



**2010 VISIT THE USA TO RESEARCH DIFFERENT APPROACHES TO
THE PROVISION OF BUSINESS SUPPORT AND ADVICE**

**ALSO HIGHLIGHTING ANY DIFFERENCES IN THE PROVISION OF
SERVICES TO WOMEN & MINORITIES IN THE MICRO TO SME
BUSINESS**

2010

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INTRODUCTION

In 2010, my Churchill Travel Award enabled me to travel to Sacramento, California in the United States of America to research, the US approach to the provision of services to the micro and small business community. My reason for doing this was to identify any common trends, and more importantly discover differences in approach, and where possible take away practical examples which could support the development of the current practice in the UK. As the founder and Director of a micro business, delivering services to the micro business sector for the past 12 years or so I knew this area of research would strengthen mine, and my associates and colleagues and the wider business support community in the UK.

In 2009 the UK Government laid out its “simplification agenda” in an attempt to streamline current service provision, and enable the business community to access information that is consistent and relevant, through efficient and effective processes. In 2010 the UK had a change in government and further modifications in relation to the role of national business related agencies like Business Link are still being ratified.

The Micro and SME community in the UK are serviced by a system which is “not joined up” and where services for micro and small business start up and growth are financed periodically, through various public sector sources, and the content and approach varies from one small geographical area to another. Beneficiaries usually need to fall into particular post code areas or borough boundaries as dictated by the funding source. In addition, there are private companies that assist with company formation, advice on taxation and various aspects of Business Start Up and Growth. However this report examines the role that government has in the development and sustainability of business development advice and support. The focus is on my findings in Sacramento, California and relating that to my knowledge of the UK.

METHODOLOGY

My first attempt in finding relevant agencies to visit in the USA was to ask people that I know who live there how they would get support in starting or growing a business. Second thing I did was to follow through on their suggestions, and use internet search engines to locate agencies. I tried to make contact with various branches of the Small Business Administration in the USA and also with other types of agencies dealing with more specific areas of business such as procurement, women and minority businesses.

I was introduced to Anita Johnson via email through a mutual contact. Anita had a desire to lecture in Finance at a university in the UK and wanted an introduction to a UK university. This I did and in so doing told her of my intention to visit the USA and the nature of my research. I then discovered that she is Chairperson of City of Sacramento Small Business Development and Employment Advisory Board. She became a link for me in Sacramento, California. She also invited me to speak to her colleagues on The City of Sacramento Small Business Development and Employment Advisory Board Meeting. Leading on from this I met the Mayor of Sacramento.

The people I met in Sacramento in the course of my research at Small Business Administration [SBA] and The City Office were most welcoming and responsive especially after I explained to them the purpose of my visit and who my sponsors were. I therefore decided to focus my energies within that area. It seemed as good a sample of what is available in other US states. I met with several key individuals responsible for the administration of small business development in Sacramento and in the state of California generally. I was therefore able to meet my objectives in determining similarities and differences in service delivery within London and Sacramento. I examined how the service is funded, planned, developed and delivered.

At the heart of this visit for me, and with the support of the WCMT is the opportunity to develop my own skills, knowledge and experience. To also share instances of best practice and increase awareness in the UK of what is essentially done differently in the USA, and give some indication of why that is so. I would also like to thank the Winston Churchill Memorial Trust for giving me the opportunity to travel abroad and conduct this research. Equally important and vital to the success of my trip, were the people who gave up their time, to meet with me and were willing to invite me to planned events, and who also created opportunities for me to speak to them, about my work in the UK. To those people I am grateful, as their support enabled me to learn what I needed to, and also experience firsthand, the service that is available from some agencies through participation.

I visited and eventually joined the library in Sacramento in order to spend days there researching published reports and identifying agencies that provide business advice, training and support locally.

The people named in appendix 1. I communicated with, either in person or on the telephone or via email.

FINDINGS

USA

The significant finding in relation to the USA is that there is a national strategic body, the SBA Small Business Administration which was established since the 1950s in the aftermath of the Vietnam War, to ensure support to returning veterans wishing to establish their own business and become economically active. This has enabled the USA to incorporate a system, which on the face of it, is able to manage all strands of business support by taking a helicopter view of business requirements across the spectrum of needs.

The USA tends to have national, city and state wide organisations delivering services. SCORE [Service Corps of Retired Executives] for example, is a body of retired executives who volunteer their time and expertise as volunteer business counsellors to provide confidential counselling and mentoring free of charge. Additionally SCORE provides training and resource materials for businesses throughout Sacramento and the surrounding region. A minimum fee is charged to cover the costs for venue hire in the production of business start up workshops.

The Small Business Administration [SBA] exists to support the provision of Business Consulting & Training and provides funding to the SBDC and a range of other resource partners in order to ensure that the business community has the tools it needs to contribute to the USA economy in the development and sustainability of successful businesses. The team at North Eastern California SBDC reflects people steeped in entrepreneurship, and most are serial entrepreneurs with specific areas of business specialism such as retail, finance, industry specialism, or Business specialism like marketing or accounts and taxation for example.

The Sacramento SBA District office is responsible for the delivery of the SBAs many programmes and services. The hours of Business are 8am to 4:30pm Monday to Friday. Financial assistances for new or existing businesses through guaranteed loans made by area bank and non bank lenders. Free counselling, advice and information on starting, better operating or expanding a small business through Sacramento SCORE. Small Business Development Centres [SBDC] and Women's development Centres [WBC] They conduct training events throughout the district - some require a nominal registration fee.

Assistance is provided to businesses owned and controlled by socially and economically disadvantaged individuals through the Business Development Program. The SBA also have a Women's Business Ownership Representative who is available to speak to women business owners. Special program loans are also available for people involved in international trade. A Veterans affairs officer is also available to assist veterans. There is a small business innovation research program. A mentor programme to assist people in becoming more competitive in obtaining federal government contracts. The small Business Technology Transfer Program reserves a specific percentage of federal funding for award to small business and non profit research institution partners. The risk and expense of conducting serious R&D efforts can be beyond the means of many small businesses.

SBA FEDERAL BUDGET

There is a budget set aside by the Federal Government of the USA which is 0.1% of the total budget. This of course varies according to what the annual budget is for any fiscal year. That said, leverage is very important to them in achieving extra ordinary income streams. The SBA use some of this state income as leverage to raise finance to support business start up, growth and expansion, Banks Financial institutions and city regeneration departments are some of the institutions with which the SBA have strategic alliances.

The USA established the Small Business Administration in the 1950s to assist returning veterans from the Vietnam war. It was initially established as a vets home programme focussed on the capital support for construction projects. The programme provided access to capital and support for business.

The funding is less than 1/10th of the fiscal budget. The 2011 Budget provides \$994 million for the Small Business Administration [SBA]. A \$170 million or 21% increase over the 2010 enacted level. This reflects the administration's strong support of small businesses, which play a vital role in the nation's economy. The budget provides \$165 million in subsidy costs to support \$17.5 billion in loan guarantees that will help small businesses operate and expand. This includes an estimated \$16 billion in terms of loans and \$1.5 billion revolving lines of credit. The budget set out new legislation. Source: SBA Small Business Administration Recovery Report Card July 2010 pgs 1 – 6.

RECOVERY ACT PROVISIONS

On March 16th 2009, the SBA implemented two critical Recovery Act provisions:

A 90% guarantee in loans and Fee reduction in both the *7[a] and 504 programmes. Source: SBA Small Business Administration Recovery Report Card July 2010 pgs 1 – 6. It is also projected that there will be 23,900 million dollars available in 2011, in Guaranteed Loan Commitments, to support business growth and expansion.

Further highlights from the Recovery Report Card are:

- \$28 billion in loan guarantees to help small businesses access the credit they need to grow and create jobs.
- Provide competitive technical assistance grants to better support business development and regional economic growth.
- Provide long term disaster recovery loans for homeowners, renters, and businesses of all sizes
- Strengthen lender and procurement program oversight to protect taxpayer dollars
- Upgrade to the Agency's information technology systems and human capital resources to increase SBA's impact on businesses and communities.

The Budget intends to increase the maximum Microloan size to \$50,000. The Budget also proposes to increase the maximum loan amount to Microloan intermediaries in their first year of participation from \$750,000 to \$1 million, and from \$3.5 million to \$5 million in subsequent years. Source: Source: SBA Small Business Administration Recovery Report Card July 2010 pgs 1 – 6.

OTHER AREAS OF SUPPORT FOR BUSINESS GROWTH

Business Growth & Cluster Development – The emerging leaders initiative [\$3m] provides intensive technical assistance to companies that have high growth potential and are located in distressed economic areas, such as inner cities and Native American communities, and connects them to regional business networks to accelerate growth.

Funds for Long Term Disaster Recovery - this budget supports \$1.1 billion in direct loans

STRENGTHENS OVERSIGHT TO PROTECT TAX PAYER DOLLARS

The SBA guaranteed loan programmes are recording a \$4.5 billion increase in losses and subsidy costs on its outstanding loan portfolio, particularly on those made between 2005 – 2007. To strengthen the programme's long term economic foundation, the Administration will submit a legislative package to provide the SBA with flexibility to adjust fees in the program, to enable it to be self-sustaining over time. These changes in the fee structure would become effective for loans originated in 2012.

The Core Agency Capabilities will be strengthened by providing the resources needed to modernise SBA information technology systems, including migrating additional loan programmes to a modern management and accounting system. The Budget also contains funds to continue SBA personnel training initiatives, to allow the agency to continue to make progress on improving its human capital and customer relationships.

UK

In the UK there are multiple organisations, as there are in the USA too, delivering business support and advice. However, in the UK the provision of business services varies extensively from one narrow geographical area to another, and there is no national body tasked with ensuring that service delivery is consistent and measurable. Reasons for this are that the amounts and the sources of funding for this activity varies, extensively across the UK.

CHALLENGES

The challenge that I witnessed when speaking with individuals in the USA who are starting a business or are already in business is the large geographical spread of the areas and the diverse communities Russian, Vietnamese Mexican, Goan Latin American, African American etc that co-exist and require services that meet their needs. In that regard there are some similar challenges, in the UK as in large inner city areas in the UK, where there is a mix of cultural groups, similar challenges emerge.

As noted above, the USA Administration recognises the need to target specific communities to ensure that business acceleration takes place. This is a challenge, because as evidenced in both places, the lack of knowledge of a community and its culture and its trade, can impinge on the ability of the advisor to give good relevant advice. Subjectivity can creep in and the advisor starts to question the validity of the business proposition altogether, in some instances. The advisor doesn't know about that particular product or service, and can't see the need for it. In London, one classic example I have come across is whereby banks and advisors decide that a particular food, generic to a group of West Africans for example, is not really required in the UK. So therefore any real support to get a manufacturing plant up and running is given short shrift and the potential owner even after putting in their own savings and leveraging personal equity is not seen as a viable option. Therefore does not attract investment funding because there is no belief in the viability of the product and therefore the business proposition. There were similar stories in the USA where people felt that advisors could not, or would not understand their business ideas and the client advisor relationship is compromised as the client does not feel comfortable to explain their proposition to a potential advisor. I was surprised to discover this in the USA too.

I raised this issue with Jim O'Neil Director of the SBA in California during my meeting with him regarding the burgeoning varieties of chambers' of commerce representing different ethnic groups, [Hispanic, Black and Asian Pacific Chambers of Commerce] all asking for direct support from the SBA. In the USA they have a pragmatic approach based on a close relationship with the banks, who are encouraged to see new business, as an opportunity for their own expansion and growth. This close working relationship with the banking sector creates a degree of leverage. The SBA then sees its role as an enabler for the various business communities, which are organised along cultural or ethnic identities, ensuring that they too are able to access the support required to build a business, and contribute to the growth of the USA economy.

I personally do not know of any national UK business support agency establishing close relationships with banks with the expressed aim of developing the micro and small business community. There are initiatives between UK government and the banks. There are various working parties and consultative groups, I myself am a part of that consultative process. However, UK Banks reaching out into the business community seems contingent on the particular branch manager and their own initiative to engage with advice agencies in the community. I do not know of a solid working relationship between banks and the business advice agencies through a national body.

PROJECT MERLIN UK

The new Merlin initiative is set to revolutionise support for the start up business community. "Forcing the banks to lend on "uneconomic terms" could come at the expense of them strengthening their capital levels", said Matthew Russell, a fixed-income fund manager at M&G, who described the agreement as "counter-intuitive".

Mr Russell also warned that the bonus caps signed up to by the banks, including Barclays and Royal Bank of Scotland, could make them vulnerable to losing their best staff as the lenders are forced to cut their bonus pool. Source: Telegraph Newspaper. At the heart of Project Merlin is an attempt by the government to curb bonuses and release funds to support business growth. Another controversial and whimsical "scheme" or "project". A feature of "projects" is that they come and they go. So, for the time being, businesses can approach RBS or Barclays, with the possibility of a fair hearing with regards to a loan is a distinct possibility. Although there is a rider, that staff may leave to join other banks, where Project Merlin is not enforced, and staff bonus would therefore be unaffected by a scheme to assist people into self employment.

In the UK there is a whole different attitude to supporting the small business community and most government initiatives are met with derision from the financial sector. It is a culture that says if you want to be in business then "struggle against the odds" and "make it" and then we might support you.

STRATEGIC DELIVERY PARTNERS

UK COLLEGES

Newham College and Bromley College in London have strong enterprise departments. They have built partnerships with enterprise agencies, notably Bromley Business Focus moving out of Bromley Town Centre and into Bromley College. Colleges as large statutory organisations attract finance from the EU for these initiatives and also have the infrastructure that can withstand the payments by results system which requires involved audit procedures before payments are made on results. Various London Wide partnerships are developed to attract EU finance for Business Development Programmes.

SMALL BUSINESS DEVELOPMENT CENTRE

In the USA, The Small Business Development Centres [SBDC] are traditionally aligned to community colleges. So the majority are in some way or another located physically next door or on the same building as a community college.

Strategically the SBA exists to co-ordinate the activities of the banks and business support agencies, of which there are many, and maintain a strong relationship with banks. Responding to the notion that banks are in business to make money, if the SBDC through its delivery, can present attractive business propositions for finance backed by loan guarantees, then the banks are in a strong position.

SBDC ACTIVITIES INCLUDE:

BUSINESS PLANNING & MANAGEMENT

- Business Plan Development
- Business Start-Up Assistant
- Expansion & Growth
- Licensing and Permits
- Employee Management
- Buying & Selling a Business

MARKETING

- Identifying Market Niches
- Advertising & Promotional Strategies
- Business Feasibility Evaluation
- Marketing Plan Development
- Pricing
- E-Commerce

FINANCIAL MANAGEMENT

- Cash Flow Management
- Funding Options
- Bookkeeping & Accounting
- Loan Application Assistance
- Financial Analysis & Projections
- Government Contracting
- Business Valuation & Strategies
- Tax Planning & Requirements
- Payroll Management

RESOURCES

- Information
- Professional Consultants
- Business Counselling
- Business Training
- Business Training
- Business Library
- Computer Access
- Referrals

Los Rios Community College District Workforce and Economic Development department provide training to public agencies, skills for employers, assisting businesses in becoming competitive, skills training to enhance employee success, preparing students to work in such growing fields as, solar technology, energy efficient building design and construction, bio-fuels, and alternative energy. The Los Rios Centre for International Trade helps export import businesses in the region to expand, grow and succeed.

YOUTH ENTREPRENEURSHIP PROGRAMME

This programme gives 100 entrepreneurs aged 18 to 27 the opportunity to develop and establish their very own businesses. Participants will engage in a variety of seminars and a select few will be nominated to compete for a \$500 prize. The programme started on April 27th 2010. This a programme of the Orange County Small Business Development Centre and the Centre for International Development, managed from the Rancho Santiago Community College District. The grant is made possible by the California Community Colleges Chancellors Office.

CALIFORNIA CAPITAL FINANCIAL DEVELOPMENT CORPORATION

Provides capital and development assistance to increase economic opportunities for underserved communities and persons by offering a wide range of flexible financial products and services. This also includes loan guarantee schemes and bilingual business success programs.

CONCLUSIONS

STRATEGIC SERVICES

BUSINESS LINK UK

Business Link as our strategic organisation, does not have a similar or equal role across the UK in comparison with the USA and the SBA or SBDC. Business Link does not have a committed annual budget for sustained business development, and is not organised along the same trajectory as the SBA. Business Link is better compared with the SBDC Small Business Development Centre except that it is not so much a centre as an internet portal. Business events and direct support is sporadic and dependent on budgetary constraints and the ability to build useful delivery partnerships. Business advice and consultancy services in the UK continue to be uncoordinated, and certainly not dependent on Business Link which serves mainly as an information portal via the internet. Many micro and small business people find the portal unwieldy, and time consuming as it houses a lot of information. It is however, a fantastic resource for those that are able to navigate the levels of information that exist on the site and use the self diagnostic business tools. The sources of support for obtaining enterprise finance and business development advice in the UK has always been uncertain, and unsustainable. By that I mean an inconsistency of opportunities to access business support as opportunities are varied and different in location, quality, and accessibility. £M is funnelled into the UK enterprise market from Central government via the Regional Development Agencies directly to Business Link. Regional development agencies decide how much they will invest in business development services. London is always seen by the regions, as the place where there are more resources to start a business.

The UK Government backed Local Enterprise Growth Initiative launched in 2007 was a fantastic opportunity in bringing enterprise development services to marginalized communities in the inner cities. Croydon won the first LEGI contract. As a supplier under that contract in the early days, I saw the impact that the program had in galvanizing support to enable people who are unemployed and on low income to develop talents and skills into business propositions. Local authority elections in Croydon changed the political focus and LEGI funds were used hence forth on a much broader trajectory. Experienced the growing pains of yet another “new initiative” and recently heard that LEGI will no longer be rolled out to other areas.

There appears to be awareness in the UK, of the necessity to create localized business support for the reasons stated earlier in this report. Presently this is delivered via EU Regional Development Funds tasked with creating and sustaining employment in Europe. These initiatives are for limited periods, the current one ending in 2013. New initiatives come on a three year cycle and there is a great deal of uncertainty and inconsistency regarding who is to administer the funds, for whom and on what basis. The requirement to provide evidence of outputs, over these condensed delivery periods, creates an army of paperwork to show evidence of supporting a client through a particular business development area. One issue here is that the number of hours advisors are able to allocate to clients under these programmes is not substantive. Business people in the UK could benefit from a national agency that is a dedicated provider of services and these services are consistent based on a government led financed initiative whereby partnerships are established with banks and business associations across the country taking into account regional differences.

CHAMBERS OF COMMERCE

In the Sacramento, California the chambers of commerce are being identified as agencies to partner with in order to deliver services to the business community. There are chambers of commerce emerging which span various ethnic groups thereby addressing the related issues of that community. Greater organisation and representation of business interests is a possible way forward in resolving some issues alluded to above that some members of the community do not feel supported by traditional services and need a conduit through which they can benefit from what is available for them through the federal supported SBA.

In the UK, Chambers of Commerce has a voice within the government and are consulted on various issues through the current systems of representation on consultative forums. However, I am not clear how representative that voice is of the wider business community as I am not convinced that in the UK we have a robust and active Chambers of Commerce system. Some Chambers are more active and robust than others. That also could be due to lack of development support.

GLA reports show similar results for London where the BAME Women are the fastest growing entrepreneurial group in the UK.

FINAL NOTE

My research has indicated that a tradition of fiscally supported Business initiative which addresses all aspects of Business needs and is a recurring embedded activity in the policies of government assures a bedrock of economic growth and sustainability in an internationally changing business environment. In my opinion the delivery of services to small business has to be seen as a strategic part of our national economic development policy.

The USA model is well established and one to be applauded and considered if we are to move away from the current UK system of short term project funding and fragmented service delivery.

ETHNIC MINORITY AND SERVICES TO WOMEN

There is no obvious difference in the challenges that abound which relate to services to women and ethnic minorities except that in the UK and in the USA if the client is not comfortable with the advisor and there is a gulf of cultural differences and understanding of business needs then an effective business relationship will not be possible and everyone stands to lose out in this situation. As potentially good business opportunities will fall by the wayside.

That there is a woman responsible for engaging other women in business is an indication of need. The growth in Chambers of Commerce along ethnic lines is another indication that what is presently on offer is not meeting the need.

APPENDIX 1

Dr. Anita Davis Defoe - Social Entrepreneur and Author "From the Backroom to the Boardroom"
Anita R Johnson - Chairperson City of Sacramento Small Business Development and Employment Advisory Board
Carrie Ellinwood - Lender Relations Specialist, U.S. Small Business Administration
Paul Singh Ahdan - International Marketing Consultant
Mary Ann Vosika - Financial Advisor Principal Financial Group
Edgar Calderson – Campaign Director Adz Zoo
Chris Slay - Procurement Analyst City of Sacramento
Daniel Lopez – Special Advisor to the Mayor City of Sacramento
James R Rinehart - Director Economic Development City of Sacramento
Kim Blackwell - Executive Assistant Council Member- Bonnie J Pannell City of Sacramento
Elizabeth Cantu - Partnership Specialist US Census Bureau
Noreen James Project Administrator Economic Development Department City of Sacramento
Helena Fisk - Small Business Development Centre Greater California
Sibyl Mc Walters - Staff Support Mayor Office City of Sacramento
Mayor Kevin Johnson- City of Sacramento
Lance Thompson – Realtor Soho NYC
Victoria Casteneda - Small Business Development and Employment Advisory Board
Jim O’Neil - District Director US Small Business Administration State of California
Tina Heald College
Bill Duthler - Volunteer SCORE
Zahid - Driver from A&A Express Cab Company without whom I would have been rendered immobile

REFERENCE

The Entrepreneur Next Door Characteristics of Individuals starting Companies in America Sponsored by the Kaufman Foundation May 2010

U.S. Small Business Administration Recovery Report Card July 2010