

**A REPORT TO THE URBAN LEAGUE OF GREATER CLEVELAND:
AN ASSESSMENT OF BUSINESS SUPPORT SERVICES
AVAILABLE TO EXISTING AND START-UP
SMALL BUSINESSES IN THE CITY OF CLEVELAND**

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TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	PAGE 1
2.	BACKGROUND	PAGE 2
	I. THE CASE FOR SMALL BUSINESS DEVELOPMENT	PAGE 2
	TABLE I U.S. BUYING POWER STATISTICS BY RACE	PAGE 3
	TABLE II MEDIAN FAMILY INCOME AND BUYING POWER	PAGE 4
	TABLE III COMPARATIVE DATA ON CITY AND COUNTY MINORITY BUSINESS ENTERPRISES	PAGE 5
	TABLE IV COMPARATIVE CITY MINORITY BUSINESS ENTERPRISE STATISTICS	PAGE 6
	TABLE V COMPARATIVE CITY, NUMBER OF ALL BUSINESSES TO ALL ADULT POPULATION AGED 25-69	PAGE 6
	II. THE CASE FOR BUSINESS SUPPORT ACTIVITY	PAGE 7
	III. THE CASE FOR COORDINATING BUSINESS SUPPORT ACTIVITY	PAGE 8
	DIAGRAM 1 MINORITY BUSINESS SERVICES INCUBATOR FLOW CHART	PAGE 10
3.	METHODOLOGY OF RESEARCH AND ASSESSMENT OF THE RELEVANT LITERATURE SOURCES	PAGE 11
4.	LIMITATIONS OF THE RESEARCH	PAGE 11
5.	RESEARCH QUESTION	PAGE 13
6.	DATA SOURCES	PAGE 13
	COLOR CHART KEY FOR TABLE VI AND VII	PAGE 14
	TABLE VI INDEX OF BUSINESS SUPPORT ORGANIZATIONS	PAGE 15
	TABLE VII CLEVELAND-BASED BUSINESS SUPPORT SERVICES	PAGE 16
	TABLE VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business	PAGE 29
7.	NARRATIVE	PAGE 33
	TABLE IX GROSS STATE PRODUCT IN BILLIONS, 2001	PAGE 36
	TABLE X NORTHEAST OHIO HOME OFFICE VENTURE CAPITAL INVESTMENT SUMMARY 2003 AND 2004	PAGE 45
8.	FINDINGS AND ANALYSIS	PAGE 47
9.	FINAL RECOMMENDATIONS	PAGE 57
10.	APPENDIX	
	• LIST OF SOURCES	PAGE 60

Assessment of Business Support Services

EXECUTIVE SUMMARY

Developing small businesses is a way to concentrate wealth, employ city residents, improve neighborhood amenities, and provide entrepreneurial role models in urban neighborhood communities currently bereft of such. In a city where well over half of the resident population belong to groupings of people traditionally in the minority, and whose ranking is high in terms of concentrated poverty, nurturing existing and new small minority business enterprises makes good policy sense and offers a systematic intervention strategy to alleviate poverty. This report has been completed to help leadership organizations such as the Urban League of Greater Cleveland and policy-makers such as the city of Cleveland and Cuyahoga County look for ways to adapt their program initiatives to address the concentration of poverty in the city of Cleveland through small business development. A number of recommendations have been offered throughout this report that focus on providing support and technical assistance to small businesses, which comprise the overwhelming majority of enterprises in the region.

As noted in an earlier report *The Status of Minority Cleveland: a Report to the Urban League of Greater Cleveland on Minority Business Entrepreneurship*, the good news is that opportunity abounds for the development of small minority business enterprises in Cleveland and Cuyahoga County. Statistical data based on U.S. Census information informs us that a relatively small proportion of businesses produce the overwhelming majority of sales and receipts for all categories in the city of Cleveland, the county, and the region. These businesses are characterized mostly as having paid employees. By contrast, sole proprietor businesses with no paid employees far exceed the number of businesses with employees and would benefit greatly from community-wide coordination of existing technical business support services that would increase their capacity to succeed.

In terms of business opportunities, comparative city statistics from 1997 show that Cleveland lags behind other cities of the state of Ohio, the Great Lakes region, and Midwest in the raw number of business enterprises within city boundaries and in terms of businesses to the adult resident population likely to own and operate a business. This state of affairs has led to the rise over the past two decades of 37 local business support initiatives serving the city of Cleveland whose goal in one way or another is to nurture and sustain business enterprises. On

Assessment of Business Support Services

the other hand, data also suggest that minority communities in the city of Cleveland are underserved by minority business, implying that specialized retail and service market opportunities, the largest segment of business enterprises in the various minority communities, can be developed through appropriate business and market planning and the nurturing of low operating overhead business enterprises.

Program initiatives that address the needs of minority owned sole proprietorships in Cleveland and Cuyahoga County should cater to the individualistic circumstances of each enterprise and will require specific and assertive interventions to increase their profitability and longevity. Accommodation by city government in the form of special neighborhood business districts or waiver of regulations where public health and safety are not comprised to ease the operations for small business enterprises is also desirable. This report will list and describe the numerous initiatives available to local businesses.

The sources of information for this study included U.S. Census information published for the years 2000 and 1997 and housed at the Northern Ohio Data & Information Service of the Maxine Goodman Levin College of Urban Affairs at Cleveland State University. This information was collected and summarized by Dawn D. Malone, doctoral student in Urban Studies at the Levin College of Urban Affairs. Other sources of information are credited within the text of the narrative or in the list of sources noted in the appendix of the report. Summary information was researched and collected by Suzanne Pokorny, Program Coordinator for the Urban University Program housed at the Maxine Goodman Levin College of Urban Affairs and is included in the reference section of this report. This document was prepared and written by Stuart C. Mendel, Assistant Dean and Co-Director of the Center for Nonprofit Policy & Practice of the Maxine Goodman Levin College of Urban Affairs, with the assistance of Rachael Balanson Graduate Assistant, Center for Nonprofit Policy & Practice.

BACKGROUND

I. The Case for Small Business Development

Despite the 2000 U.S Census data ranking Cleveland as the poorest big city in the United States (<http://www.census.gov/acs/www/Products/Ranking/2003/R01T160.htm>), the city

Assessment of Business Support Services

of Cleveland sits at the heart of a region of unfulfilled possibility and promise. The following data listed in Table I constitute the raw ability of individuals nationally and in Table II those living in the city of Cleveland and Cuyahoga County to purchase products and services from local business enterprises.

In terms of minority populations, the buying power of minorities as reflected in Table I below (reprinted from the *The Status of Minority Cleveland: a Report to the Urban League of Greater Cleveland on Minority Business Entrepreneurship*) offers evidence of concentrated consumer dollars available for goods and services nationally of nearly \$1.6 trillion, about 22.7% of the total in year 2000. According to Jeffrey M. Humphreys of the University of Georgia, buying power is the total disposable personal income of residents that is available after taxes for spending on goods and services in a specified geographic area. This definition of “buying power” is broader than “discretionary or disposable income,” which may be considered as limited to those funds for which a household may elect to save or to spend on “non-essential” purchases beyond housing, groceries, healthcare, and taxes.

Table I U.S. buying power statistics by race in billions of dollars

	1990	2000	2003	2008
White	3,736.4	5,919.9	6,756.9	8,504.8
Black	318.3	584.9	687.7	921.3
Hispanic	221.9	503.9	652.6	1,014.2
Asian	118.2	268.7	344.2	526
Native Am.	19.3	37.2	45.2	63.1
Other	85.0	195.7	254.9	406.5
Total	4,499.1	7,006.4	8,741.5	11,435.9

source: Jeffrey M. Humphreys, *The Multicultural Economy 2003: America's Minority Buying Power*, Georgia Business and Economic Conditions Vol 63, Number 2 page 10-12.

The collective wealth of the residents of the city of Cleveland as measured by spendable dollars for locally produced goods and services listed in Table II indicates local buying power for

Assessment of Business Support Services

all demographic categories of resident demographics as approximately \$6.1 billion. Of the \$6.1 billion, nearly 41% or slightly more than \$2.5 billion resides with all minority categories. The figures for Cuyahoga County residents are \$28.7 billion and \$5.8 billion (20%), respectively.

Table II: Median family income and buying/spending power for minority residents

	Cleveland Med. Family Income	Total # House- holds	Spending Power	County Med. Family Income	Total # of House- holds	Spending Power
White	\$38,650	87,891	\$3.4 billion	\$57,074	401,598	\$22.9 billion
African American	\$24,497	91,266	\$2.2 billion	\$30,944	146,078	\$4.5 billion
Hispanic	\$25,829	10,485	\$270 million	\$30,742	14,142	\$435 million
Asian	\$35,503	2,481	\$88 million	\$61,917	9,169	\$568 million
Native Am.	\$25,865	495	\$13 million	\$35,417	963	\$34 million
Pacific Islander	\$43,810	48	\$2 million	\$43,929	72	\$3.2 million
Two or more races	\$28,250	3,222	\$91 million	\$38,367	7,269	\$279 million

source: U.S. Census 2000

In terms of the various minority groups and business services available to them, the data reflected in Table III show that there were only 825 minority owned firms with employees in the city of Cleveland as of the 2000 Census. This number represents 3.5% of all firms in Cleveland and 18.7% of all the minority firms. These business demographics for the city suggest that minority businesses do not serve, or under serve, their potential markets of city and county residents. It also suggests that minority firms, like the statistics for the majority of businesses in Cleveland, do not employ people beyond their owners. For example for the city of Cleveland, 41% of the total number of businesses have paid employees. These businesses produce 98.5% of the total annual recorded sales and receipts. Alternatively, 59% of the businesses operating in the city of Cleveland have no employees and produce only 1.5% of the total sales and receipts (approximately \$600,000,000) of all firms. Put simply, small

Assessment of Business Support Services

businesses exist in large numbers and have market opportunity in local neighborhood communities as defined by spending/buying power of residents. Most importantly, business activity in the services and retail trades can add vitality to communities and re-circulate local dollars, compounding their importance in particular neighborhoods.

Table III Comparative data on city and county minority business enterprises

Total Firms in Cleveland	23,273	Total sales and receipts of Cleve firms	\$ 42.3 billion	Total firms in Cuyahoga County	99,905	Total sales and receipts of Co. firms	\$ 122.4 billion
with paid employees	9,591	with paid employees	\$ 41.7 billion	with paid employees	31,003	with paid employees	\$ 119.5 billion
Total minority-owned firms in Cleveland	4,361	Total sales and receipts of Cleve. firms	\$ 698.5 million	Total minority-owned firms in Cuy. Co.	11,394	Total sales and receipts of Co. firms	\$ 1.84 billion
with paid employees	825	with paid employees	\$ 628.2 million	with paid employees	2,093	with paid employees	\$ 1.6 billion
Total black-owned firms in Cleveland	3,474	Total sales and receipts of Cleveland firms	\$ 480.4 million	Total black-owned firms in Cuy. Co.	7,832	Total sales and receipts of Co. firms	\$ 992.6 million
with paid employees	490	with paid employees	\$ 429.7 million	with paid employees	938	with paid employees	\$ 865 million
Total Hispanic-owned firms in Cleveland	387	Total sales and receipts of Cleveland firms	\$ 66.1 million	Total Hispanic-owned Firms in Cuy. Co.	841	Total sales and receipts of Co. firms	\$ 133.7 million
with paid employees	86	with paid employees	\$ 57.9 million	with paid employees	165	with paid employees	\$ 115.6 million
Total Asian and Pacific Islander-owned firms in Cleveland	458	Total sales and receipts of Cleveland firms	\$ 97.3 million	Total Asian and Pacific Islander-owned firms in Cuy. Co.	2,489	Total sales and receipts of Co. firms	\$ 550.9 million
with paid employees	86	with paid employees	\$ 57.9 million	with paid employees	905	with paid employees	\$ 473.1 million

Source: U.S. Census 1997

Assessment of Business Support Services

Table IV Comparative city (within city limits) minority business enterprises statistics

	All Firm s	Minority Firm s	AA Owned Firm s	Total Population	AA Population	Hispanic Population	Asian Population
Buffalo	12,880	2,073	1,654	292,648	108,933	3,802	21,699
Chicago	176,605	47,091	12,602	2,895,964	1,059,594	127,052	753,835
Cincinnati	24,534	3,637	2,982	330,662	141,616	4,962	4,089
Cleveland	23,273	4,361	3,474	478,393	242,481	6,878	34,554
Columbus	45,879	5,668	4,084	711,644	171,493	24,743	17,368
Indianapolis	57,322	6,469	4,910	782,414	198,792	10,331	29,641
Pittsburgh	24,088	1,835	1,292	334,563	89,517	9,011	4,522
St. Louis	20,276	4,068	3,431	348,189	177,627	7,075	6,745

Source: 1997 U.S. Census Bureau

Table V Comparative city, number of all businesses to all adult population aged 25 - 69

	Adult population	# of Business from Table IV	Adult-to-business ratio
Buffalo	173,091	12,880	7.44%
Chicago	1,515,026	176,605	11.66%
Cincinnati	188,933	24,534	12.98%
Cleveland	268,367	23,273	8.67%
Columbus	345,301	45,879	13.29%
Indianapolis	410,758	57,322	13.96%
Pittsburgh	198,708	24,088	12.12%
St. Louis	207,375	20,276	9.78%

Source: 1997 U.S. Census Bureau

Assessment of Business Support Services

II. The Case for Business Support Activity

As the data show that there are large numbers of small businesses in the city of Cleveland and that the buying power of all city residents exceeds \$6 billion, it is reasonable to suggest that the development of existing small businesses and encouraging new small business start-ups should be a priority for city policy makers. The case for the development of businesses is additionally supported by the comparative statistics between cities of the Great Lakes and Midwest regions noted in Table IV and Table V, in which Cleveland lags behind other cities in terms of the raw number of business enterprises within city boundaries and the number of businesses with the adult population most likely to own and operate a business (ages 25 to 69). It is important to note that small businesses are fragile and vulnerable enterprises with high rates of failures. The reasons for the high failures rates are varied and involve factors both within and external to the businesses. While planning is an essential component for future success, access to capital, knowledge of the marketplace, and a host of other factors also contribute. Small businesses in Cleveland may lack one, all, or some combination of the following elements considered necessary by the federal government's Small Business Administration to succeed:

1. Business plan with market study that incorporates:
 - goal setting
 - expertise in the field
 - product niche
 - quality control
2. Back office infrastructure
3. Financing that includes:
 - start-up capital
 - cash flow
 - credit
4. Risk Management
5. Operational Longevity
6. Employees
7. Experience and capable leadership
8. Licenses and certifications

Assessment of Business Support Services

In addition, many minority owners of small businesses must over-come barriers that diminish their individual capacity related to personal educational attainment (see Table II Selected AA Population and Educational Attainment: City of Cleveland and County Comparative Data in the *Status of Minority Cleveland: a Report to the Urban League of Greater Cleveland on Minority Business Entrepreneurship* report, February 2004), health issues, and little or no personal savings and disposable income. Consequently, the most constructive business support initiatives are those that not only offer instruction and guidance, but also are customized, out-come-based, case-managed services that nurture entrepreneurs and small business owners. These services can be long term in application and require extended periods before reflecting gains in business development and profits.

A useful model for illustrating case managed business support services of the type described is the Urban League of Greater Cleveland's Multi-cultural Business Development Center. The Urban League program models the characteristics of case management for small businesses and uses coordinated "wrap-around services" that include the creation of a customized advisory committee for planning; customized training for business owners and entrepreneurs; advocacy on behalf of those businesses with appropriate financiers or partners; advisory assistance in product development; coaching; mentoring; and troubleshooting (see Diagram I, page 10).

III. The Case for Coordinating Business Support Activity

Tables VI and VII on pages 15 and 16 of this report, list 37 business support services available to existing and new small business enterprises in Cleveland. Some are sponsored by local agents, some by the state of Ohio or federal government, and some by private agents. The characteristics of each, while easily understood in the isolation of their own mission and purpose, when taken together and considered by a novice businessperson, appear as a confusing mosaic of support services that require sophistication and a "helping hand" to navigate. Further, fragmentation of business support services presents a challenge not only for the seeker of services, but for the organizations themselves, which must compete for market share, duplication in funding resources, and different advocacy agendas.

Advocacy on behalf of both prospective business owners and their service providers can be an outcome of coordinated services to:

Assessment of Business Support Services

1. direct local and state legislation to support small business enterprises;
2. improve communication between new and existing small business entrepreneurs with the desire of government to protect the rights and interests of citizens;
3. feed information back to public sector policy-makers in relation to the effectiveness of their policy initiatives;
4. work with financial institutions to create an environment conducive to risk-taking, economic development and profit.

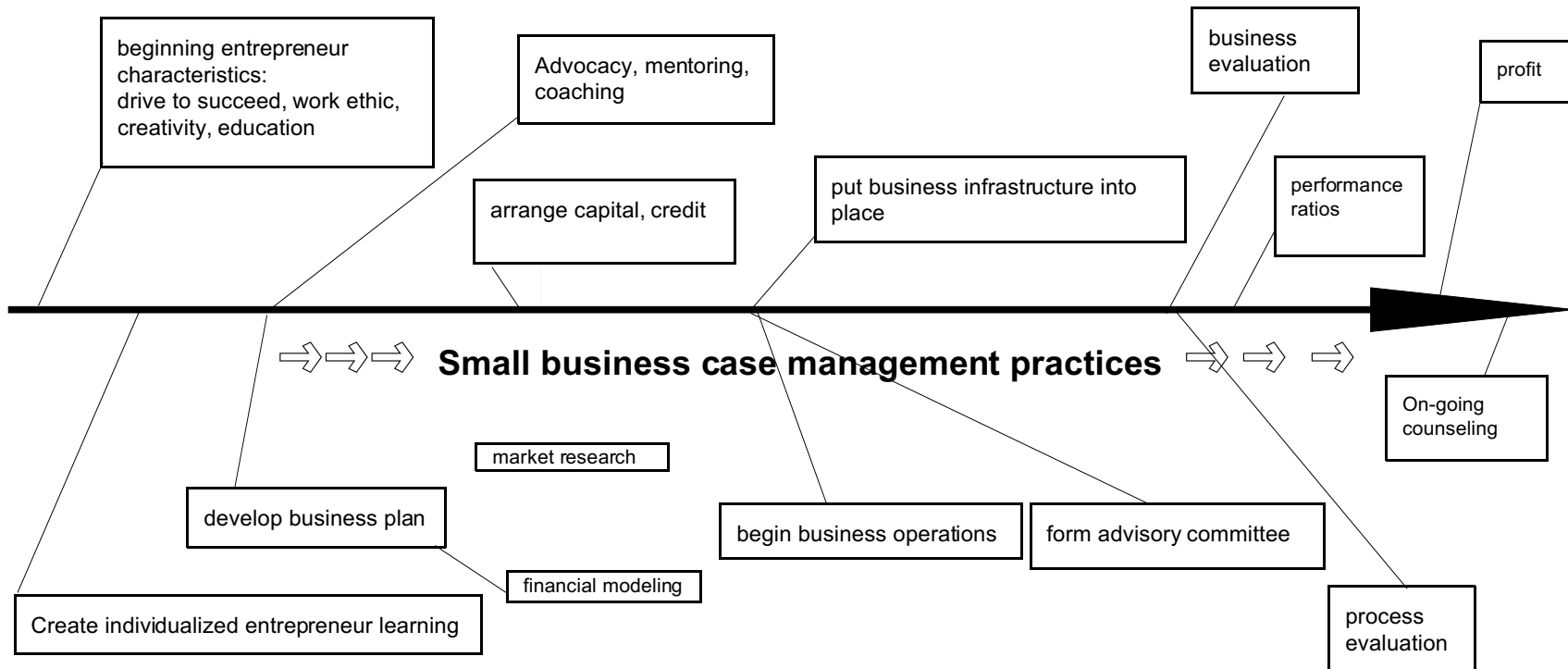
Unified, regularly occurring, and formal advocacy on behalf of the small business community by the many business support organizations can marshal considerable influence based upon the economies of scale of the region. Resources invested in small business in Northeast Ohio will ripple across the state. For example, Ohio ranks 7th nationally in terms of annual gross state product. According to data from the U.S. Bureau of Economic Analysis, Ohio Department of Development, the gross state product of the eight-county region of Northeast Ohio provides nearly 30% of the total economic output for the entire state of Ohio. When broken out as a distinctive region and compared to the other 50 states of the union and the District of Columbia, the gross product of Northeast Ohio's eight counties is large enough to rank as the 29th state.

Coordination of business support services and effective, united advocacy will require both a governance structure representative of the varied business support organizations and their funders. It also will require incentives (financial) to encourage and sustain partnerships between business support providers. Incentives should include explicit dollars for coordination and involvement by business support service providers as a way to bring them to and keep them at the table. This last aspect of coordinating business support is significant as it requires a meaningful departure from the divisive and competitive dynamics set in motion by public and private leaders who are preoccupied, have their own agenda or, through their actions or lack thereof tend to pit service providers against one another.

Assessment of Business Support Services

Diagram 1

Urban League of Greater Cleveland
Minority business services incubator flow chart
establishing business readiness



Assessment of Business Support Services

METHODOLOGY OF RESEARCH AND ASSESSMENT OF THE RELEVANT LITERATURE SOURCES

Summary data for the city of Cleveland and Cuyahoga County was collected from U.S. Census sources from both the 1990 and 2000 Census and organized under the following headings: Population Demographics, Income and Poverty, Educational Attainment, and Children and Families. Business data was also obtained from the 1997 Economic Census and compared for the city of Cleveland and Cuyahoga County. Data and scholarship on minority business and the wealth of minority communities was found in publications by the Selig Center for Economic Growth at the University of Georgia and an April 20, 1992 report entitled *Greater Cleveland Public Entities: a Minority and Women Business Enterprise Study* by A.D. Jackson Consultants of Silver Spring, Maryland. Business service providers were identified via internet search engines, e-mail inquiries, telephone interviews, and other sources compiled and consulted by Suzanne Pokorny and Stuart Mendel.

LIMITATIONS OF THE RESEARCH

This study is intended to provide illustrative data and offer conclusions and recommendations to the Urban League for use in its decision making and leadership initiatives to serve the communities it represents. This study focuses on data related to the support of minority business development and where practical, draws upon previous reports or other primary and secondary data sources compiled elsewhere. The report considers business support services available to business enterprises located within the city of Cleveland as determined by U.S. Census. The report does not consider programs of the federal government or state of Ohio unless they have an explicit local partner and service location. This report also does not consider the work of paid independent consultants, proprietary education, investment, accounting and law firms or other profit making enterprises that service the local business community. Additionally, this report does not include The Entrepreneurial Academy, a collaboration between the City of Cleveland Empowerment Zone, Kent State University's Center for the study and Development of Minority Businesses, the Fairfax Renaissance Development

Assessment of Business Support Services

Corporation, the Glenwill Development Corporation the Consortium for Economic and Community Development, and Midtown Cleveland because it's programs focus on education rather than business support services. As of this writing it is not clear whether The Entrepreneurial Academy will continue past June 30, 2005 due to funding constraints.

Most of the information on organizations listed in this report was obtained through printed material or online sources. Although effort was made to clarify information with follow up telephone interviews in instances where written terminology was unclear or unsubstantiated, deliberate omissions, unsympathetic ratings, erroneous findings or unfavorable conclusions are not the intent of this research project. The report does not include data on the business support services of the Ohio Small Business Development Centers at Kent State University as they tend to focus on the Counties of Portage and Geauga as well as the various locations where Kent State University has campuses.

Funding and time considerations for this research project forced a narrowing of the research inquiry and analysis. Data was collected only for business support services that involved the start up, growth, or effective running of business operations. Programs that involved large scale economic development, real estate, work force development, executive training, leadership training, or similar functions as their primary agenda areas are mentioned only where their partnership connections directly support business services. Otherwise, they were not considered for this study.

Very limited information regarding access to venture capital funds was available and is reflected in the findings section of this report. Additional research is needed to more fully understand these funds and their relationship with Cleveland. The primary source materials for venture capital data include printed material or online sources.

More expansive studies are needed to fully identify strategies for addressing the needs and considerations of business development of the various minority communities and city of Cleveland neighborhoods. In this way of thinking, business owners must truly understand their market niches which are tied to not just products and services, but also to geography and the resources in terms of that geography in terms of capital and labor.

Assessment of Business Support Services

RESEARCH QUESTION

This report will build upon the data and conclusions of the earlier assessment *The Status of Minority Cleveland: A Report to the Urban League of Greater Cleveland on Minority Business Entrepreneurship*. It will address the following question through the narrative, findings, analysis of findings, and recommendations:

How can the many existing business support programs and venture capital resources available to Cleveland small and minority businesses be utilized to encourage more neighborhood-based businesses and increase their success rate? To answer this overarching question, this report will also consider:

1. the scope of the services offered by the service providers individually and collectively
2. whether or not business support services build basic capacity or require business owners to have a minimum level of capacity initially prior to services
3. the sequence of services needed to make a small business start up or existing business “business ready”
4. the minimum threshold characteristics needed to begin the process of business development and where they enter the system.

DATA SOURCES

Selected Cleveland Demographic Statistics as of 2003 (source: Northern Ohio Data & Information Service, February 2003) and the Cleveland, Lorain, Elyria Primary Metropolitan Statistical Area (PMSA) 1997 Economic Census Information, which included data for Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties; website and printed information published by various business support providers; *Crain's Cleveland Business*.

Assessment of Business Support Services

Key to Tables VI and VII

In terms of understanding the differences between the various business support services, it is useful to consider them as four major groupings: 1) University-based 2) Greater Cleveland Partnership-based 3) programs set in nonprofit organizations-based 4) government-based.

1) University-based: Community outreach programs housed in institutions of higher education including Baldwin Wallace College, Case Western Reserve University, Cleveland State University, Cuyahoga Community College, John Carroll University, and Myers University. These programs range from referral functions and review of business plans to research for regional economic trends and market opportunities, formal workshops, and convening of individuals, professional networking, and formal education. Some services are free others are not.

2) Greater Cleveland Partnership-based: Programs intended to provide services to its dues paying members and to improve the larger business environment so that its members can thrive. These services are conceived for businesses that are established or for emerging industries that show promise of large scale business activity. In some cases, the services provided are quite intensive in terms of business feasibility, business incubator space and services, and legislative advocacy for various industries. In other instances, the services are passive and require most or all of the work to be performed by the seeker of the services.

3) Nonprofit Organization-based: Programs include referrals, consortiums of owners who meet to network and share information, training and education, business plan development and coaching, mentoring, market assessment and research, assistance in arranging financing, awarding of financing in higher risk business plans, back office administrative functions, legal assistance, operations support. Some services are free others are not.

4) Government-based: Primarily limited to responding to inquiries and requests the business owners, or in the case of the 3rd Frontier program of the state of Ohio, to promote high technology research and new companies from that research. Information services are offered free of charge.

Crain's Cleveland Business:

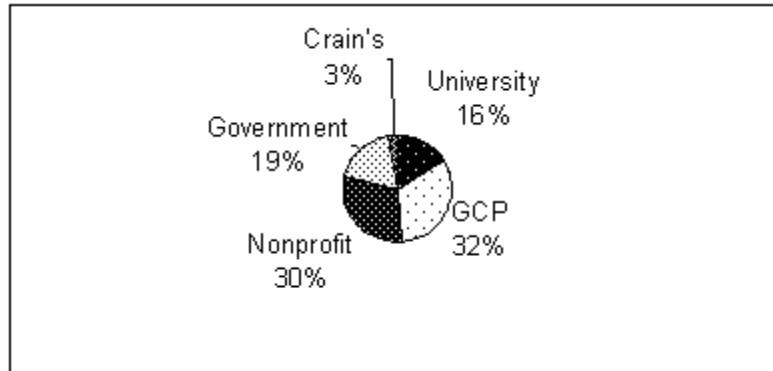
Independent news source devoted to local business

in each
Color chart key for Tables VI and VII below category

University-based	6
Greater Cleveland Partnership-based	12
Nonprofit Organization-based	11
Government-based	7
Crain's Cleveland Business	1

Assessment of Business Support Services

Table VI Index of business support organizations listed in Table VII



University-based	GCP-based	Nonprofit-based	Government-based	Crain's
Baldwin Wallace College Entrepreneur-ship Center	Civic Innovation Lab	Bio Enterprise	Bchwd Business Devel Center	Crain's Cleveland Business
Key Entrepreneur Development Center at CCC	Cleve. Comm. on Economic Partnerships and Inclusion	CAMP	Cleveland Dept Economic Dev.	
Muldoon Center at John Carroll University	Council of Smaller Enterprises	CAAO	Edison Technology Incubator	
Myers University MBCAP	Greater Cleveland Partnership	Fund for our Economic Future	Export Assistance Center	
SEED program CCC	Greater Cleveland Roundtable	Midtown Cleveland	Greater Cleveland Regional Transit Authority	
REI CWRU	Jump Start	NAWBO	3 rd Frontier Project (state of Ohio)	
	neo411.biz	NPI	Small Business Administration	
	NOMBC	Presidents Council		
	NorTech	Shorebank Enterprise		
	NOSA	Urban League of Greater Cleveland		
	Team NEO	WECO Fund		
	World Trade Center			

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
1	Baldwin Wallace College Entrepreneurship Center	direct	Students and practitioner teams offer coaching, and review of business plans, feedback.	Any type business.	low	1 - 3 months	Part of community outreach for institution of higher ed. Businesses seek out services. Coaching is intended to help businesses help themselves by creating a sound business plan. Funding is private and consists of contributions and fees.
2	Beachwood Business Development Center	direct	Business relocation.	Emphasis was on foreign businesses locating to Beachwood.	low	un-known	New program initiative that is a collaborative of city of Beachwood, Cleveland State University College of Business, and others. Mostly intended to attract existing or new businesses to Beachwood either as a headquarters or branch office. Local funding and in-kind contributed.
3	BioEnterprise	direct	Business incubator for new business start-up.	Creating Bio-science companies.	high	12 - 24 months	Marquee program with a narrow focus of business start-up in bio technology industries. Combination of public and private funding from major institutional grant makers.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
4	CAMP	direct	Project-based expert advice and services to manufacturers in the areas of problem solving, product innovation and business start-ups.	Sustaining new and existing manufacturing businesses.	high	6 - 12 months	Over 20 years of providing support services to local businesses engaged in manufacturing of one type or another. Services are customized to meet the needs of the business client. Administers the Cuyahoga County New Product Development & Entrepreneurial Loan Fund.
5	City of Cleveland Department of Economic Development	direct	Small business revolving loan program.	Designed for business retention, expansion or relocation for existing businesses	low	7 - 10 or 20 years	Loans made to existing businesses to retain or create jobs within the city of Cleveland boundaries. Loans are limited to \$15,000 for every job retained or created.
6	Civic Innovation Lab	direct	An initiative of the Cleveland Foundation and other partners.	Providing seed capital to small-scale economic development ideas.	low	annual	The Civic Innovation Lab is a project of The Cleveland Foundation and COSE, Cleveland Bridge Builders, Leadership Cleveland. The Lab serves as an intersection of funding, leadership and ideas.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
7	Cleveland Commission on Economic Partnerships and Inclusion	indirect	Civic initiative to foster business activity. Also see "Greater Cleveland Partnership."	Increase the involvement of minority businesses in regional economic development, limits to their membership.	high	on-going	A broad-based coalition of 71 Northeast Ohio employers committed to making the region's diversity a source of economic strength. They help members increase their level of purchasing from minority vendors and suppliers, and facilitate growth of high potential minority businesses by providing access to capital, expertise and other key resources.
8	Consortium of African American Organizations	indirect	Conduit and referral source to its member organizations.	African American businesses and individuals.	high	on-going	Joint (community) calendar, consulting (advising) job referrals, business leads, and "empowerment circles."
9	Council of Smaller Enterprises (COSE)	direct	Member organization that provides many services to existing business. Also see "Greater Cleveland Partnership."	Any business. Services restricted to membership. A professional association for small businesses.	high	annual	Northeast Ohio Business Plan Challenge (collaboration with Crain's) competition that provides \$30,000 in funding for good business development ideas. Performs advocacy with legislature and high level technical assistance to its members. COSE is the "small business division" of the Greater Cleveland Partnership.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
10	Crain's Cleveland Business	indirect	Business news publication.	Any business.	low	weekly	Through news articles and editorials works to inform business leaders, public policy-makers and others of the promise and potential of business activity. Sponsors initiatives to increase dialogue and promote positive culture for conducting business.
11	Edison Technology Incubator (ETI)/Bio-Enterprise	direct	Business development assistance including below-market space, shared office services, and managerial and technical assistance.	Small technology/ manufacturing businesses	high	annual	Funded by the state of Ohio Department of Development to nurture small technology/ manufacturing businesses during the start-up stage. Incubators offer entrepreneurs the ability to concentrate on the development of a product/service without the typical problems that affect such start-up ventures and often result in their premature demise.
12	Fund for our Economic Future	indirect	Privately funded initiatives that promote regional economy.	Any businesses.	low	annual	Collaboration of funders and marquee business support organizations such as BioEnterprise, JumpStart, Cleveland World Trade Center. Includes public entities as partners.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
13	Greater Cleveland Partnership	direct and indirect	Member organization that provides many services to existing businesses. See initiatives described in strategic plan "Cleveland on the Edge."	Any business. Services restricted to membership. A professional association for businesses.	high	annual	The purpose is to achieve higher efficiency, sharper focus, and greater impact as a means of allocating funds and leadership on behalf of job and wealth creation. COSE is the "small business division" and offers information, business network, resources manuals, and support to member businesses.
14	Greater Cleveland Regional Transit Authority	indirect	Works with RTA procurement department to assist contractors and others doing business with RTA.	Helps any business that can provide products or services to RTA navigate their procurement system	low	project-based	Office of Business Development provides assistance to small, emerging or disadvantaged businesses. Will certify vendors and pay particular attention to MBE/FBE/DBE
15	Greater Cleveland Roundtable	indirect	Member organization that encourages the involvement of minority communities in civic planning, social equity, and economic issues.	Refers any minority companies seeking inclusion or an understanding of how to access business resources.	low	un-known	A founding member of the Greater Cleveland Partnership. Convenes the Cleveland Commission on Economic Partnerships and Inclusion, a partnership of business and community leaders.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
16	JumpStart An initiative of the Greater Cleveland Partnership	direct	Member organization that provides many services to existing businesses.	New companies in the areas of innovation, technology and high growth business.	high	annual	Assists and helps finance early-stage businesses (one of ten “Edison Incubators located throughout the state of Ohio).
17	Key Entrepreneur Development Center of Cuy. Community College	direct	College based initiative of workshops, technical assistance.	New companies.	high	quarterly	New initiative through Cuyahoga Community College “Corporate College.” High profile contribution from Key (Bank) Foundation which will focus technical assistance resources on up to 10 new businesses per year, plus offer programs to businesses and entrepreneurs.
18	Midtown Cleveland	indirect	Member organization focusing on infrastructure for businesses.	Any business residing in its geographical service area.	high	annual	Serves as a real estate developer and assembler of properties from the city of Cleveland landbank to create bricks and mortar projects, financing and related business retention and attraction services.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
19	Muldoon Center of the Boler School of Business - John Carroll University	indirect	Member organization that encourages the initiation, development and continuity of privately held business. Conducts research focused on the issues of import to entrepreneurs.	Develop effective outreach programs to provide opportunities and knowledge for privately held businesses.	low	annual	Educationally assisting small and mid sized businesses through enhanced support and promotion of the Entrepreneurs Association. The Center's Director will develop effective outreach programs to provide opportunities and knowledge for privately held businesses to grow and sustain themselves.
20	Urban League of Greater Cleveland Multi-cultural Business Development Center	direct	Wrap-around case management services to individuals and businesses in the areas of instruction, advising and advocacy.	Any business.	high	on-going	One stop information portal that also includes on site instruction, planning, advising and counseling, business plan development and implementation, connecting the client with resources, information and training. Advisors have "real world" business management and entrepreneurial experience, provide one-on-one counseling and assist in answering questions, identifying problems and finding solutions, sharing knowledge and information, discussing ideas and providing business advice. The counseling sessions are personalized, confidential, and "at no cost to the client."

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
21	Myers Minority Business Contractors Assistance Program	direct	Helps entrepreneurs draft business plans, obtain procurement assistance, arrange bonding, business training topics, management & technical assistance, loan packages and international trade assistance.	Works with small minority businesses.	high	on-going	A small business assistance program recognized for providing technical assistance, education, resource development, and counseling to minority owned businesses.
22	National Association of Women Business Owners (NAWBO)	indirect	National dues-based organization representing all women entrepreneurs.	Any business type.	low	on-going	Promotes networking and business referrals; provides educational resources, leadership development and mentoring; advocates for women entrepreneurs and offers a system for sharing information and support
23	Neighborhood Progress Inc.	indirect	Local membership organization serving community development corporations and community development.	Neighborhood based businesses conceived as part of a community plan/development .	low	unknown	Planning, financing of physical spaces for business activity as part of a community development corporation community planning.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
24	Neo 411.biz	indirect	Referral service to existing business support organizations. An initiative of the Greater Cleveland Partnership.	The website includes a comprehensive resource guide with links to management assistance, funding sources and other key services.	low	on-going	A collaborative partnership between a number of organizations throughout Northeast Ohio. The program connects entrepreneurs with the region's available resources that offer help with all aspects of entrepreneurship— early stage capital, business planning, group benefits, business incubation, concept validation, product development/innovation and others.
25	NorTech	indirect	Convener and mechanism to encourage collaboration between universities. An initiative of the Greater Cleveland Partnership.	University based initiative intended to increase aggregate funding of electrical engineering and computer science.	low	on-going	Creating the raw material of technology based entrepreneurial activity by strengthening the institutions that produce technology and the people who study and work with it.
26	Northeast Ohio Software Association	indirect	Networking among professionals, who want to share information. An initiative of the Greater Cleveland Partnership.	Membership based association promoting advancement of technology in industry.	low	on-going	An industry trade association working to foster an environment for collaboration and shared knowledge.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
27	Northern Ohio Minority Business Council (NOMBC)	indirect	Advocate and support minority business management support, retention and growth.	Specifically targets existing minority businesses in greater Cleveland.	low	on-going	Promotes supplier diversity and the use of for Minority Business Enterprises (MBE) to major corporations by facilitating corporate and MBE relationships, advocating and coordinating MBE development efforts, and providing access to educational, managerial, and technical assistance.
28	The President's Council	indirect	Supports entrepreneurial and economic development within the African American community.	Foster strategic alliances with CEOs of other Northeast Ohio major corporations to advance the growth and development of Council member companies.	low	unknown	Comprised of a group of chief executive officers from some of the largest African American owned-and-operated businesses in the Greater Cleveland area. The organization was established in 1996 to support entrepreneurial and economic development within the African American community, and to foster strategic alliances with CEOs of other Northeast Ohio major corporations to advance the growth and development of Council member companies.
29	ShoreBank Enterprise Cleveland	direct	Creates an environment conducive to business loans and the successful repayment of those loans.	Any type of business but emphasizes building contractor businesses.	low	6 weeks	Offers office space, referrals, workshops and advisory services in the areas of business development and loans. Works to introduce small minority owned, female owned and small disadvantaged businesses to networks that will help make them profitable.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
30	Start-up, Existing and Entrepreneur Development) Program (SEED)	direct	Case Management counseling, business planning, workshops for new and existing businesses.	Any type of business but must be a resident of or run the business in the empowerment zone.	low	up to six months	This is a collaborative program between Cuyahoga Community College and the City of Cleveland Empowerment Zone.
31	Small Business Administration	direct	Counseling and training by retired business executives. Also guarantees loans for small businesses.	New or existing small businesses of any type	low	on-going	Independent agency of the Federal government to aid, counsel, assist and protect interests of small business concerns. Offers a Minority Enterprise Development program to help those businesses work with the Federal government. Specialties include economic development initiatives such as credit underwriting business development and outreach, Minority Enterprise Development and International Trade.
32	Team NEO	indirect	Account management services, relationship management, targeted marketing, proposal preparation.	Targets businesses that are looking to expand or locate in 13 counties of NE Ohio.	high	annual	Stimulate economic and business development in Northeast Ohio. Focuses on retention, attraction, product development and marketing.

Assessment of Business Support Services

Table VII Cleveland-based business support services							
	Organization	Direct or Indirect ¹	Program Services	Program Focus (niche)	Pro-activity Rating ²	Length of Program ³	Notes
33	Third Frontier Project	indirect	State of Ohio funding for business developed through high technology research.	Accepts applications from knowledge centers.	low	on-going	Support early stage capital formation and the development of new products; Finances advanced manufacturing technologies to help existing industries become more productive.
34	Center for Regional Economic Issues (REI)	indirect	University based- research, advising and management services to encourage economic devel.	Primarily serves existing businesses, civic leaders and policy makers.	low	contract project based work	Performs studies, advises policy makers, and corporations, and makes recommendations to civic and government leaders.
35	WECO Fund	direct	Financing of business enterprises.	Serves existing and new business.	high	6 months	Works with entrepreneurs on their business plans and arranging financing. Provides financing for a limited number of high risk initiatives.
36	Export Assistance Center	direct	Export finance services & export marketing programs.	Serves existing businesses.	moderate	on-going	Serves existing businesses in North East Ohio to identify and enter new international markets. Part of U.S. Small Business Administration.
37	World Trade Center Cleveland	direct	Expediting exports and trade of locally produced goods and services.	Restricted to existing and new business involved in international business.	low	on-going	Provides trade assistance for companies looking to achieve goals through direct sales, identification of an agent or distributor, joint venture or strategic alliance partner, referrals, advising, trade missions and special events.

Assessment of Business Support Services

Table VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business⁴								
Program	Create Business Plan	Develop Back Office Infrastructure	Provide or Arrange Financing	Plan for or Engage in Risk Management	Sustain Operation Longevity	Develop Employees	Increase the Experience of Leadership	Obtain Licenses & Certifications
Baldwin Wallace College Entrepreneurship Center	✓						✓	
Beachwood Business Development Center	✓		✓					
BioEnterprise	✓	✓	✓		✓		✓	✓
CAMP	✓		✓		✓	✓	✓	✓
City of Cleveland Department of Economic Development			✓					✓
Civic Innovation Lab	✓	✓						
Cleveland Commission on Economic Partnerships and Inclusion			✓		✓	✓		
Consortium of African American Organizations	✓				✓		✓	

Assessment of Business Support Services

Table VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business⁴								
Program	Create Business Plan	Develop Back Office Infrastructure	Provide or Arrange Financing	Plan for or Engage in Risk Management	Sustain Operation Longevity	Develop Employees	Increase the Experience of Leadership	Obtain Licenses & Certifications
Council of Smaller Enterprises (COSE)	✓	✓		✓	✓	✓	✓	✓
Crain's Cleveland Business								
Edison Technology Incubator (ETI)/Bio-Enterprise	✓	✓	✓					
Fund for our Economic Future			✓					
Greater Cleveland Partnership					✓		✓	
Greater Cleveland Regional Transit Authority								✓
Greater Cleveland Roundtable								
JumpStart	✓	✓	✓					
Key Entrepreneur Development Center of Cuy. Community College		✓		✓			✓	
Midtown Cleveland	✓		✓	✓				

Assessment of Business Support Services

Table VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business⁴								
Program	Create Business Plan	Develop Back Office Infrastructure	Provide or Arrange Financing	Plan for or Engage in Risk Management	Sustain Operation Longevity	Develop Employees	Increase the Experience of Leadership	Obtain Licenses & Certifications
Muldoon Center of the Boler School of Business - John Carroll University	✓				✓		✓	
Urban League of Greater Cleveland Multi-cultural Business Development Center	✓	✓	✓	✓	✓	✓	✓	✓
Myers Minority Business Contractors Assistance Program	✓	✓	✓		✓		✓	✓
National Association of Women Business Owners (NAWBO)							✓	
Neighborhood Progress Inc.								
Neo 411.biz	✓	✓	✓	✓				
NorTech							✓	
Northeast Ohio Software Association								

Assessment of Business Support Services

Table VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business⁴								
Program	Create Business Plan	Develop Back Office Infrastructure	Provide or Arrange Financing	Plan for or Engage in Risk Management	Sustain Operation Longevity	Develop Employees	Increase the Experience of Leadership	Obtain Licenses & Certifications
Northern Ohio Minority Business Council (NOMBC)							✓	
The President's Council							✓	
ShoreBank Enterprise Cleveland	✓		✓	✓				
Start-up, Existing and Entrepreneur Development Program (SEED)	✓				✓			
Small Business Administration	✓		✓					✓
Team NEO		✓					✓	
Third Frontier Project								
Center for Regional Economic Issues (REI)								
WECO Fund	✓		✓					
Export Assistance Center	✓		✓					

Assessment of Business Support Services

Table VIII Business Services offered to build the competencies identified by the Small Business Administrations running a successful business⁴								
Program	Create Business Plan	Develop Back Office Infrastructure	Provide or Arrange Financing	Plan for or Engage in Risk Management	Sustain Operation Longevity	Develop Employees	Increase the Experience of Leadership	Obtain Licenses & Certifications
World Trade Center Cleveland	✓							✓

Assessment of Business Support Services

NARRATIVE

The American political tradition rewards individualistic effort, the production of wealth and unobtrusive government. As practiced throughout its history here in Cleveland, Ohio, this tradition has been realized through the development of small businesses and entrepreneurial projects as a prelude to economic growth. In fact, both our practical experience and scholarly investigations show us that small businesses create jobs at a faster rate than large corporations and thus significantly contribute to the economic health of regions. In turn, small business activity in local neighborhoods results in a variety of side benefits such as concentrating wealth, employing city residents, improving neighborhood amenities, and providing entrepreneurial role models. Even more, a vibrant business sector provides fertile ground for civil society, connected communities, and a healthy social and nonprofit sector.

As was noted previously in *The Status of Minority Cleveland: a Report to the Urban League of Greater Cleveland on Minority Business Entrepreneurship*, the Joint Center for Political and Economic Studies, a national nonprofit institution that conducts research on public policy issues of special concern to minority populations, noted in *Effective Minority Supplier Development Programs: Developing Best Practices for the 21st Century* that minority-owned businesses are growing at an annual rate six times that of white-owned business nationally. Additionally, minority populations in the U.S. comprise 26 percent of the overall population but own only 11.6 percent of the nation's businesses and only six percent of the total gross receipts. In Cleveland, these numbers are more extreme as the demographic resident make-up of traditional minority populations exceeds 50%. This population owns only 18.7% or 4,361 of 23,273 businesses operating within city of Cleveland boundaries.

Given these figures, minority business development will have broad application in Cleveland and should form the core of public policies and initiatives that focus on all economic development and involve all city residents. Conversely, emphasis on all business development in Cleveland will be of interest and benefit to minority business owners. Timothy Bates, in *Race, Self-Employment and Upward Mobility* and in *Banking on Black Enterprise: The Potential of Emerging Firms in Revitalizing Urban Economics*, offers a number of key indicators by which to compare economic success for minority (primarily African American) entrepreneurs. Bates informs us that:

Assessment of Business Support Services

- I. Larger scale firms are more likely to have operational longevity.
- II. Business staying power increases as firms age.
- III. Business longevity correlates positively to each of the following:
 - 1) owners who have attended college for four or more years;
 - 2) ownership that has invested sizeable amounts of financial capital in operations;
 - 3) owner's labor contribution in terms of the number of hours worked and managerial expertise.
- IV. Firms that were purchased in buyouts have a greater likelihood of succeeding than those that started from scratch.

Building businesses that possess these characteristics of capacity, longevity, employment, and growth can best occur in instances where wrap around support services are available to business owners and entrepreneurs. As illustrated in Diagram 1 above, the Urban League of Greater Cleveland's Multi cultural Business Development Center offers a model for the kind of business support that will lead to the key indicators for success noted above.

There is little disagreement among local business people that a healthy strategy for Cleveland to follow to address the high concentration of city residents living in poverty is to create an environment conducive to business and entrepreneurial behavior. In this regard, much work needs to be done for Cleveland to catch up to other cities of Ohio, the Great Lakes, and the Midwest. The data in Table V comparing city of Cleveland adult residents of the ages likely to own and operate businesses to their counterparts in the state and region shows Cleveland lagging by as much as 5%. At the same time, Cleveland's economy sits at the heart of a region whose economic outputs account for nearly 30% of Ohio's gross state product, which would rank Northeast Ohio as the 29th largest state (see Table VIII).

In terms of addressing the development of small, new, and minority businesses and as related in Table VII, Cleveland and its surrounding region have the good fortune to be served by 37 local organizations or initiatives dedicated to the development and nurturing of business enterprises. The Greater Cleveland Partnership (GCP), a well funded, creative, complex and comprehensive private business chamber of commerce whose many initiatives are built around the needs and interests of its dues paying business community members, is perhaps the most

Assessment of Business Support Services

visible and best well known. The GCP and its partners stand ready to encourage high stakes, knowledge-based economic development in both existing and emerging industries that clearly will deliver long range benefits to the coming generations of greater Clevelanders. GCP programs strive to provide direct business support services, educate business leaders and public policy makers, and provide cutting edge economic and market analysis that can serve its members. Under the umbrella of its recent strategic planning document (September 2004), *Cleveland on the Edge!* the Greater Cleveland Partnership has identified priority areas that include: innovation, technology and high-growth businesses:

- I. education and workforce development
- II. connected physical development
- III. business retention, expansion, and attraction

The impressive planning document, program priorities, and achievements of the GCP are to be applauded, encouraged, and supported for their vision and scope in putting into place large-scale initiatives to incubate a strong environment for conducting business in northeast Ohio. The programs of the GCP are also not limited to big business, but to include small enterprises as well. The well-known and long-standing Council of Small Enterprises or COSE, (the small business division of the Greater Cleveland Partnership) serves as a one-stop resource for many of its nearly 16,700 member companies, and offers services in:

- I. Group purchasing programs that reduce their direct cost of doing business
- II. A unified, collective voice speaking out on legislative and regulatory issues affecting their businesses
- III. Access to invaluable business resources that allow their business to thrive
- IV. Open doors to government agencies, business and community organizations, and economic development partners that can address their business concerns

Assessment of Business Support Services

Table IX Gross state product (GSP) in billions, 2001											
Rank	State	GSP	Rank State	GSP	same with Cle & Akr GSP separated out						
1	Ca	\$1,322.6	27	Ky	\$117.2	1	Ca	\$1,322.6	27	Ky	\$117.2
2	NY	\$782.6	28	Or	\$111.2	2	NY	\$782.6	28	Or	\$111.2
3	Tx	\$744.8	29	Iowa	\$93.2	3	Tx	\$744.8	29	Cle/Akr	\$107.2
4	Fla	\$493.2	30	Okla	\$92.4	4	Fla	\$493.2	30	Iowa	\$93.2
5	Ill	\$475.3	31	Ks	\$86.9	5	Ill	\$475.3	31	Okla	\$92.4
6	Pa	\$409.9	32	Nev	\$77.1	6	Pa	\$409.9	32	Ks	\$86.9
7	Oh	\$374.5	33	Utah	\$70.2	7	NJ	\$362.9	33	Nev	\$77.1
8	NJ	\$362.9	34	Ark	\$69.1	8	Mi	\$338.7	34	Utah	\$70.2
9	Mi	\$338.7	35	Miss.	\$66.2	9	Ga	\$296.8	35	Ark	\$69.1
10	Ga	\$296.8	36	D. C.	\$62.7	10	NC	\$284.8	36	Miss.	\$66.2
11	NC	\$284.8	37	Neb	\$58.1	11	Ma	\$283.0	37	D. C.	\$62.7
12	Ma	\$283.0	38	NM	\$50.7	12	Va	\$275.7	38	Neb	\$58.1
13	Va	\$275.7	39	Del	\$44.8	13	Oh	\$267.3	39	NM	\$50.7
14	Wa	\$224.2	40	W Va.	\$43.9	14	Wa	\$224.2	40	Del	\$44.8
15	In	\$196.5	41	NH	\$43.8	15	In	\$196.5	41	W Va.	\$43.9

Assessment of Business Support Services

Table IX Gross state product (GSP) in billions, 2001												
Rank	State	GSP	Rank State	GSP	same with Cle & Akr GSP separated out							
16	Md	\$191.3	42	Ha	\$41.6		16	Md	\$191.3	42	NH	\$43.8
17	Mn	\$189.7	43	Me	\$37.0		17	Mn	\$189.7	43	Ha	\$41.6
18	Wi	\$183.1	44	Id	\$36.6		18	Wi	\$183.1	44	Me	\$37.0
19	Mo	\$181.0	45	RI	\$34.9		19	Mo	\$181.0	45	Id	\$36.6
20	Tn	\$180.8	46	Al	\$26.9		20	Tn	\$180.8	46	RI	\$34.9
21	Co	\$176.0	47	SD	\$23.9		21	Co	\$176.0	47	Al	\$26.9
22	Az	\$163.2	48	Mt	\$22.5		22	Az	\$163.2	48	SD	\$23.9
23	Ct	\$162.4	49	Wy	\$19.3		23	Ct	\$162.4	49	Mt	\$22.5
24	La	\$132.9	50	Vt	\$18.7		24	La	\$132.9	50	Wy	\$19.3
25	Ala	\$120.3	51	ND	\$18.5		25	Ala	\$120.3	51	Vt	\$18.7
26	SC	\$117.8					26	SC	\$117.8	52	ND	\$18.5

SOURCE:: U.S. BUREAU OF ECONOMIC ANALYSIS, OHIO DEPT OF DEVELOPMENT

In addition to the GCP and as noted in Tables VII, 23 other business support organizations of varying size and complexity have arisen to support the development of small businesses in specific market niches such as professional services and retail, minority business enterprises, low tech business enterprises and neighborhood-based business enterprises. The smaller community based businesses and entrepreneurs that utilize these programs are as important as the marquee projects and industries identified by the GCP, and form the economic backbone of the region, but may not traditionally be served by the GCP. A listing of other

Assessment of Business Support Services

organizations providing **direct** business support services is found in Table VII and include the comprehensive, hands-on Multi cultural Business Development Center program at the Urban League of Greater Cleveland and the higher education-based outreach programs such as the Minority Business Contractors Assistance Program at Myers University. Other organizations that provide referrals or related intermediary services include the Presidents Council, the Cleveland World Trade Center, TEAM NEO, Shorebank Enterprises, WECO Fund, and the Consortium of African American Organizations, among others.

The features common to the university-based service providers are very much in sync with what might be expected of academic community services programs. Faculty and students are tapped to assist individuals and businesses in reviewing business plans, thinking through technical problems related to logistics, product development, financial management and marketing, for example. Referrals to professionals or professional services are also likely and networking opportunities are presented to program participants through meetings, special events, speaker series and the like. In many cases, the university setting is used to develop and offer workshop topics based upon some sufficient number of inquiries that constitute a critical mass of interest in a particular subject. The services set in university environments generally are “reactive” from the standpoint that individuals approach the university, with follow-up primarily the responsibility of the “services-seeker.” One notable exception is the Minority Business Contractors Assistance Program (MBCAP) at Myers University, which provides customized and direct services to those businesses and entrepreneurs with whom it works.

Programs offered through government agencies and departments are intended to match entrepreneurs with resources available through government. Commonly, these programs are “passive” in their implementation from the standpoint that entrepreneurs must initiate contact and then follow-up. The services provided are primarily limited to the dissemination and exchange of information, distribution of application forms and their instruction documents, and, in the case of the Small Business Administration information, the review of business plans and instructions and application for government small business loan programs. These programs are offered by federal agencies, but also through the Ohio Department of Development, Cuyahoga County, and the city of Cleveland.

The business support services programs offered by the nonprofit organizations noted in this report are varied in terms of number of programs, services offered, size of sponsoring

Assessment of Business Support Services

organization and program sophistication, service delivery and follow up. There is some over-lap but for the most part, each is specialized in a manner that preserves their funding streams and allows each a stake in claiming they serve different markets. These organizations include:

BioEnterprise, a collaboration of the Cleveland Clinic, University Hospitals Health System, Case Western Reserve University, and Summa Health System, is a business formation, recruitment, and acceleration initiative designed to grow bioscience companies. BioEnterprise provides management counsel, clinical access, business development, and capital access services to these companies. It provides emerging medical device, biopharmaceutical, and health care services firms with experienced bioscience management guidance; and an access to bioscience venture capital and private equity firms as well as knowledge of grant funding opportunities; business development and alliance support for strategic partnerships; network of regional business capabilities including technical services, equipment, professional service providers, and flexible development space.

Cleveland Advanced Manufacturing program (CAMP) is a professional services organization helping manufacturing and technology-based companies achieve top-line growth, bottom line savings, and improved profitability. Through a hands on approach, CAMP provides manufacturing, engineering, technical, and management assistance to manufacturers. CAMP assists companies in modernizing their manufacturing operations and effectively managing their business through improvement projects, assessments, appropriate technology and electronic commerce.

Consortium of African American Organizations (CAAO) works to promote entrepreneurship and leadership empowerment through its member organizations and the individual members of those organizations.

MidTown Cleveland, Inc. is a 501(c)3 economic development corporation that serves a two-square mile area between Downtown Cleveland and University Circle. Supported by area businesses, institutions, and individual stakeholders, MidTown Cleveland, Inc. has leveraged its pooled resources to: address concerns and promote common interests,

Assessment of Business Support Services

plan, access political support and capital, obtain referrals for business support services and real estate, promote security education and strategy with Cleveland Police, uphold visual quality and code enforcement, collaborate with strategic partners.

National Association of Women Business Owners - Cleveland Chapter is a member organization that provides local, regional, and national networking opportunities, a directory of members, a newsletter, and leadership and business development training.

Neighborhood Progress Incorporated (NPI) is a nonprofit facilitating organization committed to restoring the health and prosperity of Cleveland's neighborhoods through a broad array of catalytic programs and services. NPI staff have accumulated names of industry-related contacts. This database is a non-exclusive list of some of the contractors, consultants, and service providers available to do business in community development, neighborhoods, or to work with CDCs. The individuals, firms, or businesses included in the resource list is based upon either referrals, personal contacts or experience. NPI neither endorses, guarantees, nor vouches for the skills, competency, or abilities of any person or business listed. The firms are listed solely as a resource service for the CDCs.

The Presidents Council Foundation serves to provide research and educational programming as well as to develop funds, relationships, and resources that will lead to the economic growth of African American businesses in Northeast Ohio. It funds two programs: The Emerging Entrepreneurs program and the Economic Research program.

Shorebank provides business financing throughout the city of Cleveland by encouraging financial investment in neighborhoods through traditional and nontraditional small business financing options. Shorebank Enterprise Group also provides a wide array of entrepreneurial business support services to businesses and entrepreneurs in selected industry clusters. These services include marketing and sales, business planning, brokering other resources for companies, financial analysis and packaging, accounting and advisory services, and management advice/coaching. In addition, the

Assessment of Business Support Services

Shorebank Enterprise Group's two business incubators-known as Enterprise Centers,-in the Glenville and South Collinwood neighborhoods fulfill two community needs: two previously unoccupied buildings were brought back into use and over 235,000 square feet of office, studio, and manufacturing space was created to restore the economic momentum that had diminished in recent years.

The Urban League of Greater Cleveland's Multi cultural Business Development Center (MDBC), a state of Ohio department of Development Small Business Development Center, offers guidance and assistance to business owners spanning the entire business operations life cycle. The program works with entrepreneurs developing new business ideas and existing business owners looking to grow, using intense case management services designed to provide assistance, training and resources. The MDBC offers core business services to include business education and training workshops and classes, access to capital and business resource referrals.

The WECO Fund is a not-for-profit organization and provider of financial services and programs to low and moderate income individuals and families; and the companies, organizations; institutions in which they are involved. The WECO Fund's MicroEnterprise Program provides the opportunity for low to moderate income entrepreneurs to secure business financing and technical business support in Cuyahoga County. Its target market includes "pre-bankable," that is people whom the banks will not consider loaning money to, yet who have the necessary ambition, skills and work ethic to develop a successful business that within a few years may employ other individuals. The activities of the ME Program include training, technical assistance, and loan services. The training and technical assistance is conducted via class sessions and one-on-one counseling. The classes focus on writing a business plan that will support small business development and success as well as addressing existing barriers for entrepreneurs.

The members of *Fund for our Economic Future*, offer examples of grant-makers involved in economic development policy and initiatives that are intended to improve the general environment for business. The members are not direct business support organizations but are

Assessment of Business Support Services

listed because they, along with many other grant makers, can and do support the work of business services:

Fund for our Economic Future is a multi-year collaboration of organized philanthropy in Northeast Ohio formed to encourage and advance a common and highly focused regional economic development agenda by restoring the region to its roots as a center of entrepreneurship and innovation. This will be accomplished by convening key stakeholders, tracking overall regional progress, and backing key initiatives. Initiatives will capitalize and extend upon historic strengths in advanced manufacturing (including instruments and controls), materials sciences (especially polymers), life sciences, power and propulsion, and financial services by developing, applying, and commercializing new technologies.

The final business support organization listed in this study is *Crain's Cleveland Business*, a weekly business source for regional business news, information, and tools. It also publishes two web sites, CrainsCleveland.com and CrainTech.com. Crain's focus is to publish material of real importance to the reader and present facts accurately and fairly. Its publisher and editor use their position and media to promote good business ideas, and serve as advocates for initiatives that will have a positive impact on the business environment in the city of Cleveland, Northeast Ohio and state.

Venture Capital

According to *Crain's Cleveland Business* February 21, 2005, edition, which lists an annual self-reported inventory of Ohio venture capital firms serving Ohio, greater Cleveland was the home headquarters to 34 venture capital firms with assets of over \$6.9 billion in 2003 and 30 venture capital firms with assets of over \$7.0 billion in 2004. The 2003 investments by these firms in northeast Ohio were limited to 41 while 107 were made outside the region and/or state. This is compared to 2004 where the numbers were 52 and 197 respectively. See Table IX below.

It is worth noting that not all Venture Capital firms serving Ohio or north east Ohio were listed in Crain's. One notable omission was MWV Pinnacle, LLC run by Eric Von Hendrix, the

Assessment of Business Support Services

former head of the ShoreBank Cleveland. The MWV Pinnacle fund is a \$25 million private equity fund created in 2003 to invest in minority owned, controlled or led businesses, located primarily in the state of Ohio. According to Von Hendrix, MWV Pinnacle is one of 25 minority oriented funds nationally with approximately \$5 billion under management (see “speaker spotlight” publication of Ohio Venture Association). The MWV Pinnacle takes an active role in company oversight in the companies in which it invests. To date, it has invested in three companies, two in Cleveland, one in Akron/Canton.

One observation of the self reported venture capital firms from Crain’s and reported in Table IX above is that their industry specialties do not directly accommodate the needs of city resident business entrepreneur pioneers. The kinds of businesses that are most accessible to minority business entrepreneurs and for which current market conditions support micro enterprises embedded in city neighborhoods providing goods and services to local communities for example, do not have a venture capital patron other than the federal government.

Another observation worth special note is the practice of venture capitalists to consider business opportunities that are likely to receive a return on investment of at least 10 to 1. This is a conservative return on investment, and is a target for individual investments and for the totality of investments over time. Unfortunately, there is a misalignment between the needs of Cleveland’s small and minority business community vis-a-vi the education attainment, availability of services and access to capital of their owners, with the “home run” expectations of the venture capital firms. The contradiction arising from the return targets is that while the firms are primed to make investments in riskier business opportunities, they are also cautious, perhaps overly so, in making those investments locally. Consequently, in their speciality areas of investment, either venture capital decision makers do not find enough investment worthy ideas in Cleveland, or they do not find ideas in which they can receive a sufficient return. Worse still, is that the proven personal development factors the Small Business Administration cites as reasons small business succeed and thrive, increased education and experience of business owners, the longevity of business, increasing scale of business operations, personal investment of the owners, owner’s labor contribution in terms of the number of hours worked and managerial expertise, are undermined by the lack of risk capital and the easy flow of money.

Assessment of Business Support Services

A cursory review of the Crain's list of venture capital firms reveals that a significant proportion are owned and managed by the long standing first families and corporations of historic Cleveland. Indeed, many of today's venture capital firms represent the maturity of business development begun well in the past by the founding generations of industrial leaders and their families. These same families represent the patrons of our venerated private institutions and the key givers of philanthropy to those same organizations. It seems reasonable that these venture capitalists, who have an investment and personal attachment in the region, are among Cleveland's first and best prospects for establishing a risk capital pool of dollars made available to worthy, neighborhood and community based micro enterprises. These contributions would serve as a catalytic fund for enterprises whose market niches serve to revitalize neighborhoods, allowing the potential for ownership in community based businesses and a return on investment for venture capitalists. In respect to business investment as a catalyst for the social good, Cleveland has a long, but mixed, history of businesses developing projects that benefit the city and region on the way to producing an environment for profits. Some initiatives have yielded poor short term results and better, but slowly coalescing long terms gains. Still others have succeeded much more quickly. For example, the Cleveland Development Foundation was founded in the 1950s by business leaders to help finance and plan projects to eliminate slum conditions and promote urban redevelopment. The CDF raised a \$2 million revolving fund through membership subscriptions and the sale of 10-year, 4% development notes to provide seed money for urban renewal and redevelopment projects. The intent was to improve the business environment through investment, with the idea that a stronger business environment in the core city would improve the productivity of workers and the profitability of companies.

Assessment of Business Support Services

Table X Northeast Ohio home office venture capital investment						
VC Name	OH Investments 2003	OH Investments 2004	% of all by firm 2003	% of all by firm 2004	assets under management 2003 or 2004	Preferred Industry
Early Stage Partners	8/8	10/14	100%	71.4%	\$50 million	Life sciences, technology, polymers and advanced materials in N.E. Ohio.
MCM Capital Partners	4/8	4/7	50%	57%	\$100 million	Manufacturers of consumer and industrial products
National City Equity Partners	4/14	4/24	29%	16%	\$1 billion	
Roulston Investment Partners		2/2		100%	\$40 million	
Roulston Ventures Manage LLC	4/4	1/1	100%	100%	\$15 million	Manufacturing, services, distribution
Glengary Ventures	3/4	10/11	75%	91%		Applied technologies, business services, software, construction products
Brantley Partners	2/3	1/5	67%	20%	\$400 million	Business services, health care services, light industrial manufacturing
CapitalWorks LLC	2/10	0/2	20%	0%	\$45 million	
Max Ventures LLC		2/2		100%	\$100 million	Retail, consumer products, service providers to retail
Morgenthaler	2/15	5/85	13%	6%	\$1.8 million	Information technology, life sciences, industrial productivity
Mutual Capital Ptr.	2/2	0/0	100%	0%	\$12.5 million	
Ohio Innovation Fund	2/2	3/4	100%	75%	\$12.6 million	Life sciences, advanced materials, information technology
Austin Capital Partners		1/2		50%	\$10 million	Low-mid tech manufacturing, distribution

Assessment of Business Support Services

Table X Northeast Ohio home office venture capital investment						
VC Name	OH Investments 2003	OH Investments 2004	% of all by firm 2003	% of all by firm 2004	assets under management 2003 or 2004	Preferred Industry
Blue Point Capital Partners	1/2	1/7	50%	14%	\$415 million	Manufacturing, business services, value-added distribution
Frantz Medical Ventures	1/4	1/3	25%	33%		Medical technology
Key Principle Partners		1/10		10%	\$1 billion	
Mast Group Inc.	1/3	1/4	33%	25%		
Nextep Equity Partners	1/1	0/0	100%	0%		Polymers, specialty chemicals and composites
Primus Venture Partners		1/5		20%	\$519 million	Business services, post secondary education, media, communications, health care
Redline Capital	1/1	1/2	100%	50%	\$8 million	Manufacturing, turnaround investments
Resilience Capital Partners LLC	1/2	1/3	50%	33%		Manufacturing, industrial goods, capital goods, basic industry, underperforming or turnaround
Riverside Co.	1/11	0/15	9%	0%	\$1 billion	
Sedgewick Capital	1/4	1/2	25%	50%	\$11.5 million	
South Franklin Street Partners		1/2		50%	\$75 million	Diversified

Another example of a catalytic fund included a project in the 1970s around University Circle. In partnership with the Citizens for Better Housing in Hough (CBHH), University Circle institutions provided investment opportunities for Circle institution benefactors, skills training for home ownership and maintenance expectations for residents, and produced 135 new units of private and subsidized federal housing along the western University Circle boundary. The CCI/CBHH project provided virtually the only construction in the Hough neighborhood from the 1960s to 1980s. Yet a third example involved the resources of Cleveland Tomorrow, whose

Assessment of Business Support Services

founding mission was to encourage business development; to focus government's resources on economic development; to rebuild the central city, both downtown and the neighborhoods. This mission was achieved through initiatives such as the "Cleveland Development Partnership," a for-profit funding vehicle capitalized by Cleveland Tomorrow member corporations to support real estate projects that intended to reestablish positive business market dynamics.

FINDINGS AND ANALYSIS

Finding 1

The majority of the city of Cleveland population is comprised of African American and traditional minority residents whose buying power exceeds \$2.5 billion. Total buying power for city of Cleveland residents exceeds \$7 billion.

Analysis of the finding: Well over 50% of the city resident base is comprised of traditional minority populations, while the number of all businesses and minority owned-businesses serving these residents lags behind the business services available in comparison communities. Though this data suggests a market opportunity for specialized business enterprises serving these communities, policies and support services that improve the entrepreneur environment for conducting business for all will produce increased opportunity for minority residents and businesses.

Recommendation 1: As noted elsewhere, neighborhood and community market studies will provide business entrepreneurs with essential feasibility information to assess the market opportunity serving neighborhood residents. City policy-makers can develop mini entrepreneur zones that community development corporations can then use to concentrate business development opportunities with new construction or rehabilitation of existing facilities.

Assessment of Business Support Services

Finding 2

Despite the large number of individual service providers with programs to support the development of greater Cleveland businesses, the ratio of number of businesses to the adult population for the city of Cleveland indicates an under-performance in new start ups of all types. The data places the city of Cleveland's performance (city of Cleveland proper) well behind that of Indianapolis, Columbus, Cincinnati, Pittsburgh, and Chicago and ahead of only Buffalo, New York.

Analysis of finding: The basis for the data reported in Tables IV and V on the gross number of businesses is from 1997. More recent data reflects a continuation of the trend in which Cleveland is losing position relative to other cities. A reason for the lag in business development outcomes (i.e., more business enterprises located and operating in the city Cleveland proper) is that the business support initiatives have not been effective in increasing the aggregate number of businesses in the city of Cleveland. While important caveat to this conclusion are that the development of a new business can take years to be realized and that business starts and failures are continuous, it is also true that many of the services provided are reactive, passive, or limited in the intensity of their follow up with new and existing businesses. These types of services to small business development do not lend themselves to long-term, intensive, and nurturing relationships that are needed to bring young enterprises to the point of maturity and size at which they may succeed. This is partly due to the low staffing of the various service providers relative to the demand for services and their respective work loads. It is also due to the fragmented economic development policy of local authorities who still compete with one another as locations for business enterprises.

Recommendation 1: The many approaches to working with businesses offer the opportunity to develop best practices for business support services, a common development model, and a uniform template of business support services for new and existing business enterprises (see the business readiness and case management model, Diagram I). Development and use of a template would provide a reason for organizations to come together and generate a way to encourage collaboration and measure their success in

Assessment of Business Support Services

starting, nurturing and sustaining business enterprises. A common curriculum, wrap around services, and collaboration between service providers will help fragile and risky businesses reach a status of maturity and stability that will allow them to succeed over the long term.

Recommendation 2: Increase the pool of dollars and access to those dollars for small business start ups, taking take into account their exigent circumstances. A system for assessing risk can be devised that increases the range of risk so that minority entrepreneurs with marketable ideas can receive start up capital. This can be done by tapping the expertise of organizations in the loan business such as the WECO Fund and Shorebank, which are excellent candidates to administer such a pool of capital. This funding can also be tied to some or all of the wrap around business support services, such as that of the Urban League of Greater Cleveland.

Finding 3

Thirty-seven local programs serve the purpose of developing and sustaining business enterprises in greater Cleveland. Of these, and excluding *Crain's Cleveland Business* news, six are university based, 12 are affiliated with the Greater Cleveland Partnership, seven arise from government departments or agencies, and 11 are based in nonprofit organizations as "stand alone" programs.

Analysis of the finding: The presence of 37 local initiatives intended to address the needs of small businesses suggests the lack of a coherent public policy regarding small business development. The challenge collectively confronting small business development in Cleveland does not arise from a lack of expertise, funding resources for program initiatives, programming creativity, or entrepreneurial opportunity. Rather, the data suggests that the challenge of meeting the needs of small business development is one of organizing service providers. Put another way, the absence of organizing suggests unfocused priorities for public and private policy-makers, grant-makers, and funders, an absence of meaningful incentives for collaboration and organizing of service providers, and an absence of committed but pragmatic leadership necessary to do the hard work of building and maintaining a coalition that speaks with one voice.

Assessment of Business Support Services

The history of Cleveland's past 50 years teaches us that neither business, government nor the private nonprofit sector have the ability, alone, to plan for the future or effect systematic change. Strategies that have worked during periods of crisis and that constitute a model of sorts involved coalitions of interests (public, private and nonprofit) at the city and regional level and in neighborhood communities. It seems logical following our "Cleveland model," that the diversity and specializations of the business support organizations would best be utilized were they working together in some fashion.

One major hurdle to over-come is the issue of shared "big picture" priorities among the various services providers. At the heart of this issue is the absence of incentives to work together. Far too often, public policy makers and grant makers assume that the community of services providers will simply "come together for the greater good" or because of some innate logic that suggests they would. This unfunded "free rider for the greater good" expectation constitutes an uncompensated commitment of time on the part of service providers to do the hard work of finding common ground, attending meetings, developing proposals, and sharing their experience and talent. The fragmentation of services and service providers shows us that services providers have responded with their feet, so to speak, as they can ill-afford to subsidize collaboration for the sake of the greater good of all. Until public leaders, grant-makers and other funding agents provide the incentives to the service providers to work collaboratively or at the very least to subordinate their own self-interests for the promise and benefit of greater collaboration, change will not occur and the current system of services will continue to further specialize and fragment. The leadership required to build coalitions, collaborations, or formal partnerships will take courage, may be painful, and will have to be pragmatic.

Recommendation 1: As stated above, the many approaches to working with businesses offers the opportunity to develop best practices, a common development model, and a uniform template of business support services for new and existing business enterprises (see the business readiness and case management model, Diagram I). Development and use of a template for training and support of small and minority businesses would

Assessment of Business Support Services

provide a reason for organizations to come together, generate a way to measure the success of programs, and encourage collaboration and measure their success in starting, nurturing, and sustaining business enterprises. A common curriculum, wrap around services, and collaboration between service providers will help fragile and risky businesses reach a level of maturity, stability and longevity that will allow them to succeed over the long term.

Recommendation 2: It is also important for service providers to receive “release time” or “time buy outs” from public and private funders to do the required collaborating and building of cooperative ventures between grant and contract-funded organizations whose staff are being asked to work for the good of the city and region at the same time they are trying to keep their organizations afloat. A pool of funds administered by a central authority and paid to organizations participating in a collaboration, for the expressed purpose of participating in collaboration, would provide sufficient incentive to bring participants to the table and keep them there.

Finding 4

Business services providers are not coordinated nor have they agreed upon a unified way to serve as intermediaries and problem solvers for new and small businesses.

Analysis of finding: No organizational body exists that allows services providers to come together for the purposes of collaboration or partnership. Equally important is that each services provider pursues its own independent funding, which in many cases duplicates services, creating competition between services providers instead of a united front in growing the businesses of the region. This seems ironic as the emphasis of these organizations should not be to compete with one another but to strengthen the businesses and the environment in which they operate in the region. Also problematic are the manufactured incentives that policy makers, public funders and private grantmakers use to encourage collaboration that tend to be “one size fits all” and do not take into account the exigent circumstances that prevent meaningful collaboration by the many independent business support organizations. For example, the nonprofit

Assessment of Business Support Services

service providers working to development businesses are pit against one another in the search for funding. Because they are formed initially to serve specific market niches of business development, they ultimately receive funds insufficient for the scale of operation or intensity of service required to nurture a business beyond the point at which it may fail. They can claim that they have succeeded in reaching benchmarks that meet standards developed elsewhere, but which may not translate into long-term business longevity. On the one hand, they have succeeded in meeting requirements of their funders, but have built neither their own or the gestating business's capacity to move to the next level of services level or sophistication.

The lack of an overall goal or coordinated leadership has impeded cooperation and overall success in improving the business climate for small and minority business enterprises. Too many initiatives have arisen without the planning framework to result in lasting benefits. For example, employing of city residents on construction projects may seem like a beneficial plan, but residents may be retained as short-term hires with little chance or opportunity for skills development or long term employment or prospect of developing their own businesses based upon their work experience. This holds true for contracting with MBEs and FBEs on construction projects.

Recommendation 1: The city of Cleveland Mayor's Office, can convene the various service providers, appoint leadership, and empower them to develop a unified and coherent strategy to business support. The mayor can set as a goal an increase in the gross number of businesses operating within the city of Cleveland and in the number of businesses employing more than one person. These goals should be based on percentages from our peer cities. Service providers must be provided incentive to cooperate and given funding for their time, knowledge, and expertise.

Finding 5

The Greater Cleveland Partnership (GCP) has an impressive array of initiatives, enthusiasm and funding to apply to business and economic development in Cleveland in specific market niches.

Assessment of Business Support Services

Analysis of the finding: One unfortunate outcome of the success and progress in the economic development initiatives of the GCP has been to leave behind the majority of existing and “proto” business owners who cannot meet the bar of achievement and selectivity set by the Partnership. On the one hand, this is a necessary product of setting priorities and applying limited resources to them. On the other hand, the large number of business support organizations targeting segmented populations in Cleveland and Cuyahoga county has developed to catch those who don’t qualify for or cannot access GCP assistance.

It is necessary to create implementable action steps that will best improve the prospects of the city’s current work force can drive small business development while at the same time preparing for the future. The marquee initiatives in bio-technology, high-tech in manufacturing, and health and services industries promoted through the GCP, Bio Enterprise, CAMP and others do not provide opportunity for those Cleveland residents with limited educational attainment or whose training must include “job readiness” as a prelude to trades or apprenticeship training. These people represent both a market for goods and services with buying power and raw materials of business enterprise in the city’s neighborhoods. It is important to note that these business-support organizations will not come to the table unless their interests are taken into account.

Recommendation 1: The GCP can use its research ability and position as an advocae for business in the city, region, and state to encourage the kinds of market research in local neighborhoods and planning that will encourage “low tech” business start ups. These can be retail and services, but also intermediary supply businesses, transportation or knowledge management enterprises. One outcome would be to create a “map” of business types and services that encourage entrepreneurs to address hidden market opportunities.

Finding 6

Higher education-based programs are under utilized and represent an excellent space for incubation of business ideas.

Assessment of Business Support Services

Analysis of the finding: Baldwin Wallace College, Case Western Reserve University, Cleveland State University, Cuyahoga County Community College, John Carroll University, Kent State University, and Myers University are all institutions of higher education with major programs in business. Collectively, these institutions graduate thousands of students annually, many of whom are primed or have the potential to start business enterprises.

Recommendation 1: Create a fund specifically designated for micro enterprises for graduating MBA and business students with developed business plans. Have the fund administered by an intermediary organization and have faculty from the various university-based programs review and decide which plans merit funding. Grant recipients must agree to base their business within Cleveland proper. Grant recipients must also participate with one of the business support service organizations participating in the program.

Finding 7

Few venture capital funds in the Crain's listing are designated as minority, and only one is listed as low to moderate technology. Of those investments made in northeast Ohio, Early Stage Partners made eight investments all in the area of its specialty, "life sciences, technology, polymers and advanced materials" (Early Stage Partners did not report total dollars invested). The next largest concentration of investments in northeast Ohio was four. MCM Capital Partners, selected Ohio 50% of the time in making investment decisions from total assets of \$60 million, but in no identified industry; National City Equity Partners, invested in northeast Ohio 4 of 14 times for the year.

Analysis of the finding: Despite significant investment resources available, and in terms of investments made into the region, few venture capital firms have made the kinds of investments in Cleveland that provide access to small and services oriented businesses. Additionally, the lending community has created a dynamic in which decisions on business loans are not made in branch locations at the discretion of the branch manager as a result of fewer urban bank branch locations in city of Cleveland neighborhoods. In

Assessment of Business Support Services

instances where urban bank branches exist, lending departments have yet to decentralize their loan operations to give more discretionary power to make business loans to branch managers. This distance between applicant and lender inhibits trust and risk-taking in neighborhood settings.

Recommendation 1: Create a micro enterprise venture capital fund with contributions from larger venture capital firms. These firms would receive an ownership percentage and a return on investment. Have an intermediary organization administer the funds, but include wrap around services.

Recommendation 2: Encourage loan makers to allocate funds for the discretion of local branch managers.

Finding 8

Local public officials and private leaders cannot expect help from state of Ohio legislators until the interests of the region organize together to articulate the importance of Northeast Ohio to the rest of the state, and show that investments in the region will pay off. A tangible first step in this regard would be to use the data in Table VIII to place the economic output of northeast Ohio within the context of the entire state, region and nation, then look for meaningful groupings of business support activity and develop a model for delivering the business support services that can result in the development of new, sustainable businesses.

Analysis of finding: Another challenge is the absence of a grassroots type movement among

local small business owners that can complement the larger-scale strategic advocacy practiced by the GCP. In addition to offering a useful and transferable model for providing business support services to budding entrepreneurs and existing small business owners, business support service organizations must act as a voice for the needs and interests of their clients in a forum that can then inform public policy. Although the GCP goal of “forging one voice to advocate on behalf of the private sector” resonates, its effectiveness would be magnified by the involvement of individual small

Assessment of Business Support Services

business owners not represented by GCP or COSE on issues for the state legislature. In other words, the fragmented system of pitting service providers against one another for funding currently hampers overall business growth as evident in the data comparing Cleveland businesses to other cities in Table V.

Finding 9

The individual business services provider organizations receive their funding from a diverse variety of funding sources, very little of which is duplicated across organizations. This suggests a significant investment by public and private funding sources. It also suggests a fragmenting of program services that serve their market niches extremely well, and hit their own benchmarks but add too little in the aggregate to create an environment in which entrepreneurship is encouraged and rewarded.

Analysis of the Finding: The large number of business support organizations has a common characteristics, narrow focus, limited funding and fiercely independent programs, none of which can take advantage of the resources of the others.

FINAL RECOMMENDATIONS

1. Organize the service providers and pay them to cooperate both in terms of planning and implementing.
2. Elected leaders must risk political capital and dedicate their discretionary resources (formerly things like block grant funds, state of Ohio development department dollars and empowerment zone funds) to business development that is not just high tech, but also low-tech.
3. Private leaders will be bound to not block ideas that don't directly serve their profit interests and to willingly advance promising projects that can realize return on investments over extended time frames.
4. Introduce a tolerance for risk by local investors that is more in tuned with the entrepreneurship and venture capital found in growing urban economies.
5. Actively and continuously bring and facilitate the user community (proto entrepreneurs, workers and users of the social services intended to alleviate poverty) to the table. These individuals along with established leaders and organizations must overcome two hurdles:
 1. Take steps to build trust between recipients of services, funders of services and providers of services
 2. Take steps to develop risk-venture capital that can be used on business start ups
6. Develop businesses in low tech target industries as a way to employ low tech workers, who can then earn a living wage with benefits.
7. Organize and gain the cooperation of the various minority communities around the issue of business development and begin a planning process with the intention of creating action steps that can be funded and sustained. Develop a series of achievable and measurable

Assessment of Business Support Services

benchmarks by which progress can be measured. Where possible, identify market indicators for which larger-scale goals and objectives can be measured to assess the impact of the efforts of the plans.

8. Create a case management model for business enterprises and prospective businesses in which a central organization agrees to advise, help create individual business plans, coordinate business services, and leverage public and private incentive opportunities. This can be done with restrictions based upon geographic areas, minority demographics, or standard business identification classifications.

9. Work with CDCs and nonprofit business development organizations such as the WECO Fund, Shorebank, and others to develop business enterprises in specific geographic areas, tapping the city of Cleveland Planning and Community Development departments, city council federal block grants, empowerment zone, and other programs that can add resources and expertise.

10. Data listings relating to personal educational achievement, buying power, population, and business ownership by SIC code for African Americans suggest growth opportunities and a concentration of businesses in the services and retail trade industries. The creation of programs geared specifically to this area should be one of several primary thrusts of business development. Development of the construction trades is also an area of emphasis given the availability of federal building funds in the city of Cleveland and city requirements/guidelines to employ local and minority residents on construction projects.

11. The Urban League can convene local community development corporations either as a group or based upon selected community initiatives to build a model for supporting the planning process both for the community and as a way to help individual business owners plan and take advantage of public and private resources. This methodology would necessarily have two components: a community organizing and planning process and a case management approach to business development, coaching, and nurturing individual business entrepreneurs.

Assessment of Business Support Services

12. Encourage successful minority entrepreneurs to develop self-help groups and associations. Foster camaraderie of program participants and encourage their involvement in established business associations, rotary clubs, and the like.

13. Business development and planning services that aid existing small businesses to develop larger operations and gain enhanced efficiency, greater product diversity, and increased market demand and market share will help new business start-ups and small businesses reach that point of critical mass where size can aid in their survival.

14. Additional research should be commissioned for the purpose of creating benchmarks for northeast Ohio minority business enterprises in terms of optimal organizational size and age. An outcome of this research would be to develop profiles for which firms may be compared and then apply the appropriate business development services to allow them to achieve their desired configuration.

15. Evaluation of program initiatives to aid minority business entrepreneurship should be conducted to identify indicators that programs are having an effect and to establish measures to demonstrate success or lack of success.

Assessment of Business Support Services

APPENDIX 1

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Yago, G., & Zeidman, B., (2001, September). *Capital Access for Minority Businesses* Minority Business Round Table Issue Brief: The Milken Institute.

1. “Direct” refers to technical assistance services provided to individual entrepreneurs that involve intervention type business planning and business skills development services or other more intensive “case management” type services. Business support services listed as “Direct” have among their primary goals, the purpose of interacting with businesses in a formal manner that requires an exchange of information and an on-going relationship. “Indirect” refers to services that support business development but are derivative, less intensive and customized and somewhat removed from a direct operations of the business start-up. “Indirect” would apply more to roundtable discussions, general education type courses and workshops, speakers, networking etc.

2. “Pro-activity” rating refers to the assertiveness or degree to which a business services provider initiates technical assistance, follows up with the business in a manner approximating “case management” and maintains contact over a period of time. The ratings high, moderate, and low indicate follow-up is initiated by the service provider with a regularly occurring frequency or without prompting (high), a combination of proactive case management by the service provider and reactivity to the business client (moderate), or completely client-driven follow-up (low).

3. Length of Program is an estimate of the time any particular entrepreneur or business might spend involved with the service provider for assistance on any single issue for which the service provider was approached.

4. The checkmarks (✓) reflect direct technical assistance programs offered by services organizations to small business entrepreneurs, in meeting the competencies the Small Business Administration lists as essential to create successful and thriving enterprises. This table is meant for illustrative purposes only and is not intended to make claims of quality or to intentionally misrepresent or under-represent programs offered by any service providers. This table’s purpose is to **suggest** where gaps in services or where ample services to new and existing small business may exist. The information is anecdotal and is based solely upon information available through the web pages of the business service providers.