

# MAINE STATE LEGISLATURE

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**ASSESSMENT OF SMALL BUSINESS  
SERVICES  
STATEWIDE COORDINATION AND  
RECOMMENDATIONS**

**Prepared for:  
Maine Department of Economic and Community Development**

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## **OBSERVATIONS AND RECOMMENDATIONS BUSINESS ASSISTANCE THEORIES**

### **1. COOPERATION/COLLABORATION**

Interviewees were asked how important cooperation/collaboration was to the success of small business and were given collaboration models ranging from very informal to MOUs and contracts.

Observations: Economic Development Council of Maine (EDCM) members, on January 29, 2002, identified “better coordination of programs” as the top priority. The great majority of the interviewees favored cooperation and collaboration and were planning more. In the CBER business service provider survey 85% of the fifty-seven respondents stated they believed strongly in collaboration. Only seven were moderate or neutral. Of fifty-three respondents 51% said collaboration would improve their funding sources, 47% said no funding impact and only 3% felt collaboration might endanger their funding. Reasons given in favor: it raises the visibility of all service providers, it brings different perspectives on a business problem, no one organization has enough resources or expertise, recent grants both state and federal are requiring more collaboration, it provides greater concentration of skills and services to the business.

Barriers to collaboration mentioned were: client referrals often get lost, split credit for funding partners, communication problems and a lack of awareness of the specific programs and services of other providers, federal contracts often verbalize support of collaboration but the funding and performance metrics often come in silos, time to arrange, pressure on individual agency branding.

Best collaboration starts naturally between people and organizations sharing similar goals, who are not directly competitive and who want to formalize responsibilities and expectations while recognizing that the small business client is the greatest benefactor. Most felt funding partners should encourage more collaboration through contract encouragement, but not require it.

✓ Some duplication and overlap was mentioned, but not as a major problem. This and the extent of natural collaboration that is taking place were a pleasant surprise to this investigator. Far more significant is the small population of small businesses that the public service providers are assisting. For example, the SBDC in calendar 2001 served 2,168 counseling clients and 1,158 training clients (3,326 total). This is likely one of the largest annual client bases. Yet it is only approximately 1% of Maine’s small businesses.

✓ In the CBER survey the mean number of clients served in the past year was 343. Even discounting the low averaging effect of the twelve providers (21%) of this survey who identified lending—a low number of client activity—as their single

✓ distinctive competency, the likely total clients served by all Maine providers, eliminating duplication, is probably less than 6% of the small business population.

Clearly the challenge is not to lessen duplication, it is to collectively serve more clients.

### Recommendations

✓ Even though fairly extensive now, cooperation/collaboration/coordination of business services can be dramatically increased and improved for the benefit of Maine small business and for the clarity of all concerned.

It must be top down from the Governor and commissioners, especially the DECD Commissioner and be stressed continuously in cabinet deliberations, in the state's Annual Economic Development Strategy and be strongly encouraged, but not required, in contracts between agencies and funding partners. With federal or regional organizations where no performance contracts exist with the state, collaboration/coordination must be developed and encouraged by leadership. The recent very successful collaboration between DECD and the Small Business Administration (SBA) is a fine state/federal model. DECD and Housing and Urban Development (HUD) and DECD and Rural Development coordinate well but could be much more effective if field specialists in each organization know much more about each other's programs and services. For example in FY 2001 USDA Rural Development contributed \$110,363,839 to the states rural economy and leveraged another \$20,044,396 with partners. Yet how many SBDC counselors or Business Development Specialists know about Rural Development and its Loan Guarantee Programs that might uniquely fit certain of their clients? Similarly Maine Farm Credit is a major financing source to natural resource businesses, but little understood by most service providers.

Collaboration/coordination must also be bottom up. Here local and regional relationships develop more naturally around a common need. There are fine examples such as the teaming of SBDC, DECD Business Development Specialists, Manufacturing Extension Partnership (MEP) and Maine International Trade Center (MITC) specialists at several of the Development Districts; One Aroostook Marketing Group, Eastern Maine Development Corporation's (EMDC) Quarterly Round Table, Entrepreneurship Working Group, Rural Microenterprise Assistance Partnership Program, Incubator Without Walls, and the Waldo County Cooperative Extension-led Mid-Coast Business Conference. This March 30, 31 2001 event involved 20 sponsors/committee members and offered 35 workshops, almost all conducted by area small businesses. A further example of local collaboration is between the Growth Council of Oxford Hills and Community Concepts where they cross-bill for shared time on loan packaging.

One of the most effective ways, according to interviewees, to foster cooperation and lessen confusion and overlapping of services is to encourage all service

providers to create and share mission statements, distinctive competencies, and definitions of targeted client groups. Mission statements might be reviewed by DECD and suggestions offered to increase obvious collaboration and lessen duplication.

Cross-agency communication and awareness of other services is a challenge well handled in Arizona where the Governor's Small Business Advocate several years ago began a quarterly brown bag lunch meeting of small business providers. This has spread to all population centers in Arizona and according to the SBDC State Director, Michael York, "it's a very effective way to get the word out on new programs, etc....it just boils down to who knows and trusts whom...this is a single, straightforward way to build these relationships."

The Governor's office in Alaska has done the same thing with excellent results in lessening duplication and increasing collaboration.

The Utah Business Resource Network (UBRN) is a joint venture of federal, state, and non-profit business assistance programs which works to gain economies of scale and lessen duplication through close communication, partnering and coordination. Its skill in managing and leveraging services and resources won UBRN a "Five Star" award, the highest national award given for Community and Economic Development.

Rhode Island's Business First program formally links 30 agencies and 14 chambers in a program that has "no wrong door" for the business.

It is strongly recommended that Maine reinstate quarterly service provider meetings in differing regions, involving state, federal and local service providers and featuring not only explanation of programs but collaboration success stories. Maine should investigate some of these successful collaboration models.

It is suggested that a new program, Mainebusinessworks, be announced and promoted in regional meetings with all the Economic Development Partners listed in the Maine Economic Development Strategy, January 2002. Some visits to key federal and state partners by the DECD Commissioner and Director of Business Development are also recommended to jump-start this program.

Maine Business Works ([www.mainebusinessworks.org](http://www.mainebusinessworks.org)) is a six year old portal or electronic gateway to Maine's on-line business and economic development resources. It is a collaborative effort of DECD, SBDC, USM (CBER), Maine Economic Development Districts Association (MEDDA), Central Maine Power Company and United States Department of Agriculture (USDA) Rural Development.

The nucleus of the Mainebusinessworks Program is to build a brand encompassing all service provider programs and to create one seamless (to the

considerable specialized expertise that already exists. The Mainebusinessworks Program and the mainebusinessworks.org linkage system can greatly accelerate that access. Easy electronic access to the extensive SCORE expertise is a good example of potential significant capacity increase. Even more significant capacity increase will come from electronic inventory and sharing of expertise among agencies. Continued professional development by service providers is, of course, vital and should be part of each organization's mission.

#### **4. MEASUREMENT OF ECONOMIC IMPACT**

The question asks the interviewees if they agree with increased accountability of business assistance programs and if higher economic return programs should be favored, possibly at the expense of lesser return programs.

Observations: *Fortune* (magazine), June 10, 2002 reporting on President Bush's Management Agenda—an ambitious program to trim government fat and gain greater efficiency—states that the agencies themselves must develop their own measurement standards and have strategies to produce measurable results.

A March 2001 report from the Association for Enterprise Opportunity, "Role of Microenterprise Development in the U.S." stated, "Performance standards must move beyond 'output' such as business starts to 'outcomes', including business survival and income 'produced.'" \*

Several interviewees were uncomfortable with this question stating fear of funding cutbacks if they continued to measure just outputs. Many do not know how to measure outcomes.

#### **Recommendations**

The strong consensus was that all service providers must significantly improve their capacity to measure economic outcomes not only for the sake of the taxpayer, but also for program improvement. The state's Economic Development Strategy should include this as part of the Mainebusinessworks Program. Brief core question surveys and phone or electronic interviews are the best way. Clients are more likely to cooperate if alerted to the likelihood of surveys at the beginning of the relationship. The Margaret Chase Smith Center at the University of Maine and the Center for Business and Economic Research at the University of Southern Maine provide sophisticated survey capacity. The University of Maine Cooperative Extension, MEP and DECD's Office of Tourism are good models of impact measurement. The National Association of SBDCs uses one well-refined

\*"The Role of Microenterprise Development in the United States", March 2001, Prepared for the International Labor Organization, Geneva, by the Association for Enterprise Opportunity, Arlington, VA.

survey to all clients receiving five or more hours of counseling nationwide and compares that data with the individual states' economies for the same period. The cost is \$1,500 per state. The SBDC impact data is both reliable, believable and quite impressive. It would be easy to modify this survey for other agencies and use it in the same way.

It is further recommended that the major business assistance providers begin to measure preservation of capital, in other words, mistakes averted through good counseling. There are two distinct advantages by doing this: it will show a huge number and it will be a meaningful moral boost to counselors who often spend 20-30% of their time in the gentle art of dissuading without any apparent positive economic impact.

## **5. GROWTH ENTREPRENEURS**

The question asks if the “more likely to succeed” entrepreneurs should be favored over the “less likely” clients.

Observations: Responses ranged from “services should be available and equal to all” to “we have a responsibility to the taxpayer to favor the more likely to succeed.” Most felt it was likely and proper to prioritize the “more likely” due to the higher expectations for economic return and increased intellectual challenge. Some argued that agency mission drove the question i.e. a high socio-economic mission of getting people off welfare would favor concentration on that group rather than the “more likely” as the latter would probably make it anyway.

### **Recommendations**

The state's Economic Development Strategy targets industry sectors. These should have concentrated business assistance services. The Mainebusinessworks strategy cannot openly encourage prioritizing the “more likely” at the sacrifice of the “less likely” group. However, it can direct and/or encourage providers to increase pre-screening and self-screening out and help create a ladder of entrepreneurial assistance where milestones reached triggered further assistance. In other words, keep raising the bar slightly. This tactic will tend to favor the “more likely” entrepreneurs.

Strategy involves choice and choice involves at least partial exclusion. Maine's strategy has to favor, at least slightly, the “more likely” group as all business service providers are fundamentally in the economic development business.

## **6. MENTORING AND NETWORKING**

The question asked providers if and how they encourage mentoring and networking among small business clients.

program. It should not be too difficult to attract volunteer seasoned business leaders and pro-bono educators to develop and test such a program. It should include a large number of peer small business as the Muskie small business survey indicated that “other small business operators” was the preferred source of advice (65%), “family and friends” next with 56%.

Delivery could be conventional classrooms (evenings) with heavy reliance on the case method of instruction or through revolving boards of advisors (not boards of directors due to liability issues) who would visit a company on a regularly scheduled basis. Makeup of the advisory boards could be adopted to the companies’ needs or tailored to the industry sectors being targeted in the state’s Economic Development Strategy.

It is further recommended that an approach be made to the Kauffman Foundation or perhaps the Ford Foundation or Rural Policy Research Institute, for seed funding to jump-start a mini Fast Trac-like program for entrepreneurial managerial development. The need is huge.

## **10. FINANCIAL SUPPORT AND CONTINUOUS COUNSELING**

The question asked if clients who receive above normal business services, i.e.: loan guarantees, grants, Governor’s Training Initiative, federal or state financing, extended hours of counseling, etc. should be required to have regular fiscal checkups for their and the taxpayers’ benefit.

Observation: Interview responses ranged from “once the service is rendered the state or federal government has no further responsibility or authority and should require nothing of the client” to “absolutely, the business should be required to get regular fiscal check-ups for its own benefit and to protect the tax investment.”

### **Recommendation**

The consensus was that recurring counseling/checkups should be encouraged but not required. This is the recommendation for clients receiving extra services with the proviso that it be communicated at the beginning of the client-counselor relationship and the client would be free to choose his/her source of assistance including private sector. Some felt if the suggestion was successfully pre-sold at the beginning, the client, once economically successful, could be encouraged to “pay back” by peer counseling or mentoring other small businesses.

✓ Some providers such as SBDC have a 120-day follow-up postcard offering further assistance. Revisits often reach 30% of those clients mailed. If all providers did this, it would prevent many “high investment” clients from slipping into real trouble, yet would be entirely voluntary. Many clients return to their counselor year after year and their survival and success rate proves the wisdom of doing this. It needs to be encouraged much more strongly than at present.