



Breakthroughs for Business Project First Annual Report

May 25, 2007

Prepared by

Darlene Crane and Claire Kinlaw
The Business Value Alliance Co-Founders

Sponsored by

Inner City Advisors
300 Frank H. Ogawa Plaza, Suite 229
510 271 0142
<http://www.innercityadvisors.org/>

Table of Contents

ACKNOWLEDGEMENT AND APPRECIATION	3
EXECUTIVE SUMMARY	4
URGENT NEED TO UNDERSTAND AND SUPPORT SMALL BUSINESS GROWTH	6
BENEFITS OF THE LONG-TERM PROJECT	8
PURPOSE OF THE BREAKTHROUGHS FOR BUSINESS PROJECT PILOT	8
PROJECT METHODOLOGY	8
RESEARCH INSTRUMENTS.....	9
INITIAL POPULATION	9
PILOT RESULTS AND THEMES FOR LARGE SCALE, LONGITUDINAL STUDY	10
RESEARCH THEME #1: IDENTIFY STRATEGIES AND ACTIONS OWNERS ADOPT THAT SUSTAIN AND DO NOT SUSTAIN PERFORMANCE AND GROWTH UP TO AND BEYOND \$1MILLION IN ANNUAL SALES?.....	11
<i>Results:</i>	11
<i>Insights:</i>	11
<i>Questions for Future Research:</i>	12
RESEARCH THEME #2: FURTHER EXPLORE UNARTICULATED NEEDS OF OWNERS FOR SUSTAINING PERFORMANCE, GROWTH, AND INNOVATION. CONFIRM THE OPPORTUNITY FOR DESIGNING AND PROVIDING PROGRAMS AND SERVICES OF BENEFIT TO OWNERS.	12
<i>Results:</i>	12
<i>Insights:</i>	12
<i>Questions for Future Research:</i>	12
RESEARCH THEME#3: DEFINE THE IMPACT OF SEGMENT-SPECIFIC APPROACHES ON OWNERSHIP DEVELOPMENT AND ON SUSTAINABLE BUSINESS PERFORMANCE AND GROWTH?	13
<i>Insights:</i>	14
<i>Questions for Future Research:</i>	14
RESEARCH THEME #4: VALIDATE THE RESOURCES OWNERS CONSIDER MOST USEFUL AND THE CHARACTERISTICS OF USEFULNESS.	14
<i>Results:</i>	14
<i>Insights:</i>	15
<i>Questions for Future Research:</i>	15
CONCLUSIONS	15
FUTURE DIRECTIONS	17

Acknowledgement and Appreciation

The researchers thank Inner City Advisors (ICA) for supporting the *Breakthroughs for Business* Project. In particular, the research team thank ICA Executive Director, Jose Corona for recognizing the value of the research approach, for obtaining seed funding to initiate the pilot study, for moral support, and for providing opportunities to increase the visibility of the project.

The team also greatly appreciates the participation of the forty-seven business owners that gave their time, candor, and reflections. Their willingness to share the experiences of their successes and their challenges was invaluable. In addition, the participants who attended the focus group provided insights important for making the next phases of the research even more valuable.

The team thanks the many organizations that helped recruit participants, including: Northern California Supplier Development Council (NCSDC) Oakland Business Development Corporation (OBDC), the Oakland Metropolitan Chamber of Commerce (OMCC), the Alameda County Hispanic Chamber of Commerce (ACHCC), Inner City Advisors (ICA), Oakland Merchant Leadership Forum (OMLF), East Bay Women in Business Roundtable (EBWIBR), and the East Bay Small Business Development Center (EBSBDC).

Finally, the team thanks our academic advisors for input on the research strategy and methodology: Balu Iyer, Ph.D. Candidate, Southern New Hampshire University, International Economic Development and Community Development, and Operations Director, Asian Foundation, San Francisco; Kris Chase, Ph.D. and Professor of Economics, Strategy and Policy, St. Mary's College, Moraga, CA; Mary Fambrough, Ph.D., Associate Professor, Marshall Goldsmith School of Management, Alliant International University, San Francisco, CA; and Steve M. Crane, M.B.A., Ph.D., Lecturer, Marshall Goldsmith School of Management, Alliant International University, San Francisco, CA.

Executive Summary

Small businesses are vital to the U.S. economy, creating more than fifty percent of the non-farm, private, gross domestic product (GDP), creating sixty-five percent of new jobs, and producing 13 to 14 times more patents per employee than large firms¹ Small businesses face increasing pressures from competition and globalization. In addition, the demographics of business owners are changing rapidly. The fastest growing segments of business owners are women and minorities. The research team believes the risks, opportunities, and the scale of the potential impact from these changing demographics are not adequately understood.

The long-term goal of the *Breakthroughs for Business Project* is to create a pipeline of qualified women and minority applicants for the programs and services offered by Inner City Advisors, the sponsoring organization. In addition, the Project will provide graduating companies with pathways to continue growing. The Project pilot study was conducted to develop the research methods and experience needed to build a realistic project budget and reflect cultural and community aspects of segments.

The pilot study population included forty-seven owners of businesses with annual revenues of \$50,000-\$10,000,000 in the East Bay, primarily in the greater Oakland metropolitan area. Eight segments of business owners were represented in the pilot: men and women from African American, Asian, Caucasian, and Hispanic populations of business owners.

The pilot reduced risks of the large-scale study in research design, budgeting, and cultural sensitivity. Based on qualitative and quantitative data, four themes emerged that will guide the long-term large-scale study. Below are the themes and associated insights. Readers are cautioned that correlations are tentative due to the small size of the sample.

Research theme #1: Identify strategies and actions owners adopt that sustain and do not sustain performance and growth up to and beyond \$1 million in annual sales.

Insights: Approaches of owners reflected some differences for businesses with annual sales revenues over and under \$1 million.

Research theme #2: Further explore unarticulated needs of owners for sustaining performance, growth, and innovation. Confirm the opportunity for designing and providing programs and services of benefit to owners.

Insights: The capability to articulate needs appeared to relate to an owner's success in overcoming barriers.

Research theme#3: Define the impact of segment-specific approaches on ownership development and on sustainable business performance and growth.

Insights: Women appear to be uninformed regarding the links among product development, distribution, and revenue growth.

¹ U.S. Small Business Administration News Release, Feb. 9, 2006, Ten Reasons to Love Small Business: The Heart of the Nation's Economy

Research theme #4: Validate the resources owners consider most useful and the characteristics of usefulness.

Insights: Perceptions of usefulness varied widely among possible resources and by segments. The internet was selected at a high frequency while government and nonprofit services were selected at a low frequency

Three priorities for the future study are:

To develop knowledge based on a sample of approximately four hundred businesses over a duration of five years and to apply statistical tests in the analysis

Develop and test segment specific programs that encourage business performance and growth

Measure the impact of programs, services, and resources on the performance and growth within the total research population

A general picture of owner performance and growth emerged over the course of the pilot study. The profiles will aid in the analysis and in the design of programs, services, and resources. The business owner profiles are:

- Operators – Owners of startup businesses, or those in operation for an extended period who are facing multiple barriers and may or may not choose to overcome the barriers
- Performers – Owners of businesses in operation over three years who achieve a consistent level of revenue and have strategies to tackle identified barriers
- Sustainers – Owners of established businesses who have achieved their desired business goals and who have chosen to maintain a niche presence, sales and staff level
- Value Creators – Owners of established businesses, who have strategic vision, constantly seek and act on opportunities to grow or achieve greater goals.

Ninety percent of women and minority businesses remain at revenues below \$1 million. Therefore, understanding the capabilities of owners by segments to operate and grow businesses within the first two stages of **Operator** and **Performer**, will be a focus of the *Breakthroughs for Business Project* research team going forward. For women owners, it will be necessary to address deep-rooted social and cultural attitudes and behaviors with respect to math, money, choice of industry, and creating products beyond those considered traditionally female.

The research team envisions the Project becoming a model of a *Small Business Development System* (see figure 1) that stimulates and supports a greater number of emerging businesses to reach the \$1 million level over time with greater capacity to sustain this level or grow to higher levels.

Urgent Need to Understand and Support Small Business Growth

Small businesses are vital to the U.S. economy. They create more than fifty percent of the non-farm, private, gross domestic product (GDP) and sixty-five percent of new jobs. They also produce thirteen to fourteen times more patents per employee than large firms.² While vital to the U.S. economy, small businesses face ever-increasing challenges from competition and globalization.

In addition to responding to competition, the small business sector is changing dramatically with respect to owner demographics. The fastest growing segments of business owners are women and minorities. Between 1997 and 2002, the numbers of women-owned (greater than 50% ownership) businesses grew by twenty percent, Latino-owned businesses by thirty-one percent, African American-owned businesses by forty-five percent, and Asian-owned businesses by twenty-four percent as compared to a ten percent increase in numbers for all segments of small business, including large historic base of non-Hispanic white males.³ While emerging owners currently make up between forty-five and fifty-seven percent of small business owners (variable depending on inclusion of only majority women-owned, >50%, or inclusion of 50/50 women-owned), and these owner are motivated towards growth (see results section of this report), only one percent achieves sales levels above \$1 million, and the annual receipts reported for women and minority-owned businesses made up only ten percent of total receipts in 2002.

As the historical base of small business owners ages in the coming decades, local economies and communities face challenges and have opportunities from anticipated changes in the status of their small businesses as these businesses turnover or are closed. While non-Hispanic male Caucasian business owners currently generate ninety percent of small business revenue, the median age of small-business owners is fifty.⁴ Only twenty-nine percent of small business owners plan to “pass their businesses on”, another fifty percent have a plan to dispose of their business through sale or closure without sale, and twenty-two don’t appear to have any plan.⁵ Trends indicate that younger generation family members are unwilling to take over ownership and operations of family-owned businesses has been the historical pattern, and among those businesses that are passed on to second and third generations, failure rates are high.⁶

At their current rate of growth, emerging business owners are unlikely to fully replace jobs and the economic productivity lost as the historical base of owners closes and turns over their businesses. The research team believes the risks, opportunities, and

²Ibid.

³ U.S. Census, 2002 and updates, and wellsfargo.com/biz/stateofbiz

⁴ NFIB National Small Business Poll, Vol 5, Issue 3, October 17, 2005.

⁵ Ibid.

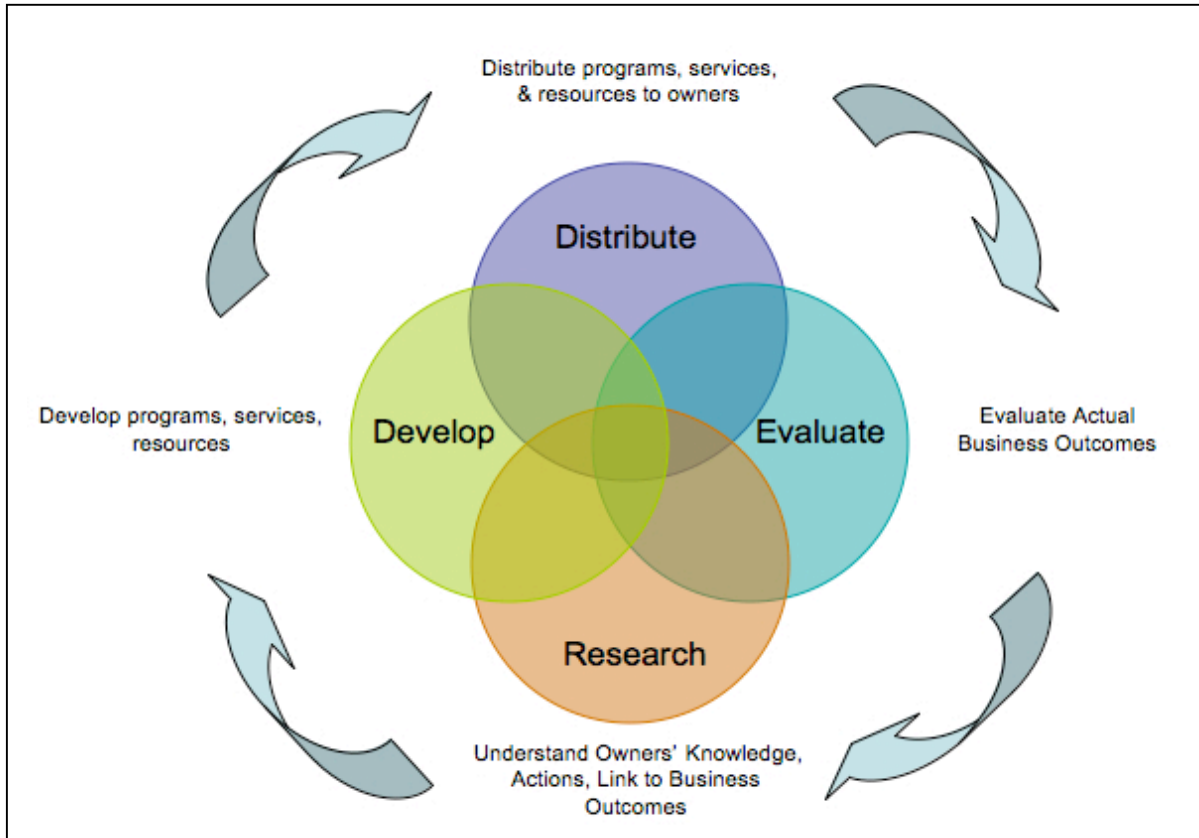
⁶ MetLife CA Insurance internal statistics, Russ Singer, CFP personal communication

scale of the potential impact on the U.S. private economy from changing demographics, are not adequately understood.

The information currently available regarding small businesses does not adequately describe the demographic changes or the impact of these changes on the overall economy. Furthermore, this data does not provide the insights to identify problems or suggest solutions to maintaining the economic strength of this vital sector and continued job creation. Data is limited to high-level statistics and specialized studies available from federal, state and local sources regarding a few business indicators. For example, the U.S. Census tracks numbers of companies by sales, number of employees, annual payroll, owner ethnicity and owner gender. These statistics fail to capture the voices and experiences of diverse emerging owners over time.

In the long term, supporting a strong small business sector will require significant resources as well as commitment and cooperation among public, private and nonprofit sectors. The research team proposes the use of a systemic approach that the team is calling for an *Integrated Small Business Development System* (see Figure 1 below) driven by outcomes and based on four interdependent components: **research** to understand owners' knowledge and actions and link these to business outcomes, **development** of programs, services, resources, **distribution** of programs, services, and resources for owner's use, **evaluation** of actual business outcomes.

Figure 1. Integrated Small Business Development System



Benefits of the Long-Term Project

The anticipated benefits to Inner City Advisors from sponsoring the project are to create a pipeline of qualified women and minority applicants for the organization's mentoring programs and to provide graduating companies with pathways to continue market expansion, create jobs and business leadership in the target East Bay region.

Purpose of the Breakthroughs for Business Project Pilot

The first component of an integrated small business development system is research. Without a broad and deep research base, efforts to create small business solutions become random and success of programs, services and resources cannot be reliably defined or evaluated.

The purpose of conducting a small-scale pilot study about the performance and growth of small to medium sized enterprises (SMEs.) was to develop the knowledge and experience necessary to successfully conduct a large scale, longitudinal research project.

Specific objectives included:

- Developing a viable and scalable research design, strategies for participant recruitment, and analysis methods
- Building a realistic budget
- Reflecting cultural and community aspects of segments

Project Methodology

Inner City Advisors, the sponsors of the study, have identified women and minority business owners as critical segments of business owners to support in the west Alameda and Contra Costa region from Berkeley to Hayward. To support the ICA focus, the pilot research study included eight segments of business owners with sales of approximately, \$50,000 to \$10,000,000. Much has been written about barriers to entry for entrepreneurs and needs of micro-businesses, and among nonprofit business service organizations, there has been an emphasis on micro-enterprise. The goals of this current applied business research, in contrast, are to understand barriers to sustainable business performance and growth and to identify breakthrough approaches to overcoming such barriers.

The approach included gathering characteristics of owners and their businesses. The research team explored challenges and needs of business owners for sustaining and growing their businesses. The team believed that owners have *un-articulated needs*⁷ defined as needs that, because they are not clearly identified or described, cannot be adequately solved. Further, the team believed that such unsolved problems present barriers to sustainable

⁷ Research team defines "un-articulated needs" as those needs that owners are not able to clearly articulate when asked "what would have helped you grow your business in the past" and "what would help you grow your business in the future"

business performance and growth. Therefore, the researchers chose to include qualitative methods to reveal barriers and the actions owners take to breakthrough them.

A distinct aspect of the *Breakthroughs for Business Project* has been capturing the voices and experiences of owners through interviews and focus group discussions. The mixture of quantitative and qualitative data obtained in the pilot study led to important insights and specific themes that warrant further exploration through a large-scale, longitudinal research study.

RESEARCH INSTRUMENTS

An on-line survey instrument with twenty-eight questions was developed to collect data on business owners' demographics, business age, revenue level, and self-evaluation of knowledge across broad areas of business, and current business resources.

A qualitative interview protocol relying on open-ended questions was developed to gather information about reasons to form and grow a business, levels of business knowledge, barriers, and actions to overcome barriers. The interviews succeeded in capturing the voice of owners and revealing unarticulated needs of owners for achieving business performance and growth. One question that explored nine aspects of business was particularly effective in capturing how owners acted in different situations and how they applied business knowledge. The interview protocol effectively engaged owners, and many owners willingly spent more than the minimum 30 minutes required to answer basic questions. In addition, the interviews provided a distinctive picture of each owner that was not apparent from the survey results.

A subset of thirteen business owners participated in focus group discussions to provide feedback to help refine the survey and interview protocol to enhance the large-scale study and to reflect upon the significance and value of the findings. Three specific themes were discussed: mentoring, self-ranking of knowledge in different aspects business, and reasons to start and grow a business. The focus group was invaluable in understanding what the participants were actually thinking as they completed the instruments and to obtain their collective reflections regarding results.

INITIAL POPULATION

Forty-seven business owners with annual revenues ranging between \$50,000 and \$10,000,000 participated in the pilot study. These owners represented eight segments including men and women from four ethnic groups: Caucasians, African American, Hispanics and Asian Pacific Islanders. (See Table 1 below.)

Table 1: Initial Study Population Segments

	Women	Men	Both genders
African	4	5	9
Asian	4	7	11
Caucasian	14	7	21
Hispanic	3	3	6
All cultures	25	22	47

Businesses in pilot sample included a variety of industries: retail, professional services, food, manufacturing, construction, franchises, information technology consumer services and green business.

Soon after the launch of the pilot study, the research team recognized that eight separate campaigns would be needed to recruit from all eight segments. In the large-scale project, partners from each segment need to be secured to ensure each group is fully represented. Therefore, only findings by gender are published in this first annual report.

Pilot Results and Themes for Long-Term, Large-Scale Study

The pilot study produced segment data regarding a number of business areas and rich profiles of business owners including a picture of the passion and knowledge owners have for and about their businesses. The research team decided to focus the analysis on barriers, capacity to overcome barriers and needs that appear to impact sustainable business performance and growth. Readers of this pilot study report are cautioned that strong correlations and broad generalizations cannot be substantiated at this time with the small pilot sample.

However, four themes did emerge from the pilot study that the team believes are important to share at this stage and that will guide the future large scale, longitudinal study. The results of the pilot study are reported under these four research themes. *Insights and questions* are noted under each research theme.

Four key research themes that emerged for exploration and validation with a larger sample of business owners are:

1. Identify strategies and actions owners adopt that sustain and do not sustain performance and growth up to and beyond \$1million in annual sales?
2. Further explore unarticulated needs of owners for sustaining performance, growth, and innovation. Confirm the opportunity for designing and providing programs and services of benefit to owners.
3. Define the impact of segment-specific approaches on ownership development and on sustainable business performance and growth.
4. Validate the resources owners consider most useful and the characteristics of usefulness.

RESEARCH THEME #1: IDENTIFY STRATEGIES AND ACTIONS OWNERS ADOPT THAT SUSTAIN AND DO NOT SUSTAIN PERFORMANCE AND GROWTH UP TO AND BEYOND \$1MILLION IN ANNUAL SALES?

Results:

In the survey owners were asked to select their top three reasons to grow their business and identify the top three business opportunities for sustaining or growing their businesses. (The owners were not asked to do relative ranking among the top three selections). Differences emerged between owners above and below \$1 million in sales that warrant further investigation. Researchers chose an initial division at \$1 million because this revenue level is recognized in the general media as a benchmark of business success and represents revenues that qualify for standard bank capital. The results that were most noteworthy were:

Business owners with revenues >\$1 M were 36% more likely to include *creating a new product* among their top three **reasons** to grow their business than owners with <\$1 M. Furthermore, owners with revenues >\$1 M were 28% more likely to include *increase market share* in the top three **opportunities** to grow their business than owners with revenues <\$1 M.

The greatest differences regarding self-ranked knowledge were observed between >\$1 M owners and <\$1 M owners in the areas of *building networks*, *creating products*, and *distributing products*.

Business owners >\$1 M are 36% more likely to use *business credit line*, 53% more likely to use *automatic payroll*, and 44% more likely to have a *long-term loan* than business owners <\$1 M. Businesses owners <\$1 M are 26% more likely to use *debit credit payments* (personal) than business owners >\$1 M.

Insights

Approaches of owners reflected some difference by size of revenues. Capability to access and use available financial resources is greater for businesses \$>1 M.

Questions for Future Research:

1. Are there further distinctions among owners' actions, knowledge, and behaviors associated with smaller increments of revenue? For example, is an owner with \$250,000 in annual revenues likely to respond differently than one with \$500,000 or \$750,000 in revenues? Is an owner with \$2 million in sales likely to respond differently from one with \$5,000,000 in sales?
2. Does self-ranked business knowledge accurately reflect actual business knowledge and capability to act effectively among business owners?
3. Is product development and distribution a fundamental key to business growth?
4. What are effective approaches to improving financial literacy that will better help emerging business owners access capital.

RESEARCH THEME #2: FURTHER EXPLORE UNARTICULATED NEEDS OF OWNERS FOR SUSTAINING PERFORMANCE, GROWTH, AND INNOVATION. CONFIRM THE OPPORTUNITY FOR DESIGNING AND PROVIDING PROGRAMS AND SERVICES OF BENEFIT TO OWNERS.

Results:

The combination of quantitative and qualitative methods revealed a number of unarticulated needs of owners that need to be clarified and validated in a larger sample and over time. Tone of voice, inflection and facial expressions in interviews contrasted in many instances with an appearance of certainty in corresponding survey responses. Furthermore, discussions among participating owners in the focus group opened up further interpretations and suggested further questions to include in the next phase of research.

Unarticulated needs that emerged include:

- Straightforwardness and directness regarding multiple aspects of an owner's business
- Skills in solving problems
- Tenacity in addressing barriers
- Making decisions
- Self-awareness

Insights:

The capability to articulate needs appeared to relate to an owner's success in overcoming barriers.

Questions for Future Research:

1. How do owners learn to analyze and articulate needs?

2. What actions do owners take to breakthrough barriers?
3. To what extent does an owner's inability to articulate a need constrain business performance and growth?

RESEARCH THEME#3: DEFINE THE IMPACT OF SEGMENT-SPECIFIC APPROACHES ON OWNERSHIP DEVELOPMENT AND ON SUSTAINABLE BUSINESS PERFORMANCE AND GROWTH?

The initial sample was not sufficiently large for identifying differences among the four ethnic segments. The data associated with gender was relatively balanced. Samples size of men and women were almost equal (25 women, 22 men). Responses to questions by gender generated some surprising similarities and differences across many aspects of business that may affect performance and growth.

Women indicated an equal intention to grow their business as men. Only 12% of women relative to 9% of men indicated that they did not intend to grow their business. Furthermore, when asked to identify the top three **reasons** to grow their business, women included two of the same top reasons as men: *making money*; 72% women and 59% men, *personal satisfaction*, 56% women and 45% men. This confirmed our observations from the interviews that women and men were all seeking greater economic and personal satisfaction.

Women were 28% more likely to rank *flexibility* among their top three reasons to **own** their business. On the other hand, men were 13% more likely to select *challenge* as one of their top three reasons to **grow** their business. Furthermore, women were 21% more likely than men to identify *increase sales* as one of their top three performance objectives.

Without separating the effect of business revenue level, men and women were likely to rank their knowledge as strongest in the following areas of business: *managing money, working with and managing people, marketing, selling, and customer service*. Furthermore, men and women were likely to rank their knowledge as weakest in the following areas of business: *distributing products, hiring the right people, and building networks*.

Women ranked their knowledge of *creating products* and *distribution* lower than men ranked their knowledge. Furthermore, women owners who participated in a focus group, posed the question, "Was product development and distribution" the key to growth up to and beyond \$1 million?

Men are 20% more likely to have a *long-term loan* to support their business than women. Women are 19% more likely to draw on a *home equity* line than men to support their business. Women are 21% more likely to use *debit or credit payments* (personal) than men.

Insights:

Women appeared to be uninformed regarding the link between product development, distribution and revenue growth.

Questions for Future Research

1. If product development and distribution is key to growth how can this opportunity be more effectively communicated to women?
2. What are the opportunities to enhance capacity for product development and distribution among business owners?
3. While men and women seek growth and want to make money, do they define those goals similarly?
4. Will important segment-specific differences by ethnicity emerge with a larger scale study?

RESEARCH THEME #4: VALIDATE THE RESOURCES OWNERS CONSIDER MOST USEFUL AND THE CHARACTERISTICS OF USEFULNESS.

Results:

A wide range of resources was identified as most useful among business owners in sustaining and growing their business. Choices of useful resources related to both gender and revenue levels.

Women were 30% more likely than men to include the *internet* among their top three most useful business resources, while men were 25% more likely than women to select both *mentor* and *consultant* among their top three most useful business resources. Owners with >\$1 M were 25 % more likely than owners <\$1 M to select *mentor* among their top three most useful business resources.

Mentoring means many things to business owners. The discussion in the focus group suggested that constant pursuit of knowledge and advice from many sources might be as important to successful growth as having a dedicated, formal mentor.

In addition, 36% of owners with >\$1 listed *other* as being among their top three most useful resources. *Other* included: education, business experience, an existing network, and trade events. In contrast, owners <\$1 M were 24% more likely than owners >\$1 M to select the *Internet* among their top three most useful business resources.

Resources that were most infrequently ranked by all segments of owners as useful included: government services (0%), nonprofit services (5-9%) and professional or industry group (8-18%).

Insights:

Perceptions of usefulness varied widely among possible resources and by segment. The Internet was selected at a high frequency while nonprofit and government services were selected at a low frequency.

Questions for Future Research

1. How do owners use various resources?
2. What do resource providers think they are providing?
3. What other resources not listed in the pilot study should be included in the large-scale study?
4. How are business owners using multiple resources together to advance performance and growth for their business?
5. To what extent is a formal mentor necessary or can persistent pursuit of advice and knowledge from multiple sources lead to sustainable performance and growth?
6. What are the critical questions to ask and what is the content of the knowledge needed to better support owners that have difficulty finding mentors and reliable information?

Conclusions

The distinctions that emerged in the pilot study between owners in two segments by revenue, over \$1 million and under \$1 million, suggest three research priorities for achieving the goals of Inner City Advisors. In addition, further research is likely to stimulate the development of enhanced support to small business owners well beyond the ICA target groups and geographic areas. These three areas are:

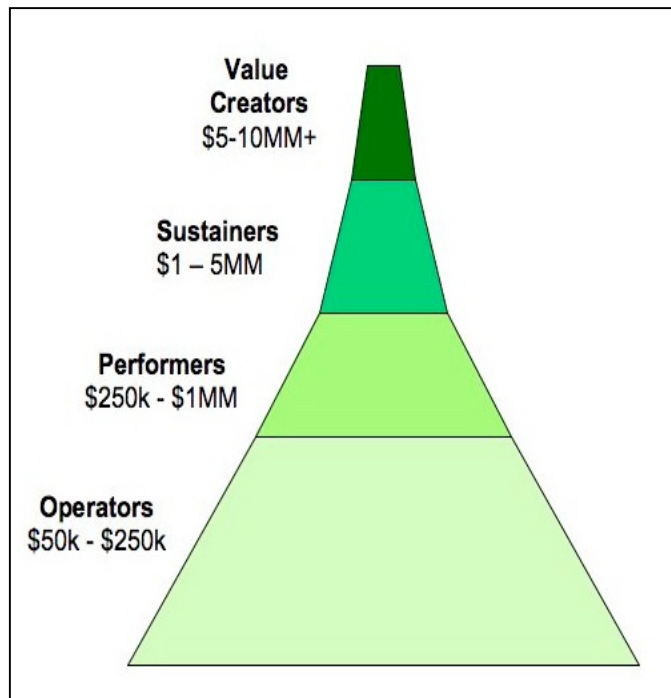
1. Develop knowledge based on a larger random sample and with statistical tests to further define and validate successful approaches taken by owners within and among segments over time and over all stages of growth.
2. Apply the results and insights from a large-scale study into segment-specific programs, services, or resources that encourage the performance and growth of businesses.
3. Measure the impact of improved or new services, programs, and resources on the performance and growth of businesses in the total research population.

A general picture of owner performance and growth emerged over the course of the pilot study. Responses of owners and direct engagement with them suggested four owner profiles and stages of growth that the research team has associated with sustainable business performance and growth. Participating owners in all four profiles and at all levels of sales revenue communicated dedication to their business, ambition, and aspects of leadership. The profiles were developed to aid in the analysis and to help design programs, services, and resources that will have measurable benefit to business owners. (See graphic illustration in figure below)

- Operators – Owners of startup businesses, or those in operation for an extended period who are facing multiple barriers and may or may not choose to overcome the barriers
- Performers – Owners of businesses in operation over three years who achieve a consistent level of revenue and have strategies to tackle identified barriers
- Sustainers – Owners of established businesses who have achieved their desired business goals and who have chosen to maintain a niche presence, sales and staff level
- Value Creators – Owners of established businesses, who have strategic vision, constantly seek and act on opportunities to grow or achieve greater goals.

The research team concluded that incremental growth at the lower levels might already be an important source of job creation. **Operators** and **Performers** reported using part time or contract staff and contemplating adding full time staff. **Sustainers** and **Value Creators** reported creating full time positions and investing in training and development. By using these categories, the team can better tailor programs and services to support owners achieve their potential to grow and assist them in creating the right jobs, hiring the right people, and managing them.

Figure 2. Owner Profiles and Growth Stages for Sustainable Business Performance and Growth



Future Directions

Ninety percent of women and minority businesses remain at revenues below \$1 million. Therefore, understanding the capabilities of owners by segments to operate and grow businesses within the first two stages of **Operator** and **Performer**, will be a focus of the *Breakthroughs for Business Project* research team going forward. For women owners, it will be necessary to address deep-rooted social and cultural attitudes and behaviors with respect to math, money, choice of industry, and creating products beyond those considered traditionally female.

To build a pipeline of **Operators** and **Performers** and growth-oriented businesses for ICA, the research team recommends that the large-scale project include program and service design, development, and evaluation for impact on business performance and growth. As further opportunities to develop and deliver more innovative or more effective programs and services emerge, the *Breakthroughs for Business Project* will shift more of its resources from research to program design, development and testing. Thus, the research team envisions the Project becoming a model of a *Small Business Development System* (see figure 1) that stimulates and supports a greater number of emerging businesses to reach the \$1 million level over time with greater capacity to sustain this level or grow to higher levels.

The research team recommends a long-term, large-scale project with a sample of approximately four hundred business owners and a duration of at least five years. The large project will allow the team to conduct analysis of needs and successful approaches by among at least the eight identified segments and to validate results with statistical tests. Changes in business performance and growth can be tracked. The impact of programs, and services, and resources can be evaluated.

You are invited to participate in creating a systemic approach to supporting small business and local economic development in the following ways:

- Fund the longitudinal, large-scale, segment-specific study for a specific sample of business owners,
- Fund development and validation of business growth programs and services,
- Provide business participants from your community,
- Distribute validated programs, and
- Provide in kind support to advance the success of the *Breakthroughs for Business Project*

Contact us for Questions or Further Information

Darlene Crane (510) 886-4483, dcrane@pcicraneconsulting.com

Claire Kinlaw (510) 531-4996, clairek@team-zone.com