

**SBI CONSULTING: “SMALL BUSINESS” VERSUS  
“ENTREPRENEURIAL” PERFORMANCE OUTCOMES**

Matthew C. Sonfield, Hofstra University

Department of Management, Entrepreneurship and General Business  
Weller Hall, Hofstra University  
Hempstead, NY 11549-1340  
Tel: (516) 463-5728  
e-mail: [Matthew.Sonfield@Hofstra.edu](mailto:Matthew.Sonfield@Hofstra.edu)

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## SBI CONSULTING: “SMALL BUSINESS” VERSUS “ENTREPRENEURIAL” PERFORMANCE OUTCOMES

### ABSTRACT

Very few small businesses become highly successful “stars” subsequent to Small Business Institute assistance. This article provides an overview of the issues of consultation effectiveness, client survival, and long-term client performance. It then presents a longitudinal case study of an extremely successful SBI client. This is followed by a discussion of the reasons why some consulting clients do not succeed while others do succeed with varying levels of performance. Finally, implications for the SBI consulting process are presented.

### INTRODUCTION

University-based student consulting programs designed to assist small businesses have existed since the early 1970s. In 1972 the Small Business Institute © (“SBI”) program was established as a partnership between the U.S. Small Business Administration and a number of American colleges and universities. Over the years, this program has grown substantially. Today, several hundred colleges and universities conduct SBI or similar programs, utilizing both graduate and undergraduate students, to provide a variety of consulting and assistance services to local small businesses and other clients (Cook & Belliveau, 2006).

While a variety of studies have concluded that SBI and similar consulting programs are effective and beneficial, questions often arise as to how often and how well small business clients implement the consultants’ recommendations, and how many of these clients survive in the long run. This article provides an overview of these issues of client implementation, survival, and long-term performance, presents a longitudinal case study of an extremely

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successful SBI client, and offers a discussion of the reasons why some consulting clients do not succeed while others do succeed with varying levels of performance.

### **MANAGEMENT CONSULTING – A REVIEW OF THE LITERATURE**

Over the years of the SBI program's existence, a number of studies have been conducted to evaluate these programs' effectiveness. Many of these studies concluded that these programs were beneficial to the clients and cost-effective to the various colleges and universities and to the Small Business Administration, which in combination provided the financial and service support for the individual programs (Chrisman, 1999; Chrisman et. al., 1985; Khan & Rocha, 1982; Rocha & Khan, 1984, 1985; Nahavandi & Chesteen, 1988). Yet some of these studies met criticism, both because they were often conducted by people who had a stake in the continuation and growth of such consulting programs, and because the research methodology sometimes had serious limitations (Elstrott, 1987).

Looking at management consulting in general, much of the literature has been more skeptical of the effectiveness of such consulting. For example, Bracker and Pearson (1985), using a MANOVA-based empirical study, found no statistically significant differences in the performance of a group of companies that received management consulting assistance and another matched group which did not receive any such assistance. Soriano (2003), in a Spanish study, concluded that management consulting often provides recommendations that are basically simply common sense, but too often the consultation is requested at an early and precarious stage in the firm's growth, when subsequent business failure is more likely to occur in spite of the consulting assistance.

More broadly, Wright and Kitay (2002) report that the legitimacy of management consulting has come under attack, often due to the intangible nature of the consulting process.

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They conclude that this process is often too subjective, which then leads to client doubt and non-implementation of the consultants' recommendations. And Argyris (1996) sees a general reason for the ineffectiveness of much of management consulting – the fact that the human mind is a “finite processing system,” not always capable of accepting recommendations for major change.

Looking at more specific reasons as to why management consulting may not be effective, Madison and Junell (1998) found several specific factors which can lead to client dissatisfaction, including the perceived risk and cost of the consultants' recommendations, as well as the consulting team members' personal characteristics. Kubr (2002) focused on the *implementation* of consulting recommendations as the key to successful or unsuccessful consulting. The consultants' role in the implementation of recommendations is critical, yet too often this role is not stressed or performed satisfactorily in the consulting process. And in SBI student consulting projects, the recommendations are often conveyed near the end of the semester, with little or no time available for the students to assist in the longer-term implementation.

In summary, management consulting, and especially student-based consulting, is an uncertain, subjective and precarious process, with the outcome and effectiveness often less than satisfactory.

### ONE UNIVERSITY'S EXPERIENCE

The author's institution, the Zarb School of Business at Hofstra University on Long Island, New York, instituted its Small Business Institute consulting program in 1976. From that year through 1998, a period of 23 years, faculty-supervised student consultants, sometimes individually and but more often in teams of two to four students, conducted semester-long consulting projects for a total of 243 clients, primarily local Long Island small businesses but also some not-for-profit organizations, such as chambers of commerce and performing arts

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centers. In 2005, an extensive search for these former clients found 73 still in business, a survival rate of 30%. As the date of the consulting assistance was anywhere from 7 to 23 years prior to this search, such a survival rate is consistent with most of the literature, which indicates that about one-half of small business start-ups survive past five to seven years (Kuratko & Hodges, 2006, p.13). Furthermore, most of these 73 survivors had remained small businesses, similar in size to what they were at the time of the SBI consulting assistance.

Yet some SBI small business clients do grow into larger businesses, and occasionally they grow into major “stars.” Most SBI directors have at least one past client that became very successful subsequent to the consulting assistance.

#### **A TALE OF A HOFSTRA SBI “STAR” CLIENT**

Kozy Shack © Inc. is a private, family-owned, dessert manufacturer with international distribution throughout much of the world, production facilities in New York, California and Ireland, over 400 employees, and continuing product line and geographic market expansion. Being privately-held, financial data are not made public, but Dun & Bradstreet estimates the company’s current annual sales volume at over \$140 million ([www.hoovers.com](http://www.hoovers.com), 2007).

Yet Kozy Shack came to Hofstra as a very small SBI client in 1978, only a few years after its founding. The history of the company is an ideal entrepreneurial success story. Vinnie Gruppuso was the founder, family patriarch, and Chairman of Kozy Shack (until his recent death in January 2008). In the late 1960s Vinnie drove a bread truck, delivering products to small corner grocery stores and delicatessens in the New York City boroughs of Brooklyn and Queens. One of his customers was a small delicatessen that made its own rice pudding, and Vinnie fell in love with that pudding. Soon he was taking aluminum pans of that pudding with him on his truck and selling them to other delicatessens. After a while his sales of pudding exceeded his

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bread sales! Eventually, in the mid-1970s, Vinnie decided to take the entrepreneurial plunge. Borrowing from relatives and friends, he bought the pudding recipe along with the delicatessen's pots and pans and name, and went into the pudding business.

When Kozy Shack became a Hofstra SBI client in 1978, the entire manufacturing operation was a single room with a few large hand-stirred commercial cooking kettles and a handful of employees. Most sales were still made in aluminum pans to Long Island delicatessens, although the company was also beginning to package the pudding in packs of 4-oz. cups for sale through local supermarkets.

In 1978 a single student was assigned by the author to work with Mr. Gruppuso. After conducting a personal interview survey of about one hundred shoppers in some local supermarkets, the student's conclusion was that Kozy Shack pudding sales were growing because the taste was superior to major-brand puddings and because the product was unique in containing no preservatives. The student's recommendations were to stress the "no preservatives" on the packaging and to offer the pudding in a larger multi-serving size in addition to the 4-oz. size.

In 1991 Kozy Shack again became a Hofstra SBI client. The company had grown in the 13 years since the initial consulting project, with greater sales volume, a larger variety of pudding flavors in the product line, and the majority of sales now in 4-oz. cup packaged form sold through supermarkets rather than in pans to delicatessens. Yet the company was still a "small" business, with basically the same product (puddings only), production facilities, continued modest consumer brand awareness relative to the major national brands, and product distribution primarily in the New York metropolitan area through independent distributors. The author assigned a two-student consulting team, which conducted a more in-depth analysis than the earlier student consultant and made a variety of recommendations:

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- Conduct more formal marketing research to better understand the market(s)
  - Expand promotion, especially marketing efforts to consumers
  - Strengthen production technology
  - Identify the most profitable components of the product line (flavors, container sizes, etc.)
  - Strengthen and control the distribution channels
  - Identify new demographic and geographic market opportunities
  - Focus on sales and earnings growth
  - Evaluate institutional markets (hospitals, schools, etc.)
  - Evaluate the addition of low-calorie/diet puddings

Typical of most of Hofstra's SBI clients, Mr. Gruppuso thanked the students for their consulting report and indicated no specific or concrete intentions to immediately implement any of the recommendations. The students graduated a few weeks later, and Kozy Shack disappeared into the SBI Program's "Past Client" file.

Yet in 2006, 15 years after the second SBI consulting assistance and 28 years after the original assistance, a visit by the author to Kozy Shack found a hugely successful company, with major growth in all respects, and virtually all of the 1978 and 1991 consulting recommendations successfully implemented since then. As previously noted, the company now has large and technologically sophisticated production plants in multinational locations, over \$140 million in world-wide sales, over 400 employees, a wide variety of dessert products, and its own sizable distribution operations in the United States, providing services to other food producers along with doing all of Kozy Shack's own product distribution. With strong and proactive product development and marketing organizations, Kozy Shack continues to grow at a fast pace.

From personal interviews with Mr. Gruppuso and his top managers, it is clear that

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virtually all of the 1978 and 1991 student recommendations were implemented, although Mr. Gruppuso and his managers do not remember the students or their recommendations, and do not think of their historical and current business strategy as being specifically influenced by any of these recommendations. As the author talked at length with Mr. Gruppuso, it became obvious that he would have developed his business strategy and grown his company in the way he did with or without the student consulting assistance.

### WHY DO ENTREPRENEURIAL “STARS” DEVELOP?

This case study exemplifies the fact that some business owners are more “entrepreneurial” than are others. Any professional management consultant and any director or instructor in an SBI or similar student consulting program can attest that some clients are more likely to succeed than others, and that of those who are likely to succeed, only a few can be expected to become *highly* successful. Sometimes consultants and SBI directors can make a prediction after one or two meetings with the client, and in those cases “entrepreneurs” can be distinguished from “small business owners” by experienced observation.

What makes some individuals more likely to succeed than others as an entrepreneur? Over the past few decades, much research has been conducted to investigate this question, and the answer is still far from resolved. While a full discussion would be very lengthy and is not appropriate for this article, a brief summary of academic thinking on this issue would start in the 1950s and 1960s with David McClelland (1953, 1961) and others focusing on personality traits such as achievement motivation. In the 1970s and 1980s various other personality characteristics were also associated with entrepreneurial aptitude and success, such as locus of control, risk-taking, problem-solving style, innovation, and values (Brockhaus, 1982; Hornaday & Aboud, 1971; Swayne & Tucker, 1973).

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During the 1960s through 1980s, a second approach to the understanding of entrepreneurial success focused on demographics (Robinson et. al., 1991). People with certain similar backgrounds were predicted to be more successful in business ventures than were others. Demographic factors such as family background, birth order, role models, marital status, age, prior work experience, and work habits were identified as predictors of entrepreneurial performance (Collins, Moore & Unwalla, 1964; Jacobowitz & Vidler, 1982; Sexton & Auken, 1982).

Both the personality traits approach and the demographic approach to explaining entrepreneurial success have received much criticism in recent years (Herron & Sapienza, 1992; Naffziger, Hornsby & Kuratko, 1994, Roberts et. al., 2007). Today no one approach or explanation is universally or solely accepted (Busenitz, 1999), and an examination of the literature will provide a variety of factors which may correlate with entrepreneurial performance. For example, Becherer and Maurer (1999) focus on certain behavioral patterns; Bird (1988) sees “entrepreneurial intention” as the most important factor; Robinson et.al. (1991) see “attitude” as the best explanation for entrepreneurial performance; Katz and Green (2007) concentrate on “the entrepreneurial personality” involving a variety of loose, non-psychological traits; and Roberts et. al. (2007, p. 5) see entrepreneurship as a “behavioral phenomenon involving “the pursuit of opportunity without regard to resources currently controlled.” Others have developed more complex models to explain entrepreneurial performance, such as Lumpkin and Dess’ (1996) “entrepreneurial orientation construct” and the “configurational approach” of Korunka, Frank, Lueger and Mugler (2003), both of which involve the total system of the entrepreneur, the company, and its internal and external environments.

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## CONCLUSIONS AND IMPLICATIONS

Regardless of how successful entrepreneurs are described or explained, and whether they are “made” or “born,” it is clear that some people have a better chance at such success than do others (Faris, 1999). Following the performance of Kozy Shack over the 28 years since the initial SBI consulting assistance, it is obvious that Vinnie Gruppuso was an entrepreneur, someone very different than most of the other small business owners who also received SBI assistance from Hofstra University in and around 1979. Those other clients are either still small or more likely are no longer in business. Whether Mr. Gruppuso’s success in the management of his company over time was the result of the SBI consulting assistance, his personality traits, his personal demographics, or some more complex “entrepreneurial orientation construct” or “configurational” situation, some combination of these factors is central to this success. And the absence of the right combination of factors is certainly part of the explanation for the other clients’ lack of “star” performance over the years.

If subsequent client performance and success are only partially influenced by the consulting assistance, what are the implications for Small Business Institute and other consulting programs? While SBI and similar consulting assistance can provide potentially beneficial recommendations that can lead to better small business performance, such assistance can have minimal impact on the *entrepreneurial propensity* of the client. SBI directors, instructors and students should not aim for creating client *stars* but rather should aim for client long-run survival and strong *small business* performance that meets the realistic expectations and objectives of the client. *Entrepreneurial* performance can only be expected occasionally. If a client exhibits entrepreneurial characteristics and propensity, then consulting efforts and objectives can be elevated and otherwise modified to suit this special opportunity. The SBI director can become more involved in the consulting process, the best students can be assigned to an expanded team,

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other faculty and university resources can be brought into the consulting case, and an overall extra effort can be expended. Certainly *star* potential is a rare and exciting occurrence in any SBI program and every effort should be made to take advantage of the opportunity.

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