

Asking the Right Question: Small Business and the Information Future

*Information makes the difference between a decision and a guess,
between success and failure, between wealth and poverty.
Knowledge is power.*

Andrew Garvin
How to Win with Information or Lose without It

Information—the only inexhaustible resource—has become as important to the entrepreneur as capital, labor and natural resources, the triumvirate historically viewed as the chief ingredients of our economy. Just as a scarcity of any of those three can sidetrack a small business, an information deficit can prove fatal to the businesses, which suffer an awesome mortality rate within their first five years. This article examines some of the information-gathering problems facing small businesses and suggests that a systematic approach to information-gathering will be increasingly vital to these businesses' survival.



but observers are repeatedly pointing a finger in that direction. Joe Lommer, who directs Atlanta's Service Corps of Retired Executives, flatly states: "A high percentage of new businesses go out of business and the No. 1 reason, and it's a harsh word, is incompetence."² He equates this incompetence with inadequate knowledge about running a business. The case also is stated emphatically by Gumpert and Timmons, authors of **The Insider's Guide to Small Business Resources**, when they claim that, "an entrepreneur who doesn't know what his or her options are is operating at a serious competitive disadvantage."³ And a Small Business Administration (SBA) source agrees that, "One of the greatest needs of managers of small business is to have adequate, accurate, and current information on which to base their decisions."⁴

Despite the good sense of these warnings, small business owners might still be inclined to shrug off information as something of a long-term luxury. For after all, doesn't their

²Quoted in Secret, *op. cit.* p. 1.

³David D. Gumpert and Jeffrey A. Timmons, **The Insider's Guide to Small Business Resources** (Garden City, N.Y., 1982), p. viii.

⁴Small Business Administration, "Marketing Research Procedures," SBA Bibliography No. 9 (April 1979), p. 2.

¹Dun and Bradstreet data, cited in David K. Secret, "Small Business No Small Feat," **Atlanta Journal**, February 21, 1982, sect. D, p. 1.

Acquiring information quickly and accurately is essential for small businesses, but the small business owner is generally not an information specialist. Asking the right question is the first step in an information-oriented approach to business problems.

survival follow Mr. Micawber's law? "Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery." It is in controlling income and expenditures that leeway for decision-making is minimal, and where information can make the largest contribution. As Gumpert and Timmons point out, "It's one thing to make an incorrect decision, but quite another to make an uninformed decision. . . . Decisions made out of ignorance can be disastrous, and are avoidable."⁵

For a simple example, let's talk apples and oranges. Imagine the restaurateur who budgets for these at a price only slightly above what he paid in September 1981. Depending on the volumes of fruit his business requires, he may have made a serious error. The information-conscious entrepreneur, rather than relying on routine, might have consulted one of the many fruit-price forecasts published since last spring's untimely freeze. Armed with these facts he can fend off unpleasant surprises on the expenditure side, adjusting either his budget or his menu to absorb the shock of price changes.

Payroll is another inevitable expenditure that bears heavily on small business survival, and which further illustrates the advantages of good information. Anyone who follows current events can vaguely anticipate the general course of wage trends. But the business person who actively ferrets out information on such wage-related topics as the health insurance industry and Social Security legislation can zero in on those specific areas where his business might need help.

Beyond planning a profitable response to economic events, the informed entrepreneur can have a hand in actually shaping them. Over 85 percent of the members of Congress who responded to a recent survey by **Nation's Business** affirmed that small business had a strong involvement in their campaigns and that its voice was increasingly heard. They offered this advice for using their clout to the best advantage: "Small business can also be more effective in seeking to influence congressional policy decisions, senators and representatives say, if their communications give

⁵Ibid.

concrete information on how they are directly affected by an issue."⁶ To do this, entrepreneurs must monitor closely issues that may have an impact on small business, and close monitoring involves gaining access to information.

The Information Future

If acquiring good information gives the competitive edge to a small business today, it will be essential for success in the near future. In the last half of the 1970s alone the number of components that can be fit on a silicon chip increased by a factor of 100. More than likely, this rate of progress will persist through the 1980s, "resulting in a 10,000-fold increase in performance for the same cost."⁷ This unprecedented growth in information processing and control is already ushering in what Alvin Toffler has dubbed the "Third Wave" civilization, one that engages predominantly in information-related activities, as opposed to the agricultural and industrial activities of the first two waves.

Information access will be democratized—not monopolized by Big Brother—in the envisioned Third Wave civilization. Sociologist Marie Haug shares this view of the information future. As early as 1975 she wrote, "No longer need knowledge be packed only in the professional's head. . . . It can be available not just to those who know, but also to those who know how to get it."⁸ Additionally, Toffler and fellow futurists perceive distinct socio-economic trends towards the customization of products and services, the ascendance of regional economies, and a scaling-down in the size of businesses. Together, these trends point to a uniquely productive and profitable future for the information-conscious small businessperson.

What is it that transforms information from a paralyzing burden to a vital business bonus? Above all, it is the attitude of the information's recipient. For example, the entrepreneur can submit to being bombarded by indiscriminate volleys of information in each day's mail, or he can develop a system for rapidly scanning and

⁶Michael Thoryn, "Small Business Speaks, Government Listens," **Nation's Business**, May 1982, pp. 38-42.

⁷Robert D. Hamrin, "The Information Economy: Exploiting an Infinite Resource," **The Futurist** (Aug. 1981), p. 25.

⁸Marie R. Haug, "The Deprofessionalization of Everyone?" quoted in William F. Birdsoil, "Librarianship, Professionalism, and Social Change," **Library Journal**, Feb. 1, 1982, p. 225.

seizing on whatever information has productive value for him. Similarly, he or she can passively worry about his business "problems" or can actively consider them to be "information needs." To state a problem as a need for information implies some confidence that the need can be met and incites the business owner to act. Just as a business problem can ultimately detract from the entire enterprise, a specific information need derives from the larger context. To meet that need well is to improve the business overall.

What is Your Real Question?

In *How To Win with Information or Lose without It*, Andrew Garvin emphasizes that you, the small business owner, should begin to think of an information need as a whole series of questions requiring answers.⁹ Garvin says the importance of articulating these questions in a painstaking, thoughtful manner cannot be stressed enough. Without the guidance of clear and accurate questions, he says it is unlikely that you can recognize the answers. To spend time and money on the crucial step of problem statement and question formation is to save time and money on the entire project and to ensure success. As an anonymous sage once wrote, "A problem without a solution is usually a problem which is put the wrong way."



Garvin outlines a preliminary question process which begins by asking why you need the information. You might, for instance, require voluminous data on trends in magazine publishing to bolster a loan application, or you might need a trade anecdote for a speech to your local chamber of commerce. To incorporate a statement of end use into your question directly points the way towards an appropriate array of sources and thus increases accuracy. You eliminate such futile steps as seeking

current data in an encyclopedia or an anecdote in an industry handbook.

For greater precision you next attempt to narrow down your question. Do you, for instance, really "want to know all about the wide-screen television," or do you specifically wish to know the state-of-the-art for color tube development? To ask the more general question will certainly muddy the waters, possibly turning up sociological studies on the importance of wide-screen television at the corner tavern!

Having specified the overall question, you might next break it down into component parts that will direct your research into discrete areas. Perhaps Atlanta's tavern market for wide-screen television is indeed your chief interest. In that case the sociological study may be a welcome find, but you will probably wish to venture into demographic, market, and industry studies as well. What are the characteristics of Atlanta's population? Who are your competitors in the field? What are the cutting-edge developments in wide-screen television technology? Taken together, the answers to clusters of questions such as these enable informed decision-making about your market as opposed to costly assumption.

Additional preliminary questions arise when you are relying on a librarian or other information broker for professional research. For example, at the start you should ask yourself the priority value of your information need. To return to our publishing example, hiring a researcher to find a particular *Life* magazine anecdote which you only dimly recall can mean a hefty expenditure of time and money. But if you clarify at the outset that nearly any publishing-related anecdote will suffice and that you are not delivering the speech for another three weeks, this can make a vast difference in the way the professional carries out the search, and hence in its cost. Likewise, to inform a researcher that you already have consulted several industry trade associations for data on growth rates for magazine subscriptions, and that you have found a per-capita expenditure figure for the Southeast eliminates wasteful duplication of this portion of the search. Furthermore, expressing what you have already found helps you to define what you really want to find (for example, per-capita expenditure on sports magazine subscriptions by state), which makes the search even more direct and economical.

⁹Andrew Garvin, *How To Win with Information or Lose without It* (Washington, 1980).

There is one more important factor in question formation. Regardless of whether you are carrying out the research yourself, or hiring a professional researcher, make sure you are personally involved. Failing to participate personally in negotiation of the question risks short-circuiting the entire problem-solving process. An unsatisfactory answer is nearly always guaranteed.

Finding the Source

And so, having framed preliminary questions to approach your particular need, what next? You can begin your information-gathering process by identifying where among the major business categories your question falls: the political, economic, social, and regulatory environment for doing business; the structure of your own industry, as well as that of your supplier and consumer networks; your competition; or management issues. While each of these categories may possess unique information sources, abundant general sources exist that can enable you to find answers to questions in any of the categories.

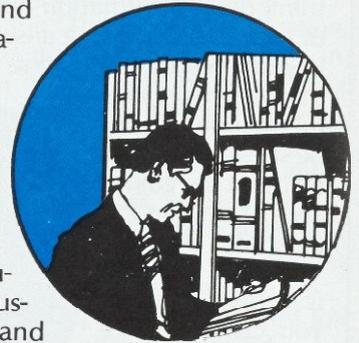
By keeping handy a few essential resources, like **The Wall Street Journal**, a good dictionary, an atlas, and an almanac, you can easily dispatch many of the quick factual questions that threaten to interrupt your daily business.¹⁰ For more detailed research, a wealth of resources abound and, with some sleuthing, can be readily obtained from the major information gathering and disseminating organizations: libraries and information centers; federal, state, and local government agencies; and trade and professional associations. Even if you have access to an in-house reference library or you plan to contract out your research to an information broker, an understanding of what resources are available and how to find them will assist you in planning any research project.

As Andrew Garvin reminds us, "rather than making any assumptions that might lead to failure, make the assumption that the information needed for success is out there somewhere and available at a reasonable

price. Then go look for it."¹¹ The best place to begin looking is the business section of the local public library. You can discuss your series of questions with the library's information professionals to determine whether what you need is already available in published form. In addition to its catalog, indexes, and bibliographies, your library may have access to computerized databases, which can yield literally millions of current references to publications on every imaginable topic from sweep accounts to shrimp farming. Even if your library does not own a specific publication that you need, a vast inter-library loan network can deliver the information to you within days.

Probably the largest publisher of all kinds of information is the U.S. government. Every federal agency produces a vast array of reports, studies, and statistical publications; each agency has its own cadre of experts in almost all industries. Of particular interest to the entrepreneur should be the regularly published industry market studies and reports available from the U.S. International Trade Commission (USITC), the Department of Commerce, and the Federal Trade Commission. The USITC's published report contained statistical data on production, shipments, capacity, and imports which any small businessperson in that industry would value highly—free for the asking. Similar market information can be obtained from time to time from reports of the CIA, GAO, Department of Justice, and from Senate and House Committee hearings. The Securities and Exchange Commission (SEC) maintains files on all companies with publicly traded stock; these filings are available to the public.

To help track down U. S. government information, two sources in particular are worth remembering: the *American Statistics Index* helps you find government publications on your subject; U. S. Federal Information



¹⁰Lorna M. Daniells, of Harvard University's Baker Library, recommends "A Basic Bookshelf" for businesspeople in **Business Information Sources** (Berkeley, 1976), p. 351+.

¹¹Garvin, p. 21.

“Knowledge of the general information resources available, together with mastery of question formation, can take you a long way towards solutions to present business information problems.”

Centers help find experts in a wide variety of fields whom you can contact directly. Federal Information Centers are scattered throughout the U. S. in strategic cities, and so you can most likely contact the center nearest you with a local telephone call. And, of course, the Small Business Administration is even more accessible. It should always be considered as a principal resource, for the SBA's job is to assist small firms in almost every way: by providing counseling, educational publications, and seminars on small business management; by assisting with locating fair credit terms; and by providing financial aid. Even closer to home, state and local governments furnish valuable information, particularly on regional issues. Although the names vary, each state has an agency for promoting commerce and industry within the state. There are even agencies devoted to one particular industry, such as the Georgia Film Commission.

SEC reports and other common sources abound for facts about publicly held companies. The small business owner, however, is probably concerned with privately held companies when tracking competitive information. Each state's secretary of state's office has annual reports, articles of incorporation, and other information on companies incorporated there.

Industry, trade and professional associations are excellent sources of information covering every imaginable special interest group. Still interested in publishing statistics? Try the Magazine Publishers Association. Need information on the market for a new carbide drill bit? Call the Cutting Tool Manufacturers Association. Want some background on the horseradish industry? The National Association of Horseradish Packers should be able to help. The *Encyclopedia of Associations* (Gale Research) offers convenient access by key word of the organization's name to over

15,000 groups, their membership, services, and publications.

In addition to the association in your own field, you may wish to investigate and join one of the many associations dedicated to small business concerns, such as the International Council for Small Business, the American Federation of Small Business, or the National Small Business Association.¹² These groups can help you cope with small business's special problems by offering lobbying assistance as well as information on regulations, methods of handling operational problems, and other issues. Of particular importance, say Gumpert and Timmons, is the fact that “small business organizations can help relieve the sense of isolation many entrepreneurs feel. Through their publications, meetings, seminars, and other functions, they bring small business owners into contact with each other.”¹³

Knowledge of the general information resources available, together with mastery of question formation, can take you a long way towards solving present business information problems. But the same process of controlled questioning and answer-seeking—your information-gathering system—can have a significant bearing on the future of a small business. The skills it develops can strengthen planning and budgeting skills as well. The challenge of the information future is now upon us. Preparedness for that future will position the small businessperson to seize its unique opportunities.

—Cynthia Walsh-Kloss
and Leigh Watson Healy

¹²In addition to the associations listed in the *Encyclopedia of Associations*, you may wish to contact some of the regional small business associations listed in *The Insider's Guide to Small Business Resources*.

¹³Gumpert and Timmons, *Insider's Guide*, p. 344.