

Business Support Institutions in the USA

by

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Presented at the Expert Meeting on Best Practice in Business Counseling, Advisory, and Information Services, UN Economic Commission for Europe, Geneva, November, 2000



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Introduction

Small business is big business in the USA -- in total. The country has over 22 million small businesses, and some 800,000 new ones are started each year. This data comes from the Association of Small Business Development Centers, which also estimates that U.S. small businesses employ 53% of the private workforce and account for over half of national economic output (GDP).

Because small business is so important to economic development of American regions, encouragement of small business is also a big business in the USA, with over 1000 business support institutions organized by Federal agencies and the 50 states. Local governments have many more, and universities and colleges provide others. Some of these support institutions focus on services for women or minorities. In addition to its role in placing small business loans, the Small Business Administration organizes many of these business support institutions. Its network of Small Business Development Centers, which provide local training and consulting, reaches throughout the nation. The SBDCs have proven to be a cost-effective method of promoting small business growth.

The Web has had a profound impact on these institutions. Most SBDCs now deliver services tailored to their local clients through their websites. Those of Federal and state governments and private sector firms provide broader business development information. Indeed much of this information can be useful to entrepreneurs abroad. This paper briefly summarizes an oral presentation of these points, illustrated by the attached slideshow.

Federal Agency Role

The scale of activities of U.S. Government in assisting its citizens would take a library to describe, and many of these are relevant to encouragement of small business. The *Catalog of Federal Domestic Assistance* lists over 1,400 programs from 57 Federal agencies. To help access all these programs, a new Web portal (<http://www.firstgov.gov>) was announced by President Clinton in his June 22, 2000 weekly radio address, and became operational in September.

Most programs are managed by a single agency, but the Small Business Innovation Research Program (SBIR) is a Government-wide program that can provide grants to commercialize an invention. Ten major agencies have been obligated since 1982 to set aside a small percentage of their research budget to assist small businesses. Similarly, all agencies are required to set aside a fraction of their purchase tenders for small businesses, often with a particular focus on "disadvantaged" segments of the population. For example, the General Services Administration, which is the Federal purchasing agent, has an Office of Enterprise Development that is the advocate

for small, women and minority business owners. This GSA office includes 12 regional centers throughout the USA.

The Department of Commerce has three large units: the Economic Development Administration, the International Trade Administration, and the Minority Business Development Agency that are intended to promote American businesses. Most other Cabinet-level departments have a division specifically intended to help small businesses access the department's programs. For example, the Department of Labor, Office of Small Business Programs assists businesses in complying with labor laws and regulations

Small Business Administration

While most Federal agencies have resources for small businesses, the agency that specializes in their nurture is the SBA, which is an independent agency -- not under one of the Cabinet departments. It is a huge enterprise with a budget of \$874 million in FY2000 and scores of programs. Themes include outreach to women and minorities plus partnering with others. (Fig. 1)

Loans are SBA's largest task: it helps place 50,000 loans annually. It maintains a loan portfolio of some \$50 billion by greatly leveraging its investment. Most funds come from private banks; the SBA just provides much smaller loan guarantees. Recently it has organized 141 Small Business Investment Companies with initial private capital of \$2 billion. These SBICs participated in 45% of all U.S. venture capital (VC) financing in 1998.

The SBA has been able to maintain and increase its services while reducing its staff. It had 3133 employees in 1998, down 24% in past decade. SBA gets only about 0.04% of the Federal budget. The Clinton Administration requested a sizable increase to \$1.06 billion in its FY2001 budget submission to Congress. The SBA likes to point out that the taxes paid by one SBA client, Intel, more than pays this cost.

SBA has at least one district office in each state and several other specialized networks of offices:

- **Business Information Centers (BICs)**- provide a one-stop location where current and future small business owners can receive assistance and advice.
- **Tribal Business Information Centers (TBICs)**- provide the same services as a BIC but operate on Native American Reservations.
- **One Stop Capital Shops (OSCSs)**- help residents of Empowerment Zones and Enterprise Communities in distressed communities.
- **U.S. Export Assistance Centers (USEACs)** - offer a full range of federal export programs and services from a number of federal agencies under one roof.
- **Women Business Centers (WBC)** - more than 60 WBCs provide to women entrepreneurs at all levels of business development. These WBCs, located in 36 states, teach women the principles of finance, management and marketing.
- **Small Business Development Centers (SBDCs)** - provide training, counseling, research and other specialized assistance at nearly 1000 locations nationwide.

In addition to its loan programs, SBA offers business development services to 1 million small businesses annually through its Office of Entrepreneurial Development. It cooperates with partners in state and local government, with universities, and with the Service Corps of Retired Executives (SCORE), which has 11,500 volunteers (www.score.org).

Its SBDC program alone grew to \$82 million in 1999. Johnnie Albertson has been SBDC manager since 1982. During her tenure, the program has grown from 17 SBDCs to 57 lead SBDCs and 940 service centers in every state. (Fig. 2.)

The SBDCs are a partnership of the private sector, the education community, and Federal, State and local governments. (Figs. 3-4) They trained 600,000 clients in FY99. Over 1 million women have been trained by SBDCs since 1995.

Several such studies show that SBDCs are effective. Taxes paid by SBDC clients in 1998 exceeded the cost of consulting by a factor of 5.47. Their client companies grow at a rate several times that of the average firm. SBDC start-ups survive at a rate that is 10-14% higher than the general population of new businesses in the U.S. A 1998 study for the State of Pennsylvania showed that its network of 17 SBDCs resulted in more than 950 new businesses, 6,260 new jobs, and \$42 million in new taxes and shows that the SBDCs offer a substantial return on investment.

Small Business Development Services on the Web

This community has exploited the Web medium to provide business development services. (Fig. 5) SBA has funded a virtual SBDC, (Fig. 6) one especially for women entrepreneurs.

(<http://www.onlinewbc.org>) A similar cyber business incubator paradigm has been proposed by the author, and a prototype in English and Ukrainian has been implemented (Fig. 7) with support from the U.S. State Department. (<http://e-di.net/PCBI2/>)

The SBA and other state and Federal Agencies have built Websites to provide access to business development information that formerly was provided through face-to-face counseling and training or paper media. (Fig. 8) The economic development offices of state and local governments also have similar sites specific to their regions. Further, an Altavista search of the term "SBDC" reported 28,000 pages of material mostly training information from individual SBDCs.

An even more interesting development is the advent of free private sector services for the entrepreneur. There are many excellent clearinghouses of material for small business development. Some companies provide these as a form of advertising to attract small businesses as customers, some rent space on the site to other advertisers, some sites are created by non-profit associations, and some sites are purely an altruistic public service by individuals. The reference section lists a small sample of some of the best.

Conclusion

Americans take small business development seriously because they view it as one of the engines of prosperity. Most recently, the "new economy" has been founded on dot.com startups in the information technology sector. Further, in the U.S., governments are seen to have special roles in helping those segments of the population that are not so successful. This includes small businesses in relation to larger ones, business start-ups in relation to well-established firms, and

encouragement of women and minorities. The best news is that America's rich resources for small business development are rapidly becoming available to people throughout the world via the Web.

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Authors

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