

# Thinking Big About Small Business

## Small Business Initiatives for Dallas (Southern Dallas Focus)

Economic Development & Housing Committee

May 9, 2006

## PURPOSE

- Review the role of small business in a thriving economy
- Identify challenges that impede entrepreneurial activity and small business growth and expansion
- Enhance the City's continuing efforts to diversify its economy and reduce reliance on major companies by developing strategic initiatives that will help small businesses get started, grow and survive.

# KEY OBJECTIVES

The office of Economic Development has three key objectives in support of small businesses:

- **Direct Assistance**
  - ❑ Facilitate the delivery of services that promote business growth and development.
  
- **Easy Access**
  - ❑ Make it easier for small businesses to find solutions to challenges that impede growth and survival.
  
- **Economic/Neighborhood Development**
  - ❑ Increase business activity that adds assets and jobs that will ultimately improve neighborhoods in Southern Dallas communities.

# FACTS

- Small businesses are defined by the Small Business Administration (SBA) by industry, number of employees and/or gross revenue. Most small business lenders define small businesses as having less than \$10 million in gross revenue.
- Small businesses play a significant role in the national and local economy.
- Small businesses employ a large percentage of the workforce and contribute significantly to tax revenues.
- According to the SBA, in 2000, small businesses represented 98% of all employers nationally, created over 80% of new jobs and accounted for 45% of private payroll.
- The percentage of small businesses both nationally and locally compared to the total number of businesses is a significant indicator of the value of small business to a thriving economy.



## FACTS (cont'd)

- ❑ For Dallas, in 2005, 80% of businesses met the lending community small business definition, employing 34% of the workforce. Small businesses are responsible for a considerable percentage of the tax revenue generated from the business community.
- ❑ Small businesses are fundamental to economic and workforce development, especially for minority and immigrant communities.
- ❑ Southern Dallas has the largest minority and immigrant population in the City.
- ❑ In certain industries, small business failure is as high as 90% within five years after start up.



## ADDRESSING SMALL BUSINESSES NEEDS

- ❑ In order to create meaningful programs to assist small businesses, it is critical to know the challenges that are roadblocks to success and survival.
  - What are the factors that contribute to the success or failure of small businesses?
  - Is Dallas positioned to address these factors?
  - What resources are available in Dallas for small business support and development?

# CRITICAL NEEDS OF SMALL BUSINESSES

Research shows that four factors have the greatest impact on small business success.

- **Access to capital**
- **Technical Assistance**
  - strategic planning
  - financial management
  - technology training
  - marketing
  - supply chain management
  - human resource management
- **Access to a talented workforce**
- **Procurement opportunities**

# CRITICAL NEEDS OF SMALL BUSINESSES

## Access To Capital

- ❑ Many small businesses are funded by equity rather than debt. There are numerous equity sources in the North Texas market. Equity funds generally fall into two categories.
  - Angel Funds – invest between \$25k and \$100K usually in non technology businesses
  - Venture Capital Funds - invest amounts above six figures
- ❑ Both Angel Funds and Venture Capital Funds invest for a return under clearly defined ownership and management terms.



# CRITICAL NEEDS OF SMALL BUSINESSES

## ACCESS To Capital

- There are several small business loan providers in Dallas that have as their primary mission, mitigating issues that generally are impediments to small businesses in their attempt to access capital from conventional lenders.
  - Accion Texas
  - Commercial Bank Community Development Lending Programs
  - Factoring companies
  - Small Business Administration (SBA) (loan insurance)
  - South Dallas/Fair Park Neighborhood Development Fund
  - Southern Dallas Development Corporation
  - Special HUD loans to businesses - managed by the City
  - Texas Mezzanine Fund
  - The Plan Fund

# CRITICAL NEEDS OF SMALL BUSINESSES

## TECHNICAL ASSISTANCE

Numerous providers in Dallas and the Metroplex:

- CDBG funded Business Assistance Centers (BAC)  
(According to a study done by the National Incubator Association, with proper technical assistance, 87% of business incubator businesses succeed beyond 5 years.)
- Chambers of Commerce
- Internal Revenue Service
- Momentum Texas
- SBA – SCORE Program
- Small Business Development Centers
- Women’s Business Center (Ft. Worth)

# CRITICAL NEEDS OF SMALL BUSINESSES

## ACCESS TO A TALENTED WORKFORCE

- Dallas' future workforce conditions indicate a need for jobs at all skill levels
- The total Dallas workforce currently has a large number of high and low skilled workers
- Southern Dallas has a large percentage of lesser educated and skilled workers. Over 39% of the population over age 25, have less than a high school diploma
- Small to medium sized businesses may face greater difficulty attracting the necessary workforce talent
  
- **Available workforce development programs:**
  - Bill J. Priest Center for Economic Development
  - Career training institutions
  - Dallas County Community College District
  - GED programs
  - Other grant funded training programs
  - Work Source for Dallas County (funded training programs)

# CRITICAL NEEDS OF SMALL BUSINESSES

## PROCUREMENT OPPORTUNITIES

- Small business owners often lack the requisite knowledge to navigate the process to become suppliers.
- Most major companies and government entities have departments dedicated to procurement. Most have a particular focus on small businesses and M/WBE businesses.
- Resources available to guide small business owners through the certification process:
  - Business Assistance Centers
  - Minority Business Development Council
  - The - North Central Texas Regional Certification Agency
  - Small Business Administration

# CRITICAL NEEDS OF SMALL BUSINESSES

## City of Dallas Procurement Programs

- The City of Dallas through its Business Development and Procurement Services (BDPS) has well developed procurement programs aimed at increasing the number of businesses that sell goods and services to the City. BDPS has a special focus on contracting with Minority and Women Owned Businesses (M/WBE).
- BDPS programs and efforts include vendor recruitment and education, a good faith effort policy to include to the extent possible M/WBEs on the City's construction, procurement and professional services programs and partnerships that focus on vendor education, awareness and information on doing business with the City.

# CRITICAL NEEDS OF SMALL BUSINESSES

## City of Dallas Procurement Programs

- ❑ Resource Link Team - is a group of business development and procurement specialists that identify and connect businesses with resources and information needed to do business with the City.
- ❑ NeighborhoodLink - is a partnership with Business Assistance Centers (BACs) to connect BAC clients with City procurement opportunities and give them access to the City's Business Development Specialists.
- ❑ Community Outreach Liason Program - partnership with community organizations, industry groups and advocacy groups to promote entrepreneurship and link prospects to business opportunities with the City.
- ❑ Dallas Alliance for Business Development (DABD) - Spearheaded by City of Dallas, DABD is a cooperative of nine public agencies that address local business development and minority participation in public procurement and employment opportunities.

# CRITICAL NEEDS OF SMALL BUSINESSES

## City of Dallas Procurement Programs

### ➤ DABD Goals

- Exceed individual goals of business development and workforce diversity
- Provide open and accessible system for purchasing, contracting and employment
- Remove real and perceived barriers to doing business with represented organization
- Address 5 areas of cooperation for the agencies: certification, construction, contracting, vendor outreach, procurement strategies, workforce diversity.

- ❑ Surety Support Program - Negotiate with contractor providers to assist City vendors (especially small business and M/WBE) to secure bonding and insurance.

# FINDING WAYS TO HELP DALLAS' SMALL BUSINESSES SUCCEED



# PAST AND PRESENT

- Historically the City of Dallas has taken steps to cultivate and grow small businesses.
  - A first Stop Shop for small businesses was established in 1998 with onsite counselors to provide centralized service and support for small businesses. In 2001 the initiative was discontinued due to budgetary constraints
  - A dedicated website for small businesses that experienced over 1,000 hits per month was an integral part of the First Stop Shop initiative and also no longer exists
  - Currently HUD funded staff responds to “walk in” and “call in” inquiries from potential and existing small business owners
  - Requisite knowledge required to offer adequate assistance is limited
  - Public/Private incentives for small businesses to start up, relocate and expand have been difficult to develop based on current requirements for number of employees and amount of investment.
  - Business Development and Procurement Services focused on increasing procurement opportunities with the City.

# STRATEGIC INITIATIVES - What We Will Do

## ❑ Dedicated Resources

### ➤ A Team To Support Small Businesses

- ✓ Added an Assistant Director to lead focused effort to support small businesses (focus on Southern Dallas)
- ✓ Added two dedicated staff positions which have been filled, to focus on small business support and development
- ✓ Added staff is experienced in working with small businesses; come from small business lending backgrounds, have consummate knowledge about issues that address the needs of small businesses
- ✓ Staff supporting small businesses will office in the community for easy access to small business owners (space is being identified)
- ✓ Three current HUD funded staff persons, utilize HUD funding (BACs) and special programs to support small business needs and help them to grow and expand

# STRATEGIC INITIATIVES - What We Will Do

## ❑ Goals for the coming year

- Proactively reach out
- Revitalize Business Assistance Centers
- Build coalitions with the City and Southern Dallas Communities
- Expand small business information on newly designed City website.
- Take ownership of small business growth and expansion with focus on Southern Dallas

# STRATEGIC INITIATIVES - What We Will Do

## □ Outreach

- ✓ Drive the process to grow small businesses and increase their survival rate
- ✓ Develop an extensive business calling program to identify opportunities for growth and expansion
- ✓ Promote strategic targets for business start up and relocation to Southern Dallas
- ✓ Facilitate access to critical needs providers
- ✓ Provide expertise that helps to implement projects that fill retail gaps and revitalize neighborhoods i.e. strip centers, entertainment, boutique shops
- ✓ Work to develop public/private partnership incentives and to increase future CDBG funding to OED for smaller businesses to develop projects
- ✓ Pursue opportunities to influence DISD and DCCCD to institute and expand entry level job skills training (i.e. industrial arts, health science certifications)
- ✓ Update Dallas' Office of Economic Development website with a Small Business link that provides free and easy access to information and answers to questions that small businesses most frequently ask

## STRATEGIC INITIATIVES - What We Will Do

- ❑ **Revitalize Dallas' Business Assistance Centers (BACs)**
  - Commissioned University of Dallas graduate students to assess BAC operations.
  - Two classes participated: Fall 2005 and Spring 2006, Masters candidates in various business disciplines.
  - Recommended modifications.
  - Developed an implementation plan

# STRATEGIC INITIATIVES - What We Will Do

## BACs

### ■ Fall Class

- Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of Dallas BAC program
- Comparative analysis of peer and national BAC programs
- Recommended best practices that would institute consistency for the benefit of small business clients served

## Recommended Best Practices

- Standardize forms that support the goals of success for BAC tenants

- Incubator tenant application
- Criteria for graduation
- Quarterly performance plan and evaluation
- Exit interview for graduates and those leaving the program

# STRATEGIC INITIATIVES - What We Will Do

## BACs

- Business Coach
  - Accelerate tenant development
  - Individualized attention
  - Fill gaps in tenant business knowledge
- Mentoring
  - Quality advice
  - Industry contacts
  - Confidence building
  - Entrepreneurial experience

# STRATEGIC INITIATIVES - What We Will Do

## BACs

- Networking
  - Sales lead generation
  - Funding opportunities
  
- Tracking
  - Evaluate success
  - Monitor job creation
  - Monitor tenant after graduation
  - Mentor other BAC tenants



# STRATEGIC INITIATIVES - What We Will Do

## BACs

### - Spring Class

- Developed a plan for implementation of Fall class recommendations
- Made other recommendations

### - Created and standardized forms - Made forms electronically user friendly

- Tenant Application
- Tenant quarterly Performance Plan
- Exit interview for BAC Tenants
- Tracking System forms

### - Developed Job Descriptions/Qualifications

- BAC Manager
- BAC Business Coach

# STRATEGIC INITIATIVES - What We Will Do

## BACs

- Identified Networking Opportunities
  - Business seminars/workshops
  - Procurement events
  
- Recommended Mentoring Opportunities
  - Local companies (Bank of America program)
  - Graduated BAC tenants
  
- UD Student Recommendations for the City of Dallas
  - Provide demographic studies to help BAC tenants identify opportunities
  - Create electronic Log In for BAC managers to submit real time information
  - Provide periodic economic environment studies
  - Develop BAC management assessment

# STRATEGIC INITIATIVES - What We Will Do

## BACs

- ❑ **Develop annual performance standards for BAC's tied to small business success. Measure outcomes for future funding**
  - Survival percentage after 3/4/5 years
  - Progressive annual increase in revenue for BAC assisted businesses
  - Sustained jobs created
  - Attract incubator tenants in targeted industries or who fill retail gaps and revitalize communities
  - Identify successful business operations to mentor early stage small business owners
  - Align BAC manager's proficiencies with job description requirements. Require additional education and/or training if needed.
  - Utilize BAC sites to provide access to online and documented information
  - Create an annual small business competition to reward business success

# STRATEGIC INITIATIVES - What We Will Do

## ❑ Coalition Building – The City and the Community

- Involve Community in Support of Small business
- Form Small Business Advisory Group(s) to obtain regular feedback from small business community.
- Engage faith based community in small business and entrepreneurial activity and support activities such as the recent “Summit on Poverty in America” presented by Friendship West Baptist Church.
- Work closely with area Chambers of Commerce to support their members and their economic development agenda.
- Support community/neighborhood organizations, help to develop others
- Participate in forums where dialogue may create opportunities for small businesses to start up and/or expand.



# STRATEGIC INITIATIVES - What We Will Do

- ❑ **Review and expand Small Business Link on City website**
  - Review current site
  - Update non current information
  - Reference other City departments that support small business
  - Add pertinent information that addresses the four (4) major small business issues
  - Create links to providers that support small businesses

# STRATEGIC INITIATIVES - What We Will Do

## □ TAKING OWNERSHIP OF SMALL BUSINESS SUCCESS

- Throughout the country, cities have developed programs and initiatives aimed at helping small businesses to succeed.
- In many cities small business programs have priority status based on goals established by citizens and municipal officials.
- Strategic initiatives have been established and resources dedicated to implementation of the initiatives.
- In 2005, Dallas Economic Development Plan, “Strategic Engagement”, made “revitalizing Dallas’ small businesses and supporting entrepreneurs with a focus on Southern Dallas,” a key action to “foster balanced growth”
- To become a city of balanced growth and development opportunities, where past neglect of the Southern Sector is overcome and the full economic potential of this vast land area is realized; full support for small business initiatives must be a high priority for Dallas.

## SUMMARY

- ❑ Successful small businesses are an integral part of the fabric of a thriving economy.
- ❑ When small businesses are successful, jobs are created, neighborhoods thrive and lower skilled and entry level workers have the opportunity to be contributing members of society.
- ❑ Given the role that small businesses can play, proactively identifying and finding solutions to challenges that most often impede small business growth and expansion is a key component to accomplishing the mission of improving the Southern Dallas economy.
- ❑ Strategic initiatives that address small business issues and provide support for growth and expansion will result in successful businesses that create jobs and increase the tax base for Southern Dallas.