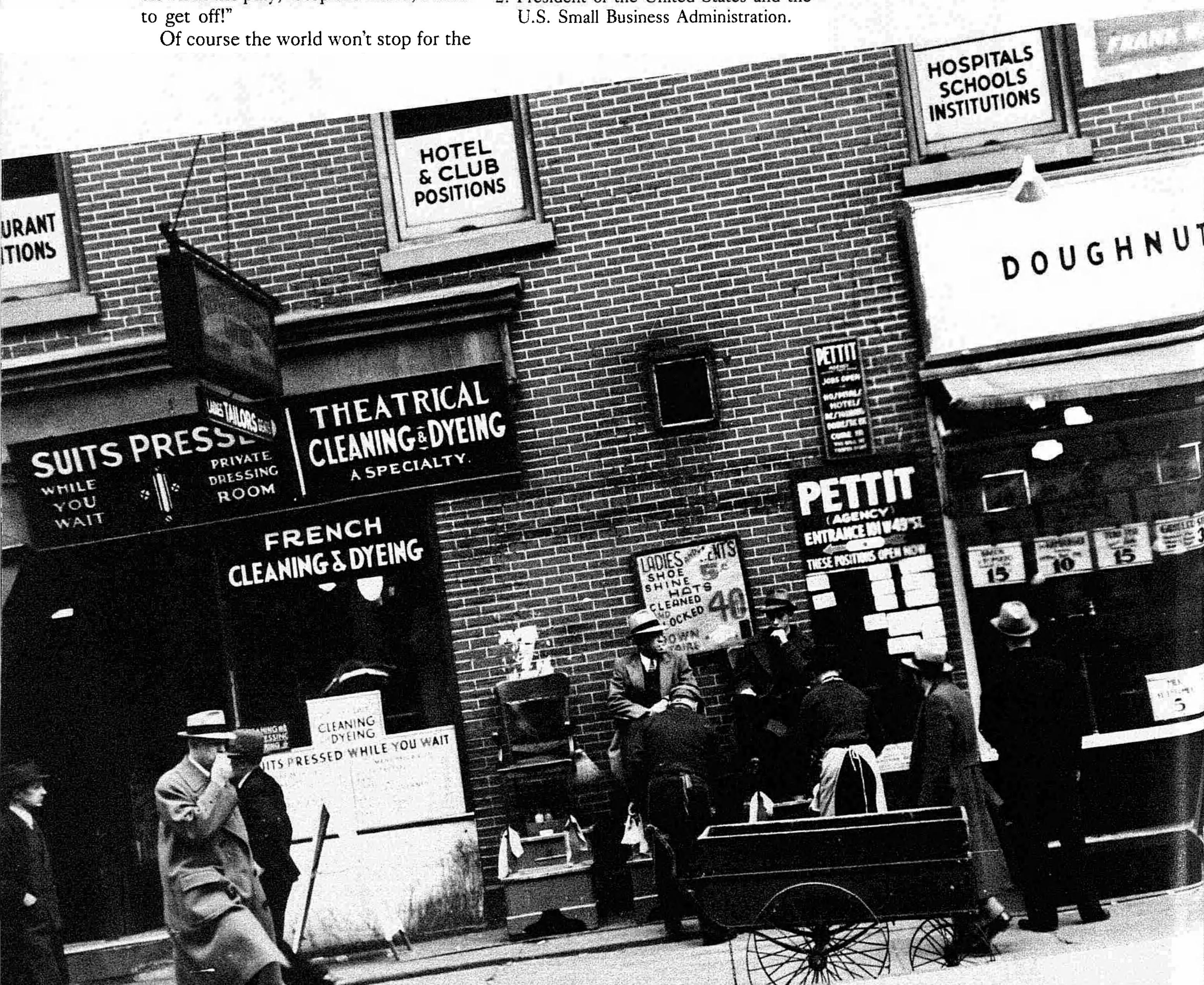

Small businesses on 49th Street near Sixth Avenue, New York City, 1937. Photo by Arthur Rothstein.