

THE RUSHMORE STATE – CARVING OUT A BUSINESS PROFILE

2017 SOUTH DAKOTA SMALL BUSINESS NEEDS ASSESSMENT RESULTS



A REPORT BY
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SOUTH DAKOTA STATE UNIVERSITY AND CENTER FOR RURAL AFFAIRS



South Dakota
State University

Sociology & Rural Studies
&
Rural Life and Census Data Center



CENTER *for*
RURAL AFFAIRS

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CONTENTS

1	I. About the partnering organizations	6	C. Financing needs
1	A. Center for Rural Affairs	10	D. Number of employees
1	B. South Dakota State University Department of Sociology and Rural Studies	11	E. Business needs: startup
2	II. About the co-authors	14	F. Business needs: current
2	A. Patricia B. Ahmed, Ph.D.	14	G. Gross sales
2	B. Dena R. Beck	15	H. Business growth inhibitors
2	III. Partners	17	I. Training and technology
2	IV. Survey methodology	18	VII. Lender and resource provider responses
3	V. Who responded to the survey?	19	A. Business needs
5	VI. Business owner and aspiring business owner responses	19	B. Training needs
5	A. Demographics	21	VIII. Conclusion
6	B. Business categories	21	IV. Acknowledgements

FIGURES AND TABLES

3	Figure 1. Responses by county	12	Figure 14. Startup difficulties – business owners and aspiring business owners
4	Figure 2. Responses by gender	13	Figure 15. Current business needs – business owners and aspiring business owners
4	Figure 3. Responses by race	14	Figure 16. Annual gross sales – business owners and aspiring business owners
5	Figure 4. Population by race in South Dakota, 2016	15	Figure 17. Business growth inhibitors – business owners and aspiring business owners
5	Figure 5. Responses by business affiliation	16	Figure 18. Training needs – business owners and aspiring business owners
6	Figure 6. Demographics – business owners and aspiring business owners	16	Table 2. Changes in size of working population in terms of education and education attainment, 1999-2000 to 2012-2013
6	Figure 7. Type of business – business owners and aspiring business owners	17	Figure 19. Training and assistance delivery methods – business owners and aspiring business owners
7	Figure 8. Financing need within six months – business owners and aspiring business owners	18	Figure 20. Business technology usage – business owners and aspiring business owners
7	Figure 9. Anticipated dollar amount needed within six months – business owners and aspiring business owners	18	Figure 21. Responses by gender – lenders and resource providers
8	Figure 10. Financing need within 6 to 12 months – business owners and aspiring business owners	19	Figure 22. Perceived startup needs identified by lenders and resource providers
9	Figure 11. Anticipated dollar amount needed within 6 to 12 months – business owners and aspiring business owners	20	Figure 23. Perceived current business needs identified by lenders and resource providers
9	Figure 12. Businesses that have secured financing – business owners and aspiring business owners	20	Figure 24. Assistance and training needs identified by lenders and resource providers
10	Figure 13. Number of employees – business owners and aspiring business owners		
10	Table 1. Smaller states with the biggest positive shift in rank – startup activity index		

I. ABOUT THE PARTNERING ORGANIZATIONS

The Center for Rural Affairs and the South Dakota State University Department of Sociology and Rural Studies worked collaboratively in writing this report. South Dakota State University Department of Sociology and Rural Studies is available to present data. Other partnering organizations in South Dakota were instrumental in distributing the survey to desired audiences.

A. CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

Rural Enterprise Assistance Project is a Center for Rural Affairs program that serves microenterprises (businesses with up to 10 full-time equivalent employees) in rural communities in Nebraska. The program has nine staff, mostly located in home-based regional offices, and consists of four elements: credit (loans), technical assistance (business coaching), networking, and training.



The city of Brookings, South Dakota, is located in Brookings County, one of 61 counties represented in the 2017 South Dakota Small Business Needs Assessment. | Photo submitted by Brookings Area Chamber of Commerce

Working hand-in-hand with Rural Enterprise Assistance Project, the Rural Investment Corporation is a Center for Rural Affairs subsidiary. The Rural Investment Corporation is a certified Community Development Financial Institution with a mission to provide financing and technical assistance in support of community development, including startup and expansion of small businesses, creation of jobs and other community assets, and to improve access to services and ownership opportunities, especially for low-income or otherwise disadvantaged people.

Community Development Financial Institutions are privately run and are dedicated to delivering responsible, affordable lending. Each institution helps low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.

B. SOUTH DAKOTA STATE UNIVERSITY DEPARTMENT OF SOCIOLOGY AND RURAL STUDIES

The South Dakota State University Department of Sociology and Rural Studies¹ has a long, proud history of service and educational excellence. In keeping with its land-grant mission, the department is active in education, research, and outreach.

Faculty are engaged in a wide range of research efforts, from microlevel symbolic interactional research to efforts measuring community change to studying the impact of conservation programs. Currently, the department is working with the Bush Foundation, the Wilder Foundation, and the Black Hills Knowledge Network to develop a statewide online database on key community needs.

Members of the department participate in a variety of community and regionally focused projects. Recently, sociology students and faculty provided support for a series of community reading events around the issues raised in “Hollowing out the Middle: The Rural Brain Drain and What It Means for America” by Patrick Carr and Maria Kefalas. Other faculty and students are conducting research to look at factors contributing to young people coming home or returning to rural areas after completing their education.

In addition, the department houses a statewide Census Data Center, which provides information from the census and other databases to faculty, students, policymakers, and community and organizational leaders.

1 “About the Sociology Department.” South Dakota State University, 2018, sdstate.edu/sociology-rural-studies/about-sociology. Accessed March 2018.

II. ABOUT THE CO-AUTHORS

A. PATRICIA B. AHMED, PH.D.

Patricia B. Ahmed, Ph.D. is a faculty member with South Dakota State University's Department of Sociology and Rural Studies. Her educational background includes a bachelor's degree, master's degree, and Ph.D. in sociology from University of California, Los Angeles. Her research interests include cross-cultural sociology, economic development, statistical methods, and globalization. In conjunction with these interests, she has worked in South Asia and North Africa. Prior research involved assessing the business needs of South Asian entrepreneurs in Artesia, California.

Dr. Ahmed served as the president of the Great Plains Sociological Association from 2015 to 2016 and remains actively involved in the organization. A passionate teacher, she received the University Center Teaching Excellence Award and the Great Plains Sociological Excellence in Teaching Award.

Other recognitions include the Social Science History Association's Founder's Prize for best article (with Rebecca Emigh and Dylan Riley) and an honorable mention for the American Sociological Association's Comparative/Historical Sociology Section Barrington Moore Award (with Emigh and Riley).

She is originally from southern California, but now lives in Brookings, South Dakota, and enjoys small-town life.

B. DENA R. BECK

Dena R. Beck is a loan specialist and senior project leader with the Center for Rural Affairs' Rural Enterprise Assistance Project and Rural Investment Corporation. She is the creator of the original Small Business Needs Assessment survey and is one of several hard-working, mission-driven loan specialists working in rural Nebraska.

She has worked with small businesses in rural communities for more than 17 years. Beck has created a Rural Enterprise Assistance Project Loan Exit Survey, Business Plan Basics Boost Loan, and Board Exit Survey. She also played a significant role in preparing the Rural Investment Corporation in becoming a certified Community Development Financial Institution. Other accomplishments include receiving the Partnership for Rural Nebraska's Connecting Nebraska Award, Small Business Administration's Financial Champion Award for the 3rd District of Nebraska, and Nebraska

Association of Elementary Principals' Award of Excellence (Financial Literacy Program).

Beck's professional affiliations include Nebraska Economic Developers' Association (member of education and new member committees); South Platte United Chambers of Commerce (member, former president, and central Nebraska representative); PK (Phelps and Kearney counties) Partnership Coalition (member); Nebraska Development Network-Central Region (secretary and former president); and Nebraska Judicial Nominating Commission – 10th District Court alternate.

Her educational background includes University of New Hampshire Carsey School of Public Policy's certificate in community development finance, Peru State College master's degree in organizational management with minors in entrepreneurship and economic development, Heartland Economic Development course certificate, Kansas State University bachelor's degree in horticultural therapy, Lombard Mennonite Peace Center certificate in conflict resolution, and PK Area Leadership Course graduate.

Beck and her husband, David, an emergency room registered nurse, returned to their hometown of Minden, Nebraska. Their family includes two daughters and many animals, on 20 acres.

III. PARTNERS

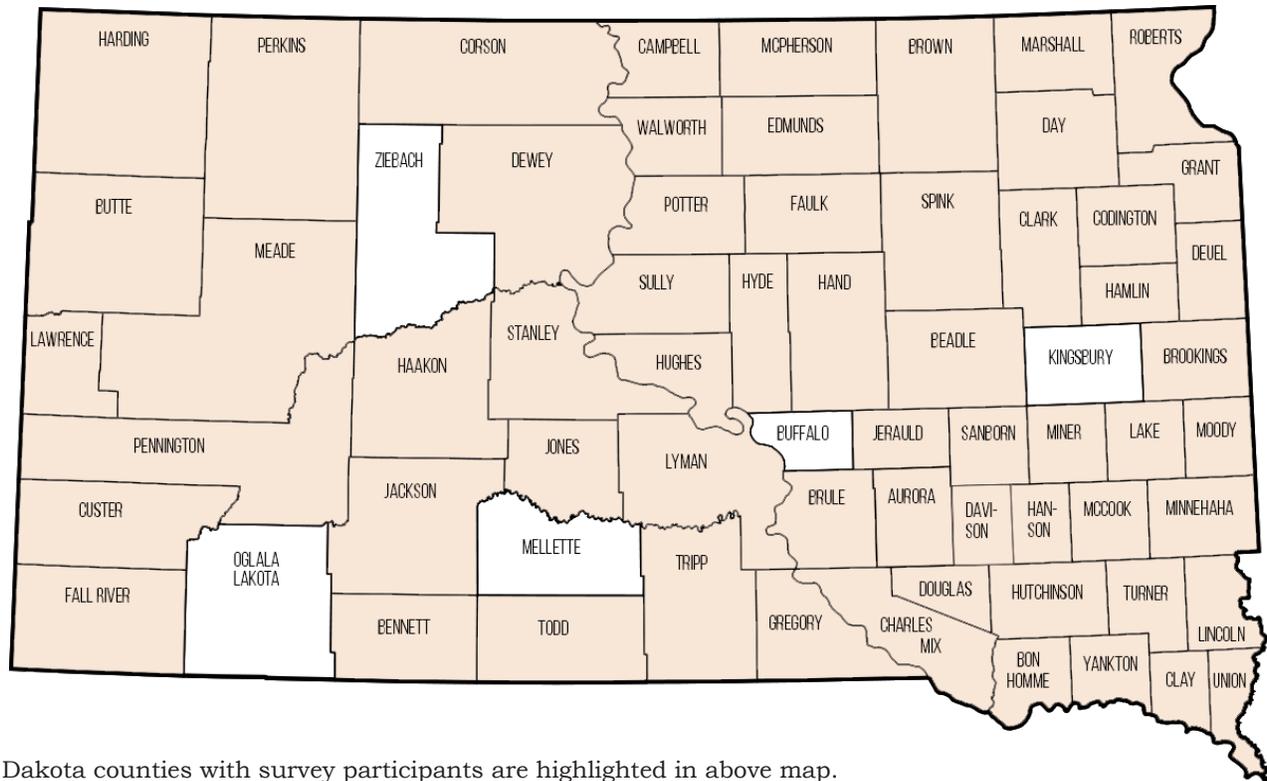
The following organizations were instrumental in customizing the South Dakota survey as well as distributing it to businesses and those who serve them:

- Dakota Resources (dakotaresources.org); and
- East River Electric's Rural Electric Economic Development, Inc. (REED) (eastriver.coop/reed).

IV. SURVEY METHODOLOGY

The South Dakota Small Business Needs Assessment survey is modeled after a fifth in a series of biennial surveys in Nebraska. The first survey in 2008 began with, *How do we know we are offering the products and services that businesses need?*

FIGURE 1. RESPONSES BY COUNTY



South Dakota counties with survey participants are highlighted in above map.

The self-administered survey in South Dakota was available Feb. 15 through May 5, 2017, and was delivered in a variety of ways: shared on various listservs; broadcast from South Dakota resource providers; and through chambers of commerce, lenders, the South Dakota Governor’s Office of Economic Development, and other organizations.

This survey, which has an eight-year track record in Nebraska, focuses on South Dakota.

The Small Business Needs Assessment survey was introduced to Nebraska in 2008. The intention of the survey was to study Center for Rural Affairs’ Rural Enterprise Assistance Project clients. Organizers invited participation from clients, other business owners, aspiring business owners, and those who work with all entrepreneurs. The survey has been administered biennially in Nebraska since 2008. This is the second survey conducted in another state.

Questions from the Nebraska survey were used, with South Dakota-specific questions added. This survey is unique because it asks businesses, as well as those who serve them, what businesses need.

The results will be used to assess the needs of South Dakota businesses and identify strengths and areas that need attention.

This survey has also been implemented in Kansas. The assessment was created in Survey Monkey and contained both multiple choice and open-ended questions. Due to rounding, percentage totals may not equal 100 percent.

V. WHO RESPONDED TO THE SURVEY?

The survey had 423 respondents, with 333 from businesses and aspiring businesses, and 89 from business service providers, such as economic developers, chambers of commerce, lenders, etc. Respondents represent 92 percent of South Dakota counties. See Figure 1.

FIGURE 2. RESPONSES BY GENDER

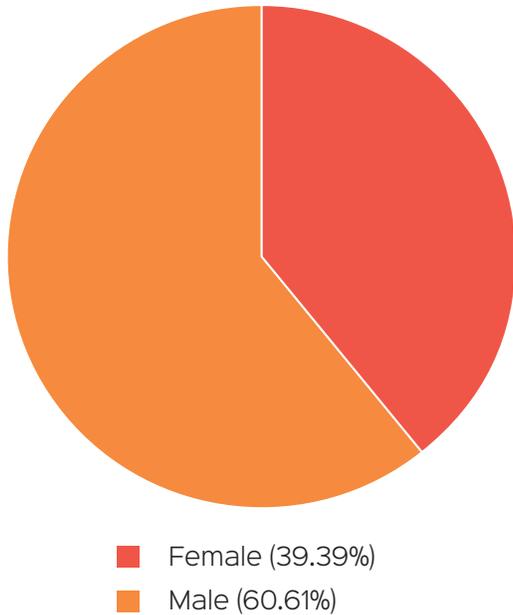
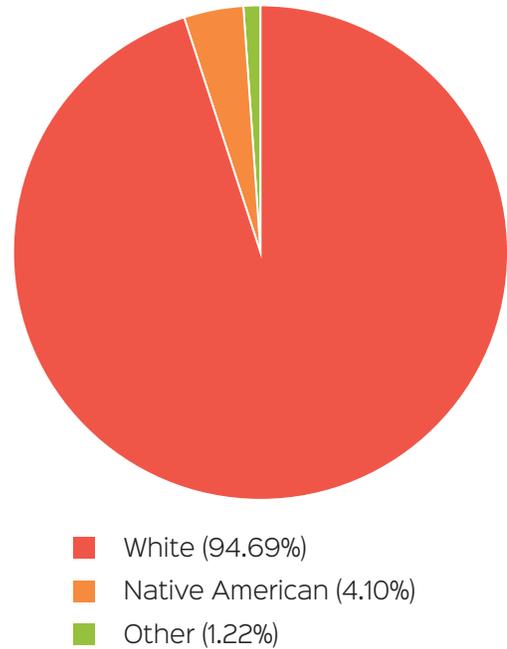


FIGURE 3. RESPONSES BY RACE



Respondents were from both rural and urban areas. The average age of the business owner was 52 years old. Figure 2 shows the gender breakdown of survey respondents. Most respondents were male; about 61 percent compared to 39 percent female.

Figure 3 shows the racial identification of respondents. Most respondents identified as white (94.69 percent), followed by Native American (4.10 percent), and other (1.22 percent). Figure 4 on page 5 displays the racial composition of South Dakota, taken from the U.S. Census Bureau’s 2016 QuickFacts page for South Dakota.² That data suggests that 3.7 percent of South Dakotans are ethnically Hispanic/Latino; however, none of the survey respondents self-identified as such.

These differences perhaps reflect the fact that, as of 2014, the U.S. Small Business Administration

Office of Advocacy found only 4.3 percent of self-employed persons in South Dakota were minorities.³ While these data show growing ethnic/racial representation in business ownership, our findings show marked discrepancies, suggesting this remains an area of opportunity in the state.

Figure 5 on page 5 shows the business affiliation of survey participants. Most respondents, nearly 77 percent, identified as business owners; around 2 percent were aspiring business owners. About 21 percent of respondents were lenders and resource providers (those who assist businesses and entrepreneurs, not business owners).

We aspired to have businesses represent at least 50 percent of respondents. We achieved this goal. Analyzing data from people who serve businesses is also important to best understand needs in the state.

2 “QuickFacts: South Dakota.” U.S. Census Bureau, 2016, [census.gov/quickfacts/SD](https://www.census.gov/quickfacts/SD). Accessed March 2018.

3 “Small Business Profile: South Dakota.” U.S. Small Business Administration Office of Advocacy, 2016, [sba.gov/sites/default/files/advocacy/SouthDakota.pdf](https://www.sba.gov/sites/default/files/advocacy/SouthDakota.pdf). Accessed March 2018.

VI. BUSINESS OWNERS AND ASPIRING BUSINESS OWNER RESPONSES

To identify differences and similarities between businesses and those who serve them, the survey used two sets of questions: one directed at business owners; the other at business providers. This section focuses on responses from 333 business owners or aspiring business owners.

A. DEMOGRAPHICS

As shown by Figure 6 on page 6, business owners who responded (77 percent of total respondents) identified themselves in the following stages of business:

- 73.38 percent existing (at the business for more than one year);
- 21.16 percent transitioning (within 10 years of exiting the business);
- 4.10 percent new (within the first year of business); and
- 1.37 percent preventure (startup stage).

FIGURE 4. POPULATION BY RACE IN SOUTH DAKOTA, 2016

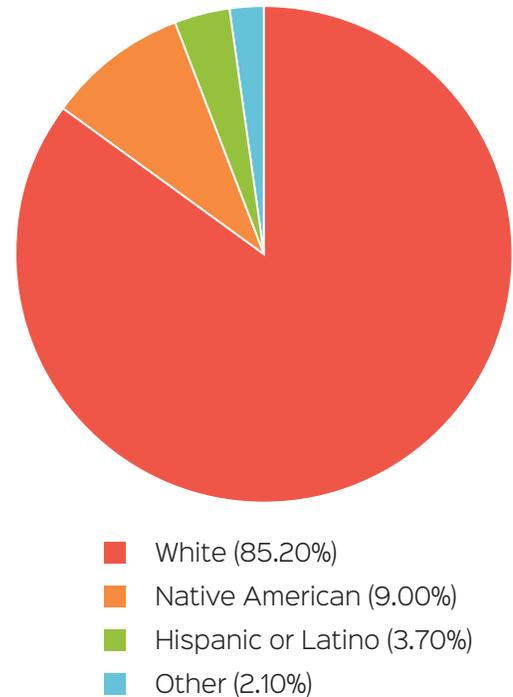
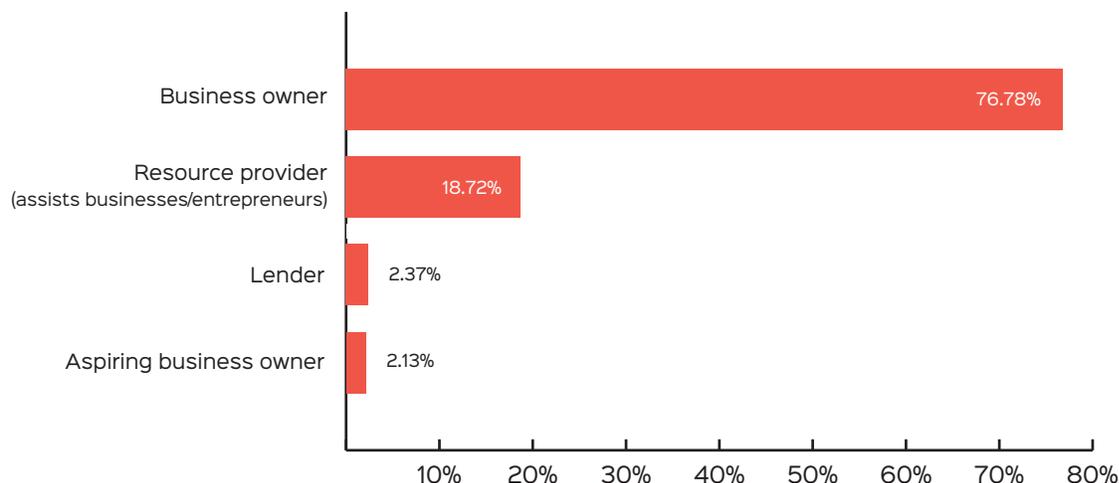


FIGURE 5. RESPONSES BY BUSINESS AFFILIATION



B. BUSINESS CATEGORIES

Of the business owners who answered,⁴ service businesses were the most prevalent, with retail a close second. See Figure 7.

Business categories cited were:

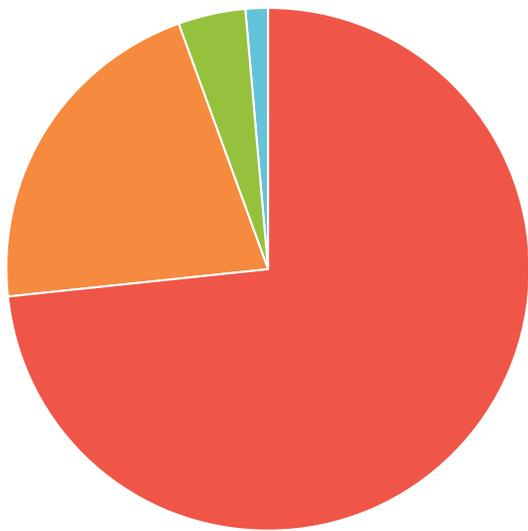
- 136 service;
- 119 retail;
- 15 agriculture;
- 13 construction; and
- 10 manufacturing.

C. FINANCING NEEDS

The survey asked if the business had a financing need within the next six months or the next 6 to 12

4 Thirty-one business owners skipped this question.

FIGURE 6. DEMOGRAPHICS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



- Existing (at the business for more than one year) (73.38%)
- Transitioning (within 10 years of exiting the business) (21.16%)
- New (within the first year of business) (4.10%)
- Preventure (startup stage) (1.37%)

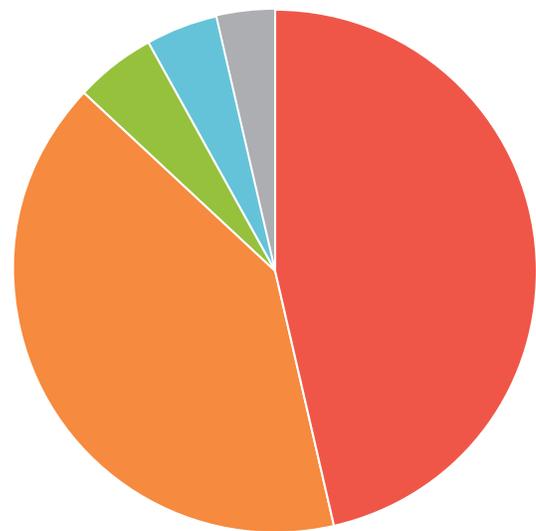
months, and the anticipated dollar amount needed. Respondents were also asked if they had business financing secured.

Figure 8 on page 7 shows whether or not business owners or aspiring owners will need financing within the next six months. About 39 percent of respondents, 111 respondents, answered yes or unsure to a financing need within six months, and were asked the anticipated dollar amount needed in the next six months.

Nearly 76 percent need a loan size of \$150,000 and less (the size of loans offered by the Center for Rural Affairs). See Figure 9 on page 7. Of respondents who need \$150,000 or less, nearly half (about 49 percent) fit into the microloan range of \$50,000 and less, which can be difficult to obtain from a traditional lender.⁵

5 Traditional lender information was derived from a Center for Rural Affairs study completed in 2013.

FIGURE 7. TYPE OF BUSINESS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



- Service (46.42%)
- Retail (40.61%)
- Agriculture (5.12%)
- Construction (4.44%)
- Manufacturing (3.41%)

Anticipated needs within the next six months:

- 6.36 percent responded with \$10,000 or less;
- 20.91 percent responded with \$10,001 to \$25,000;
- 20.00 percent responded with \$25,001 to \$50,000;
- 7.27 percent responded with \$50,001 to \$75,000;
- 9.09 percent responded with \$75,001 to \$100,000;
- 11.82 percent responded with \$100,001 to \$150,000;
- 0.91 percent responded with \$150,001 to \$200,000;
- 2.73 percent responded with \$200,001 to \$250,000; and
- 20.91 percent responded with \$250,001 to \$300,000.

None of the respondents indicated a need of more than \$300,000.

FIGURE 8. FINANCING NEED WITHIN SIX MONTHS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS

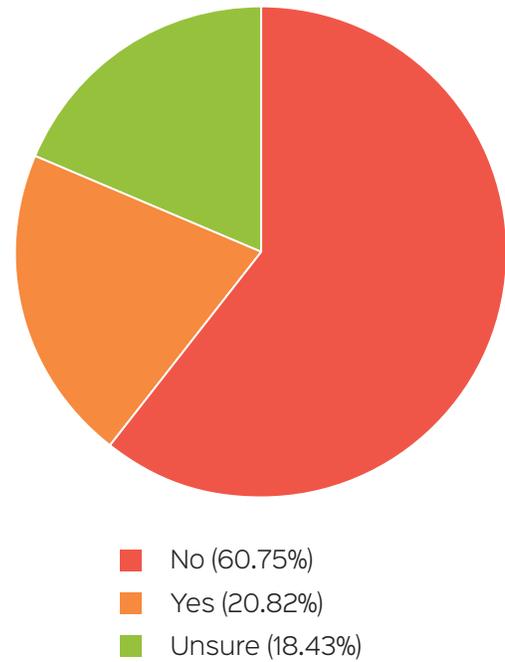
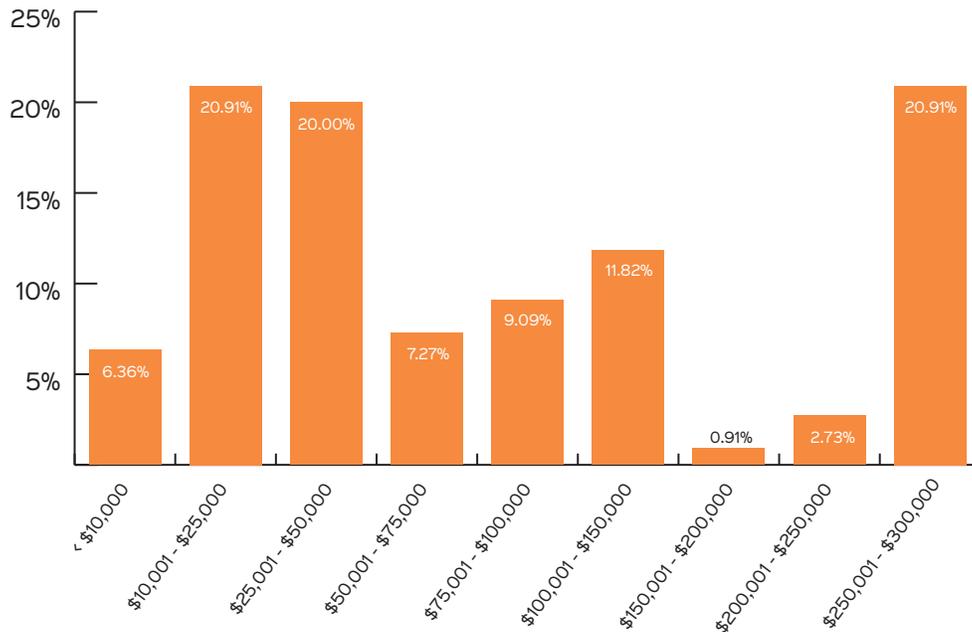


FIGURE 9. ANTICIPATED DOLLAR AMOUNT NEEDED WITHIN SIX MONTHS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS





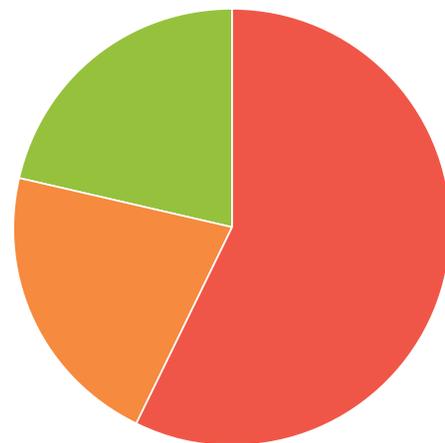
Small business owners across South Dakota counties were asked to participate in the 2017 South Dakota Small Business Needs Assessment. This photo features downtown Vermillion, South Dakota, which is located in Clay County. | Photo by Rhea Landholm

Next, the survey asked, *Do you anticipate a financing need in the next 6 to 12 months for your business?* Answers to the *unsure* option increased about 3 percent, the *yes* option 0.56 percent, while the *no* option decreased by about 3.5 percent. See Figure 10.

Figure 11 on page 9 shows the anticipated dollar amount needed within 6 to 12 months. The data show a greater diversity of financing needs, ranging from less than \$10,000 to more than \$500,000. As was the case with current financing needs, most, or about 66 percent, anticipate funding needs of \$150,000 or less. Nearly 38 percent of respondents project needing \$50,000 or less, placing them in the aforementioned “difficult to obtain microloan” category.

When asked whether or not financing was secured for their business needs, about 30 percent responded either they did not have financing secured or they were unsure. See Figure 12 on page 9. This identifies an opportunity for South Dakotans who provide technical assistance and counseling to help business owners prepare to seek financing.

FIGURE 10. FINANCING NEED WITHIN 6 TO 12 MONTHS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



- No (57.24%)
- Yes (21.38%)
- Unsure (21.38%)

FIGURE 11. ANTICIPATED DOLLAR AMOUNT NEEDED WITHIN 6 TO 12 MONTHS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS

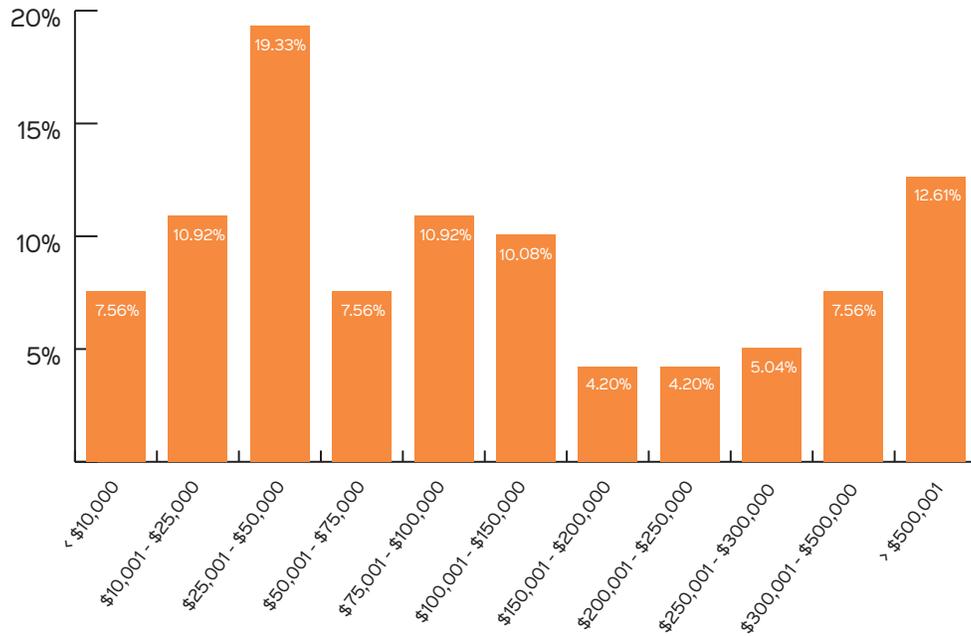


FIGURE 12. BUSINESSES THAT HAVE SECURED FINANCING – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS

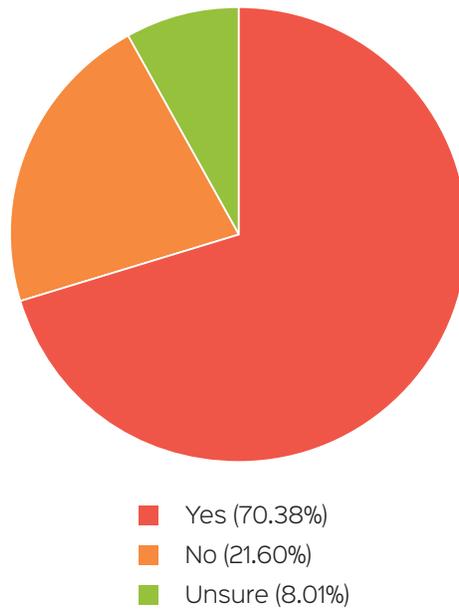
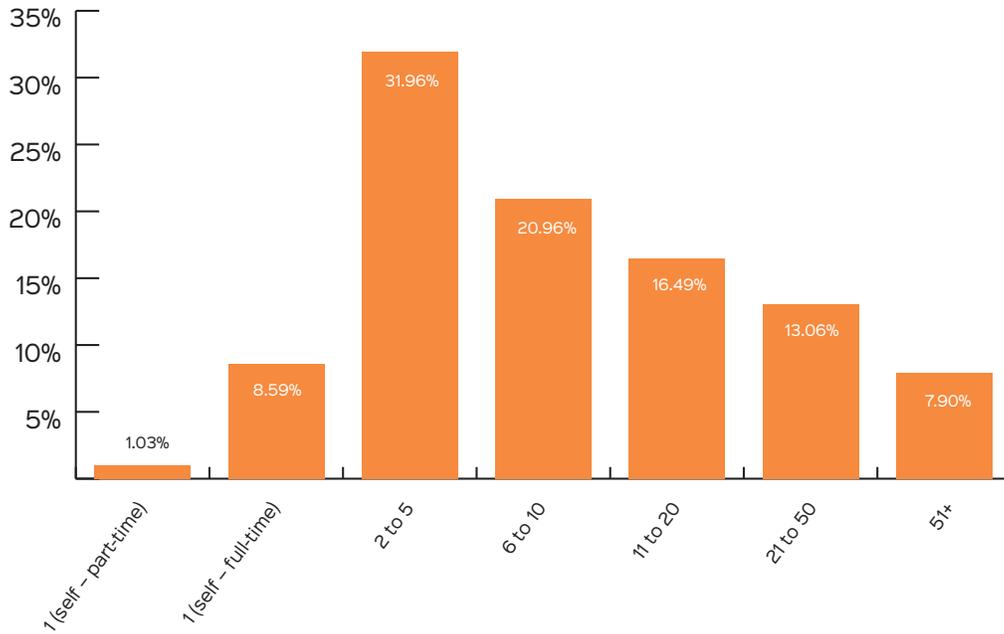


FIGURE 13. NUMBER OF EMPLOYEES – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



D. NUMBER OF EMPLOYEES

Figure 13 shows the number of employees in survey respondents’ businesses. The number of employees is important to note when determining financing needs, gross revenue, and other business needs.

The majority of respondents, 31.96 percent, had two to five employees. Approximately 10 percent of respondents employ themselves, either full- or part-time. Nearly 53 percent of businesses were micro-enterprises (defined as those with 10 or fewer full-time equivalent employees).⁶

Microenterprises represent 92 percent of all U.S. businesses. These businesses largely impact job growth; they contributed to the creation of more than 26 million jobs in 2017, the most of

6 Headd, Brian. “Small Business Facts: The Role of Microbusiness Employers in the Economy.” U.S. Small Business Administration Office of Advocacy, August 2017, sba.gov/sites/default/files/508FINALAug17Microbusiness.pdf?utm_medium=email&utm_source=govdelivery. Accessed March 2018.

any industry. They also had a part in establishing 1.9 million indirect jobs and 13.4 million induced jobs.⁷

7 “Microbusiness vs. Small Business.” Small Business Bank, 2016. smallbusinessbank.com/about/micro-vs-small-business/. Accessed March 2018.

TABLE 1. SMALLER STATES WITH THE BIGGEST POSITIVE SHIFT IN RANK – STARTUP ACTIVITY INDEX

State	Rank 2017	Rank 2016	Change
Wyoming	3	3	0
Montana	4	1	-3
North Dakota	7	6	-1
South Dakota	10	9	-1
Nebraska	16	14	-2

Job growth is critically dependent on new business formation. Startups and young firms have historically driven and continue to contribute to overall job creation in the U.S.⁸

Table 1 on page 10 shows the Kauffman Index of Startup Activity for smaller states, including South Dakota and its neighbors.⁹ The index is an early indicator of new entrepreneurship in the U.S. The data suggest that South Dakota ranks 10th for startup activity among the 25 smallest states by population. However, it currently lags behind three of its neighbors, Wyoming (ranked 3rd), Montana (ranked 4th), and North Dakota (ranked 7th). South Dakota also fell one position, from 9th

8 “Small Businesses Are Important Players in U.S. Business and Job Growth.” U.S. Small Business Administration, Oct. 29, 2009, sba.gov/advocacy/small-businesses-are-important-players-us-business-and-job-growth. Accessed March 2018.

9 “The Kauffman Index of Startup Activity.” Kauffman Foundation, 2017, kauffman.org/kauffman-index/reporting/startup-activity. Accessed March 2018.

in 2016 to 10th in 2017, suggesting an opportunity exists to spark more business development, to prevent further decline.

E. BUSINESS NEEDS: STARTUP

All business owners, whether a startup or a seasoned business, were asked what their greatest need was while starting up. Respondents could mark all that applied. See Figure 14 on page 12.

The top three responses were *no startup difficulties* (22.01 percent), *workforce* (16.79 percent), and *regulations* (11.57 percent).

Out of the 63 respondents who stated they had no startup difficulties, only three were new businesses (within first year), 37 were existing (more than one year in business), and 15 were transitioning (within 10 years of exiting the business).



Founded in 1859, Jefferson, South Dakota, is home to a variety of small businesses. Jefferson is located in Union County, and is represented by the participants of the 2017 South Dakota Small Business Needs Assessment. | Photo by Rhea Landholm

FIGURE 14. STARTUP DIFFICULTIES – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS

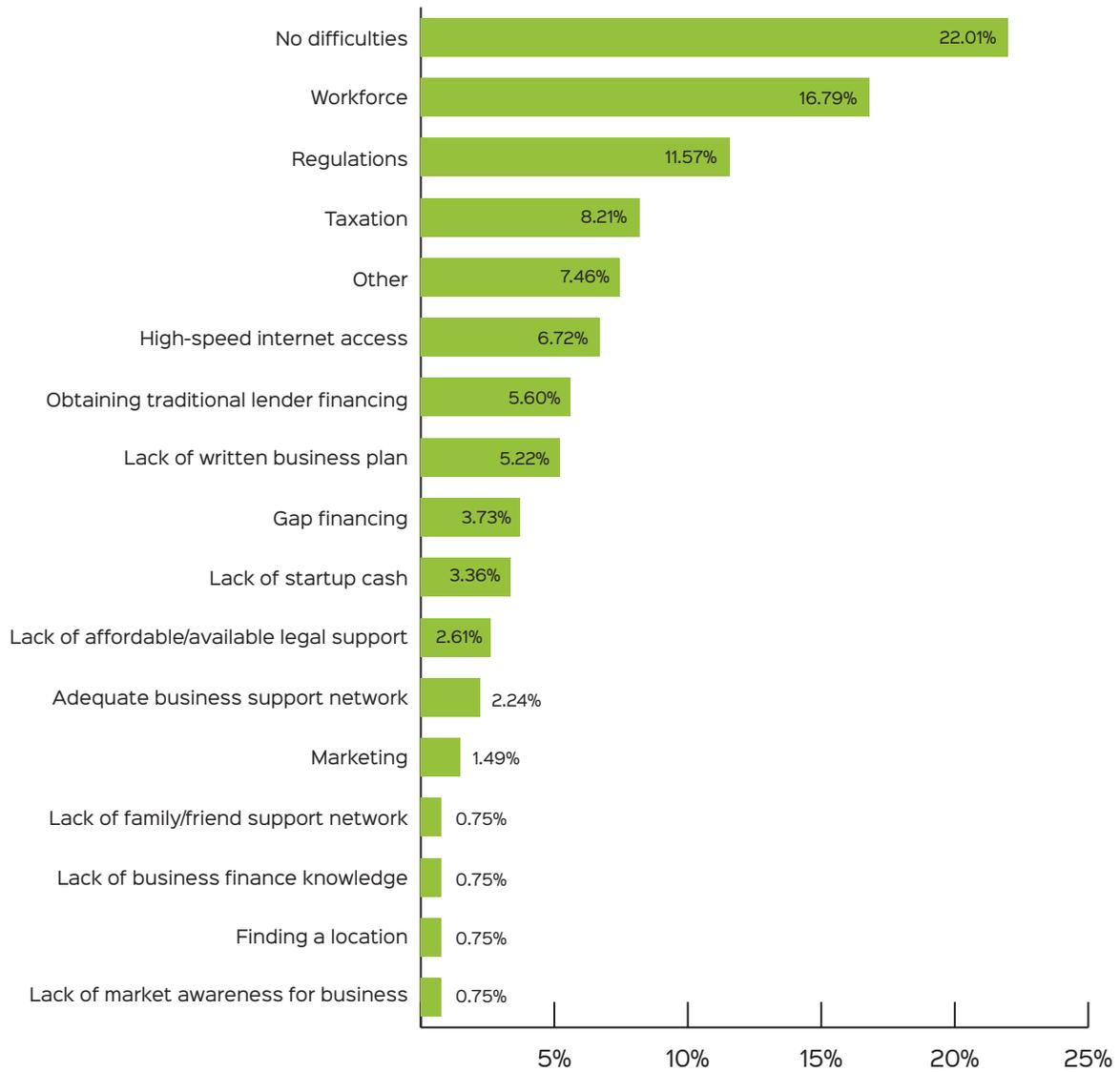


FIGURE 15. CURRENT BUSINESS NEEDS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS

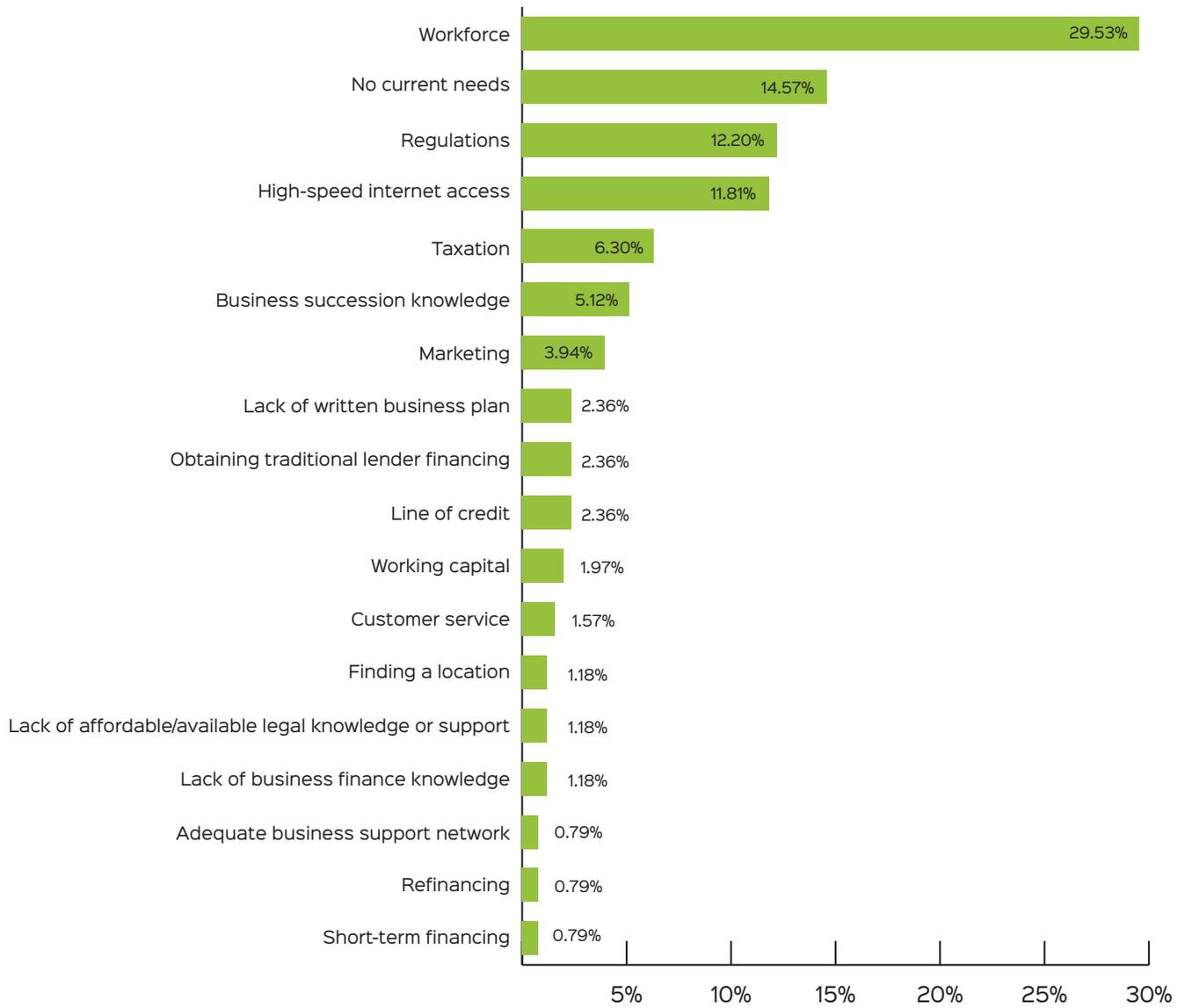
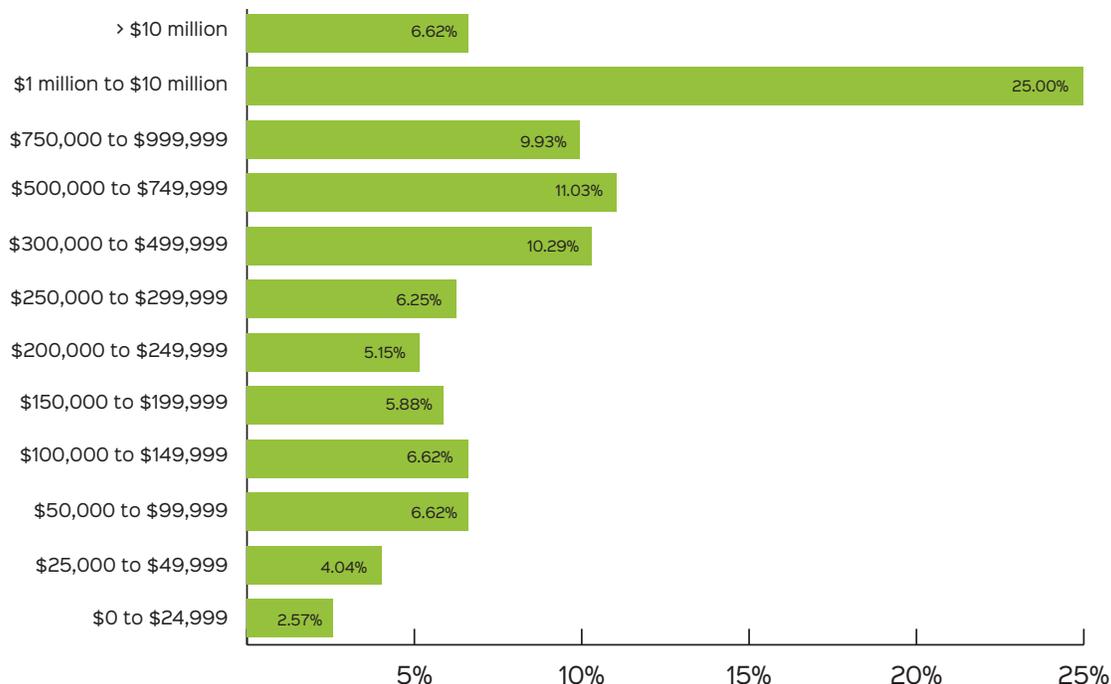


FIGURE 16. ANNUAL GROSS SALES — BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



F. BUSINESS NEEDS: CURRENT

Respondents were asked the greatest current needs of existing or aspiring businesses. They could mark all that applied. See Figure 15 on page 13.

Workforce issues was the most commonly cited current need (29.53 percent), followed by *no current needs* (14.57 percent), *regulations* (12.2 percent), and *high-speed internet access* (11.81 percent).

With respect to workforce issues, *finding quality employees* was the most commonly cited issue. As stated earlier, job growth is critically dependent on new business formation. If businesses do not have the workforce they need, they will struggle to grow. Providers must be aware of this and continue to watch, evaluate, and communicate with businesses to identify their workforce needs.

High-speed internet access is also a concern that needs to be addressed. The internet has transformed the way small businesses operate, communicate with employees, and interact with customers. Research conducted for the U.S. Small Business Administration shows that internet service is key to achieving strategic goals, improving competitiveness and efficiency, reaching customers,

and interacting with vendors.¹⁰ The data further indicate that small business owners find high speed internet access to be as integral to their business as other utilities such as water, sewer, or electricity.

G. GROSS SALES

Annual gross sales were assessed in the survey, with results displayed in Figure 16. About 7 percent of respondents indicated they had sales greater than \$10 million, the highest dollar amount option in the survey.

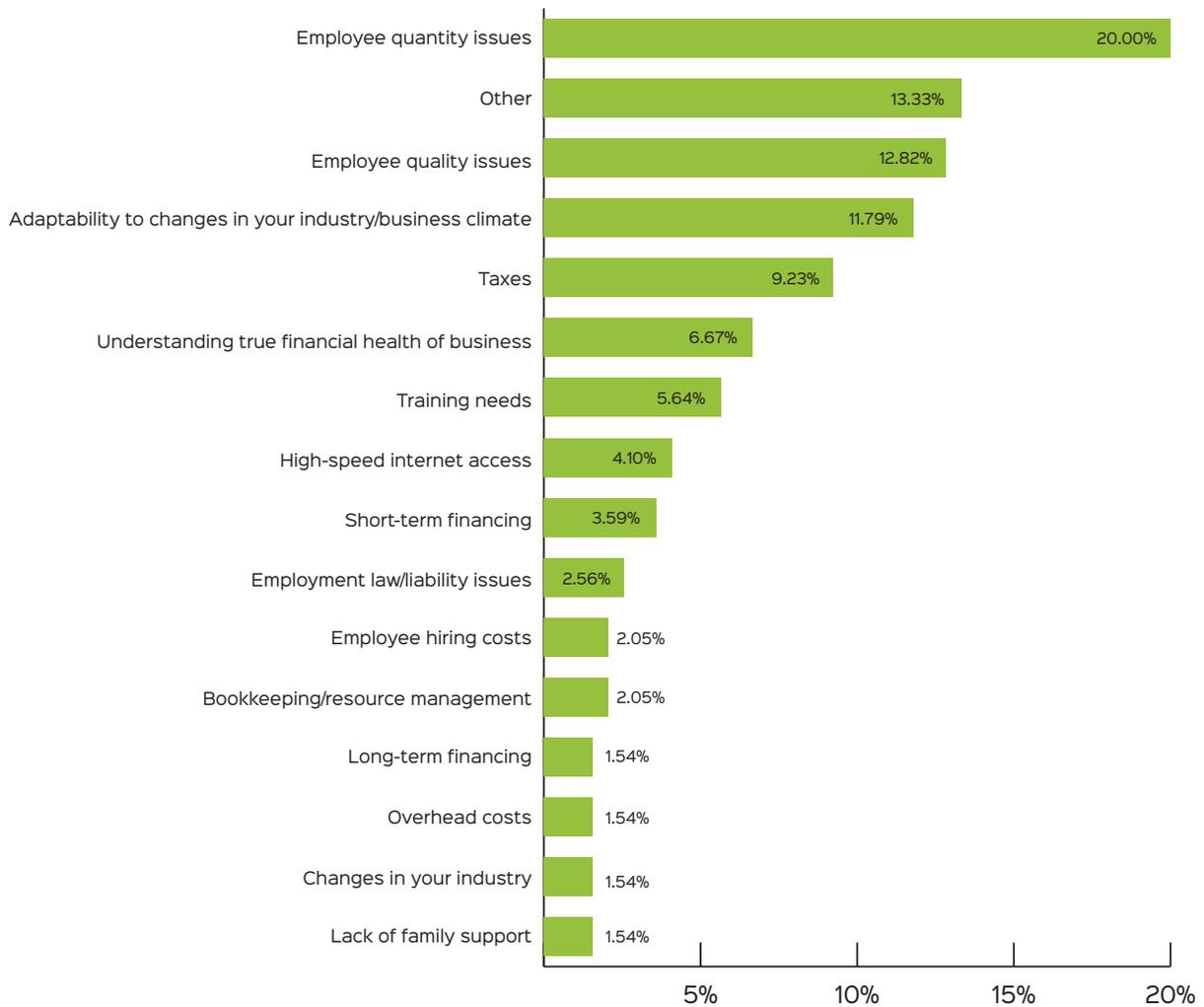
The most reported categories were:

- 25 percent had a gross revenue of \$1 million to \$10 million;
- 11 percent had a gross revenue of \$500,000 to \$749,999; and
- 10 percent had a gross revenue of \$300,000 to \$499,999.

When considering gross sales, remember the majority of businesses responding to the survey had two to five employees and were existing businesses.

¹⁰ “The Impact of Broadband Speed and Price on Small Business.” Columbia Telecommunications Corporation, November 2010, sba.gov/sites/default/files/rs373_tot_0.pdf. U.S. Small Business Administration Office of Advocacy. Accessed March 2018.

FIGURE 17. BUSINESS GROWTH INHIBITORS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



H. BUSINESS GROWTH INHIBITORS

To gauge business growth, we asked, *Oftentimes, we see businesses that want to grow, but for some reason do not. If you are one of those businesses, please offer some insight. Please mark all that apply.* Figure 17 shows the results.

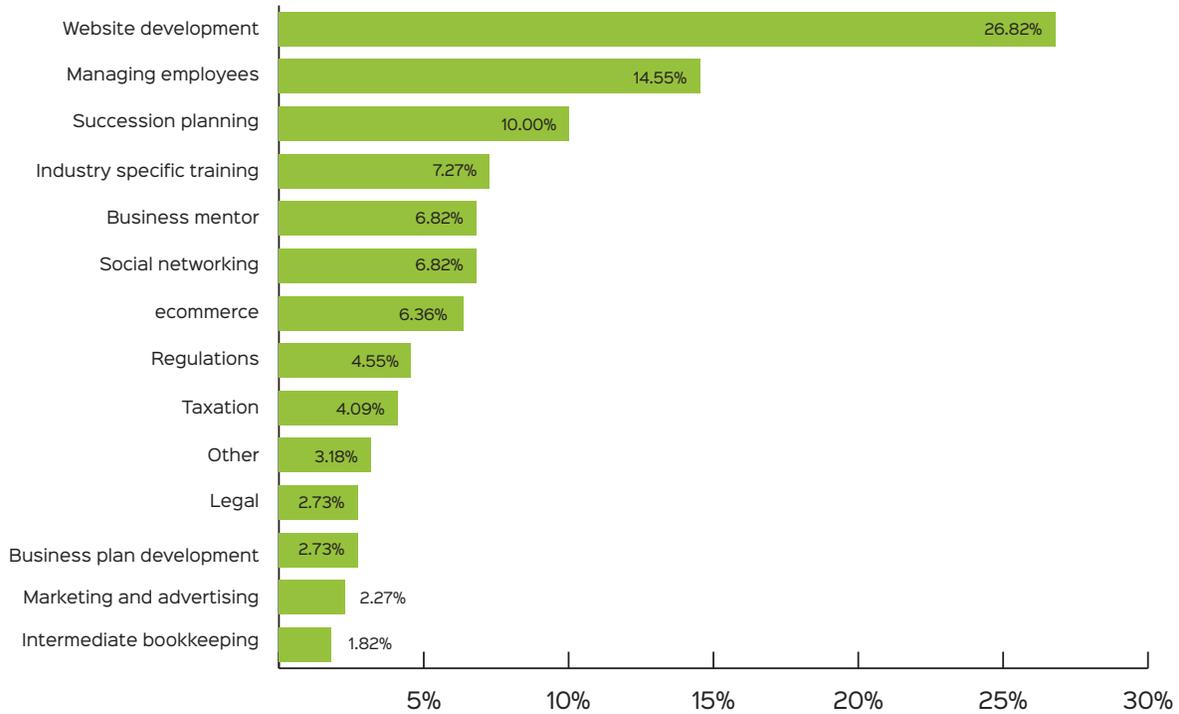
A number of business owners expressed workforce concerns: 20 percent cited employee quantity issues as a growth inhibitor (the top answer); and about 13 percent cited employee quality issues as a hindrance in this regard (the third most popular answer). A 2014 study by Drexel University shows that South Dakota, in particular, has a shortage of skilled workers, especially in jobs that require long

periods of formal education or training.¹¹ The situation is exacerbated by the fact that South Dakota tends to fall below the national average with respect to bachelor degree attainment, as noted in the study.

The workforce issue has far-reaching implications. A business can have a wonderful benefit package, a fair wage, and a nice environment to create a solid foundation. However, if you do not continue

11 Fogg, Neeta and Paul Harrington. “Growth and Change in South Dakota’s Labor Markets.” Drexel University: Center for Labor Markets and Policy, February 2014, dlr.sd.gov/publications/documents/sdwins_sd_labor_markets_may2014.pdf. Accessed March 2018.

FIGURE 18. TRAINING NEEDS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



to provide training, and you do not invest in your workforce, numbers will inevitably decline.¹²

Table 2¹³ shows the changes in labor force size by educational attainment from 1999-2000 to 2012-2013 for the U.S. and South Dakota. South Dakota is falling in several key areas, including some college, bachelor’s degree, and master’s degree or higher. No state can afford to have an uneducated workforce.

Factors that minimally affected business growth (that is, were cited by less than 1 percent of the respondents) were *changes in your industry, regulatory and compliance issues, incomplete business plan, lack of strategic planning for growth, lack or under-utilization of technology, starting/*

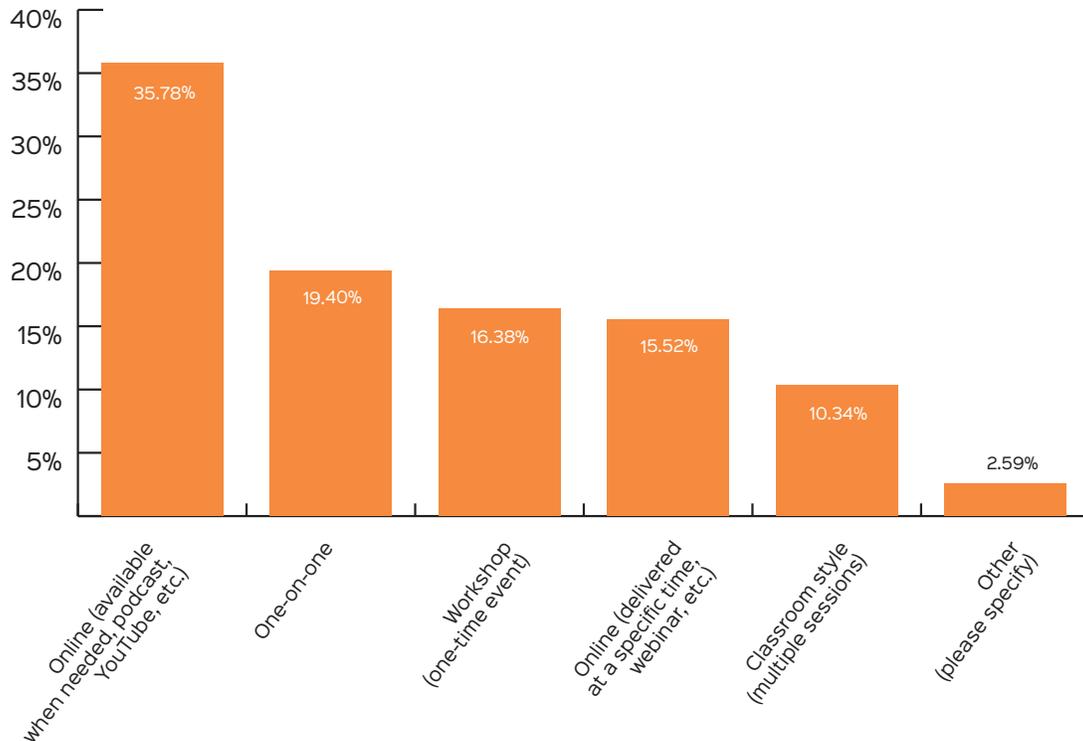
12 Lipman, Victor. “Why Employee Development is Important, Neglected and Can Cost You Talent.” *Forbes*, Jan. 29, 2013, forbes.com/sites/victorlipman/2013/01/29/why-development-planning-is-important-neglected-and-can-cost-you-young-talent/#5dacfc6e6f63. Accessed March 2018.

13 Fogg, Neeta and Paul Harrington. “Growth and Change in South Dakota’s Labor Markets.” Drexel University: Center for Labor Markets and Policy, February 2014, dlr.sd.gov/publications/documents/sdwins_sd_labor_markets_may2014.pdf. Accessed March 2018.

TABLE 2. CHANGES IN SIZE OF WORKING POPULATION IN TERMS OF EDUCATION AND EDUCATION ATTAINMENT, 1999-2000 TO 2012-2013

Education level	U.S.	South Dakota
No high school diploma	-9.5%	-14.1%
High school diploma/ GED	6.6%	6.1%
Some college	16.6%	12.2%
Associate’s degree	49.7%	63.1%
Bachelor’s degree	37.7%	25.4%
Master’s degree or higher	53.2%	39.7%

FIGURE 19. TRAINING AND ASSISTANCE DELIVERY METHODS – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



competing with ecommerce, overhead costs, and long-term financing. These categories were not included in Figure 17 for purposes of quality graphic presentation.

The *other* category included responses of marketing and advertising and costs of technology upgrades.

I. TRAINING AND TECHNOLOGY

Training and technology results are helpful as lenders and programs in South Dakota consider programmatic changes to current services based on survey results.

When asked what types of training and/or assistance business owners would like to have, they were able to mark all that applied.

Website development (26.82 percent) was the most cited training need for South Dakota businesses. *Managing employees* (14.55 percent), and *succession planning* (10.00 percent) were the second and third choices of business owners, respectively. See Figure 18 on page 16. Identifying succession planning as a top need is not surprising, as nearly 20 percent of respondents indicated they were transitioning, or within 10 years of exiting the business (refer to Figure 6, page 6).

Other training and assistance needs included *employee handbook development, specialized software training, and regulatory relief.*

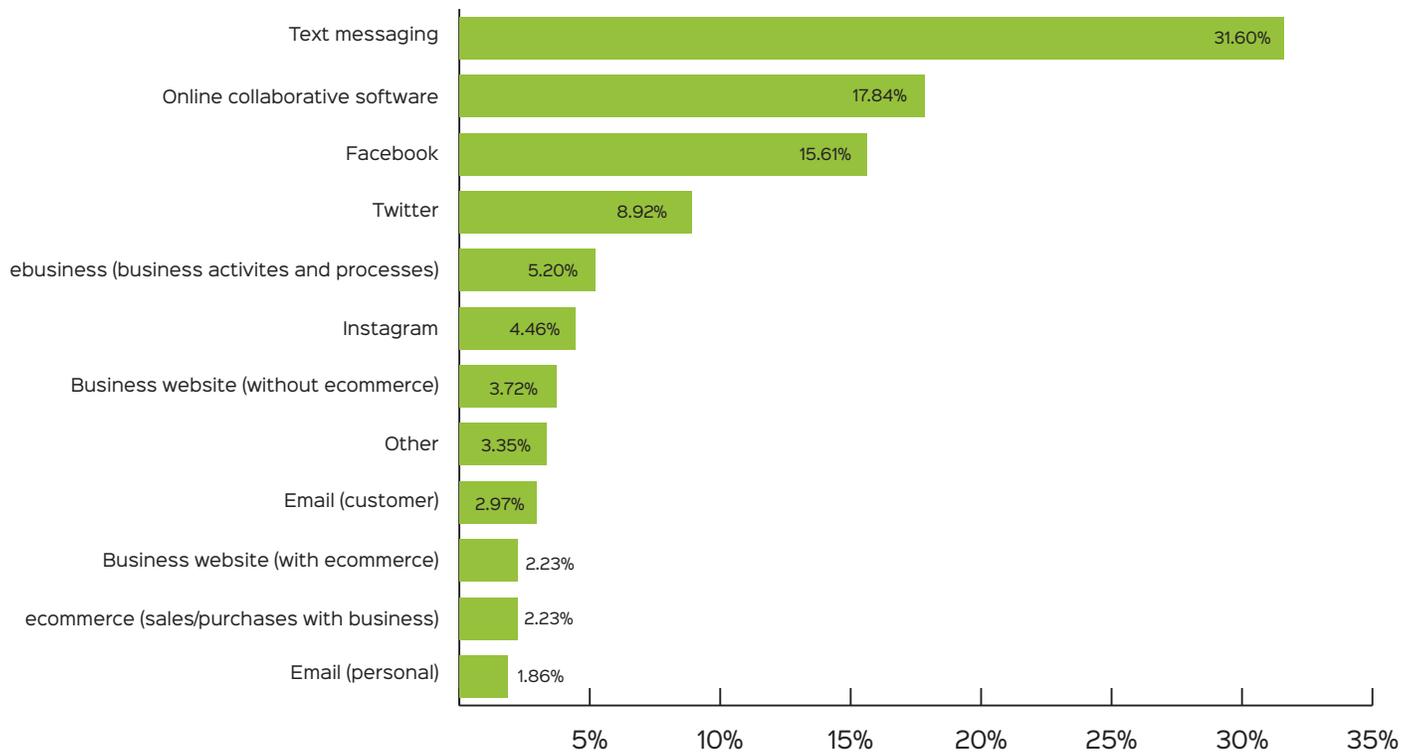
The survey asked how businesses would like training delivered. Figure 19 shows the results. *Online (available when needed via YouTube, podcasts, etc.)* was the number one method, with 35.78 percent of respondents selecting this option. The second choice was *one-on-one training* (19.40 percent of respondents).

Several respondents (43) stated that no training or assistance was needed. Other responses included *training on succession planning* and *need for training in smaller towns and cities* (as opposed to large cities, such as Rapid City).

The last question for businesses and aspiring businesses was, *What types of technology are typically used in your business?* They could mark all that apply. See Figure 20 on page 18.

The data show a wide range of technologies used by South Dakota business owners. The most commonly used technology is *text messaging* (31.60 percent). The second most selected category was *the use of online collaborative software* (17.84 percent), which includes programs such as Google Docs, Shareflow,

FIGURE 20. BUSINESS TECHNOLOGY USAGE – BUSINESS OWNERS AND ASPIRING BUSINESS OWNERS



and Whiteboard. The third most commonly selected category was *Facebook*.

The *other* category included *the use of financial software, point-of-sale technologies, accounting technologies, and Snapchat*.

VII. LENDER AND RESOURCE PROVIDER RESPONSES

There were 89 lenders and resource providers who responded to the 2017 survey. Information gathered from this perspective is important because lenders and resource providers can see the business and the owner from economic, community, and personal perspectives.

A majority of lender and resource provider responses, nearly 68 percent, were from females. See Figure 21.

FIGURE 21. RESPONSES BY GENDER – LENDERS AND RESOURCE PROVIDERS

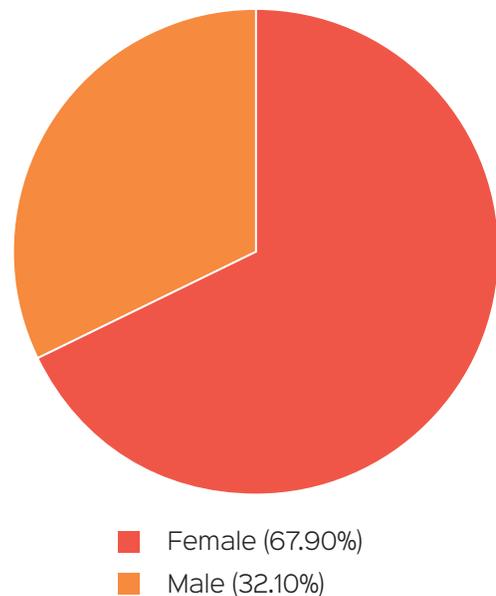
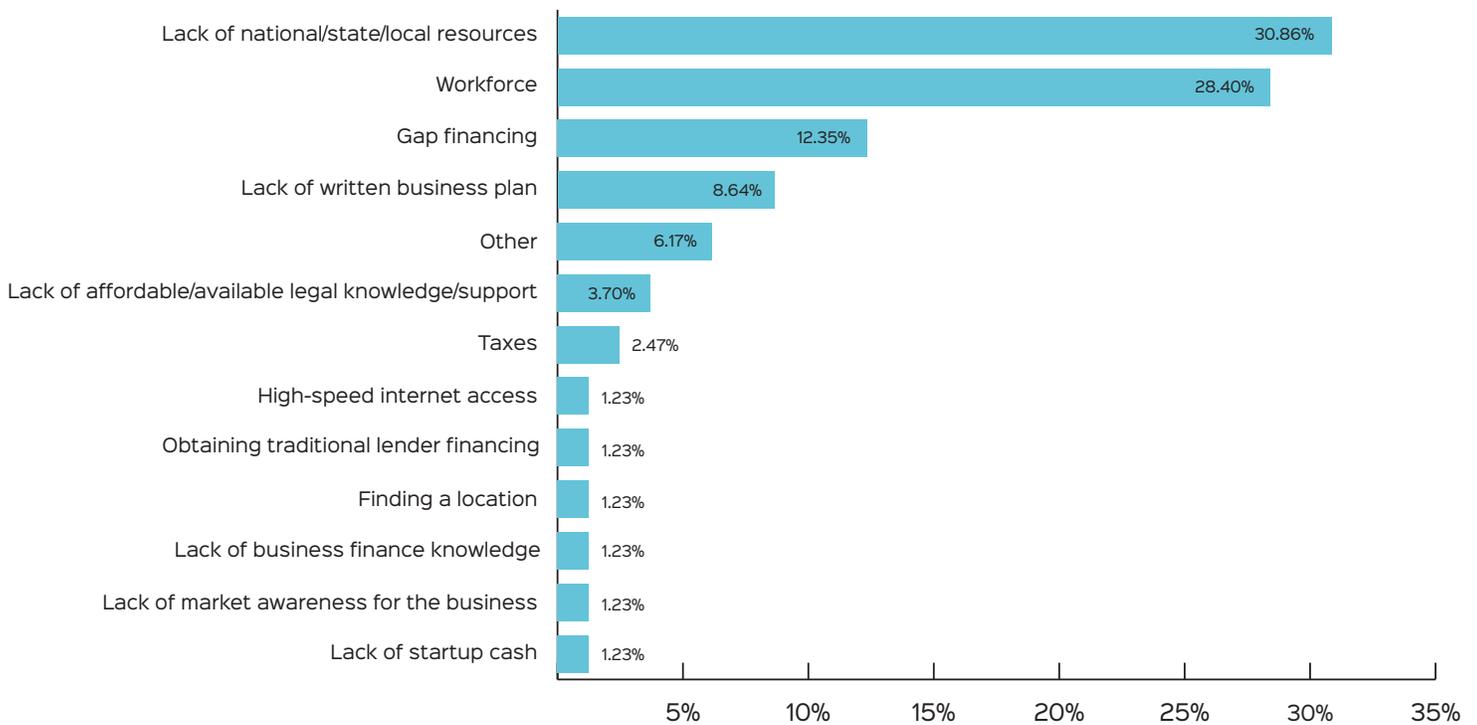


FIGURE 22. PERCEIVED STARTUP NEEDS IDENTIFIED BY LENDERS AND RESOURCE PROVIDERS



A. BUSINESS NEEDS

Lenders and providers were asked, *What do you perceive as the difficulties of startup businesses with which you work? Please mark all that apply.*

Figure 22 shows the distribution of responses. Lenders and providers were especially concerned with business owners' *lack of awareness of national/ state/ local resources available to them* (30.86 percent) and *workforce challenges* (28.40 percent). Listed under *other* were *limited business knowledge, lack of financial knowledge, and city halls that make it difficult for startups.*

As lender and business owner responses are compared, we see that workforce issues were a startup concern for both sets of respondents (refer to Figure 14 on page 12). This reinforces the need to set aside resources to create a better prepared and available workforce in South Dakota.

Providers were next asked, *What are the greatest current needs of businesses with which you work? Please mark all that apply.*

The two most frequently occurring responses of perceived current needs were *adaptability to changing business/market climates* (26.25 percent) and

keeping employees (also 26.25 percent). See Figure 23 on page 20. *National/ state/ local resource awareness* was the third most frequently cited current need (18.75 percent). Once again, workforce was also the top current need of business owners and aspiring owners (refer to Figure 15 on page 13). *Other* responses included *lack of management/ personnel skills/ abilities, construction costs for expansion or a new location, and state funding programs that have the same requirements as a bank.*

B. TRAINING NEEDS

Finally, providers were asked, *What types of training and/or assistance do you feel are needed for the businesses with which you work? Please mark all that apply.*

The top need indicated was *website development* (36.71 percent), followed by *customer service* (15.19 percent), and *managing employees* (11.39 percent). See Figure 24 on page 20. Business owners likewise cited website development and managing employees as key training needs (see Figure 18, page 16).

Under *other*, respondents listed *human resource training, too small or lack time to get adequate training, inability to make informed financial decisions, and learning to keep consistent hours.*

FIGURE 23. PERCEIVED CURRENT BUSINESS NEEDS IDENTIFIED BY LENDERS AND RESOURCE PROVIDERS

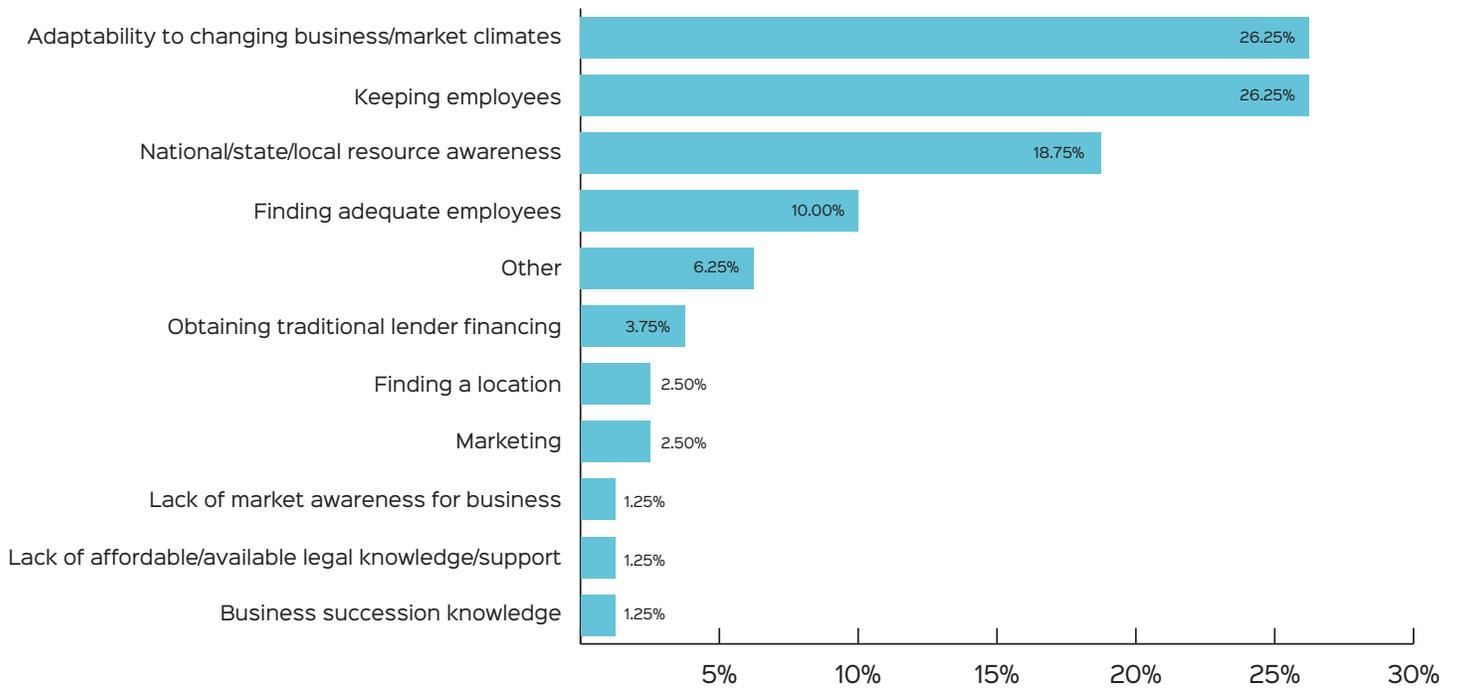
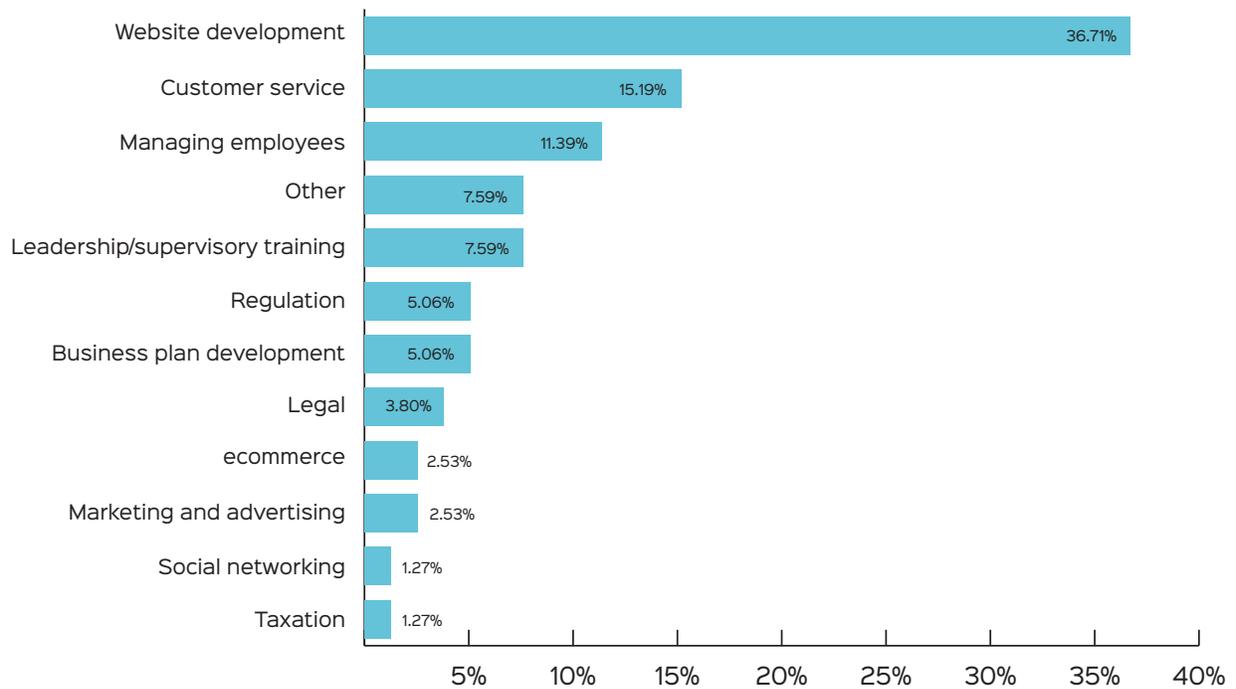


FIGURE 24. ASSISTANCE AND TRAINING NEEDS IDENTIFIED BY LENDERS AND RESOURCE PROVIDERS



VIII. CONCLUSION

To ensure business owners are offered the products and services they need, it is imperative to simply ask. Business needs change as the economy shifts and technology modernizes, and entrepreneurs fluctuate in interests, financial situations, and energy levels. As citizens, business owners, business lenders, and resource providers, we need to pay attention to those needs and assist if we want our downtowns, communities, and local economies to thrive.

Entrepreneurship provides employment as well as products and services that citizens need. This is especially important in rural communities, where small businesses add to the richness and character of a place.

Feedback from people who serve small businesses is an important piece of the puzzle, as they provide valuable insight. Local lenders and resource providers know what businesses need to be successful; they see businesses from a community level, and understand the importance of those businesses to the communities and local economies.

IV. ACKNOWLEDGEMENTS

We are very thankful for all the businesses and those who serve them for taking the time to complete the inaugural South Dakota survey. Also, thanks to the many organizations that distributed the survey among their contacts, customers, and members.

We would also like to thank Duncan Schwartz, of South Dakota State University, for assisting with the data analysis used in this report.

We, too, are grateful to the Brookings Area Chamber of Commerce for providing us with some of the photos for this report.

If you would like a program delivered to your community or organization, please contact Patricia Ahmed at 605.688.4132 or patricia.ahmed@sdstate.edu.

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