

# OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

## FISCAL 2014 ANNUAL REPORT GUIDANCE

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report demonstrating progress against plan and include additional information as outlined in [Chapter 240 of the Acts of 2010](#).

The annual reports of each agency will be published on the Office of Performance Management [website](#), and will be electronically submitted to the clerks of the Senate and House of Representatives, the Chairs of the House and Senate Committees on Ways and Means and the House and Senate Chairs of the Joint Committee on Economic Development and Emerging Technologies.

### Filing Instructions:

The Fiscal Year 2014 report is due no later than **Friday, October 3, 2014**. An electronic copy of the report and attachments A & B should be e-mailed to [James.Poplasky@MassMail.State.MA.US](mailto:James.Poplasky@MassMail.State.MA.US)

### 1) AGENCY INFORMATION

**Agency Name** Massachusetts Small Business Development Center (MSBDC) Network

**Agency Head** Georgianna Parkin

**Title** State Director

**Website** [www.msfdc.org](http://www.msfdc.org)

**Address** University of Massachusetts Amherst, Isenberg School of Management, 23 Tillson Farm Road, Amherst, MA 01003

### 2) MISSION STATEMENT

Please include the Mission Statement for your organization below.

**The Massachusetts Small Business Development Center Network contributes to the entrepreneurial growth of small businesses throughout Massachusetts by providing high-quality, in-depth advising, training, and capital access.**

### 3) PERFORMANCE AGAINST PLAN REPORT

Please provide details on the progress and accomplishments for Fiscal Year 2014 as it relates to the Fiscal Year

2014 Plan submitted by your agency. Plans are posted on the OPMO [website](#) for easy reference. This information should be included as **Attachment A and should include prior year perspective**. In addition to your Performance to Plan Report, Questions 4 through 10 provides guidance on the specific information required under Chapter 240 of the Acts of 2010.

#### 4) ACCOUNTING

Please provide financial information for your agency. Below please give a summary of *Receipts and Expenditures* during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year. Please include the most recent audited financial report for the agency as **Attachment B**.

	AMOUNT
<b>Budget</b>	<b>\$4,911,360</b>
<b>Expenditures</b>	<b>\$4,910,360</b>
<b>Assets</b>	<b>\$</b>
<b>Liabilities</b>	<b>\$</b>

#### 5) INVESTMENTS OR GRANTS TO BUSINESSES OR INDIVIDUALS

Does your agency make **investments** and/or provide **grants** to businesses or individuals? **Yes**  **No**

If **Yes**, please provide detailed information on investments and/or grants made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

[Click here to enter text.](#)

#### 6) DEBT OR EQUITY INVESTMENT DETAILS

Is your agency involved in **debt** or **equity investments** for businesses? **Yes**  **No**

If **Yes**, please provide detailed information on debt and/or equity investments made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debit and/or equity investments programs offered by your agency in the space provided below:

[Click here to enter text.](#)

#### 7) LOAN DETAILS

Is your agency involved in **real estate loans**, **working capital loans**, or any **other type of loan** or **guarantee**?

**Yes**  **No**

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

[Click here to enter text.](#)

## 8) OTHER FORMS OF FINANCING OR FINANCIAL ASSISTANCE?

If your agency provides any other form of financing or financial assistance, please include FY14 details in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in the space provided below:

[Click here to enter text.](#)

## 9) PATENTS OR PRODUCTS

Does your agency track **patents** or **products** resulting from agency-funded activities? Yes  No

If **Yes**, please include details in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

[Click here to enter text.](#)

## 10) TECHNICAL ASSISTANCE

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment, and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

**See attachment A**

## 11) MANAGEMENT TEAM

Please confirm that the senior management team listed on your website is accurate and report on any current or pending vacancies and/or replacements.

[Click here to enter text .Refer to page 16 attachment A. List is current.](#)

## 12) BOARD OF DIRECTORS

If applicable, please confirm that the board of director information on your website is accurate and provide information on any current or pending board vacancies.

**N/A**



# Massachusetts Small Business Development Center(MSBDC) Network

## State Fiscal 2014 Report

Georgianna Parkin, MSBDC State Director

# MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER NETWORK

## State Fiscal 2014 Report

### I. EXECUTIVE SUMMARY

During FY 2014, state line item 7007-0800 for the Massachusetts Small Business Development Center (MSBDC) Network in the amount of \$1,204,286 leveraged Federal funds from the U.S. Small Business Administration in the amount of \$2,134,238 and \$287,087 from the Department of Defense to staff and operate the MSBDC's six regional centers, four statewide International Trade Offices, the Government Sales Program and the statewide Procurement Technical Assistance Center (PTAC) Program. In addition, the participating consortium institutions led by the UMass Isenberg School, waived over \$1,285,749 in indirect costs.

The six regional offices, the International Trade program and the Government sales program, with state line item match in the amount of \$1,004,286, provided one-to-one free confidential business advisory services to 3,459 individuals comprising over 22,493 hours of assistance. These advisory services resulted in the creation of 489 new jobs and the preservation of 619 jobs throughout the Commonwealth. The remainder of the line item \$200,000 leveraged Federal funds from DoD for the PTAC program.

The Massachusetts Small Business Development Center (MSBDC) Network contributes to the entrepreneurial growth of small businesses throughout Massachusetts by providing high-quality, in-depth advising, training and capital access. This translates into creating and retaining jobs in the Commonwealth as well as generating tax revenues and increasing sales revenues for businesses. In Fiscal 2014, the MSBDC exceeded most of its performance measurements in support of the following statewide goals:

#### ***Support Innovation and Entrepreneurship***

The MSBDC Network projected the creation and retention of 1,000 jobs and achieved 1,108 jobs. We projected creating \$2M in state tax revenues generated by clients through our business advising and achieved \$6.82M. In addition, we projected generating \$100M in sales revenues by established business clients and achieved \$131.7M. We projected \$38M in capital secured by clients who received our services and achieved over \$38.7M. The MSBDC's Mass Export Center projected \$100M in client sales increases but achieved over \$150M and the Procurement Technical Assistance Center (PTAC) projected that their clients would secure \$28M in government contracts but achieved over \$34M in government contracts.

#### ***Expand our Culture of Innovation***

The MSBDC Network projected that 150 businesses would be started by clients who received our advising services and we achieved 94 business starts. We also projected that we would provide services to 600 clients in Gateway cities but we serviced 889 clients in those cities.

<b>MSBDC ACHIEVEMENTS COMPARED TO PROJECTED State Fiscal Year 2014</b>			
	<b>Projected</b>	<b>Achieved</b>	<b>Percentage</b>
<b>Jobs Created/Retained</b>	<b>1,000</b>	<b>1,108</b>	<b>111%</b>
<b>State Tax Revenues Generated</b>	<b>\$2,000,000</b>	<b>\$6,820,261</b>	<b>341%</b>
<b>Sales Revenues Generated</b>	<b>\$100,000,000</b>	<b>\$131,700,000</b>	<b>132%</b>
<b>Capital Secured</b>	<b>\$38,000,000</b>	<b>\$38,755,890</b>	<b>102%</b>
<b>Export Sales Increases</b>	<b>\$100,000,000</b>	<b>\$150,000,000</b>	<b>150%</b>
<b>Government Contracts Secured</b>	<b>\$28,000,000</b>	<b>\$34,000,000</b>	<b>121%</b>
<b>Businesses Started</b>	<b>150</b>	<b>94</b>	<b>63%</b>
<b>Gateway City Cases</b>	<b>600</b>	<b>889</b>	<b>148%</b>

## II. MSBDC NETWORK OVERVIEW

The Massachusetts Small Business Development Centers (MSBDC) Network provides one-to-one free comprehensive and confidential services focusing on, business growth and strategies, financing and loan assistance, and strategic analysis. The statewide program has three integrated product lines: Business Advisory Services, Government Contracting and International Trade Services through our Massachusetts Export Center. Services are delivered through a statewide network of skilled professionals supported by a vast network of federal, state, educational and private sector partners. In addition, low cost educational training programs are offered across the state targeted to the needs of small business.

The MSBDC is a partnership of the U.S. Small Business Administration, the Massachusetts Office of Business Development and a consortium of higher education institutions led by the Isenberg School of Management at the University of Massachusetts Amherst and includes Clark University, Salem State College, University of Massachusetts Boston and University of Massachusetts Dartmouth.

The MSBDC's six regional business advisory centers, the Massachusetts Export Center, and Procurement Technical Assistance Center are designed to effectively service small businesses throughout the state. There is an MSBDC regional, specialty, or satellite office located within 30 minutes of any potential client in the state.

- **Business Advisory Services** — Through six regional centers housed in Pittsfield, Springfield, Worcester, Salem, Fall River and Boston, full-time business advisors supported by the resources of academic institutions, provide business advising to small businesses. Feasibility studies and start up issues, business plan development, cash flow analysis, marketing and

sales strategies, financial plan development, financing options and loan packaging, buy/sell and valuation assistance, technology and e-commerce assistance as well as assistance with equity business plans are among the wide array of assistance provided.

- **Training** — The MSBDC conducts over 170 seminars, workshops, courses, and conferences addressing a wide range of business issues. Many of these programs are cosponsored with local chambers of commerce, colleges and universities, community development organizations and trade associations
- **Massachusetts Export Center** — Through four centers located in Boston, Holyoke, New Bedford and Worcester, the MSBDC's Massachusetts Export Center provides export counseling, technical assistance, international market research and promotion, as well as training to businesses. Expertise and guidance is provided in the areas of export market assessment and analysis, establishment of export market channels, international business development, export legal and regulatory compliance, export logistics and supply chain management, and global trade banking and finance. The program works collaboratively with the Massachusetts Office of International Trade & Investment, MassDevelopment, the U.S. Department of Commerce and the U.S. Small Business Administration's Office of International Trade.
- **Minority Business Center** — The Minority Business Center provides services on a targeted basis to the minority community of Greater Boston. The Center is sponsored by the University of Massachusetts Boston.
- **Procurement Technical Assistance Center (PTAC)** — Client firms receive an understanding of contracting requirements and the know-how to obtain and successfully perform federal, state and local government contracts. Small businesses headquartered in Massachusetts and in business for at least one year can subscribe to a free bid-matching service informing them of bidding opportunities (when electronically available) matching their specific product and/or service profiles. PTAC provides a wide range of assistance, such as: guidance on initial registrations and small business certifications, researching procurement histories, small business matchmaking conferences, proposal guidance and review, contract performance issues and much more.
- **Economic Development** — The MSBDC assists local groups and communities in developing programs for small business creation, expansion and retention.

### III. MSBDC NETWORK CLIENT CHARACTERISTICS

The following chart details the major client characteristics by percentage of MSBDC clients:

<b>2014 MSBDC CLIENT CHARACTERISTICS</b>	
Female	46.6%
Minority	15.6%
Veterans	4.7%
In-Business	54.8%
<b>Business Organization</b>	
Sole Proprietorship	21.4%
Corporation	11.9%
LLC	12.8%
S Corporation	9.1%
<b>Business Status</b>	
Home Based	14.1%
Importer/Exporter	2.1%
SBA Borrower	1.0%
<b>Business Types</b>	
Retail Trade	11.1%
Manufacturing	11.5%
Professional, Scientific, Technical Services	10.2%
Accommodation and Food Services	6.0%
Healthcare & Social Assistance	7.2%
Construction	3.9%
Educational Services	3.0%
Wholesale Trade	2.6%

The following chart illustrates the number of MSBDC established business clients by number of employees. This data is reported and verified by the MSBDC's central CenterIC database:

<b>MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER</b>						
<b>Number of Employees</b>						
<b>State Fiscal Year 7/1/2013 - 6/30/2014</b>						
	<b>1 EMPLOYEE</b>	<b>2-10 EMPLOYEES</b>	<b>11-20 EMPLOYEES</b>	<b>21-50 EMPLOYEES</b>	<b>51-100 EMPLOYEES</b>	<b>OVER 100 EMPLOYEES</b>
<b>WESTERN REGIONAL OFFICE</b>	73	118	8	10	2	2
<b>NORTHEAST REGIONAL OFFICE</b>	110	113	16	10	1	0
<b>CENTRAL REGIONAL OFFICE</b>	119	133	25	22	8	3
<b>SOUTHEAST REGIONAL OFFICE</b>	157	175	24	25	6	4
<b>BOSTON REGIONAL OFFICE</b>	67	91	10	3	1	0
<b>BERKSHIRE REGIONAL OFFICE</b>	27	53	5	4	0	0
<b>INTERNATIONAL TRADE</b>	8	53	24	46	26	20
<b>GOVERNMENT ADVISING</b>	21	68	23	14	5	7
<b>TOTAL</b>	<b>582</b>	<b>804</b>	<b>135</b>	<b>134</b>	<b>49</b>	<b>36</b>
<b>PERCENTAGE</b>	<b>33.4%</b>	<b>46.2%</b>	<b>7.8%</b>	<b>7.7%</b>	<b>2.8%</b>	<b>2.1%</b>

#### **IV. MSBDC 2014 THIRD PARTY ECONOMIC IMPACT STUDY**

The MSBDC 2014 Economic Impact Survey, which was conducted by a third party independent researcher and certified in writing by clients who were surveyed, examined the current business climate of clients receiving 5 or more hours of advising from MSBDC staff in 2012 through the programs mentioned above. The survey had a 26.4% response rate. A total of 92% of the respondents felt that MSBDC services were beneficial and 97% of established business clients would recommend MSBDC services. The survey showed that MSBDC clients:

- Outperformed average sales growth for all Massachusetts companies: 17.8% vs. 3.5%
- Produced higher job growth: 8.3% vs. the MA average of 1.4% for established firms
- Generated \$131.7 Million in total new sales revenue
- Generated \$9.77 Million in total tax revenue (\$6.82 Million in state tax revenue; \$2.95 Million in federal tax revenue)

The following is a comparison of the MSBDC compared to the average of the 59 of 63 SBDCs in the national program who participated in this study:

<b>MSBDC ACHIEVEMENTS COMPARED TO NATIONAL ACHIEVEMENTS from the 2014 Third Party Economic Impact Study done by Dr. Chrisman</b>		
	<b>Massachusetts SBDC</b>	<b>National Average (59 Programs)</b>
<b>Response Rate</b>	<b>26.4%</b>	<b>14.8%</b>
<b>% Indicated Services Beneficial</b>	<b>92%</b>	<b>91%</b>
<b>% of Established Businesses Would Recommend Services</b>	<b>97%</b>	<b>95%</b>
<b>Established Businesses Rated Knowledge and Expertise (Max = 5)</b>	<b>4.67</b>	<b>4.51</b>
<b>Established Businesses Rated Working Relationship (Max = 5)</b>	<b>4.61</b>	<b>4.50</b>
<b>Outperformed Average Sales Growth</b>	<b>17.8%</b>	<b>11.6%</b>
<b>Job Growth for Established Companies</b>	<b>10.6%</b>	<b>12.4%</b>
<b>Tax Revenues Generated for Every Dollar Spent on the Program</b>	<b>\$2.26</b>	<b>\$1.99</b>
<b>Benefit to Cost Ratio of Entire Operation</b>	<b>2.26 to 1</b>	<b>1.95 to 1</b>
<b>Benefit to Cost Ratio of Long Term Counseling</b>	<b>5.39 to 1</b>	<b>4.44 to 1</b>
<b>Financing Leveraged for Every Dollar Spent on the Program</b>	<b>12.70</b>	<b>14.81</b>

The following chart shows the statistics from this Economic Impact study by MSBDC region:

<b>2014 MSBDC REGIONAL ECONOMIC IMPACT for 2012-2013 Tracking Client Status in 2014 Resulting from MSBDC Advising in 2012</b>								
	<b>Berkshire</b>	<b>Boston</b>	<b>Central</b>	<b>IT</b>	<b>Govt Sales</b>	<b>Northeast</b>	<b>Southeast</b>	<b>Western</b>
<b>Aggregate sales impact</b>	\$380,680	\$1,985,800	\$30,123,700	\$24,798,900	\$58,287,400	\$5,521,200	\$12,829,300	\$7,815,700
<b>Aggregate employment impact</b>	12 new jobs	115 new jobs	231 new jobs	87 new jobs	124 new jobs	21 new jobs	124 new jobs	268 new jobs
<b>Existing revenues maintained</b>	\$12,867,200	\$3,661,800	\$64,359,800	\$47,478,000	\$30,030,300	\$21,244,700	\$14,299,200	\$44,237,200
<b>Existing jobs saved</b>	145 jobs saved	47 jobs saved	782 jobs saved	128 jobs saved	142 jobs saved	139 jobs saved	242 jobs saved	389 jobs saved
<b>Total tax revenues generated</b>	\$53,836	\$503,465	\$2,237,119	\$1,472,775	\$3,176,997	\$333,494	\$1,045,438	\$1,318,916
<b>Benefit to cost ratio (x/1)</b>	0.31	0.94	3.16	2.84	13.79	0.6	2.31	2.67
<b>Cost per job</b>	\$14,557	\$4,668	\$3,066	\$5,959	\$1,858	\$26,278	\$3,651	\$1,845
<b>Total financing</b>	\$3,053,110	\$2,065,600	\$19,349,920	\$0	\$1,326,750	\$11,895,840	\$5,850,510	\$12,484,800
<b>Financing Leverage (x/1)</b>	17.48	3.85	27.32	0.00	5.76	21.56	12.92	25.25
<b>Response rate</b>	38.8%	19.2%	23.5%	22.8%	22.9%	18.3%	37.6%	26.4%
<b>Services judged beneficial</b>	100%	87%	95%	88%	94%	81%	93%	97%

## V. MSBDC ADVISING IN MASSACHUSETTS GATEWAY CITIES

The MSBDC Network regional offices and Mass Export Center work with Gateway Cities as part of their statewide regional service areas. The following table shows the number of clients serviced in each Gateway City in 2014:

**MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER  
GATEWAY CITIES/TOWNS  
STATE FISCAL YEAR 2014  
July 1, 2013 - June 30, 2014**

CITY/TOWN	# CLIENTS ASSISTED	COUNSELING HOURS	FINANCING SECURED	JOBS	
				CREATED	RETAINED
Attleboro	21	52.20	\$2,500	1	
Barnstable	2	3.50		3	
Brockton	23	49.50			
Chelsea	15	32.50			
Chicopee	8	17.75			
Everett	11	31.75			
Fall River	84	483.33	\$510,443	6	11
Fitchburg	23	97.25	\$69,366		
Haverhill	5	79.45			
Holyoke	20	104.75	\$22,500		
Hyannis/Barnstable	10	182.00			
Lawrence	10	34.01	\$45,000	1	
Leominster	21	513.77	\$141,250	20	15
Lowell	7	24.26	\$50,000	1	
Lynn	74	146.00	\$10,000	3	
Malden	10	57.00			
Methuen	5	17.87	\$1,261,000	14	18
New Bedford	59	297.02	\$135,000	3	4
Peabody	37	140.76	\$666,000	1	3
Pittsfield	69	262.52	\$1,019,500	12	1
Quincy	28	80.00			
Revere	16	64.00			
Salem	73	226.02	\$900,244	17	7
Springfield	73	336.62	\$248,879	4	31
Taunton	23	146.05	\$21,893		
Westfield	11	47.00			
Worcester	151	1,547.52	\$900,000	14	20
<b>TOTAL</b>	<b>889</b>	<b>5,074.40</b>	<b>\$6,003,575</b>	<b>100</b>	<b>110</b>

## VI. MSBDC TRAINING

The MSBDC’s six regional offices and Mass Export Center’s International Trade Offices provided 175 training sessions attracting 4,989 attendees in fiscal 2014:

<b>MSBDC TRAINING State Fiscal Year 2014</b>		
	<b>Training Units</b>	<b>Training Attendees</b>
<b>Western Regional Office</b>	26	474
<b>Northeast Regional Office</b>	71	2,500
<b>Central Regional Office</b>	13	349
<b>Southeast Regional Office</b>	29	511
<b>Boston Regional Office/MBC</b>	11	280
<b>Berkshire Regional Office</b>	5	63
<b>Mass Export Center</b>	20	812
<b>STATEWIDE TOTAL</b>	<b>175</b>	<b>4,989</b>

## VII. MSBDC SPECIALTY CENTERS

### Massachusetts Export Center

- Clients reported over \$150 Million in export sales as a direct result of the assistance provided by the Mass Export Center in 2013.
- Overall, companies assisted by the Export Center generated well over \$2 Billion in export sales in 2013.
- Between 2012 and 2013, Export Center clients increased their export sales by over 8.5%, compared to an increase of just 4.5% for Massachusetts’ export performance during the same time period.
- Over 90% of clients credit the Export Center with helping them to achieve specific export sales.
- 73% of clients indicated that the Export Center’s assistance exceeded their expectations.

### Procurement Technical Assistance Center (PTAC)

The Procurement Technical Assistance Center (PTAC) program resources are concentrated on assistance to small, minority- and women-owned firms statewide with an emphasis on high areas of unemployment including Hub Zones. The program manager is housed at the MSBDC Western

Regional Office in Springfield with procurement specialists housed in Springfield, Lawrence and Boston. PTAC provides technical assistance in bid matching for federal, state and municipal procurement opportunities. Much of the counseling services are performed at the client's firm location, making the technical support delivery available in a timely and cost effective manner. E-commerce, including registering, bidding and performing on-line, in a paperless environment is a vital part of federal contracting. The counseling staff supports vendors in those efforts. Technical data, such as military specifications, standards, pricing histories and technical information by part number will be supplied.

<b>PTAC Counseling Areas</b>	<b>*Award Dollars</b>	<b>Jobs Created</b>	<b>Active Clients</b>
Boston Area	\$ 20,122,573	28	250
Central (SBA funded area)			
Merrimack Valley	\$ 229,351	2	135
North Shore	\$ 2,250,904	22	266
Southeastern (SBA funded area)			
Western	\$ 11,559,713	25	193
	\$ 34,162,541	77	844
<b>Agency Summary</b>			
Department of Defense (DoD)	\$ 12,882,308		
Other Federal	\$ 1,258,368		
State/Local	\$ 20,021,865		
	\$ 34,162,541		
<b>Prime / Sub-contract Summary</b>			
Prime Contracts	\$ 28,272,364		
Sub-contract	\$ 5,890,177		
	\$ 34,162,541		
<b>23 PTAC Clients Reported 130 Awards Received, Totaling \$34,162,541 from 8/1/13 to 7/31/14</b>			
<b>Training Workshop Events</b>	<b>Total Workshops</b>	<b>Attendees</b>	<b>Location</b>
GSA Monthly Training Workshop	11	56	Boston
Small Business Forum with Hanscom Air Force B	1	120	Burlington
SBANE Prime Contractor Series	1	100	Charleston
SBA Small Business Outreach Westover ARB	1	15	Chicopee
Naval Underwater Warfare Center Veteran's Event	1	120	Newport, RI
Plymouth Chamber of Commerce Veteran's Event	1	20	Plymouth
New Client Orientation (Western Mass NCO)	3	5	Springfield
SBA Small Business Matchmaker Event	1	50	Springfield
Environmental Business Council Matchmaker	1	50	Woburn
Advanced Manufacturing Summit 2014	1	30	Worcester
	22	566	

## **VIII. MSBDC NETWORK SUPPORTING INNOVATION AND ENTREPRENEURSHIP**

### **STEP Program**

The MSBDC Mass Export Center worked closely with the Massachusetts Office of International Trade and Investment to develop and roll out the FY2014 State Trade and Export Promotion (STEP) grant program, which provides small grants – up to \$10,000 – for small businesses to accelerate their export development by engaging in targeted, high-impact international marketing activities, such as international trade shows. Specifically, the Export Center developed the intellectual content for the STEP program, designed a new online application form, helped clients to prepare their international marketing plans for the program, recruited applicants through web and email communication, delivered a series of webinars to help businesses prepare their applications, and served as the lead on the STEP application review team. Nearly 80 companies applied for STEP grants in the first round of FY2014, with 34 grants being approved. Nearly 50 companies applied for STEP grants in the second round of FY2014, with 36 grants being approved. The Export Center is continuing to work with many STEP recipients to help them execute their international business development activities under the grant program.

### **Export Outreach Team**

The MSBDC Mass Export Center played an integral role in organizing our local Massachusetts Export Outreach Team (EOT). The EOT initiative was mandated by the President's Export Promotion Cabinet under the National Export Initiative with the goal of harnessing the resources of our federal and state export service providers for the purpose of coordination, collaboration and promotion of export opportunities to businesses. During the year, the Export Center continued activities to organize our Massachusetts EOT in partnership with the SBA district office, U.S. Department of Commerce, SBA office of international trade, MA Office of International Trade & Investment, and other key partners. The Export Center designed a resource grid for the international trade services offered by the various Massachusetts EOT members. This resource grid has been promoted by the SBA and adopted as the model used by EOTs in other parts of the country.

### **Export Expo and Other Training**

The MSBDC Mass Export Center collaborates with a wide variety of government, economic development and private sector partners to deliver export training throughout the year in Massachusetts, culminating with our annual Export Expo, which is held each December. The Export Expo features a wide variety of workshops, exhibits (including many partnering organizations) and special guest speakers. This year's Expo featured a keynote address from Under Secretary of Commerce for Export Administration Eric Hirschhorn, who discussed progress on the Federal Export Control Reform Initiative.

### **Annual Seafood Buyers Tour**

The MSBDC Mass Export Center led organization of the annual International Seafood Buyers tour, which brought 12 seafood buyers from 10 different countries to New Bedford to tour area seafood processing facilities and meet with local seafood suppliers. The tour was organized in collaboration with several partners, including the New Bedford Area Chamber of Commerce, Food Export USA, the New Bedford Harbor Development Commission, and others. Actual export sales resulting from the initiative exceeded \$2 Million and projected export sales were even higher.

### **Creative Economy**

The Berkshire Regional office continues to build on their strong reputation of providing assistance to creative projects and clients with innovative and proprietary approaches to building a business. The office building is a participant in the monthly Arts Walk initiative, and staff regularly attend Berkshire Creative Events. The Regional Director participates in listening tours hosted by the state's Creative Economy Director.

### **Life Sciences**

The Berkshire Regional Office provided a letter of support for a Pittsfield-based Life Science Innovation Center. In addition, the Regional Director met with the consultant hired to perform a feasibility study to access ear-marked construction funds. The Berkshire Office is being positioned to be a service provider to the companies that might use the center if it was to be built. The Office's Client Service Coordinator is an accomplished artist herself with a studio in downtown Pittsfield. She is also the vice-president of the Berkshire Art Association.

The MSBDC Mass Export Center engages in many activities that support the life sciences cluster in Massachusetts. The cluster, which includes medical devices, biotech, pharmaceuticals, laboratory instrumentation and medical capital equipment, represents over twenty percent of the state's exporting base. In addition to helping many exporting clients within the sector, the Export Center also engages in special activities to support the sector, including industry-specific seminars on export opportunities, customized market research, preparation of clients for major industry trade shows, and more. The Export Center also works closely with industry trade associations responsible for supporting the sector, including the Massachusetts Life Sciences Center, the Massachusetts Medical Device Industry Council and the Massachusetts Biotech Council.

The MSBDC Southeast Regional Office collaborates with CONNECT on the Life Sciences & Workforce Development. They have expanded their participation in the CONNECT Partnership whose mission is to improve the quality, accessibility, and affordability of higher education, and to advance the economic, educational, and cultural life of southeastern Massachusetts. The partnership is primarily made up of UMASS Dartmouth, Bridgewater State University, Massasoit Community College, Bristol Community College, and Cape Cod Community College. The MSBDC participates in the workshops throughout the region on workforce development for the manufacturing and life sciences industries.

### **MassChallenge, Cambridge Innovation Center and Venture Café**

The Boston Regional Office maintained its MassChallenge participation for the fourth season as a formal mentor and judge, and continued to coach six client resident finalists through to cash prize finals. For the 4th year in a row, a MSBDC Boston Regional Office client won a cash prize, and this year two clients were honored. Brendan English of RailPod, which applies robotics technology in providing safer and more efficient railroad track inspections, took home a \$100K cash award. Jason Hill of Benevolent Technologies, who has developed an advanced material application in prosthetic design was honored with a \$45K Sidecar Award from The Center for the Advancement of Science in Space.

In addition to maintaining its monthly office hour presence at Cambridge Innovation Center (CIC) non-profit arm Venture Café, the Office expanded outreach site office hours relationship to CIC's Co-working Community (hosting 300 entrepreneurs) and District Hall, CIC's Boston Seaport Innovation District space venture with BRA.

Coterminous with Quincy Chamber's relocation and integration into the new Quincy Chamber for Innovation (QCI) hosted by Eastern Nazarene College, the Office established a regular monthly full day MSBDC presence and office hours. The office also has an office in District Hall a collaborative effort with City of Boston and the BRA. It is the first public co-worker space and is located in the heart of the Boston Innovation district.

### **Working with Incubators**

The MSBDC Southeast Regional Office works closely with the incubator at UMass Dartmouth's Advanced Technology & Manufacturing Center (ATMC) advising clients, providing training and providing ongoing support to ATMC incubator companies.

### **Technology and Venture Forum Activity**

The MSBDC Central Regional Office Senior Business Advisor/Technology Specialist continues his collaboration with local incubators such as Massachusetts Biomedical Initiatives (MBI), Running Start, TechSandBox and the STIC Program at UMass Medical School. To that end, they have co-sponsored a SBIR seminar with MBI at Worcester Polytechnic Institute (WPI), have provided on-site office hours at the TechSandBox and continue to provide services for the entrepreneurs in residence. There continues to be a close collaboration with Mass Ventures and the advisor will be participating on a panel at a Mass Ventures sponsored event entitled "The Path to Scale: Increasing Your Odds of Success in the Worcester Ecosystem." The advisor will also be participating on a panel sponsored by the TechSandBox entitled, "Funding Deep Dive: Venture Capital, Angel Financing and Grants." He has also been instrumental in helping client's to develop pitches to potential equity investors resulting in funding opportunities for his clients and a finalist at MassChallenge. The advisor continues to attend networking functions at The Venture Forum, TechSandBox and technology programs sponsored by SBANE and the SBA. He plans to continue his effort to establish a working relationship with technology transfer offices at local colleges such as WPI, WSU, Becker College and Clark University.

The MSBDC Southeast Regional Office participates in the Cape Cod Technology Council and Entrepreneurial Resource System, which provides support for high growth entrepreneurs. They

are also active in SNEEF (Southern New England Entrepreneurs Forum) which fosters collaboration between universities, technology companies and investors. Their clients have presented and been panelists at the programs and they have drawn new clients from this program. SNEEF is housed at the UMASS Dartmouth Advanced Technology & Manufacturing Center.

### **Manufacturing**

The MSBDC was a participant and exhibitor at the Massachusetts Advanced Manufacturing Summit held in Worcester, MA in April 2014. The program manager of the MSBDC Procurement Technical Assistance Center (PTAC) participated on a panel entitled "Supplying to the Defense Industry". Other participants included Hanscom Airforce Base Naval Systems Command and Natick Soldier Research Development and Engineering center. The director of the MSBDC Mass Export Center moderated a panel entitled "Exploring Export Development Opportunities & Practical Strategies for Success and Compliance. Your Future Growth: Marketing around the corner and around the Globe".

MSBDC Southeast Regional Office and Government Sales Program staff participated as exhibiting resources for businesses in attendance.

The MSBDC Boston Regional Office continues to be a member of the Advanced Manufacturing Collaborative Access to Capital Working Committee.

The MSBDC Southeast Regional Office, in partnership with the Mass Manufacturing Extension Partnership (MEP) and the New Bedford Chamber of Commerce, continue coordination of a CEO Roundtable where manufacturing companies can discuss issues related to their businesses. There are plans to deploy this across the state in the near future. Joint training will be conducted this January 2014 for staff of the MSBDC and MEP involved in the project.

## IX. FEATURED CLIENTS

### **ATLAS DEVICES – Paula Murphy, Director, MSBDC Mass Export Center**

U.S. Trade Representative Michael Froman unveils a factory expansion at **Atlas Devices** in Boston, MA. Through this expansion, Atlas Devices will increase its manufacturing capacity and employment to meet increasing global demand for its state-of-the-art rappelling tools for military and emergency response customers. Froman states: “Atlas Devices exemplifies trade’s capacity to unlock opportunity and support jobs.”



In the picture, Ambassador Froman is flanked by Nate Ball (left) and Bryan Schmid (right), co-founders of Atlas Devices. They are joined by **Paula Murphy**, director of the **Massachusetts Export Center**, Robert Nelson, district director for the U.S. Small Business Administration, and members of the Atlas team. Both the Massachusetts Export Center and the U.S. Small Business Administration have provided support to Atlas Devices as they have expanded into export markets.

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### **SBIR Success Story**

A Bioscience company engaged in the development of anti-cancer drugs contacted the MSBDC Government Sales Office for assistance with submission of their SBIR proposals. Previously they had submitted 2 Phase I SBIR proposals, both of which were below the funding line. The founder of the company was already well into the process of writing a revised proposal when he contacted the Massachusetts SBDC. An advisor worked with him to finalize the submission of his proposal which was submitted as expected.

After submitting the proposal, the president and the MSBDC advisor worked to better understand the previous reviewer rejections. This served as a roadmap to make substantive positive changes to the submission. This gave them the insight into the reviewers and their thoughts about the proposal strengths and weaknesses. Unfortunately the next proposal also came back as a rejection, although the score had increased over previous submissions. They continued to review the results and comments of this rejection in order to further improve the application. Another

proposal was submitted to overcome the reviewer concerns. This version of the proposal came back very close to the funded scoring range. Most of the proposal reviewers loved the science, but others questioned its level of significance as parts of the technology were perceived to be used previously, and thus not novel. It now seemed to be a matter of perception of the science as to whether the proposal would be funded.

The advisor and the president of the company began revising the proposal for another submission. Using comments from previous reviewers, the challenge of presenting the significance and impact of the science was tackled head on. The revised proposal sought to overcome the weakness that the technology platform utilized existing technologies. The new proposal now highlighted that other reviewers had specifically commented that "although all the components of the technology may not have been novel, the approach and the utilization of them was truly innovative and could result in great strides in cancer therapy". Using the new strategy, the company submitted another version of the Phase I SBIR application which was successfully funded by NIH, through the National Cancer Institute, at \$288,695. The company is currently executing on the aims of the grant and, with the help of this office, has submitted another separate proposal for funding for which they are awaiting results.

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## MSBDC NETWORK CONTACT INFORMATION

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### Boston Regional Office & Minority Business Center

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### Central Regional Office

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### Massachusetts Export Center

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### Procurement Technical Assistance Center (PTAC)

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### Western Regional Office

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## MSBDC Outreach Locations

### Berkshire Regional Office:

Great Barrington	Berkshire Bank
North Adams	Mass MoCA

### Boston Regional Office & Minority Business Center:

Arlington	Arlington Chamber of Commerce
Boston	Bunker Hill Community College
	Cambridge Innovation Center District Hall (Seaport)
	Harvard innovation laboratory (i-Lab)
	WeWork (Fort Point)
	WeWork (South Station)
Cambridge	Cambridge Innovation Center C3 Co-Working Space
	Cambridge Innovation Center Venture Café
Chelsea	Connect
Newton	Newton-Needham Chamber of Commerce
Quincy	Quincy Center for Innovation
	Quincy Chamber of Commerce
Somerville	Somerville Chamber of Commerce
Waltham	Waltham West Suburban Chamber of Commerce

### Central Regional Office:

Acton	Middlesex West Chamber of Commerce
Devens	Nashoba Valley Chamber of Commerce
Fitchburg	North Central Massachusetts Chamber of Commerce
Framingham	Metro West Chamber of Commerce
Franklin	United Regional Chamber of Commerce
Gardner	Greater Gardner Chamber of Commerce
Marlborough	Marlborough Regional Chamber of Commerce
Milford	Milford Area Chamber of Commerce
Westborough	Corridor Nine Chamber of Commerce
Whitinsville	Blackstone Valley Chamber of Commerce
Worcester	Worcester Regional Chamber of Commerce

**Northeast Regional Office:**

Amesbury	Amesbury Chamber of Commerce
Beverly	Beverly Chamber of Commerce
	North Shore InnoVentures
Billerica	Billerica Community Alliance, Inc.
Gloucester	Cape Ann Chamber of Commerce
Lawrence	Merrimack Valley Chamber of Commerce
	Northern Essex Community College
Peabody	Peabody Chamber of Commerce

**Southeast Regional Office:**

Attleboro	United Regional Chamber of Commerce
Barnstable	Cape Cod Chamber of Commerce
	Cape Cod Community College
Bridgewater	Bridgewater State University
Brockton	Brockton 21st Century Corporation
	Metro South Chamber of Commerce
Buzzards Bay	Cape Cod Canal Region Chamber of Commerce
Fall River	Fall River Area Chamber of Commerce & Industry
Falmouth	Falmouth Chamber of Commerce
Mansfield	HarborOne U
	Tri-Town Chamber of Commerce
Martha's Vineyard	Martha's Vineyard Chamber of Commerce
Middleborough	Cranberry Country Chamber of Commerce
Nantucket	Nantucket Island Chamber of Commerce
New Bedford	Downtown New Bedford, Inc.
	Quest Center @ New Bedford EDC
North Attleboro	United Regional Chamber of Commerce
Norwood	Neponset Valley Chamber of Commerce
Plymouth	Plymouth Area Chamber of Commerce
Rockland	South Shore Chamber of Commerce
Taunton	SEED Corporation
	Taunton Area Chamber of Commerce

**Western Regional Office:**

Amherst	Amherst Area Chamber of Commerce
Greenfield	Franklin County Chamber of Commerce
Northampton	Greater Northampton Chamber of Commerce



**ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER  
COUNSELING ACTIVITIES IN MASSACHUSETTS: 2012-2013**

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**ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER  
COUNSELING ACTIVITIES IN MASSACHUSETTS: 2012-2013**

EXECUTIVE SUMMARY

This report analyzes the sales and employment changes and financing obtained by a sample of established businesses and pre-ventures (persons aspiring to start a business) that received five or more hours of counseling assistance (long-term clients) from the Massachusetts Small Business Development Center (SBDC) in 2012. The report also provides an estimate of the jobs saved and existing sales retained through SBDC counseling.

There were 270 responses to a questionnaire, a 26.4% response rate. The clients surveyed represent the entire population of long-term clients (received five hours or more of counseling) of the Massachusetts SBDC in 2012. The sales and employment changes of the sample in 2013 (the year after receiving assistance) were compared to the average change in sales and employment of all businesses in Massachusetts. The incremental improvement in the sample's performance, above the performance of the average Massachusetts business, was extrapolated across the entire long-term client population to estimate the tax revenues generated through SBDC counseling. To be conservative, only clients who indicated that the SBDC's services were beneficial were used. The tax revenues generated by long-term clients were compared to the total cost of the Massachusetts SBDC. Established business clients were also asked to estimate jobs and revenues saved due to the counseling services provided by the SBDC. To gain additional insights into the value of the services offered by the Massachusetts SBDC the financing obtained by clients as a direct result of SBDC assistance was analyzed.

The Massachusetts SBDC counseled 1,022 long-term clients during 2012. Of these, 785 were established businesses and 237 were pre-ventures. Approximately 93% of the respondents said that the services received were

beneficial. In aggregate, the long-term clients of the Massachusetts SBDC created \$131.7 million in incremental sales and 1,009 new jobs because of SBDC counseling assistance (see Table 1). We also estimate that \$239.1 million in sales and 2,096 jobs were saved due to the counseling.

The incremental performance of established business clients generated \$8.12 million in tax revenues; \$1.65 million in tax revenues were gained from pre-venture clients who started new businesses. The total amounted to approximately \$9.77 million in tax revenues, of which \$6.82 million went to the state and 2.95 million, went to the federal government.

Compared to the total cost of operating the SBDC (\$4.32 million), the counseling provided to both established business and pre-venture clients generated \$2.26 in tax revenues in one year for every \$1 spent on the entire program. The average cost of each new job generated was \$4,282.

Furthermore, an estimated \$54.9 million in financing was obtained by clients as a result of the counseling received. This figure suggests that every dollar expended on the SBDC operation was leveraged by approximately \$12.70 in new capital raised from external sources.

TABLE 1  
ESTIMATED IMPACT OF SBDC COUNSELING

	Established Firms (N = 785)	Pre-Ventures (N = 237)	All Firms (N =1022)
Aggregate sales impact	\$121,972,400	\$ 9,730,300	\$131,702,700
Aggregate employment impact	672 new jobs	337 new jobs	1009 new jobs
Existing revenues maintained	\$239,067,000		
Existing jobs saved	2096 jobs saved		
<hr/>			
State tax revenues generated	\$6,152,479	\$ 667,782	\$6,820,261
Federal tax revenues generated	<u>\$1,963,221</u>	<u>\$ 984,261</u>	<u>\$2,947,482</u>
Total tax revenues generated	\$8,115,700	\$1,652,043	\$9,767,743
<hr/>			
Cost of entire SBDC operation			\$4,320,500
Benefit to cost ratio	1.88/1.00	0.38/1.00	2.26/1.00
<hr/>			
Cost per job			\$4,282
<hr/>			
Cost of all counseling			\$2,246,660
Benefit to cost ratio	3.61/1.00	0.74/1.00	4.35/1.00
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Cost of long-term counseling	\$1,631,075	\$181,979	\$1,813,054
Benefit to cost ratio	4.98/1.00	9.08/1.00	5.39/1.00
<hr/>			
SBA financing	\$16,045,350	\$2,370,000	\$18,415,350
Debt financing	\$31,423,540	\$3,957,900	\$35,381,440
Equity financing	<u>\$ 604,500</u>	<u>\$ 474,000</u>	<u>\$ 1,078,500</u>
Total financing	\$48,073,390	\$6,801,900	\$54,875,290
Financing Leverage	11.13/1.00	1.57/1.00	12.70/1.00

## INTRODUCTION

This report describes the results of a study designed to assess the economic impact of the long-term counseling activities of the Massachusetts Small Business Development Center (SBDC) program in 2012. Long-term clients are those who received a minimum of five hours of counseling assistance from the SBDC. The economic impact of counseling activities was analyzed by comparing clients' sales and employment changes between 2012 and 2013 with the average changes for all Massachusetts businesses during this time period. The growth in sales and employment in excess of statewide averages was used to calculate the incremental federal and state tax revenues generated the year after counseling assistance was provided. The tax revenues generated by SBDC-counseled clients were then compared to the cost of the service to determine if it was cost effective.

To supplement this analysis, clients were also asked to estimate the jobs and revenues saved as a consequence of the counseling received. In addition to this, clients were asked to indicate the amount of debt and equity financing they were able to obtain as a direct result of the counseling received from the SBDC.

The remainder of this report describes the methodology and results of the study.

## THE STUDY

In 2012 the Massachusetts SBDC provided long-term counseling assistance to 1,022 clients of whom 785 owned established small businesses and 237 were seeking to start new businesses (pre-ventures). The entire population of long-term clients was sent a questionnaire. A total of 270 clients returned usable questionnaires, a 26.4% response rate.<sup>1</sup> However, since 43 questionnaires were returned undeliverable, the effective response rate is 27.6%.

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<sup>1</sup> Not all of the respondents provided usable responses to every question; therefore, the effective sample sizes for the analyses may vary.

#### SAMPLE SIZE

To determine if the number of responses received were statistically reliable, the following formula was used:

$$Z = [nNE^2/(Ns^2 - ns^2)]^{1/2}$$

where: n = actual sample size (270).  
N = size of population (1022).  
s = standard deviation of the population (standardized value = 1).  
Z = confidence interval for the mean.  
E = amount of error in the mean to be tolerated (20% of s).

With a sample size of 270 and a tolerated error of 0.2 of a standard deviation, we were 99.9% confident that our sample means were no more than one-fifth of one standard deviation from the population means.

#### SAMPLE VALIDATION

Statistical tests were conducted to ensure that there was a minimum likelihood of response bias and that the responses to the questionnaire were reliable. The following procedures were used.

Response Bias. Comparisons of early and late respondents provided no evidence of response bias for established business or pre-venture clients along the following dimensions: number of employees, sales revenues, financing obtained, or the evaluation of the benefits of the SBDC's services. Since late responders could be expected to be more similar to non-respondents than early responders are, we conclude that there is no evidence to suggest an upward bias on the performance data provided by respondents.

Reliability. The reliability of the questionnaire was assessed by a correlation analysis comparing clients' perceptions of whether the SBDC's services were beneficial and their evaluations of (1) the quality of their counselors, and (2) their willingness to recommend the SBDC to others. The results of the correlation analyses were statistically significant at the .05 levels for pre-ventures and established business clients.

#### DATA ANALYSIS METHODS: ESTABLISHED BUSINESSES

The changes in sales and employment for the period before and after counseling was received were calculated for businesses receiving at least five hours of assistance. Two part-time employees were considered equivalent to one full-time employee.

The rate of growth in sales and employment for established clients was compared with the average growth of all businesses in Massachusetts.<sup>2</sup> The difference between the growth rate of clients' businesses and that of businesses in the state was used to estimate the incremental or marginal changes in the sales and employment of the sample. To be conservative, we chose not to impute impact to clients who did not believe they received value from the SBDC. Thus, only those who indicated that its services were beneficial were used to calculate incremental growth rates.

The incremental growth rates were multiplied by the average sales and employment of the respondents for the year counseling was received. The incremental change in sales was then multiplied by the state sales tax rate. The state sales tax rate was reduced by 25% to reflect the fact that some businesses do not pay sales taxes. This adjustment was arbitrary and may still overestimate taxes paid on sales. However, it compensates for the fact that businesses are taxed in ways not measured in this study (e.g., corporate income tax rates, property taxes, etc.).

The incremental change in employment was multiplied by the median state and federal income taxes paid per return for the state of Massachusetts. Federal income tax data were obtained from Table 2 of the SOI Bulletin published by the IRS (2014). Tax data for 2012, the most recent figure available, was used. Income taxes paid per return for persons of median incomes were used rather than average income taxes for all returns. This was done to

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<sup>2</sup> Estimates of changes in statewide sales were obtained from Bureau of Economic Analysis data. Comparative data on employment were obtained from the Bureau of Labor Statistics.

better reflect the types of employment opportunities offered by responding small business owners. This again represents a conservative adjustment to the data.

The Massachusetts SBDC supplied information on state income tax paid per return for 2012, the most recent year available. Since the median federal income tax paid per return was lower than the Massachusetts average, the average state income tax paid per return was adjusted downward by a proportional amount.

Adjusted sales tax rates and median state personal income tax payments were multiplied by the average incremental improvement in sales and employment, respectively, to arrive at the state value added figures. Median federal personal income tax paid per return was also multiplied by the average incremental improvement in employment. All these numbers were then multiplied by the total number of established business clients, adjusted for the proportion of the respondents who indicated the SBDC's services were beneficial. The formula for the calculations can be expressed as follows:

$$\begin{array}{l} \text{Average} \\ \text{Incremental} \\ \text{Growth} \end{array} \times \begin{array}{l} \text{Tax Rate} \\ \\ \end{array} \times \begin{array}{l} \text{Proportion of Clients} \\ \text{Satisfied w/Service} \end{array} \times \begin{array}{l} \text{Total Number} \\ \text{of Clients} \end{array} = \begin{array}{l} \text{Total Tax} \\ \text{Revenues} \end{array}$$

#### DATA ANALYSIS METHODS: PRE-VENTURE CLIENTS

Similar procedures were used for long-term pre-venture clients, with the following exceptions. First, since pre-ventures start with no sales or employees, it is impossible to calculate a rate of growth. Thus, raw averages were used to assess economic impact. Second, the averages were adjusted to account for the total number of pre-venture clients who failed or did not start a business. This adjustment was made as follows:

$$\text{Average Performance} = \text{AS} \times (\text{NS}/\text{NP})$$

where: AS = average performance (sales and employment) of successful pre-ventures  
NS = number of successful pre-ventures  
NP = number of pre-ventures (successful + unsuccessful)

Once this adjustment was made, the sales and employment growth of pre-venture respondents was multiplied by the corresponding tax rates, the proportion of pre-ventures who judged the SBDC's services to be beneficial, and the total estimated number of pre-venture clients. This formula is shown below.

$$\begin{array}{cccccc} \text{Average} & \times & \text{Tax} & \times & \text{Proportion of Clients} & \times & \text{Total} & = & \text{Total Tax} \\ \text{Performance} & & \text{Rate} & & \text{Satisfied w/Service} & & \text{Clients} & & \text{Revenues} \end{array}$$

BENEFIT TO COST OF SBDC SERVICES

The benefit of the services provided by the SBDC was divided by the total cost of providing the services to arrive at a benefit-to-cost ratio. The SBDC's total operating budget was used for this calculation. This was a conservative approach since only a part of the SBDC's' budget was spent on counseling assistance. Thus, to obtain further insights we also compared the tax revenues generated by clients with the cost of counseling activities both in total and for long-term established and pre-venture clients separately. The cost of long-term counseling was estimated based on the proportion of total counseling hours devoted to those clients, per data supplied by the SBDC.

OTHER ANALYSES

Quality of Counseling Services. Clients were asked whether the services provided by the SBDC were beneficial. This question was used to determine whether clients' performance improvements were affected by SBDC counseling. As noted above, the performance improvements of responding clients were adjusted to account for the proportion that believed the SBDC's services were beneficial when extrapolating the results to the full population of clients.

Clients were also asked to assess the knowledge and expertise of counselors assigned to their cases as well as their working relationship with the counselors. Clients evaluated their counselor's knowledge/expertise and working relationship on a five-point scale: (1) poor, (2) below average, (3) average, (4) above average, and (5) excellent. These questions provide further

evidence of the quality of the counseling services. In the main, however, these questions were used to assess the reliability of the question concerning whether the SBDC's services were beneficial.

Revenue and Job Retention. Established business clients were asked to estimate the number of full- and part-time jobs that were saved as a result of the assistance received from the SBDC. We also asked clients to estimate the amount of previous sales revenue maintained as a result of SBDC assistance.

Financing. Established business and pre-venture clients were also asked to estimate the amounts of SBA guaranteed loans, other loans, and equity financing obtained directly as a consequence of SBDC counseling activities. To remain conservative, only those clients who indicated that the SBDC assisted them prepare to obtain financing were used for this analysis. Extrapolation to the entire client population was made after adjusting for the proportion of clients who indicated the SBDC assisted them raise capital.

## RESULTS

The results of the analysis of the counseling services provided by the Massachusetts SBDC to established business and pre-venture clients are presented below.

### ESTABLISHED BUSINESSES

Quality of Counseling. Of those who provided usable responses to the service evaluation question, 92% indicated that the SBDC's services were beneficial. Furthermore, clients gave a rating of 4.67 out of a possible 5.00 on the knowledge and expertise of their counselors and a rating of 4.61 on their working relationship with the counselors (scores of 3 indicated an average rating, scores of 4 indicated an above average rating, and scores of 5 indicated an excellent rating). Finally, 97% of the responding established business clients indicated that they would recommend the SBDC's services to others.

Economic Impact Estimates. Table 2 compares the 2012 and 2013 sales and employment levels of established small business clients. Table 3 compares the SBDC clients' growth in sales and employment between 2012 and 2013 with the growth experienced by the average business in Massachusetts. As these Tables show, SBDC clients had an average increase in sales of \$210,345. Sales levels of established clients increased by 17.8% compared to a 3.5% increase in sales for Massachusetts businesses in general. There was also an increase in the number of individuals employed by clients in 2013 compared to 2012 (11.20 versus 10.13). Employment levels of established clients increased by 10.6% compared to a 1.4% increase in employment for Massachusetts businesses in general.

The overall impact estimate for established business clients suggests that the SBDC's services led to an incremental tax gain of approximately \$8.12 million: \$6.15 million in state tax revenues and \$1.96 in federal tax revenues (See Table 4).

As shown in Table 5, these tax revenues were 88% greater than the SBDC's total operating budget, 3.61 times greater than its counseling budget, and 4.98 times greater than the amount spent on long-term established clients.

Revenue and Job Retention. To supplement the impact estimates we also asked established clients if the SBDC helped them save jobs and retain existing revenues. On average, clients estimated that the SBDC program was responsible for saving \$304,544 in revenues and 2.67 full-time equivalent jobs. In total, this amounted to \$239.1 million in revenues retained and 2,096 jobs saved.<sup>3</sup>

Financing Obtained. According to the respondents, 21% of established business clients were assisted in preparing to seek financing. Those clients obtained an average of \$291,619 in capital, of which \$97,333 came from SBA loans, \$190,619 came from other forms of debt financing, and \$3,667 came from

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<sup>3</sup> It should be noted that revenues retained and jobs saved were not figured into the benefit to cost estimates.

equity financing. Extrapolations indicate that clients raised \$16.05 million in SBA loans, \$31.42 million in other debt financing, and \$0.60 million in equity financing (\$48.1 million in total) with the help of the SBDC. This suggests that the total expenditure of tax dollars on the SBDC were leveraged by public and private financing at a ratio of 11.13 to 1.00 for long-term established business clients alone.

Our estimates also suggest that of 785 established business clients, 71 received SBA loans as a consequence of SBDC long-term counseling. Furthermore, 67 clients received other loans, and 20 received equity financing.

#### PRE-VENTURE CLIENTS

Perceptions of the Quality of Counseling. Of the pre-venture clients who provided an evaluation of the SBDC's services, 96% felt the counseling was beneficial. In addition, clients gave a rating of 4.52 out of a possible 5.00 on their counselors' knowledge and expertise, and a rating of 4.58 on their working relationship with the counselors (scores of 3 indicated an average rating, scores of 4 indicated an above average rating, and scores of 5 indicated an excellent rating). Moreover, 96% of the responding pre-venture clients indicated that they would recommend the SBDC's services to other entrepreneurs.

Economic Impact Estimates. After adjusting for unsuccessful clients, we calculated that an average of \$42,767 in sales and 1.48 new jobs were created per pre-venture client. As Table 6 shows, these new ventures generated tax payments of approximately \$1.65 million (\$0.67 million to the state and \$0.98 million to the federal government).

When compared to the cost of the entire SBDC operation, the tax revenues from pre-venture clients generated \$0.38 for every dollar expended. Furthermore, the tax revenues generated were 74% of the cost of the SBDC's counseling activities. Finally, the tax revenues from pre-venture clients

exceeded the amount expended on pre-venture who received long-term counseling by a ratio of 9.08 to 1.00 (see Table 7).<sup>4</sup>

Financing Obtained. According to the responses, 20% of all pre-venture clients received assistance from the SBDC in preparing to obtain financing. The average raised was \$50,000 in SBA loans, \$83,500 in other sources of debt financing, and \$10,000 in equity financing for a total of \$143,500. Extrapolating to the population suggests that a total of \$2.37 million in financing from SBA loans, \$3.96 million from other sources of debt, and \$0.47 million in financing from equity investors were raised. The grand total of approximately \$6.8 million in financing suggests that each tax dollar expended on the SBDC was leveraged by \$1.57 in public and private financing for new ventures.

Our estimates also suggest that of 237 pre-venture clients, 24 received SBA loans, 19 received other loans, and 5 received equity financing as a consequence of SBDC long-term counseling.

#### SUMMARY AND CONCLUSIONS

Results of this study suggest that the Massachusetts SBDC makes an important contribution to the economic development of the State of Massachusetts. Our analysis indicated that SBDC clients gained \$131.7 million in incremental sales and added 1,009 new jobs to the state. The latter number suggests that the cost of generating a new job through investment in the Massachusetts SBDC was \$4,282 per job. Furthermore, an additional \$239.1 million in sales and 2,096 jobs were saved because of the SBDC's interventions.

Estimates suggest that the one-year tax benefits accruing as a consequence of the performance improvements of SBDC-counseled clients generated a return of \$2.26 for every dollar spent on the entire SBDC operation in

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<sup>4</sup> Pre-ventures had no sales or employees at the time the counseling was received. Therefore, we did not attempt to measure revenue or job retention.

Massachusetts. Furthermore, when compared to the cost of long-term counseling our estimates indicate that \$5.39 was returned for each dollar expended.

Finally, we estimate that \$54.9 million in capital was raised by clients as a direct result of the assistance of the SBDC. This suggests that each dollar expended on the Massachusetts SBDC program was later leveraged by approximately \$12.70 in debt and equity capital. From all these analyses, we conclude that the Massachusetts SBDC is both effective and efficient in the discharge of its charter.

The numbers presented in this report are only estimates based on responses to a questionnaire. It is possible that the respondents were not representative of the population of clients, factors such as social desirability bias may have inflated the estimates, or SBDC clients are especially prone to exceed sales and employment growth rates of "average" businesses in the state. It is also possible that some of the gains of the clients were not net gains to the economy.

While impact methodologies are always susceptible to such problems the tests conducted for bias and reliability suggest that the results are accurate enough to conclude that the SBDC program in Massachusetts makes a positive contribution to the economy. Furthermore, the results must be viewed in light of the fact that they are net of all the conservative downward adjustments in performance described earlier in this report. Thus, the estimates reported herein do not consider the impact of other SBDC services, the continuing tax revenues generated by long-term clients after the year of analysis, the many failures avoided through SBDC assistance, the unviable business ideas it discouraged, nor the jobs and revenues saved. Other tax revenue sources such as corporate taxes, property taxes, unemployment taxes, social security payments, and so on are also not included in the analysis.

From a public policy standpoint, the implication of this research is that the SBDC makes a contribution to the economies of Massachusetts and U.S. By

assisting established small businesses improve their operations and raise capital the Massachusetts SBDC contributes to the more efficient allocation and utilization of resources. The SBDC also plays an important role in fostering entrepreneurship through the assistance it provides to pre-venture clients. Those clients add to the economic development of Massachusetts and the United States and, not incidentally, generate new jobs. Because the SBDC provides assistance to small business people and would-be entrepreneurs who often cannot afford to hire a private consultant, its contributions become even more important. The evidence that its assistance returns tax revenues to state and federal governments, and value and capital to its clients makes the existence of the Massachusetts SBDC program justifiable from a public policy perspective.

TABLE 2  
 2012-2013 AVERAGE EMPLOYMENT OF ESTABLISHED CLIENTS  
 WHO INDICATED THAT SBDC ASSISTANCE WAS VALUABLE

	2012	2013	Change
Sales	\$1,181,051	\$1,391,398	+\$210,345
Employment	10.13	11.20	+ 1.07

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TABLE 3  
 CHANGES IN EMPLOYMENT BETWEEN 2012-2013: SBDC ESTABLISHED  
 BUSINESS CLIENTS VERSUS AVERAGE STATE BUSINESS

	Average % change in small business sample	Average % change all firms in state	Average incremental change in small business sample	
			percent	aggregate
Sales	+17.8%	+ 3.5%	+14.3%	+\$168,890
Employment	+10.6%	+ 1.4%	+ 9.2%	+0.93 jobs

TABLE 4  
 INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS  
 AS A RESULT OF SBDC COUNSELING OF ESTABLISHED BUSINESS CLIENTS

STATE TAX REVENUES

	Tax	X	Tax	X	% Clients	X	# of Long	=	Total Tax
	Base		Rate		Valuing		Term Clients		Revenues
					Service				Generated
Sales	168,890		.047*		.92		785		\$5,732,700
Employment	0.93		\$625**		.92		785		<u>\$ 419,779</u>
									\$6,152,479

FEDERAL TAX REVENUES

Employment	0.93		\$2923***		.92		785		<u>\$1,963,221</u>
TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES									\$8,115,700

\* Figure represents 75% of state sales tax rate (6.25%) in 2013.

\*\* Figure represents average state income tax paid per return by persons of median incomes in 2012.

\*\*\* Figure represents average federal income tax paid per return by persons of median incomes in Massachusetts in 2012.

TABLE 5  
THE COSTS AND BENEFITS OF SBDC COUNSELING: ESTABLISHED BUSINESSES

Total incremental State and Federal Tax Revenues Added by Established Business Clients	\$8,115,700
Cost of operating the SBDC	\$4,320,500
Benefit to cost ratio	1.88/1.00
Cost of all counseling *	\$2,246,660
Benefit to cost ratio	3.61/1.00
Cost of long-term counseling provided to established business clients **	\$1,631,075
Benefit to cost ratio	4.98/1.00

\* Approximately 52% of the total SBDC budget was used for counseling long- and short-term clients.

\*\* Established business clients who received long-term counseling accounted for approximately 72.6% of the total counseling budget.

TABLE 6  
 INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL  
 GOVERNMENTS AS A RESULT OF SBDC COUNSELING OF PRE-VENTURE CLIENTS

STATE TAX REVENUES

	Tax	X	Tax	X	% Clients	X	# of Long	=	Total Tax
	Base		Rate		Valuing		Term Clients		Revenues
					Service				Generated
Sales	42,767		.047*		.96		237		\$ 457,326
Employment	1.48		\$625**		.96		237		\$ 210,456
									\$ 667,782

FEDERAL TAX REVENUES

Employment	1.48		\$2923***		.96		237		\$ 984,261
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TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES \$1,652,043

\* Figure represents 75% of state sales tax rate (6.25%) in 2013.

\*\* Figure represents average state income tax paid per return by persons of median incomes in 2012.

\*\*\* Figure represents average federal income tax paid per return by persons of median incomes in Massachusetts in 2012.

TABLE 7  
THE COSTS AND BENEFITS OF SBDC COUNSELING: PRE-VENTURES

Total incremental State and Federal Tax Revenues Added by Pre-Venture Clients	\$1,652,043
Cost of operating the SBDC	\$4,320,500
Benefit to cost ratio	0.38/1.00
Cost of all counseling *	\$2,246,660
Benefit to cost ratio	0.74/1.00
Cost of long-term counseling provided to pre-venture clients **	\$ 181,979
Benefit to cost ratio	9.08/1.00

\* Approximately 52% of the total SBDC budget was used for counseling long and short term clients.

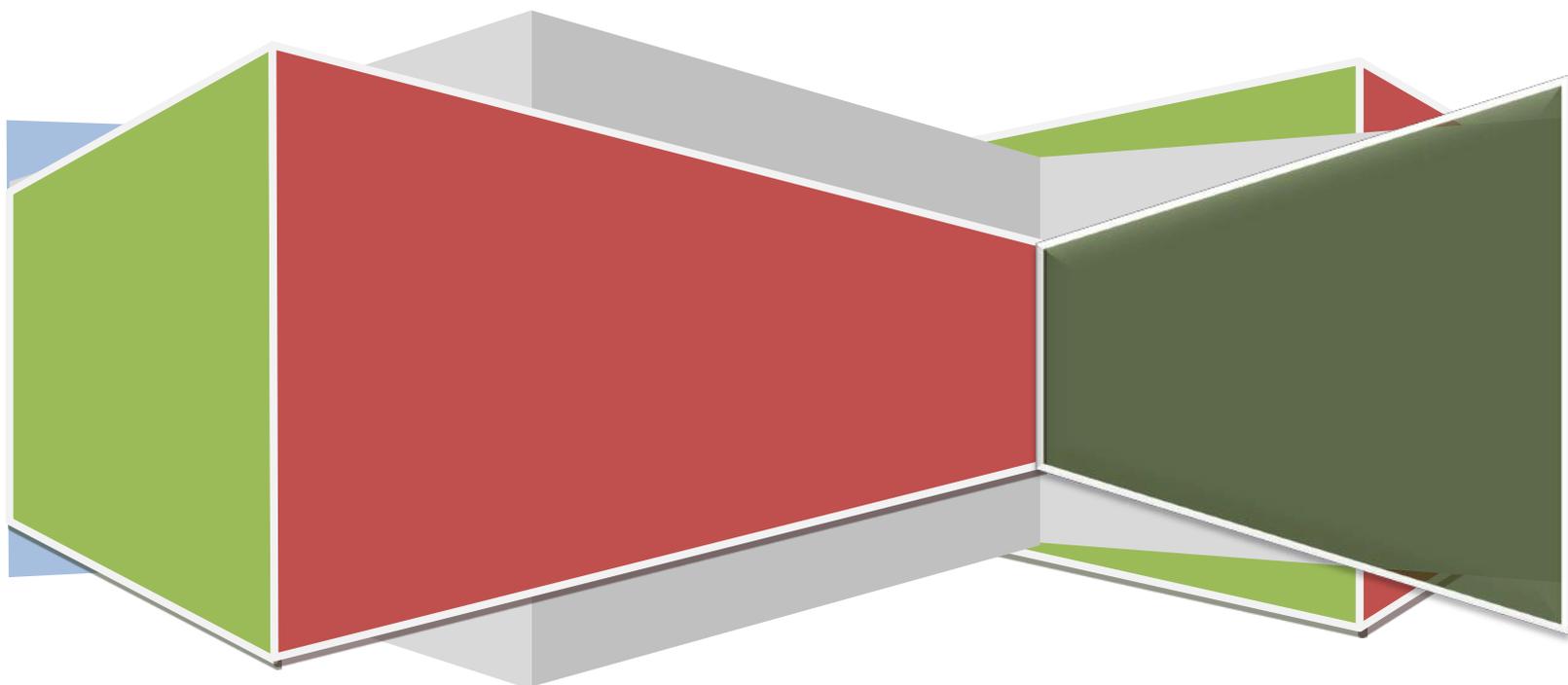
\*\* Pre-venture clients who received long-term counseling accounted for approximately 8.1% of the total counseling budget.

# Massachusetts Small Business Development Center (MSBDC) Network



**Fiscal 2014**

**Economic Development Business Plan**



# MSBDC Network

## Mission Statement

The Massachusetts Small Business Development Center Network contributes to the entrepreneurial growth of small businesses throughout Massachusetts by providing high quality, in-depth advising, training, international trade assistance, and capital access.

**Business Plan Summary** – The following table summarizes objectives, programs, and initiatives planned for FY14 and performance measurements by which to evaluate progress. This plan also includes goals, strategies, and measurements for the **Massachusetts Export Center**.

Goals	Strategy	Performance Measurement
<p><b>Support Innovation and Entrepreneurship</b></p> <p><i>Aligns with Action Item 2.1.3</i></p>	<ul style="list-style-type: none"> <li>• Provide high-quality, in-depth, one-on-one, professional management advisory services and training</li> <li>• Strive for a healthy 50% pre-venture and 50% existing business client mix to track startups, financing and job creation and retention</li> <li>• Assist high impact clients, including technology, manufacturing, and export businesses</li> <li>• Identify, support and collaborate with economic development organizations and programs that affect small business</li> <li>• Track and document impact at the advisor, center and state level</li> <li>• Continue to participate in third party impact studies through the ASBDC and internal MSBDC Network state office evaluations.</li> <li>• Through the Massachusetts Export Center, provide targeted, customized technical assistance and training to clients in the areas of international business development, global trade regulatory compliance, global supply chain management, and global risk mitigation.</li> <li>• Through the Massachusetts Export Center's Compliance Alliance initiative, provide a forum for exporting firms to share best practices and stay current on</li> </ul>	<ul style="list-style-type: none"> <li>• 1,000 jobs created and retained by clients through business assistance</li> <li>• \$2M in state tax revenues generated by clients through business advising</li> <li>• \$100M in sales revenues generated by clients through business advising</li> <li>• \$38M in capital secured by clients through business advising</li> <li>• Through the Massachusetts Export Center, \$100M in export client sales increases</li> <li>• Mass Export Center Compliance Alliance membership</li> <li>• \$28M in government contracts secured by clients through advising</li> </ul>

## MSBDC Network

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	<p>export regulatory compliance issues.</p> <ul style="list-style-type: none"> <li>Participate in MassChallenge as mentors and assist clients with business planning and access to capital</li> </ul>	
<p><b>Expand our culture of innovation</b> <i>Aligns with Action Subcategory 2.3</i></p>	<ul style="list-style-type: none"> <li>Maintain and expand working relationships with business and industry groups—i.e. Chambers, Mass Life Sciences sector, and financial institutions.</li> <li>Provide advising services at incubators</li> <li>Maintain advising offices in Gateway Cities (Barnstable, Brockton, Fall River, Fitchburg, Lawrence, Lowell, New Bedford, Pittsfield, Salem, Springfield, Taunton and Worcester)</li> <li>Forming new collaborations when feasible</li> <li>Assist clients to secure SBIR funding</li> </ul>	<ul style="list-style-type: none"> <li>150 businesses started by clients through advising services</li> <li>Incubators where advising services are provided (i.e. ATMC, Biotech Incubator, Harvard ILab)</li> <li>600 clients serviced in Gateway cities</li> <li>Collaborations with MOBD, MEP, Mass Life Sciences, the Medical Device sector and WPI</li> <li>SBIR contract awards</li> </ul>
<p><b>Support Growth to Scale</b> <i>Aligns with Action Item 2.4.1</i></p>	<ul style="list-style-type: none"> <li>Identify and pursue new funding sources consistent with MSBDC Network mission and purpose.</li> <li>Provide advising to technology/high growth companies (expand SBIR initiative)</li> <li>Help young technology/high growth companies to begin exploring global markets through the Massachusetts Export Center.</li> </ul>	<ul style="list-style-type: none"> <li>Financing obtained and jobs created by new technology/high growth companies through advising</li> <li>Assisting new technology/high growth companies to launch</li> <li>New export markets of emerging technology clients</li> </ul>