Performance Measurement in the SBDC Program

Inspection Report

No. 98-09-01

Office of Inspector General
U.S. Small Business Administration

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To: Aida Alvarez
Administrator

From: Karen S. Lee
Acting Inspector General

Subject: Inspection of Performance Measurement in the SBDC Program

I am pleased to submit our inspection report on ***Performance Measurement in the SBDC Program.*** This inspection is intended to provide guidance to SBA and the Small Business Development Centers (SBDCs) on improving current performance measurement and fulfilling internal management and Government Performance and Results Act (GPRA) requirements. Due to the Federal Government's emphasis on measuring outcomes, the inspection focuses on two key measures–economic impact and customer satisfaction.

Many of the individual SBDCs have been tracking impact since their inception to report to their State and local funding partners. SBA requires the centers to evaluate customer satisfaction, and the Association of Small Business Development Centers, of which all SBDCs are members, has contracted out a biennial national impact study since the early 1990s. After examining individual SBDC systems for obtaining economic impact and customer satisfaction data, we have identified a number of "best practices." We also offer suggestions based in part on the observations of SBDCs we contacted and on generally accepted data collection principles. Finally, we make recommendations to assist SBA in meeting GPRA reporting requirements.

SBA has essentially two options for evaluating the SBDC program's impact and customer satisfaction. First, the Agency could continue to use the results of the national impact study sponsored by the Association. This study provides a consistent method for collecting, analyzing, and reporting on economic impact across the SBDC program. SBA, however, is not involved in selecting the author of the study, contributes no funding, and has no input on how or when the study is conducted. We also have some concerns about the methodology currently used in preparing the study, which needs a number of revisions to improve its accuracy and validity.

If SBA chooses this option, we recommend that the Agency (1) periodically retain a statistician to validate the study's methodology and (2) arrange for the study to be conducted on
an annual basis so that results can be linked to the annual performance plan and budget. We further recommend that SBA eliminate current requirements for impact data from the SBDCs in their Semiannual/Quarterly Performance Reports and for the collection of client service
evaluations for SBA review. Obtaining impact and customer satisfaction data from the study would preclude the need for SBA to collect additional data from the individual SBDCs at a time when resources are tight. We also recommend that SBA require that a statistical sample of all SBDC clients be sent the customer satisfaction portion of the national impact survey. Currently the survey is sent only to clients with more than five hours of counseling, but we believe that customer satisfaction feedback also needs to be obtained from clients who decide not to return after only one or two counseling sessions.

The second option for evaluating the SBDC program's economic impact and customer satisfaction is to obtain the data directly from the individual SBDCs. The majority of SBDCs already collect impact information, which SBA has requested in their Semiannual/Quarterly Performance Reports since 1996, and SBA regulations require SBDCs to collect customer satisfaction evaluations. The primary drawback of this option is that there are significant differences among SBDCs' data collection methods. At present, these variations make aggregating the data for national reporting virtually impossible.

If SBA chooses the latter option, we recommend that the Agency, in consultation with the Association, provide the SBDCs with guidelines on how information is to be collected to ensure the integrity of data aggregated for national performance reporting. We also recommend that SBA require only the data from the SBDCs that it plans to use for measuring program performance. Currently only two of the ten measures requested in the Semiannual/Quarterly Performance Reports are listed as performance indicators for GPRA. It would be a better use of both the Agency's and the SBDCs' limited resources to focus only on the specific measures required under SBA's Annual Performance Plan. Finally, we recommend that SBA, in consultation with the Association, improve the standard evaluation form used by all SBDCs to ensure that it meets the customer feedback needs of both the SBDCs and the Agency.

On a broader note, we believe that the SBDC program may offer a good opportunity for the SBA to test Agency-wide oversight of its programs. Few if any SBA programs have the resources to conduct the kind of evaluations needed to ensure valid and useful results, and most have a perspective that focuses on only part of the overall SBA picture. A central unit that housed expertise in statistical methods for gathering and analyzing data could provide critical skills to support the efforts of individual programs in monitoring and reporting on their performance. At the same time, it could ensure that all relevant factors -- counseling, loans, contract assistance, training, mentoring, and other SBA support to individual clients -- were properly aggregated to examine the combined

impact of SBA's programs on the populations it has targeted. The cumulative impact of program efforts could then be used to document and monitor Agency-wide performance.

The inspection team appreciates the excellent cooperation it received from SBA staff, the Association, and the SBDCs during the inspection. We would welcome the opportunity to brief you on this report at your convenience.

Attachment

cc: Fred P. Hochberg

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ABBREVIATIONS

D&B	Dun and Bradstreet
FY	Fiscal Year
GPRA	Government Performance and Results Act
MIS	Management Information System
OIG	Office of Inspector General
OMB	Office of Management and Budget
SBA	Small Business Administration
SBDC	Small Business Development Center

EXECUTIVE SUMMARY

Introduction

The Small Business Development Center (SBDC) program combines resources from Federal, State, and local governments with the educational community and private sector to provide technical assistance to small businesses. There are 57 SBDCs, or lead centers, located in universities and other entities that manage a network of nearly 1,000 service centers, or sub-centers. All SBDCs are required to obtain non-Federal funding at least equal to the annual amount provided by the Small Business Administration (SBA). While SBA is responsible for general management and oversight of the SBDC program, the individual SBDCs have considerable latitude in determining how they operate their respective networks.

SBDCs offer one-on-one counseling, training, and technical assistance in all areas of small business ownership, including business formation, financing, marketing, management, organization, and technology. SBDCs are encouraged to tailor their programs to meet State, regional, and local needs, and SBA oversight is provided at the district level.

The Office of Inspector General (OIG) initiated this inspection to examine the performance measurement efforts within the SBDC program. Some SBA officials have expressed concern regarding the ability of the Agency to provide sufficient monitoring of performance in the SBDC program. In addition, the Government Performance and Results Act (GPRA) of 1993 requires SBA to measure program impact.

Both SBA and the SBDCs had already taken the initiative in measuring performance prior to the recent emphasis on results by the Federal Government. SBA requires SBDCs to evaluate customer satisfaction, and the Association of Small Business Development Centers, of which all SBDCs are members, has contracted out a national impact study conducted every two years since the early 1990s. In addition, most SBDCs compile their own impact data to report to their State and local funding partners.

Because the SBDC program is decentralized and involves negotiated agreements between SBA and the SBDCs, we looked at performance measurement from the perspectives of both SBA and the SBDCs. We examined SBA's efforts to gather performance data, the initiatives of individual SBDCs to track economic impact and customer satisfaction, and outside studies contracted by SBDCs to measure outcomes, including the Association's national impact study. This inspection is intended to provide guidance to SBA and the SBDCs on ways to improve current performance measurement to fulfill internal management and GPRA requirements.

Economic Impact

Suggestions for SBDCs

After examining various methods for obtaining economic impact, we have identified several "best practices," based in part on the observations of SBDCs we contacted:

1. SBDCs should develop and apply a consistent method for gathering impact data for internal and national reporting purposes. Inconsistent data collection among SBDCs and within SBDC networks poses the greatest threat to data integrity.

2. Lead centers should validate any impact data collected by counseling staff. If counselors are given data collection responsibilities, the lead center needs to establish a system for validating the data, such as calling a sample of clients who have indicated impact.

3. The lead centers should be responsible for developing, administering, and analyzing any surveys used to collect impact data. The survey instrument, whether a written questionnaire or structured telephone interview, has a high potential for error if not designed and used properly. Delegating those responsibilities to each sub-center increases the risk of collecting inconsistent or incompatible data.

4. Impact measures need to show attribution and be conservative in nature. SBDCs should count impact only in cases where the clients attribute the impact to SBDC services they received.

Recommendations for SBA

To take advantage of existing data sources, SBA has essentially two options available for measuring the SBDC's economic impact.

Option 1. SBA could continue to use the results of the national impact study undertaken by the Association.

Although the Association's biennial impact study was not created with GPRA in mind, SBA officials have indicated that they plan to use the results of the study to report on program performance for GPRA because it is the only source of national impact data at this time. Starting in 1995, SBA began to use the results of the study in its FY 1997 budget submission to Congress. We have several concerns with this approach. First, SBA is not involved in contracting out the study, i.e., the Agency contributes no funding, has no input on how or when the study is conducted, and has not worked with the Association to determine what areas the study should include.

Instead, SBA relies on a study developed and funded by the Association, whose goals include promoting the SBDC program. Regardless of the quality of the study, this reliance creates the appearance of a conflict of interest. Second, the results of the study

are not linked to any changes in program delivery. The three most recent reports identified improved program performance but did not explain what led to the improvement. Finally, we have some concerns with the methodology used in preparing the study, including problems of response bias, lack of a comparable control group, and inadequate attribution.

If SBA chooses to continue using the data from the Association's national impact study for reporting SBDC program performance, we make the following recommendations:

SBA should validate the study's methodology and arrange for the study to be conducted on an annual basis. SBA needs to commission an independent review of the study by a credentialed statistician to test the validity of the methodology and ensure that it meets all performance measurement needs. In addition, GPRA requires outcome measures that can be tied to the annual performance plan and budget. A modest investment of SBA funding in the national impact study would not only make it possible for the study to be conducted on an annual basis, but also give SBA a voice in how the it is conducted and what information is collected.

SBA should eliminate current requirements for impact data from SBDCs in the Semiannual/Quarterly reports. Program officials indicated that they plan to compare the information obtained from individual SBDCs to the results of the Association's national impact study. At this time, however, the impact information provided by the SBDCs is not being used. Further, due to different methodologies and time frames, we believe it would be impossible for the Agency to make meaningful comparisons between them. Therefore, we believe SBA should not require information from the SBDCs if it is not going to be used.

Option 2. SBA could aggregate the impact data gathered by the individual SBDCs for reporting on the national program.

SBA has been requesting impact data from the individual SBDCs since 1996. No direction has been provided to SBDCs regarding how this information should be collected, however, and to date SBA has not used it.

If SBA chooses to use data provided by the SBDCs for performance reporting purposes, we make the following recommendations:

SBA should require only the data from SBDCs that it plans to use for measuring program performance. With limited program resources available to analyze the data, SBA should confine its request to what it will actually use. Currently, only two of the ten measures requested in the semiannual reports, jobs created and sales, are listed as performance indicators. It would be a better use of both the SBDCs' and the Agency's limited resources to focus only on the specific areas required under SBA's Annual Performance Plan.

SBA, in consultation with the Association, should provide SBDCs with guidelines on how information is to be collected to ensure data integrity when it is aggregated for national performance reporting. Our primary concern with using impact data from individual SBDCs is that there is virtually no consistency among SBDCs in the way they gather it. Without uniformity in these efforts, the resulting data cannot be aggregated to provide an accurate measure of the national program's results.

Customer Satisfaction

Suggestions for SBDCs

After examining various methods for obtaining customer satisfaction data, we have identified several "best practices," based in part on the observations of SBDCs we contacted:

1. Customer surveys should be distributed by and returned to the lead centers. This method ensures greater objectivity and consistency, while allowing the sub-centers to focus on providing assistance to small businesses.

2. Customer feedback should be obtained from all clients, including those who came in for only one counseling session. It is important to find out why some clients do not come back after only one or two sessions.

3. The timing for sending out client evaluation surveys should be linked to case closures. Mailing out the survey soon after a client's case has been closed is preferable because the completed counseling can be evaluated while still fresh in the client's mind.

4. Response rates should be increased. Several SBDCs use various methods to achieve a higher response rate, such as a personalized cover letter, second mailings to non-respondents, self-addressed stamped envelopes, and incentives to respond.

5. Clients who complete the survey should not be resurveyed at a later date. Because resources are limited, SBDCs should concentrate on doing one systematic and statistically valid evaluation rather than attempting multiple contacts, which can be detrimental to response rates.

6. SBDCs should ensure that survey questions and response choices are properly framed. Several SBDCs are using an earlier version of SBA's survey instrument which introduces a measure of bias into the questions.

Recommendations for SBA

SBA plans to obtain customer satisfaction measures for GPRA reporting from the Association's national impact study. Despite SBA regulations, the Agency at present does not obtain the results of client evaluations for review and has no plans to do so in the future. SBA has two options available for measuring SBDC customer satisfaction.

Option 1. SBA could use the results of the national impact study undertaken by the Association to report on customer satisfaction.

The national impact study is currently performed biennially with at least a one to two year time lag from when the clients received assistance. While economic impact evaluation needs to be deferred to allow time for an impact to occur, client satisfaction evaluations are more valuable when conducted soon after completion of the service. Conducting the national impact study on an annual basis would alleviate some of this problem.

If SBA chooses this option, we make the following recommendations:

SBA should change its regulations to no longer require collection of client evaluations for SBA review. This would allow SBDCs to perform their own customer satisfaction evaluations to obtain immediate feedback and the detail that they need, without being required to use SBA's Form 1419.

SBA should require that a scientific sample of all SBDC clients be sent the customer satisfaction portion of the survey. Currently, the Association's national impact study surveys only clients with five hours or more of counseling, which is appropriate for measuring economic impact. For measuring customer satisfaction, however, we believe that feedback needs to be obtained from at least a sample of clients with less than five hours of counseling.

Option 2. SBA could begin collecting the customer evaluations gathered by the individual SBDCs for reporting on the national program.

This approach requires consistent application of an evaluation form that is well-suited to the task. Many SBDC directors expressed concern, however, with the current version of the survey Form 1419. We agree that it is too long, that some questions are repetitive, and that the wording is sometimes vague. In order for the evaluations to be useful to SBA, the SBDCs must also use consistent data collection techniques. SBA and the Association need to set guidelines concerning who should gather the data, what method of collection should be used, which clients should provide the information, and how often it should be obtained.

If SBA chooses this option, we make the following recommendations:

SBA, in consultation with the Association, should revise Form 1419 to ensure that it meets the customer feedback needs of both the Agency and the SBDCs.

SBA, in consultation with the Association, should provide guidance to the SBDCs on how to gather and use customer satisfaction data.

The Associate Administrator for the Office of Small Business Development Centers provided comments, which are attached as Appendix A. She agreed with our recommendations but noted that implementation of some of the recommendations would depend on resources provided by the Agency and, as required by legislation, successful negotiations with the Association of Small Business Development Centers.

The Association also provided comments, which are attached as Appendix B. We commend the Association and its members for their efforts to obtain data on performance, a need they recognized long before GPRA was enacted. We also want to correct one apparent misperception, however; we are not in any way urging SBA to seize greater control of SBDC operations, which are well-established as a partnership among the Agency, the States, and the host institutions. Rather, our focus is on how the SBA can best meet the performance reporting requirements now imposed on the Agency by the Congress. Our research shows that while the SBDCs have made significant efforts, there are fundamental problems in the current data-gathering methods that affect the validity of the data. If these problems are not addressed, we believe that SBA will not be able to report SBDC program performance with sufficient accuracy and reliability.

BACKGROUND

The SBDC Program

The Small Business Development Center (SBDC) program provides management and technical assistance to small business owners, managers, and prospective owners. After an initial pilot, the program was written into law under the authority of the Small Business Development Act of 1980.[1] The SBDC program is now the Small Business Administration's (SBA) largest business development network with 57 SBDCs in 50 States, the District of Columbia, the Virgin Islands, Puerto Rico, and Guam.[2] These 57 lead centers manage the program and coordinate the services offered to small businesses through a network of nearly 1,000 service locations, which are subcontracted to educational institutions and State entities. SBA does not directly operate the SBDCs, but negotiates annually with each SBDC to determine what services will be provided. While SBA is responsible for program policy and oversight of the SBDC program, the individual SBDCs have considerable latitude in determining how to operate their respective networks.

SBDC service locations, or sub-centers, offer one-on-one counseling, training, and technical assistance in small business management. They assist small businesses in all areas of ownership including business formation, financing, marketing, management, organization, and technology. SBDCs are encouraged to tailor their programs to meet State, regional, and local needs. In fiscal year (FY) 1997, more than 550,000 small businesses were assisted by SBDCs through one-on-one counseling and training programs.

SBA's Office of Small Business Development Centers is responsible for establishing national program policies and procedures, preparing strategic plans, conducting program reviews, and developing the annual SBDC Program Announcement. The Program Announcement details the management, record keeping, and reporting requirements that an SBDC must address in its application for funding. The Office is also responsible for designing and implementing program and financial examinations, which are required biennially by a 1995 amendment to the Small Business Act. Each SBA district office, which has oversight responsibility for the local SBDC, designates a project officer to serve as the primary liaison between the SBDC and SBA. The project officer monitors the ongoing operation of the SBDC to ensure compliance with the goals and objectives of SBA, as well as negotiating and overseeing the Cooperative Agreement, the grant used to award Federal funds to SBDCs.

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[1] Title II of Public Law 96-302.[2] There are four SBDCs within Texas that are managed as separate programs.[3] Small Business Development Center Program Announcement, March 1997, p. 2-3. [4] General Accounting Office, "Managing for Results: Analytic Challenges in Measuring Performance," (GAO/GGD-97-138), p. 24.[5] Barbara Tedesco, Mathematical Statistician, Technical Support Staff, and Mark Krushat, Sc.D., Director of Research and Special Projects. Both are in the Program Evaluation Division, Office of Evaluation and Inspections, Office of Inspector General, U.S. Department of Health and Human Services.

SBA funding for the SBDC program has remained relatively level for the last four years, with funding for FY 1998 at $75.8 million. All SBDCs are required to obtain non-Federal funding at least equal to the amount provided by SBA. Alternative sources include State legislatures, private sector foundations and grants, chambers of commerce, economic development corporations, and public and private educational institutions.

The SBDC program's overall objective is to—

- strengthen the small business community,
- contribute to the economic growth of the communities served,
- make assistance available to more small businesses than is possible with present Federal resources alone, and
- create a broader based delivery system to the small business community.[3]

All 57 SBDC Directors are members of the Association of Small Business Development Centers, hereafter the Association, which plays an active role in establishing and maintaining standards, providing support to members, and advocating the program. The Association designed and implemented the Certification Program for SBDCs, with input from program officials. This process involves an on-site review at least every four years by a team of SBDC State and regional directors. All SBDCs must be approved for certification by the end of FY 2000 to remain in the program. Since the early 1990s, the Association also has contracted out a biennial economic impact study of the program. This study is funded by Association membership dues, and participation in the national impact study is now required for certification.

Both SBA and the SBDCs had already taken some initiative in measuring performance prior to the recent emphasis on results by the Federal Government. SBA requires SBDCs to evaluate customer satisfaction from all "continuous" clients, i.e., those who receive multiple counseling sessions during the course of a budget period. SBDCs must provide to SBA the volume and demographics of the SBDCs' counseling and training clients. In addition to the Association's national impact study, most SBDCs compile their own impact data to report to their State and local funding partners. Since FY 1996, SBA program officials have requested data on economic impact, as well. As Congress begins to link Agency budgets to program performance and results, the SBDC program will feel increasing pressure from the Federal Government to measure impact on the small businesses it serves.

GPRA Performance Requirements

The Government Performance and Results Act (GPRA) of 1993 was enacted to improve Government performance and accountability through better planning and reporting of agencies' results. The Act requires Federal agencies to set strategic goals, measure performance, and report to the President and Congress on the degree to which goals are met. Congress intended for GPRA to shift the focus of management from a preoccupation with staffing and activity levels to an emphasis on the "outcomes" or results of Federal programs and services.

Three documents serve as the basis for improving the performance of Government programs: 1) a *strategic plan* that aligns agency organization and budget structure with missions and objectives, 2) an *annual performance plan* that sets specific annual goals and measures, 3) and an *annual performance report* that compares actual performance to the annual goals. GPRA requires each agency, beginning in FY 1999, to prepare an annual performance plan covering each program activity in the agency's budget.

Beginning in FY 2000, agencies will report to the President and Congress on program results for the previous year, comparing the performance indicators established in the annual plan with actual program performance. When a performance goal has not been met, the agency is required to provide an explanation.

SBA's first Annual Performance Plan was submitted along with its budget request in February 1998. In the five year strategic plan, the SBDC program goals and indicators are found under the general goal "Increase Opportunities for Small Business Success" and the sub-goal "Enhancing Entrepreneurial Development Assistance."

The following performance indicators have been defined for the SBDC program:

SBDC Performance Indicators	
Outputs	Hours Counseled by SBDCs
	Firms Counseled by SBDCs
	# mentor relationships by SBDCs
	# of Women Served by SBDCs (trained/counseled)
	# of Minorities Served by SBDCs (trained/counseled)
Outcomes	New Jobs from SBDC counseling
	Sales from SBDC counseling
	Customer Satisfaction by program

In the annual plan, SBA acknowledges that many of the performance indicators are output measures but explains that during FY 1998 and FY 1999, it will design more outcome-oriented measures, identify ways to collect information cost-effectively, and develop the analytic tools to analyze and report on progress.

SBDC program officials plan to use the Association's national impact study to report on new jobs and sales from counseling. They also plan to use customer satisfaction information included in the national impact study because it is the only program-wide source of consistent data available. However, the Association conducts the study only once every two years, so SBA will be able to report new performance data only every other year, which does not meet the annual reporting requirements established in GPRA.

Measuring outputs and outcomes provides important information on current program performance and the progress towards program goals. It is important to remember, however, that a variety of external factors will affect outcome measures, particularly in a decentralized program

like the SBDCs, which rely on nearly 1,000 sub-centers to deliver services. Local and national economic conditions have a significant impact on the success of small businesses. Because of such external factors, the link between economic impact on the small business community and the SBDC program can be difficult to establish and measure.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this inspection is to examine the performance measurement efforts within the SBDC program. It focuses on how performance is measured, not on the performance of the SBDCs themselves. In the past, some SBA officials have expressed concern regarding the autonomy of the SBDC program and the ability of the Agency to provide sufficient oversight and monitoring of performance. In addition, the implementation of GPRA has required SBA to place a greater emphasis on evaluating and measuring program performance.

Because the SBDC program is decentralized and involves negotiated agreements between SBA and the SBDCs, we looked at performance measurement from the perspectives of both SBA and the SBDCs. We examined SBA's efforts to gather performance data, the initiatives of individual SBDCs to track economic impact and customer satisfaction, and outside studies contracted by SBDCs to measure outcomes, including the Association's national impact study. This inspection is intended to provide guidance to SBA and the SBDCs on ways to improve current performance measurement and to fulfill internal management and GPRA requirements.

We reviewed the program measures outlined in SBA's annual performance plan, as well as the performance reporting requirements for SBDCs. Because of the Federal Government's emphasis on measuring outcomes, we focused on two areas: economic impact and customer satisfaction.

The team spoke with all 57 SBDC directors to find out how individual SBDCs were gathering data and reporting on performance. To examine how program services are delivered in the field and the differences among SBDCs, the inspection team visited seven SBDCs chosen based on their involvement in measuring performance, their geographical and operational diversity, and input from SBA program officials. We did not visit a random sample of SBDCs due to time and budgetary constraints. As a result, the findings from the field visits are not extrapolated to the entire population, but combined with interviews with all SBDC directors, they indicate the range of methods currently being employed by SBDCs to measure program performance. We also examined a number of independent impact studies contracted out by SBDCs, as well as the Association's national impact study.

All work on this inspection was conducted between September 1997 and April 1998 in accordance with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

ECONOMIC IMPACT

This section provides guidance to individual SBDCs who want to implement a system to track economic impact data or to improve their current data collection system. Our suggestions are based both on best practices we found among SBDCs and on sound data collection principles.

Of the 57 SBDCs, 41 currently track and measure economic impact on their own and another nine indicated plans to do so in the future. Only seven (12 percent) of the SBDCs do not plan to gather impact data independent of the Association's national impact study. While participation in the Association's study is now required, SBDCs indicated a variety of reasons for gathering their own impact data. These include—

- *Time Lag on the Data.* When the Association's study is published, there is a one to two year time lag on the data. The most recent study, published in 1996, covered data from 1994-1995. Some SBDCs need more up-to-date information because they report to other funding partners annually rather than biennially.
- *State Tax System.* The tax structure in some States precludes the methodology used in the Association's study from determining the impact on tax revenues.
- *Additional Impact Indicators Needed.* Some States want to obtain information on types of impact not included in the Association's study.
- *Existing Systems in Place.* Some SBDCs have been gathering impact data on their own since their inception. Individual SBDCs have developed systems that appear to work well and provide the data they need.

While a few SBDCs have contracted out studies, most have chosen to implement an internal collection and tracking system as the primary way of gathering impact data. Through interviews with SBDC directors and field visits to SBDCs and their sub-centers, we found that these efforts vary considerably. Differences in economic impact gathering methods include—

- how information is obtained,
- which clients are providing the information,
- what measures are being used, and
- how often data is gathered.

Further, these differences are occurring not only among the 57 SBDCs but also within the individual SBDC networks. While some directors have implemented a centralized system for gathering and analyzing impact data, many others provide only loose guidelines to their sub-centers on how information should be collected.

After examining these systems, the inspection team identified the following inconsistencies among the 57 SBDCs and within individual SBDC networks. Differences among SBDCs are only a problem if comparisons among SBDCs need to be made or if SBA wants to aggregate impact data from all SBDCs to report on impact nationally. Inconsistencies within SBDC networks, however, can pose a serious problem and threaten data integrity.

Findings Regarding the Collection of Economic Impact Data

1. Counselors are often responsible for tracking impact data and use a variety of methods to do so.

In at least 28 of the 57 SBDCs, the counselors are responsible for collecting impact data. Collection is performed by phoning clients, following up during counseling sessions, or surveying clients by mail. SBDCs do not always require one specific method, leaving it up to their counselors to obtain and report the information. Inconsistent data collection within an SBDC network poses a serious threat to data integrity. Within one SBDC network, for example, we found these widely varying methods being used by counselors to gather data:

- Looking in the local newspaper or daily legal record for impact
- Tracking the impact of some clients over multiple years while tracking others only in the year following assistance
- Collecting data on "jobs retained" in some cases and on "jobs created" in other cases
- Using different forms to collect impact data

Obviously, the method chosen to gather data can affect the quality of the information obtained. Telephone interviewing, for example, may provide more accurate data than written questionnaires because the interviewer can make clarifications. On the other hand, it does not capture useful nonverbal communications that can occur in personal interviews. Written surveys also clearly have limitations but, if properly pre-tested, may provide greater consistency than interviews conducted by different interviewers. Allowing some sub-centers to use a mail survey, while others collect information over the phone, may hamper efforts to aggregate impact data or compare impact numbers by sub-center.

Further, if a standard form or survey is not used, the validity of the data is uncertain. For example, one counselor may ask if the impact, such as jobs created, was a result of the SBDC assistance and only count it if it the client indicates that it was, while another counselor may simply ask if employees have been added and count any increase.

Using counselors to obtain impact data can also introduce bias into the results. Clients may feel obligated to attribute greater impact to the SBDC when asked by the counselors who provided assistance to them. Counselors may have an incentive to exaggerate impact results to make themselves look more productive, especially when funds may be allocated based upon sub-center performance and survey results. Other differences among counselors may influence how much impact is reported. Some counselors will be more conscientious about reporting impact than others, and workload variations may affect the amount of time a counselor has to follow up with SBDC clients.

2. SBDCs are gathering impact data from different client bases.

Some SBDCs obtain data from all clients, while others gather data only from "long-term" clients—loosely defined by most SBDCs as those clients with five or more hours of counseling. A further complication is that some SBDCs gather data only from clients with minimums of four,

eight, or twelve hours rather than the customary five. These variations occur in part because there are strong differences of opinions among SBDC directors over how much counseling needs to be provided before impact can occur. Some feel strongly that impact can be attributed to the SBDC after one meeting if the counselor is successful in focusing on the client's problem. Others stated that at least ten or more hours of contact should occur before an SBDC can reasonably claim impact. There is no right answer as to whom SBDCs should be gathering impact data from; however, if this data is reported to SBA and used in aggregate for measuring program performance, these inconsistencies may result in inaccurate measures.

It should also be noted that the members of the Association recently voted to accept a five hour definition of long-term counseling for use in the national impact study. Despite this action, full compliance has not been achieved; one SBDC is providing the national survey to clients with a minimum of eight hours of counseling and another to those with six or more hours.

3. SBDCs use a variety of factors to measure impact.

Individual SBDCs are currently collecting data on some or all of the following impact measures:

- Jobs created (full and/or part-time)
- Jobs retained (full and/or part-time)
- Jobs created as a result of financing received
- Sales levels
- Taxable sales
- Loans received
- Any type of equity investment in business
- Businesses started

The biggest variations occur in using jobs to measure impact. A few SBDCs are collecting job information only from clients who receive financing. Some are using an economic formula to estimate how many jobs were created at a given level of financing. Most count both jobs created and jobs retained, while other SBDCs argue strongly against the use of jobs retained as an impact measure, claiming it is too difficult to attribute to SBDC assistance.

A number of SBDCs ask clients to <u>project</u> how many jobs will be created or retained as a result of assistance. This approach is problematic because there is little evidence that the SBDCs using projections are following up with the clients to see if the jobs were in fact created. Further, SBDCs are reporting this data to SBA without distinguishing between actual jobs and projected jobs.

Another variation involves the net job level versus jobs added. Many SBDCs ask clients for the number of jobs added since they received assistance, but there is no effort to find out if there has been a net increase in jobs. Only counting jobs added, without accounting for reductions, places an upward bias on jobs created. Currently, some SBDCs are reporting net jobs to SBA while others are reporting jobs added. These distinctions are not made clear when they are reported and, as a result, the numbers could be improperly aggregated.

There is also a strong debate over using sales as an indicator of impact. Sales data is tracked by only 15 SBDCs, and other SBDCs argue strongly against using it as a measure. SBDCs that had originally tried to measure sales found that some businesses were reluctant to provide the information because of privacy issues. Sales are identified by SBA in its Annual Performance Plan as one of two outcome measures for the SBDC program.

SBDC staff emphasized that some types of impact are simply not measurable. One of the most valuable services an SBDC counselor can provide, for example, is keeping someone from going into business by providing realistic information that deters a client from the ill-advised action. Keeping a fully employed person from quitting a job, mortgaging a house, or using up savings on a business that is unlikely to succeed is a valuable service. In addition, some ostensibly favorable measures may actually reflect activity that could be detrimental to the health of a business. For example, counselors cited cases where large increases in sales resulted in cash flow problems that left businesses on the brink of bankruptcy. Similarly, job creation may not always be in the best interest of the small business; indeed, some are counseled to reduce staffing levels.

Two measures for which SBDCs should consider collecting data are businesses created as a result of SBDC counseling and the continued existence of a business as a result of SBDC counseling. A few States are currently collecting data on business creation, and one State hired Dr. James Chrisman, author of the national impact study, to perform an analysis of clients three to five years after they started their business to determine survival rates. The Dun and Bradstreet (D&B) database provides similar information.

4. The timing of gathering impact data from clients varies widely.

Another area where differences are common is in how often, or when in the counseling cycle, the impact data is gathered. Many of the centers obtain information when the client first comes in for counseling and then follow up either on an ongoing basis, when the case is closed, or at some set time after case closure. When a case is officially closed can vary from 60 to 120 days after the last contact. According to SBA policy, if no contact has taken place, cases are to be closed after 120 days. Case files we reviewed frequently failed to indicate if a case was closed, some open cases showed no contact for over eight months, and some sub-centers do not close cases as a matter of policy. Therefore, tying impact measurement to case closures may be impossible for some SBDCs unless they develop more uniform standards for closing cases.

For SBDCs that do have case closure procedures, assessing impact at a specified time after case closure seems to be the most effective method. SBDCs with the more structured approaches for gathering impact data have often implemented a case closure procedure tied to their Management Information System (MIS). This allows them to follow-up with clients either by phone or by mail at fixed intervals to collect impact data.

Centers that are obtaining data only on current clients or immediately after a case is closed may be missing significant impact. Unlike surveying clients on their opinion of the service received, economic impact often takes a significant amount of time to occur. If the end result of counseling is a better-focused business owner, it will take time for the client to implement changes in the

business that will result in positive economic impact, such as hiring additional employees or increasing sales. If an SBDC does not wait for an appropriate amount of time to pass, it may be forced to ask clients to estimate jobs to be created or financing to be obtained in the next year. Obviously, these estimates are highly judgmental and subject to considerable bias. One State found that counselors who tracked impact while counseling was under way were overly optimistic about impact, so the State changed its MIS to allow impact to be entered only after a case had been closed. This appears to be a sound approach, and we believe that the standard policy for SBDCs should be to gather impact data in the year following the counseling assistance so that actual impact can be recorded.

Suggestions for SBDCs

After examining various methods for obtaining economic impact, we have identified several "best practices," based in part on the observations of SBDCs we contacted:

1. SBDCs should develop and apply a consistent method for gathering impact data both for internal and national reporting purposes.

Having counselors collect impact is not necessarily a poor method for gathering data. For SBDCs with limited resources, it may be the only way to collect the data, and it has the advantage that counselors are often most aware of how a business is doing. Yet, as discussed above, it increases the risk of obtaining inconsistent or inaccurate data.

To overcome inconsistencies and potential bias in cases where lead centers are not responsible for data collection, the lead centers need to provide their sub-centers with direction on implementing a systematic approach to collect impact data. This includes guidance on what client base to request data from, what impacts to measure, which criteria to use for measuring impact, and when to gather the data. Counselors should use a standardized form to collect the data, even if the survey is conducted over the phone, and they need to agree on specific definitions of the data they are collecting.

The Association, in consultation with SBA, should promulgate a set of uniform definitions that would enable the aggregation of SBDC performance data. For example, a program-wide definition of long-term counseling is needed, such as the definition used for the national impact study of at least five counseling hours. Coming up with an acceptable standard could be difficult, however, because there is strong disagreement among directors as to the amount of counseling needed to create impact. Further, efforts should be made to ensure that uniform definitions are adopted and implemented by the SBDCs. Standards could be verified through either the certification review or SBA's financial examination process.

2. Lead centers should validate any impact data collected by counseling staff.

If counselors are given data collection responsibilities, the lead center needs a system for validating the data. Centers expressed little concern over the accuracy of the data and suggested that an annual review of files or a comparison of the amount of time a counselor spent with a

client to the impact identified would reveal unrealistic or incorrect numbers. Our examination of case files in the field, however, indicated that this is unlikely to identify problems in a consistent manner.

Methods that have been implemented by SBDCs to check the accuracy of data collected by counselors include—

- *Calling all clients who have indicated impact.* One SBDC director calls every business that has indicated impact to verify the information provided and ask if the impact was attributable to the SBDC. Larger SBDCs and SBDCs that do not have the resources to phone all impact clients could call a sample to accomplish the same objective.
- *Surveying clients about impact.* One SBDC follows up six months after service delivery with a survey asking clients to provide impact data. This information is then compared to the impact data counselors have tracked. Any discrepancies are followed up by management.
- *Documentation of assistance linked to impact.* One SBDC requires each counselor to document the type and amount of assistance provided and how it resulted in the economic impact claimed.

3. The lead centers should be responsible for developing, administering, and analyzing any surveys used to collect impact data.

The survey instrument, whether a written questionnaire or structured telephone interview, has a high potential for error if not designed and used properly. Delegating that responsibility to each sub-center increases the risk of collecting inconsistent or incompatible data. The SBDC director, however, should obtain input from all sub-center directors on the creation of a questionnaire to ensure that it addresses key local needs. The lead center should be responsible for administering and analyzing the survey to ensure consistency and objectivity.

4. Impact measures need to show attribution and be conservative in nature.

One of the most complex issues in evaluating economic impact is attribution. Whether discussing the Association's national impact study, the efforts of the SBDCs, or the requirements of SBA, separating the program's impact from that of external influences is extremely difficult. Especially with a decentralized program such as the SBDCs, the outcomes are likely to be the result of many factors, including the national and local economy, the motivation level of the small business owner who took the initiative to obtain assistance, and unpredictable events in the marketplace.

SBDCs need to be conservative when claiming impact regardless of which measures they decide to use. While some measures are more controversial than others, most that are currently being used can provide useful information concerning the worth of the SBDC program if they are gathered in a valid manner and appropriate caveats are noted.

One SBDC uses the following conservative guidelines when measuring impact:

> The philosophy employed in reporting impact is that it occurred as a <u>direct result of SBDC counseling services</u>. The best way of gauging this level of

> participation is by asking: What impact would the client attribute to the counseling obtained through the center? If the client received assistance in preparing a business plan, identifying lenders and preparing loan application materials, they would most likely attribute the resulting funding and jobs to the SBDC. On the other hand, if we make minor recommendations to an already prepared business plan and the client pursues funding on his own, the level of impact the SBDC could take credit for would be minimal, if any.

We recommend that impact be counted only in cases where the clients attribute the impact to SBDC services they received. While one director argues that a good counselor will make the client think that it was the client's own ideas that made the difference, we believe that it is important for SBDCs to be conservative in their estimates and link services with results to maintain credibility at the Federal and State levels. One director told us that because he requires attribution, he feels confident that when State auditors call a sample of his clients, they will be told that the impact was due to SBDC assistance.

Recommendations for SBA

In the past, SBA has only used output measures to assess performance, e.g., the volume and demographics of clients counseled and trained, and the Agency has had no impetus for collecting impact measures. With the advent of GPRA and its focus on outcomes in the Federal Government, SBA now needs impact data to report to Congress in its annual performance plan.

SBA could develop a system of its own to measure the performance of the program. This would require additional in-house staffing or increased funding to contract out an impact study, but, properly done, it would provide the Agency with both a consistent and independent evaluation of the SBDC program. The primary drawback to such a solution is the cost. Officials involved in implementing GPRA have pointed out that additional funds have not been provided to the agencies for implementing the additional requirements. Therefore, this option may not be the most practical alternative.

Two more-realistic options available for measuring the SBDC program's economic impact make use of existing data sources provided by the Association's national impact study and the tracking efforts of individual SBDCs.

Option 1. SBA could continue to use the results of the national impact study undertaken by the Association.

SBA officials have indicated that they plan to use the results of the Association's national impact study to meet GPRA performance requirements. We have several concerns with this method. First, SBA is not involved in contracting out the study. It contributes no funding, has no input on how or when the study is conducted, and has not worked with the Association to determine what areas the study should include. Rather, the Association has devised and contracted out this study on its own. Because SBA did not request outcome measures prior to GPRA, the Agency has not had any reason to be involved in the design and conduct of the national study until recently. Second, the Association's motivation naturally is to promote the program. Regardless of the quality of the study, this reliance by SBA creates the appearance of a conflict of interest. Third, the study is conducted on a biennial basis, while GPRA requires outcome measures to be linked to an annual performance plan. Fourth, the results of the study are not linked to any changes in program delivery. The three most recent reports identified improved program performance but did not explain what led to the improvement. Was it a function of a growing economy or a result of changes made in program delivery? Nor has SBA used the study to manage the program, which is one of the purposes of performance measurement. Finally, the next section of the report details how this study is conducted and identifies a number of concerns we have with the methodology currently used.

The benefit of using the Association's national impact study to collect measurement data is that the foundation has already been laid to measure performance. Further, the study provides a consistent method for collecting, analyzing, and reporting on economic impact across the SBDC program.

If SBA chooses to use the data from the Association's national impact study for reporting SBDC program performance, we make the following recommendations:

SBA should validate the study's methodology and arrange for the study to be conducted on an annual basis.

We recommend that SBA undertake an independent review of the study to test the validity of the methodology and the accuracy of the findings before using the results to report to Congress. One way this can be accomplished is by hiring an independent contractor who is a credentialed statistician. Validation of the methodology and conclusions would need to be done periodically, perhaps every fifth study. In addition, SBA needs to participate in overseeing the study and consider assuming at least part of its cost. Contributing SBA funds would not only make it possible for the study to be conducted on an annual basis, but also give SBA a voice in how the study is conducted and what information is collected.

SBA should eliminate current requirements for impact data from SBDCs in their Semiannual/Quarterly Performance Reports.

Currently, while SBA requires a variety of impact data to be included in the SBDCs' reports to the program, compliance is uneven. Some SBDCs are sending the information that they collect or have on hand, but what data they are sending and the sources of the data vary. It is not surprising that since SBA has not provided clear guidance to the SBDCs on how the data should be gathered, the quality of information provided by the SBDCs has varied. Because of the shortage of resources both within the program office and among the SBDCs, if SBA is not going to use the impact data provided by the SBDCs to measure program performance, it should not request the data.

Option 2. SBA could aggregate the impact data gathered by the individual SBDCs for reporting on the national program.

If SBA decides to use the impact data gathered by the individual SBDCs to measure overall program performance, the issue of consistency among SBDCs becomes critical. Clearly, with all the variations in data gathering by the SBDCs, SBA cannot simply aggregate the results and report them. Except for training and counseling statistics, however, program officials have taken a hands-off position and given little or no guidance to the SBDCs regarding how impact data should be gathered.

With the 1996 Program Announcement, SBA began requesting the following impact data in the Semiannual/Quarterly Performance Reports:

- Jobs Created
- Jobs Retained
- Sales
- State Taxes
- Federal Taxes
- Number of SBA Loans
- Dollar Value of SBA Loans
- Number of Non-SBA Loans
- Dollar Value of Non-SBA Loans
- Equity Capital

No direction has been provided to SBDCs regarding how this information should be collected. It is also unclear to what extent SBDCs are complying with SBA's request. We found that not all SBDCs were collecting every item requested; jobs retained, sales, and tax data, in particular, are not being reported by all SBDCs. The program has also set up an Intranet site for SBDCs to electronically enter and transmit impact data to SBA, although this is not currently being used by most SBDCs.

Up to now, SBA has not used this information to report on the program's performance, and only two of the ten measures, jobs created and sales, are listed as performance indicators in SBA's Annual Performance Plan. With limited program resources available to analyze the data, the Agency should confine its request to what it plans to use.

Our biggest concern with using impact data from individual SBDCs is that there is virtually no consistency in the way they gather it. Without uniformity in these efforts, the resulting data cannot be aggregated and is unlikely to provide an accurate measure of the national program's results. Additionally, program officials indicated that they plan to compare this information to the results of the Association's national impact study. Due to different methodologies and time frames, we believe it would be impossible for SBA to make meaningful comparisons between the two.

Clearly, if SBA wants to use the data collected by the SBDCs to measure performance, more direction must be provided to the SBDCs. SBA needs to determine what specific data it wants collected, i.e., the Annual Performance Plan measures or all the measures listed in the Program Announcement. It also needs to better define the indicators such as what is meant by "jobs retained." Second, the Agency needs to provide some direction on how this information is to be collected and from whom. At a minimum, SBA should receive data on comparable client bases, i.e., those clients who received five hours of counseling from all SBDCs during an identical time frame.

It is unclear how a mandate to standardize data gathering would be received by the SBDCs, particularly in the case of those who have expended a lot of time and money developing a system (or contracting out a study) that produces the measures they feel they need. Currently, some SBDCs are not collecting the data requested in the Program Announcement, yet there has been no reaction by SBA when SBDCs have omitted these indicators.

A May 1997 General Accounting Office report[4] found that agencies that relied on others' data were unable to determine the quality of the data and could not ensure its completeness and comparability. Programs struggling with this kind of problem have tended either to introduce data verification procedures or to search for alternative data sources. SBA may need to incorporate some type of review of procedures in its examination process or work with the Association to incorporate verification as an element in the certification review.

If SBA chooses to use data provided by the SBDCs for performance reporting purposes, we make the following recommendations:

SBA should require only the data from SBDCs that it plans to use for measuring program performance.

Due to limited program resources, SBA should require SBDCs only to provide data that will be used by the Agency to determine program performance. According to the current annual performance plan, SBA is only planning to use jobs created and sales as performance indicators; therefore, program officials should drop the request for the other impact items currently required in the Quarterly/Semiannual Performance Reports. Since impact data is needed on an annual basis for GPRA reporting requirements, SBDCs should report the data annually rather than on a semi-annual or quarterly basis. The Agency also needs to ensure that all 57 SBDCs provide this data to them. Current requirements are not being complied with, e.g., some SBDCs are not providing sales data to SBA.

SBA, in consultation with the Association, should provide guidelines to SBDCs on how information is to be collected to ensure data integrity when it is aggregated for national performance reporting.

As stated earlier, there are many differences among SBDCs regarding how data is collected. If SBA plans to use data obtained from the SBDCs, it must take steps to ensure that SBDCs are gathering it in a uniform manner. We suggest that SBA work with the Association to develop guidelines for the SBDCs to follow to ensure consistency. Not only would this make the aggregation of data possible, but also would allow for some comparisons among the SBDCs.

THE ASSOCIATION'S NATIONAL IMPACT STUDY

The Association has sponsored a biennial national impact study since the early 1990s to determine the value of counseling efforts by the SBDCs. SBA began using this data in 1995 in its FY 1997 budget request as a first step in building a performance-based budget to comply with GPRA. Dr. James Chrisman, Associate Dean and Professor of Venture Development at the University of Calgary has authored the studies. Each SBDC State director mails a survey provided by Chrisman to all long-term SBDC clients (with five hours or more of counseling) to determine the effect of the counseling on client business employment, sales growth, and ability to obtain financing. In addition, the survey asks several questions regarding customer satisfaction.

While many of the State directors are tracking impact using their own methods, this is the only effort in the SBDC program to measure impact on a national level. The last study evaluated clients who received counseling in 1994, surveying them in the spring of 1996 to allow enough time for impact to occur. A survey was mailed out in the spring of 1998 to clients who received counseling in 1996 and the report should be completed in the fall of 1998. While Chrisman's studies produce useful data, we have several concerns regarding the methodology used. Two professional statisticians also reviewed the study for this inspection,[5] and we discuss the most important issues below:

- *Response Bias*

The Association's national impact study tests response bias by comparing the responses on the first mailing of the survey against a second, follow-up mailing to those who didn't return the first survey. Chrisman finds no difference between responses from the first and second mailings in terms of their sales, employment, estimates of value added, financing obtained, or evaluation of the SBDC's services. He concludes that late respondents are more similar to non-respondents than early respondents because they didn't answer the survey the first time it was received. Late respondents, however, may not be similar to non-respondents. Non-respondents may be clients that did not remember their experience with the SBDC, did not find it beneficial, or whose business failed. Given Chrisman's response rate of 18.1 percent in the most recent survey and an even lower response rate of 12.4 percent in the 1993 survey, it is imperative to find out about the large percentage of clients that did not respond.

While an analysis of early respondents versus late respondents is sometimes used to evaluate bias, the statisticians did not believe that response bias could be dismissed in this survey. A more effective test of response bias would be to randomly sample the non-respondents and ask them the most important survey questions over the phone or, at a minimum, find out if they are still in business. This approach would help determine whether response bias is a problem, and Chrisman has indicated a willingness to do this, provided he is given more time and resources. Without this testing of non-respondents, and because the respondents do not represent a random sample, we believe that the survey results should not be generalized to the entire population of long-term SBDC clients.

- *Lack of a comparable control group*

The impact study compares sales and employment growth of SBDC clients to the growth experienced by an average of all businesses in the United States. Chrisman's figures are calculated by asking each SBDC State director to provide the percentage growth in total business sales and employment during the two years being examined. SBDC client growth is calculated by asking each client for sales and number of employees in each year. Making such a comparison assumes that SBDC clients are similar to all businesses except for the fact that they received SBDC assistance.

According to Chrisman, this comparison was based on "Gibrat's Law," which hypothesizes that firm growth is independent of firm size.[6] Empirical studies of this law have found varying results, and it is considered controversial.[7] Interpretation varies based upon whether or not exiting firms are included, i.e., firms that have closed their doors for various reasons. Another version finds that the law only applies to firms large enough to achieve minimum economies of scale. For these two reasons, Gibrat's Law may not apply to SBDC clients because those who failed or exited the industry would not appear in the results of Chrisman's study, as their surveys are likely to have been returned as undeliverable. Additionally, the type of businesses that visit an SBDC may be too small to achieve minimum economies of scale.

A control group of start-ups as well as a different control group of established businesses with other characteristics similar to the SBDC clients, such as size and type of industry, would provide a more valid comparison. One possible solution is for Chrisman to use the D&B database to generate a random sample of businesses with similar characteristics as SBDC clients to serve as a control group. Three states have used the database to search for their long-term clients. One searched new and existing long-term business clients and obtained a 37 percent match rate. The second matched only their existing business clients and had a 67 percent match rate. A third state that used the D&B database to match all of their clients, not just long-term clients, returned a very low match rate. How effective the D&B database would be on a national basis is an issue the Association may want to explore, as well as what the additional costs might be.

Evaluations performed in other economic development programs have also made comparisons to similar type businesses without the use of the D&B database. One method is to mail a general survey to businesses similar to the SBDC clients that did not receive assistance and ask about their growth during the same timeframe. Other studies advocate using firms that applied for assistance under the program but were rejected. While the SBDC program does not reject clients, surveying one-time SBDC clients and comparing their growth to continuous clients may provide a useful comparison. This procedure at least controls for "selection bias," which may occur when participants who use economic development programs have higher growth rates simply because they are more aggressive and more motivated to obtain assistance. Additional research would need to be done to determine if these methods would be viable in the SBDC program.

If the D&B database is too costly to be used to create a control group and other methods prove ineffective, the comparison to all businesses in the U.S. may be the only available option. In that case, the Association's impact study should explain the reasons behind using the population of all

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[6] Zoltan Acs, David Audretsch, Innovation and Small Firms, The MIT Press, Mass., 1990, p. 130.[7] Ibid.

businesses as a control group. In addition, the report should state the weaknesses inherent in using state average business growth in a comparison to SBDC clients.

- *Attribution*

The national impact studies deal with attribution by including only the outcomes of clients who indicated that the SBDC services were beneficial. They also ask each respondent to estimate the dollar value of the assistance. These questions, however, do not link service identified as beneficial or valuable to an actual increase in jobs or sales. In earlier studies, for example, broad statements of attribution were made without supporting data, as in the following example from the 1992-1993 study:

> Results indicate that, after adjustments, the long-term clients of SBDCs in the 47 centers studied generated a total of over $3.7 billion in sales and approximately 68,500 new jobs as a result of SBDC consulting assistance, [emphasis added].[8]

The growth was obtained by comparing sales and the number of jobs prior to assistance to sales and the number of jobs in the year after assistance. Without asking for the client's perception of attribution, SBDCs are given credit for changes in jobs and sales that could be due to external factors. The 1996-1997 national survey has been improved over previous versions by adding questions on whether increases in sales revenues generated and maintained, and jobs created and/or saved, are attributable to assistance obtained from the SBDC. Regardless of the new questions asking for jobs and sales attributable to the SBDC, Chrisman is still planning to use the changes in sales and jobs between the two years to report on impact. Making use of a comparable control group would clarify whether improvements in clients' growth are a result of SBDC assistance.

If the comparison of sales and jobs over two years is going to continue to be used, we suggest that the survey question be revised. It currently asks clients who received assistance in 1996 for the number of employees and sales figures for 1996 and 1997. While it is correct to expect some lag in economic impact after assistance was received, asking for 1996 figures may not include some impact that already occurred as a result of counseling, particularly if the counseling was received in the early part of 1996. Therefore, making a comparison of growth between 1996 and 1997 and attributing the difference to counseling may be underestimating the SBDC's impact. While Chrisman is being conservative by asking for 1996 numbers, rewording the question to ask for employment and sales numbers just prior to counseling may more accurately reflect impact as a result of the counseling. These questions, however, are not necessary if the survey simply asks for the number of jobs created and sales generated as a result of SBDC assistance.

Another problem with this question is that clients are asked to combine the number of jobs created with existing jobs saved and the number of sales generated with previous sales revenue maintained. While both are supposed to be attributable to the SBDC, we believe that these

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[8] Dr. James Chrisman, The Economic Impact of Small Business Development Center Counseling Activities in the United States: 1992-1993, 1994, p. 2.[9] The Code of Federal Regulations, ξ130.820(b), p.

figures would be more meaningful if reported separately. Jobs created and sales generated show growth while jobs saved and sales maintained indicate sustaining existing levels.

- *Inconsistencies in Populations Surveyed by State*

States participating in the Association's national impact study are asked to send the survey to all clients who received five or more counseling hours. In two of the seven States we visited, SBDC officials use a higher cut-off: one State uses six hours and another only surveys clients with eight or more hours of counseling. While these States believe that they are producing more meaningful data, they are also causing inconsistencies in the aggregated data for the study.

In conclusion, the primary benefit of using the national impact study is that it is conducted on a consistent basis nationwide. In addition, the study has been contracted for a number of years, thus allowing comparisons over time, and Chrisman has worked with the Association to improve the survey and meet its changing needs. However, we believe that the problems of response bias, lack of a comparable control group, and inadequate attribution should be addressed by SBA if the Agency plans to use the results to report on SBDC performance. As stated earlier, we recommend that SBA commission a credentialed statistician to validate the study's methodology.

REVIEW OF OTHER IMPACT STUDIES

Nearly half of the SBDCs obtain a separate economic impact study for their State. Most of these studies are performed by the author of the Association's national impact study, but at least six SBDCs have obtained impact studies from other sources. Two hired D&B to compare SBDC client growth to that of other small businesses in D&B's database, one used the D&B database but had an outside contractor perform the analysis, and three used an outside contractor to assist with mail or telephone questionnaires and analysis of economic impact.

We examined the methodologies of these six studies to determine whether there were features that could be duplicated by other SBDCs. Whether performed in-house or contracted out, some centers may find an annual survey to be more beneficial than having counselors gather impact data. First, a study performed by the lead center or an outside contractor allows counselors to spend their time providing consulting assistance rather than gathering data. Second, such a survey allows more consistency and objectivity than can be accomplished by counselors and reduces the risk of bias in the results. Third, using an outside consultant provides a degree of independence between the service provider and the recipient when measuring performance. Conducting a proper survey and analysis, however, requires staff or contractors who have sufficient experience and background in survey design, statistics, and analysis, as well as an understanding of the SBDC program.

A summary of the methodologies used and the strengths and weaknesses of these approaches is given below.

Studies Performed Using the Dun and Bradstreet Database

Two SBDCs contracted directly with D&B to conduct impact studies. The most significant benefit of using D&B's database is that it allows a comparison of SBDC clients with a control group of similar size businesses in the State. The SBDC submits a list of its counseling clients' names to D&B to be matched against their database. The study then compares the SBDC client base to all small businesses in the State in terms of demographics, employment growth, and default rates. One SBDC also obtains data from the State's employment department to determine jobs created and payroll data for SBDC clients to supplement the D&B data.

When asked about the potential for delays in getting business information into the D&B database, especially a newly created business, a D&B official told us that, normally, there should not be a lag and the database should have the name and address of the business even if additional information is not available. SBDC clients, however, tend to be younger businesses than the comparison group of small businesses in a State, creating some differences in growth and other characteristics between the two groups.

A third SBDC obtains data from D&B but conducts its own analysis. This SBDC uses the D&B database to compare employment growth in long-term SBDC clients against a random sample of small businesses in the State over a three-year period. This study uses a more comparable control group by further breaking down employment growth of SBDC clients compared to all small businesses in the State by size, age, and industry type. This SBDC is not burdened with the cost

of accessing the D&B database because its host institution obtains the database files for its own use and gives the SBDC full access.

We believe that this SBDC's approach could be further improved by using D&B's list of business failures based on official bankruptcy court records rather than using a crude failure rate based upon the absence of a firm that once appeared in the database. As the SBDC notes in its recent report, this calculation "can only be used as a broad measure of firm failure rates and must be interpreted with caution."

Two drawbacks to hiring D&B are the cost and the possibility of having a low match rate of clients in the D&B database. In the case of one SBDC, the match rate was 6.3 percent. The reason for such a low match rate, according to a D&B official, is that the database had difficulty identifying the businesses due to the way they were listed, e.g., if the name did not match exactly, a firm was using an informal name "doing business as" rather than the legal name, or if there was a different address. We were further told that if a business doesn't use the traditional financial pathways, such as commercial lenders, it may not trigger inclusion into the database.

A benefit of using D&B data is a better control group. Comparability can be further improved by breaking down the businesses by age, size, industry, etc., and then making a comparison of SBDC clients to similar businesses in the State as described above.

Outside Data Collection and Processing with Internal Analysis

One SBDC hired an outside vendor to collect and process the data but performed the analysis internally. The survey was designed by the SBDC to measure economic impact, customer satisfaction, and future business needs. For each potential impact, such as a new employee hired, the client is asked whether the SBDC services made a significant contribution, some contribution, or little or no contribution, allowing the SBDC to identify attribution. While the timing of customer satisfaction and economic impact collection should normally be different, this SBDC was able to draw some interesting conclusions from examining the relationship between impact, satisfaction, and client characteristics. For example, the study found that clients who believed the assistance was valuable were more likely to start a business or change a business strategy.

Studies Conducted by Third Party Contractors

One SBDC has a contract with its University's Policy Center to conduct an annual study of job growth, sales, financing, and customer satisfaction of SBDC clients. The survey asks for the amount of financing and number of employees prior to and after counseling and then asks the amount that can be attributed to the assistance received from the SBDC. Further analysis provides the amount of tax revenue generated and the cost of SBDC counseling per client and counseling hour. Multipliers, obtained from the U.S. Bureau of Economic Analysis, are used to estimate the "multiplier effect" that the creation or improvement of SBDC client businesses has on the rest of the State's economy. The survey is sent to all long-term clients, but with a response rate of 20 percent, the report cautions that the responses should not be generalized to the entire population of clients due to inconsistent follow-up techniques. For example, follow-up was

performed by the individual sub-centers and the degree and type of follow-up varied. To add perspective, this study also provides data on small business trends in the State.

Another SBDC hires an outside vendor to survey a sample of long-term clients by telephone to obtain information on procurements, sales, profits, employment levels, and demographics. The impact is measured by asking for sales, employment, and profit figures at the time of their first SBDC counseling session and then again approximately two years later. Information on contracts and business loans is obtained after asking if the SBDC provided assistance in these areas. Because the study has been conducted for four years, trend analysis can also be performed. Additional information, currently not provided in the report, such as the number of clients in the population and the number of clients that could not be reached would be useful to the reader. Surveying inactive businesses that were never started or subsequently closed might also provide useful feedback, even if it is not included in the analysis of active clients.

CUSTOMER SATISFACTION

The annual SBA Program Announcement requires SBDCs to collect evaluations from clients who receive "continuous" counseling, i.e., multiple counseling sessions during the course of a year. The 1997 Announcement further states that, "SBA Form 1419, 'SBDC Counseling Evaluation,' shall be the survey used to obtain feedback." Roughly half of the SBDCs told us that they use Form 1419 without any alterations; the rest either use their own survey or have modified Form 1419. While all 57 SBDCs collect customer evaluation as required, we found that these efforts vary considerably. Differences occurred in four areas:

- How information is obtained
- Which clients are providing the information
- When the clients are being surveyed
- How often the data is being gathered

Further, while many lead centers have standardized collection methods among their sub-centers, some have not. If a lead center performs any type of aggregate analysis of the evaluations, any inconsistencies among sub-centers' collection methods will make it difficult to draw valid conclusions. The 1997 Program Announcement states that ". . . all SBDCs should develop internal procedures to ensure that these evaluations are performed systematically."

Field visits and/or phone conversations with all 57 SBDC directors revealed that SBDCs tend to use the customer evaluation results more often to market their programs to the States rather than as a managing tool to make changes in program delivery. Several SBDCs use only the negative feedback to evaluate counselors and to follow up with any dissatisfied clients. More could be done to make the surveys reliable sources of information for managing programs and improving counseling services.

<u>Suggestions for SBDCs</u>

After examining various methods for obtaining customer feedback, we have identified several "best practices," based in part on observations of SBDCs we contacted:

1. Surveys should be distributed by and returned to the lead center.

Nearly a quarter of the SBDCs indicated that the customer satisfaction survey delivery and review are the responsibility of the sub-centers. This number may be even greater because not all of the directors specified who collects the data. The sub-centers that are responsible for customer satisfaction normally compile a client list, send out the questionnaire and cover letter, and ask that the surveys be returned to the sub-center.

Several problems can occur with this arrangement. First, respondents may feel undue pressure to answer favorably when the questionnaire is both received from and returned to their counselor. For example, there may have been a friendly rapport with the counselor, regardless of whether the assistance was beneficial. Even in cases where the respondent answers with full candor, having the counselor collect the information gives the appearance of compromise.

Second, placing responsibility for the evaluations in the hands of the sub-centers offering the service may reduce objectivity. The counselors and sub-center directors have an obvious incentive to solicit positive feedback, particularly as lead centers may use the survey results to evaluate the counselors. A couple of lead centers rank their sub-centers according to the degree of satisfaction from client evaluations. Making those who are most affected by the results responsible for collecting the information creates a data integrity problem regardless of the counselors' and sub-center directors' intentions. Third, decentralizing the client evaluation process creates many more opportunities for the data to be manipulated because more people are involved in sending out the survey and analyzing the results. One counselor admitted that he occasionally changed the evaluation process for clients who he knows will not give him a good appraisal.

A number of States are using their lead centers to handle the client evaluations. This method allows the sub-centers to focus on providing assistance to small businesses and reinforces the lead centers' role of providing oversight. One option that has helped keep costs down is to use graduate student interns to assist in the distribution and analysis of the survey.

When centralizing the process in the lead center, economies of scale can also make the process more efficient. Two SBDCs that we visited have automated the process of distributing customer satisfaction surveys using their computer databases. One has a computer system that generates a mailing list of all clients who fit the specific criteria of survey participants, such as clients who received more than one counseling session. The system will also retrieve the names of clients who did not return questionnaires so they will be sent a follow-up survey in the next quarter. The other SBDC uses its computer system to generate a cover letter that identifies the sub-center location and the name of the counselor. This method may increase the response rate by identifying the counseling session and personalizing the survey for the client. Both SBDC databases contain numerous fields of client information that can be used to profile each client.

2. Customer feedback should be obtained from all clients, including those who came in for only one counseling session.

Several SBDCs obtain feedback only from continuous clients. Two indicated that the survey would be sent only to clients with eight and twelve hours of counseling, respectively. The centers are more interested in evaluating longer-term sessions and one sub-center director indicated that clients would not be likely to remember the details of the assistance if it was less than six hours. In the annual Program Announcement, SBA does specify that client evaluations are to be solicited from continuous clients and does not mention one-time clients.

Many SBDCs, however, want to know why clients do not come back after only one session. Counting only returning clients may cause an upward bias in the evaluations, because presumably they found the first session beneficial enough to return for additional assistance. For many SBDCs, one-time clients tend to make up a large percentage of their client base. One sub-center told us that 60 percent of its client base consisted of one-time clients. As a result, we feel that it is important to collect evaluations from <u>all</u> counseling clients, whether they appear only once or return repeatedly. SBDCs that do not feel they can handle surveying the additional volume of

one-time clients could survey a random sample of all clients. This method would allow them to reduce the number of surveys being sent out and analyzed while still obtaining feedback from their entire client base.

3. The timing for sending out client evaluation surveys should be linked to case closures.

While economic impact evaluation should be deferred to allow time for an impact to occur, client satisfaction evaluations are more valuable when conducted soon after completion of the actual service. Response rates are likely to be higher, and clients may give a more accurate assessment of the counseling because it will still be fresh in their minds.

SBDCs that appear to have the most effective client evaluation systems distribute the surveys immediately after counseling sessions or within 30 days of case closure. Tying the survey to case closure is preferable because the counseling has been finished and the completed service can be evaluated while still fresh in the client's mind. Clients who do not return for counseling sessions should be surveyed when their cases are administratively closed. Unfortunately, some SBDCs do not have consistent procedures for closing cases. Our review of client files showed that case closure procedures in place at some sub-centers are not always followed. Counselors may allow many months to pass before contacting the client or closing the case, and one-time client cases are not routinely closed. SBDCs need to ensure that they are following SBA guidelines by closing cases for clients who have not had contact with a counselor for 120 days.

SBDCs that collect customer satisfaction data on an annual basis may be allowing too much time to pass since the client's last contact with the SBDC. SBDC directors should distribute and review survey results more frequently to provide proper program oversight and address concerns immediately. An effective method may be to send out the surveys on an ongoing basis tied to case closures but compile and analyze the results on a quarterly basis.

4. Response rates should be increased.

SBDC response rates on customer satisfaction evaluations vary among States but tend to be around 25 percent for many of the SBDCs that we visited. Factors that can affect the rate, including how close the evaluation is to the service received, the length and ease of the survey, and follow-up with non-respondents.

It is important that the lead center tracks the response rate at each sub-center to ensure that it is high enough to make the results statistically valid. Several SBDCs suggest the following methods to achieve a higher response rate:

- Customizing a cover letter to the client indicating the dates of assistance, the name of the counselor, and the location
- Emphasizing during the initial consultation the importance of providing feedback
- Sending out a second mailing or postcard reminder to clients who did not respond
- Using self-addressed stamped return envelopes
- Offering incentives to respond

Incentives to return a survey have been used creatively and inexpensively by several sub-centers. One places respondents in a drawing for gift certificates donated by local restaurants, while another gives away tickets to one of its trade shows.

SBDCs should also consider using the Internet to send the survey to clients who have e-mail. Increased convenience and ease will encourage higher response rates than conventional mail surveys and will return results more quickly. E-mail surveys also require few staff resources and involve minimal cost.

A good practice is to survey a small number of non-respondents by phone to determine whether they provide the same feedback as those who responded, regardless of the response rate. Otherwise, the reason they did not respond may be related to important differences between them and the responding group.

5. Clients who complete the survey should not be resurveyed at a later date.

While clients should receive a customer satisfaction survey soon after closure and an economic impact survey one or two years later, some SBDCs are sending multiple customer satisfaction surveys to the same clients who have already responded. The annual Program Announcement requires SBDCs to collect follow-up information from clients using SBA Form 1419. Some SBDCs, however, want to supplement Form 1419 because (1) the survey does not ask all the questions that they feel are necessary, (2) they believe that an annual survey is not close enough in time to most counseling sessions, or (3) they want feedback on one-time clients, as well as the continuous clients that SBA requires to be surveyed.

Therefore, clients are surveyed at least twice by some SBDCs based on one or more of the following criteria:

- After the initial visit and at case closure
- On a monthly basis for inactive clients and annually for active clients
- Every quarter for both new clients and all active clients
- Monthly for a random sample of clients and all clients annually

We believe that sending more than one customer satisfaction evaluation within a year to a client who returns the form is rarely necessary. If clients are repeatedly asked to complete surveys, the response rate may suffer, particularly for the Association's national impact study, which is likely to be the last survey the client receives. Also, because resources are limited, SBDCs should concentrate on doing one systematic and statistically valid evaluation rather than attempting multiple procedures. The most effective approach appears to be to send an evaluation form to a client at a defined point in time after case closure, with follow-up mailings to any who do not respond to the first request. This assumes an effective case closure policy is being practiced.

6. SBDCs should ensure that survey questions and response choices are properly framed.

One question that appears on Form 1419 and on the majority of the SBDCs' own evaluation forms asks, "In general, how would you rate the consulting services you received?" While the last

two versions of Form 1419 have appropriate response choices of very good, good, undecided, poor, and very poor, most SBDCs are still using an earlier version with choices of excellent, very good, good, fair, and poor. The problem with this answer structure is it allows the respondent only one negative option while offering three positive responses, thus introducing positive bias into the question. A properly scaled question has equally spaced responses that cover both positive, neutral, and negative choices, as in the Form 1419 example above. We found that the unbalanced scale was used by SBDCs not only in their customer satisfaction surveys but also on various impact surveys. One center created an even more favorable scale using seven categories, of which only one was negative: truly exceptional, outstanding, excellent, good, above average, average, and below average. This clearly manipulates the respondents to provide more positive feedback.

Relatedly, about half of the SBDCs we visited reported their client satisfaction rating to us as a high percentage, combining those who said the counseling received was excellent, very good, and good. At one point, a center was even including "fair" in its overall satisfaction percentage until an outside contractor recommended that it change this practice. Survey designers know that respondents tend to pick a central response choice more often than the extremes, which is why the central choice is usually a neutral response. A scale using a central rating of "good" should not be combined with the other positive ratings. In addition, an SBDC concerned about improving and maintaining excellent customer satisfaction should view this response as one that requires action to see why the client was not more satisfied.

Recommendations for SBA

There are currently two sources of data for obtaining customer feedback on the SBDC program. The Association's national impact survey, which includes several questions concerning client satisfaction, is sent to all clients with five or more hours of counseling. SBA plans to use this survey for reporting customer satisfaction. The other source of client satisfaction data is the individual SBDCs, which are required to collect follow-up information from all continuous clients.

To take maximum advantage of existing data, SBA can use either one of these two methods for obtaining customer satisfaction results.

Option 1. SBA could use the results of the national impact study undertaken by the Association to report on customer satisfaction.

Using the national impact study to collect customer feedback raises the same concerns as using it for economic impact. The lack of SBA involvement results in program officials having no input on how or when the study is conducted. Instead, SBA uses data compiled by the Association, one of whose goals is to promote the program. Regardless of the quality of the study, this reliance creates the appearance of a conflict of interest. If SBA assumes at least a part of the cost, as suggested earlier, program officials would have a voice in how and when the study is conducted.

The national impact study is currently performed biennially with at least a one-year time lag from when the client received assistance. While economic impact evaluation needs to be deferred to allow time for impact to occur, client satisfaction evaluations are more valuable when conducted closer to the actual service. Conducting the national impact study on an annual basis may alleviate some of this problem, although some lag on the data is needed to allow time for the economic impact to take place. We found that the response rates tend to be lower on the national impact survey than those achieved by individual SBDCs. One reason may be that too much time is allowed to pass between the service and the distribution of the survey.

A benefit of using the Association's national impact study is that the data is collected and analyzed consistently. In addition, SBA may not have the resources to collect and aggregate data from the individual SBDCs.

If SBA chooses to use the data from the Association's national impact study for reporting SBDC program performance, we make the following recommendations:

SBA should change its regulations to no longer require collection of client service evaluations for SBA review.

The regulations that govern the SBDC program state, "The recipient organization shall submit client service evaluations. . . for SBA review to determine the quality of services provided by the SBDC. . . ."[9] We were told by SBA officials that the program had originally required the SBDCs to use the standard Form 1419 because SBA planned to perform an analysis on customer

satisfaction survey results, but that sufficient resources to do so never became available. If SBA drops this requirement, it would allow the SBDCs to create a better survey instrument and tailor it to their own individual needs. The Association could ensure that the SBDCs continue to evaluate customer satisfaction by including it as a requirement in the certification process.

SBA should require that a statistical sample of all SBDC clients be sent the customer satisfaction portion of the Association's national impact survey.

Currently, the national impact study surveys only continuous clients, which is appropriate for measuring economic impact. Measuring customer satisfaction, however, should include either the SBDCs' entire client base or a scientifically drawn sample. Although SBA does not require customer evaluations on clients with less than five hours, we believe that feedback needs to be obtained from all clients, particularly those who did not return for another counseling session. If the Agency wishes to use the national impact study to report on customer feedback, surveys with only the customer satisfaction questions would need to be sent to at least a sample of clients with fewer than five hours of counseling.

Option 2. SBA could begin collecting the customer evaluations gathered by the individual SBDCs for reporting on the national program.

In order to comply with current SBA regulations and report on customer satisfaction for GPRA requirements, the Agency could collect customer satisfaction data directly from the 57 SBDCs. Our review of SBDC collection methods, however, shows that SBDC efforts vary considerably in how the information is obtained, which clients are providing the information, when the clients are being surveyed, and how often the data is being gathered. Another concern in having SBA obtain these evaluations is that SBDCs may become more focused on how they will look to SBA and compare to other centers rather than how the evaluations can best be used to improve program performance. Finally, program officials indicated that they do not have the resources to collect and aggregate the data from the 57 SBDCs.

The benefit of using SBDC evaluations is that the quality of the customer satisfaction data may be better than that obtained from the national impact study. We found that SBDCs tend to get higher response rates than the national impact survey, the surveying population is not limited to clients with more than five hours of counseling, and the clients receive the questionnaire during or immediately after their counseling sessions rather than two years later. The data could be used by SBA to compare the satisfaction level of each State or region and provide more oversight to those centers that do not rank as well as others. While this option will require the centers to use an OMB-approved form to collect the data, SBA and the Association should work together to improve the questionnaire.

If SBA chooses this option, we make the following recommendations:

SBA, in consultation with the Association, should revise Form 1419 to ensure that it meets customer feedback needs of both the Agency and the SBDCs.

A review of eight lead and sub-centers' counseling evaluation forms showed that only three SBDCs use SBA's Form 1419. Another SBDC has condensed the form to a postcard format, incorporating many of the core questions, and the other four are using completely different surveys.

Many SBDC directors expressed concern with the current version of the survey Form 1419. Comments include—

- requesting information that has already been collected during the client's initial visit;
- not asking the right questions; and
- poorly worded, vague, and non-quantifiable questions.

Based on our own review of Form 1419, we agree that it is too long, that some questions are repetitive, and that the wording is sometimes vague. One question, for example, asks if the client received "prompt attention." It is not clear whether "prompt" means when the customer was called for an appointment, when the meeting took place, or when the counselor was able to get back to the client with some solutions. Thus neither the respondents nor the analysts trying to compile the results could be certain that they understood either the question's intent or the answers submitted.

Form 1419 also contains questions regarding economic impact. Because the timing for obtaining customer satisfaction data is different than for economic impact, as a rule, economic impact questions add little value to the customer satisfaction survey. On Form 1419, the client is asked to estimate the degree of impact expected. As noted earlier, evaluations of other programs using estimated values have been problematic, and only actual results should be tracked unless they are to be verified at a later date.

SBA, in consultation with the Association, should provide guidance to the SBDCs on how to gather and use customer satisfaction data.

As previously mentioned, the methods that many SBDCs are using to obtain customer feedback are neither consistent nor statistically sound. As with the Association's impact study, response bias may be a factor. Survey design problems, e.g., the improper scaling of response choices, coupled with a low response rate, produce questionable results. Inconsistencies both among the SBDCs and within individual SBDC networks result in serious data integrity problems for national reporting.

In order for the evaluations to be useful to SBA, SBDCs must use consistent data collection techniques, including a standard questionnaire. SBA and the Association need to set guidelines concerning who should gather the data, what method of collection should be used, which clients should provide the information, and how often it should be obtained.

In addition, the surveys should be structured so that SBDC directors can use the results to make internal management decisions and set goals. Most SBDCs collect this information as a marketing tool to report that responding clients are generally satisfied with the service they are

receiving. Survey results should also help SBDC directors determine how to improve customer service and set standards. For example, more analyses could be done to compare those clients who gave the SBDC the top rating with those who were less satisfied to determine any different characteristics, such as the type of assistance received, the counselor involved, the maturity and industry of the business, and the timing of the assistance provided. The resulting correlations could help the SBDCs take better advantage of their strengths and determine ways to correct their deficiencies.

Guidelines that would improve the validity of the evaluation process would give directors both more credibility when presenting findings to their funding sources and additional information for enhancing the delivery of SBDC services.

APPENDIX C

Contributors to the Report

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