

Maslow's Hierarchy and the Intertwined Relationship between Community and Small Business

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Abstract. In this article, the authors modified Maslow's hierarchy of needs to the maturation process of small firms and community development to better understand motivations at different stages of growth. By utilizing the proposed adaption of Maslow's Hierarchy of Needs Model, economic developers can better anticipate the needs of small businesses in their community, thus a collaborative environment can exist promoting small business growth and an appealing location for new firms. In this manner, economic developers can be proactive rather than reactive to the next crisis or opportunity. The audience and users of this analysis are local economic developers attempting to increase growth and diversify of their small firm portfolio.

Keywords: Community Development, Economic Development, Small Business, Maslow

1. Introduction

Abraham Maslow's 1943 article: A Theory of Human Motivation, presents a hierarchy of needs that can be modified to include other entities than just human motivation. The topic has utilized in business literature and has a long history application. Furthermore, Maslow's hierarchy can be used to better understand the relationship between small businesses and the community.

In this work, the authors have attempted to adapt Maslow's hierarchy to the maturation process of small firms and community development. The purpose is

to better understand motivations at different stages of growth. This paper utilizes Maslow's hierarchy to better understand small firm growth and how communities might better serve the needs of businesses during this maturation process.

By understanding the needs of small businesses, local economic developers might be better able to tailor the strengths of their communities to the needs of small businesses. The audience and users of this analysis would be local economic developers attempting to increase growth and diversify of their small firm portfolio.

Small businesses represent a large portion of the United States economy. In the United States over half of the working population is employed by a small business and since 1995, 65% of new jobs have come from small businesses (Nazar, 2013). There is also literature to support a link between employment growth gains and small firm concentration (Zimmer, 2013). The small business administration (sba.gov) provides requirements for the classification of a small business, but it is often accepted that small business is defined as those with less than 500 employees (Nazar, 2013). It is estimated that there are approximately 28 million small businesses in the United States (Nazar, 2013). With such a large portion of the economy in the United State tied to small businesses, it is important to understand the development and resulting needs of small businesses as they relate to a community. This paper extrapolates Maslow's hierarchy of needs to small firms and a community's role in the economic development of those small firms to better understand the roll of communities' ability to service these needs.

To accomplish this purpose, the paper will provide a description of Maslow's original hierarchy of needs, a new description of the hierarchy of needs as it pertains to a community's support of small business, and future research moving forward to better understand the relationship between small business development and community development as it pertains to small business support.

2. Maslow's Original Hierarchy of Needs

2.1. Physical Needs

Maslow's original hierarchy of needs were aimed at individual motivation. Food, water, and shelter fall into Maslow's Physical Needs category as they are the most basic needs of an individual. Maslow (1943) does not necessarily make a list of the most basic needs because they are so prevalent that it would

be impossible to list them all. However, Maslow's contention is that an individual cannot move on to the next step in the hierarchy until these most basic needs are met.

If someone does not have shelter, for example, their need for shelter will override the need for safety. Under the physical duress of survival, a person may resort to illegal means, without regard to the consequences, because the most basic needs are so great. Once the most basic needs are met, according to Maslow, there are new needs that arise.

2.2. Safety Needs

Once the physical needs of an individual are met, the need for safety presents itself as the next need in Maslow's Hierarchy. Individuals have an inherent need to be safe, as illustrated by Maslow in the description of infant behavior. Maslow noted that even at birth, infants thrive with rhythm or routine to indicate that they are safe. Further evidence of the need of safety is witnessed in adult society by a general desire for stability and tendency towards risk averse behavior.

Maslow's contention is that an individual cannot move on to other needs in the hierarchy until the safety need is met and will use this need of safety to drive their behavior (Maslow, 1943). Maslow finds that a community that is run well and is generally peaceful can serve this individual need of safety, but if a community has a high crime rate or a lot of disease then the safety need may not be met. If the safety need is not met, it would likely drive behavior

2.3. Love Needs

The need for love is next on Maslow's hierarchy. Assuming that both the physical and safety needs are met, the next need that will drive an individual's behavior is love. Maslow finds that individuals want to feel loved and feel like they belong. The need for love can be gratified if an individual feels like they belong and that they are shown affection. In other words, the need to have friends can drive behavior.

Maslow interestingly discusses that love at one time was not a need and one may have sneered at the need for love. The reason that love is not always a need is because the physical needs and safety needs can be so great the need for love is so distant it is unimportant. However, once the physical and safety needs are met, the need for love will likely drive an individual's behavior.

2.4. Esteem Needs

Once the previous three needs are met, the next need that an individual has is a need to feel good about themselves, and that need will drive the individual's behavior. Maslow (1943) separates esteem needs into two categories such as (1) the need for independence, strength, and achievement, and (2) the need for reputation, appreciation, and/or prestige (Maslow, 1943). When the esteem need is not achieved, it can lead an individual to feel weak and/or inferior to other individual, which can lead to lower productivity and be rather disruptive.

2.5. Self-Actualization

Once the previous four needs are gratified, the final individual need that will drive behavior is an individual's need to be all that they can be or self-actualized. In Maslow's own words to achieve self-actualization: "What a man can be, he must be." (Matterson and Ivancevich, 1999, p. 267). Once an individual reaches this stage of the hierarchy, they will have a need to mature and achieve what they find to be possible.

3. A new description of the hierarchy of needs as it pertains to small businesses and the ability of a community to accommodate these changing needs.

Taking a classic theory of human motivation and extrapolating it to the maturation of small businesses can be a challenge and fraught with differing opinions. However, with small businesses representing such a large portion of the economy in the United States and local economic developers increasingly courting small businesses, developing a better understanding of small business motivation is warranted. In the following paragraphs Maslow's original hierarchy is redefined in the context of small businesses and community economic development.

Idea generation is the first step in small firm development. The ability to identify quality ideas and either import them or grow them organically from within is often a function of the community. The community should be a desirable place to live while also fostering a robust business environment. Access to educational institutions, a highly knowledgeable workforce, and good community life could assist in fostering idea generation or entice early state companies to move to a specific community. Part of the idea generation process is properly identifying customers for the product. Matching product to

customer also assists in helping identify the good from poor ideas. Improper alignment between even a good idea and its targeted customer base can impede growth. A community can assist with the link between small firms and their customers by maintaining proper infrastructure and fostering events with local businesses to help in their outreach to business clients or the general public.

Once a good idea has been identified, a small firm begins a growth process during which it will require various needs. The needs will differ depending on the stage of maturation of the firm. A community could better predict the needs of local businesses by extrapolating a variant of Maslow's model to small firm growth and community economic development. A community better able to predict these needs and having appropriate responses could be increasingly successful in growing and attracting small firms.

3.1. Physical Needs (Basic Survival)

Many early stage firms struggle daily for basic existence. Their physical needs are of paramount importance as they attempt to push through this period of survival. The needs in survival stage can be characterized as physical. First, small firms need ample access to capital, a quality workforce, and space in which to operate. Communities which do not allow for easy capital formation or provide a quality workforce will quickly starve early stage companies. Likewise, these companies often require location in which to make or sell their products.

While communities are often constrained by budgetary concerns, they can often be creative in helping to foster relationships in order to get these needs fulfilled. For example, a community may not be financially able to subsidize commercial loans to assist with capital formation, but they could bring together local lenders with the small business community to facilitate better communication and work to reduce bureaucratic obstacles in securing credit. A community can highlight the benefits of its workforce and initiate programs to better align the abilities of its workforce with the needs of companies. Finally, communities can help businesses secure adequate production or retailing space. If vacant facilities exist, providing short term leases at reduced rates can provide positive opportunities for businesses and communities alike. From the community perspective, it can reduce plight and the businesses have a short period to get established before gaining independence and moving to a more permanent location.

3.2. Safety Needs (Stability)

Firms, both large and small, prefer a stable environment. Business activity is predicated on the assumption of expectations. Instability has the capability to distort these expectations and retard business activity. Potentially with fewer avenues to capital reserves, small firms are particularly vulnerable to volatility and seek the safety of a stable environment.

A stable environment is provided by the strength of institutions within a society. These institutions are a broad representation of many organizations within a community. A strong bank or banking sector is required for access to capital. Adequate legal recourse is needed as companies must be confident that if they engage in contractual agreements, these agreements will be enforced by authorities. Legal protection of property rights (both physical and intellectual) must be secured. Corruption should be minimized as it adds to uncertainty and reduces business activity. Communities should also provide a diverse and educated populace. Ensuring a well-rounded community will be attractive to people and businesses alike, ensuring a stable and productive atmosphere.

3.3. Love Needs (External Focus)

Firms which are successful will eventually grow and thrive. For these companies, basic survival and stability will become less of a concern as their needs evolve from safety. Firms will begin to move away from insular considerations and refocus their efforts externally. This outward approach will seek social access to customers, supplies, colleagues, and local community leaders. Helping companies build these relationships in this stage of firm development is critical for local communities. Current technology eases these efforts considerably while also providing many different avenues to pursue this type of engagement. Most importantly for local communities, most of these activities can be pursued with only minor associated monetary costs. The cost is the effort required to consistently and actively engage in events to foster these types of linkages and facilitate the building these relationships.

3.4. Esteem Needs (Interdependence and Acknowledgement)

The next set of firm needs is derived from increasing independence and acknowledgement. In the early stages, a firm's desire for social interaction was more self-serving and aimed at the desire to grow. After a period of growth, however, these social interactions are still desired, but the motivation of these interactions will change. Increasingly, the firm will want to be acknowledged as an equal party to the exchange, or even possibly and a mentoring agent for

newer upstarts. Small firms in this stage are likely beyond their breakeven point and possibly enjoying significant financial success. They have achieved economic strength and achievement as an organization, and are less beholden to outside influence. They desire recognition for this achievement both within the industry and the greater environment in which they operate.

Locally, economic leaders can help fulfill this reputation need with local recognition and ongoing local contact. This is not a monetary need as much as recognition by local officials. This type of acknowledgement requires effort on the part of economic developers even though tangible benefits of these efforts are difficult to quantify. While often easy for local official to spend their time with larger firms in the community, it is important for local officials to consistently acknowledge the importance of small businesses and the role they play in the community. They should stress the symbiotic community benefits that can be afforded joint partnerships between local officials and small businesses.

3.5. Self-Actualization (Economic Diversity)

Once the needs of small firms have been acknowledged and fulfilled, small firms can flourish and achieve their potential. The benefits of a strong small business community is the increase potential of employment growth (Zimmer, 2013). A community with a strong small business environment will also have less industry concentration and a more diverse economic portfolio. Ideally this community economic diversity would reduce the un-systemic (or portfolio) risk facing the community in the future.

Further benefits of a robust small firm environment include the ability to capitalize on these firms to expand or promote additional small firms (either organically or lure them into the community). Spatially, firm growth tends to cluster. It is therefore more efficient to help grow existing small firms than constant promotional efforts. Additions will occur by cultivation what already exists, not by spending all efforts trying to seek them. In marketing literature the efficiency of trying to maintain existing customers rather than trying to attract new customers is well known. According to Daly, it cost 10 times more to attract a new customer (Daly, 2001, p85). Moreover, by maintaining a customer base, one would have more customers utilizing products longer, thus lifetime value is increased. When there is a higher lifetime value, then brand loyalty is increased. The same rule can be applied to economic developers in relation to small businesses. Constant contact is vital. Luring customers to a

community and forgetting about them will not succeed. Building a robust small firm environment will attract new businesses and expand existing small businesses.

4. Conclusion

Using Maslow's Hierarchy of Needs Model, economic developers can better anticipate the needs of small businesses in their community. In doing so, a collaborative environment can exist promoting small business growth and an appealing location for new firms. In this manner, economic developers can be pro-active in their jobs rather than reactive to the next crisis or opportunity. Better understanding of the needs of small firms and the community's ability to meet these needs, the economic developer can better anticipate needs and provide solutions.

Once beyond the early stages of firm maturation, many of the firm needs are non-monetary. These needs require considerable time and effort on the part of economic developers and the understanding from officials that tangible results from these activities are difficult to quantify. However, if successful, in total these actions will promote economic and employment growth for the community. Future research opportunities in this line of study are numerous. Linking effective small business growth and community strengths to help foster this growth is of considerable interest to local development specialists. Empirically testing potential factors on small firm growth influence can add significantly to existing research.

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