

Examination of Small Business Owners in Rural Pennsylvania



Examination of Small Business Owners in Rural Pennsylvania

by:

Prashanth N. Bharadwaj, Ph.D., Stephen W. Osborne, Ph.D., Eric D. Palmer, M.B.A.,
Ramesh G. Soni, Ph.D., and Joette M. Wisnieski, Ph.D.,
Indiana University of Pennsylvania

April 2010

This research project was sponsored by a grant from the Center for Rural Pennsylvania, a legislative agency of the Pennsylvania General Assembly.

The Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy within the Pennsylvania General Assembly. It was created in 1987 under Act 16, the Rural Revitalization Act, to promote and sustain the vitality of Pennsylvania's rural and small communities.

Information contained in this report does not necessarily reflect the views of individual board members or the Center for Rural Pennsylvania. For more information, contact the Center for Rural Pennsylvania, 625 Forster St., Room 902, Harrisburg, PA 17120, telephone (717) 787-9555, fax (717) 772-3587, email: info@rural.palegislature.us.

Executive Summary

Small businesses are an important source of entrepreneurial activity and employment growth in most rural Pennsylvania communities and the state as a whole. Research on small businesses, however, is typically descriptive in nature and contains little more than basic statistical analysis.

Moreover, the majority of recent literature examines rural small businesses at the industry and business level but not the owner level.

This research looked to provide a more comprehensive profile of rural Pennsylvania small businesses, including a profile of the typical rural small business owner, their use of publicly available service providers and their satisfaction with these service providers.

It also identified the stage at which small business owners seek help from publicly available service providers and learned more about the types of services they find most valuable.

The research found that 28 percent of small businesses were home-based and that two-thirds of all businesses were related to the owners' previous work or occupation.

Businesses had an average of 11 employees; however, the median number of employees was four.

The research also found that small businesses in rural Pennsylvania were very "local" in nature, with 90 percent of all revenues from sales within Pennsylvania.

The respondents' awareness of service providers in rural Pennsylvania was low and their use of service providers was correlated with their awareness.

Based on these and other findings, the researchers offered several considerations for state government that may bolster small businesses and strengthen the public services that help them thrive.

Table of Contents

Introduction.....	5
Goals and Objectives	5
Methodology	5
Results.....	7
Conclusions	11
Policy Considerations	12
References.....	12
Glossary of Rural Small Business Providers.....	13

Introduction

Small businesses represent 90 percent of all businesses and employ two-thirds of the population in rural communities of the United States (Velázquez, 2006). According to the Pennsylvania Department of Labor and Industry, 98 percent of all businesses in Pennsylvania employ fewer than 100 workers. In most rural Pennsylvania communities, small businesses represent the main source of entrepreneurial activity and employment.

An understanding of who rural Pennsylvania's typical small business owners are and in what ways they are benefiting or not benefiting from publicly provided business assistance programs may assist the commonwealth in the effective and efficient deployment of its limited resources.

Research on small businesses is typically descriptive in nature and contains little more than basic statistical analysis. Moreover, the majority of recent literature examines rural small businesses at the industry and business level but rarely at the owner level. Much of this research is narrow in scope, profiling only minority segments such as women- or veteran-owned business owners. A select few studies examined the broader group of all small business owners.

A 2004 study by the W. K. Kellogg Foundation looked at rural entrepreneurship and found that roughly 11 percent of the U.S. adult population was engaged in some form of "entrepreneurial activity" (W. K. Kellogg and Corporation for Enterprise Development, 2004). Another study, the Kauffman Index of Entrepreneurial Activity (Fairlie, 2005), analyzed national data pertaining to small business owners and entrepreneurs, drawing conclusions about their typical age, gender, race, and regional location.

While both of these studies reaffirm the importance of small businesses to rural regions, neither provide comprehensive profiles of the typical rural small business owner, which is necessary to effectively create and target business assistance programs.

A second topic of significant research pertains to the assessment of publicly funded financing and technical assistance programs. Most of the literature pertaining to rural small business owners, and the public policy that affects them, echoes Atkinson's (2004) position on the importance of rural policy to the nation's long term economic growth. However, few studies delve deep enough to evaluate the public programs that are in place to assist rural small business owners. Although some literature is available on federal, state, and local government policy pertaining to economic development and

business and entrepreneurial assistance in rural areas, the majority of this literature is descriptive in nature and provides little in the way of in-depth statistical analysis on which to frame public policy.

Pennsylvania plays an important and immediate role in addressing the needs of its rural entrepreneurs and small business owners. By better understanding these business owners, the state can better target its assistance programs.

This study examined the demographics of small business owners and the resources they are using to start, expand and transition their businesses to the next level. While Pennsylvania provides many types of assistance to rural business owners, not much is known about the services they are using and at what stage of their business they are using them. This study looked at the actual use of service providers by small business owners.

Goals and Objectives

The first goal of this study, which was conducted in 2008, was to create a profile of rural small business owners, including the demographic characteristics of the small businesses. It also asked small business owners to identify relevant business history and their future plans, such as expansion. As part of this profile, the researchers asked small business owners about the barriers and opportunities they currently face as they plan for the expansion or transition phases of their business.

The next goal was to identify the federal, state, and local government providers of small business assistance services, including university outreach programs. The study examined small business owners' perceptions about the access to and availability of these services in rural areas. The researchers also assessed which services provided by publicly funded, and in some cases private, small business assistance organizations were being used and if they were perceived as beneficial.

The research then looked at best practices and model programs that are assisting rural small business owners with growth and expansion opportunities.

Finally, the researchers developed policy considerations for Pennsylvania state government that may further improve and target public service programs.

Methodology

The researchers used a variety of methodologies to collect data for the research. First, they developed and administered two surveys, one for small business owners and another for service providers. They also conducted a focus group with business owners, policy

makers, and service providers to gain additional information.

Small business owner survey

The small business owner survey was designed to garner the following information: demographics, business history, the use of publicly funded financing and business assistance, plans for expansion and transition, and perceptions of opportunities and barriers to expanding in rural Pennsylvania.

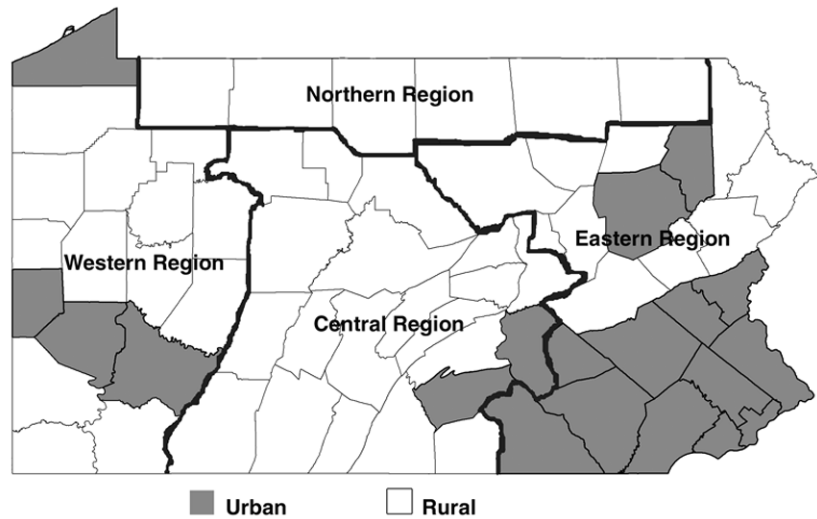
The researchers used Reference USA's database to identify a stratified sample of 5,000 small businesses in rural Pennsylvania.

The researchers used the guidelines of the U.S. Small Business Administration (SBA) to identify a "small business." The guidelines were used to determine the maximum revenues and/or workforce size for small businesses in each industry. The industry categories were as follows, along with the criteria used to identify small businesses within each category:

- Agriculture/Forestry/Mining (maximum \$1 million in revenues)
- Construction (maximum \$10 million in revenues)
- Manufacturing (maximum 250 employees)
- Legal Services (maximum \$5 million in revenues)
- Wholesale Trade (maximum 100 employees)
- Retail Trade (maximum \$5 million in revenues)
- Transportation (maximum \$5 million in revenues)
- Health Services (maximum \$5 million in revenues)
- Business and Personal Services (maximum \$5 million in revenues)
- Finance, Insurance and Real Estate (maximum \$5 million in revenues)

The researchers used the Center for Rural Pennsylvania's definition

Figure 1: Rural/Urban Pennsylvania with the Four Regions Used in the Study



of a rural county to identify the location of rural small businesses. They further divided the state into four regions (See Figure 1).

The surveys were mailed, and respondents were given the opportunity to reply by mail or online. The final responses totaled 301 by mail and 64 via the Web, for a response rate of about 7 percent.

Service providers survey

The researchers developed a list of service providers from their initial literature review. They targeted service providers who worked at the local level rather than those who worked at the state and federal level, when applicable.

The researchers sent the survey to 362 service providers, including state loan programs/organizations, Ben Franklin Technology Centers, chambers of commerce, the Pennsylvania Department of Community and Economic Development (DCED), the Governor's Action Team, PA CareerLink, Industrial Resource Centers, Small Business Development Centers (SBDC), tourism bureaus, U.S. Department of Agriculture (USDA) Rural Devel-

opment, and the Workforce and Economic Development Network of Pennsylvania (WEDnetPA).

The service providers were offered the opportunity to respond by mail or online. In total, 64 service providers responded for a response rate of about 18 percent.

Focus group

The researchers also conducted a focus group to obtain in-depth responses from the following participants: public service providers, private service providers, elected public officials, economic development officials, and small business owners.

For the focus group, approximately 30 invitations were sent out to state and county level members of these organizations. Among those in attendance were: a commercial lender (SBA preferred lender); a president and CEO of a major regional bank; a regional SBDC director; a dean of a College of Business; a county economic development director; two county economic development specialists; a regional U.S. SBA director; a county commissioner; and a state representative.

Results

The business owner survey resulted in a response rate of about 7 percent (364 respondents), with a \pm 5 percent margin of error at the 95 percent confidence level.

The service providers survey resulted in a response rate of about 18 percent (64 respondents). Table 1 lists the provider respondents to the survey.

Demographic profile of small business owners

Two-thirds of all business owners said their business was related to their previous work or occupation.

Twenty-eight percent of the businesses were home-based.

Seventy-eight percent of the respondents were male and 22 percent were female. The National Foundation of Women Business Owners reported that women accounted for 26 percent of business owners in Pennsylvania (Frear, 2007).

The average age of the respondents was 53, and the median age was 54. (See Table 2).

The education level of the respondents was quite high, with about 52 percent possessing a college degree (See Table 3). This is high when compared to the percentage of all rural Pennsylvanians with a college degree (18 percent) (The Center for Rural Pennsylvania, 2005-2007).

About 96 percent of respondents were Caucasian, mirroring the Caucasian population of 95 percent in rural Pennsylvania (The Center for Rural Pennsylvania, 2005-2007).

The mean and median ages of the respondents' current businesses were 25 and 21 years, respectively (See Table 4 on Page 8).

Statistically, the respondents did not match the original distribution of businesses across various industries in the Reference USA database. A few categories had larger

Table 1: Responses from Various Service Provider Categories

Service Provider (Categories are Self-Reported)	# of Responses
Area loan organization	2
Ben Franklin Technology Center	1
Business resource center	1
PA CareerLink	8
Chamber of commerce	8
Community development financial institution	1
Convention visitors bureau	1
Economic development	1
Employment center	1
Employment services, job training	1
Federal government	1
Government	1
Government lending agency	1
Industrial development corporation	3
Local development district	3
Revolving loan fund; export; government procurement and workforce development	1
Small Business Administration (SBA)	1
Small Business Development Centers (SBDC)	3
Service Core of Retired Executives (SCORE)	6
SEDA Council of Governments and Pennsylvania Business Retention and Expansion Program	1
Technical assistance program	1
Tourist bureau/promotion agency/visitors bureau	6
University/college	3
USDA Rural Development	1
WEDnetPA/GFT/CJT	6
Not reported	1
TOTAL	64

Table 2: Respondents' Age

Age	Percentage
< 30 years	2.6
31-40	6.7
41-50	30.1
51-60	36.4
61-70	19.0
70+	5.2
Total	100%

Table 3: Education Levels of Owner Respondents

Education	Percentage
No high school	4
High school or equivalent	19
Post high school, voc/tech degree	8
Some college or associate's degree	17
Bachelor's degree	24
Graduate/professional degree	28
Total	100%

variations (such as wholesale, retail, and agriculture), whereas some of the largest categories (such as professional service and construction) had very small over/under representation (See Table 5 on Page 8).

Respondents had an average of 11 employees in each of 2005, 2006, and 2007. The median number of employees was four in each of those years. About 6 percent of respondents had more than 30 employees, which explains why the median number of employees was as low as

four. The range was from one to 250 employees.

Nearly half of all the small businesses were sole proprietorships. A significant percentage, however, were corporations (See Table 6 on Page 8).

Ninety percent of all revenues were from sales within Pennsylvania. Less than 4 percent of revenues came from international sales and the remainder were from sales throughout the U.S.

Table 4: Age of Respondents' Businesses

Age of Business	Percentage
1-5	11.5
6-15	23.3
16-25	26.3
26-35	18.0
36+	20.9
Total	100%

About 2 percent of sales were Internet sales.

About 25 percent of respondents grossed more than \$1 million (See Table 7). In addition, about 67 percent experienced a growth in the previous 3-year time period (See Table 8).

About 70 percent of respondents owned one business, 18 percent owned two, 8 percent owned three and 4 percent owned four or more businesses.

Respondents cited a variety of reasons for starting their own business but most (46 percent) wanted to be their own boss (See Table 9).

Internet service

Seventy-five percent of respondents had broadband Internet service.

Fifty-five percent had DSL service, 31 percent had cable service and the rest did not indicate the type of service.

Four percent of respondents did not have broadband Internet service because it was not available in their area. Less than 3 percent of respondents did not have broadband Internet because it was too expensive.

Ninety-two percent of respondents said their current Internet service was meeting their business needs.

Most respondents who indicated the need for but unavailability of broadband were located in the central part of the state.

Growth plans

About 55 percent of respondents had plans to expand, mostly by

Table 5: Distribution of Respondents' Industries

Industry	Surveyed (%)	Responded (%)	Over/(Under) Representation
Professional service	26	26	(0.06)
Retail	25	19	(5.77)
Finance, insurance, and real estate	6	11	4.15
Health services	13	10	(2.24)
Construction	10	9	(1.23)
Manufacturing	6	9	3.17
Agriculture, forestry, mining	3	8	5.44
Transportation	4	7	2.81
Wholesale	7	1	(6.28)
TOTAL	100%	100%	

Table 6: Types of Businesses

Form of Ownership	Percentage
Sole proprietorship	45
S-corp	22
Corporation	16
LLP/LLC	9
Partnership	7
Other	1
TOTAL	100%

growing sales in existing markets. For example, 153 businesses had plans to expand sales in existing markets, some by multiple modes: 130 had plans to do so exclusively by internal growth, seven exclusively by acquisitions/mergers, three exclusively by joint ventures, nine by both internal growth and acquisitions/mergers, two by internal growth and joint venture, and two by doing all three.

In total, 143 businesses had plans for internal growth, 18 had plans for acquisitions/mergers and seven had plans for joint ventures.

Impact of external factors on businesses

The survey also addressed the perception of small business owners of the impact of several external factors on their businesses (See Table 10).

Table 7: Annual Sales of Respondents' Businesses

Annual Sales	Percentage
<\$100,000	20
\$100K - \$500K	40
\$501K - \$1M	13
>\$1M - \$3M	14
\$3M+	13
TOTAL	100%

Table 8: 3-Year Growth/Decline of Businesses (2005-07)

3-year Sales Growth	Percentage
Decline	19
Flat	14
1-10%	39
11-100%	25
>100%	3
TOTAL	100%

Table 9: Respondents' Reasons for Starting Business

Reason for Starting Business	Percentage
Wanted to be his/her own boss	46
Generate income	28
Lifelong ambition	21
Flexible work schedule	20
Dissatisfied with previous job	16
Joined family business	13
Create something for future generations	11
Had a product/service idea	10
Downsizing by previous employer	7
Other	9

Note: Multiple reasons were cited by the respondents, therefore percentages do not add up to 100.

The economy was perceived to be a barrier (the survey was administered in the fall of 2008 when energy prices were rising).

Infrastructure, international competition and the availability of

publicly funded assistance service providers were not seen as barriers.

Business owners were most confident about the overall market for their products and services. The service providers had similar perceptions about these factors.

Owners' awareness of service providers in rural Pennsylvania

General awareness of most service providers was low (See Table 11).

Awareness was high for chambers of commerce, Pennsylvania CareerLink, tourism bureaus, universities, and the U.S. Small Business Administration (SBA).

A small percentage of respondents reported that certain service providers were not available in their area; in reality, that was not the case.

Small business use of service providers in rural Pennsylvania

More than 90 percent of respondents had never used the services of 13 out of 20 service providers named in

Table 11: Respondents' Awareness of the Availability of Various Services

Service Providers	Available in your area?			
	Yes %	No %	Don't know %	Total Responses
Chambers of commerce	85	6	9	262
PA CareerLink	78	4	18	261
Tourism bureaus	68	6	26	250
Universities	64	14	22	239
SBA	58	7	35	250
DCED (www.newpa.com)	30	9	61	252
SBDC	26	9	65	246
SCORE	25	8	67	249
State loan programs (MELF, PIDA, etc.)	22	8	70	246
USDA Rural Development	21	10	69	234
Customized Job Training (CJT)	18	14	68	248
Ben Franklin Technology Centers	12	23	65	251
PennTAP	12	10	78	243
Industrial resource centers	9	12	79	246
Business Retention and Expansion Program (BREP)	7	15	78	246
Governor's Action Team	7	14	79	247
Small Employee Assistance Program (SEAP)	7	11	82	243
Government Contracting Assistance Program (GCAP)	6	12	82	244
WEDNet Guaranteed Free Training (GFT) Program	6	12	82	236
Center for eBusiness and Advanced IT (eBizITPA)	5	15	80	245

Table 10: Impact of External Factors as Perceived by Business Owner Respondents

Factor:	Business Owners (n=271 to 283)
	Mean*
Overall economy	1.92
Regional economy**	1.94
Overall market for your product/service**	3.05
Availability of required workforce	2.64
Availability of financing	2.78
Technology/communication infrastructure	2.98
Transportation infrastructure	2.91
Environmental regulations	2.61
Competition within the U.S.	2.61
Competition—international**	2.86
Availability of publicly funded business assistance providers	2.89

*Scaling: 1) Major Barrier; 2) Minor Barrier; 3) Neither Barrier nor Opportunity; 4) Minor Opportunity; 5) Major Opportunity. ** At the 0.05 significance level, the perception of service providers and business owners were statistically different.

the study. Table 12 on Page 10 shows the use of the various service providers by respondents who had indicated the service to be available in their area.

The use of service providers was significantly correlated (95 percent to 99 percent for different service providers) with awareness.

Of the respondents who indicated that a service was available in their area, only the chamber of commerce was used by more than 50 percent of rural small businesses.

Satisfaction with service providers

Most of the service providers received average or above average ratings on satisfaction.

The WEDNet GFT program and the SBDCs received the highest ratings.

Since use levels were low for many service providers, the researchers could not conduct any further analysis on satisfaction.

Types and extent of business services

There was a strong correlation between the types of services small businesses used and those offered by service providers. Of the 64 service provider respondents, 18 of the 20 service types were represented in the responses. Table 13, on Page 11, presents the summary data with percentages for the various service types.

Service providers rated all service types greater than 3.0 on the importance scale of 1 to 5.

Marketing, human resources/training, funding assistance, and feasibility studies were the most popular service types used.

Table 12: Small Business Use of Service Providers in Rural Pennsylvania

Service Providers	Level of use % (# of respondents)			
	Significant Use	Moderate Use	Minimum Use	Never Used
Chambers of commerce	5% (10)	13% (28)	34% (75)	49% (109)
PA CareerLink	2% (5)	4% (8)	24% (48)	70% (143)
Tourism bureaus	2% (3)	3% (5)	18% (30)	78% (133)
Universities	2% (3)	7% (10)	16% (25)	76% (114)
SBA	3% (4)	3% (5)	17% (24)	77% (112)
DCED's www.newpa.com	3% (2)	3% (2)	16% (12)	78% (59)
SBDC	9% (6)	3% (2)	19% (12)	69% (44)
SCORE	2% (1)	0% (0)	21% (13)	77% (48)
State loan programs	4% (2)	9% (5)	11% (6)	77% (42)
USDA Rural Development	4% (2)	8% (4)	14% (7)	74% (37)
CJT	14% (6)	9% (4)	11% (5)	66% (29)
Ben Franklin Technology Centers	3% (1)	7% (2)	13% (4)	76% (23)
PennTAP	0% (0)	0% (0)	10% (3)	89% (26)
Industrial resource centers	4% (1)	4% (1)	17% (4)	74% (17)
Business Retention and Expansion Program	0% (0)	12% (2)	24% (4)	65% (11)
Governor's Action Team	0% (0)	6% (1)	6% (1)	88% (15)
SEAP	0% (0)	6% (1)	13% (2)	81% (13)
GCAP	7% (1)	13% (2)	13% (2)	67% (10)
WEDNet GFT	27% (4)	13% (2)	13% (2)	46% (7)
eBizITPA	0% (0)	18% (2)	0% (0)	82% (9)

A small number of small businesses were using services in the areas of engineering/product design, accounting and legal while several service providers offered these services and deemed them as fairly important.

Service providers perceptions of their importance

All the service providers received a mean rating of 3.0 to 3.9 on a 1 to 5 scale of importance (See Table 14).

Interestingly, the service providers that were used the least by the small businesses were in fact rated lower on the list of importance by the providers.

Services provided during business life cycle

Service providers were asked to indicate the level of service they provided to businesses in five different life cycle stages, including pre-start-up, start-up, growth, maturity, and exit/transition.

Services were provided during all life cycle stages of the businesses, but, overall, the greatest level of service was provided during the growth stage of the business.

Business transition/succession

Of the 259 business owner respondents, 23 percent had a transition/succession plan while 77 percent did

not have a plan. The reasons cited for not having a plan were they did not plan to transition ownership, it was too early to plan, transition planning was too complex, adequate advice/assistance was not available, transition planning was too time consuming, and the owners did not want to deal with family/employee issues.

Of those with a transition/succession plan, 23 percent planned to transition the business through a will and 20 percent through a gift to family members. Thirteen percent planned to sell to competitors, 12 percent planned to sell to family members, another 12 percent planned to sell to partners, 8 percent planned to sell to investors, 7 percent planned to sell to management/key employees, and 5 percent planned to sell/liquidate assets and close the business.

Only one out of the 62 respondents with a transition plan said he/she would rely on “publicly funded service providers” for transition/succession planning, 52 would rely on private entities and seven would rely on “no one.”

Other results and relationships

Respondents from the manufacturing industry were more aware of the various service providers than respondents from other industries. That is statistically significant in the cases of the Ben Franklin Technology Centers, eBizITPA, GCAP, the Governor’s Action Team, industrial resource centers, state loan programs, and WEDNet GFT.

There was no statistically significant difference in awareness and use of services between male- and female-owned businesses.

The focus group participants recommended that the researchers look at the differences between awareness and the use of service providers among small businesses that are very small and those that have at least 20 employees.

Based on that distinction, the researchers observed that small businesses with at least 20 employees had greater awareness and use levels of all service providers than those with fewer employees. Specifically, at a confidence level of 90 percent, this was true with awareness and use of chambers of commerce, DCED’s www.newpa.com, industrial resource centers, PA CareerLink, state loan programs, and WEDNet GFT.

Also, upon the recommendation of the focus group, the researchers looked at the differences between awareness and use of service providers and the number of years a business was operating. The researchers used

Table 13: Type and Extent of Various Services Available and Used

Service Type	Small Businesses % that used the service (# that used service)	Service Providers % that provide the service (# that provide the service)
Marketing	25% (90)	78% (14)
Human resources/training	20% (73)	83% (15)
Funding assistance	14% (52)	88% (16)
Feasibility/business plan/product development	14% (51)	88% (16)
Information technology	10% (35)	67% (12)
Operations/quality	5% (18)	34% (6)
Legal	4% (16)	61% (11)
Accounting	2% (8)	34% (6)
Engineering/product design	2% (9)	39% (7)
Export assistance	0% (0)	50% (9)

a cutoff of five years of operation. Businesses in operation for five years or more had greater awareness and use levels of all service providers than their “younger” business peers. Specifically, this was true of the Ben Franklin Technology Centers, DCED’s www.newpa.com, industrial resource centers, PA CareerLink, and WEDNet GFT.

The researchers conducted a similar analysis between business owners with a college degree (bachelor or graduate/professional) and business owners without a college degree. The researchers found no statistically significant difference in awareness or use of service providers related to business owner education levels.

Home-based business owners had lower awareness levels of service providers than non home-based business owners. This was true for the Business Retention and Expansion Program, eBizITPA, Governor’s Action Team, and SCORE. There was no statistical difference in the use of any of these services.

The awareness and use of service providers were higher among companies that had growth plans for the next three years. At a confidence level of 90 percent, this was true for the Ben Franklin Technology Centers, Business Retention and Expansion Program, CJT, DCED’s www.newpa.org, eBizITPA, PennTAP, SBA, SBDCs, and WEDNet GFT.

Conclusions

The research found that 28 percent of small businesses were home-based and that two-thirds of all businesses were related to the owners’ previous work or occupation. The average age of entrepreneurs was 53,

Table 14: Perception of Service Providers of Their Own Importance

Service Providers (multiple locations of same service provider in parentheses)	N	Mean (1-5)
SBDC (2)	60	3.9
DCED’s www.newpa.com	58	3.9
State loan programs (4)	53	3.9
Universities (3)	54	3.8
WEDNet GFT	44	3.8
PA CareerLink (6)	57	3.8
USDA Rural Development	46	3.7
SBA	59	3.7
CJT	54	3.6
Industrial resource centers	51	3.6
Chambers of commerce (8)	57	3.5
Tourism bureaus (5)	54	3.4
PennTAP	53	3.3
Governor’s Action Team	51	3.3
GCAP	40	3.2
Ben Franklin Technology Centers	44	3.2
SEAP	40	3.1
SCORE (6)	54	3.1
eBizITPAT	42	3.1
Business Retention and Expansion Program	45	3.0

which reflects the aging population of rural Pennsylvania, and the majority of entrepreneurs were Caucasian. The education level of entrepreneurs was high, with more than half of all rural entrepreneurs possessing a college degree.

Businesses had an average of 11 employees: however, the median number of employees was four.

About 47 percent of businesses were professional service, healthcare, finance, insurance and real-estate; 28 percent were retail, wholesale and transportation; and 25 percent were manufacturing, construction, agriculture, and mining.

Nearly half of all small businesses were sole proprietorships, but a significant percentage of the businesses were corporations.

The research also found that small businesses in rural Pennsylvania were very “local” in nature, with 90 percent of all revenues from sales within Pennsylvania. Less than 4 percent of sales came from international sales and about 2 percent came from online sales.

Ninety-two percent of respondents said their current Internet service was meeting their business needs. Of the respondents that indicated a need for broadband but lack of availability, a majority were located in the central region of Pennsylvania.

Small business owner respondents said the regional

economy, general economy and energy prices were barriers to their business. They did not find infrastructure or international competition to be barriers.

The respondents' awareness of service providers in rural Pennsylvania was low and their use of service providers was correlated with their awareness. For example, more than 90 percent of the respondents had never used the services of 13 out of the 20 service providers mentioned in the study.

There was a strong correlation between the types of services small businesses use and the types offered by the service providers.

The most popular services used by respondents were marketing, human resources/training, funding assistance, and feasibility studies.

A small number of small businesses used services in the areas of export assistance, engineering/product design, and accounting and legal, while several service providers offered these services and deemed them as fairly important.

Service providers rated their own importance as 3.0 to 3.9 on a 1 to 5 scale. The service providers used the least by the small businesses were, in fact, rated lower by the providers.

Although the greatest level of service was provided during the growth stage of the businesses, services were provided at all business stages.

The research also found that few respondents had a business transition plan, and of those that did, most relied on private entities for assistance with the plans.

Policy Considerations

Service provider awareness

The small business owner respondents had a limited awareness of most of the publicly funded service providers.

To increase awareness, the state should consider increasing its promotion of state and federal resources. It should also continue to promote interagency communication among and between service agencies and business clients.

Transition planning assistance

As few respondents had business transition plans in place, the state could offer additional support to those service providers that offer planning services. An effective and efficient means of promoting transition planning could be the Small Business Development Centers (SBDCs) through their programs, seminars, workshops and consulting services.

Increase in local/regional discretionary funds

Rural communities are diverse and could benefit from more customized programs. State-level economic development efforts that focus on attracting businesses are expensive, and provide limited benefits to rural communities.

The state should focus more efforts on entrepreneurial development and provide the education, infrastructure, and affordable capital to rural communities to grow local entrepreneurs.

Finally, efforts should be taken to foster an "entrepreneurial climate," which creates an environment conducive to risk taking and entrepreneurial growth.

References

- Alter, T.R., J.C. Bridger, J. Findeis, T.W. Kesley, A.E. Luloff, and D. McLaughlin. (2007) *Strengthening Rural Pennsylvania: An Integrated Approach to a Prosperous Commonwealth*. The Brookings Institution, 1-15.
- Atkinson, R.D. (2004) "Reversing Rural America's Economic Decline: The Case for a National Balanced Growth Strategy." *Progressive Policy Institute Policy Report*.
- Bruce, D. and J. Deskins. (2006) State Tax Policy and Entrepreneurial Activity. *Small Business Research Summary*. 284, 1-42.
- Buss, T. and M. Popovich. (1990) 101 Ideas for Stimulating Rural Entrepreneurship and New Business Development. *Economic Development Review*. 26-32.
- CFED. (2007) *2007 Overview: Development Report Card for the States*. Washington, D.C.: CFED.
- Dabson, K., D. Macke and D. Markley. (2007) *Energizing an Entrepreneurial Economy*. The Center for Rural Entrepreneurship, Lincoln, NE.
- Dabson K. and D. Markley. (2007) *Innovative Approaches to Entrepreneurial Development* [Brochure]. The Center for Rural Entrepreneurship, Lincoln, NE.
- Fairlie, R.W. (2005) "Kauffman Index of Entrepreneurial Activity." Ewing Marion Kauffman Foundation.
- Frear, D. (2007) Rural Female Entrepreneurs: A Demographic Study in Rural Pennsylvania. *Journal of Business and Public Affairs*. 1, 1-8.

- Freshwater, D. (2001) Delusions of Grandeur: The Search for a Vibrant Rural America. *Staff Paper. 01-07*, 1-11.
- Glaeser, E.L. (2007) "Entrepreneurship and The City." Harvard Institute of Economic Research Discussion Paper No. 2140. Available at the Social Science Research Network at <http://ssrn.com/abstract=1001108>.
- Goetz, S.J., and D. Freshwater. (2001) State-Level Determinates of Entrepreneurship and a Preliminary Measure of Entrepreneurial Climate. *Economic Development Quarterly. 15*; 58, 58-70.
- Korsching, P.A. (2004) Local Entrepreneurship: A Development Model Based on Community Interaction Field Theory. *Journal of the Community Development Society*.
- Markley, D. and K. Dabson. (2007) *Approaches to Entrepreneurial Development*. The Center for Rural Entrepreneurship. Lincoln, NE. www.ruraleship.org/content/cr_2/2_000241.pdf.
- Marshall, M. and W. Peake. (2007) "Getting the Most Bang for the Buck: An Analysis of States' Relative Efficiencies in Promoting the Birth of Small Firms." *Small Business Research Summary. 290*, 1-27.
- Mazero, M. (2007) Growing Number of States Considering a Key Corporate Tax Reform. *Center on Budget and Policy Priorities*.
- National Governor's Association (NGA) Center for Best Practices. (2004) *A Governor's Guide to Strengthening State Entrepreneurship Policy*. Washington, D.C.
- North American Free Trade Agreement (NAFTA). (2009) Retrieved March 12, 2009 from United States Department of Agriculture at www.fas.usda.gov/itp/Policy/nafta/nafta.asp.
- Office of Thrift Supervision. (1995) *Best Practices in Rural Development*. Washington, DC.
- State Tax Fairness: Throwback Rule. Retrieved March 9, 2009, from New Rules website at <http://newrules.org/retail/tax-fairthrowback.html>.
- The Center for Rural Pennsylvania. (2009) *About Rural Pennsylvania*. Retrieved May 12, 2009 from <http://www.ruralpa.org/about.html#7>.
- U.S. Congress. (2007) The Impact of the FY 2007 Budget on Rural Small Businesses. <http://www.house.gov/smbiz/democrats/Reports/fy07ruralreport.pdf>
- Velázquez, N. (2006) The Impact of the FY 2007 Budget on Rural Small Business. Report by the House Small Business Committee, 1-26.
- W. K. Kellogg Foundation and Corporation for Enterprise Development. (2004) *Mapping Rural Entrepreneurship*. Battle Creek, MI.
- Ward, S. and M. Wood. (2007) Towards a Fair Pennsylvania Corporate Income Tax System. *Pennsylvania Budget and Policy Center*. 1-4.
- West Virginia Center on Budget and Policy. (2008). *Combined Reporting: How It Works and Why We Still Need It*. Charleston, WV.

Glossary of Rural Small Business Providers

Ben Franklin Technology Centers

The centers work to strengthen Pennsylvania's entrepreneurial development and technological innovation by delivering resources for technology-driven enterprises. (Source: <http://benfranklin.org>.)

Business Retention and Expansion Program (BREP)

BREP works to forge better working relationships and stronger collaboration among various public, private, state and local economic development organizations to enhance the efficiency and effectiveness of retaining and growing existing Pennsylvania businesses. (Source: www.newpa.com/build-your-business/expand/expert-assistance/brep/index.aspx.)

eBizITPA

eBizITPA assists Pennsylvania businesses and organizations with understanding, using and develop-

ing information technologies to grow the economy by: providing resources to enable company formation and growth; developing technology talent and expertise; and facilitating collaborative efforts to stimulate innovation. (Source: www.ebizitpa.org/about/index.asp.)

Governors Action Team

The team is a single point of contact for businesses that are considering Pennsylvania as a site for a facility location or expansion. It works with domestic and international businesses and professional site consultants on projects involving significant investment and job creation opportunities. (Source: www.newpa.com/build-your-business/locate/assistance-services/governors-action-team/index.aspx.)

Industrial Resource Center Network

The network represents seven private, non-profit

Industrial Resource Centers located throughout the commonwealth. The centers were established to help small- and medium-sized manufacturing enterprises respond to changing markets, new technology and the competitive pressures of today's global economy. (Source: www.pairc.net/about.asp.)

Pennsylvania CareerLink

CareerLink, under the Pennsylvania Department of Labor and Industry, is a collaborative project between multiple agencies to provide career services to Pennsylvania employers, potential employees, and others. Offices and access points are located in each of Pennsylvania's 67 counties. (Source: www.cwds.state.pa.us.)

Pennsylvania Chamber of Business and Industry

The Pennsylvania Chamber is the statewide advocate for business and is the largest broad-based business association in Pennsylvania. (Source: www.pachamber.org.)

Pennsylvania Department of Community and Economic Development (DCED)

DCED helps foster opportunities for businesses and communities so that they may succeed and thrive in a global economy. (Source: www.newpa.com/what-can-pa-do-for-you/about-dced/index.aspx.)

Pennsylvania Procurement Technical Assistance Centers (PA PTAC)

PA PTACs are part of a congressionally authorized initiative to assist businesses in marketing their goods and services to the U.S. Department of Defense, other federal agencies, and state and local governments. (Source: <http://jari.com/paptac>.)

Pennsylvania Small Business Development Centers (SBDCs)

SBDCs help to grow the economy of Pennsylvania by providing entrepreneurs with the education, information and tools necessary to build successful businesses. SBDCs are a network of 18 university-based centers and more than 90 outreach locations. (Source: www.pasbdc.org/index/about/default.asp.)

Pennsylvania Technical Assistance Program (PennTAP)

PennTAP engages, guides, and empowers businesses and organizations throughout the commonwealth and beyond by providing objective and experience-based technical and workforce solutions that enable clients to succeed and thrive, stimulating economic growth for Pennsylvania. (Source: www.penntap.psu.edu.)

Pennsylvania Tourism Office

The office, under DCED, develops and implements strategies that grow Pennsylvania travel and tourism. (Source: www.visitpa.com/contact-us/index.aspx.)

Service Core of Retired Executives (SCORE)

SCORE is a nonprofit association dedicated to educating entrepreneurs and the formation, growth and success of small business nationwide. It is a resource partner with the U.S. Small Business Administration (SBA). (Source: www.score.org/explore_score.html.)

U.S. Department of Agriculture (USDA) Rural Development

Rural Development works to eliminate substandard housing from rural America, creates jobs by funding the growth and creation of rural businesses and co-operatives, helps rural communities build or improve community facilities and build or extend utilities. Assistance includes direct or guaranteed loans, grants, technical assistance, research and educational materials. (Source: www.rurdev.usda.gov/rd/aboutrd.html.)

U. S. Small Business Administration (SBA)

SBA is an independent agency of the federal government that aids, counsels, assists and protects the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the nation. (Source: www.sba.gov/aboutsba/index.html.)

Workforce and Economic Development Network of Pennsylvania (WEDnetPA)

WEDnetPA was created to make companies across Pennsylvania more competitive by updating and improving the skills of their employees to meet specific company needs. It is an alliance of educational providers - including Pennsylvania's 14 State System universities, Pennsylvania's 14 community colleges and other educational providers - that acts as the delivery mechanism for the commonwealth's Guaranteed Free Training (GFT) program. (Source: www.wednetpa.com/about/.)

**The Center for Rural Pennsylvania
Board of Directors**

Senator John R. Gordner
Chairman

Representative Tina Pickett
Vice Chairman

Senator John Wozniak
Treasurer

Dr. Nancy Falvo
Clarion University
Secretary

Representative Tim Seip

Dr. Theodore R. Alter
Pennsylvania State University

Dr. Stephan J. Goetz
Northeast Regional Center for Rural Development

Dr. Keith T. Miller
Lock Haven University

Dr. Robert F. Pack
University of Pittsburgh

William Sturges
Governor's Representative

Dan A. Surra
Governor's Representative



The Center for Rural Pennsylvania
625 Forster St., Room 902
Harrisburg, PA 17120
Phone: (717) 787-9555
Fax: (717) 772-3587
www.rural.palegislature.us
1P0410 – 400