REGION III

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An Economic Study

THE STATUS OF SMALL BUSINESS

September, 1979

FOR THE OFFICE OF ADVOCACY
U.S. SMALL BUSINESS ADMINISTRATION

BY PENNTAP (PENNSYLVANIA TECHNICAL ASSISTANCE PROGRAM)
A CONTINUING EDUCATION SERVICE
THE PENNSYLVANIA STATE UNIVERSITY
This volume is the product of a negotiated contract between the U.S. Small Business Administration's Office of Advocacy and The Pennsylvania State University, with work to be performed by the Pennsylvania Technical Assistance Program (PENNTAP). The assignment was to initiate, coordinate, and supervise preparation of research papers regarding the past, present, and potential status of small business in Region III. PENNTAP is a unit of Continuing Education at The Pennsylvania State University which serves the public and private sector. During performance of this contract, PENNTAP maintained SBA contacts through the Economic Research staff in the Office of Advocacy. To fulfill its assignment, PENNTAP followed these procedures:

To augment routine announcements made to interest potential authors, PENNTAP contacted deans and department heads in every academic institution with established business-related concentrations. Also contacted were the institutional and foundation centers, associations with small business memberships, private laboratory and research operations, state Chambers of Commerce, and each state's cabinet-level official involved with commerce/economic development.

Awareness contacts and material explained the need for the research project, that it would involve all Federal Regions, and that it was in conjunction with the White House Conference on Small Business in January, 1980 -- an event which President Carter indicated was planned in part to recognize SBA's 25th anniversary.

From a large volume of biographic material and samples of writing received from author candidates, more than 100 candidates were selected for final review; then all material submitted by these candidates was carefully judged until No. 1 and No. 2 choices were made for 14 topics. SBA concurrence was a step in selection of authors. Penn State and each author(s) signed a performance Agreement which established rights, responsibilities, deadlines and fees.

PENNTAP, over a nine month period, provided authors with a series of instructions and guidelines, and current news and support material related to their topics. Preliminary outlines were reviewed and forwarded to SBA. Preliminary drafts were reviewed, edited, and passed back to authors, with copies to SBA. Bi-monthly reports on all contract activity were prepared for SBA. When final manuscripts were edited and produced, 20 copies of each paper and reproduction copies were prepared for delivery to SBA. A review process, involving representatives of the small business community, was to be conducted in cooperation with SBA.

The opinions, findings, conclusions or recommendations expressed in this Region III Volume on small business are those of the authors and do not necessarily reflect the views of the contractor (The Pennsylvania Technical Assistance Program), the editor, The Pennsylvania State University, or the U.S. Small Business Administration.

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PREFACE

When your automobile develops mechanical annoyances and rebellious notions, you are downright "lucky" if any of the pings and grinds are there as evidence when finally you get together the nerve and money to try to explain the problem to the garage mechanic. Usually, the something-wrong sounds disappear about 50 feet from the service bay doors and you end up a non-technical discussion by saying "its under the hood on the left side, I think." The problem can't be identified because the cause is not visible or audible; thus the mechanic must begin researching to locate the problem before he can solve it.

A contrast to that type of frustrating situation began to develop as this project got underway. Pings and grinds annoying the small business sector did not go away when the authors and their research teams went to work. They had no difficulty identifying very visible and audible problems. Their job, essentially, was to measure the intensity and the impact of the problems on the environment for small business and for entrepreneurs.

As they examined their respective vehicles of small business activity for common and distinctive trouble signs, they had an advantage (?) in being able to weigh the problems against the cause and effect conditions created by the energy syndrome and the inflation/recession struggle. Hence, they had the broad picture of small business environment, plus the on-the-spot closeups showing how these abnormal conditions were integrating and how they were affecting businesses.

Further, they did not have to spend time building a case for small business. That advocacy role, fortunately, is gradually acquiring a wider constituency. There is increased attention in Washington and the state capitals to small business affairs. More and more supporters are attesting to the plight of small business. Legislation to deal with discrimination against small business within the federal bureaucracy and elsewhere has been making headway. And also enhancing the visibility of small business has been the activity of SBA's Office of Advocacy and the country-wide series of forums conducted to collect input from small business for the White House Conference on Small Business.

So, authors were able to concentrate on the problems. For instance, the Region III authors were encouraged to attend White House Conference sessions to further develop a grass roots feel for their areas of research, and most of them were able to attend forums in Pittsburgh, Charleston, Richmond, Balt-
imore, Wilmington, and Philadelphia. Additional emphasis was placed on other methods to have these papers reflect private sector input and the authors met this need through special surveys and interviews. Two other relative points are worth mentioning: When Region III's authors were selected, a major criteria was whether or not candidates had experience in the private sector. Both the contractor and the editor for this volume came to their present positions from private business and they considered that type of background important to the purpose of the project. Plus, a large portion of PENNTAP's technical assistance over 15 years has been to small business. With this rapport, therefore, it is well acquainted with the needs, problems, frustrations and successes of those who are a part of this vital sector of the American economy.

It was in this atmosphere, then, that authors were able to acquire an in-depth perspective that had definite and appropriate influence on the suggestions and recommendations they have submitted as potential solutions for small business problems.

On top of all the time and comment from small business owners and managers during the nine months this project was underway, there was generous cooperation from appropriate officials in the state governments of Delaware, Maryland, Pennsylvania, Virginia, West Virginia and in the District of Columbia; and from staff members in the U.S. Department of Commerce, DOE, and SBA's Washington and field offices. A head count of the number of persons who participated in this study is not possible but there is no doubt it does represent the direct efforts of several hundred individuals.

As a final note in this account of the background preparation that went into this volume, mention is made of PENNTAP's motto, a paraphrased quote from Aristotle: "Think like a wise man but communicate in the language of the people." That admonition was passed down in a variety of ways to the 19 authors working on this volume. Reports have to be authentic, technically sound and understandable to a wide audience, authors were told. To augment that theme and to enhance the usefulness of these reports, special non-technical Abstracts were prepared by the authors and/or the editor.

If this approach, this emphasis on the non-technical aspects of the research findings seems to wander from customary disciplines or give Region III's study an unusual thrust, please don't be distracted by the informality. The intention was to invite readership by vivid accounts and explicit recommendations, not imprison the findings behind technical language barriers. Credibility was not compromised.
REGION III

STATUS OF SMALL BUSINESS

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AN OVERVIEW

Does It Have To Be 'Us vs. Them'?

Paul W. Houck
Editor, Region III
Small Business Reports

September, 1979

THE PENNSYLVANIA TECHNICAL ASSISTANCE PROGRAM (PENNTAP), a public service of the Pennsylvania State University and the Commonwealth of Pennsylvania, under a contract from the U.S. Small Business Administration's Office of Advocacy, has managed this economic project to analyze the past and current status of and to make recommendations for the future welfare of small businesses in Region III.
H. LEROY MARLOW Ph.D is director of the Pennsylvania Technical Assistance Program, assistant director for Continuing Education, and head of management development services at The Pennsylvania State University. He is a professor of management development and holds a doctorate in personnel and supervision from Cornell University. Prior to joining the Penn State staff, he held a number of personnel and industrial relation positions with the Koppers Company, Inc., in Pittsburgh. His last assignment was administrative assistant to the vice president of the plastics division. He also taught in Baltimore public schools. He was a member of SBA's national advisory council and is currently on the Pittsburgh district council. He is active in professional associations and has been widely published in professional publications. In addition, he was author or co-author of 115 research reports. He was a trustee of Albright College in Pennsylvania and is current president and chairman of the board of the United Methodist Homes in Lewisburg, Pa. Under his leadership, PENNTAP has become a technology transfer system which evaluators from academic and private sectors have lauded as a model which other states should emulate.

PAUL W. HOUCK is Information Coordinator for the Pennsylvania Technical Assistance Program. Before affiliating with The Pennsylvania State University, his experience covered more than 25 years in the publishing business as a reporter, editor, assistant publisher and general manager. In 1968 he left the position of manager for a chain of daily and weekly newspapers in the Pittsburgh area to join the management team launching a new daily newspaper in State College, Pa. That morning publication was judged as the top newspaper in its class in Pennsylvania in three of the seven years he served as executive editor. He has been a consultant in the areas of graphic design, physical plant and production for newspapers. He was active in the Society of Professional Journalists as president of the Pittsburgh chapter, as a director of the Pennsylvania Society of Newspaper Editors, in the Pennsylvania Newspaper Publishers Association, on the Advisory Council for Duquesne University's journalism school, and has received numerous awards and citations for professional and community activities.
AN OVERVIEW

THE STATUS OF SMALL BUSINESS IN REGION III
Does It Have To Be "Us vs. Them"?

I.

How do you talk about small business and not launch into a recitation of the problems that beset this sector of the economy that represents the oldest roots of American enterprise?
You don't.
You don't because the problems are many. They are perplexing. Some are entwined in those roots of American business that were planted in Region III by the nation's first settlers.

When the settlers were establishing colonies, then uniting and founding the new nation; when the declaration signers were in Philadelphia and through the subsequent four or five decades, all business was small.

Business was embedded as one of the symbols of opportunity and freedom. As boatload after boatload touched shore in the New World, immigrants expected to find jobs and to have a chance to start out on their own. Opportunity and hard work -- that was the challenge. There were hazards and setbacks, certainly, but the spirit of the new country was fired by freedom and independence. And business was on the front line. Entrepreneurs were learning their trade.

Cart-pushers became merchants, boat builders became ship builders, carpenters became contractors, printers became publishers, hard workers became managers, and managers became owners and developers and financial leaders. Business growth moved step-by-step with the westward movement across Pennsylvania, Virginia and West Virginia, over the Alleghenies and Blue Ridges.

With growth came size. Big businesses, as a natural result of the hard-working and the enterprising, were soon wielding power over the economic system, establishing new standards for jobs, production and competition, and separating the business opportunities into Big and Small categories.

Then came the problems.
Government, first as a bystander then as a passive participant in the economic development stages of the nation, found it necessary to take on a new role, and it proved to be a cumbersome assignment. There was motivation
to control the operating habits of the new big businesses, a hankering to
siphon off some of the growing revenues in the form of taxes. There was
some hesitation, some fear of jeopardizing the enthusiasm of the entre-
preneurial adventurers who were spurred by the freedom of enterprise.
Nevertheless, there was concentration on this bug business growth and
power, and it resulted in government increasing its interest and its
own power. Consequently, small business was lost in the shuffle.

Government attention to business was not motivated to intentionally
subdue small business' interests in favor of larger firms. Nevertheless,
when government at all levels has moved on behalf of, to tax, or to
regulate business of any size, it has been mostly the smaller businesses
which are burdened with disadvantages.

It is basically a dilemma created by big business glamor, image, and
influence...in government and with the public. Those differences which
exist between big and small business goals; the needs, and the fundamental
operational techniques, and between their abilities and their responsi-
bilities, have not been fully recognized or honored in the construction of
policies and regulations...in government or in private sectors.

Lack of appreciation for the separate but significant impact of small
business on the economy was an accepted and frustrating condition until
the 1949s and 1950s. The Small Business Administration finally was
established in 1953 to herald the concerns of small business, but even
the SBA through its 25 years has not been able to totally crack the
glamour image big business has fostered in the eyes of legislators and
regulators. The SBA, indeed, has found itself labeled as ineffective
because it is part of the bureaucratic political network. However, recent
aggressiveness from the Office of Advocacy within SBA is viewed by many
private sector spokesmen as positive, with potential to wedge open the
anti-small attitudes and practices within government.

In the meantime, of course, the problems continue. And they are
voiced in familiar tunes. SBA field representatives hear them. Congressmen
see them in letters from constituents. State legislators have to react to
them. At all of the fifty-seven conferences conducted across the country in
1978-79 to collect grass roots small business input for the White House
Conference on Small Business in January, 1980, the White House and SBA
staff people documented a barrage of problem areas.
Here, in this volume on the status of small business in Region III, authors of fourteen problem/topic areas assigned by SBA add additional detail to reasons small business persons are concerned about government roles and government impact on their futures.

If there is a consensus mood among small business operators, it probably would agree with the opinion expressed on a survey form:

"Something needs to be done to break down this 'Us vs. Them' situation."

More precise criticism came from another owner of an R & D firm:

"Unless government makes a 180-degree direction change, we will destroy the free enterprise system and make the United States a second class country."

Those kinds of opinions are not difficult to find. They are representative of the prevailing attitudes harbored in all areas of the small business community. And here, in this volume, are several hundred recommendations that not only pinpoint the sources of the problems but define ways the government can help small business more out of the shadows of big business.

That position is not by choice, nor is it deserved. But it is a position of disadvantage and one that has hindered small businesses for many years in many ways.

It is simply a case of unrecognized, unappreciated small business unable to put together a coordinated coalition that could effectively carry the cause to legislators, the media, and the public. In contrast, the glamor status of big business has monopolized the attention of law-makers, legislative staffs, the media, and the public.

The dilemma is illustrated here in theory, but the example is all too real in the saga of small business experiences:

A large firm can send sighs of relief or shudders of despair across any community merely on the basis of a manager's temper or a board's unemotional decision to consider or not consider moving or expanding. Panic or a swell of praise and thanks will flood the community. Yet, a community will sleep on, while a half dozen smaller firms -- with as much or more collective economic impact than the large firm -- have to pound many times before anyone will bother to open the door.

Historically, when small business has knocked, the doors have not opened or they've been opened slowly and barely.
II

The plight of small business is surrounded by irony -- irony that is revealed in any scan of the major business activity measurements.

As illustrated in the Economic Profile chapter of this volume, small businesses have not walked behind big business on the way to the cash register.

They are ahead in dollar value of sales, in number of employees, in number of establishments, in number of jobs created and probably in other categories as well, if sufficient data could be assembled that would provide distinction between small and large firm activities.

Over the years, the lack of this distinction in the compiling of business statistics has robbed small business of an identity and of recognition which conceivably would have headed off the maladies that now afflict this backbone of the economy.

Attempts are underway to correct the shortage of small business data, but they are slow in materializing. As is the case with virtually all statistical summaries assembled by government or academic sources, the long delays in publication of data seriously impede any practical application of the information for the needs of small business. Until the data collection process can be turned around so that it produces timely information, its value is drastically reduced. That turnaround, of course, must include new provisions to separate the classifications of business by size.

Significance of the data collection deficiency was touched on by all of the authors involved in compiling this Region III study. They found the scarcity of comprehensive statistics interfering with their ability to construct historic perspectives in their respective fields. The absence of a sound data base, however, did not hinder their efforts to provide a current evaluation of small business status.

The current condition, after all, is what demands attention, and attending to today's conditions is the task that demands action at the legislative and executive levels in Washington, Richmond, Charleston, Harrisburg, Annapolis, and Dover.

According to the findings of the research supporting these evaluations, the tasks ahead are monumental in scope, but at least the paths toward
reasonable and fair solutions are well defined. The beneficiary of strong remedial action will be a small business community that is more secure, even more productive, and in a much better position to help stabilize the national economy.

Before moving this discussion into the arena where the specific problem areas are introduced, a special observation is in order:

As all of the ends of this project were being tied together, one of the authors who was reflecting on his final draft expressed chagrin over not devoting space to the positive side of small business. "It was apparent in all my interviews and on all my questionnaires that proprietors do have burdens under their burdens, but I couldn't find a peg for the positive, good hat worn by small business."

He was hoping to say that in spite of the many problems -- and the bleak atmosphere created by the steady stream of anti-government complaints -- small business is a big magnet. It attracts self-starters into small scale operations. It remains one of the nation's fundamental challenges and opportunities to make good. It represents independence, at least by degrees not enjoyed in other nations. Success is not impossible.

The fact that small business is interested, is enthusiastic, and is harping about what government should and should not do, are positive signs. If small business was not making all this noise, it would not be a good omen.
III

Areas of difficulty confronting small business today include dealing with government regulations and policies at all levels, the inconsistencies and unfairness of taxation practices, the penalties applied to credit availability, strings tied to venture capital, discrimination in activating research and development, mis-direction of support for innovation and technology transfer, restrictive modes affecting urban and rural development, woefully inadequate responses to energy resource needs, serious cost aspects of transportation, special skills and training for the minorities, a wide gap in techniques for dissemination of appropriate information, and obstacles blocking participation in the exporting field.

If it is not immediately apparent, the fact is that those difficulties encompass all of the fundamental areas of small business existence. Looking at the difficulties, one-by-one, will allow a better understanding of the question raised by small businessmen and women: Why does it have to be "Us vs. Them"?

For instance, the private sector regard for government's handling of regulations would not fair well on a scale of -100 to +100. One might plant petunias on the plus side of the scale and not have to worry about anyone trampling on the flowers. They would not be disturbed.

On the negative side, however, the dust flies when small business discusses the overwhelming costs of compliance with regulations, confusion, and imposed psychological burdens that instill fears of unnecessary intervention in operating and planning.

The owners and managers talk about arrogant bureaucrats who have little sense of realities faced by small business; unreasonable time delays that persuade many small businesses to avoid contact with government regulations in any way possible; poorly written, contradictory and overly complicated regulations.

Overall, the consensus is that businessmen and women feel that regulations and policies at the federal and state levels place them at a severe competitive disadvantage with larger business counterparts. And this feeling can be found expressed in most of the following chapters.

Should regulations not come through as the No. 1 problem, taxation will. Small business spokesmen will haul out estimates from reliable sources which say the average effective rate of the federal corporate income tax is 15 percent higher for small firms than for large firms.
The most supported opinion is that tax laws are written to give opportunities and concessions that favor larger companies in such areas as accelerated depreciation, investment tax credits and the LIFO system for calculating depreciation.

Legislated and enforcement favoritism shows up in variety of ways. Most frequently mentioned is what is seen as enforcement concentration on small, family-sized businesses for their accumulated earnings restrictions. Another is a tendency by assessors to mark higher-priced property at lower market value percentages than the less valuable properties, and in placing lower valuations on personal property than on real property.

The significant, bothersome question imbedded in the foundation of the taxation problem: When does the tax burden force a small business to collapse and disappear as a tax-generating segment of the economy; and what influence do present tax loads have on entrepreneurial activities? It is difficult to spoon any optimism from the potential answers. In any event, the distinct probability is that present laws impede tax generating potential.

Recommendations to adjust the taxation climate are extensive, built generally on changes to recognize small business problems, attaining uniformity among states, and simplification of code and reporting procedures.

Regulations and taxation, of course, have major influence on the availability of credit and venture capital. The fact that much of the influence is negative sets off repercussions that reach to the heart of the nation's economy. Without a healthy financing atmosphere, expansion and progress are pinned down and entrepreneurship is sidelined — or the bearers of the entrepreneurial spirit go looking for a more inviting location to play their game.

The Region III territory is not offering an encouraging climate and, again, this study points to the need for tax incentives, modified regulations, and paperwork reduction as inducements for improving the climate.

Specifically, small operators and newcomers face numerous obstacles in getting to the money sources which operate behind highly selective and high premium policies. The outcome of unaltered or continued restrictions does not have to be spelled out.
Where these kinds of impositions are most frequently found are among the small firms that live and breathe by the guidelines on credit and venture capabilities -- the R & D field and/or those involved in innovation and technology changes. There are nearly 600 of these firms scattered through the Region and they're performing R & D in more than 2,300 areas. Their diversification leads to particular needs, often with varying time spans, and certainly involving somewhat more risk. And beyond the usual business side problems, they have others peculiar to their motivations.

For instance, R & D firms in the Region are under contract to the government for about 75 percent of their effort which means that once products and processes are taken over by the government they are virtually unavailable to the private entrepreneur. Authors of this chapter conclude that no more than 25 percent of the total output of small R & D firms can be utilized by the private sector. The additional conclusion, therefore, is that the government's policy on patents as a result of federally-funded civilian R & D does not have a significant impact on innovation and technological change in the private sector. The virtues of this situation are not easily defined to the satisfaction of the small business enterpriser.

The survey providing much of the data for the R & D report permits another revelation which runs contrary to some standard views. An often-heard concern among researchers and policy-makers is that less than 8 percent of total federal R & D money ends up with small business while small firms introduce almost half of the total innovations. Owners and managers responding to this survey provided data which suggests a paradox. That data shows that the small firms devoting 75 percent of their resources to R & D for the government do not by themselves introduce innovations and technological change. Small firms which emphasize production, rather than R & D, are actually responsible for innovating and introducing change and they depend primarily on their own limited R & D facilities. The strings attached to the patent/contract policies can share the "credit" for this separation of emphasis -- R & D vs. production -- and for causing the paradox.

In this same field, which is perhaps the most heavily involved with government contracts, other recommendations formed by the private sector propose a pre-screening process to "control" the numbers of respondents to requests for proposals (thereby cutting down the expensive routine of bids
and proposals, many of which are never answered), and instituting channeled
areas for proposals from not-for-profit organizations (for the same reasons
as pre-screening, and eliminating unequal, unfair bidding basics).

A somewhat different set of special circumstances is tied to the
importance of small business development in the rural areas and as part of
development and revitalization of central cities. In Region III, as much
as if not more so in any other region, the expanse of rural area and the
multitude of major and medium-sized cities creates a diversification of
interests and activities which forces not only balanced attention but also
a balanced division of problem-solving resources.

A geographic view, for example, shows that of the 245 counties in
Region III, 127 or 51.8 percent are defined as rural, having a density of
below 70 persons per square mile and less than one-third of their population
classed as urban. They cover just about 50 percent of the land area. In
1976 the population in these counties amounted to slightly over 11 percent
of the Regional total, but they've had a greater population growth than the
urbanized counties since 1969. Per capita income also is growing although
it remains below the regional average.

Not surprisingly, the greatest concentration of the smallest small
firms are rurally located and 90 percent of the firms have fewer than 20
employees.

Productivity levels are higher in small business in rural and urban
locations and this is an attractive consideration for non-local serving
firms, but limited labor forces and distribution costs have an affect on
the size of these firms in comparison to their urban counterparts.

Constraints encountered by rural firms do differ from those found in
urban areas. Major among these are rather limited financial markets for
short and long-term loans, caused generally by the smaller scale of the
financial institutions and a tendency toward more conservative banking
practices. To some degree, expansion of branch banking is alleviating
these practices, but in most cases the branching is by the local institu-
tions, not those with urban bases.

Weaknesses in basic business and managerial skills is another rural
constraint, as is the low rate of entrepreneurial activity, this a
consequence of the historical out-migration of those with entrepreneurial
potential to the urban areas where opportunities are more apparent.

Along with the recommendations for solving these rural contraints, as offered in the Rural Development section of this volume, an appropriate observation is that limited access to the various agencies offering funding and know-how assistance is as much of a constraint for rural small business as anything else. The need to locate field offices where the people are is understandable. At the same time, consideration is due for making agency services and support accessible by utilizing existing organizations which perform through the rural areas.

The constraints that influence rural small business appear in a different mode in the central cities. Where limited resources and access are a rural problem, competition for those resources is the constraint for urban small business. By virtue of the intensity of numbers of small businesses and the presense of more and stronger larger firms, the small urban firm must endure highly selective screening by the money lenders and competition for attention by the government agencies.

Urban firms also require astute management skills because when they stake out a claim, usually they're doing it in a crowd. The competition for the customer attention and dollar becomes especially tough in the larger cities. Under these circumstances, the lack of skill, the lack of suitable equity capital, and the lack of reasonable line of credit do not permit flexibility.

Central city and urban firms do have an advantage in location. The sweet smell of success does attract, which is another way of saying that success breeds success. One example of success can attract a cluster of businesses, or a run on property, or a boost in land and property values. The togetherness concept is an old one, particularly in retailing, but still it is an important consideration for the small urban firm.

How the revitalization programs have been going in Region III is measured by data from 12 of the region's cities: Philadelphia, Pittsburgh, Harrisburg, Wilkes Barre in Pennsylvania; Richmond, Roanoke and Norfolk in Virginia; Charleston and Huntingdon in West Virginia; Wilmington in Delaware; Baltimore in Maryland; and Washington, D.C.

An unanswered question in the study of rural and urban development is what influence the energy resource shortage will have on small business. Acute and prolonged shortages will affect the distribution costs for industries located in rural areas, and they will affect commuters in the
numerous areas without mass transportation. Thus, the energy impact does have potential to seriously alter patterns of development for rural and urban firms.

The harshness of energy's arrival on the American scene -- and its sharp effect on the cost of doing business -- finally has made an impression on business. The 1979 crisis eliminated most of the doubters and the procrastinators.

Previous crisis experiences -- all in this decade -- did not persuade majorities of business owners to apply their best skills to energy-related problems. Those who did confront energy and conservation were in a position to reckon with the feverish costs which appeared in the wake of 1979's summer shortages.

No one can completely escape the realities of the energy influence. The fact is that until future supplies can be reconciled and the alternative sources can be sorted out for their practical values, the effects of fuel shortages and economic infections can only be softened by conservation.

At the rate fuel and energy costs are moving upward, conservation has assumed new authority. The economic benefits to be gained are significant and the examples discussed in the Chapter on Energy Impact (involving Pennsylvania where half of the Region's small business is located) clearly indicate the wisdom of pursuing conservation potentials.

Small business enjoys a definite advantage in the energy syndrome. This study suggests that big government and big business cannot recoil swiftly enough to head off the effects of energy supply and cost problems. Small business does have the maneuverability to react, to change directions and to implement imaginative solutions. Government and big business are tooled to look at the big picture of the future, but the need is now -- and that's another reason conservation must be taken seriously.

Regionally, as well as nationally, the mechanisms have not fallen in place for implementing a credible counter offensive to the energy problems. Disarray at the government level might be traced to the newness of the problem. The inexperience, the shortage of and misinterpretation of the technologies, the avalanche of inappropriate, untested information were factors which contributed to the chaos. The private sector was victim of or guilty of similar confusion.
While some of this kind of debris remains, some mechanisms are functioning and delivering necessary assistance and defining technologies and priorities. Research conclusions are, however, that government's role remains somewhat out-of-step with need. Proposals for change include intensifying more practical programs to aid conservation, and conducting more appropriate market studies on the feasibility of alternatives. Other recommendations are in tune with those emerging in other chapters: Amend away conflicts and counter-productive rules among different agencies; earmark more aid and programs for small business; clear out bureaucratic mediocrity so regulations, grants, proposals, and innovation have faster turnarounds.

All business and industry areas must deal with energy problems in the most cost-effective way possible if they intend to maintain their health and status. Their ability to do that will depend much on how the government alters its course toward assistance for small business.

Transportation, for example, is at the mercy of fuel supplies and whether or not it is able to withstand the energy pressures and continue to provide the vital link for commerce activity will be contingent on adequate government programming.

Before the latest energy crunch, transportation services were readily available and costs were not a particular problem for most small businesses in Region III. But that normalcy has been wiped away.

Although the availability has not significantly changed, the cost situation has; and as the cost factor worsens, the availability is expected to suffer more than it has to this point.

Prudent management practices become a critical plus or minus weight when unknown factors, such as energy, bear down on small business. Ideally, flexibility can be exercised in rolling with these heavy pressures, but flexibility is not often a luxury for small businessmen and women.

Cited frequently throughout this study as a special area of disadvantage, management training holds the key to survival of many small businesses when they are forced to handle unexpected problems.

The Chapter of Minorities discusses this lack of management know-how and technical skills as the prime cause for an alarming failure rate among small businesses, a rate that is even higher for new business adventures started by minority group members and women.
It is easily verified that there is an important relationship between education, training, management, and technical skills, and the success and survival of business enterprises.

Recommendations call for increased support at the federal level, where few funds have been provided for training assistance in areas of management, technology, loans, and education in conjunction with other minority enterprise programs. Further, the education establishment, at state and local levels, is urged to incorporate business ownership training courses and career awareness programs designed to reach minority youth, disadvantaged and special interest groups.

To remove other obstacles, the suggestion is that both the public and private sectors combine efforts to make available the resources needed to improve and expand minority and women enterprise programs. These opportunities must become real if business enterprises established by these special groups are to prosper as parts of the small business segment.

Support for such programs is found in the Chapter on Information Sources and Future Research Needs where the absence of improved knowledge and information is underscored as one of the critical issues facing small business and entrepreneurs.

The lack of suitable information and access to current information on such topics as capital formation, taxation, ownership continuation, procurement, inflation and opportunities in foreign trade is detrimental to the progress of small business.

Coinciding to this deficiency, the authors say, is the weakness of present data collection processes which need private and public support in order to rally the necessary research that could correct the inadequacies. With a sufficient data base, information dissemination and research could proceed in a positive way and ultimately provide sufficient assistance to the small business sector. Until there is increased emphasis on small business research, public policy will continue to be made without the benefit of a thorough understanding of small business requirements.

An example of the effects of insufficient data can be found in the exporting field where the United States urgently needs an effective approach to provide assistance to small business concerns.

Despite past rhetoric, government efforts have lacked a commitment to the problem and one of the major reasons for previous lack of success -- as
pointed out in the Foreign Trade Chapter -- is that programs have been formulated with insufficient resources and purpose.

To reverse a trend that has the potential to force small businesses out of exporting by the turn of the century, a new approach is recommended which would meet the needs of small firms on a direct basis rather than by the present method of direct government assistance and promotion. The vehicle for this direct approach could be an intermediate organization operating between government and potential small business exporters. It would provide market research, counseling, and training to individual companies over an extended period of time, as a privately owned company that would receive initial capital from the government, but on a self-liquidating basis within five years.

Proposals such as this must have the ear of responsible government officials if the vitality and innovative spirit of small business is to continue...if the growing wrath of small business is to be calmed. The research conducted in this study leaves little doubt that the wrath is building at the grass roots, and that it is being vented by new coalitions that are mustering the legions into not-to-be-ignored political strongholds. If government at all levels listens and responds to small business with the same attention enjoyed by big business, it will be moving in a direction that could restore the stability and vitality of the nation's economy. It also could eliminate the reasons for that question with the undemocratic tone: Does it have to be "Us vs. Them"?

And if government does bend and if it does open its doors to the call of small business, it also may hear the echoes of a voice that rang out across Region III some 200 years ago, declaring:

"Perfect freedom is as necessary to the health and vigor of commerce as it is to the health and vigor of citizenship."

It would be the voice of Patrick Henry and he would be talking about the only commerce activity of his day -- small business!