

AN ASSESSMENT OF EDUCATIONAL NEEDS OF  
SMALL BUSINESS OWNERS IN MONTANA

by

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## ABSTRACT

Small businesses are a vital part of Montana's economy and their contribution to local economies is widely accepted. There has been a great deal of effort to identify and develop resources to assist small business owners in successfully starting their business. However, there is a gap in the research addressing the educational needs of established small business owners.

Qualitative research, specifically grounded theory, was used to assess the educational needs of small business owners in Montana. Network sampling was used to identify the sample. Data was gathered using semi-structured interviews. Data was analyzed forming open codes, axial codes and selective codes derived from the data.

Data revealed that small business owners in Montana have educational needs in business and financial management, marketing and sales, needs specific to their product or industry, and computer software. Related to marketing participants identified that they would like additional information on expanding markets, utilizing social media and internet marketing, and how to sell a business. Participants also identified that they would like additional resources on tax information, regulations pertaining to small business, and contracting with the Department of Defense. Participants are utilizing the Montana Department Commerce, Made in Montana program, Montana Manufacturing Extension Center, and the local development corporations. Participants revealed a positive attitude towards education. Time and distance to travel were identified as two main barriers to participation.

Small business owners seek educational resources to gain the identified critical skills and competencies. The ability for small business owners to meet their educational needs is influenced by their attitude toward education, connections to other business owners and to agencies, and the availability of the education. Resource availability is defined by limited time and travel distance, the small business owners' knowledge the resource exists, and the actual presence of the resource.

## CHAPTER 1

## INTRODUCTION

Background and Setting

It is widely accepted and acknowledged that small businesses are an increasingly important part of the United States economy (Henderson, 2002 ; Muske & Woods, 2004). The Small Business Administration (SBA) called small businesses “America’s most powerful engine of opportunity and economic growth” (Small Business Administration). Small businesses employ half of all private sector employees (U.S. Small Business Administration, 2009) and generate 60-80% of all new jobs annually. Small businesses are especially important in rural areas where they are often the cornerstone of the economy (Muske & Woods, 2004). In rural areas, small businesses create jobs, define the main street’s character, and increase revenue in the local economy (Henderson, 2002).

In rural states like Montana, small businesses are a major force in the state’s job creation and economy (U.S. Small Business Administration, 2009). Small businesses represent 97.8% of the state’s employers and employ 69.8% of Montana’s private sector employees (Statistics of U.S. Businesses: 2008: Montana - All industries, 2008). Small businesses often provide the only employment options for rural communities (Henderson, 2002). Recognizing the importance of small businesses, there has been a great deal of effort to assist them in being successful and achieving growth. There are several agencies that offer resources to small businesses as they are moving through start-up and

once they are established. The Small Business Administration, (SBA), the Small Business Development Center (SBDC), the State of Montana, and the Montana Department of Commerce are agencies in Montana that offer educational resources and assistance to small business owners.

The Small Business Development Center (SBDC) offers FastTrac® twelve-session business training. FastTrac® NewVenture™ specifically addresses the needs of small business owners starting a new business. The primary focus of these programs is assisting participants in developing a strong business plan and successfully moving them into the start-up phase of business development (Kauffman Foundation, 2008). Many of the programs available do not sufficiently reach rural areas because they are offered in more populated areas (Johnson & Fisher, 1991).

FastTrac® Growth Venture™ is a program designed to assist small business owners who have been working in their business. The training content is designed to specifically address small business owners' needs that have transitioned out of the start-up phase. FastTrac® Growth Venture™ provides training in marketing, employee issues, finances and general business management which have all been identified as educational needs of small business owners (Kauffman Foundation, 2008). Unfortunately, trainings are intensive and require participants to travel and be away from their business for numerous evenings or days. This is often not feasible for business owners who are already in the start-up phase of small business development (Muske, Woods, Swinney, & Khoo, 2007). These business owners are most likely to be receptive to new information when it addresses a current problem or need. The trainings offered may not meet the

immediate educational needs of small business owners (Knowles, Holton, & Swanson, 2011).

There is a great deal of research focused on assisting small businesses write a business plan, acquire financing, and successfully starting a business (Bassano & McConnon, 2008; Bauer, 2011). However, there is a substantial gap in the research addressing the needs of established small business owners or business owners who purchased a small business (Peake & Marshall, 2009). Programs offered are often in a conference setting or an intensive training which require a significant investment of time or money and are not always practical for rural small business owners to attend. Other educational resources available tend to be industry specific and may not address the day-to-day duties of small business owners. Data reveals that only 37% of small businesses survive for four years, with only 9% remaining in business for ten years (Holland, 1998). This low success rate indicates a need for assistance and accessible education for small business owners once they have moved through the start-up phases and are operating their business.

#### Purpose of Study

The purpose of this study is to explore and describe the educational needs of small business owners in Montana.

### Objectives

The research objectives for this study are listed below.

- 1.) Describe the critical skills and competencies needed of small business owners in Montana.
- 2.) Identify and describe the educational needs of small business owners in Montana.
- 3.) Describe the preferred methods and medium of information delivery for the small business owners in Montana.
- 4.) Determine educational resources utilized by small business owners in Montana.
- 5.) Develop a grounded theory that explains the most significant educational needs of Montana small business owners.

### Limitations of Study

This study described the educational needs of small business owners in Montana and their preferred medium to access educational resources. Participants were selected from Montana business owners that have been in operation for greater than one year, employ between one and nineteen people, and are located in communities that do not have a Small Business Administration office or Small Business Development Center office. It was assumed that the participants in the study responded to the interview questions honestly and accurately.

### Operational Definitions

1. Entrepreneur: An entrepreneur is someone who creates something new in industry or their trade and participates in the process of uncovering or developing an

opportunity to create value through innovation (Henderson, 2002). Research has not been able to clearly define the skills needed to be an entrepreneurs and small business owner (Gartner, 1988). For the purpose of this study, they will be considered one in the same and the researcher will not attempt to differentiate between the two.

2. Established business: A business that has moved beyond the start-up phase and has been in operation for greater than 12 months (U.S. Census Bureau, 2007).
3. Non employment firms: A business that does not have any employees beyond the owner (U.S. Census Bureau, 2007).
4. Small business: The Small Business Association defines a small business as a business having 500 or fewer employees (U.S. Census Bureau, 2007). In rural communities, the frame of reference for a small business is significantly smaller than 500 employees (Muske & Woods, 2004). For the purpose of this study, small business is a business having 19 or fewer employees.

## CHAPTER 2

## LITERATURE REVIEW

Importance of Small Businesses in the Economy

The Small Business Association (SBA) defines a small business as “a business entity that operates in the United States, is for profit, is independently owned and operated and is not dominate in its field on a national level (Small Business Planner). The size standards used to define a small business vary by industry and are based on either the number of employees or revenue. Most commonly, the SBA defines a small business as a business having fewer than 500 employees. Rural communities perceive small business on a different scale and consider a business with 50 to 100 employees as a big business due to the large impact a business of that size has on the local economy (Muske et al., 2007). The SBA further breaks down the small business data into six subset categories based on the number of employees, non employment firms or firms without employees, firms with one to four employees, firms with five to nine employees, firms with ten to nineteen employees, firms with 20 to 99 employees and firms with 100 – 499 employees (U.S. Census Bureau, 2007). For the purpose of this study, a small business was defined as a business with nineteen or fewer employees or a non employment firm.

It is widely supported in the literature that small businesses make a substantial contribution to the U.S. economy and are a valuable asset in their local communities (Homgren, From, Olofsson, Karlsson, Snyder, & Sundtrom, 2005). Research has



indicated that in one rural Midwestern state as many as one in every six households owns and operates a small business (Muske et al., 2007). Small businesses help create the economic structure of rural communities (Muske & Woods, 2004) and are strongly associated with rural community vitality (Macke & Markley, 2006). Small businesses increase the revenue in their local economies through job creation, increased income potential, and serve to connect the community to a larger global economy (Henderson, 2002). According to the U.S census data, approximately 23 million small businesses in the United States generate more than 50% of the non- farm private gross domestic product (GDP) (U.S. Small Business Administration, 2004). Small businesses also generate between 60 – 80% of new jobs annually and employ half of all private sector employees (U.S. Small Business Administration, 2004). In 2007, there were 32,570 firms in Montana, 89% of which have nineteen or fewer employees (Statistics of U.S. Businesses: 2008: Montana - All industries, 2008).

Small business' impact on the local economy is one of the many factors that contribute to an individual's decision to become a small business owner. An individual's motivation for becoming a small business owner will influence their business goals and educational needs (Simpson, Tuck, & Bellamy, 2004). Factors that encourage small business ownership, or pull an individual in that direction might include achieving a lifestyle goal or the autonomy of being self- employed (Bauer, 2011). Factors that discourage an individual from working for another employer or motivate them to pursue small business ownership are linked to the lack of employment opportunities in their region (Bauer, 2011 ; Henderson, 2002).

A small business owner's goals and motivation for owning a small business may largely impact the type of business owned in terms of growth (Simpson et al., 2004). A slow growing small business owner is seeking an independent source of income (Chun & Griffin, 1996). Some small business owners decide to become self-employed as a means of survival in rural communities where employment options are limited (Henderson, 2002). They are more likely to be "mom and pop" type operations and generally have fewer employees. These small businesses often define the character of a community and occupy the main street.

In contrast to slow growth business owners who seek stability, high growth business owners seek to create wealth often at the sacrifice of a stable income initially (Chun & Griffin, 1996). High growth business owners are usually motivated to grow their business large as quickly as possible and their primary focus is securing the resources needed to continue growth. They offer great benefits to the economy in their communities because of increased revenues, expansion and job creation (Henderson, 2002).

### Stages of Small Business Start-up and Growth

Small business owners experience distinctly different needs during the phases of business establishment and growth (Peake & Marshall, 2009). During the startup process is an ideal time for business training and coaching, but it is difficult to identify businesses during the startup phase and recruit them into business training (Peake & Marshall, 2009). Reynolds et al. (2004) described the entrepreneurial or business start-up process

as conception, gestation, and firm birth. The Small Business Administration, (SBA) terminology to describe the start-up process is nascent, start-up and business establishment. At any phase during the start-up process, the individual may determine that the idea is not feasible and abandon the plan.

According to Small Business Administration (SBA), during the nascent phase, the small business is really just an idea. Small business owners are focused on gathering and processing information. Their business is in the research and development phase. Once the small business owner has enough information to move into the start-up phase, they begin evaluating the feasibility of the small business. The small business owner is focused on identifying and gathering available financial resources and human capital. The business establishment phase describes the business after it has been operational for over one year. From there, the small business may continue to grow, may persist at its present size, or may cease to continue (Peake & Marshall, 2009).

As small businesses move from an idea or concept to small business startup, they secure financing to fund their business. There are multiple methods for securing financing including loans from traditional banks, the Small Business Administration (SBA), or self-financing called bootstrapping. It is becoming more common for start-up businesses to utilize bootstrapping to finance small business start-up because of the difficulty in securing traditional financing (Lahm & Little, 2005). The effects of this method of business financing are not fully recognized through formal research (Lahm & Little, 2005). The transition from the nascent phase to start-up hinges on the small business owner's ability to leverage finances. An increasing number of firms are

utilizing credit cards, personal loans from family, and other nontraditional forms of capital to start their business. Approximately one in ten businesses is financed using a credit card or personal loan, with a similar percentage utilizing a loan from the bank (Lahm & Little, 2005). Possible implications of bootstrapping are that these businesses were less likely to be referred to the resources available and that their business plan is less likely to be reviewed by traditional lending sources.

In the first phase of business growth after start-up, businesses are focused on existence. During this phase, the business owner is spending most of their efforts on obtaining customers and delivering products or services. Small business owners are consumed with the day-to-day tasks of running their business (Churchill & Lewis, 1983). As a business transitions into the second phase, the focus moves toward business survival. Businesses have demonstrated that they are viable and the issue shifts from existence to establishing a balance between revenues and expenses (Churchill & Lewis, 1983).

The third phase of small business growth is success. Business owners must decide whether to expand and risk profitability for growth or stay stable and profitable. The path a small business owner takes during this phase is dependent on their initial goals for being a small business owner. The fourth phase is when businesses begin rapid growth (Churchill & Lewis, 1983). If the business owner decided to pursue growth, their focus becomes how to grow rapidly and finance the expansion. The fifth phase of growth is resource maturity. The business owner spends more time making decisions about how to allocate the financial gains brought in through the rapid growth. Small businesses that

have reached the fifth phase of growth have the advantage of financial stability, increased size and an experienced staff (Churchill & Lewis, 1983).

### Skills and Competencies Needed by Small Business Owner

Small business owners are a unique group of people who need a diverse set of skills to be successful. Small business owners need management skills, financial skills, and product or industry specific knowledge (Henderson, 2002). There has been a great deal of research devoted to trying to identify what makes a successful small business owner. One theory has centered on the trait approach (Gartner, 1988). This theory states that small business owners are individuals with a particular set of characteristics or traits that can be identified and nurtured or developed (Gartner, 1988). The research revealed that such a large number of traits and characteristics could be attributed to the success of small business owners identifying the characteristics is of little value.

The behavioral approach to identifying the business owner recognizes that small business owners are part of a complex process of business start-up (Gartner, 1988). It is argued that it is not possible to differentiate between the small business owner, managers or the general public based on traits. This theory states that being a small business owner is not something an individual is, it is a behavior or something an individual does (Gartner, 1988).

Small business owners engage in a diverse array of daily activities and duties. In one study where small business owners were asked to self-select their main duties, 60.5% reported that production of goods and providing services were their primary function

within the business (Survey of Business Owners, 2007). Nearly 47% reported that the day-to-day management of their business is their primary function, while 42% reported that financial control was their primary function (Survey of Business Owners, 2007).

### Current Training Opportunities

Despite the importance of small businesses in the economy, little is known about the specific elements that affect small business owner success. It is recognized in research that small business success is largely due to the skills of the business owner, therefore many small business development programs focus on improving the skills of the individual business owner (Henderson, 2002). Research also indicates that small business owners have specific educational and informational needs that are not currently being met (Czuchry, Yasin, & Gonzales, 2004 ; Johnson & Fisher, 1991).

One educational opportunity for small business owners to pursue is formal business education at a college or university. Muske and Stanforth (2000) found that 84% of students pursuing a non-business degree indicated that they have interest in owning their own business. These students often do not have access to the business classes because the classes are offered to students who are pursuing a business degree first and are often full. Research has shown that although not required, individuals with college education have an increased likelihood of starting a business (Peake & Marshall, 2009) and that higher levels of education are associated with improved rates of business ownership and success (Bauer, 2011). Although business ownership does not require an

advanced degree, it does require a set of technical and personal skills. These skills can be acquired by business owner through educational programs (Bauer, 2011).

Many of the current educational programs being offered for small businesses target those in the gestational phase or before business start-up (Higgins & Elliott, 2011). They are intensive and require a significant time commitment that may not be feasible or practical for a business owner that has launched their business. Participants in formal training often receive instruction on writing a business plan, financial training, and education in marketing (Bauer, 2011) and participation in an intensive small business course increases the likelihood of firm birth or business start-up by 46% (Peake & Marshall, 2009). Most of these programs focus on business plan development as a tool and outline for the course, which is important and appropriate for the business owner who is transitioning between conception to gestation and firm birth but does not fully address the educational needs of the business owner who has an established business (Howe, Hines, & Nelson, 2005).

The literature indicated a slight shift in the educational needs of business owners as they transition between start-up into the first years of business operation. Education in marketing, financial training and the completion of a business plan are appropriate and useful for business owners as they are transitioning from an idea into start-up. Once the small business owner has begun operation and the identified educational needs are employee relations, marketing and sales, financial management, and general business management (Muske & Woods, 2004). Small business owners have also indicated a need for assistance with employee management. Some employee issues that small business

owners indicated needing education in were addressing workers compensation, employee regulations, offering benefits and employee motivation (Muske & Woods, 2004).

In addition, research has shown that small business owners have indicated that small business owners would like more information about marketing their products (Muske & Woods, 2004). With four out of 10 business owners working 40 or more hours per week, it is difficult for business owners to focus on running their business and develop a niche for their product (Leavengood & Love, 1998). Financial planning assistance was also an identified need (Bauer, 2011 ; Muske & Woods, 2004). Research indicated that participation in educational programs is effective in improving finances of business owners (Bauer, 2011).

In addition to assistance with employee management, small business owners indicated a need for business management, marketing and financial management education. There is a significant level of diversity in the management skills of small business owners. Small business owners in rural areas are less likely to be trained in many aspects of day-to-day management of a business (Johnson & Fisher, 1991). Business management is a topic identified as a need by small business owners and is one of the topics most often included in business training.

The educational needs of small business owners are diverse, and Extension has found that planning educational events to benefit businesses once they are in the growth stages to be difficult. Broad subset area programs are not well attended because they are not seen as meeting an immediate need of the business owner and therefore they cannot justify the time away from their daily activities (Leavengood & Love, 1998).



Conversely, narrow focus programs apply to only a small segment of the business community and therefore, it has been difficult to meet all of the needs of small business owners (Leavengood & Love, 1998).

### Adult Education Models

In the 1970's, Malcolm Knowles described the distinct differences between youth and adult learners. Adult learning can be described as an active process of inquiry, not a passive reception of information or content. Adults tend to be more successful learners when educational content is based on situations the learner has encountered (Knowles et al., 2011). Knowles identified key six principles regarding adult education: (1) learner's need to know, (2) learner's self-concept, (3) prior experience of the learner, (4) readiness to learn, (5) orientation to learning, and (6) learner's motivation to learn.

1. Learner's need to know: It is critical that adult learners understand why they need to learn the material being presented. Adult learners are more receptive to learning when they feel there is value in the material being presented.
2. Learner's self-concept: It is important that adult learners feel their experiences have value and are honored by the facilitator. Adult learners are less receptive to information if they feel they are being lectured to.
3. Role of learner's experiences: Adult learners have a lot of life experiences. As a group, they can be quite diverse. It is important that the facilitator places a greater value on individualism of teaching to address each learner's needs and experiences. Adult learners may also harbor negative perceptions based

past learning experiences which can impede the learning process (Burns, 2004).

4. Readiness to learn: Adult learners are most receptive to learning when they are confronted by life situations. Learning experiences are most effective when they coincide with tasks or situations.
5. Orientation to learning: Adult learners are motivated to learn information that they perceive will assist them in performing tasks or dealing with situations they are confronted with.
6. Motivation: Adult learners are motivated by some external factors such as pay increase or opportunity for advancement, however, the strongest motivation is internal, pursuit of lifelong learning and betterment.

When considering the preferences of adult learners and the educational needs of small business owners, there are several media or methods to utilize in instruction. Effective adult educational programs can include lecture, problem based learning or experiential learning, case studies, games, role play, and discussion (Ota, DiCarlo, Burts, Laird, & Gioe, 2006). Experiential learning is becoming a more widely utilized and effective teaching method in adult education (Hansman, 2001). Experiential learning is defined as "the process whereby knowledge is created through the transformation of experience. Knowledge results from the combination of grasping and transforming experience" (Kolb 1984, p. 41). Experiential learning occurs when the learner occupies the central place in all considerations of teaching and learning, which makes it well suited for adult education (Andresen, Boud, & Cohen, 1999).

### Summary of Literature Review

In summary, small businesses are a vitally important segment of the Montana economy. Most of the research to date has focused on identifying the traits or skills necessary to become a small business owner or on assisting small business owners in the development of their idea and business start-up. An increasing number of small businesses are utilizing non-traditional financing methods, such as bootstrapping, for business start-up. These businesses may be difficult to identify because they have not made contact with traditional resources, such as SBA, making it difficult for agencies providing educational resources to market their programs to them. There is a need for data regarding the educational needs of small business owners once they have become established.

## CHAPTER 3

## RESEARCH DESIGN AND METHODS

Grounded Theory

Qualitative research focuses on phenomena that occur in natural settings, the phenomena is not manipulated by the researcher, and is studied in all of its complexity (Leedy & Ormrod, 2010, p. 135). Qualitative researchers strive to describe the nature of what might be multiple perspectives of a phenomena rather than identify one correct answer to a research question (Leedy & Ormrod, 2010, p. 135) through the observations of behaviors, emotions, organizational functioning, social movements, cultural phenomena or other interactions (Strauss & Corbin, 1998, p. 11). Qualitative research methods are well suited to researching areas where there is little known about the phenomena (Strauss & Corbin, 1998, p. 11).

Grounded theory is derived from the data systematically gathered and analyzed through the research process (Leedy & Ormrod, 2010 ; Strauss & Corbin, 1998). Grounded theory research is likely to offer unique insight and build understanding of the phenomena being studied. It is well suited to describe and gain understanding of complex research questions (Simpson et al., 2004). Grounded theory is emergent, the theory is developed as the data is analyzed and coded (Charmaz, 2006).

### Research Objectives

The purpose of this qualitative study was to examine and describe the informal educational needs of small business owners in Montana. Data was collected using a semi-structured interview process to describe the most prevalent educational needs of small business owners.

The following research objectives were addressed:

- 1.) Describe the critical skills and competencies needed of small business owners in Montana.
- 2.) Identify and describe the educational needs of small business owners in Montana.
- 3.) Describe the preferred methods and medium of information delivery for the small business owners.
- 4.) Describe what agencies, if any, are currently being utilized by small business owners in Montana as educational resources.
- 5.) Develop a grounded theory that explains the most significant educational needs of Montana small business owners.

### Institutional Review Board

The Institutional Review Board (IRB) for Montana State University scrutinizes all research proposals for conducting research on human subjects under the auspices of the university. The IRB review process ensured that the participant's potential benefits from their participation in the study outweigh the potential risks. This research was approved by the IRB on November 17, 2011.

### Validity

The purpose of qualitative research is to generate greater understanding, as opposed to quantitative research which has the purpose of explaining (Golafshain, 2003). The issue of internal validity addresses the issue of how closely the research results reflect reality (Bitsch, 2005). In qualitative research, it is recognized that reality is subjective and based on the perspective of each of the participants. To ensure credibility of qualitative research, Guba and Lincoln (1985) recommended the following criteria for addressing validity in qualitative research: credibility, transferability, dependability and confirmability. To achieve these criteria, they recommended researchers implement specific strategies such as peer debriefing, prolonged engagement and persistent observation, audit trails, and member checks.

Credibility refers to the accuracy of the research findings and that participants' views were accurately represented (Morse, Barrett, Mayan, Olson, & Spiers, 2002). This criterion was achieved by utilizing colleague examination, researcher subjectivity statement, "in-vivo codes" and prolonged engagement in data collection and analysis (Charmaz, 2006, p. 55).

Transferability addresses the issues of generalization of the study. Qualitative research aims to describe particular situation in detail, it would not be appropriate to make broad-based generalizations as a result of qualitative research (Morse et al., 2002). To achieve this criterion, the researcher developed thick, rich descriptions of the context of the data. Thick descriptions of the context and situation allow readers to make interpretations of the transferability of the research and its findings.

Dependability refers to the ability to replicate the findings, and confirmability addresses bias in the research. To achieve dependability in this study, the researcher used colleague examination and an audit trail to describe the research process, including data collection, coding and theory development (Morse et al., 2002). To address confirmability and minimize bias during data collection and analysis, the researcher documented the research process with an audit trail (Thyer, 2010 p. 360), utilized colleague review, included a researcher subjectivity statement and performed member checks of the transcribed data.

Qualitative research and in particular grounded theory are based on the data and the research methodology followed by the researcher. Elaborate and detailed documentation during data collection and analysis is necessary to ensure validity and credibility of research and the grounded theory (Bitsch, 2005). These described procedures were implemented to ensure the validity of this research.

#### Researcher Subjectivity

My involvement with small business began when my husband and I purchased a non-operating coffee roaster in 2001. We owned and operated a specialty coffee roaster that sold both wholesale and retail products. Our coffee appealed to a niche market and was packaged to appeal to a high end gift market in the rocky mountain region. We also owned a retail coffee shop and bakery in Harlowton, Montana and two drive-through kiosks in Missoula, Montana.

My husband was the primary business manager and coffee roaster and worked in the business full time. I had a full time position as a Rangeland Specialist with NRCS and then my current position as a county extension agent for Montana State University in Wheatland County. I worked in the business in the evenings and on the weekends. My primary roles were in packaging and also in sales. I assisted wherever I was needed in either the wholesale or retail business.

As small business owners, we took advantage of educational programs as we became aware of them or when they applied to us. In our first years of business, we were not as aware of the programs available in Montana and were not allowed to join Made in Montana in our first years of business. Our product did not fit the program regulations. Later, the regulations were revised and we were able to participate in the program. This proved to be a great benefit to our company and we utilized many of their resources. We also utilized the Montana Manufacturing Extension Center (MMEC) to help us design our work area and become more efficient in our production. We were able to take advantage of the WIRED program through the Department of Labor to attend a seminar on coffee roasting. Although we were aware of the value of seeking educational resources and participating in the programs as they were available, we also struggled to find some resources. Overall, we were very satisfied with the educational resources we had access to and recognized the benefit of participating in educational programs.

I did not have a background in business or coffee prior to our purchasing the business. I found that I enjoyed the business and the creative outlet that it provided. We choose to pursue small business ownership for several reasons. My husband was



naturally drawn toward business ownership. We were tied to Wheatland County because of my employment. We also wanted a business that was flexible enough to allow us to raise our children in the business. These goals led us to pursue the wholesale business. Two years later, we added the first retail outlet to improve cash flow and provide a main street business in our community. Our family currently does not own a small business, but it is something that we hope to pursue again.

Although I do not currently own a business, my position as a county extension agent with Montana State University Extension includes an economic and community development focus. I still have the opportunity to be involved with promotion and development of small businesses in the community. I have an active role in providing educational resources to small business owners in the county.

### Sampling

This study utilized network or snowball sampling method for obtaining the sample (Taylor-Powell, 1998). Initial participants were identified by local Chambers of Commerce or County Extension offices and the researcher asked these participants to suggest additional individuals who might fit the sample criteria. Those individuals were then asked to participate in the study and also to recommend additional individuals to participate. This continued until a sample size was reached. Network sampling is an effective sampling method when respondents are not centrally located or are scattered in different locations (Taylor-Powell, 1998). This study sampled small business owners from across Montana, making network sampling an appropriate choice.

For this study, the target population was small business owners who had transitioned from the start-up phase of business and had been in operation for one year. The researcher will not attempt to distinguish between a small business owner and an entrepreneur. The population was defined by the following parameters: (1) business that employ between one and nineteen people, (2) business not located in a Montana community where SBA or SBDC office is located and (3) business that has been in operation for greater than one year.

Small businesses with 19 or fewer employees represent 89% of Montana's small businesses (Statistics of U.S. Businesses: 2008: Montana - All industries, 2008). The Small Business Development Center (SBDC) and Small Business Administration (SBA) offices are located in Billings, Bozeman, Butte, Colstrip, Great Falls, Havre, Helena, Kalispell, Missoula, or Wolf Point, Montana. The SBDC and SBA are active agencies in Montana providing educational to small business owners. Small business owners located in one of these communities may have had a different perspective of educational needs than small businesses located outside of communities where these resources were readily available. This difference in perspective among participants would skew the data and contribute to bias. The literature review revealed that there were more programs available for small business owners who were in the process of starting their business than for business owners already in business. One of the research objectives of this study was to describe the educational needs of businesses that have moved from the start-up phase and have been in operation for one year or more.

When conducting grounded theory research, data collection continues until theoretical saturation is achieved (Strauss & Corbin, 1998). Theoretical saturation is defined as the point during data collection when no new properties, dimensions or relationships emerge during data analysis (Strauss & Corbin, 1998). Theoretical saturation is the goal of qualitative researchers to develop a supported grounded theory; however, there is no way to predict at what point theoretical saturation will occur (Strauss & Corbin, 1998). Systematic and focused data collection which occurs simultaneously with data analysis is preferred to large initial samples (Charmaz, 2006 p. 187). For this study, the sample consisted of 20 small businesses that met the described criteria. To achieve the richness of data needed to develop grounded theory, it was estimated that 20 participants were needed (Morse, 2000). Access to these small business owners was gained through contact with local chambers of commerce, county Extension offices, and referrals from other small business owners who participated in the study. To facilitate representation from the entire state of Montana, not more than one participant was selected from each county.

### Instrumentation

Twenty semi-structured interviews with the small business owners were utilized for data collection. When conducting semi-structured interviews, the researcher asks a predetermined set of questions to each participant, and has the opportunity to ask probing question to gain further information and insight into the research topics (Leedy & Ormrod, 2010, pg 149). The interview questions are presented in Appendix B.

The researcher utilized both face-to-face interviews and telephone interviews to obtain data for this study. Face-to-face interviews yield a greater response rate and allow the researcher to establish rapport with the participant (Leedy & Ormrod, 2010, pg 148). However, they are more time consuming and expensive to conduct due to travel and time considerations. Telephone interviews are less time consuming and expensive to conduct but result in a lower response rate (Leedy & Ormrod, 2010, pg 148). Although face-to-face interviews are more effective at obtaining participant response, the researcher conducted two face-to-face and eighteen telephone interviews to facilitate a statewide sample and overcome extreme distances and adverse weather conditions present in Montana.

### Data Analysis and Coding

When conducting grounded theory research, data collection and data analysis occurs simultaneously (Charmaz, 2006 ; Strauss & Corbin, 1998). Content analysis of data was utilized to systematically analyze data for themes and patterns (Leedy & Ormrod, 2010, p. 144). Additionally, for the purpose of this study, the categories utilized during data analysis and coding were emergent and arose from the data themselves. Although there were alternative methods that could be utilized in analyzing data for grounded theory research, the following process described by Corbin and Strauss (1998) was utilized for this study.

- 1.) Open coding. This is the process of evaluating the data, and breaking it down into a smaller set of themes that seem to describe the phenomenon under

investigation in the study. During open coding the data are broken down into small segments and are then evaluated for commonalities that become discrete categories. The data are then examined for properties or attributes that characterize each category.

- 2.) Axial coding. During axial coding, interconnections are identified between categories and subcategories. The purpose of axial coding is to further investigate how categories and subcategories are linked.
- 3.) Selective coding. Data is integrated and refined. The categories and their interrelationships are combined to form central themes that describe the findings.
- 4.) Development of a theory. A theory is developed from the data to describe the phenomenon being studied.

## CHAPTER 4

RESULTS OF EDUCATIONAL NEEDS OF  
SMALL BUSINESS OWNERS IN MONTANA

This chapter discussed the results found from research regarding the research objectives of the study (1) to describe the educational needs of small business owners in Montana, (2) to describe the critical skills and competencies needed of small business owners in Montana, (3) to describe what agencies, if any, are currently being utilized by small business owners in Montana as educational resources, (4) to describe the preferred methods and medium of information delivery for the small business owners, (5) to develop a grounded theory that explains the most significant educational needs of Montana small business owners.

The data utilized in the analysis process consisted of 123 pages of text transcribed from 20 telephone or face to face interviews conducted with Montana small business owners. “In vivo” codes were utilized; observations were recorded in participants’ terms and phrases as they emerged from the data (Strauss & Corbin, 1998 p. 105). The data was analyzed using open, axial and selective codes (Charmaz, 2006). An outline describing the relationships between the open codes, axial codes and selective codes is shown in Appendix A. A grounded theory is presented in Figure 4.1 to conceptualize the educational needs of Montana small business owners.

### Description of Participants

Twenty participants were selected for the study utilizing network sampling. Initial participants are selected based on specific research parameters and are then asked to recommend future participants (Leedy & Ormrod, 2010, pg 472). Initial participants were identified by Montana State University Extension agents and participants were asked to recommend additional participants for the study. If participants did not recommend future participants that fit the sample criteria then the local Chamber of Commerce or Montana State University Extension office was contacted to find additional participants for the study. The sample criteria for inclusion in the study were: having between one and nineteen employees, having been in business for one year or greater and being located in Montana but not in a town or city with a Small Business Administration office. Efforts were made to select participants from across the state of Montana, with six participants being from the eastern region, seven from the western region and nine from the central region. Due to the small number of businesses in Montana and the ease of identifying the business if specific communities were listed, the locations were coded into three regions to protect the participants' identity.

Participants owned and operated diverse types of businesses including a winery, brewery, soap, food, artisan jewelry, and hand cream manufacturers, welding and metal fabrication, and industrial sewing manufacturing. The business experience and the educational background was also very different among the participants with two having received a degree relating to business, one having received a degree relating to product production, six having received a degree relating to a field other than business, and 10

having only some or no formal education. To protect the identity of the participants, each was given a pseudonym in the analysis process.

Table 4.1 Participant description

	<b>Year in Business</b>	<b>Educational background</b>	<b>Business Experience</b>	<b>Region</b>	<b>Industry</b>
<b>Ethan</b>	11	Formal business education	1 <sup>st</sup> business	West	Food manufacturer
<b>Anna</b>	5	Formal business education	1 <sup>st</sup> business	Central	Food manufacturer
<b>Tim</b>	11	Formal education related to product	Prior businesses	Central	Manufacturer structural aluminum products
<b>Rick</b>	14	Formal education, not related to business	1 <sup>st</sup> business	East	Manufacturer lanolin hand cream
<b>Mary</b>	11	Formal education, not related to business	Prior businesses	East	Wholesale food distributor
<b>Abby</b>	23	Formal education not related to business	1 <sup>st</sup> business	West	Food manufacturer
<b>Paula</b>	6	Formal education not related to business	Prior businesses	East	Food manufacturer
<b>James</b>	3	Formal education not related to business	1 <sup>st</sup> business	East	Brewery
<b>Grace</b>	23	Formal education, not related to business	1 <sup>st</sup> business	Central	Jewelry manufacturer
<b>Alice</b>	4	Formal education, not related to business	1 <sup>st</sup> business	Central	Food manufacturer
<b>Rosy</b>	3	Some formal education	Prior business	Central	Tea manufacturer
<b>Robin</b>	9	Some formal education	Prior business	Central	Food manufacturer
<b>Amy</b>	10	Some formal education	1 <sup>st</sup> business	Central	Manufacture soap and hand cream
<b>Bonnie</b>	8	No formal education	Prior business	Central	Food manufacturer
<b>Debby</b>	20	No formal education	1 <sup>st</sup> business	Central	Industrial sewing manufacturer
<b>Brandy</b>	37	No formal education	1 <sup>st</sup> business	West	Industrial



Table 4.1 Continued

<b>Rebecca</b>	6	No formal education	Prior business	West	sewing manufacturer Gluten Free Food Manufacturer
<b>Kristina</b>	10	No formal education	1 <sup>st</sup> business	West	Wholesale Jewelry and art
<b>Patricia</b>	6	No formal education	Prior business	East	Food manufacturer
<b>Kevin</b>	11	No formal education	Prior business	West	Winery

### Educational Needs of Small Business Owners in Montana

This category, educational needs of small business owners, consisted of two selective codes: educational needs that are being satisfied and educational needs that are not being satisfied.

#### Educational Needs Being Satisfied

Each small business owner commented on at least one educational opportunity they had participated in since starting their business and generally valued and had a positive attitude toward education. The topics that individual small businesses owners seek educational resources for varied, but were categorized into the three emergent axial codes: industry specific needs, business and financial management, and sales and marketing resources.

Industry Specific Needs. Each small business owner has a unique set of skills that they bring to the business, and each business fills a specialized niche; therefore, the small business owner has individualized educational needs. Participants attended several educational courses, classes or workshops specific to the needs of their small business.

Some of the topics included food safety audits, food manufacturing courses, organic training, and courses on using local foods. Participants also attended very specific conferences or symposiums such as the wine symposium, brewers' conference and a 3-D modeling workshop. Several of the participants received partial funding through the Montana Department of Labor to attend the conference or specialized training.

Business and Financial Management. The importance of writing a comprehensive businesses plan was mentioned by many participants. Several had participated in FastTrac® program offered by the local development center and felt very strongly that it was an excellent program and that their attendance had helped them to be successful in their business. "I participated in FastTrac® and learned everything from how to grow your business, how to grow slowly, to accounting basics," noted Rebecca, owner of a gluten free food company. The FastTrac® NewVenture™ training is designed to assist small business owners start a new business by developing a strong business plan (Kauffman Foundation, 2008). The FastTrac® GrowthVentrue™ training is designed to specifically address the needs of small business owners that have transitioned out of the start-up phase of their business (Kauffman Foundation, 2008).

Participants also participated in Eureka! Winning Ways and Lean Manufacturing through Montana Manufacturing Extension Center (MMEC). Eureka! Winning Ways is an interactive workshop where small business owners practice growth principles in a fictitious setting (Eureka! Winning Ways). Lean Manufacturing workshop offers participants the opportunity to learn manufacturing principles that can improve efficiency in product production (Lean Manufacturing).

Sales and Marketing. A majority of the participants participated in at least one workshop or seminar related to marketing and sales, even if only during their first years of business. Several have utilized the State of Montana and their website for information about exporting products and shipping in addition to traditional marketing resources. Other training attended included product distribution, website optimization, and branding your business.

#### Educational Needs Not Being Satisfied

Participants were uncomfortable and hesitant to say they were unsatisfied with the educational resources being provided and very carefully explained that, although they had gained knowledge from every event they had attended, there were additional resources they would like and not all of their needs were being addressed, or that they were seeking more in-depth information about a topic that was covered rather than a broad overview.

Marketing and Sales. One topic that was expressed as a need was expanding and growing your market. Several business owners felt they had saturated their market in this region and were unsure how best to expand in to new areas. Business owners also expressed an interest in utilizing social media and optimizing their web sites as a marketing tool. Mary, a wholesale food distributor, expressed that she “would be really interested in learning more about social networking and advertising that way. It is a way to advertise and get the word out without all the expense of advertising.” Social media was seen as an inexpensive advertising method, but business owners were not certain how to best utilize this technology.

Participants also expressed an interest in information about how to package and sell their business when they were ready to move on. Tim, a manufacturer of structural aluminum products shared his concerns related to selling his company, “How do you go about valuing your company and if you are going to consider selling it to another entity, how do you determine what your company is really worth”. He felt proud of his company’s contribution to their small community and was concerned about how to best position the company for the future. Alice, a cereal manufacturer, summed up this concern when she said, “Well, I don’t intend to wheel myself down here from the nursing home to run this place.”

Business and Financial Management. Tim revealed that “we seldom get the opportunity to do something that actually makes us better business owners, a better manager of the business” which accurately reflected how many of the participants felt. Business owners commented that they would like more information on tax strategies for small business owners.

Computer Software. The needs expressed in regards to computer software were very diverse in subject matter as well as skill level. One participant was interested in learning how to use the computer, while others were seeking training on very difficult and specialized software such as computer graphics programs and modeling software. Several participants mentioned that they would be interested in becoming more familiar with QuickBooks. They had not been able to convert to utilizing the software in their

operations due to the lack of knowledge and fear of the learning curve and time it would take to become efficient at using the program.

Industry Specific Training. Similar to the needs expressed regarding computer software, the industry specific needs were very specialized for each type of business. Several manufacturers expressed an interest in gaining more information about how to pursue government contracts and work with the Department of Defense. Tim, a manufacturer of structural aluminum products remarked that, “I would really like to see some training to help us as Department of Defense contractors.” Participants felt the contracting and bid process was very complicated and difficult to navigate and there was a need for further education.

#### Critical Skills and Competencies Needed of Small Business Owners

The axial codes that described the critical skills and competencies identified by participants were soft skills, business management, and sales and marketing. Each of these categories was considered as being equally important skills and competencies when evaluating the success of small business owners. Prior research has indicated that the list of skills and competencies was so broad and diverse, that it was almost impossible to define what skills were necessary for a small business owner to possess (Gartner, 1988). The data gathered from the participants supports that it is a unique and intricate combination of skills that contributes to the success of small business owner, rather than a defined skill set.

### Critical Skills and Competencies

Although there were some similarities between participants' responses, they also maintained individuality in identifying the skill or competency considered most necessary for success.

Soft Skills. The following soft skills were identified as being critical to the success of small business owners in Montana: Perseverance, possessing a great work ethic, not procrastinating, having passion for the business, and being a people person. These skills were considered as valuable as the hard skills.

During the interview process, it emerged that participants felt that it was very important to be self-motivated and productive. "Never giving up when you face a wall. You just press on and don't give up. I would say that is what's by far the most (important) way more important than talent or money," commented Grace, a jewelry manufacturer, when discussing the critical skills and competencies needed by small business owners. Rosy, a specialty tea manufacturer, shared her philosophy about self-motivation, "First and foremost, it is being able to manage people in a very positive, uplifting, growth environment.... You are your first employee. Not everybody has the motivation to get up in the morning and look forward to what they can accomplish in the day. I am that kind of person that measures my day by what I have accomplished in that day." A small business owner's motivation to continue to persevere is fueled by passion for the small business and the product. Bonnie, owner of a jam and jelly cannery shared, "You have to have a passion for the business. Small businesses have to be born out of a necessity and a passion (to grow and succeed). (Small business owners) have to ask

themselves, do you really have a passion for what you are doing, is this really what you want to do?” Small business owners can be described as having a strong work ethic, persevering, and being self-motivated were all considered critical skills and competencies needed by to be successful.

Business and Financial Management. Business and financial management skills related to business and financial management that emerged from the data that were considered critical skills and competencies for small business owners. These included communication, organization and record keeping, scheduling, production management, cash flow, and having a comprehensive business plan.

“It is the business end of it that makes you successful or not. There are a lot of people that can make a very good product but they can’t make it pay. How do you handle money and how are you keeping your books?” Rick, who manufactures lanolin hand cream, stated. Knowledge of financial principles and how they apply to a small business was considered to be a critical competency for small business owners.

A distinct separation between business management and financial management did not emerge from the data, rather subtle differences between the topics. In addition to understanding the finances in your business, it is also critical for small business owners to understand how to manage production, inventory, personnel and time. Robin, a food manufacturer, explained, “You have to know your weaknesses. I still think I can do it all. But you know you can’t and have to delegate to other people, and that sometimes is very hard in small business because you don’t think anybody can do it as well as you can.” Business owners explained that being able to manage production inventory and personnel

saved them money in shipping costs and maintained their reputation as a reliable company by meeting orders in a timely fashion.

Many of the participants recognized the importance of having an evolving business plan when starting a business. Kevin, the owner of a winery, shared how valuable he found having a business plan, “You know, you really do need a comprehensive business plan. As I refer back to it (our business plan) I am absolutely amazed at how close, almost point for point, where we are with that.” Many of the participants discussed receiving or seeking assistance in writing a business plan, what an important resource a business plan has been, and how often it has been used when starting and managing their business.

Marketing and Sales. Marketing was a critical component to any small business. As Patricia, who manufactures dry mixes described, good customer service was critical to marketing success, “Marketing and honestly, to be a people person. I don’t have a problem with that. I get along with my customers really well...Again, it seems to come down to getting it out there.”

Customer service was considered highly valuable skill for small business owners. When discussing critical skills and competencies, Amy, owner of a soap and lotion manufacture, described her feelings as, “I would say customer service. Providing the best customer service that we can to our customers. In our world it is about delivering that service on time.” One aspect of customer service highlighted was communication. Abby, who owns a spice company explained, “I think probably I would have to say communication is (the most important) as far as our business is concerned. The actual



operating of the business just about anybody could do, but I think the communication with customers is the most important thing.”

Agencies Currently Being Utilized by Small Business  
Owners in Montana as Educational Resources

Sources of Information Utilized by Small Business Owners

This category discussed the agencies and resources that are currently being utilized by small business owners in Montana as educational resources. The two axial codes included in this section are government agencies and private resources.

Government Agencies. Sixteen of the participants commented about utilizing the agencies listed below for business assistance. For some participants, they are the sole source of business education. Agencies currently being utilized are the Small Business Administration (SBA), local Development Corporations, Montana Department of Agriculture, Montana Department of Commerce, Montana Department of Labor, Made in Montana and the Montana Manufacturing Extension Center (MMEC). These agencies are a significant source of education for small business owners in Montana.

The Montana Manufacturing Extension Center (MMEC) was considered an invaluable resource by participants and was referenced during interviews numerous times, especially by manufacturing businesses. Alice, owner of a cereal manufacturing company explained,

“One (resource) that is a big one in the state that is very helpful is the MMEC and they are out of MSU and their engineers are incredibly helpful. They helped us redesign our space at our plant, they’ve helped us come up with ideas for new products, they’ve helped us become more

efficient through Lean training. For manufacturing companies in Montana, they are premier.”

Participants had attended Lean training, Eureka! Winning Ways workshops, and had utilized engineers to assist in facility design to maximize efficiency of product production and space utilization.

The Made in Montana program was also widely referenced. Participants utilized this program, especially when starting their business and if their product was a gift or food item. Amy, owner of a soap and hand cream manufacturing company noted,

“Made in Montana program has been pretty good about giving great information and helpful tools. I think they are substantially great for brand new businesses starting. I think they are really able to help people with that (starting out) and when we started out that is where we got a lot of our information, help and guidance was from the Made in Montana program. They had a lot of great people to mentor new business owners and stuff like that. They were a big help for someone like us who had never been in the wholesale world.”

Participants used the website, the trade show, and attended workshops offered by Made in Montana and the Department of Commerce.

The local development centers were also seen as a tremendous resource for some businesses, especially businesses located near one of the offices. Bonnie, owner of a jam and jelly cannery noted, “She (the small business development coordinator) is in touch with all of the small businesses in the area and ...when she knows people are needing something she tries to bring somebody in to teach a class and lets us all know what they are offering.” The development centers were valued for their flexibility and ability to deliver a variety of educational programs in response to the needs of the small business owners.

Private Resources. Additional resources participants used were the internet, personal research, business mentors, consultants, and associations. The internet was a very powerful tool for small business owners, and several participants felt it would be extremely difficult to run their small business without it. Many use the internet to continuously seek information and research ideas and options for their business. Rosy, owner of a specialty tea company commented “I probably couldn’t run my business without the web and I’m not a tech person. It’s really important. I need to be able to go on and find so many things.” Several participants relied on the input and the expertise of other business owners. Amy who manufactures soap and hand cream said,

“My main source (of education) has been working with other people who are in the same industry as me. You can’t pick a better mentor to have than someone who has been a successful small business owner for 10 years and continues to grow. So usually I spend a lot of my time at trade shows with other business owners just bouncing ideas off them or listening to what they have been doing or new marketing strategies.”

The value of having relationships with other small business owners was a theme that appeared throughout data analysis. Small business owners relied on each other for information and as an educational resource.

In addition to using the internet and other small business owners, it was revealed that one small business owner utilized an industry specific association with great success. The association was used for product specific questions, as well as business management and financial management concerns. James, the owner of a brewery, shared that, “This is my favorite resource.” They offered an online resource and a web based forum for discussion and information sharing.

### Preferred Methods and Medium of Information Delivery

This section discusses one selective code, the preferred delivery method for educational information.

#### Preferred Delivery Method

The information delivery method preferred by small business owners was influenced by barriers that might inhibit their ability or willingness to attend or participate in educational activities. Each of the participants identified time and travel distance as the primary barriers to attending educational workshops.

Barriers. Anna who manufactures dry mixes remarked, “It is just the distance really, just being able to take the whole day and just do that.” Small business owners wear many hats in a day and Amy noted that, “if I leave for an educational seminar, that means that I take someone out of production to do my job and that is really hard for me to justify.” Although time and distance to travel were the primary barriers discussed by business owners, the cost associated with attending the educational program was a consideration. Kevin, owner of a winery commented, “If it is something that we really feel like we need to do, we make it happen one way or another...but we do measure it in terms of (product) sold.” The main factors influencing small business owners decisions and ability to attend educational opportunities are time, distance to travel and cost of the training.

Preferred Delivery Methods. All of the participants noted that their preferred information delivery method would depend on the topic of the education. Most preferred face to face instruction, which seems to contradict the barriers noted as time and distance. It seems that if the topic meets the needs of the small business owner, then time and travel distance were more easily justified. A majority of the small business owners also felt that webinars and recorded sessions available on the web were a valuable resource for many educational topics and even if they had not participated in one before, were not opposed to trying one. James, who owns a brewery, felt that they were a great resource and commented that “we’ve utilized (internet based training) and we really like it. We can do it whenever we want. If you can’t do it when it is live, they are archived and easy to go back and listen to when you do have time. It is just really one of my favorite resources.” Small business owners who had not used this resource saw the potential and were open to trying it.

### Grounded Theory

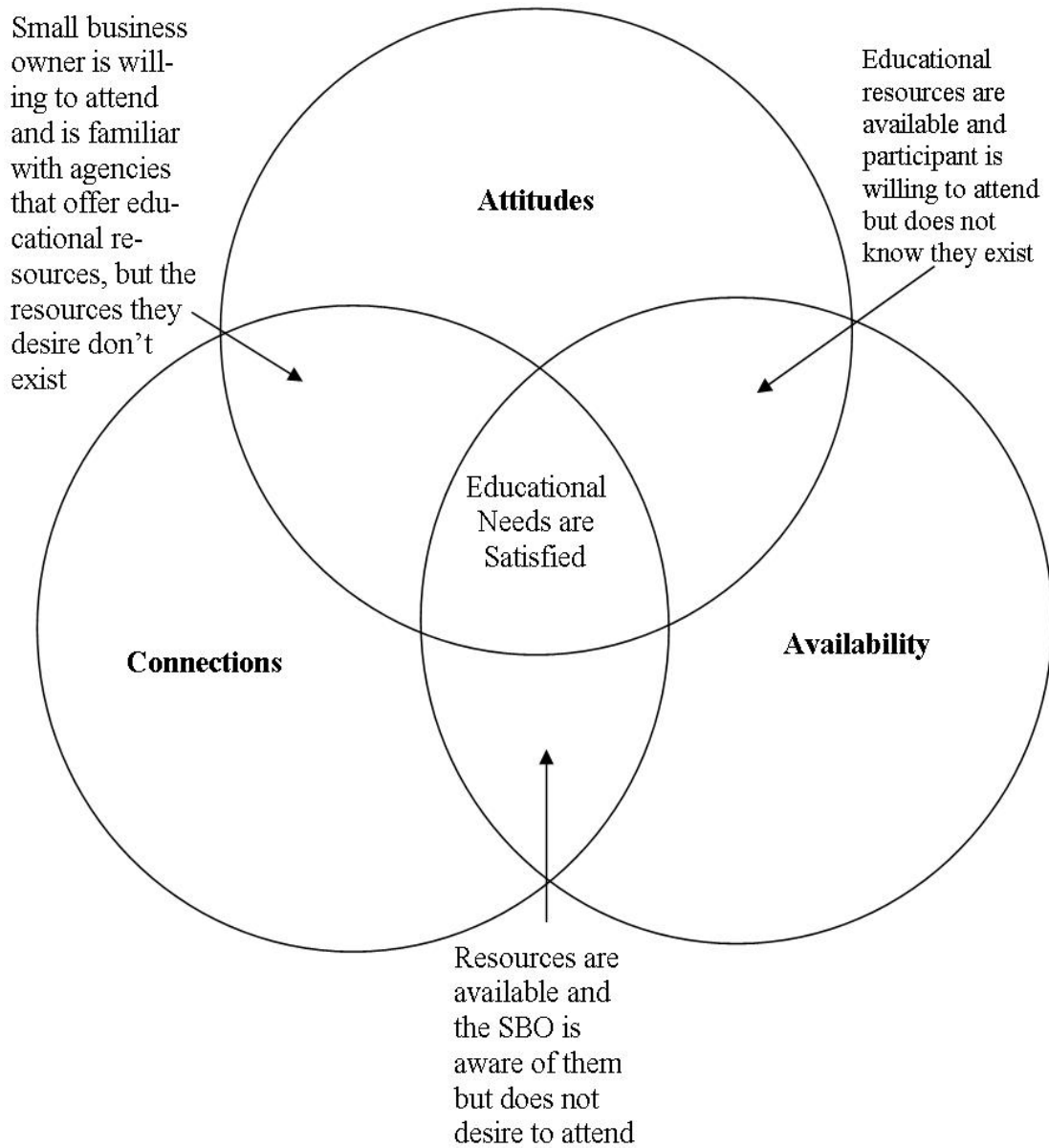
Grounded theory is qualitative research derived from data that is systematically gathered and analyzed (Leedy & Ormrod, 2010; Strauss & Corbin, 1998). It is emergent, the theory is developed as data is analyzed and coded (Charmaz, 2006). Grounded theory often offers unique insight into the phenomenon being studied (Simpson, Tuck, & Bellamy, 2004).

From data analysis, a grounded theory was developed to describe the most significant educational needs of small business owners in Montana. Small business

owners in Montana have educational needs that are being satisfied, which are business and financial management, sales and marketing, and needs specific to their industry. There are also educational needs that are not being satisfied, industry specific needs, regulatory requirements, computer software, business and financial management, and marketing and sales.

Small business owners seek educational resources to reach the identified critical skills and competencies, having business and financial management skills, having marketing and sales expertise, and possessing the soft skills needed to achieve success. The ability for small business owners to meet their educational needs is influenced by the small business owner's attitude toward education, connections to other business owners and to agencies, and the availability of the education. Resource availability is defined by limited time and travel distance, the small business owner's knowledge the resource exists, and the actual presence of the resource.

Figure 4.1 Conceptualization of Grounded Theory



## CHAPTER 5

## CONCLUSIONS, RECOMMENDATIONS, AND IMPLICATIONS

The purpose of this qualitative study was to identify and describe the most significant educational needs of small business owners in Montana. This study sought to identify the critical skills and competencies needed for small business owners, the educational needs of small business owners, the educational resources currently being utilized by small business owners, and the delivery method for educational resources preferred by small business owners. Semi-structured interviews were utilized in data collection.

To conduct this research, a network sample of 20 small business owners in Montana was utilized. The business owners had been in business for one year or more, were located in a community without a Small Business Administration office or a Small Business Development Center, and employ between one and nineteen people. Initial participants were identified by local Chambers of Commerce or County Extension offices and were asked to recommend future participants.

At the conclusion of data collection, results from the analysis of 123 pages of transcribed data were presented in chapter four. From the data, “in vivo” open codes were derived to preserve the participants’ voice throughout data analysis, and the open codes were systematically analyzed to form axial and selective codes (Charmaz, 2006, p. 60).



Data revealed that small business owners in Montana have educational needs in business and financial management, marketing and sales, needs specific to product or industry, and software needs. Some of the educational needs were being satisfied by existing educational opportunities, while others were not. Participant satisfaction was dependent on the small business owners' attitudes toward education, the availability of educational opportunities and the small business owners' connections or relationships with other small business owners or agencies who deliver educational programs.

#### Limitations of the Study

The purpose of qualitative research is to gain insight and deeper understanding of a particular situation (Leedy & Ormrod, 2010, p. 135). Grounded theory is derived from the data, in contrast to quantitative research which seeks to test a theory (Charmaz, 2006 : Strauss & Corbin, 1998). It is recognized that the themes and codes in this study emerged from a limited set of data gathered from interviews. Due to the detailed nature of this research, the limitations described below apply to this study.

This study utilized a small sample size to gain insight into the educational needs of small business owners in Montana. The study did not attempt to generate an exhaustive listing of all educational needs of small business owners in Montana, but rather to describe the current educational needs of the sample. The sample only included small business owners who had established businesses and this study did not attempt to describe the educational needs of business owners during business start-up. Business establishment was based businesses having been in operation for one year or greater, not

financial security. No financial data was collected for this study. Participants were chosen from communities that did not have a Small Business Association (SBA) or Small Business Development Center (SBDC) office in their community. The study attempted to describe the educational needs of small business owners in rural locations. It did not attempt to capture the needs of small business owners located in more urban populations. The participants for this study sold products to a wholesale market, and this study did not attempt to identify the educational needs of small business owners in a different market sector.

Due to the research constraints and sample criteria, this study has limited generalizability. The findings cannot be widely applied in other contexts. It is recognized that this study provides baseline information and insight into meeting the educational needs of established small business owners in Montana.

### Key Findings

#### Educational Needs

Participants identified critical educational needs related to business and financial management, marketing and sales, computer software, and topics specific to their industry or business. These results are consistent with prior research and have been identified previously as educational needs for small business owners (Henderson, 2002). Additionally, small business owners identified individual needs related specifically to their business. Topics requested were utilizing specialized computer software, complying

with government regulations and licensing, and information about new environmentally friendly packaging materials.

To be effective in business and financial management, participants recognized the importance of having a comprehensive business plan. Several had participated in a FastTrac® program coordinated by their Regional Economic Development Corporations. Overall, they found the program to be very helpful. The program is designed to assist small businesses in starting their businesses and in business plan development. Bonnie, owner of a jam and jelly cannery, shared that “the (FastTrac®) program is wonderful. It was like taking a college business class.” She felt like the program was very successful and met her expectations.

One financial management topic that small business owners identified they would like more information on was tax information specific to small business owners. When asked about resources she would like to have offered, Robin, who manufactures food products, mentioned tax information. She stated, “It would be interesting to have more tax information for small businesses.” Small business owners shared that they found information that their accountants were not aware of and would like to be more familiar with tax laws.

Participants revealed that they relied on the Montana Department of Commerce and Made in Montana program. They appreciated the marketing resources and participated in Made in Montana Marketplace, specifically in their first years of business. They also indicated that Made in Montana was a valuable resource when businesses transitioned from retail to a wholesale market. Although businesses used the Made in

Montana program for marketing information, it emerged during data collection that several businesses would like more information specific to market expansion.

Participants felt that they had saturated the market in a particular area. Alice, owner of a cereal manufacturing company, described that “once you get your product in to a new area, how to do you get people to take it off the shelf?” Amy, who manufactures soap and hand cream, felt she could use help “learning how to get into new markets and how to market your product to new people.” Participants felt they had reached all of the potential customers in this area. They would like to move their product into a new geographic area and were seeking resources to reduce their risk and improve their success.

Many participants expressed interest in having more resources on website optimization and how to best utilize social networking as a marketing tool. These resources were perceived as being free to the business owner and effective at reaching potential customers. Participants felt that they should be utilizing these resources but found it difficult to stay up to date with changing technologies.

An unexpected need that emerged from the data was how to value and market a business. Tim expressed concern about this need, “How do you go about valuing your company? If you are going to consider selling it to another entity, how do you determine what it is really worth?” In addition to valuing and marketing a business, participants were concerned about how to preserve the company in their local communities. Business owners recognized the impact of their company on the local economy and hoped to find a way to preserve its presence in the area.

Another unexpected need identified was information on contracting with the U.S. Department of Defense (DoD). Business owners remarked that they would like information to assist them in entering this market and how to complete the DoD contracts. Brandy explained her frustration, “I am trying to learn to do this (contract with the DoD), but haven’t been able to.” The DoD has the potential to be a large customer for small businesses in Montana, allowing many businesses to expand their market and customer base. Learning how to enter this market could help small businesses across the state expand, increase profits and improve local employment opportunities.

#### Critical Skills and Competencies

The primary attributes that were identified as critical skills and competencies for small business owners were soft skills, business and financial management skills, and sales and marketing ability. These findings support those from prior research that being a small business owner is not something an individual is, but is more of a behavior (Gartner, 1988). Although these general themes were described in the data, the variety in responses indicates a unique combination of individual skills needed for the success of a small business owner. The variety of specific responses and the inclusion of traits such as perseverance, having passion for the business, and being a people person support the theory that it is not an identifiable set of traits that contribute to the success of a small business owner, but rather a unique set of traits or characteristics (Gartner, 1988).

The critical skills and competencies indicated in the literature are similar to the educational needs identified in this study (Henderson, 2002). This overlap would indicate business owners desire education to improve skills considered critical for success. The

responses suggest individualism and independence of the small business owner. They emphasized that a unique combination of skills and traits contribute to their success.

#### Preferred Method of Delivery of Educational Information

Participants agreed that educational information should be delivered utilizing multiple delivery methods, including face-to-face workshops and seminars, webinars or web-based training, printed material and one-on-one instruction depending on the subject matter. It was recognized that each delivery method had merits as well as limitations.

Most participants had attended at least one face-to-face workshop or seminar and were most comfortable with that delivery format. It is possible that their preference for face-to-face training was based on familiarity with this training format. Many had also participated in webinars. They appreciated that web-based trainings were easily accessible and could be completed at their convenience. Rosy felt that the web-based educational resources she had utilized met her needs and were productive. Rose revealed that participating in online training allowed her to access a greater variety of educational resources. Face-to-face instruction and web-based resources were the two most preferred methods of educational delivery by participants.

The primary barriers preventing small business owners from participating in educational opportunities were identified as time and travel distance. These findings support prior research that small business owners often become overly busy within their business, limiting opportunity for personal growth (Churchill & Lewis, 1983; Survey of Business Owners, 2007). Grace, who manufactures jewelry, described her time limitation “(My business) is a little too busy for me all of the time. I feel completely

buried under an avalanche of work all of the time.” Small business owners engage in a diverse array of daily duties. Their primary functions are production of products and attending to day-to-day management of the business (Survey of Business Owners, 2007).

Although their time is very limited, small business owners shared that if they felt confident their educational needs would be met or that the education was critical, they would be willing to attend educational workshops. These findings are consistent with the adult learning model described by Malcolm Knowles (Knowles et al., 2011). If a critical need is associated with the educational opportunity, adult learners are motivated to learn. Additionally, adult learners are also most receptive to learning when education coincides with situations or needs they are currently facing (Knowles et al., 2011). The barriers of time and travel distance have less influence on an owner’s decision to participate in an educational opportunity if the content meets the critical needs of the small business owner.

#### Agencies Being Utilized

A majority of the educational resources being utilized by small business owners are provided by: Made in Montana program, local development centers, Montana Manufacturing Extension Center, Montana Department of Commerce, Montana Department of Agriculture and industry associations. Participant connections with agencies or other small business owners emerged from the data as an additional factor that influences participation in educational opportunities. Small business owners that were not utilizing or unfamiliar with educational opportunities provided did not reference connections or had not developed relationships with other small business owners. Small

business owners that were utilizing educational resources were familiar with and had developed relationships with personnel at agencies providing the resources.

A few participants were members of a specialized association related to their business. One association offered a web-based forum for discussion as well as a library of webinars that members could access. The association served to connect small business owners in the same field and provided a valuable forum for education. James, who owns and operates a brewery, shared regarding the web based forum he belonged to, “This is just really one of my favorite resources.” The resource was also convenient for the business owner to access and utilize because it was web-based. Specialization allowed the educational resources to be tailored to fit the business owners’ needs, resulting in increased satisfaction.

Overall, participants were not dissatisfied with the educational opportunities they had participated in, revealing a positive attitude toward learning. Rosy, owners of a specialty tea company, reflected that she tries to “learn from everything (she) attends.” However, several small business owners carefully expressed frustration that not all of their educational needs were being met. They identified specific topics they would like more information on which can provide direction for future educational programming. The data from this research does not attempt to define the reason some needs may not be met or the availability of educational resources desired. This research only sought to identify the educational needs desired by small business owner.



### Recommendations for Future Research

Future research is needed to further investigate the educational needs of established small business owners in Montana. This study provided initial insight into the educational needs of small business owners, but is limited based on the small sample size and other research parameters. It is suggested that future research be conducted to build on these results using larger sample sizes and alternative methodologies. This research may lead to greater insight in how best to identify the educational needs of small business owners and how to efficiently deliver the education.

Future research is needed to identify the agencies providing educational information for small business owners. This study revealed that small business owners rely on a limited number of resources to meet their needs. It is likely that there are additional educational sources that many small business owners are unaware of. In addition to identifying the agencies and organizations providing educational opportunities, there is a need to determine if there are educational resources available to meet these needs, or if there is a need for development of new programs. It is possible that the educational programs are available and the small business owners are either not aware of them or they are offered from a resource they are not familiar with. A complete inventory of the agencies that provide educational resources for small business owners in Montana should be conducted to identify what programs and resources are currently offered. This listing should include local, state, regional and national resources available for small business owners to utilize. This information can then be shared with small business owners to improve their connections to and familiarity with educational support.

Improved understanding of the status of needs would provide insight into the needs of small business owners. This information would allow agencies to allocate resources more strategically, prioritize programming, and develop more appropriate educational resources.

The connections that small business owners formed with local agencies providing educational resources appeared to be linked to their ability to satisfy their educational needs. It would be prudent to further investigate the formation of these connections and how small business owners formed these relationships. The value of small business owners' relationships with other small business owners also emerged from interviews. Further research utilizing interviews with agencies and small business owners to identify the nature and formation of their connections would provide valuable insight. An improved understanding of the connections between small business owners and agencies that provide educational resources would provide opportunities facilitate and strengthen these connections, improving small business owners' access to educational opportunities that meet their needs.

Understanding how to utilize social networking was identified as a common need among small business owners. Further research on the effectiveness of utilizing social media as an advertising tool would be beneficial. No specific social networking sites were mentioned in the study, but investigation should include Facebook, Twitter, and blogging as marketing tools. Social media was seen by participants as a no cost marketing tool for small business owners. It would be beneficial to evaluate and understand the costs, challenges, and benefits associated with using social media as a

marketing tool. Future research would provide a clear picture of the situation so that appropriate social media formats could be developed for reaching current and potential clientele

Several business owners expressed a need for more information about contracting with the U.S. Department of Defense (DoD). The DoD regulates all of the branches of the U.S. military and is committed to enhancing opportunities for small businesses to produce products necessary for the military (U.S. Department of Defense Office of Small Business Program, 2012). Research to evaluate this market would assist business owners and educational providers in understanding this agency and its potential impact increasing business opportunities. Educational programs can be developed to assist small business owners on DoD opportunities, as well as those that can assist DoD in collaborating with small business owners.

#### Recommendations and Implications for Extension

There is a need for personnel and expertise within Extension as an agency in economic and community development. Montana State University (MSU) Extension presently has one community development extension specialist and has strategically made the decision to focus their efforts in community development because there are other agencies offering economic development. As a result, county agents with an economic development appointment have limited access to state programs for clientele that address business and financial management, marketing and sales, or computer software utilized in small business. With additional capacity and formation of

cooperative partnerships, Extension could play a valuable role in assisting small business owners meet their educational needs. Extension is well-suited to assist this clientele because of its presence in every county and is accepted within local communities. Extension could have a role in program development, delivery, and in connecting local small business owners with other agencies who provide specialized information.

Extension could serve to facilitate information distribution to inform small business owners. If Extension had additional personnel in economic and community development, resources could be identified and county agents made more aware of the available educational opportunities to better provide direction to local small business owners. The county agent could serve as a local portal to those resources. Extension would not necessarily have to provide additional resources, but would have to become familiar with all of the resources available and how to access them. Identified educational resources could be listed on the MSU Extension home page on the internet, providing easily accessible information to clientele and readily available references for county staff. Information dissemination could be accomplished via social media, a small business list serve, newsletters, or texting information about upcoming events to small business owners who requested the information.

It was identified within the study that relationships and connections between small business owners are critical. In addition, positive outcomes were seen by participants in this study in utilizing online resources to connect rural small business owners. It is recommended that Extension take the lead in the development of regional web-based forums for small business owners to connect and share resources. A regional

forum would provide small business owners the opportunity to seek input from larger number of peers, while maintaining similar context and situations. It could provide a venue for individuals to seek information, share expertise, and identify resources.

Extension has expertise in program delivery and could assist in programming for local communities. Utilizing extension to deliver programs would directly address the barriers of time and travel distance identified by small business owners. County extension agents would be an appropriate choice to address this need, especially in communities without a local development agency.

Although small business owners are utilizing the Montana Manufacturing Extension Center which is part of Montana State University (MSU), the data revealed that very few of the small business owners were utilizing or aware of classes, programs, or web-based training offered through universities. County extension offices could serve to disseminate this information and connect local business owners with the university so they can take advantage of experts. This connection would strengthen small businesses by providing them access to the expertise of faculty at MSU.

Extension has the access to subject matter expertise through Montana State University (MSU) in areas identified by small business owners which they would like additional information. If it is determined the educational resources are not available in business and financial management, marketing expansion, and tax information MSU Extension should take the lead to develop these resources. This could be done by collaborating with other states where programs in these areas already exist. Extension should play a more involved role in addressing the educational needs identified by the

small business owners in Montana. County agents can serve to connect small business owners to additional resources in the state to enable them to meet their needs, assist in program delivery, and initiate program development. They can also facilitate communication and information dissemination between small business owners and experts in local communities.

Montana State University (MSU) Extension should actively assist small business owners in Montana meet their educational needs. MSU Extension should emphasize program development in the identified topic areas using a variety of delivery formats, emphasizing face-to-face workshops and online resources. County agents can locate the educational resources needed and connect small business owners with agencies that provide targeted education. County agents should also promote educational opportunities offered through the university using social media and traditional contact methods. Many rural Montana communities do not have another agency beyond Extension providing educational resources for small business owners; therefore MSU Extension must continue to work with small business owners in this capacity to address their needs.

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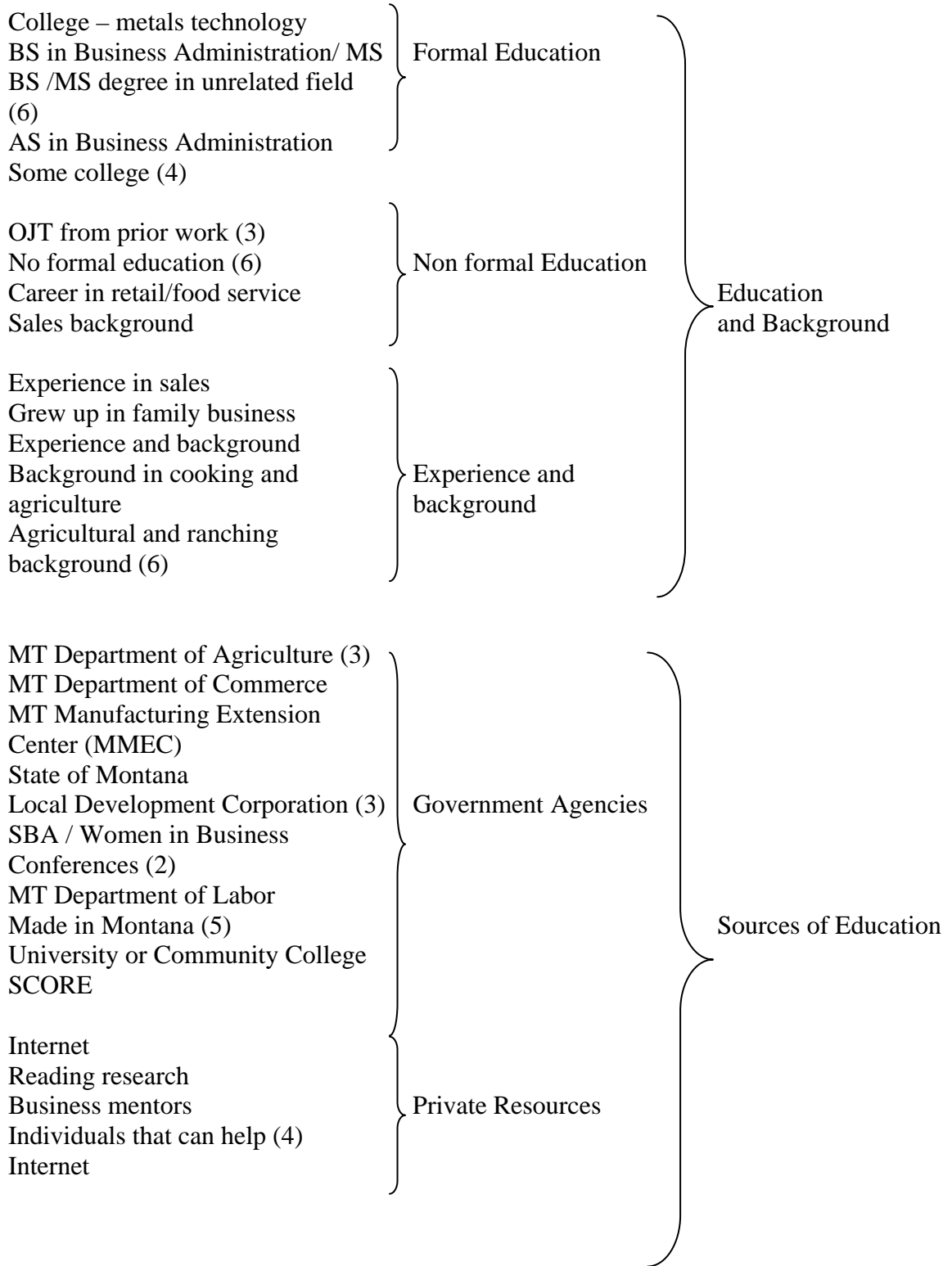
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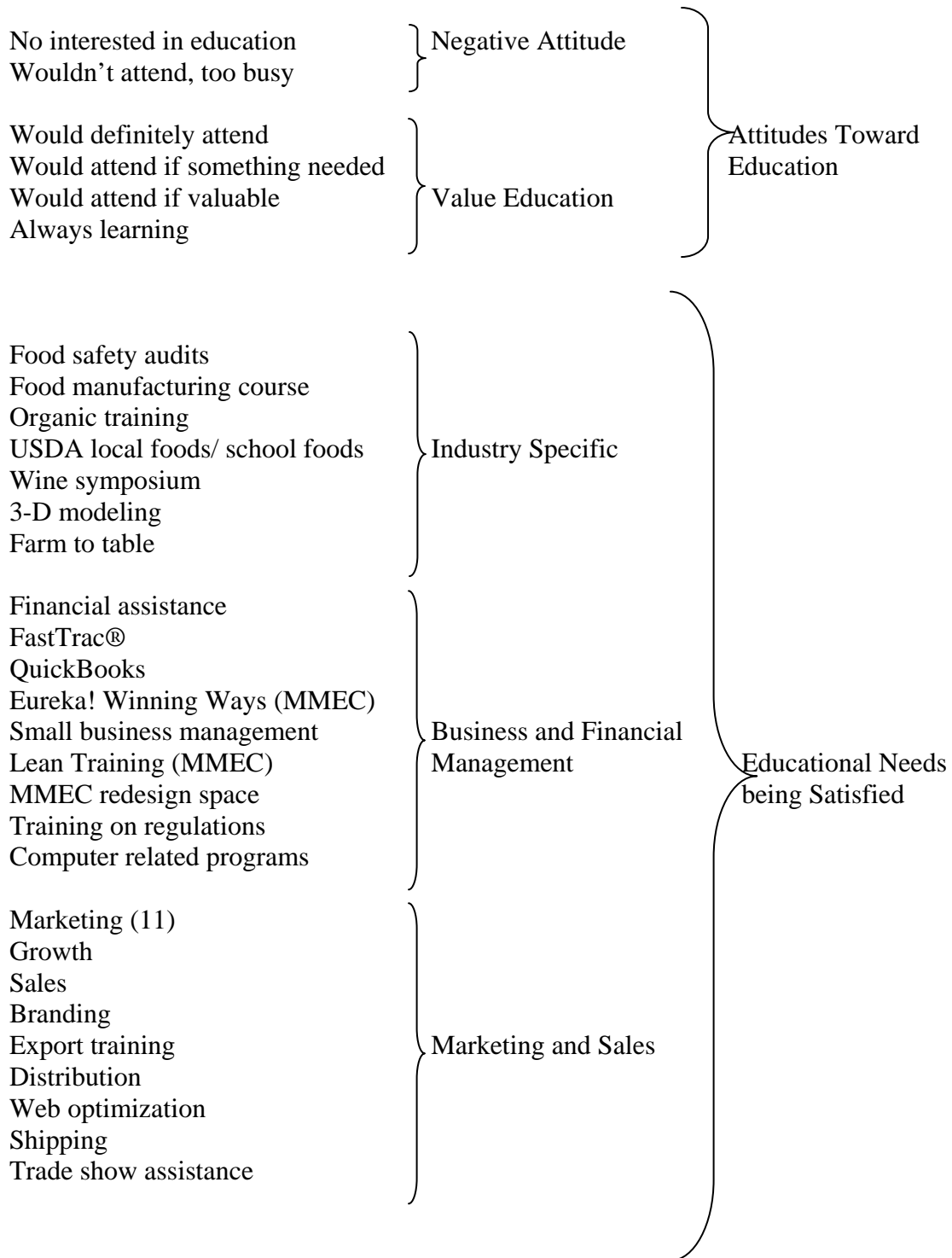
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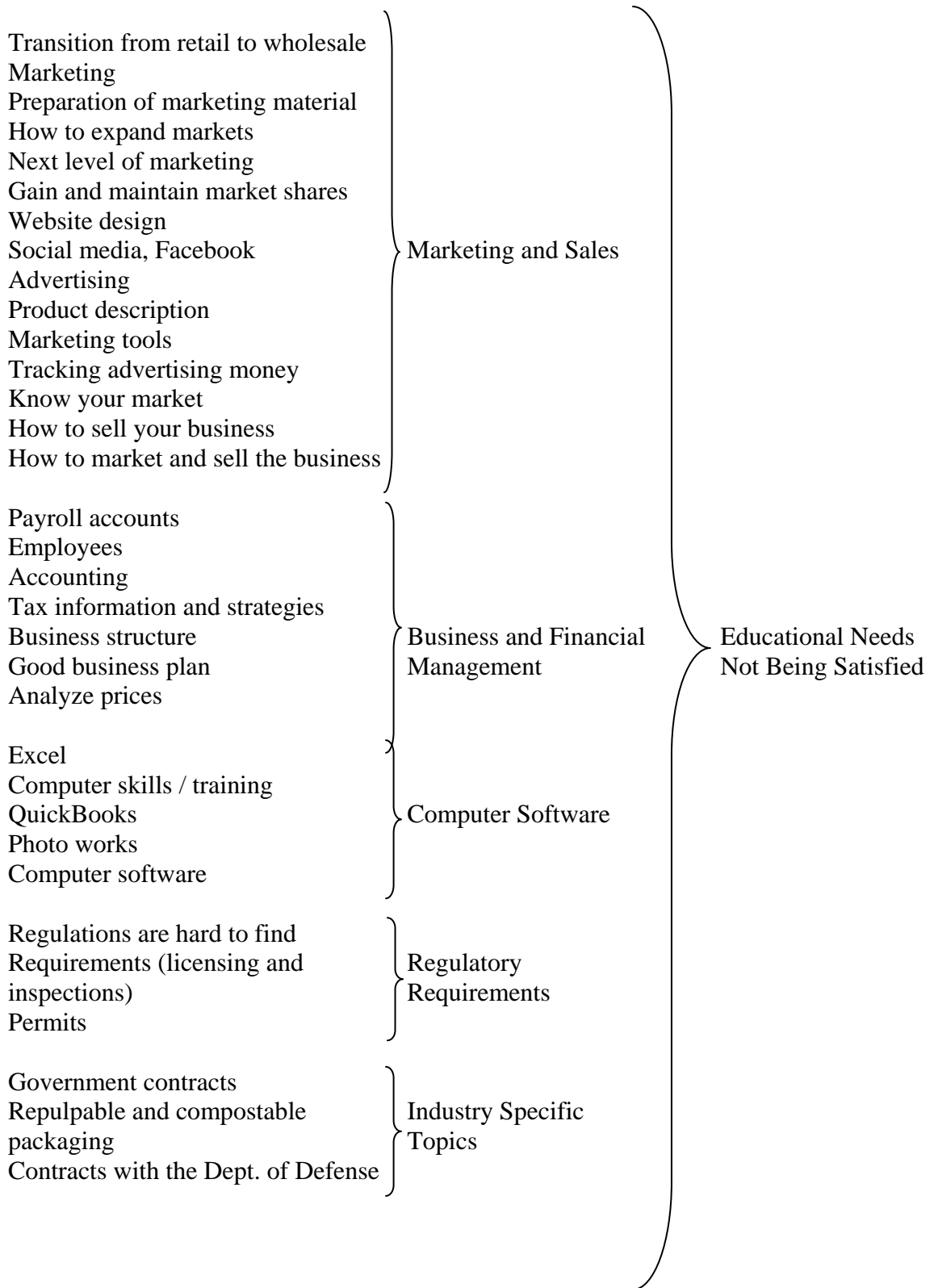
APPENDICES

APPENDIX A

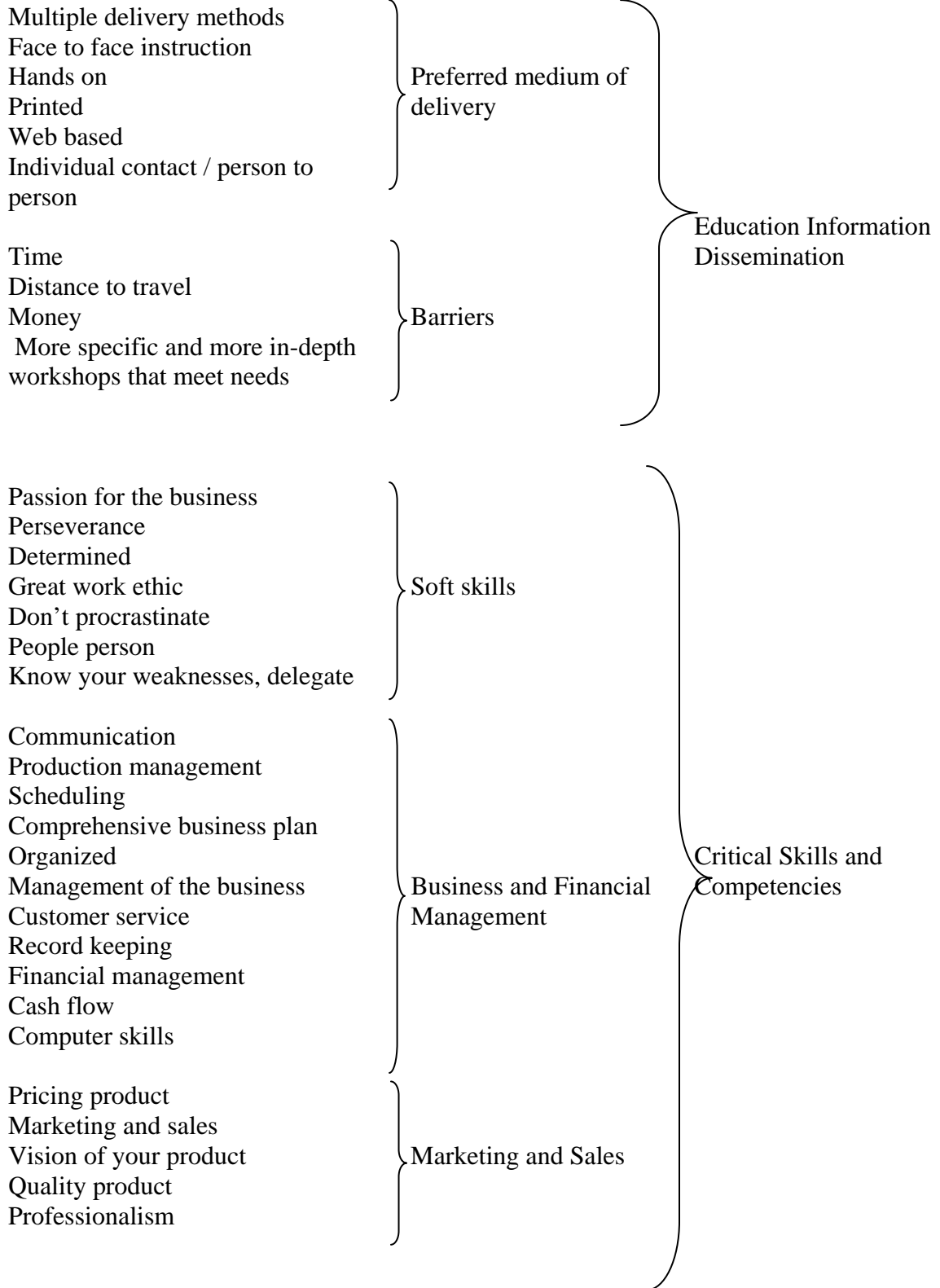
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APPENDIX B

INTERVIEW QUESTIONS

## Interview Questions

## The Educational Needs of Small Business Owners in Montana

- 1) Please tell me a little bit about your business.
  - Products and/or services
  - Number of employees
  - Years in business
  - How involved is your family (spouse or children) in the business?
  - If they are involved, what is their role?
- 2) Please tell me a little about your background and education. Is this your first business venture?
- 3) Why did you choose to become a small business owner?
- 4) Have you participated in any educational programs related to small business operation and development? If so, please describe program. What were the positive or negative outcomes of the program? Were your expectations met?
- 5) What types of educational resources, if any, do you utilize in your small business? How often do you seek educational resources? Where do they come from? What topics? How do you access them? Other preferences?
- 6) How would you describe your educational needs, if any? What information, if any, would you like that isn't being offered?
- 7) Please describe how you would like this information delivered and made available to you. Would you be interested in face to face instruction, web library resources, printed material, or training to effectively use technology in your business?
- 8) What barriers prevent you from participating in educational programs? If programs were offered on (reference topics identified) would you be willing to attend if they were offered free or at a minimal sum?
- 9) What do you consider as the most critical skills and competencies needed of small business owners?
- 10) Is there anything you might not have thought of during the interview that occurred to you now? Would you like to add anything?
- 11) Do you have any questions for me?

APPENDIX C

INTERNAL REVIEW BOARD APPROVAL



**INSTITUTIONAL REVIEW BOARD**  
**For the Protection of Human Subjects**  
**FWA 0000165**

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*Administrator:*  
 Cheryl Johnson  
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 cherylj@montana.edu

**MEMORANDUM**  
 .....

**TO:** Mandi Reed and Shannon Arnold  
**FROM:** Mark Quinn, Ph.D. Chair *Mark Quinn*  
 Institutional Review Board for the Protection of Human Subjects  
**DATE:** November 17, 2011  
**SUBJECT:** "An Assessment of the Educational Needs of Small Business Owners in Montana" [MR111711-EX]

The above research, described in your submission of November 16, 2011, is exempt from the requirement of review by the Institutional Review Board in accordance with the Code of Federal Regulations, Part 46, section 101. The specific paragraph which applies to your research is:

- (b)(1) Research conducted in established or commonly accepted educational settings, involving normal educational practices such as (i) research on regular and special education instructional strategies, or (ii) research on the effectiveness of or the comparison among instructional techniques, curricula, or classroom management methods.
- (b)(2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: (i) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and (ii) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability, or be damaging to the subjects' financial standing, employability, or reputation.
- (b)(3) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures, or observation of public behavior that is not exempt under paragraph (b)(2) of this section, if: (i) the human subjects are elected or appointed public officials or candidates for public office; or (ii) federal statute(s) without exception that the confidentiality of the personally identifiable information will be maintained throughout the research and thereafter.
- (b)(4) Research involving the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens, if these sources are publicly available, or if the information is recorded by the investigator in such a manner that the subjects cannot be identified, directly or through identifiers linked to the subjects.
- (b)(5) Research and demonstration projects, which are conducted by or subject to the approval of department or agency heads, and which are designed to study, evaluate, or otherwise examine: (i) public benefit or service programs; (ii) procedures for obtaining benefits or services under those programs; (iii) possible changes in or alternatives to those programs or procedures; or (iv) possible changes in methods or levels of payment for benefits or services under those programs.
- (b)(6) Taste and food quality evaluation and consumer acceptance studies, (i) if wholesome foods without additives are consumed, or (ii) if a food is consumed that contains a food ingredient at or below the level and for a use found to be safe, or agricultural chemical or environmental contaminant at or below the level found to be safe, by the FDA, or approved by the EPA, or the Food Safety and Inspection Service of the USDA.

Although review by the Institutional Review Board is not required for the above research, the Committee will be glad to review it. If you wish a review and committee approval, please submit 3 copies of the usual application form and it will be processed by expedited review.

APPENDIX D

INFORMED CONSENT FORM

SUBJECT CONSENT FORM FOR PARTICIPATION IN HUMAN RESEARCH AT  
MONTANA STATE UNIVERSITY

**Project Title:** An assessment of the educational needs of small business owners in Montana.

You are being asked to participate in a study exploring the educational needs of small business owners in Montana. You have been chosen for participation in this study because you employ between one and 19 people have operated your business for more than one year, and are located within the study area. You will participate in one voluntary interview which will be conducted either face-to-face or over the telephone. The interview should take between 30-60 minutes to complete and will be recorded.

The study is completely voluntary. If you agree to participate, your responses will be anonymous and confidential. If you elect to participate in this study, you will be asked a series of questions during a single interview process. The interview will take between 30-60 minutes to complete.

There are no risks beyond the minimal associated with your participation in this study. The survey answers will be used to achieve insight into the educational needs of small business owners in Montana. Results of this study will be used to guide development of educational resources to better meet the needs of small business owners in Montana.

If you have questions regarding this research, the data collection or analysis process, or plans for dissemination of results, you may contact Mandie Reed at (406) 632-4728, or e-mail: reed@msu.montana.edu or Dr. Shannon Arnold at (406) 994-6663, or email: Shannon.arnold@montana.edu. If you have questions or concerns about your rights as a human subject involved in this research, you may contact Dr. Mark Quinn, Institutional Review Board Chairperson, at (406) 994-4707, or email: mquinn@montana.edu.

AUTHORIZATION: I have read the above and understand the discomforts, inconvenience and risk of this study. I, \_\_\_\_\_ (*name of subject*), agree to participate in this research. I understand that I may later refuse to participate, and that I may withdraw from the study at any time. I have received a copy of this consent form for my own records.

Signed: \_\_\_\_\_

Investigator: \_\_\_\_\_

Date: \_\_\_\_\_