Small Firms Are Taking Lessons From College Kids

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Small-business owners are quietly seeking advice from an unlikely class of consultants: college kids.

Business students are proposing layoffs, charting sales strategies and revamping accounting systems. Some even charge for their services, and almost all are turning away clients.

It's a simple exchange. Small companies, eager for cut-rate help, offer a window into real-life business problems. Students offer surprisingly astute advice—and get course credit.

"It's amazing, but the chemistry generally works," says Don Bradley, head of the Small Business Institute program at the University of Central Arkansas. "And I couldn't begin to teach the things [students] are learning."

The programs have slowly gained respect as an affordable nationwide consulting resource. "After 30 years in the business, I figured, 'What the heck could these people tell me that I don't know?'" says Frank Perrotta, who recently received expansion plans and market analysis for his jewelry firm from two students at the University of Cincinnati. "But they really opened my eyes."

Educators estimate that there may be as many as 1,000 U.S. colleges and universities with student consulting programs in classes and after-school clubs. In a routine arrangement, three to five senior or graduate business students are assigned a company to advise, ranging in size from startup to $20 million in sales. In most cases, the companies get the advice free.

About 50% of the programs are the legacy of a Small Business Administration pilot program to help "S.B.A. basket cases," companies that defaulted on S.B.A. loans and couldn't afford any other consulting help.

"A lot of companies would go out of business before the semester was over," says one director from those early days. "They were all in trouble."

Today, with universities offering an expanded entrepreneurial curricula, company confidence in the student consultants has grown. Many concerns that are seeking help from the SBA sponsored Small Business Institute programs are not in dire trouble, but just looking for an inexpensive source of advice and research.

Playing Hooky

Students, many of whom have entrepreneurial aspirations, often are jarred by what textbooks leave out. The idea of running a business "has mythical proportions until you get on-site and see how big a stake the owner has in the day-to-day operations, from executive decisions to someone cleaning the bathroom," says Charles Matthews, who heads the SBI program at the University of Cincinnati. "The students respond to that. It's the strength of the program."

But the programs can have problems too. Douglas Nafziger, SBI director at Western Illinois University, recalls one student on a team who rarely showed up for class. A nurse's only experience had wanted a new marketing program had given the student all his past financial records. The student, who later said he had been working on the project at home, didn't come to several classes and didn't have a telephone.

The impatient owner finally told Mr. Nafziger: "Let me have my stuff back. It's a deal."

Mr. Nafziger is quick to point out that these incidents are rare, and that 80% to 90% of his clients come back later seeking more advice. But several schools report that in some cases, after students and clients meet for the first time, clients mysteriously break off connections.

"It's a heck of a hard pill for some of these guys to swallow," says Mr. Bradley of the University of Central Arkansas.

Students aren't always initially comfortable in their consultant roles, either. A student of the University of Montana recently confided in Dick Dailey, the SBI program director, that his clients didn't exactly treat him as a professional: When the student called to set up an appointment, the client yelled to a partner, "It's those kids from the university again."

But students generally say they hold their own with small-business owners. A company "may know a lot about the dress-up business, for instance," says Christopher Mann, part of the Small Business Consulting Group, a student club at Columbia University. "But they don't have a lot of information on finance and planning, and we can give that to them, even though we're 20 years younger." The club charges a $100 assignment fee and between $10 and $12 hour.

Many universities say they could see a double their caseload if they had the money. But in recent years, the SBA has steadily cut allocations for the programs because of federal budget slashing.

Aside from financial woes, many program directors say they must sacrifice tenure if they become too involved in the programs. They say the American Assembly of Collegiate Schools of Business, which accredits business schools, gives more credence to published works in top-tiered research journals, and frowns on service programs.

Mr. Dailey, at the University of Montana, says he left another school because the AACSB and some senior faculty looked at it as a "second-class program." Echoing the sentiments of many SBI directors, he says: "It's purely elitism."

Nonetheless, campus consulting groups continue to grow, fed partly by clients eager to avoid joining the ranks of companies in trouble. Says Michael Ames, an SBI director at California State, "These owners are looking for whatever way they can not to be one of those statistics."