

**Relationship Building and Consulting:
The Importance of the Number of Client Contacts and Their
Impact on the Perceived Value of the Counseling Received**

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Abstract

The effectiveness of small business consulting can be measured in numerous ways. This study attempts to measure such effectiveness by surveying small business clients, over a three year period, who have been served by a Small Business Institute (SBI®) program. The results suggest there is a strong relationship between the number of client contacts with the SBI ® counselor(s) and the perceived value of the counseling received. Specifically, for each of the three years there was a greater percentage of respondents, who had more than six contacts, that reported a positive perception of the value of the counseling.

Introduction

Both on a national and global basis, the importance of small businesses has now been well documented and understood. However, the importance of small business consulting is less documented and less understood. High failure rates of small businesses have an adverse affect on the individuals directly concerned, as well as the community and nation in which they reside. Each failure, to some extent, can have negative implications that affect the economic and social welfare of the community, the nation and, to a lesser extent, the international economy.

Dun & Bradstreet have reported that an average of 62,000 businesses failed each year between 1989 and 1994. They also reported that almost ninety percent of small businesses failures are directly related to improper managerial functions, that is, lack of managerial expertise or application thereof (1994). Further, effective management counseling, with respect to the implementation of proper managerial functions, has been found to be successful in assisting small businesses to overcome their weaknesses (Chrisman, Nelson, Hoy, & Robinson 1985).

Although there is considerable evidence that consulting programs are effective in assisting small business owners. There are also numerous questions as to the intervening variables, such as lack of implementation, that contribute to the consulting success. As will be discussed later, several studies have been conducted to determine why small business owners do not implement the consultant's recommendations (Chrisman 1989; Nahaandi & Chesteen 1988). Over a three year period, a survey of small business clients served by a Small Business Institute (SBI®) program was conducted to further explore factors that positively affect the counseling effort.

Literature Review

According to the IRS's data, there are 22 million small businesses in the United States (Lader and Glover 1996). The U.S. Small Business Administration (SBA) reports that small businesses,

including the self-employed, account for 58 percent of the U.S. workforce and 40 percent of the gross national product (Lader and Glover 1996).

In addition, data from the U.S. Small Business Administrations' Office of Advocacy indicate that 98% of all businesses operating in the United States are small businesses (Lader and Glover 1996). David Birch's research also suggests that all new net U.S. jobs for the period 1976 -1984 were created by small businesses (Birch 1987).

Given the large impact that small business has on our economy, it is unfortunate that a large number of small businesses do not continue to survive. According to Dun & Bradstreet, an average of 62,000 businesses discontinue operations each year between 1989 -1994 (Dun & Bradstreet 1994).

Researchers continue to search for factors that affect the success of an entrepreneurial business. In an annual survey conducted by Dun & Bradstreet, almost 90% of all small business closings are directly related to improper managerial functions (Dun & Bradstreet 1994).

Most entrepreneurial failures are caused by the owners' incompetence or lack of expertise in the functional areas of management and a lack of application of management functions, rather than as a result of external variables (Kuehl and Lambing 1987; Harmon 1979; Peterson et. al. 1983; Hodgetts and Kuratko 1986). For example, a survey of more than 1,000 small businesses found that a lack of management expertise caused business failure (Peterson 1983).

The research suggests that the lack of long-term business planning, especially in the business' first three to five years, has been one of the major causes associated with business failures (Arlow and Ackelsberg 1991; King 1985; Lauzen 1985). Since small business owners often do not have the time or expertise in specific management expertise, consultants have often provided these services (Robinson 1982).

To support small business and provide consulting services, a number of government programs have been created. To assure that these programs were effective, a number of studies were conducted. For the most part, researchers found the programs to be successful (Chrisman, Nelson, Hoy & Robinson 1985; Nahavandi and Chesteen 1988; Elstrott 1987; Robinson 1982). Although there is a large body of evidence to supports the premise that consulting programs are effective in helping small business owners, there remain numerous inconsistencies and/or questions as to the intervening factors contributing to the ultimate success of the relationship. Since non-implementation can undermine the consulting relationship, several studies have been conducted to determine why small businesses do not implement some, or all, of the consultant's recommendations. For example, Chrisman (1989) examined how pre-venture clients perceived the value of one outsider program, the SBDC in South Carolina, and the assistance offered in strategic, administrative and operating assistance.

The results indicate that when strategic assistance is provided, it is perceived more valuable than administrative and operating assistance. However in another study, researchers found the more tangible recommendations, which are normally attributable to administrative assistance, such as systems design, taxes and technology, were perceived as more valuable (Nahavandi and Chesteen 1988). As such, there are still many unanswered questions as to the intervening variables that impact a successful consulting arrangement.

Evidence in the literature is not always clear as to how and why small business owners perceive an effective consulting relationship. There appears, however, to be agreement that a positive perception of the consulting relationship has a major impact on the ultimate success of the consulting relationship (Schindler & Stockstill 1986; Nahavandi and Chesteen 1988). Without this perception, researchers found that the client did not implement the consultant's recommendation and thereby, the relationship was ultimately not successful (Nahavandi and Chesteen 1988).

Since a positive perception of the consulting relationship is important to the client's implementation of the recommendations, several studies have been conducted to examine the relationship between the client and the consultant. In one study, researchers interviewed company presidents and heads of consulting agencies to find the most common reasons given for not implementing the consultant's recommendations. The reasons given include the client's perception of the consultant's capability, fit between organization's need and the consultant's expertise, time spent with the consultant and the level of commitment developed between the consultant and client (Allen et. al. 1989).

Another management consultant also suggests that mutual respect is a result of spending sufficient time in involving the client in the consulting process. In order to accurately assess the problems and develop a clear set of objectives for the consulting contract, he explains it is very important to spend time with the client (Svatko 1989).

Stevenson and Sahlman (1988) contend that small business owners must become more active in managing outside consultants. They suggest that to manage the consultants, the business owners not only need to know the types of assistance needed, but also must be able to articulate what is expected of the consultant. Another management consultant also points out that within the consulting relationship, the client and the consultant must take the time to be able to understand their specific roles (Markham 1995).

Among the researchers and consultants in the field, a common theme emerges that the time spent developing an understanding of each person's capabilities, the objectives of the assignment and the role requirements are extremely important in building a positive consulting relationship. It is through this awareness that it becomes possible to take advantage of each other's skills and knowledge.

Although it is clear that time is an important factor in the consulting process, no one has tried to determine the amount of time required or the number of contacts with the client that might be necessary. This is especially important in government programs in which it is extremely important that the taxpayers' money is being spent wisely.

In the present study, the researchers were interested first in the overall success of the SBI consulting program. In addition, they were interested as to whether there were any specific characteristics of the owners, the type of assistance provided, or other factors, such as the number of consultant contacts, that lead to a successful consulting relationship.

Methodology

Over a three-year period, a survey was mailed to small businesses that received assistance from the SBI program. During the three-year period, 1197 surveys were mailed in the first year, 2000 in the second year and 2100 in the third year. The response rate was 311 for the first year, 871 for the second year and 500 for the third year. The total responses for the three years were 1672.

The survey included descriptive questions of the business and its' owners, number of contacts with the SBI Counselors, type and location of the presentation of the consulting report and perceived results of receiving the SBI Counseling. For this study, the researchers defined a successful consulting relationship based on the attitudinal responses of the business owner.

Sample

For the three years, the overall sample remained consistent. Approximately 42% of the respondents were retail businesses, 27% were service businesses with the rest distributed between wholesale, manufacturing, construction and miscellaneous. The respondents' years in business were 0-3 years: 43%; 4-6 years: 20%; 7-9 years: 9%; and more than 10 years: 27%. Approximately 38% of the respondents were sole proprietorships, 11% were partnerships and 51% were corporations.

The respondents' predominant age ranged between 26-44. Approximately 39% of the business owners had previously owned or operated another business. However, only 41% of the business owners owned businesses that were related to the type of business in which they were currently involved. More than 50% of the respondents had no related experience prior to entry in their business. Approximately 75% of the respondents were male and 90% of them were white.

Results

In describing the consulting engagement, Table 1 reveals the number of contacts the clients had with the consultants based on a percentage basis. (i.e., 40% received 4-6 consulting contacts and 49% in years 2 and 3; twenty percent received three or less visits from the consultant during the three years.).

Insert Table 1 About here

The data indicated that 79.2 percent of the clients received a at least four interactions with the consultants. Over 39 percent received considerable interactions at least 7 or more. Thus, the clients in this program were receiving maximum exposure to the consultants and their input.

As shown in Table 2, approximately 81% of all the clients received the presentation of the consulting report at their place of business; 84% received an oral presentation in addition to the written report. It is important to note, that to increase the likelihood that the client will implement the suggested changes, consultants must make the effort to make the presentation in person and at the business.

Insert Table 2 About here

Table 3 reveals on whole, that clients on average, were receiving information that allowed them to be able to identify problems, 79.33 percent,, plan solutions, 66.2 percent and make changes to their business operation, 76.9 percent. Also, they were able on average, to improve their business' profitability, 54.8 percent and improve their management skills, 63.7 percent. Finally, they would on average, recommend the SBI Program 91.8 percent and thought the program was useful and appropriate, 86.6 percent.

Insert Table 3 About here

In addition, as revealed in Table 4, a greater percentage of the respondents reported receiving value from their counselor in the form of information that was not included in the written report. There was, however, no significant difference between the type of recommendation and the perceived value of the consulting recommendation. This may suggest that something other than type of consulting recommendation (i.e., technical versus management) is materially more important to the success of the consulting relationship.

In addition, there is also a significant difference in the increase of client implementation of consultant recommendations from the second to third year (no pertinent data was available for the first year). The only difference between the two years was the increase in experience of the consultants; without additional data it would be difficult to support the supposition that a relationship exists between an increase in the consultant's experience and an increase in positive responses to receiving consulting. However, there is sufficient evidence to support the exploration of this issue in future research.

Insert Table 4 About here

Conclusions and Implications

The purpose of the study was to examine factors that lead to effective small business consulting. This objective was reasonably satisfied from the data. Although an effort was made

to identify a specific characteristic of small business clients that had a significant relationship with a successful consulting relationship, the researchers were unable to do so because the profiles of the respondents with a positive perception of their consulting experience were different each year. The data did suggest, however, that the effectiveness of small business counseling could be increased when the consultants provide the small business clients with sufficient contact time. In this study, over six contacts with the client proved to directly affect the extent to which clients implemented consultant recommendations.

At the same time, the data indicated that in a majority of the cases (60.8% in year 1, 73% in year 2, and 67.7% in year 3), there were six or less visits with the clients. Clearly, such programs must insure that over six contacts with the small business client, during a counseling period (semester), are scheduled if the program is to be effective.

Frequent contact respondents reported that the personal touch of having the recommendations of the consultant provided in an oral presentation, in addition to a written report, positively affected the perceived value of the consulting effort. They also were positively affected when they received information above and beyond what was provided in the written report of the consultant. Finally, positive responses in the form of greater implementation of the recommendations tended to depend on the type of recommendation provided.

More study is essential. Small business success relates directly to individual economic and social success. To the extent that small business owners can receive effective and inexpensive counseling, fewer small business failures can be anticipated. The challenge is to ensure that those who are in small business counseling roles understand and provide the time, expertise and effort needed. This study strongly suggests that the former variable, time, can not be under-emphasized.

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Table 1
Contacts with SBI Counselors
(percent of respondents)

Number of Contacts	Year 1	Year 2	Year 3
1-3	20.8	23.6	18.5
4-6	40.0	49.4	49.2
7-9	17.3	10.0	18.0
10-12	15.6	12.0	11.0
Over 12	6.2	5.0	3.3

Table 2
Presentation of Written Report
(percent of respondents)

Location	Year 1	Year 2	Year 3
Place of business	80.4	80.4	82.4
Other	19.6	19.6	17.6
<u>Oral presentation</u>	84.6	83.2	84.2

Table 3
Positive Responses to Receiving SBI Counseling

	Year 1 Percent	Year 2 Percent	Year 3 Percent
Able to identify problems	79.1	79.0	80.0
Able to plan solutions	67.2	63.1	68.3
Making future changes	78.3	74.1	78.2
Improve profitability	NA	51.5	58.0
Improve management skills	NA	60.2	67.1
Recommend SBI to others	NA	90.3	93.2
Useful and appropriate	NA	85.2	87.9

Table 4

**A Historical Comparison of Frequent Contact Respondents
(Clients receiving 6 or More Counseling Interactions)
to Report-Related Factors (in percentage)**

	Year 1	Year 2	Year 3	Differences
Report at place of business	83.4	82.2	82.4	No difference
Oral presentation	80.8	82.2	88.0	>% oral presentation
Received information of value (not in written report)	70.8	62.4	69.9	> % received value not in report
Implementation of recommendation				
Technical	NA	51.6	79.0	Greater % of recommendation implemented in all four areas
Management	NA	47.3	73.0	
Financial	NA	46.2	72.5	
Marketing	NA	46.8	64.0	