

RESPONSIVE-PROACTIVE-SUSTAINABLE THREE KEYS TO A SUCCESSFUL ENTREPRENEURIAL SUPPORT STRATEGY

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Introduction

Entrepreneurship builds excitement in a community; it is infectious. And from an economic development perspective, it creates jobs which generate income and does it from within a community. The Business Incubator Center (BIC) in Grand Junction, CO has been a catalyst for entrepreneurial development for sixteen years. There are three critical elements to BIC's approach: create quality, accessible services to answer entrepreneurs' questions, proactively work to affect entrepreneurial infrastructure and design a sustainable model. By examining BIC's approach, insights can be gained to elements of a successful community strategy.

Perhaps a good analogy is to consider the human body. We have built-in responses to protect ourselves from danger and pain. We also innately recognize and seek positive sensations. Reacting to danger, pain and the opportunity for positive feelings keeps us alive. However, just a responsive approach does not ensure a healthy body. Taking vitamins and exercising regularly are examples of proactive efforts that improve the opportunity for our bodies to be healthy. But starting and stopping these efforts minimizes their impacts and in fact can neutralize them. Instead, a sustainable change in lifestyle provides the best results. Responsive services help to keep the entrepreneurial community alive, but when proactive efforts engage a community to build an infrastructure that excites entrepreneurship, the maximum benefit from an economic development perspective is achieved.

Responsive

Responsive services are those designed to respond to entrepreneurs' questions. Examples of general question topics include feasibility of business start-up, licensing, need for capital, working with banks, grants, sales and expense forecasting, and of course, emergencies such as cashflow issues.

Table 1: Responsive Programs at BIC

Responsive Program	Sponsors	Description
Small Business Development Centers	U.S. Small Business Administration, BIC	Free business consulting and low cost seminars
Service Corps of Retired Executives	U.S. Small Business Administration, volunteer consultants, BIC	Free business consulting

The most universal provider of free business consulting in the United States is the Small Business Development Center (SBDC). SBDCs are a nation-wide system of providers of free one-on-one business consulting, and low cost seminars. The U.S. Small Business Administration (SBA) provides approximately half of the funds to operate these Centers and has established the

framework by which they operate. Centers are assigned territories that cover the entire country. At the State level, Community College systems and Economic and Community Development departments of State governments are the conduit between the SBA and the local communities. In some cases, states provide funds to help match the SBA grant. In all cases, the states are the main contact and grant manager with SBA. In Colorado, the Governors Office of Economic Development is the state agency and Colorado does not invest into the sub-centers operating SBDC's throughout the State. Community Colleges, Chambers of Commerce and Business Incubators serve as the local sponsors. BIC operates the SBDC sub-center for Mesa County. It is the only SBDC in Colorado that is sponsored by an Incubator. Within Colorado, the majority of SBDC's are located at Community Colleges or Chambers of Commerce. The Service Corps of Retired Executives (SCORE) has retired individuals who volunteer their time to provide free services; it is also supported by SBA. SCORE, in Mesa County, moved to BIC in 1999 from the Chamber of Commerce. It has been a rewarding relationship. SCORE is busier and BIC has access to very talented counselors. Together these two programs offer consulting to anyone in the community who has business questions, free of charge. Other examples of service providers that are useful in answering entrepreneur's questions include women or minority based programs, public loan funds, procurement programs, Departments of Agriculture (State and U.S.), manufacturing and technology transfer programs and local economic development organizations. In Mesa County most of these service providers visit the area regularly and are available for referrals but are not physically located in the region. Providing effective, responsive programs depends on accessibility and quality of services.

With this myriad of service providers, one would think that designing effective entrepreneurial support programs was not an issue. However, there are many inherent weaknesses to the ad hoc nature of these services and many of them come and go at the whims of their creators. Sources of funds, whether they are government, foundation or private, dictate the use of the funds. This may or may not lead to services that entrepreneurs need or want and therefore might not be market-driven. An example with SBDC's is the SBA requirements pushing Centers to achieve milestones where they increase the number of clients who come in for multiple visits. While the motivation behind this directive is the desire to provide more help to SBDC clients, approximately 60% of the SBDC clients at BIC don't come back for a second session, yet over 90% rate the service as good to excellent. Locally, this is interpreted to mean that they got their questions answered satisfactorily and moved forward, sometimes deciding not to start a business. It doesn't make sense for the counselor to push the client to come back if their needs have been met. The goals for programs in many cases are being pushed down from the federal agencies which are the farthest away from the customer. Examples like this are numerous and certainly create challenges to providing effective market driven services to the customer.

Another challenge to providing effective responsive programs is quality control. Businesses represent many shapes and sizes. In order to be responsive to their questions, resource people must be generalists and have an exceptional ability to assess the needs of start-up and existing companies. When evaluating a company for BIC's Incubator program for example, four things are considered. First, is the business idea feasible? This starts with down and dirty break-even and competitive analyses. Second, does the company have access to the resources necessary to carry out their business idea, whether that is financial or human capital, or can they be reasonably acquired? Third, are the principals themselves able to lead the effort. Do they

possess the technical skill and decision-making ability and are they personally stable and have support from their family? And last, do the principals want help? SBDC and SCORE are the first stop at BIC and do these assessments. A good assessment on the front end can help the counselor to devise a game plan for the entrepreneur. Sometimes the questions are easy but the answers are difficult. More often than not, when a business initially states that their issue is that they need a business loan, the real work comes in trying to help that company understand their true costs and break-even point. The assessment provides a baseline that is used to devise a plan for the entrepreneur. The plan may include application into the Incubator Program, referral to another agency, business classes, further counseling to develop a business loan application or business plan or might encourage a “would be” entrepreneur to rethink his or her business model for its feasibility. The effectiveness of entrepreneurial support programs is dependent on the skill and knowledge of the individuals answering entrepreneur’s questions. Through combining many programs into a one-stop-shop, BIC has been able to create a critical mass of expertise and a culture committed to quality. Staff act as resources for each other and often work as a team on particular companies based on matching the assessment and talents of counselors.

Another issue with the myriad of service providers is that they are often hidden in government buildings and very difficult to find. BIC has brought together many providers into a “one-stop-shop” for small business. Being located in an Incubator provides a comfort level for a diversity of people--blue collar to PhDs and a location that is familiar to the community with ample parking. There are approximately 35 businesses operating out of the Center at any given time. The companies range from high tech to machine shops. When entrepreneurs are discussing their dreams, its emotional; they are exposing themselves to potential rejection of their dreams and it’s difficult. Creating the optimum environment for the interaction between entrepreneur and advisor is critical.

Within our community, the term Incubator carries both name recognition and positive connotations. The environment of the Center is energetic and welcoming, extensive outreach is done in the community and the one-stop-shop creates a critical mass; all of these elements contribute to BIC’s accessibility.

Programs that answer the questions of “would be” and existing entrepreneurs are a necessary first step in building the entrepreneurial base of a community. Programs that are set up to answer these questions need to be accessible and provide quality services to be effective. A successful responsive strategy provides a jumping off point for the next stage of community commitment to entrepreneurship, building the entrepreneurial infrastructure. Responsive systems are an important primary data source for the creation of new programs.

Proactive

While reacting to the expressed needs of entrepreneurs, certain patterns develop. Implementing programs to provide resources to address these patterns is one key source for proactive projects that enhance the entrepreneurial infrastructure of a region. Other sources may include distinct characteristics or competitive advantages of an area, a region’s natural resources, physical features or strategic location, industry clusters or economic shocks.

Table 2: Proactive Projects Operated By BIC

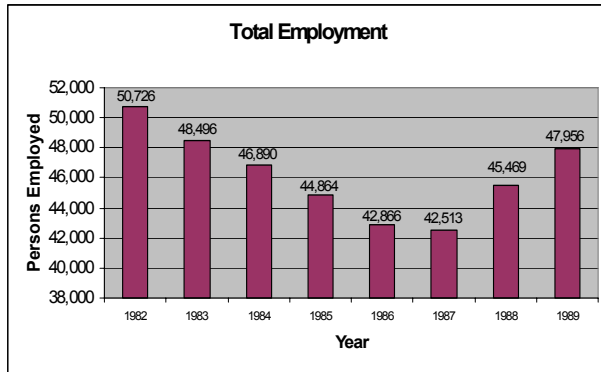
Entrepreneurial Infrastructure Program	Impetus/Need	Year started	Description
Business Incubator	Economic shock	1987	Space and services provided to accelerate and maximize start-up business growth
Revolving Loan Fund	Economic shock Access to capital	1985 moved to BIC 1987	High risk gap financing to start-up and existing businesses
Kitchen Incubator	Significant production of agricultural products conducive to processing	1996	Licensed commercial shared use kitchen for companies engaged in food production
Western Colorado Venture Forum	Equity financing trend and need	2002	Educational and networking opportunity for entrepreneurs and investors
Competitive Edge	Existing business retention and expansion	2002	Intensive technical assistance for non-Incubator companies

The Mesa County economy has experienced boom and bust cycles primarily attributed to extraction industries. On May 2, 1982, the Exxon oil shale project, which had fueled a tremendous boom for the region announced its closure on what is referred to as “Black Sunday”. In 1981, 6.2% of the labor force of Mesa County was attributed to the mining sector, by 2000 that number dropped to .8%. More important than the actual jobs in mining was the resultant reverberation throughout the economy. Total employment in 1982 was 50,726 persons, declining to a low of 42,513 in 1987. Net migration went from +5,630 in 1982 to –4,171 in 1984 and –6,237 in 1985 and didn’t start to turn around until 1988. From 1982 to 1988 there was a loss in population of over 14,000 people, close to 20% of the population. Unemployment went from 5.87% in 1981 to 10.6% in 1982 and stayed at between 10 and 11% until 1988 even with the significant out-migration. (Source Bureau of Economic and Business Research, Mesa State College, Grand Junction, CO.)

Economic shocks are frequently the impetus for the creation of new programs. Several initiatives were implemented after the last bust to boost the entrepreneurial infrastructure in Mesa County as well as other strategies to recruit companies and retirees. Approaches prioritized job creation and industry diversification. Both the Business Incubator Program and the Revolving Loan Fund (RLF) focused on supporting entrepreneurial companies that created jobs and brought dollars into the local economy. The Incubator assisted start-up or emerging firms, the RLF start-up or existing companies. The Incubator Program and RLF became the basis of the Business Incubator Center. The Kitchen Incubator was created in 1996 to support efforts to facilitate value-added product development. The Western Colorado Venture Forum initiated efforts to increase private investment in local companies. Even though traditional bank financing and the RLF had filled gaps to access to capital, lack of equity investment became a critical barrier to the start-up and expansion of worthy ventures. Another effort begun by BIC in 2002, the Competitive Edge is a pilot project examining methods to provide non-incubator clients with incubator-like services. Seen as a retention and expansion strategy, Competitive Edge enables

existing firms to receive significant technical assistance and training to move them forward in achieving their goals.

**Figure 1: Mesa County Employment
1982-1989**



**Figure 2: Mesa County Unemployment
1981-1990**



The Incubator Program provides intensive business assistance and low start-up costs for new and emerging companies. Occupying five buildings with approximately 60,000 square feet of office and light manufacturing space, the Incubator Campus offers quality rental facilities for new and developing small businesses. Tenants can take advantage of competitive rental rates, plus access to on-site resources such as:

- ✓ Shared telephone reception services & support staff
- ✓ Shared office equipment, copiers, fax machines, computers and software
- ✓ Shared light-manufacturing support including fork-lift, loading/unloading facilities, paint booth, 3-phase electrical service
- ✓ Consulting, research and library resources
- ✓ Monthly tenant meetings featuring topical seminars
- ✓ Critical issues seminars monthly through The Alternative Board (TAB)
- ✓ Biannual formal business progress meetings
- ✓ Mesa State College relationship; access to interns, Professors and classes for business cases
- ✓ Volunteers from the community for mentoring
- ✓ SBDC and SCORE on site offer consulting and business seminars

The Incubator provides both a formal and informal program. An open door policy encourages interaction with tenants at anytime something is on their minds. On-going consulting is performed in areas such as, management coordination and strategic planning, establishing and maintaining useful financial information, devising marketing plans and implementing strategies and accessing capital. Knowing that entrepreneurs don't always seek out help when it may be needed has lead to an intentional combination of formal and informal interactions to increase the opportunities for communication with tenants.

Historically, the Incubator Program focused on supporting entrepreneurial companies with good potential for job growth that brought in the vast majority of their revenues from outside the

community. Although the dollar importing requirements have been lifted, the majority of the Incubator program space is still manufacturing/warehouse with high ceilings, high voltage power and large bay doors. The Incubator consistently stays full in those spaces and is exploring the possibility of adding facilities to accommodate more manufacturing/distribution companies. With the historical support for manufacturing companies, the Incubator has operated as a proactive tool to support growth in entrepreneurial firms in an industry segment that nationally is in decline in response to free trade agreements and movement of production to other countries. From 1985-2000 the percent of employed persons in the manufacturing sector has stayed at 9% in Mesa County. The attractiveness of the sector lies in higher wages, bringing in dollars from outside the region and strong economic multipliers.

The BIC Board of Directors lifted restrictions on the types of businesses the Incubator could accept in 1991, acknowledging the potential benefit of the Incubator program to other sectors besides manufacturing and distribution. Since that time more service-based companies have joined the Incubator and in 1996 the Kitchen Incubator program started, enabling food related companies to become tenants. In 1999, the Incubator moved from its 40,000 square foot warehouse building to the Department of Energy (DOE) site as a part of a redevelopment effort. DOE had been in the community for 60 years and operated out of a 46-acre site just south of Grand Junction. Several contractors for DOE act as anchor tenants in the Incubator facilities and several tenant firms have started up partly because of the affiliation with DOE. BIC is part of the effort to preserve and grow the jobs at DOE. Two business clusters have developed at the Center, beyond its traditional manufacturing/distribution roots: food related and environmental services.

The two biggest success stories for the Incubator program are the graduation of Little Bear Snowshoes in 2001. Little Bear grew from 20 to 100 jobs when the company acquiring them moved their production from California to Grand Junction. And in 2002, BIC graduated its largest service-based company ever, an environmental services firm with 30 employees, 3 locations and who obtained the distinction of being #80 on the Entrepreneur Magazine top 100 growth companies list in 2001.

The Revolving Loan Fund (RLF) enables start-up or existing businesses access to high-risk economic development driven capital. The RLF provides an additional source of funds when others have been exhausted and can even increase private lender interest by reducing their exposure. The RLF will consider loan requests from applicants who have been denied financing from other lenders and will finance requests for working capital. Originally loan funds were available only to companies importing greater than 80% of their revenue from outside the community and engaged in activities that did not compete with companies already in existence in the area. In 1991 these restrictions were lifted allowing the funds to be lent to a broader range of clients. Increased flexibility of the funds was partially due the increased pool of “revolved dollars.” Once funds are paid back on the original federal grant, the initial government restrictions drop off and allow local areas to cater the use of the funds towards the need of local entrepreneurs. An example of an alternate use was the façade renovation program which was developed to collaborate efforts to revitalize a decaying downtown through the availability of low-interest, non-job-related loans with easy application procedures and flexible repayment structures. Currently, at about a 3 million dollar capital base, the loan fund is able to loan

companies \$1,500 to \$300,000 at prime rate (currently 4%) or above. Decisions are based on evaluations of the feasibility of the project, character of the principals and economic impact. More often than not, collateral is not available to the RLF. Its role is to facilitate good projects that create or retain jobs in the community or that have some other economic benefit.

The Kitchen Incubator provides a low cost flexible rental structure for licensed kitchen facilities. Commercial food products must be produced in a licensed kitchen; however, the cost of equipment alone is enough to stop most culinary businesses before they start. The Kitchen Incubator is a shared use commercial kitchen where food producers can legally produce their food products. In addition to providing shared-use kitchen space, it is a place where small business owners can learn more about the technical aspects of food production and receive assistance with such skills as product development, ingredient sourcing, packaging and labeling, shelf-life information, nutritional analysis, marketing strategies, etc. Kitchen Incubator tenants also have access to other Business Incubator resources.

Known as the “Banana Belt,” Western Colorado, and more specifically Mesa County, has a climate, altitude and irrigation infrastructure ripe for exceptional fruit production. Peaches are the largest fruit crop followed closely by wine grapes. Also produced are apples, pears, plums and apricots. The increasing pressures of development, high land prices and movement towards larger agribusinesses challenge the sustainability of agriculture in Mesa County. Agriculturalists are looking to high value crops and value-added strategies to increase opportunities and profits. The Kitchen Incubator was started with the goal to provide facilities to test ideas and perform low volume production. A new 2200 square foot kitchen with an additional 300 square feet of storage and packaging space will be completed fall 2003.

The Western Colorado Venture Forum introduces entrepreneurs and investors to equity financing. In the mid to late 90s a noticeable trend emerged. With the attention shifting to the new economy, technology companies were being funded by venture capital. Much of the job growth of the 90s can be attributed to the technology companies who also provided high wages and high growth potential. Technology companies are not prevalent in the more rural Western Colorado, however many companies are attractive to smaller investors, or angels. Angel investing is not new to the area, but has historically been very inefficient. Interested investors and qualified entrepreneurs have had no venue or intermediary. The Venture Forum was created to increase the number of solid projects being funded. Panels, speakers and entrepreneurs giving their pitch are assembled annually to provide an educational, networking program. The Forum is seen as a first step in efforts to increase equity investment into local firms. Other strategies being discussed include formalized angel networks and community venture funds.

The Competitive Edge is a pilot project offered in response to existing companies outside the Incubator and those graduating from the Leading Edge (a sixteen week business plan training class providing structured guidance and strategic planning). Currently designed as a one-year pilot, a company goes through a comprehensive assessment and identification of key areas posing the most threat and opportunity for them. A strategic plan is developed with the aid of consultants, and the business owner participates in facilitated monthly planning sessions with their peers. Additional resources such as interns and training classes are used to position the business for growth. After the one-year period is up, the assessment will be repeated to test the

effectiveness of the program. There are currently ten businesses participating in this pilot project.

Table 3 summarizes projects that BIC is a partner with other service providers and governments to create projects that contribute to the area's entrepreneurial infrastructure.

Table 3: Proactive Projects Where BIC is a Partner

Entrepreneurial Infrastructure Program	Impetus/ Need	Year Started	Other Sponsors	Description
Excellence in Entrepreneurship Awards	Desire to bring attention to Entrepreneurs	2001	Mesa State College, Grand Junction Chamber of Commerce	Awards provided annually to recognize businesses exemplifying entrepreneurship
Outdoor Industry Forum	Concentration of outdoor product manufacturers	2003	Outdoor industry companies	Start-up group of like companies exploring cross fertilization
Business Resource Guide	Lack of centralized market driven information source	2003	ED Partners*	In concept stage – web based business information guide
Existing Business Retention and Expansion Program	Inadequate knowledge about and communication with existing companies	2003	ED Partners*, expected to expand to additional partners	In concept stage – implementation of data collection, planning mechanism

**ED Partners is comprised of BIC, the Grand Junction Economic Partnership (GJEP) (focus is on business recruitment), the Grand Junction Area Chamber of Commerce (GJACC) and Industrial Development Inc. (precursor to GJEP, now a land-holder for economic development projects).*

Excellence in Entrepreneurship Awards are sponsored by the Dixson Center for Entrepreneurial Development at Mesa State College, BIC and GJACC. The purpose of the awards is to bring attention to companies and individuals who exemplify the characteristics of entrepreneurship. Financial institutions and sponsoring organizations are solicited for nominations. Providing this recognition is building excitement for entrepreneurship in the community. The awardees have been notable companies that create employment and economic impact to the community. The press highlights the achievements of the entrepreneurs and the pool of nominations has grown each year.

The Outdoor Industry Forum is an example of businesses in like industries proactively coming together to explore possibilities and network. Assisted by BIC, a group of outdoor industry manufacturers assembled in an educational and networking meeting attended by veterans and newbies. Information delivered at the first Forum was invaluable to some of the newer businesses. The group has set up on-going communication and mentoring opportunities that will contribute greatly to growth of the segment. This group has asserted themselves as an industry cluster. GJEP, who recruits businesses into the area, has picked up on this industry cluster as one

with great potential given the region's high number of companies already in the field, proximity to winter and summer sports and attractive quality of life. Continued growth of entrepreneurial companies and potentially, the recruitment of additional established firms, will contribute to a critical mass of talent, innovations, suppliers, etc. which will continue to feed economic growth for the region.

The Business Resource Guide and the Existing Business Retention and Expansion Program are projects in their concept stage. These two projects were conceived by the Economic Development Partners (ED Partners). ED Partners has 2 Board representatives and the senior staff person from each of the four organizations, BIC, GJEP, GJACC and Industrial Developments Inc. Momentum towards collaborative economic development strategies was key in establishment of this group. Historically, the various economic development groups serving Mesa County have been somewhat competitive. The recruitment of "base" industries has been the traditional approach and resource allocation for economic development has weighed heavily on that strategy. Recent collaborative efforts have elevated awareness of entrepreneurial development as an important strategy for economic development. ED Partners shows potential for aligning the best of all the various strategies in achievement of common goals. By accomplishing the two projects identified in the near term, and other collaborations in the future, the infrastructure for entrepreneurs will improve, facilitating growth and opportunities.

Beginning with services geared towards satisfying the basic needs of entrepreneurs, has lead to development of proactive projects that enhance the environment for entrepreneurs to start and grow their companies. The economic shock of the early 1980s inspired community leaders to search for proactive projects that would change the structure of the economy. For entrepreneurs, the Business Incubator and RLF programs were established. Subsequently, BIC alone, and with its partners, has initiated additional projects to build the entrepreneurial infrastructure. Momentum is building for these efforts. In fact, the research group Cogenetics ranked Western Colorado as the #5 entrepreneurial hotspot in the Rural Areas Category in 2002 based on the frequency of new firms starting up and young firm's growth.

Sustainable

To start and then stop efforts to build the entrepreneurial environment within a community is neither efficient nor effective. When the economy is poor, there is support for business development efforts. When the economy is good, stakeholders tend to question the need for such endeavors. By building a sustainable model that has a minimal reliance on outside funding, BIC has been able to weather storms and proactively pursue opportunities to build the entrepreneurial infrastructure of the area. Keys to this sustainable program include diversification, partnerships, strong financial management, pursuing contract work and accountability.

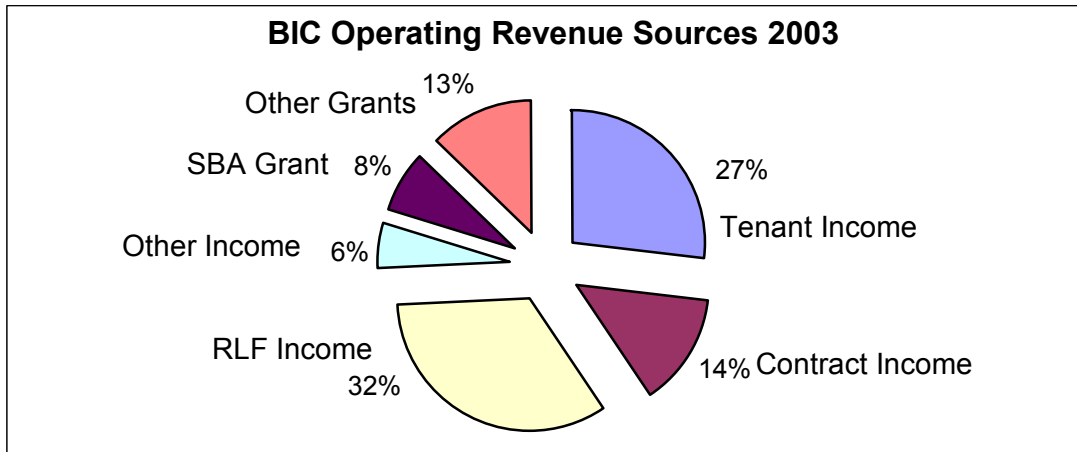
The Business Incubator program has rarely broken even. The RLF has historically generated more revenues than it needed to operate. This combination, plus start-up funding, enabled BIC to survive the early years. The Business Incubator is the most expensive program to run, however, it is the flagship of the organization and tours are an integral part of the marketing strategy providing a visual connection to the innovation of entrepreneurs. Building a financially self-sustainable model is a key "best practice" in the Business Incubation industry and one BIC has embraced. To accomplish this, BIC has relied on grants to fund capital expenditures while relying on earnings and minimal subsidies for ongoing operations. It is doubtful however, that

the Incubator program without the RLF would have survived critical periods when losses were substantial. Tremendous local support led to the successful relocation of BIC to the DOE complex in 1999, when current facilities were no longer available. BIC now has a 40 year lease at a nominal monthly cost and pays 100% of the operational, maintenance and renovation costs for the facilities. SBDC became a part of BIC in 1993. Even though it is the program that requires the most fundraising, it was the key to establishment of the one-stop-shop for BIC. Prior to, BIC housed the SBDC and provided duplicate services through a grant funded field services program. There are many non-quantitative benefits to the one-stop-shop concept as well. SBDC is the front line and feeder for the other programs. Additionally, the expanded services provide better recognition in the community. This helps from a public relations standpoint, but more importantly with a broad range of services, entrepreneurs and referral sources don't need a sophisticated level of understanding of each programs' services, just that BIC is the source for entrepreneurs in Mesa County.

Non-profit corporations are increasingly looking towards business opportunities as a key to sustainability. The goal involves a minimal ongoing reliance on public or outside funds for operations because of their unreliability over long periods. Engaging in the business of running a business has an ancillary affect of gaining credibility with the entrepreneurial community. BIC began management of the Enterprise Zone for Mesa County in 1996. The Enterprise Zone provides state tax credits to businesses operating in the zone for activities such as job creation and investment in machinery and equipment and provides tax credits to donors investing in non-profits that help to advance the economic and community development objectives of the Mesa County Enterprise Zone. Management of the Zone has financially helped BIC to cover its overhead expenses and has brought BIC further recognition as a vital component to the community's economic development efforts. Perhaps the most significant business enterprise BIC has entered into is the property management of the former DOE site. When DOE gave its assets to the community in 2001, BIC competitively won the property management contract. Acknowledging the facility management experience related to managing a Business Incubator, BIC pursued this business opportunity to control its own costs and offset its own facility expenses, since BIC is the second largest tenant on the site after DOE. The Riverview Technology Corporation, owners of the DOE site, contract with BIC to perform property management on the site. Both contracts are consistent with corporate goals and help to pay overhead.

BIC's financial strategy over time has been to build a sustainable model where programs are evaluated based on their ability to break-even and their contribution to the overall accomplishment of the BIC mission. As seen below, earnings from programs and contracts comprise 79% of the revenue necessary for operations. The SBA grant, which supports the SBDC program, is an additional 8%, which leaves 13% of the revenues necessary for operations unsecured and dependent on public and private fundraising. This breakdown excludes the Property Management function itself which more than doubles the size of BIC's operating budget. It has been critical for internal operations to practice sound financial management. Annual audits are performed and budget to actual reports are reviewed monthly. Programs are expected to at least break-even or the level of investment required to subsidize the programs needs to be reviewed and approved prior to going forward.

Figure 3: BIC 2003 Operating Revenues



Measuring outcomes is a key piece to accountability both for external and internal stakeholders. Even though instinct tells us that BIC’s programs create desired outcomes, it is essential to funding sources, for promotional material and to ensure quality improvement to quantify results. Historically jobs, investment, volume, success rate and client satisfaction are the measures that have been used to track performance at BIC.

SBA largely dictates SBDC tracking. Milestones are adopted annually based on historical performance, funding levels and SBA priorities. As mentioned previously, SBA has been pushing for SBDC’s to increase the number of repeat clients. Table 4 illustrates the number of hours, clients and repeats that SBDC counsels during given periods; these are measures of volume, dollars per client hour is an efficiency measure. BIC has been able to maintain one of the lowest costs per client hour over time because of shared overhead costs and cross-trained staff which are able to handle overflow and specialized consulting needs of SBDC clients.

Table 4: SBDC Outcome Tracking

	# Clients	# Hours	# Repeat Clients	\$ Per Client Hour
2003 YTD	362	745	127	
2002	538	1038	188	\$45
1996-2002	2862	7000+	1002	\$45

The RLF capital base originally flows from federal sources. Federal contracts establish parameters for the amount of loans, numbers of jobs to be created or retained for the size of the loans, the percent that is required to be offered to people of low to moderate income and the amount of private dollars that should be leveraged for the project as a result of the federal funds. As previously discussed, the grants lose their federal requirements when they are paid back. This allows for more flexible use of the funds, however, BIC continues to track performance of the loan funds in the same manner.

Table 5: RLF Outcome Tracking

	# of Loans	\$ of Loans	# of Jobs Created or Retained	\$ Leveraged
2003 YTD	12	\$425,537	27	\$205,000
2002	13	\$989,026	54	\$1,681,510
Historical	174	\$8 million	1241	\$32 million

Incubator performance has been more difficult to track. Tracking systems were not set up from the beginning and documenting the first five years has been like putting together a puzzle. Numbers of tenants and new tenants are volume measurements, while graduations, revenues, jobs and success ratios are effectiveness measures. The success ratio percentage refers to the number of businesses in business during that period. For 2003 YTD and 2002, no tenants went out of business. Historically, out of the 100 Incubator tenants (excluding anchor tenants), 85 are either in business currently or graduated successfully out of the Incubator.

Table 6: Incubator Outcome Tracking

	# Tenants	\$ Revenue	Jobs	New Tenants	Graduates	Graduate Jobs	Success Ratio
2003 YTD	37*	N/A	N/A	8	3	10	100%
2002	31*	\$5.7 million	93.5	12	1	30	100%
'87-'03	108*	N/A	N/A	N/A	54	N/A	85%

**Includes anchor tenants, 4 in 2002, 5 in 2003, 8 historically.*

Currently, two initiatives are underway to expand and improve tracking the results of two core programs. Appendix A is a survey developed for SBDC. It was designed to facilitate program planning but more importantly to understand what happens to companies that have taken advantage of the services. There has not been this type of survey performed in the State of Colorado and the State is looking to BIC to expand this effort statewide. Implementation is expected winter 2003-2004. Appendix B is the "Former Tenant Phone Questionnaire." Obtaining information on tenants has been fairly simple however getting information on graduates nearly impossible. The tenant survey has been a significant research project with many important results. Consideration has been given to when is a tenant a tenant (length of stay > 3 months), how to account for economic impact when companies sell or go out of business over time, what to do with anchor tenants, etc. Kitchen tenants are especially hard to track since many of them are part time, supplemental income endeavors. Many companies or individuals were not reachable, especially from the early years. The two areas of concentration are economic impact and customer satisfaction. Preliminary findings are summarized in Table 7.

Table 7: Preliminary Results from 2003 Phone Interviews of Former Tenants

	# Still In Business	# Sold	# Out of Business	# Graduates Out of Business	Total
#	15	8	9	4	36
# Jobs	219	43	20		282
2002 Sales	\$10.4 million*				

* Some estimates included based on reluctance to answer.

BIC is a financially sustainable non-profit corporation which has attempted to minimize its reliance on unsecured funds. The funds raised for operations annually are key to matching the projected budget with revenues but are an overall small piece of the entire revenues necessary for operations. Diversification and contract income are important parts to the financial picture. Accountability is another key component for internal and external stakeholders. This applies both to financial management and measurement of outcomes. It is difficult to measure the outcomes of BIC's efforts in numbers. Much of the activities go towards creating an entrepreneurial environment rather than a specific quantifiable outcome.

Conclusion

Mesa County, Colorado lies approximately 250 miles from both Denver, CO and Salt Lake City, Utah. The Grand Junction Metropolitan Statistical Area (M.S.A.) is the fifth largest in Colorado, with a population of approximately 120,000. It was the 12th fastest growing area in the southwest and 38th in the nation over the period 1990-2000. Mesa County encompasses 3,309 square miles, 71% of which is land owned by the federal government. The County enjoys a high desert climate conducive to year round recreational activities, has several rivers and national parks and is close to many of the state's ski areas. The Grand Junction M.S.A. is located along the Interstate I-70 east west and Highway 50 north south, which provides easy access for movement of people and goods. The regional economy of Mesa County services a large population from within the County and adjacent western Colorado and Eastern Utah. This regional base is estimated to be 250,000 persons and is served with retail trade centers, health care facilities, air and rail transportation, professional services and a four-year state college. Tourism, regional goods and services and non-employment related income are important stabilizing factors for the economy. Wages are a major issue for the area. From 1969 to 2000 adjusted average wage for the County has slightly declined. The majority of new businesses established over the past ten years have been small, with 20 or fewer employees. The largest employers are the School District, Hospital, City and County Governments. Private sector employers generally have less than 20 employees with only a handful having over 100 employees. (Mesa County Comprehensive Economic Development Strategy; October, 2002.)

The mission of the Business Incubator Center is "To be a results driven provider of educational services and business tools, supporting the launch, growth, stabilization and long-term success of business enterprises in Mesa County. Success is measured by the ability to guide entrepreneurs through sound business decisions and BIC's positive influence on economic growth in the region." BIC's service area is Mesa County. As described above, Mesa County is isolated yet has a good sized regional market for which firms in the City of Grand Junction are the major suppliers. The transferability of BIC's model is largely dependant on demographics, but not

entirely. Having a strong and well-defined mission for the project is critical, also creating an entrepreneurial customer driven corporate culture.

Community-wide excitement for entrepreneurship is key. By nature, entrepreneurs stretch too far and suffer from burn out. To answer their questions effectively and efficiently is the starting point toward building an entrepreneurial infrastructure. Responsive support helps to carry them through critical stages of their company's development, like feasibility and accessing capital. Through SBDC and SCORE, BIC is able to serve any resident of Mesa County with quality and accessible business consulting. The Incubator is an excellent example of a nurturing environment. Often times it's a cheerleading squad or a parental figure. The RLF has funded companies with nothing; to support a letter of credit to enter a foreign market, to chase away the Internal Revenue Service, to pay for the salaries of new sales people and its funded dreams. These programs build onto the basic question-answering and are able to provide tools and environments that accelerate development and increase a company's chance for success. Over time, BIC has initiated other programs alone and with its partners that contribute to entrepreneurial infrastructure. BIC's effectiveness is largely due to its credibility and longevity.

Since 1987, BIC has gradually expanded to proactively serve its market and build a sustainable model. Size and breadth of the staff and a growing sphere of influence is solidifying an expanded role for BIC in the community. This directly benefits entrepreneurs through better services and expanded entrepreneurial infrastructure. It also helps to ensure the sustainability of BIC itself. Diversification leads to the sharing of overhead expenses and broadens an organization's role in the community. Minimizing unsecured revenues and carefully managing the finances on the company are operational practices that BIC employs. Finally, the evaluation of economic impact whether qualitative or quantitative helps to legitimize or redirect efforts and ultimately is the true test to whether or not the model works. BIC has had sixteen years of success stories in Mesa County.