

**Small Businesses in Rural Nebraska:
Their Needs and Thoughts
Results of the Third Biennial Survey**

**An Analysis of the Rural Enterprise Assistance
Project 2012 Small Business Needs Assessment Survey**

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Key Findings

Business Characteristics

- Over three-quarters of rural small businesses have five or fewer employees.
- Based on gross business sales, many rural businesses are quite small. Nearly half of rural business owner respondents stated their business recorded less than \$100,000 in gross sales in the most recent business year. The number of larger businesses – those with \$500,000 or more in gross annual business sales – continues to steadily grow.
- Over 74 percent of respondents with employees do not offer employee health insurance benefits. Cost is the primary reason for businesses not offering health insurance to employees.
- Social media technology use is exploding among rural small businesses. In the 2012 survey nearly 60 percent of respondents used social media, nearly five times more than four years earlier. E-mail remains the top technology used by rural small businesses, as it was in 2010. The number of businesses with business websites increased from 2010 to 2012.
- In general, the 2012 REAP Needs Assessment survey continues to reveal a large number of very small rural businesses, with significant income and financial challenges throughout their history and with limited benefits provided to employees.

Training Needs

- Technology is rapidly changing many of the training, assistance and business practices of rural small businesses. The considerable increase in the use of social media by many rural small businesses is one example.
- The use of social media is uneven across the types of rural businesses and across the types of rural small business owners. More training and assistance on how to use social media and the benefits of using social media focused on certain types of businesses and business owners could be helpful.
- The preferred delivery method of training and assistance is changing significantly with changes in technology and time available. One-time workshops remained the most popular delivery method. Online training and assistance methods are now a more closely preferred second option.
- Preferences regarding training methods varied little according to gender and age. Both female and male respondents preferred training or assistance through a one-time workshop setting. All age groups also preferred training and assistance through one-time workshops. Younger business owners had a stronger preference for online training and assistance.
- Marketing and advertising was by far the most popular choice for training and assistance that would improve businesses. Two relatively new issues – succession planning and social networking followed in popularity, reflecting both the times and the needs of an aging business ownership population.
- Throughout the survey, whether by business age, business type or amount of sales, respondents express a need for training and assistance on business knowledge and planning issues. This indicates that many people are starting a business with little planning or business knowledge.

Business Challenges

- Lack of start-up cash and lack of business finance knowledge remain the chief difficulties faced by start-up businesses. Other financial difficulties and marketing are also prominently mentioned as start-up difficulties.
- Responses about current business needs in many ways mirrored start-up difficulties. Working capital and marketing were the primary current business needs, as they were in 2010.
- Many small business owners continue to start out with limited amounts of cash, and the issue of sufficient capital continues as a current need. This represents a critical and seemingly ongoing challenge for Nebraska rural small businesses.
- The importance of succession planning continues to grow, and it is now among the chief concerns of rural small businesses. For the future of sustainable rural businesses and the viability of rural communities it is an issue on which business development initiatives and providers should focus.

Introduction

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

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

This report details the findings of recent survey work by REAP. The “2012 Small Business Needs Assessment,” a self-administered survey, was made available to REAP clients and to local chambers of commerce, economic development organizations, Nebraska Economic Development Association members, the Nebraska Bankers Association and other service providers who work with Nebraska’s small businesses. The survey was provided in two online forms—through direct email and as a link on the Center for Rural Affairs’ website. The REAP Needs Assessment Survey is administered biennially, with the first such survey done in 2008.

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

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

History of REAP

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

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

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

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

In 2009, the Nebraska Legislature appropriated nearly \$1 million to the Nebraska Microenterprise Development Act. Most of that amount is granted to organizations throughout the state (including REAP) to provide services to microbusinesses and entrepreneurs, and is administered by the Nebraska Enterprise Fund.

In 2011, the Nebraska Legislature adopted and the Governor signed into law LB 387, the Business and Innovation Act. LB 387 redesigned the Nebraska Microenterprise Development Act and created a new fund within the Nebraska Department of Economic Development for microenterprise development. The Department of Economic Development implemented a process of grants for micro-loan delivery organizations and for statewide technical assistance to micro-loan borrowers or potential borrowers.

REAP Services

REAP serves microenterprises (defined in Nebraska statutes as businesses with 10 full-time equivalent employees or less) in the rural areas of Nebraska (REAP uses the USDA definition of “rural,” those population centers with 50,000 population or less). REAP is a full-service microenterprise development organization consisting of nine staff located throughout rural Nebraska.

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

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

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

REAP Statistics

As of May 2012, REAP has eight roundtables for networking and training. REAP Roundtables consist of small businesses from a rural community or communities that formally organize to receive REAP services.

Most roundtables consist of eight to 10 businesses. They typically meet once a month to network and receive business training. REAP groups are self-driven, based on their specific business and community development needs and goals. Formation of these groups was originally the dominant model utilized by REAP. Entrepreneurs now mainly access the REAP program through individual membership.

From its inception in January, 1990, through May, 2012, through a variety of lending products, REAP has placed 849 loans totaling over \$7.8 million. REAP has also helped clients leverage loans totaling over \$15 million from other sources since January 1, 1999.

In the last three-year fiscal period, REAP assisted 6,088 businesses through counseling, training and lending activities. During this time, REAP assistance and lending helped to create or retain 1,171.5 jobs. REAP only counts jobs created or retained when significant counseling (10 or more hours) is done and/or loans are made.

Survey Methodology

The self-administered survey was available online as a link on the Center for Rural Affairs’ web site, e-mailed to various contacts including REAP clients, small business related listservs and service provider colleagues.

The survey was available in January and February 2012. The survey consisted of 20 multiple choice and open-ended questions. The survey was available to participants through SurveyMonkey.com©.

A total of 489 individuals responded to the survey (compared to 457 responses to the 2010 survey and compared to 258 responses to the 2008 survey) — 280 identified themselves as small business owners, 24 identified themselves as aspiring business owners, 29 identified themselves as lenders, 98 identified themselves as service providers (non-business owner that assists businesses and entrepreneurs) and 58 identified themselves as “other” (non-business owner). All respondents live and work in Nebraska.

A series of demographic questions and descriptive questions for the responding businesses were asked. In addition, specific questions were asked about health insurance and technology, two important issues for rural small businesses.

A series of questions about business needs were then asked. Business owners were asked to identify difficulties they experienced when starting their business; service providers and lenders were asked to identify the greatest needs of start-up businesses they were working with. Based on previous assessments, we offered a wide variety of possible difficulties. The survey offered these choices and allowed an open-ended response for “other responses.”

Finally, business owners were asked to identify current difficulties they are experiencing; service providers and lenders were asked to identify the three greatest needs of current businesses they were working with. Respondents were also asked to identify the greatest training needs business owners have to improve their business.

Following are selected findings from the survey. All survey results may be found in the Appendix.

Multiple Choice Questions and Demographics

What is your age group?

The median age of respondents was 51. Over 38 percent of respondents were in their 50s, with 20 percent in their 40s, and 21 percent in their 20s and 30s. Twenty-one percent of respondents were 60 or older.

Response	Pct.
20-29	6.4
30-39	14.6
40-49	19.9
50-59	38.1
60 and over	21.0

Describe your affiliation with Nebraska small businesses.

The vast majority of all respondents – over 57 percent – identified themselves as “small business owner.” Almost 5 percent of respondents identified themselves as an “aspiring business owner.” The remainder of respondents were non-business owners who provided assistance and services to small businesses.

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

Nearly 70 percent of respondents identified their business as “existing” (defined as “at the business for more than one year”). Nearly 14 percent identified their businesses as in the “transitioning” stage (within 10 years of exiting the business). Almost 10 percent of respondents identified their businesses as “new” (less than a year old) and over seven percent identified themselves as in the “pre-venture” (start-up stage).

What category best describes your business?

Service and retail businesses dominated the responses. Over a third (36 percent) of the respondents described their business as a service business, and 26 percent identified their business as retail. Agriculture (11.5 percent) and manufacturing (4.5 percent) were the next most identified categories. Over three percent of respondents identified their businesses as online businesses and about five percent of respondents identified themselves as construction businesses.

Response	Pct.
Agriculture	11.5
Manufacturing	4.5
Retail	26.0
Service	35.8
Online	3.5
Construction	3.0
Other	15.8

How many employees does your business employ, including yourself?

Slightly more than 38 percent of respondents employed only themselves (over 26 percent full-time and 12 percent part-time). Thirty-seven percent of respondents employed two to five employees, or people other than the respondent business owner. Over 34 percent of respondents employed six or more people.

Response	Pct.
One (self full-time)	26.3
One (self part-time)	12.1
Two to five	37.0
Six to 10	11.7
11+	12.8

This continues the trend found in the 2010 survey. The results of the 2010 survey were essentially flipped from the 2008 survey. In 2008, more respondents employed two to five employees and fewer employed themselves only.

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

Nearly 55 percent of respondents preferred trainings in a one-time workshop setting. The second most preferred method for training (at nearly 45 percent) was online “available when needed” methods such as podcasts. One-on-one training and/or assistance was preferred by 36 percent of respondents, while classroom style (multiple sessions) was favored by 26 percent. Online training/assistance delivered at a specific time (such as webinars) was preferred by 29 percent of respondents. Six percent of respondents stated that no training was needed.

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

Over 48 percent of business owner respondents stated their business recorded less than \$100,000 in gross sales in the most recent business year. The largest number (27 percent) reported gross annual business sales of less than \$25,000. On the other end of the scale, nearly 24 percent of business owner respondents reported gross annual business sales of over \$500,000 in the past business year (with 15 percent reporting gross annual business sales of greater than \$1 million in the past business year).

The table compares the business sales responses for each of the three surveys. The 2012 results for the lowest sales categories are comparable to the 2008 survey, but there are fewer of the smallest businesses in 2012 compared to 2010. The largest sales categories have gradually grown since 2008.

<i>Business Sales Category</i>	<i>2012</i>	<i>2010</i>	<i>2008</i>
Less than \$100,000	48.1%	59.9%	48.8%
\$500,000 or more	23.6%	19.6%	17.8%

Business Needs Questions

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

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

This question allowed respondent's to mark all offered responses that applied. A total of 869 responses were provided, or an average of 2.6 responses per respondent (both slightly lower than the 2010 survey).

By far the leading difficulty was a lack of start-up cash. Nearly 50 percent of respondents selected this response. Lack of business finance knowledge, obtaining financing from a traditional lender, marketing, lack of a written business plan and lack of market awareness all followed, all with 25 percent or more of respondents selecting.

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

Respondents were provided a list of business needs and were allowed to mark all offered responses that applied. A total of 991 responses were provided, or an average of 2.9 responses per respondent. Both are less than the 2010 survey.

In many respects the responses to this question mirrored the responses to the previous question on start-up difficulties. Working capital was the top identified need (over 36 percent of respondents). Close behind was marketing, with almost 32 percent. Following were business succession knowledge, market awareness, business finance knowledge, start up cash and written business plan, all with 20 to about 23 percent of respondents.

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

This question also provided a list of possible training and assistance topics and respondents could mark all that apply. A total of 989 responses were provided, or an average of 3.1 responses per respondent. Both figures are higher than the 2010 survey.

The most popular responses to this question are a combination of basic, traditional business needs, newly developed business needs, and current issues facing small businesses. Marketing and advertising was by far the most popular choice for training and assistance, with over 51 percent of respondents selecting that as a choice. Succession planning, social networking, information on the Affordable Care Act, and basic bookkeeping followed in popularity.

Business Needs and Challenges by Demographic Categories

To examine the differing business needs and challenges for different groups of survey respondents, we examined survey questions and responses and cross-tabulated them with various respondent categories.

Employment by Sales Categories

As might be expected, we found that the smaller the business sales the less likely the business is to have employees or the fewer employees the business is likely to have. The respondents in the smallest sales category (less than \$25,000) are almost exclusively self-employed (both full-time and part-time). Businesses with employees become predominant in the over \$50,000 sales categories. Businesses with two to five employees become predominant beginning with the \$150,000 sales category. Businesses with six or more employees become predominant in the \$750,000 sales category. Businesses with 11 or more employees become predominant in the \$1 million or more sales category.

Training Needs by Age

When examining responses to training needs by age group, we found patterns that are obviously connected to age. The top two training needs for each age group are outlined below:

<i>Age</i>	<i>Top Training Need</i>	<i>#2 Training Need</i>
20-29 years	Basic Bookkeeping	Taxation
30-39 years	Marketing/Advertising,	Taxation
40-49 years	Marketing/Advertising	Social Networking
50-59 years	Marketing/Advertising	Succession Planning
60 years and older	Marketing/Advertising	Succession Planning

Younger business owners are more in need of training on basic business operations, the types of items new businesses would immediately face. Older business owners are more in need of training on issues they will soon face, succession planning for instance. And most business owners are in need of training on marketing and advertising, as we have found throughout the three survey cycles.

Training Needs by Gender

Both female and male respondents indicated marketing and advertising were their top training need. Females indicated training on social networking was their second need. Male business owners indicated training on the Affordable Care Act health reform was their second need.

Delivery of Training and Assistance by Gender

Both female and male rural small business owners prefer training and assistance be delivered by one-time workshops. Male owners preferred this method slightly stronger than did female business owners. There were no significant differences related to gender in other delivery methods of training and assistance. Female business owners preferred one-on-one training and assistance at a slightly higher level, and male business owners preferred classroom style training and assistance at a slightly higher level. Females preferred webinar-style online training and assistance, while males preferred podcast-style online training and assistance. However, the differences in online preferences were small.

Delivery of Training and Assistance by Age

All age groups prefer training assistance delivered by one-time workshops. The second most preferred method by all age groups is podcast-type online training and assistance (actually, tied for the most preferred method by business owners in their 20s).

Start-up Challenges by Business Type

Most business types indicated capital or financing were the top challenges they faced as start-up businesses. The top two start-up challenges for each business type are outlined below:

<i>Business Type</i>	<i>Top Startup Challenge</i>	<i>#2 Startup Challenge</i>
Agriculture	Cash	Financing from a traditional lender
Manufacturer	Market awareness	Financing from a traditional lender
Retail	Cash	Financing from a traditional lender
Service	Cash	None (Marketing was third)
Online	Cash	Financing from a traditional lender
Construction	Cash	Financing from a traditional lender
Other	Cash	Marketing and None (tied)

Current Challenges by Business Type

Most business types also indicated capital and finances were current challenges to their businesses. Marketing also continues to be a major challenge. The top current challenges for each business type are outlined below:

<i>Business Type</i>	<i>Top Current Challenge</i>	<i>#2 Current Challenge</i>
Agriculture	Marketing	Other (Working Capital was #3)
Manufacturer	Working Capital	Lack of Market Awareness and Marketing (tied)
Retail	Working Capital	Marketing
Service	Working Capital	Marketing
Online	Working Capital	Line of Credit, Cash, Marketing (tied)
Construction	Working Capital	Finding a Location
Other	Working Capital	Other (Marketing was #3)

Current Challenges by Gender

Both female and male business owners indicated their top current business challenges are working capital and marketing.

Current Challenges by Age

Current challenges for business owners varied by age, but again financial items and marketing are the most significant challenges. The top current challenges for each age group are outlined below:

<i>Age</i>	<i>Top Current Challenge</i>	<i>#2 Current Challenge</i>
20-29 years	Start-up Cash	Working Capital
30-39 years	Working Capital	Marketing Awareness
40-49 years	Working Capital	Marketing
50-59 years	Marketing	Working Capital
60 years and older	Marketing	Working Capital

Two long-time business challenges were also prominent among certain age groups. Succession planning was highest among the 50-59 age group (third highest current challenge). Business planning was highest among the 30-39 age group (third highest current challenge) and the 40-49 age group (fourth highest current challenge).

Current Challenges by Sales

Current challenges for business owners varied by amount of sales, but again financial items and marketing are the most significant challenges. The top current challenges for each sales group are outlined below:

<i>Business Sales Category</i>	<i>Top Current Challenge</i>	<i>#2 Current Challenge</i>
\$0 - 24,999	Marketing	Working Capital, Market Awareness and Other
\$25,000 - 49,999	Working Capital	Line of Credit, Start- Up Cash, Market Awareness, Marketing, Adequate Business Support Network
\$50,000 – 99,999	Working Capital	Market Awareness
\$100,000 – 149,999	Working Capital	Marketing

\$150,000 – 199,999	Working Capital	None
\$200,000 – 249,999	Business Succession	Lack of Business Finance Knowledge, Marketing
\$250,000 – 299,999	Working Capital	Lack of Business Finance Knowledge
\$300,000 – 499,999	Marketing	Working Capital, Other
\$500,000 – 749,999	Work Capital	Business Succession, None
\$750,000 – 999,999	Business Succession	None, Other
\$1 million and over	Marketing	Other, Working Capital, Business Succession

While financial concerns and marketing are prominent among all business sales categories, business succession become more important as businesses grow.

Social Media Use by Gender

Female business owner respondents use social media tools significantly more than do male business owners. Nearly half of female rural small business owners (48.4 percent) use social media, while about a third of male rural small business owners (33.8 percent) do.

Social Media Use by Business Type

Social media use by business types varies greatly. Retail businesses (52.9 percent), online businesses (50 percent), self-identified other businesses (49.2 percent) and service businesses (43.4 percent) had the highest rates of social media use by rural small businesses and their owners.

Construction businesses (0 percent), manufacturing businesses (27.8 percent) and agricultural businesses (34.8 percent) had the lowest rates of social media use by rural small businesses and their owners.

These results appear to follow the survey finding related to social media use by gender. The businesses with the highest rates of male owners have the lowest social media use, while the businesses with the highest rates of female ownership have the highest rates of social media use.

Social Media Use by Age

As one might expect, social media use is high among younger business owners and declines as business owners age. Business owners in their 30s had the highest rate of social media use (nearly 72 percent), followed by business owners in their 20s and 40s (both 65 percent). About half of business owners in their 50s use social media, while about 39 percent of business owners 60 and older do.

Social Media Use by Sales

Social media use by amount of sales varies considerably. Businesses with sales lower than \$100,000 annually have among the highest use of social media – the business owners in those three sales categories range from 55 percent to 74 percent in their use of social media. With some exceptions, social media use by business owners drops off so that only about a quarter of business owners in the \$500,000 to \$999,999 sales categories use social media. A bit over half of business owners in the \$1 million and over sales category use social media.

Current Business Needs by Non-Business Owners

Responding non-business owners – those who provide business services or assist in the development of small businesses – were provided the opportunity to give their opinion on current needs for rural small businesses. These opinions, independent of the day-to-day challenges of owning and operating a small business, tracked closely to those of rural small business owners. The top current business needs identified by non-business owners were working capital, market awareness, marketing and start-up cash.

Small Business and Health Insurance

With the continued importance of health insurance and health care reform, the survey asked a series of questions related to health insurance and small businesses.

Over 81 percent of respondents do not offer health insurance benefits to employees (28 percent because the respondent does not have employees other than the respondent). Of respondents with employees, over 74 percent do not offer health insurance to employees. Of respondents with employees about a quarter pay all or a share of the premium cost of employee health insurance.

Of the respondent business owners, a total of eight percent are not currently covered by health insurance (of that eight percent, a bit over one percent are not covered but have children who are). The remaining business owner respondents have health insurance coverage through a variety of paths. The largest number (40 percent) are covered on an individual plan purchased by the owner, about 25 percent are covered by a group plan through another member of the household (such as a spouse), and about 11 percent are covered through a public plan such as Medicare or Medicaid. Only about 15 percent of business owners had health care coverage through a group plan offered by their business.

The main reason for not providing health insurance to employees is that the respondent does not have employees (almost 43 percent). Of those respondents with employees, cost was the main factor (almost 27 percent) followed by employees covered by other plans (15 percent). Cost again was the primary factor for business owners not having health insurance coverage. Of business owner respondents stating they did not have health insurance and who responded to the question about the reason, over 86 percent said it was because health insurance is too expensive. The other primary reason (10 percent) was that coverage was not available due to health reasons (such as pre-existing health conditions).

Small Businesses and Telecommunications Technology

Another important issue to rural small businesses is the use and availability of telecommunications technology. The 2012 survey thus asked a series of questions about telecommunications technology.

Respondents were asked what technologies were used in the respondent's business or by businesses with which the respondent worked. Respondents were provided a list of options and allowed to select all that applied. A total of 1,239 responses were offered, an average of 3.6 responses per respondent. Both figures were higher than the 2010 survey.

E-mail was the top technology used, with personal e-mail used by over 86 percent of businesses and customer e-mail by 66 percent of businesses. Nearly 60 of respondents use social media (Facebook, Twitter, etc.), a significant increase from 2010. About 47 percent of businesses indicated they used business websites without eCommerce, and about 27 percent of respondents used business websites connected to eCommerce. About 33 percent of businesses indicated using technology for e-commerce activities (sales and purchases) and about 40 percent of business used technology for e-business activities (such as filing taxes online).

The survey also asked respondents to rate their internet affordability and reliability. Respondents rated a series of statements from 1 (not true) to 4 (very true). Statements and results are:

- *My internet service is reliable.* Over 57 percent of respondents rated this as “very true,” with an average rating of 3.4 (about midway between “often true” and “very true”).
- *My internet service is affordable.* Responses to this statement were more spread across the options, with about 37 percent responding “very true,” but about 29 percent saying “somewhat true.” The average rating was 3.0, the “often true” mark.
- *My internet service is the speed I need.* Again, responses were spread across the options. The top response again was “very true,” with 41 percent of responses. But this statement had the highest rating for “not true” of the three statements, with 12 percent of respondents selecting that response. The average rating was 2.98, the lowest mark of the three questions and just below the “often true” mark.

Analysis of Questions by Topic and Comparison of Surveys

The following section represents our analysis of selected responses to the survey and changes or similarities in the three REAP Needs Assessment surveys done to date – 2008, 2010 and 2012.

Advertising and Marketing

While advertising and marketing are not the chief issues challenging rural small businesses they are consistent challenges. The placement of advertising and marketing challenges is consistent throughout the surveys.

	Business Challenge at START (Rank)	CURRENT Challenge (Rank)	Business Training/Assistance Request (Rank)
2008	2nd	2nd	2nd
2010	5th	2nd	1st
2012	4th	2nd	1st

Thus, rural small businesses continue to identify advertising and marketing as one of their top two challenges in operating a business. It is difficult to determine if the respondents are struggling with marketing generally, or if they are struggling with the cost of advertising and marketing.

Business Planning and Management

A large number of respondents indicated that many small businesses in rural Nebraska lack adequate business plans. Maybe that is to be expected at the business start-up stage, but nearly one in five of respondents state this is a current need as well. While this number is lower than in previous surveys, this lack of planning likely affects all aspects of a business. The placements of business planning and management challenges are relatively consistent throughout the surveys. The perceived challenge does seem to be declining through the years.

	Business Challenge at START (Rank)	CURRENT Challenge (Rank)	Business Training/Assistance Request (Rank)
2008	4th	5th	NA (not asked)
2010	4th	5th	2nd
2012	5th	7th	7th

Many challenges found in other categories could be addressed with a fully developed business plan; issues such as not starting with enough cash, financing, marketing for current demographics, identifying a customer base, and lacking an advertising plan are all challenges offered by business owners, but are also important initial planning considerations.

The 2012 survey results generally show an admitted lack of knowledge about basic business and finance practices, both at the start-up phase and currently. When combined with a lack of operating cash and capital, it still appears many small business owners are jumping into starting a business without adequate planning. A lack of planning places small businesses at risk of failure,

both as a start-up and throughout their businesses history. The ultimate goal of any business development initiative or program should be to help build sustainable businesses in communities and neighborhoods. The 2012 survey results show a continued significant challenge to meet this goal.

Cash Flow, Lack of Cash, and Capital

The 2012 survey shows many small business owners are starting out with limited amounts of cash, and the issue of sufficient capital continues as a current need, a continuation of findings in the 2008 and 2010 surveys. While this may reflect the current economic climate, it also represents a critical and seemingly ongoing challenge for Nebraska’s rural small businesses. A comparison of survey findings shows cash and capital issues are constantly the top challenge facing rural small businesses.

	Business Challenge at START (Rank)	CURRENT Business Challenge (Rank)
2008	1st (cash /cash flow)	1st (cash flow/capital)
2010	1st	1st
2012	1st	1st (startup cash is 6th)

A large portion of 2012 respondents felt they did not have adequate access to capital or equity to finance their start-up business. A recent study of entrepreneurial activity in Nebraska confirms this finding. The book *Entrepreneurship in Nebraska* found that one of the top factors in business survival includes the company’s cash flow.³

Needs of business owners continue to suggest lack of capital (for start-up, day- to- day business operations, or expansion). There appears to be less desire to access loans, likely because of related cash flow issues and the ability of businesses to repay loans. This can be seen in responses to Question 11 of the 2012 survey on current needs regarding lending, refinancing and obtaining financing from a traditional lender. While working capital and start-up cash ranked high as current business needs, all lending and refinancing options ranked low on the list of greatest needs of businesses, some among the lowest needs.

This reluctance may also indicate the awareness business owners have of their own debt loads. Taken together, these responses indicate many respondents are not operating businesses with sufficient cash, capital or equity, but are reluctant to take on additional debt. Businesses likely have two choices to improve their capital status – take steps to improve cash flow or incur more debt. A comprehensive review of all survey answers suggests taking steps to improve cash flow is the route most businesses wish to take.

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

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

Networking and Mentoring

About seven percent of 2012 respondents indicated that a lack of adequate support networks (whether family/friends or business) was a difficulty when starting a business. About the same number indicated it was a current need. This figure is more than half the previous surveys who indicated the same challenge. More 2012 respondents believed a lack of business support networks was a greater challenge both at the startup phase and as a current need. While representing a significant difficulty, a lack of support networks ranked low on the list of both start-up and current difficulties.

Succession Planning

The importance of succession planning continues to grow, and it is now among the chief concerns of rural small businesses. Questions about succession planning were not even asked in the 2008 survey. But a hint as to the importance of the issue was shown in the 2008 survey when 12.5 percent of respondents indicated they were within 10 years of exiting their business. That figure declined slightly and insignificantly to 11 percent in 2010 and rose to 14 percent in 2012. This would appear to be the logical audience interested in succession planning. However, 23 percent of 2012 respondents said succession planning was a current need of their business (third most popular response), compared to eight percent in 2010 (seventh most popular response).

Succession planning continues to be a growing training subject. In the 2010 survey it was the fourth most popular training/assistance request. It rose to second most popular in the 2012 survey. This suggests there may be more rural businesses facing succession issues than indicated in the question on the stage of respondents' businesses, that more rural businesses than indicated by the age of the business are contemplating leaving business, or that the future of the business is one area of forward-looking thought. Whatever the reason, the future of rural businesses is a critical issue because of the aging rural population and the lack of successors, natural or otherwise, within rural communities. For the future of sustainable rural businesses and the viability of rural communities it is an issue on which business development initiatives and providers should focus.

Technology

To gauge the availability and effectiveness of technological resources in rural Nebraska, respondents were asked specifically about their technology use, affordability and reliability. It is clear from the responses that technology is widely accepted, regardless of any demographic or economic variable.

The most striking finding in the 2012 survey was the huge increase in the use of social media and the desire of rural small business owners to receive training and assistance in social media. Questions on social media were not even asked about in the 2008 survey and in the four years since the usage of social media has exploded.

	Use of Social Media Technology	Need Training/Assistance on Social Media Technology
2010	10.8%	9.1%
2012	59%	29% (tied for second place)

Nearly all respondents in all surveys reported using e-mail for personal use, and about two-thirds of respondents use e-mail to transact business with customers. However, significantly fewer respondents use technology in other aspects of their businesses – about a third to 40 percent use technology in sales or purchase transactions or to conduct other business activities and processes (for instance, filing taxes or other business documents or forms online). The question asked in 2012 about business websites was different than the question asked in the 2010 and 2008 surveys. In the 2012 survey we asked if business websites have or do not have eCommerce capability. Most businesses responded their websites do not have eCommerce capability. In total, 90 percent of business owner respondents stated they had some sort of website. The number of rural small businesses with some sort of website increased from the 2010 survey.

Respondents were also asked to rate the reliability, affordability and speed of their Internet service. While most 2012 respondents rated their service as reliable, a third of respondents indicated their service is not or only somewhat affordable, and a third responded their service is not or only somewhat at the speed they need. These results are similar to the 2008 and 2010 results. A significant segment of rural small business owners in Nebraska appear to be losing the advantages of business technology services and uses because of cost and speed.

Implications

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

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

According to the results of this survey, rural small businesses, regardless of size, maturity or any other characteristic, appear to have many similar challenges and needs. Many small business

owners start out with limited amounts of financial resources and insufficient business plans. As businesses grow and mature, financial issues and related challenges continue to plague many.

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

REAP and other small business providers face the challenge of balancing assistance and educational programs often related to technological enhancements for a rural, generally older population, a significant number of whom have Internet services inadequate for business and education purposes. Balancing new technology and traditional relationship-based services is a challenge that may well determine how many clients and businesses are served by REAP and other small business service providers. It may ultimately influence how many such clients and businesses are successful rural entrepreneurs. The growth of social media use and the request for training and assistance in social media are examples.

The financial challenges offered by respondents in the gross sales categories below \$100,000 raise warning signs for these businesses and their rural communities. The need for working capital is a natural response for start-up or less experienced businesses, but for capital issues to remain after a business is established is a reflection of the nature of operating a small business in a rural place. How businesses respond to these financial challenges, with the assistance of business development programs and public policy, is critical for the rural economy.

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

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

Another finding from the 2012 survey, which continues a trend since the 2008 survey, is that rural small businesses in Nebraska are made up of, in large part, of very small businesses that are financially challenged and who do not provide important protections (like health insurance) for the owner(s), their families and their employees. This is not surprising for those who live and work in rural communities, but it speaks to the economic and social viability of these businesses and their communities.

With about one in five respondents to this survey under the age of 40, REAP, Nebraska's rural small business community and rural communities in general face an immediate and fundamental question: where is the next generation of rural entrepreneurs? Further, if established rural small businesses are expressing concerns and needs regarding finances, what can be done to provide

assurances and incentives to young entrepreneurs so that similar issues will not doom their efforts?

And a growing issue rises to more prominence in the 2012 survey – a significant expression of a need for business succession training and planning. If generally older business owners are expressing a need for succession planning, where will they find their successors in rural Nebraska?

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

Finally, the one exception to a lack of planning may be the concern about succession planning that shows up in growing numbers in the survey. The statement that succession planning is a current need by business owners in some sales categories and the desire for succession planning training and assistance implies a concern among business owners about the future of their business. With an aging rural population and fewer younger people remaining in or relocating to rural areas, business succession is a critical long-term issue for rural businesses and rural communities.

APPENDIX

Below are tables for each multiple choice survey question listing response results. Totals may not add up to 100 percent due to rounding.

What is your age?

Response	Pct.
20-29	6.4
30-39	14.6
40-49	19.9
50-59	38.1
60 and over	21.0

Describe your affiliation with Nebraska small businesses.

Response	Pct.
Small Business Owner	57.3
Aspiring business owner	4.9
Resource Provider	20.0
Lender	5.9
Other	11.9

What is the stage of your business? (Service providers and lenders were asked to skip this question)

Response	Pct.
Pre-Venture (start-up stage)	7.4
New (within first year)	9.5
Existing (more than one year)	69.4
Transitioning (within 10 years of exiting business)	13.7

What category best describes your business?

Response	Pct.
Agriculture	11.5
Manufacturing	4.5
Retail	26.0
Service	35.8
Online	3.5
Construction	3.0
Other	15.8

How many employees does your business employ, including yourself?

Response	Pct.
One (self full-time)	26.3
One (self part-time)	12.1
Two to five	37.0
Six to 10	11.7
11+	12.8

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

Response	Number
Lack of start-up cash	167
Lack of market awareness	83
Lack of business finance knowledge	107
Marketing	100
Finding a location	44
Obtaining financing from a traditional lender	106
	14
Lack of family/friend support network	
Adequate business support network	48
Lack of written business plan	
No start-up difficulties	92
	62

What are the greatest current needs of your business or the business with which you work? Multiple answers allowed.

Response	Number
Working capital	123
Business succession knowledge	77
Customer service	40
Line of credit	47
Short-term lending	23
Long-term lending	27
Refinancing	17
Lack of start-up cash	76
Market awareness	77
Business finance knowledge	77
Marketing	106
Finding a location	28
Financing from a traditional lender	51

Family/friend support network	
Business support network	7
Written business plan	48
No current business needs	70
	46

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

Response	Number
Marketing and advertising	165
Basic bookkeeping	82
Intermediate bookkeeping	71
Advanced bookkeeping	52
Succession planning	93
Legal	73
Taxation	81
Social networking	93
Developing a business plan	78
Regulations	76
What the Affordable Care Act means to business	92

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

Response	Number
Classroom Style	96
Online (delivered at a specific time, webinar)	108
Online (available when needed, podcast)	163
As a workshop	199
One-on-one	133
None needed	23
Other	14

Please check the category of annual gross sales for your business's last recorded year (business owners only). If you are a start-up business, please estimate your annual gross income.

Response	Pct.
0 to \$24,999	26.0
\$25,000 to \$49,999	10.5
\$50,000 to \$99,999	11.6
\$100,000 to \$149,999	7.4
\$150,000 to \$199,999	6.2

\$200,000 to \$249,999	3.5
\$250,000 to \$299,999	5.0
\$300,000 to \$499,999	6.2
\$500,000 to \$749,999	4.3
\$750,000 to \$999,999	4.3
Greater than \$1 million	15.1

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

	<i>Not True</i>	<i>Somewhat True</i>	<i>Often True</i>	<i>Very True</i>	<i>N/A</i>
Reliable (N= 355)	3.4	10.4	28.2	57.2	0.8
Affordable (N = 350)	3.7	29.4	27.4	37.1	2.3
At the Needed Speed N= 351)	12.0	19.4	25.6	41.6	1.4

What types of technology are typically used in your business or the businesses with which you work? Multiple answers allowed.

<i>Response</i>	<i>Number</i>
e-mail (personal)	294
e-mail customer	226
e-commerce (sales and purchases)	114
e-business (business activities and processes)	138
Business website (with eCommerce)	92
Business website (without eCommerce)	160
Social media	202

Do you offer health insurance benefits to your employees? Includes businesses with employees only.

<i>Response</i>	<i>Pct.</i>
Yes, and I pay full premium	7.8
Yes, and employees pay a portion of premium	17.0
Yes, and employees pay full premium	1.0
No	74.3

I do not offer health insurance benefits to my employees because (businesses with employees only and who answered "No" to the previous question):

Response	Pct.
It is too expensive	46.7
My employees are covered by other plans	26.7
Other	26.7

Are you (business owner respondent) currently covered by health insurance?

Response	Pct.
No	8.1
Yes, individual plan	40.4
Yes, group plan offered by my business	14.7
Yes, through group plan offered by another household member	24.6
Yes, through a public plan	10.9
No, but my children are	1.4

I (business owner respondent) currently do not have health insurance because (those not covered in previous question):

Response	Pct.
Too expensive	75.8
Not offered or available due to health reasons	9.1
Choose to remain uninsured	3.0
Other	12.1

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ABOUT THE CENTER FOR RURAL AFFAIRS

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