

**Small Businesses in Rural Nebraska:
Their Needs and Thoughts**

**An Analysis of the Rural Enterprise Assistance
Project Small Business Needs Assessment Survey**

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July 2008



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Lyons, NE 68035

Population 963

Introduction

The presentation of the 2006 Nobel Peace Prize to Dr. Muhammad Yunus and the Grameen Bank brought great attention to microenterprise development in many areas of the world, including the United States. Many researchers and commentators have lifted up small-scale entrepreneurship as an important development strategy in rural areas.¹

While there are varying views on the keys to entrepreneurial success and the answers to the challenges entrepreneurs face, it is clear that more research involving small businesses, particularly the self-employed, is in order. Many of these businesses are self-employed in rural areas of Nebraska, the prime market for the Rural Enterprise Assistance Project (REAP) of the Center for Rural Affairs.

This report details the findings of recent survey work by REAP. The “Small Business Needs Assessment”, a self-administered survey, was made available to approximately 1,000 REAP clients and to local chambers of commerce, economic development organizations, Nebraska Economic Development Association members, the Nebraska Bankers Association and other service providers that work with Nebraska’s small businesses. The survey was provided in a variety of methods—online, as a link on the Center for Rural Affairs’ web site, and in printed form. The survey was made available in both English and Spanish.

The purpose of the survey was to gather information to evaluate the needs of Nebraska’s small businesses from the perspectives of both business owners and the people that serve them. The data and the survey findings will also assist REAP and the Center for Rural Affairs in their strategic planning.

History of REAP

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.

REAP, a program of the Center for Rural Affairs, is a statewide rural microenterprise development organization started in 1990. REAP was initially designed to address challenges to the rural economy occasioned by the farm crisis of the 1980s and early 1990s and to capitalize on the entrepreneurial spirit of people in rural and small town Nebraska.

¹ Federal Reserve Bank of Kansas City, Center for the Study of Rural America. 2002. “Are High-Growth Entrepreneurs Building the Rural Economy.” *The Main Street Economist*, August 2002; Goetz, Stephan J. 2008. “Self-Employment in Rural America: The New Economic Reality.” *Rural Realities*, Vol. 2, Issue 3, 2008.

Research by the Center for Rural Affairs in the late 1980s and early 1990s showed that rural communities in Nebraska and other states of the Great Plains region suffered economic and social reversals as population declined and demand for products and services were reduced.² As a result, rural communities sought economic development strategies to address changes in the agricultural economy. REAP was initiated with assistance from private sources, notably from the C.S. Mott and Ford Foundations.

Public policy supporting microenterprise development did not come into existence until 1997 when the Nebraska Legislature adopted LB 327, the Microenterprise Development Act. Since 1997, the Microenterprise Development Act has operated from annual appropriations to the Nebraska Department of Economic Development from the Legislature. In 2005, minor policy changes and funding for the Nebraska Microenterprise Development Act were consolidated with other economic development programs in the Nebraska Advantage Act.

In its most recent state budget in 2007, the Legislature appropriated \$1.5 million to the Nebraska Microenterprise Development Act; most of that amount is granted to organizations throughout the state (including REAP) to provide services to microbusinesses and entrepreneurs, and is administered by the Nebraska Enterprise Fund (formerly known as the Nebraska Microenterprise Partnership Fund).

REAP Services

REAP serves microenterprises (defined in Nebraska statutes as businesses with five full-time equivalent employees or less) in the rural areas of Nebraska (REAP uses the USDA definition of “rural”, those population centers with 50,000 population or less). REAP is a full-service microenterprise development organization consisting of nine staff located throughout rural Nebraska.

Within REAP are two projects reflecting the changing demographics of rural Nebraska and the special needs of female entrepreneurs—the Hispanic Business Center and the state’s only Women’s Business Center. Both “centers” are innovative business centers and operate without walls on a statewide rural basis.

The REAP program consists of four elements—credit (microloans), technical assistance, networking, and training. REAP also offers an innovative, online lending system to help further reach rural entrepreneurs in Nebraska.

REAP Statistics

As of April 2008, REAP has five roundtables and four active peer group associations for networking and training. REAP Roundtables and Peer Group

² Funk, Patricia. 1989. *A Socio-Economic and Demographic Profile of the Middle Border*. Center for Rural Affairs, Walthill, NE; Strange, Marty, et. al. 1990. *Half A Glass of Water*. Center for Rural Affairs, Walthill, NE.

Associations consist of small businesses from a rural community or communities that formally organize to receive REAP services.

Most associations consist of eight to ten businesses. They typically meet once a month to network and receive business training. REAP groups are self-driven, based on their specific business and community development needs and goals. Formation of these groups was originally the dominant model utilized by REAP. Entrepreneurs now mainly access the REAP program through individual membership.

From its inception in January 1990 through June 30, 2008, REAP's total lending for peer loans was \$474,923 and direct loans was \$3,755,673 for a total of \$4,230,596 in lending. REAP has also helped clients leverage loans totaling \$9,394,405 from other sources since January 1, 1999.

From April, 1 2003 through March 31, 2008, REAP assisted 9,352 businesses through counseling, training and lending activities. During this time, REAP assistance and lending helped to create or retain 1,657 jobs. REAP only counts jobs created or retained when significant counseling (10 or more hours) is done and/or loans are made.

According to the May 2008 Women's Business Center Annual Narrative Report, REAP provided training and counseling to 1,151 clients during the first quarter of 2008.

Survey Methodology

The self-administered survey was available online as a link on the Center for Rural Affairs' web site, e-mailed to various contacts including REAP clients, small business related listservs and service provider colleagues. The survey was also made available as a hard copy to those REAP clients without e-mail. In addition, the survey was translated into Spanish and made available to Spanish speaking REAP clients and Spanish speaking business owners.

The survey was available January through March 2008. The survey consisted of 16 multiple choice and open-ended questions. The survey was available to participants through SurveyMonkey.com©. Responses returned by mail were all entered into SurveyMonkey.com© by Center for Rural Affairs staff.

A total of 258 individuals responded to the survey (250 in English and eight in Spanish)—198 identified themselves as small business owners, 16 identified themselves lenders and 44 identified themselves as service providers. However, some who identified themselves as "service providers" are actually those who own a service business. The total number of small business owners responding to the survey, therefore, is over 200. All respondents live and work in rural Nebraska.

Within the survey, respondents were asked three open-ended questions which will be outlined first. Business owners were first asked to identify two difficulties they experienced when starting their business; service providers and lenders were asked to identify the greatest needs of start up businesses they were working with.

The next open-ended question asked business owners to identify three current difficulties they are experiencing; service providers and lenders were asked to identify the three greatest needs of current businesses they were working with.

The last open-ended question asked respondents to identify the three greatest training needs business owners have to improve their business. The responses to all three open-ended questions were sorted into the following categories:

- Accounting, Bookkeeping, Taxes
- Advertising and Marketing
- Business Planning and Management
- Cash Flow, Lack of Cash, Capital and Debt Management
- Customer Base and Customer Service
- Employees
- Expansion
- General Information
- Grants and Tax Credits
- General Insurance
- Job Specific
- Lack of Support from Community or Lenders
- Location and Space
- Networking and Mentoring
- Regulations
- Technology
- Training and Education

Findings

The following are selected findings from the survey.

Multiple Choice Questions and Demographics

Describe your affiliation with Nebraska small businesses.

Nearly two-thirds of all respondents identified themselves as “small business owner”. Nearly a quarter of respondents identified themselves as “service provider” or lender.

What is the stage of your business? (Service Providers and Lenders were asked to skip this question.)

Nearly 70 percent of respondents identified their business as “existing” (at the business for more than one year). Twelve percent identified their businesses as either “new” (less than a year old) and nearly seven percent identified themselves as in the “pre-venture” (start-up stage). Finally, just over 12 percent identified themselves as in the “transitioning” stage (within 10 years of exiting the business).

What category best describes your business?

Over half the respondents described their business as a service business. Nearly 30 percent identified their business as retail, with agriculture and manufacturing the next most identified categories. Less than three percent of respondents identified their businesses as online businesses.

How many employees does your business employ, including yourself?

Nearly 46 percent of respondents stated they employ five or fewer employees in their business. Over 36 percent of respondents are self-employed, with the remainder employing six or more.

If training and/or assistance were made available to address the needs, what is the preferred delivery method?

Most respondents preferred trainings or assistance in a workshop setting, with one-on-one training and/or assistance being the second most preferred method. Among online delivery methods, respondents preferred trainings and/or assistance through an “available when needed” method (podcast) the third most overall favored method, with the “delivered at a specific time” (webinar) method less favored.

If a statewide networking organization was available, would you be interested in participating?

The vast majority of respondents (nearly 88 percent) responded favorably to this question.

Business owners, please check the category of annual gross sales for your business’s last recorded year.

Nearly half the business owner respondents stated their business recorded less than \$100,000 in gross sales in the most recent business year. The largest number (nearly 36 percent) reported gross annual business sales of less than \$49,999. On the other end of the scale, nearly 18 percent of business owner respondents reported gross annual business sales of over \$500,000 in the past business year (with over eight percent reporting gross annual business sales of greater than \$1 million in the past business year).

What is your age group?

Over 41 percent of respondents stated they were over 51 years of age. A slightly larger number indicated they were between 36 and 50 years of age. About 18 percent indicated they were 35 years of age or younger (with less than three percent between 18 and 25 years of age).

Open-Ended Questions

In addition to the demographic information, the following findings are gathered from all participants in this survey.

What, if any, difficulties did you have when starting your business? Or what do you perceive as the difficulties of the starting businesses you work with?

- 221 of 250 respondents answered this question, and five of eight Spanish respondents answered this question. This question allowed for two answers, generating 335 responses (some actual answers were deleted—they were either answered N/A, none, or not relevant).
- The largest number of responses by far concerned cash flow, the lack of cash, capital or equity/debt management (136 responses). Advertising and marketing was the second most commented upon topic (41), with training and education (28) and business planning (23) following.

Currently, what are greatest needs of your business or the businesses you work with?

- 223 of 250 respondents answered this question, and six of eight Spanish respondents answered this question. This question allowed for three answers, generating 443 responses (some actual answers were deleted—they were either answered N/A, none, or not relevant).
- Again, cash flow and capital related responses contained the largest number of responses (107), followed by advertising and marketing (56), employees (55), customer service and customer base (38) and business management (33).

What types of training and/or assistance would you like to have to improve your business or the businesses you work with?

- 188 of 250 respondents answered this question, and six of eight Spanish respondents answered this question. This question allowed for three answers, generating 340 responses (some actual answers were deleted—they were either answered N/A, none or not relevant).
- Accounting, bookkeeping and taxes represented the most requested type of training and assistance (57). Advertising and marketing (50), technology (35) and cash flow and capital related (35) training and assistance followed.

Analysis of Open-Ended Questions by Topic

All responses to the three open-ended questions were tabulated and all responses were sorted into the topic categories listed below. The following

section represents our analysis of the open-ended question responses for each category.

Accounting, Bookkeeping, Taxes

Respondents did not identify accounting or bookkeeping as a difficult issue when they started their business. However, as the business became more established, accounting and bookkeeping became an issue. Respondents identified training in accounting or bookkeeping as their greatest need for training. Specific accounting tasks mentioned included Quick Books, accounts receivable and collections, profit margins, cash flow statements, and payroll taxes and other tax rules. One response indicated the need for tax information to be translated to Spanish.

Advertising and Marketing

There are few specifics in this category, with some responses simply stating advertising or marketing. From the lack of specificity it is difficult to determine if the respondents are struggling with advertising or marketing generally, or if they are struggling with the cost of advertising and marketing. Some specifics mentioned related to understanding the demographics of the market and how to reach them and the ineffectiveness of advertising in local, weekly newspapers. Training needs were similar for those who identified it as an issue, whether the business was in the initial stages or established.

Business Planning and Management

Service providers and lenders indicated that many small businesses they work with in the initial stages are lacking adequate business plans. Service providers offered the following comments:

- Business plans are unrealistic or just underdeveloped ideas on start-up costs and timeframe.
- Entrepreneurs often have an idea, but are looking for a location without having worked on a business plan.
- Entrepreneurs often don't know what they need to do to get effectively started (business plan, capital investment) and often simply lack the willingness to develop a plan.
- Business owners do not do the sufficient research on the true costs and profit margins of businesses, along with inadequate equity.

Many business owner respondents also indicate that a business plan is nonexistent or underdeveloped. Many responses found in other categories could be simply addressed with a fully developed business plan; issues such as not starting with enough cash, financing, marketing for current demographics, identifying a customer base, having many of the financial statements prepared, and lacking an advertising plan are all challenges offered by business owners, but are also important initial planning considerations.

Business owners also indicated management needs such as inventory control or having the right product for their customers. Others are looking for assistance on basic business management skills (time management, goal setting, leadership, document preparation).

Respondents also indicated a need for business management knowledge such as researching the true cost of running a business and profit margins; time to spend promoting and working the business (working multiple jobs); management running the business and not letting the business run them; seasonal sales/work slump; and making efficient use of property.

Cash Flow, Lack of Cash, Capital, and Debt Management

This category includes financing, or lack thereof. Many small business owners seem to be starting out with limited amounts of cash, while others are seeking to or needing to expand without the necessary cash, capital or equity.

Some respondents gave the impression of sinking further and further into debt in order to keep their business going, i.e., using their credit cards in lieu of loans or existing cash. Another popular response was inconsistent cash flow—customers not paying on time and low or variable seasonal sales.

A large portion of respondents felt they did not have adequate access to capital or equity to finance their start up business. A recent study of entrepreneurial activity in Nebraska confirms this finding. The recently released book *Entrepreneurship in Nebraska* found that one of the top factors in business survival includes the company's cash flow.³

One service provider commented, "Starting capital, equity, (are) underlying basic problems(s). Applicants expect to bring nothing to the table, (the) lender is supposed to take all risks of business, refusal of applicants to investigate training and outside counseling."

Needs of business owners continue to suggest lack of capital (for start-up, day to day business operations, or expansion). There appears to be less desire to access loans, obviously because of related cash flow issues and the ability of business to repay loans. This reluctance may also indicate the awareness business owners have of their own debt loads. Taken together, these responses indicate many respondents are not operating businesses with sufficient cash, capital or equity.

The American Bankers Association reported that consumer credit delinquencies in the fourth quarter of 2007 reached their highest levels since 1992.⁴ While the average default for REAP microloans hovers around three percent, the default rate in the fourth quarter of 2007 was slightly higher at 3.09 percent than the three percent default rate in August 2007. However, the default rate in May 2007 at 3.11 percent was slightly higher than later in the year.

³ Thompson, Eric C. and Walstad, William B. 2008. *Entrepreneurship in Nebraska: Conditions, Attitudes, and Actions*. Gallup Press, New York, New York.

⁴ "Business Booming For Debt Collectors," by P. Yip. *Dallas Morning News*, May 4, 2008; "Small Firms Find Credit Is Tightening," by E. Olson, *New York Times*, May 12, 2008.

Despite the concerns survey respondents express about capital and cash flow, most had not reached the point of loan default, and the numbers who are in that position had not significantly changed throughout 2007. REAP's ability and willingness to provide assistance to their clients is no doubt one reason for this.

And while cash status was indicated as the largest need by small businesses, both currently and when opening their business, there is little indication for the need of training in this area. This could be explained by many reasons: there is not training available for cash and debt management, lack of time or resources to obtain such training, lack of computer resources or skills to obtain online training, business owners do not know exactly what they need, or such training is not marketed to this audience.

Customer Service, Customer Base, and Local Economy

At their early stages, many businesses indicate as challenges the lack of customers or the inability to attract new customers. Some speak to customer service problems, such as not following up with customers (making the calls), gaining confidence of new customers, and maintaining current customer base. Many indicate a poor economy or lack of customers shopping in town or with small businesses (competing with Wal-Mart and Dollar stores).

It appears that as the business gets established business owners continue to look for ways to enhance customer service to maintain, rebuild, or even find customers.

Employees

Business start-up responses primarily expressed a concern about a shallow workforce pool for small business owners from which to draw. Problems ranged from lack of experience among potential employees to finding employees who can live on the wages the small business can afford to pay.

The greatest needs expressed by established businesses concerned attracting, recruiting, and retaining employees in a limited labor pool. Other needs offered by established businesses included: providing competitive wages, finding employees who are willing to learn and expand their work-related knowledge, and difficulties working with younger employees.

Expansion

Many businesses are looking to expand but expressed concern over hurdles such as available space, money, and regulations.

Grants and Tax Credits

Beginning business respondents expressed needs related to assistance in finding available grants, if any, and completing applicable application and paperwork. Two lenders or service providers indicated there is a misconception

of grant availability for small businesses and placed the blame on national advertising.

Respondents are looking for grant money to expand and to cover day-to-day operational expenses, and for information regarding tax incentives.

General Insurance

Respondents indicated cost as a challenge to affording all types of insurance coverage.

Lack of Support from Lenders or Community

Start-up business owner respondents provided a variety of concerns and needs related to support from lenders and local communities:

- “Language” barrier between financial institutions and business owners in information formatting.
- Negative attitude of surrounding businesses.
- Getting people to shop locally.
- Local banks not helping start-up businesses.

Business owners indicated that lenders do not want to take risks on new or existing small businesses. Local customers shopping out of town prevent many local businesses from expanding or staying afloat. Business owners also expressed a concern that local businesses in the same community do not support each other.

Location and Space

Responses in this regard concerned smallness of location, being located remotely from customers (rural location) and the need to update business space. Current needs of respondents include:

- Repairs
- Improvements
- Inadequate amount of space
- Remote (far from customers or just plain rural)
- Cost for rent/lease/ownership

Networking and Mentoring

Start-up business owners reported they needed assistance in general business management – someone to tell them they were doing the right things. Other respondents indicated they would benefit from someone who had a similar business that could provide mentoring while the business was in the start-up stage.

Existing business owners indicated they needed networks in which to learn and share ideas. Some existing business owners are interested in mentor

relationships to have someone to talk to and be sure they are doing the right things and avoid known mistakes.

Regulations

Business owners at all stages indicated concerns with government regulations including information on relevant regulations, information on regulatory barriers to their business plans and assistance on necessary regulatory paperwork compliance.

Training and Education

Lenders responding to the survey believe that many business owners do not understand the basics of starting a business before getting into the process of starting and operating a business. Other identified shortfalls in training and education included knowledge of where a business owner should look for training and resources. These opportunities are either not reaching the desired audiences or are not available in a business owners' immediate area.

Businesses owners indicated they are seeking training and education on a variety of topics:

- Product promotion
- Direct sales
- Leadership
- Finding available resources
- How to pay for training and further education

Technology

Start-up business owners did not indicate a need for technology. Business owners did indicate a strong need for technology-related training. Business owners are looking for assistance and training in Internet uses to promote their business through marketing, advertising, eCommerce, website development, and improved rural connections.

To gauge the availability and effectiveness of technological resources in rural Nebraska, respondents were asked specifically about their technology use, affordability and reliability. It is clear from the responses that technology is widely accepted, regardless of any demographic or economic variable. However, most respondents have not incorporated technology in their business operations beyond the simplest and most accepted applications.

Nearly all respondents (85 percent) reported using e-mail for personal use, and over 60 percent of respondents use e-mail to transact business with customers. Significantly fewer respondents use technology in other aspects of their businesses – a third or less use technology in sales or purchase transactions or to conduct other business activities and processes (for instance, filing taxes or other business documents or forms online). Barely half (53 percent) of respondents reported having a business website.

Respondents were also asked to rate the reliability, affordability and speed of their Internet service. Most respondents rated their service as reliable (only 12 percent indicated that it is “Not True” or only “Somewhat True” that their service is reliable).

However, nearly a third of respondents indicated their service is not or only somewhat affordable, and not or only somewhat at the speed they need. While a majority of respondents approved of the affordability and speed of their Internet service, a significant segment of rural small business owners in Nebraska appear to be losing the advantages of business technology services and uses because of cost and speed.

General Information

Below are comments and concerns that did not fit in other categories:

- Misrepresentation on the part of the seller of the business as to the financial situation and customer base.
- Finding wholesalers that will sell to small rural businesses or sell within their minimum needs.
- It would be easier (to make business decisions) if you could get everyone to the table (attorney, accountant, banker, customers, etc.). Businesses are constantly running in circles with three different answers coming from different sources.

Existing businesses expressed needs that include angel investors and business incubators. Other answers were too general to mention.

Businesses and Sales

Respondents were asked about their annual gross sales from the last recorded year. As outlined above, the largest number of respondents (nearly 36 percent) reported gross annual business sales of less than \$49,999. On the other end of the scale, nearly 18 percent of business owner respondents reported gross annual business sales of over \$500,000 in the past business year.

Because of the continual importance to a business in capital and cash flow as expressed by respondents throughout the survey, following is a more detailed look at responses to the sales question cross-tabulated with responses to other relevant questions.

Gross Sales Less than \$49,999

Sixty percent of those respondents reporting gross sales less than \$49,999 were in business for more than a year, 23 percent of businesses in this sales category were in business for less than one year, and 11 percent were within 10 years of transitioning out of business. Interestingly, therefore, the vast majority of businesses in the lowest sales category were established businesses.

Sixty-three percent of the businesses with less than \$49,999 in gross sales were self-described as service businesses, with 23 percent selecting agriculture and 18 percent selecting retail

Typically, these business owners are self-employed. Nearly 70 percent of respondents indicated having no employees, while 28 percent had five or fewer employees.

Nearly all business owners in this sales category were between the ages of 26 and 50, with the most (42 percent) between 36 to 50 years old.

Business owners in this sales category indicated a major difficulty with finances, either in start-up capital or in operating cash. Responses related to cash flow issues included managing debt, working with limited equipment because of small budgets, and obtaining enough income from the business in order to leave one job. This implies that many business owners in this sales category are working multiple jobs (the business they own and a job or jobs to supplement the business and support the household).

Many business owners in this sales category also seem to be looking for technical assistance of some kind, maybe someone as a mentor to assist them in going the right business direction or to help catch mistakes before they happen. Advertising in rural areas is also another concern. The lack of good advertising also lends to the rural areas' inability to attract and keep customers. Finally, business planning also seems to be particularly lacking among those in this sales category.

Business owners in this sales category also expressed financial issues as the primary current need for their business. Other needs included advertising, marketing and a customer base (all, of course, related to business financial and cash flow issues). With a limited customer base and advertising options, one could expect these to be constant needs in rural areas of the state.

When asked what types of training and/or assistance would improve one's business, many respondents in this category indicated training on general accounting, bookkeeping and tax topics. Respondents specifically mentioned QuickBooks training.

Taxes were also frequently mentioned within this category, though it cannot be determined what kind of taxes to which these responses are referring. Other popular training needs mentioned were advertising and marketing. Specific comments included designing brochures, Internet marketing, direct marketing and inexpensive advertising.

Gross Sales \$50,000 to \$99,999

Thirteen percent of business owner respondents indicated their most recent year's gross annual sales to be between \$50,000 and \$99,999. Of this group, all have been in business longer than one year. Nearly 50 percent self-described their business as a service, while 34 percent indicated retail and 13 percent indicated agriculture. Compared with the lower sales category described above, this sales category contains more established businesses, with service

business still the predominant type but with retail business more common and agriculturally-related business less common.

With greater sales, these businesses were more likely to have employees. Seventy-three percent of respondent business owners have five or fewer employees, and the remainder was self-employed. The business owners in this sales category were also slightly older when compared to the lower sales category – 70 percent are between the ages of 36 and 61.

The primary start-up concern of business owners in this sales category was also related to cash or financing (half of all respondents in this sales category mentioned something related to start-up capital or financing). Top financial concerns included lack of working capital or trying to get beginning financing. Other concerns included basic challenges setting up the business that would typically fall under business management.

When asked about current needs, cash flow, funding, steady sales, and low interest loans were most commonly mentioned by business owners in this sales category. Other mentioned needs included marketing and advertising, business management, and bookkeeping.

When asked what types of training and/or assistance would improve one's business, business owners in this sales category most commonly mentioned training in business management skills, including accounting/bookkeeping. Some respondents also mentioned business plans, while others are looking for marketing and advertising assistance.

Gross Sales Greater than \$1 Million

Eight percent of business owners indicated their most recent year's gross annual sales to be greater than \$1 million. All responding businesses in this sales category have existed for more than a year, with slightly less than half reporting that they are within 10 years of transitioning out.

Typically, these businesses self described themselves as agriculture, manufacturing or retail. All but one business in this sales category reported having more than six employees. All businesses had both full-time and part-time staff. As might be expected, businesses in this sales category are more established, not service businesses, and larger in the sense of needing more employees.

Like most of the respondents to this survey, business owners in this sales category expressed a start-up need for enough cash or working capital. These businesses also expressed a need for finding employable talent.

When asked about current needs, the greatest need expressed by businesses in this sales category is also workforce-related. While respondents did not provide specific responses, the need for "good" employees seems paramount. Other mentioned needs included marketing, advertising, expansion, and health care for employees. Again, the work force and employee benefits needs of businesses in this sales category are vastly different from businesses in the lower sales categories.

When asked what types of training and/or assistance would improve one's business, there does not appear to be much of a trend in the responses of business owners at this sales level. Specifics mentioned by business owners in this sales category include technology, marketing plan, customer service, managerial education, job specific training, and customer service.

Implications

While not a scientifically managed survey, the results outlined in this report provide interesting and compelling insights into the thoughts, opinions and needs of those owning and working with small businesses in rural Nebraska. As such, there are important implications for how services are provided to rural entrepreneurs in Nebraska in order to develop not only individual enterprises but the state's rural economy.

This section will discuss some of those implications. Nothing in this section is intended to criticize the current or past efforts of any organization or entity serving rural entrepreneurs. Rather, this section is intended to offer suggestions and challenges to important demographic, social and economic issues that permeate all aspects of rural development in Nebraska and the United States.

According to the results of this survey, rural small businesses, regardless of size, maturity or any other characteristic, appear to have similar challenges and needs. Many small business owners start out with limited amounts of financial resources and insufficient business plans. As businesses grow and mature financial issues and related challenges continue to plague many.

The technical training needs for many small businesses are also similar regardless of business size, age or other characteristics. The survey results do provide some interesting and challenging insights into how training and education can be provided to entrepreneurs scattered across a state as large as Nebraska.

REAP and other small business providers face the challenge of balancing assistance and educational programs often related to technological enhancements for a rural, generally older population who in large numbers prefer traditional and one-on-one assistance and training relationships and a significant number of whom have Internet services inadequate for business and education purposes. Balancing new technology and traditional relationship-based services is a challenge that may well determine how many clients and businesses are served by REAP and other small business service providers and, ultimately, how many such clients and businesses are successful rural entrepreneurs.

The financial and cash flow challenges offered by respondents in the gross sales categories below \$100,000 – particularly in the lowest sales category – raise warning signs for these businesses and their rural communities. These cash flow challenges and the seeming dependence on supplemental income and additional jobs is an interesting phenomena given the established nature of most of the businesses in the lowest sales category.

These are challenges not only for the businesses in this sales categories, but for REAP, the Nebraska small business community and rural communities in general. If established businesses are facing these challenges, it begs the questions of how long they can remain in business, how long they can remain in their communities, and what incentive is there for start-up businesses in similar communities that may face identical challenges. These are issues both service providers such as REAP and lenders and public policy must address if small businesses are to continue to flourish in the communities of rural Nebraska.

Other demographic issues presented by the outcomes of this survey present challenges to REAP and the rural small business community. The age of business owners is one example. The exodus of youth and their entrepreneurial spirit is a challenge facing most rural communities in Nebraska and elsewhere. The findings of this survey do nothing to alleviate this concern.

With fewer than one in five respondents to this survey under the age of 35, REAP, Nebraska's rural small business community and rural communities in general face an immediate and fundamental question: where is the next generation of rural entrepreneurs? Further, if established rural small businesses are expressing concerns and needs regarding finances, cash flow and local support of their businesses, what can be done to provide assurances and incentives to young entrepreneurs that similar issues will not doom their efforts?

Finally, the results of this survey appear to reveal a general lack of planning and entrepreneurial education among those with a business idea and the talent, skills and fortitude to make it work. Many of the issues, concerns and needs offered by the business owner respondents can likely be laid at the doors of inadequate planning and insufficient financial education. Again, these are issues both service providers such as REAP and lenders and public policy must address if small businesses are to have a viable future in rural Nebraska.

Recommendations

1. **Provide a minimum of \$1.5 million annually in funding for the Nebraska Microenterprise Development Act in the next state biennium budget to be developed in the 2009 Nebraska Legislature.** The announcement by the Nebraska Department of Revenue that the state ended fiscal year 2007-08 with nearly \$100 million more in tax revenue than previously projected and with the highest ever state reserve fund balance also provides **opportunity and resources for an increase** in the program's appropriation.
2. **Remove the annual cap on the Nebraska Microenterprise Tax Credit.** The available Nebraska Advantage Microenterprise Tax Credits are limited to \$2 million annually. This cap has resulted in a limited number of businesses able to take advantage of the program. The result is limited new small business investment and employment.

The annual limit results in all the tax credits being applied for very early in the year to the detriment of other small businesses in the state (all microenterprise tax credits for the current tax year were applied for by January 2, 2008). Further, the only state tax incentive or tax credit program aimed specifically at small businesses is the only program with such a cap.

3. **Nebraska should promote community entrepreneurial and small business infrastructure.** As this survey revealed, many rural small business owners are troubled by the lack of local support for their business and other small businesses. This points to the need for a comprehensive entrepreneurial community development policy where it is recognized that each community member has a role if entrepreneurship in rural communities is to be promoted.

Community members must play the roles of lender, investor, educator, promoter, supporter and helper to create an entrepreneurial community. By establishing the Building Entrepreneurial Communities Act Nebraska has taken a small step in assisting communities toward building this community capacity and infrastructure. However, it is a relatively small program having distributed about \$842,000 in grants to 43 projects since April 2006.⁵

Again, like many of the issues presented by this survey, this is a question of scale – how to build entrepreneurial capacity and infrastructure in Nebraska’s many small rural communities. Government, of course is limited in resolving this challenge for communities, and local citizens must take the initiative in building their future.

State government, however, can play a facilitation role through programs like the Building Entrepreneurial Communities Act. To address the questions of scale **the Nebraska Legislature must extend the funding for the Building Entrepreneurial Communities Act provided in the 2007-2009 state budget in the 2009-2011 biennium state budget.**

⁵ Figures from Nebraska Rural Development Commission newsletter, Volume 3, Issue 5, June 2008.

APPENDIX

Below are tables for each multiple choice survey question listing response results.

Describe your affiliation with Nebraska small businesses.

Response	Pct.
Small Business Owner	65.2
Service Provider	17.6
Lender	6.4
Other	10.8

What is the stage of your business? (Service Providers and Lenders were asked to skip this question.)

Response	Pct.
Pre-Venture (start-up stage)	6.8
New (within first year)	12.0
Existing (more than one year)	68.8
Transitioning (within 10 years of exiting business)	12.5

What category best describes your business?

Response	Pct.
Agriculture	16.4
Manufacturing	8.8
Retail	29.2
Service	51.5
Online	2.9
Construction	4.7

How many employees does your business employ, including yourself?

Response	Pct.
One (self)	36.5
Five or less	45.8
Six or more	17.7

If training and/or assistance were made available to address the needs, what is the preferred delivery method? Multiple answers allowed.

Response	Number
Classroom Style	64
Online (delivered at a specific time, webinar)	54
Online (available when needed, podcast)	91
As a workshop	138
One-on-one	94
Other	29

“Other” responses included:

- open discussion with other like businesses
- Saturdays, please
- mentoring— free
- downloadable information
- prefer nighttime meetings
- cost and time are factors
- DVD
- cost effective
- offer refresher course online
- close to home
- follow up one on one appointment following the podcast

Please check the category of annual gross sales for your business’s last recorded year (business owners only).

Response	Pct.
Less than \$49,999	35.8
\$50,000 to \$99,999	13.0
\$100,000 to \$149,999	4.3
\$150,000 to \$199,999	2.9
\$200,000 to \$249,999	3.8
\$250,000 to \$299,999	3.8
\$300,000 to \$499,999	5.3
\$500,000 to \$749,999	2.4
\$750,000 to \$999,999	7.2
Greater than \$1 million	8.2

If a statewide networking organization was available, would you be interested in participating?

Response	Pct.
Yes	87.7
No	12.3

What is your age group?

Response	Pct.
18-25	2.6
26-35	15.6
36-50	40.7
51-62	32.1
62 and over	9.1

How do you rate your Internet affordability and reliability? (figures in percentage)

	Not True	Somewhat True	Often True	Very True	N/A
Reliable (N= 222)	3.2	9.0	32.9	55.0	0.4
Affordable (N = 226)	6.2	28.3	32.7	31.4	1.3
At the Needed Speed (N= 228)	10.5	21.5	27.2	40.3	0.4

ACKNOWLEDGEMENTS

The authors would like to thank all the individuals, businesses and organizations that completed this survey and provided all the information detailed in this report. Their candor and experiences will serve to help REAP and all microenterprise development organizations in Nebraska better deliver their services and assist all Nebraska entrepreneurs. The authors would also specifically thank Jeff Reynolds, director of REAP, and Rose Jaspersen and Glennis McClure of the Nebraska Enterprise Fund for their comments and suggestions throughout the development of this report.

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Published July 2008. The printed report is available at no cost on the Center's website, www.cfra.org.