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Focusing on the growth stage as opposed to the industry sector is an important economic development framework because there is value in targeting firms in high-growth mode that are poised to deliver more jobs to the state. Accelerating these small businesses is the focus of this report.
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EXECUTIVE SUMMARY

Small businesses are important drivers of economic growth. Recently, the U.S. Small Business Administration (SBA) estimated that three in five new jobs in the United States are created by small businesses.¹ Given the importance of small businesses to economic growth, Michigan needs economic development strategies that maximize this important sector’s potential. Strategies that focus on growing second-stage businesses can be particularly effective. Second-stage businesses are small businesses that have grown past the startup stage but have not yet reached maturity. Typically, these firms employ 10 to 99 people, have annual revenues between $1 million and $50 million, and demonstrate the potential for high growth in the future.

An effective strategy focused on small business growth is entrepreneurship-led economic development (E-LED), which utilizes public and private resources to provide business acceleration services tailored to meet the needs of rapidly growing small businesses. These services include market research to identify new customers, talent development to improve employee productivity, assistance with harnessing technology for a competitive advantage, assistance in accessing capital, and technical assistance in management and administrative issues, among others. Prioritizing the right services and their delivery by seasoned experts is critical to a successful growth strategy.

In 2011, Michigan adopted E-LED policies, then known as Economic Gardening®, that focused on accelerating the growth of second-stage businesses. These efforts included an Economic Gardening® program along with a variety of other services offered by the Michigan Economic Development Corporation (MEDC) and economic development partners throughout the state. Many small business owners and economic developers believe it is time to build on this foundation by adding new tools, resources, and targeted assistance to support small businesses in growth-oriented second stages.

The Small Business Association of Michigan (SBAM) hired Public Sector Consultants and its partner Sheridan Venture Programs International (SVPI), with Shepherd Advisors, to research best practices on investments in second-stage businesses, assess how Michigan’s economic landscape has changed since 2011, talk to economic developers and small businesses about their resource needs, and craft policy recommendations to accelerate small business growth. The research and recommendations from this work are captured in this report.
POLICY RECOMMENDATIONS

1 New State-level Support for Small Businesses
   • 1.1 Cabinet-level Position: Establish a position in the governor’s office to drive policy innovations that support the growth of small businesses in Michigan and chair a new growth acceleration board.
   • 1.2 Small Business Growth Acceleration Board: Establish a board of business owners, appointed by the governor, to promote and coordinate small business growth acceleration efforts.
   • 1.3 Single Points of Contact: Help small business owners navigate the labyrinth of government regulations and programs with specialized single points of contact in each department.

2 Acceleration Services—Initial Support
   • 2.1 Eligibility Standards: Create an eligibility process where second-stage businesses are identified, screened, and then provided a variety of ongoing growth-oriented services and training.
   • 2.2 Economic Gardening®: Continue the existing Economic Gardening® program supported by MEDC and expand the program to meet the demand from interested business owners.
   • 2.3 Acceleration Network: Support and screen promising second-stage businesses and facilitate their connection to ongoing alumni services (based on eligibility standards) with the assistance of state and local partners.

3 Alumni Services—Ongoing Support
   • 3.1 Peer Learning Groups: Facilitate ongoing alumni-peer learning groups across the state led by participating alumni businesses with the assistance of state and local partners.
   • 3.2 Mentor-matching Initiative: Implement a comprehensive mentor-matching initiative that connects alumni to mentors who will help them overcome barriers to business growth, drive innovation, and improve business outcomes.
   • 3.3 Consultant Matchmaking: Implement a process and resources to screen consultants, match them with small businesses, and provide matching funding to make services affordable. These processes will focus on high-demand services, such as market research, talent development, and use of technology for competitive advantage.
   • 3.4 Resource Navigation: Utilize a resource navigator to help alumni reap the benefits of a wide spectrum of public services, including talent development and tax incentives.
   • 3.5 Michigan Economic Development Corporation Services: Provide services for small businesses, work cooperatively with acceleration network partners to tailor Pure Michigan Business Connect (PMBC), and export program services to meet alumni needs, and connect alumni to buyers and resources.

4 Tracking and Connection System
   • Relationship Maintenance System: Create a system to track the needs of businesses in the acceleration network; provide tailored services; match alumni with appropriate service providers; and measure outcomes (i.e., create an MEDC, Michigan Small Business Development Center [SBDC], Edward Lowe Foundation, and SBAM partnership system).

5 Metrics and Accountability
   • State of Michigan Small Business Performance Metrics: Design (or adopt) official performance metrics for the MEDC focused on small businesses that tracks the outcomes of state investments. Also, commission an independent third party to analyze the economic growth impact of second-stage businesses in Michigan. Performance metrics should build from the Michigan Entrepreneurship Score Card.

6 Sustainable Funding Strategy
   • Ongoing Funding for Small Business Resources and Service Providers: Implement a comprehensive strategy that leverages public and private funding for service providers and small business resources that will help small businesses accelerate their growth. Funding sources could include sponsors, alumni giving, fee-based funding, government funding, and a state income tax credit, among others.
Small businesses, particularly those in their second growth stage, are responsible for much of Michigan’s new job creation yet are often overlooked by economic development strategies. In 2016, second-stage businesses provided 41 percent of all Michigan jobs compared to less than 13 percent at large companies. Nationally, between 1993 and 2016, small businesses accounted for 61.8 percent of net new jobs. There is also some evidence that a broad-based, grow-from-within state strategy that supports small businesses can help mitigate volatile job losses in a recession by spreading out employment among a broader and more diverse set of businesses. Helping second-stage businesses also creates a sense of loyalty from the business owners that fosters long-term commitment to their communities. A strong state economic development strategy should balance attracting out-of-state business investment with developing homegrown companies, especially those in the second stage of growth.

Second-stage companies are growth-oriented and have moved past the startup stage but have not yet grown to maturity. Typically, such firms employ 10 to 99 people, have annual revenues between $1 million and $50 million, and demonstrate the potential for high growth in the future. Unlike startups, second-stage companies are no longer concerned about simple survival; they are primed for growth and job creation. In many cases, they have established national and even global markets and bring outside dollars into their communities.

The second stage is a critical time for businesses, as these entrepreneurs face an entirely new set of challenges. The initial set of skills, strategies, and tactics that made them successful during startup do not necessarily drive future growth. It is a time when firms wrestle with refining core strategy, adapting to industry changes, and expanding their markets. New operational challenges also arise, such as recruiting talent, building a management team, and embracing new leadership roles.

Focusing on the growth stage as opposed to the industry sector is an important economic development framework because there is value in targeting firms in high-growth mode that are poised to deliver more jobs to the state. Accelerating these small businesses is the focus of this report. Stakeholders have identified a resource gap in services and investments in second-stage businesses that this report seeks to address through the implementation of the recommended growth-oriented policies tailored to benefit these businesses.

An E-LED growth strategy prioritizes investments in emerging small businesses and invests in innovation, trade, talent and corporate governance efforts that enable small business growth. Focusing on E-LED will also facilitate export growth and trade with other markets in the United States and abroad in ways that deepen specialization and accelerate business growth. This initiative also invests in the people who lead small businesses and helps them develop their skills and the skills of their workers. Such efforts can build a more vibrant small business sector in Michigan, empower entrepreneurs with the resources they need to be successful, and lead to steady job and wage growth across the state.
In 2011, under a new administration in Michigan, the state renewed its focus on growing existing small businesses. Four specific initiatives were implemented:

- Capital investment programs providing growth-focused companies with loans and grants
- Talent programs helping Michigan employers and job seekers connect
- Buyer-supplier databases and summits to facilitate contacts and contracts between large Michigan companies and small and medium-sized Michigan businesses
- Export assistance through a newly formed International Trade Services unit

In addition, the MEDC announced a collaboration with the Edward Lowe Foundation and the National Center for Economic Gardening (NCEG) to pilot a formal Economic Gardening® program. To better differentiate this pilot from the broad set of initiatives, the MEDC rebranded its overarching economic growth strategy as Pure Michigan Business Connect. This effort was described as the cornerstone for the new focus on serving Michigan companies and helping to integrate innovative entrepreneurs with corporate enterprises and the state’s technology resources.3

Since FY 2012, the MEDC Economic Gardening® service has provided nearly 500 service engagements for more than 300 growth-focused second-stage Michigan companies. This program helps small business owners build stronger teams, identify new markets, and sharpen their competitive edge using high-end corporate research tools. It also provides assistance with business strategy, market research, social media marketing, search engine optimization, and geographic information systems data analysis and mapping.

After the initial pilot year, the number of Economic Gardening® engagements quickly doubled in rate. However, the program’s early effectiveness suffered due to inadequate screening of candidate companies, and then was abruptly halted in FY 2016 due to lack of funding. When the MEDC restarted the service in FY 2017, it was determined that servicing 50 companies per year was an effective number given demand and more discerning screening criteria now in place.

Today, the MEDC Economic Gardening® service is sized for 50 companies a year, with budgeting at approximately $5,000 per engagement for an annual total of $250,000.

While the Economic Gardening® service is not widely advertised, it is promoted, and demand is considered by the MEDC to be robust. Referrals of around 100 companies per year come to the service
from multiple sources, including MEDC account managers, MEDC local partners, the Michigan SBDC, the Michigan 50 Companies to Watch program, and SBAM. Companies are carefully selected based on their interest in growing and their capability to effectively use program benefits.4

**TRACKING E-LED ECONOMIC DEVELOPMENT WITH THE MICHIGAN ENTREPRENEURSHIP SCORE CARD**

A helpful tool in understanding the health and direction of Michigan’s entrepreneurial economy relative to other states’ is the Michigan Entrepreneurship Score Card, published annually by MiQuest—SBAM’s affiliated entrepreneurship foundation. The entrepreneurial economy focuses on new businesses and the jobs and wealth created through new business development. In the score card, one of the key metrics analyzed and reported is the Entrepreneurial Change Index, which consists of six submetrics that together indicate the direction and momentum of growth in Michigan’s entrepreneurial economy relative to other states.

The Entrepreneurial Change Index is comprised of three-year averages of variables that broadly indicate the direction of entrepreneurial economy growth or decline. The index speaks to the level of success entrepreneurs actually experience in Michigan.

In the most recent 2017 Michigan Entrepreneurship Score Card report, Michigan’s Entrepreneurial Change Index was shown to have swung significantly over the past ten years relative to other industrial Midwest states.

The score card indicates that Michigan rose from the bottom of all the Midwest states to the top until the other states caught up and passed Michigan in 2014. The score card asserts that the Michigan economy is exhibiting overall strength, and the drop in rank in 2014 combined with the neutral performance of Entrepreneurial Climate Index (another index measured by the score card) in 2015 suggests that while Michigan’s performance is not improving, it is stable and still operating at a positive level.” This may be a good opportunity for Michigan to reinvigorate its E-LED strategy with new, innovative services in order to regain momentum.

As both policy and practice, E-LED services are designed to accelerate the success of growth-focused, second-stage companies. While the impacts of Michigan’s growth programs are too new and too few to yet impact any statewide metrics, it is useful to examine the score card metrics that would be positively affected by future support policies and practices. There are five score card metrics that are most likely to reflect the success of such efforts:
1. **Growth in number of small businesses**—Growth in number of firms with 99 or fewer employees.⁶
2. **Growth in small business payroll**—Growth in total nominal payroll of firms with 99 or fewer employees.⁷
3. **Net establishment entrants increase**—Change in the net number of new establishments minus failed establishments, as a percentage of total establishments.⁸
4. **Proprietor (owner) income per proprietor growth**—Percent change in proprietor income per proprietor.⁹
5. **Five-year establishment survival rate**—Tracks cohorts of new business establishments to measure how many survive from year to year.¹⁰

The first four variables represent four of the five component metrics used in the score card to calculate the Entrepreneurial Change index.¹¹ The last variable, the five-year establishment survival rate, helps us understand a key long-term benefit of small business growth efforts—enhanced firm survivability.

Since 2010, Michigan has been in a significant economic expansion. Yet during this expansion, according to Michigan-specific data indicated in the score card, the actual numbers of new small businesses formed in Michigan have been relatively flat or on the decline. Nonetheless, Michigan’s economic policies led to robust improvements in small business payroll growth, proprietor income growth, and the five-year survival rate of businesses in Michigan.

With more robust second-stage support policy and practice initiatives in the next gubernatorial administration, these economic and entrepreneurial metrics, including new business and establishment starts, may significantly improve over time.

**MICHIGAN’S E-LED LANDSCAPE**

**MICHIGAN’S CURRENT E-LED PARTNER NETWORK**

In Michigan, growing second-stage companies can use many available services and resources to implement what was learned, or supplement that knowledge with other crucial business growth assistance. The list below is not exhaustive but summarizes some of the key partners that support small business acceleration in the second stage of development.

**Small Business Association of Michigan.** The largest association of small- to medium-sized companies in the state, SBAM is a major provider of business networking, issue information and advocacy, risk management services, and insurance policies. The association offers its members access to human resources, compliance, legal, IT, sales and marketing, accounting and tax, operational, and energy services specific to small business growth needs.¹² Because of its deep understanding of small business and economic policy matters and its ability to bridge differences between 25,000 companies and the state government, SBAM is regularly cited as one of the most influential associations in Michigan.

SBAM has been a leading proponent of E-LED business growth efforts and cofounded the 50 Companies to Watch celebration, which is presented under the umbrella of Michigan Celebrates Small Business.
(MCSB), the leading annual recognition event for second-stage companies. The program honors the award winners’ economic impact to the state and inspires new entrepreneurs and community leaders.

Small businesses interviewed stated that SBAM was very helpful to them, as it provides connections to other entrepreneurial peers and identifies peers with similar challenges to their own. They also stated that SBAM has aided them by creating an environment where ideas can be shared freely, and they provide high-level networking opportunities with key stakeholders and decision makers.

**The Edward Lowe Foundation.** Edward and Darlene Lowe, successful Michigan entrepreneurs, established the Edward Lowe Foundation to provide resources to entrepreneurs nationwide who are the most promising growth-oriented small businesses primed for new job creation. These resources and services are created as a response to the changing needs of business owners. In addition to providing operational infrastructure for Economic Gardening®, the foundation has created and operates several other programs that offer small business owners the opportunity to learn and consult with their peers (at noncompeting firms) about strategic growth and other management matters. As a program developer, the foundation also helps partners such as the MEDC and Louisiana Economic Development (LED) provide tested programs that benefit small businesses leaders. Lowe Foundation efforts include:

- Leader retreats held at the foundation’s campus covering topics such as personal, strategic, team, and organizational leadership as well as fostering employee engagement, open and honest communications, and healthy power and group dynamics.
- Peer roundtables held in several states and regions. Presently, these are in-person meetings, but new virtual gatherings are being piloted to save time and travel, especially across larger geographies.
- Recognition of company successes is documented in hundreds of profiles, testimonials, and articles that the foundation disseminates to inform and inspire other new company leaders. The foundation is one of the cofounders of Michigan Celebrates Small Business.

Foundation program participants value the focus on the issues at their growth stage and the ability to work through them with other small company leaders. Several business owners interviewed praised the Economic Gardening® program as very helpful. They said their biggest need now is for follow-up and ongoing services and support to be able to apply the ideas learned from the program.

**Michigan Small Business Development Center.** The Michigan SBDC is a statewide network of business and technical assistance centers jointly funded by the U.S. Small Business Administration and the MEDC.

The Michigan SBDC works with entrepreneurs across the full business life cycle from the concept phase through the growth phase and advises on succession or exit planning. With a statewide footprint consisting of 11 regional centers and numerous service locations, the network provides no-cost counseling, training, and secondary research for thousands of small businesses annually. The SBDC works with a broad range of traditional business types and also has deep subject matter experts to help advanced-technology companies commercialize their innovations.
SBDC broadly supports the needs of entrepreneurs outside of the second stage of growth. Companies may receive strategic and operational assistance with:

- Understanding and preparing to obtain loans, angel investment, venture capital financing, or other capital opportunities
- Business management workshops on topics such as marketing, business planning, social media, and financial tools
- Analysis and improvement of a company’s financial management, including budgetary, accounting and banking practices (experts can also assist with loan-package preparation)
- Export readiness, planning, new-market entry research, and securing export financing

The Michigan SBDC Business Growth Team assists companies on a growth path. In 2017, SBDC reported that the team helped 746 companies, and these businesses reported that the center significantly helped them increase sales by over $51 million, access over $69 million in capital, and create and retain over 1,000 jobs. Collectively, the SBDC reported that the Michigan SBDC program assisted 5,520 clients with no-cost consulting in 2017, helped raise over $229 million in capital, and assisted clients in creating or retaining over 4,000 jobs.

In interviews with small businesses, the SBDC was identified as especially helpful in the early stages of business development. Some businesses specified that SBDC assisted in drafting business plans and filling out various forms. Many felt that the most helpful SBDC staff were those who had years of real experience running small businesses.

**Michigan Economic Development Corporation.** In Michigan, a strong series of E-LED related programs fall under the Pure Michigan Business Connect services team. The PMBC team offers summits and provides supplier matching opportunities for small businesses and corporate buyers. PMBC has facilitated over $5 billion in purchasing contracts by Consumers Energy, DTE Energy, automotive OEMs, tier-one suppliers, and others.

The MEDC directly operates several other growth-relevant programs, including:

- International trade services
- Capital Access Program (CAP)
- Support for the state’s designated core industries (advanced manufacturing, agribusiness, cybersecurity, defense, and information technology)
- Pure Michigan promotion campaigns
- Economic Gardening

The MEDC also supports many other small business-related organizations in the state, including traditional and advanced-technology companies, and in addition to the Michigan SBDC, the MEDC funds several groups ideally prepared to serve growth-oriented small businesses.

During interviews with small businesses conducted for this report, the MEDC was highlighted frequently as a helpful organization. Several small business owners stated that the MEDC provided connections through PMBC and by subsidizing the cost of consultants who helped their business improve services or leverage other resources. One business owner interviewed cited the MEDC as helping them obtain
multiple contracts with the federal government. The business owner said they never would have been able to identify, respond to, and win these requests for proposals (RFPs) without this support.

Michigan Celebrates Small Business (MCSB). SBAM, the MEDC, Michigan SBDC, the Edward Lowe Foundation, the SBA, and the Michigan Business Network partners to produce this annual celebration, which has become the model for Florida, Louisiana, and other states, which will be discussed in further detail later in this report. Founded in 2005, there have been 700 companies honored in this program’s central 50 Companies to Watch awards. Nominees must meet very stringent selection criteria as growing second-stage companies with high potential—97 percent of all awardees are believed to still be in business.¹⁹

Considered a best practice by other states, the competition has a comprehensive due diligence process and is overseen by the Michigan SBDC to vet nominated companies and validate their achievements. The process involves researching reputation, credit worthiness, business incorporation and compliance good standing, general Internet searches, interviews with the company officials and a due diligence committee review of all findings. MCSB now recognizes significant business innovations, the exporter of the year, women-owned businesses, veteran-owned businesses, and further achievements of prior awardees.

In 2018, this awards program expanded into an effort to provide ongoing services and support to help successful program alumni with continued learning and networking opportunities. This E-LED partner network is a uniquely successful partnership, as similar ones have failed due to perceived competition or overlapping services. In contrast, these E-LED partners have successfully unified their effort in forming a new MCSB organization. The MCSB is now a 501(c)(3) foundation that will leverage funding and provide business acceleration services for those promising small businesses identified through the awards program.

Michigan Manufacturing Technology Center (MMTC). The MMTC provides extensive implementation assistance that addresses the strategy, marketing, leadership, and Internet guidance that small businesses receive from an E-LED-style engagement. The center’s mission is to serve small- and medium-sized firms on a broad range of topics, such as cybersecurity, talent management, manufacturing technology, and operations. The MMTC is Michigan’s state center for the National Institute of Standards and Technology’s Manufacturing Extension Program, which connects it to experts in other state centers and the federal government.²⁰

International Business Center (IBC). Part of the Broad College of Business at Michigan State University, the IBC is a federally designated Center for International Business Education and Research with a mission to “provide superior education, research, and assistance to businesses, policymakers, academics, and students on international business and trade.” The IBC exemplifies the role of higher education in providing business development support for small businesses in Michigan. The center administers the Michigan Export Growth Program, which has helped more than 2,000 Michigan-based companies expand their global trade, and also collaborates with the MEDC and the SBDC, which fields 20 trained international business advisors across its locations.²¹
A BUSINESS PERSPECTIVE: FEEDBACK FROM MICHIGAN’S SMALL BUSINESS COMMUNITY

In 2013, with university and public partners, SBAM formed the PINE Consortium to identify the “priority interests and needs of entrepreneurs.” Over the past five years, more than 2,000 business owners provided information about their challenges and opportunities and what resources they need to accelerate their businesses. In addition, 30 business owners participated on the SBAM Entrepreneurship Task Force, meeting with top Michigan administration and legislative leaders. The PINE Consortium results and feedback from the task force, which are incorporated into the content and recommendations of this report, indicate that Michigan businesses would benefit from increased second-stage support from the next administration and legislature.

In addition, for this report, 17 small business owners and economic developers were interviewed this year for their feedback regarding challenges and barriers to their business growth as well as their ideas on resources and policies that might help them accelerate small business growth. All the business owners interviewed believe the business climate is much improved since the Great Recession. There are, however, new challenges that come with the new business climate, which are summarized below.

Challenges and Barriers to Small Business Growth

- **Lack of Time.** Most interviewees said they lack the time to invest in strategic marketing efforts, website development, and thoughtful long-term approaches to developing their business and identifying new clients. They are too busy fielding the daily demand on their time and resources, operating their business, and responding to existing clients as opposed to developing long-term strategies.

- **Lack of Expertise.** Many business owners also said they lack the expertise to deeply understand their businesses’ potential and market. They need help in collecting and analyzing specific data about their business as well as data about the broader market they operate in. If they had expertise to collect and analyze this data, they could better plan and grow their business and develop more thoughtful strategies.

- **Lack of Talent.** As businesses grow, business owners need to hire more diverse staff with different and often new skillsets, but it is becoming more difficult to find qualified talent that fits their business. In particular, many interviewees mentioned the lack of vocational professionals and talent in information technology-related fields.

Patti Eisenbraun is the owner of Brown Iron Brewhouse. Founded in 2015, Brown Iron Brewhouse is modeled after a modern German-style beer hall with high ceilings, a very open space and community seating. The location was named “Best Beer Bar” in 2016, 2017, and 2018 in Michigan by CraftBeer.com and ranked number four best beer bar in the nation by USA Today. The business is thriving and expanding to new locations.

“We need more incentives for small businesses to reinvest in their local communities. We believe you have to take care of your employees and your community to be truly successful.”

—Patti Eisenbraun
• **Government Procurement and Payment Challenges.** Many business owners noted the state procurement process is excessively bureaucratic and is not tailored to meet the needs of small businesses. Some of the issues included: identifying contract opportunities, receiving timely payments, inability to identify RFPs, and the lack of skill in responding to RFPs.

• **Regulatory Burdens and Lack of Access to Government Resources.** Many business owners complained about difficulty navigating the complex regulatory structures of local, state, and federal governments. These problems include tax waivers, unemployment insurance, licensing, and other business regulations. Business owners expressed frustration with government at the local, state, and federal levels regarding a lack of understanding and service delivery for small businesses. Business owners praised their experience with staff from organizations like MMTC and SBDC, who took the time to understand their business and offer valuable solutions.

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**Business Owner Feedback on Resources to Accelerate the Growth of Small Businesses**

• **Resource Navigation Support.** Several business owners believe it would be beneficial for government to more efficiently help small businesses connect with contracts and new business opportunities. It would also be helpful if government staff or consultants could help small businesses navigate the various regulatory requirements, from taxes to unemployment regulations to various business licensing and reporting requirements.

• **Small Business Expertise in Government.** Business owners asserted that it would be helpful if government staff better understood small businesses. There is a general lack of understanding of how small businesses operate, and interviewees asserted that it would be helpful if policymakers and public administrators more often were individuals with small business leadership backgrounds to aid in understanding.

• **Tax Incentives.** Business owners said that more tax incentives for reinvesting in their business or investing in their local community would be helpful. Making it easier for small businesses to redevelop property and turn it over for more productive use would help expedite the redevelopment of Michigan’s communities.

• **Peer-to-peer Networking and Mentoring.** Small business owners indicated more resources to nurture peer-to-peer networking between businesses would be helpful in both giving business owners innovative ideas and supporting connections to networks and potential clients. Peer-to-peer networking is also helpful for community development, as like-minded entrepreneurs can cooperate to work on community development projects.

• **Business Development Assistance.** Small business owners said they need business management support, such as help in reading financials. They stated that they need this support to improve their
financial understanding and to have a safe place to discuss this lack of knowledge. Some business owners also liked the idea of certifying a business to identify those companies that have achieved a certain standard of growth and performance excellence.

**NATIONAL INNOVATIONS AND BEST PRACTICES**

This section captures the strategies, programs, and services that experts and practitioners have shown to be most effective in accelerating small business growth. Administrators of statewide programs and policy experts focused on serving small businesses were interviewed to document successful practices and strategies used to achieve growth outcomes for second-stage businesses. Those interviewed represented a mix of nonprofit organizations, government agencies, and university-affiliated programs. The information for this section was also collected through a comprehensive research scan and analysis to determine what policies and programs work best.

A few common elements arose as critical to an effective E-LED strategy:

- Identification of services that small businesses need most that are tailored to best meet these needs
- An effective delivery of ongoing services through a network of skilled service providers that deliver the right services
- Innovative services through state and private partners with strong state leadership to leverage resources
- A sustainable funding model with a mixture of public and private funding along with clear performance metrics to drive continuous improvements

**TAILORING SERVICES FOR VETTED SECOND-STAGE BUSINESSES**

*Provide Targeted Services Companies Demand.* Eliciting frequent feedback from small business owners and incorporating it into continuous program design improvements is crucial for providing effective services for small businesses. Small business owners have consistently identified the same growth needs and interests across several surveys conducted in Michigan. The most common needs identified include:

- Market research, marketing methods, and selling
- Recruiting, developing, and retaining employees
- Keeping up with new technologies and processes and using them for competitive advantage
- Accessing capital (loans, investment, and grants)
- Management and administration issues
- Implementing systems to manage growth
- Changing from creator to leader
- Branding/building a company image
- Finding and keeping good employees

Learning needs are prioritized based on immediate problems and opportunities. The Louisiana Economic Development agency is a model for other states in providing services tailored to meet the needs of small businesses in their state. They achieve this success, in part, through ongoing feedback from their small business clients. The LED Growth Network Survey results provide a comprehensive list of those growth needs and services in high demand by small businesses. Survey participants identified the following topics of interest:

- Implementing systems to manage growth
- Changing from creator to leader
- Branding/building a company image
- Finding and keeping good employees
• Shifting from doing to coaching/delegating
• Fostering effective internal communications
• Developing a sales process
• Creating a sales plan
• Social media marketing
• Time management

• Company valuation
• Raising capital
• Building a company culture
• Market diversification
• Building a management team

**Strict Focus on Second-stage Companies.** While there are a wide variety of services to assist startups, there remains a gap in serving second-stage companies. That is, second-stage strategies mean investing in companies that have already produced meaningful employment, goods, and services and will return government investment in the form of income and property taxes. Companies that have satisfied paying customers have demonstrated the viability of their planned business—they have made it beyond the challenges of survival and now typically need help with the complicated challenges of expanding sales, employees and operations.

In addition, startup businesses’ needs are now being met by thousands of American business incubators, accelerators, and related concept-stage and launch-support programs. Many of these specialize in a given sector (e.g., IT or agribusiness) and since the success of startups is uncertain, most incubators and similar endeavors are organized as nonprofits and depend on sponsorships, grants, and in-kind assistance. Companies that graduate from such programs can grow into high-potential candidates for second-stage assistance, where available. The comparative lack of low-cost, high-impact second-stage assistance was one of the reasons that the University of Central Florida sponsored the creation and ongoing operation of GrowFL, a best practice second-stage service provider.

**Find and Vet Eligible Companies.** Systems must be in place that enable the identification and vetting of second-stage businesses seeking and ready to receive business services. An effective system to identify and recruit the most promising second-stage companies will make it easier to leverage funding from sponsors and recruit highly skilled service providers. Service providers are those who provide business development assistance directly to companies. They are often funded in part through public resources, but private sponsorship-type resources could also be a viable funding stream. Sponsors could be other businesses or business-friendly organizations that are supportive of small business growth acceleration efforts. Many large corporations choose to sponsor because of the value small businesses can provide through useful products and services in their industry sector. Service providers will also be attracted to business owners who are committed to utilizing the assistance provided by the service providers.

Making the programs appear exclusive was also seen as likely to attract high-potential candidates for business management and development training programs. In each state interviewed, after the pilot phase, higher returns were realized when admission selectivity increased. Ideally, this means finding businesses that are ready for the programs, that want to participate, that have the right expectations and goals, and that plan to efficiently use the resources they receive. In Kansas, for example, a desired recruiting source is the regional SBA’s Emerging Leaders program. After ten months working through business goals, graduates leave with a strategic plan that is considered ideal preparation for working with expert advisors on growth needs.

Setting eligibility requirements also helps identify highly qualified participants. Awards programs with sound eligibility standards are often an effective way to identify promising businesses. For example, over 75 of the companies selected for 50 Companies to Watch have proceeded into the MEDC’s Economic
Gardening® program. Florida and Louisiana have also highlighted the effectiveness of the awards process as a screen for high-potential participants. Companies that do not meet eligibility requirements are referred to alternative offerings, such as early-stage advising at incubators, and are encouraged to reapply when ready.

As a model best practice, the Michigan SBDC and its partners in sponsoring the 50 Companies to Watch program vet the nominated companies. An accounting firm performs due diligence by validating the size data, checking the credit scores, scanning for internet information, and verifying licensing and location details. Follow-up interviews are conducted with the companies if needed for clarification of any issues raised during the process. A committee reviews the results and selects the finalists.

Finally, recruiting targeted businesses for business management and development training and ongoing services can be more successful if a national cohort of experts is offered since entrepreneurs can be skeptical of unknown would-be advisers. Building trust is key because owners guard their time against wasteful activities and may have endured selling or poor delivery in prior experiments with professional services or data providers. These experts can rapidly discern issues and provide accurate insights to help businesses improve their internal processes and identify new customers and market opportunities, among other benefits.

**ONGOING SERVICES AND NETWORK BUILDING**

**Leverage and Serve Alumni.** Alumni are small businesses that have finished a program that provided initial accelerated-growth services. Most states plan to grow their small business alumni and provide ongoing services tailored to meet their needs as well as network-building opportunities to help grow their business. In Michigan, a major collaborative effort, known as Michigan Celebrates Small Business, has been recently launched to help successful alumni with ongoing learning and networking opportunities. In Kansas, alumni are asked to testify with the NetWork Kansas CEO at the annual legislative briefings.

**Foster Peer Learning Networks.** Peer learning opportunities, such as the Edward Lowe Foundation’s leadership retreats or the CEO round tables in Florida and Louisiana, score high in participant surveys as a valuable resource. Group forums and panel discussions featuring other small business owners’ experiences with pertinent topics are also highly ranked, as entrepreneurs appreciate the opportunity to engage with peers on topics that they cannot easily discuss with others at their company. For example, Peerspectives® Roundtable System, is a well-structured peer learning program model sponsored by the Edward Lowe Foundation. Endeavor Detroit, an organization that helps develop high-impact entrepreneurs, offers another best practice model. They work with businesses that have scaled up and made an impact but are now trying to move to the next level. Endeavor Detroit has a very selective process and implements a high-touch peer-to-peer engagement model. Similar to aspects of the Economic Gardening® program, the Endeavor effort helps small businesses identify new customers, creates a mentorship network, and provides strategic advice.

Performance and satisfaction among the more structured and selective CEO learning networks associated with the states studied were reported as consistently high. In one state, companies only become eligible to join one of the sponsored networks after completing advanced services or being recognized through competitions.
Develop a Networking Strategy and Build a Broad Partner Base. In order to build a strong service provider ecosystem that offers effective services to small businesses, it is important to have a thoughtful state strategy. Recruiting, co-delivery, and referrals among partnering agencies, nonprofits, and companies is common to each of the major second-stage provider organizations interviewed. Three of the organizations interviewed provided valuable insight on networking strategies. GrowFL cited this strategy as a key source of their success. In Louisiana, LED contracts with a broad range of entrepreneurial service providers to bring state-level resources to qualified, previously unknown companies. NetWork Kansas created its Entrepreneurship Communities (E-Communities) program to build deep working relationships into more than 60 counties, using it to inform them of available services as well as to find candidates needing loan assistance and recruits for its Economic Gardening® program. In Michigan, the MEDC regularly convenes its strategic services providers and program grantees at meetings for similar information sharing and network building. In most cases, these connections are between networks of networks.

Map the Entrepreneurial Ecosystem Resources. Creating a map of entrepreneurial and business development resources can be useful for providers, partners, and small businesses. One example of this tool is Detroit’s BizGrid. BizGrid’s comprehensive, simple list of services available to companies around Detroit could inspire a statewide online equivalent with intelligent filters to focus searches. For assistance in interpreting the searches, contact information for a regional SBDC could be prominently highlighted.

Track Progress and Offer Follow-up Services. An easy-to-manage relationship maintenance system helps economic development organizations and service providers track client activity. This data-sharing system is critical to the development of an alumni network and can be used to keep track of old and new business clients, identify and measure the value of business services, and drive innovative services to achieve better outcomes. However, such a system must also be user-friendly. Making progress reporting easy improves the number of firms willing to routinely share their growth data for return on investment and related economic development performance metrics. This is an important issue, since cohort-based services focus heavily on current clients and may lose contact with past clients which several states reported as a problem.

INNOVATIVE BUSINESS SERVICES AND STRONG STATE LEADERSHIP

Make Sales Introductions. State initiatives that facilitate sales introductions between small businesses and potential buyers of products and services have had some success in accelerating small business growth. The MEDC’s PMBC program runs a sales introduction service that matches small business suppliers with corporate buyers and procurement opportunities. PMBC offers a database of suppliers and needs at no charge and the team cohosts supplier summits with groups such as SBAM. The program is highly regarded by second-stage program leaders outside the state.

Aggressively Assist New Exporters. Identifying new markets for small businesses can help these companies grow dramatically. The majority of growth potential for many industries is in overseas markets, where there is strong global demand for American products and profit margins may be higher than in crowded domestic marketplaces. However, many American small businesses are reluctant to pursue exporting because of perceived operational complexities, financial and legal risks, and administrative burdens. For most products and services, the reality is considerably more business-friendly. A strong network of programs and service providers exists in Michigan that can prepare companies to expand into international markets with less risk and a higher chance of success.
Michigan has several best practices regarding export assistance services. Michigan State University is home to a national resource center for helping businesses export and also created and operates globalEDGE, a global business knowledge portal. Additionally, MSU’s International Business Center works on 60 export projects per year alongside assisting and educating other service providers. Its Global Business Club has invited expert speakers and successful exporters to share their insights with hundreds of new exporters. Michigan’s SBDC has around 20 advisors trained in export development at its regional locations, and the state is also home to two district export councils affiliated with the U.S. Department of Commerce to encourage, educate, and network new exporters. Since 2012, the MEDC’s International Trade Services team has facilitated over $2 billion in new export sales, helping generate an estimated 10,000 new jobs. For this achievement, the team was recognized with a President’s “E” Award for export service excellence.25

**Embed Small Business Leadership in State Government.** Dynamic and consistent leadership at the state level is critical to driving state focus and funding for support of small business acceleration efforts. Many states have formal offices within state government to advocate for and represent the interests of small businesses within the state. Eight states have official Offices of Small Business Advocacy, most of which are found in Departments of State or economic development agencies.26 Two states have an official Small Business Assistance Office,27 and two others have a small business advocate position who represents the interests of small businesses in specific types of regulated disputes.28 Also of note are those states whose economic development organizations are closely allied with the state’s governor. In California, Texas, and Utah, the economic development organization is embedded directly in the governor’s office—in 28 states, the economic development organization has representation as a member of the governor’s cabinet. While it is difficult to prove causation between embedded leadership and small business success, there is some evidence of correlation. For example, Texas and Utah are consistently ranked in the top ten states for small business growth.29

**SUSTAINABLE FUNDING MODEL AND PERFORMANCE METRICS**

**Seek Sustainable Funding and Consistent Leadership for Service Providers.** Long-term survival for most of the second-stage providers profiled depends on attracting a sustained blend of public and private funding across diverse sources over five or more years. Several states cited the disruption caused by unexpected difficulties with year-to-year funding reliance on state budgets. In particular, losing leaders and talented staff due to budget variability hampered the ability to grow and deliver services.

GrowFL, for example, provides a best practice model for achieving sustainable funding through diversifying funding streams. After experiencing budget volatility and uncertainty, the leaders of this program began to actively co-deliver services with other funding partners to provide the business growth services for a federally funded manufacturing assistance program. GrowFL also built a large sponsorship program with more than 30 corporate, economic development, university, trade association, incubator, banking, and investment funders. Consequently, it receives government funding from state, regional, and local sources as well as grants and gifts from private and philanthropic donors. Florida has also launched an alumni giving pilot, which has received contributions of $10,000 from each of five former participants. Finally, Florida is the only state interviewed that passes through the cost of the Economic Gardening® services to its clients (approximately $7,000 per company). By charging fees for services, Florida is able to develop a private funding stream to support its investments in small businesses.
Another potential best practice to explore is the NetWork Kansas effort. NetWork Kansas benefits from an innovative state income tax funding mechanism that provides up to $2 million per year to serve as a clearinghouse of small business resources for the state. Qualified individuals donating to the program receive a state income tax credit equal to 75 percent of the amount donated. NetWork Kansas also receives interest earnings from the small business financing fund it operates.

**Forecast and Report Outcomes.** Florida’s GrowFL program has been identified as one of their most successful economic development programs. The University of Central Florida’s researchers verified GrowFL’s performance using IMPLAN, a well-regarded economic modeling and analysis tool. Louisiana’s program, which receives all of its funding from the state government, makes in-person presentations, bringing along clients to tell their success stories to the administration and legislative leaders. Louisiana has also used the IMPLAN tool to validate their pilot program performance. The estimated economic benefit in both states has been reported as eight to nine dollars per dollar invested.

The Edward Lowe Foundation conducts exit interviews of all participants in Economic Gardening® or its other services. The information is reviewed with the national and state program leaders to identify areas for improvement or innovation. The foundation also collects and shares alumni testimonials to help attract new program organizers and prospective companies into its work.

Michigan company Allis Information Management (AIM) performed a review of the initial results of the MEDC’s Economic Gardening® pilot project cohorts of 2012–2014. Following telephone interviews with 86 past participants, AIM reported that the companies projected an average 27 percent increase in total revenues and that a majority of respondents would highly recommend the program to other business owners. MEDC staffers also informally spoke with participants to assess satisfaction. As Michigan second-stage programming matures, a consolidated and formal reporting on participants’ selected activities (e.g., Economic Gardening®, advanced counseling, CEO peer learning, awards programs) and ongoing growth results could help attract resources, client companies, and new partners. Periodically re-contacting past participants is a best practice MEDC or one of its partners should adopt and expand upon.

**RECOMMENDATIONS**

These policy recommendations are based on a comprehensive research scan, data analysis, and interviews with national experts, economic developers, Michigan businesses, and other stakeholders. The six recommendations focus on strategies to accelerate small business growth.

A core tenet of E-LED is that strengthening small business growth will provide large economic benefits for a state. States that prioritize support for existing small second-stage businesses promote a robust range of capital access options and resources, business support consulting services, export assistance, and targeted talent efforts.

States with strong economic development efforts that focus on small business growth tend to share the following strategic elements:

- A competitive business climate and cost structure
- Provide small growth-oriented businesses with programmatic support to accelerate their success
• Provide small businesses with official advocacy and voice when navigating state regulations and bureaucracy
• Position small business growth support within the governor’s office or cabinet

An effort to balance grow-from-within investments with investments in traditional business attraction efforts will require creative new policies as well as steady and ongoing leadership at the state level to ensure implementation of those policies.

The graphic below summarizes a new policy vision that harnesses resources for the service of second-stage businesses that show the most promise.

This new policy vision is explained in greater detail in the following recommendations.

Eligibility and Advancement E-led Services for Small Businesses
1. NEW STATE-LEVEL SUPPORT FOR SMALL BUSINESSES

**Recommendation 1.1: Establish a cabinet-level position in the governor’s office.** Given the existing gap in support for second-stage businesses, we recommend alleviating this gap in focus and resources by creating a new position in the governor’s office. A cabinet-level position would bring attention to the value of small businesses and drive policy innovations and investments to accelerate their growth. This position would also function as the chair of a new small business growth acceleration board.

**Recommendation 1.2: Establish a small business growth acceleration board.** This board will be comprised of mostly private sector business owners appointed by the governor to promote and coordinate small business growth acceleration efforts. This public-private partnership organization led by people with real small business experience and expertise will oversee efforts to accelerate small business growth. There is concern that government bureaucrats do not do a good job of vetting consultants and identifying promising businesses or leading peer groups. This board will alleviate that concern by empowering small business owners to make those decisions.

**Recommendation 1.3: Establish a single point of contact in each state department that specializes in small business customer service.** In each State of Michigan department there should be a single team or single point of contact that specializes in small businesses. Small business owners need help in navigating the labyrinth of government regulations and programs, and a specialized single point of contact in each department would help small businesses obtain the information and services they need.

2. ACCELERATION SERVICES—INITIAL SUPPORT

**Recommendation 2.1: Establish eligibility standards for acceleration services.** Create an eligibility process where second-stage businesses are identified, screened, and then provided a variety of ongoing growth-oriented services and training. SBDC and the MEDC are public agencies that serve all Michigan businesses at various stages of development. It is important to create a process where these businesses are identified through eligibility screening and then to tailor a variety of services to support the eligible companies. This would allow for resources to be focused on those businesses that are most likely to create jobs in the near future.

**Recommendation 2.2: Expand the existing Economic Gardening® program.** With 50 or more new small business owners each year going through the program, it functions as an effective way to identify and assist growth-oriented businesses. The MEDC should increase the number of business owners participating in the Economic Gardening® program to meet the growing demand for such training. Michigan should also provide more comprehensive tracking and follow-up services to graduates of Economic Gardening®. The overall pool of graduates has grown to over 300 small business owners, and the state could add value by more comprehensively and effectively tracking this pool of small business owners and their businesses and providing ongoing support and services tailored to help them grow.

**Recommendation 2.3: Grow and connect the acceleration network.** State and local partners (e.g., MMTC and SBDC) will support and refer promising second-stage businesses and facilitate their connection to ongoing alumni services (based on eligibility standards). These partners will work together to create eligibility standards, share information, and facilitate ongoing support through a coordinated alumni services effort.
3. ALUMNI SERVICES—ONGOING SUPPORT

Recommendation 3.1: Implement a more comprehensive peer-to-peer learning group effort. State and local partners will facilitate ongoing peer learning groups across the state, led by participating alumni businesses. For example, an organization could convene business owners from cohorts of past MCSB awardees (a pool of nearly 1,000) at various roundtable meetings across the state to continue the peer-to-peer learning opportunities. A process would be established that turns over the local coordination of roundtable meetings to the business participants themselves with support from local partners. Creating a peer learning strategy is critical to growing businesses and empowering business owners. The Endeavor Detroit and PeerSpectives® programs are two examples of successful models in accelerating small business growth through peer learning. It is recommended that peer learning groups be well structured with clear goals and metrics.

Recommendation 3.2: Implement a mentor-matching initiative. State and local partners will implement a comprehensive mentor-matching initiative that connects alumni to mentors to help them overcome barriers to business growth, drive innovation, and improve business outcomes. Mentoring is also an important tool for helping entrepreneurs accelerate their growth in the second stage. State and local partners can play a brokering role in connecting small business owners to mentors. Having the long-term guidance of an experienced mentor while growing a company has been cited as most helpful by participants. Often these connections occur independently at CEO leadership retreats; however, a formal matching of a company with a mentor who has already addressed the identified challenges or opportunities can speed success and diminish the risk of failure. Mentoring is neither consulting nor coaching. Meetings take place less frequently and exchanges are more strategic-focused rather than tactical. Finding the right match for a mentor relationship is a crucial initial step. Next steps include setting honest and reasonable expectations, realistic goal outcomes, and agreeing on interaction frequency. An effective mentor-matching service can help with each of these foundational aspects.

Recommendation 3.3: Implement a consultant-matching effort to provide business growth acceleration services. Implement a process (and resources) to screen consultants, match them with small businesses, and provide matching funding to make services affordable. These processes will focus on high-demand services, such as market research, talent development, and use of technology for competitive advantage. An effective way to vet consultants is critical to successful matchmaking.

Recommendation 3.4: Implement resource navigation services to assist alumni in accessing government resources and services. A resource navigator should be available to alumni to help reap the benefits of a wide spectrum of public services, including talent development and tax incentives. The resource navigator will be familiar with the alumni program and participants and will be able to provide tailored navigational services to best assist in growing their small business client. The resource navigator should be connected to individual small business alumni upon graduation from the initial acceleration services stage of the E-LED effort.

Recommendation 3.5: Renewed effort from the MEDC to tailor their services to meet the needs of small businesses. The MEDC will provide services for small- and medium-sized businesses, work cooperatively with acceleration network partners to tailor PMBC and export program services to meet alumni needs, and connect the businesses to resources and buyers. The MEDC’s PMBC conducts matchmaking and connects small businesses to large buyers individually and through facilitated summits. According to economic developers, these matchmaking efforts are a huge benefit to both second-stage
businesses and large corporations. Matchmaking summits provide a great one-stop shop for large organizations that don’t have the time and capacity to vet promising small businesses. Companies appreciate the intentional matchmaking to be able to review these innovative companies and connect to a broader ecosystem. The MEDC should continue their PMBC program with a renewed focus on small businesses.

4. TRACKING AND CONNECTION SYSTEM

**Recommendation 4:** Create a relationship maintenance system for small businesses. This system will track the needs of businesses in the acceleration network; provide tailored services; match alumni with appropriate service providers; and measure outcomes (an MEDC, SBDC, Edward Lowe Foundation, SBAM partnership). For all states participating in its Economic Gardening® programs, the Edward Lowe Foundation presently manages all their current clients’ data (e.g., application, service, and exit interview details for each engagement, etc.) in its Greenhouse information system. To supplement this with current contact results, the foundation collaborates with the Louisiana Economic Development Department’s Small Business Services team to beta test a follow-up outreach and tracking system. The Michigan SBDC already uses a detailed note-taking system which allows different locations and staff to maintain confidentiality on client service and needs. Perhaps using this system’s design as a starting point, a system easily updated by the companies and with excellent data security and access permissions control could help facilitate more advanced assistance delivery and more accurate calculations of the return on investment as a company’s growth history develops.

5. METRICS AND ACCOUNTABILITY

**Recommendation 5:** Adopt an official score card and performance tracker for the MEDC focused on second-stage small businesses that tracks the outcomes of state investments. This effort would include the state incorporating aspects of the Entrepreneurship Score Card into MEDC’s score card metrics as well as a new performance tracker that measures the outcomes of E-LED efforts. Performance results could be periodically reported to the small business growth acceleration board. This effort could also include commissioning an independent third party to analyze the recent economic growth impact of second-stage businesses in Michigan.

6. SUSTAINABLE FUNDING STRATEGY

**Recommendation 6:** Provide ongoing funding for small business resources and service providers. Implement a comprehensive strategy that leverages public and private funding for service providers and small business resources. Funding sources should include sponsors, alumni giving, fee-based funding, government funding, and a state income tax credit, among others. An innovative state income tax funding mechanism that allows qualified individuals who donate to a small business acceleration program to receive a state income tax credit would be an effective way to leverage private funding to grow small businesses.
APPENDIX

This appendix includes additional background information on the organizations and programs outside of Michigan that were cited as best practices in this report.

**GROWFL**

GrowFL was created in 2009 as an economic development program focused on assisting second-stage growth companies in Florida to prosper. By providing strategies, resources and support to second-stage companies for next-level growth through strategic research, peer learning, and leadership development, GrowFL helps companies overcome obstacles to growth and leads them toward prosperity. Based on the philosophy of Economic Gardening®—to grow existing businesses in a community, region, or state—GrowFL, the Florida Economic Gardening Institute, is a critical component to the state’s economic development strategy and Florida’s entrepreneurial ecosystem. GrowFL is a statewide economic development organization certified by the National Center for Economic Gardening through the Edward Lowe Foundation.

As of June 30, 2015, GrowFL assisted companies represent over 16,737 direct jobs across the state of Florida. In 2015, these companies had estimated regional sales of over $3.4 billion and contributed regional GDP of over $1.4 billion to the Florida economy.

Between 2009 and 2015, a variety of state, local, and private sector funding sources invested $8.04 million in the GrowFL program. The activities of this program over the same time-period helped generate an estimated 10,942 net new direct, indirect, and induced jobs, which helped contribute to estimated total regional sales of over $1.88 billion and total regional GDP of over $941 million to the Florida economy. Further, these activities generated an additional $81.18 million in total state and local tax revenues (above and beyond the cost of the program). This translates into a net return on investment of $9.10 for every one-dollar invested into the program.

Today, GrowFL has assisted more than 900 companies through its Strategic Research and CEO Roundtable programs and has recognized 300 successful entrepreneurs through our annual awards program, Florida Companies to Watch.

**LOUISIANA ECONOMIC DEVELOPMENT: SMALL BUSINESS SERVICES**

Louisiana offers an economic ecosystem with a full portfolio of growth-oriented services offered directly through LED or contracted out to partner organizations. These include:

- A year-long, formal CEO Roundtable program with selective admissions and a growing base of independently run alumni roundtables.
- Economic Gardening® through NCEG. LED is piloting an innovative “follow-up and follow-on” referrals program with the NCEG to track implementation progress and offer additional advanced Economic Gardening® engagements.
- Bonding, loan guarantee, export grants, and other financial assistance programs
- A state government procurement certification program for new vendors
- The Louisiana Veteran Entrepreneurship Program
The Small Business Services team was noted by the Edward Lowe Foundation’s leadership as leading most innovative statewide programs.32

**NETWORK KANSAS**

NetWork Kansas is a statewide network of nonprofit business-building resources that help entrepreneurs and small business owners start up and grow successful businesses.

The mission is to promote an entrepreneurial environment by providing a central portal that connects entrepreneurs and small business owners with expertise, education, and economic resources. In pursuit of this mission, they seek and develop connections with well-respected business development organizations and educational institutions that work with entrepreneurs and small business owners who have the vision and potential to succeed. Their Entrepreneurship Communities program helps them recruit, train, and support a network of networks to exchange resources, referrals, and guidance at all levels within the state.

Established by the Kansas Economic Growth Act of 2004 as the Kansas Center for Entrepreneurship, NetWork Kansas became operational at the beginning of the 2006 fiscal year. The NetWork Kansas portal is available statewide and currently enables entrepreneurs and small business owners to connect with more than 500 NetWork Kansas partners throughout the state. Funding is largely through an innovative state income tax credit by which qualified taxpayers donate to the network and receive a percentage of the amount as a credit.33

**MISSOURI BUSINESS DEVELOPMENT PROGRAM**

Organized under the University of Missouri Extension, the Business Development Program (BDP) is a statewide network helping businesses succeed in every business stage through a variety of programs. The BDP’s mission is to improve people’s lives and the competitiveness of Missouri businesses through research-based education and technical assistance. In addition to MU Extension offices, business counselors are located at each of the campuses of the University of Missouri and at other public higher-education institutions throughout Missouri.

Programs include:

- The Missouri Small Business and Technology Development Centers, which provide professional business analysis, business consultations, access to technology resources, and educational training seminars on a variety of business topics.
- The International Trade Center, which is staffed by a specially trained export team that helps businesses grow by expanding into global markets.
- The Missouri Procurement Technical Assistance Centers, which assist businesses—including small, disadvantaged, or women-owned firms—in obtaining federal, state, and local government contracts.
- The Mid-America Trade Adjustment Assistance Center, which equips U.S. manufacturers in three states to proactively respond to import competition.
• The Missouri Environmental Assistance Center, which is a one-stop resource for pollution prevention, environmental compliance, and energy-savings assistance.
• The BDP Workforce Program, which assists dislocated workers and others seeking information on occupations and job training.³⁴

Virginia Economic Development Partnership: Economic Gardening Pilot Program

In September 2017, Virginia selected 12 companies to participate in its pilot program, administered by the Virginia Economic Development Partnership. The state partnered with the Edward Lowe Foundation and the National Center for Economic Gardening to set up a statewide network providing each selected company virtual access to its own team of highly skilled research specialists. The program team will track revenue and employment growth for three years after participation as part of the impact evaluation.³⁵

Advance Maryland: Economic Gardening Program

Advance Maryland, in partnership with the National Center for Economic Gardening, is a state program for second-stage entrepreneurs that helps businesses address their unique challenges and identify new opportunities. Economic Gardening® is a “grow from within” strategy targeting existing growth companies and offering them critical strategic information customized to their needs. This information can be key to propelling the company to its next phase of growth. Applications are accepted and reviewed on a rolling basis.³⁶

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ENDNOTES

2 Ibid.
11 The fifth variable of the Entrepreneurial Change Index is called “Increase in High-performance Firms,” and aims to represent the number of firms with significant revenues/sales growth. This metric is a three-year average of the number of privately held companies from each state that are listed as fastest-growing firms by Inc.com and in Deloitte and Touche’s Fast 500. This metric, while directionally aligned with the aims of Economic Gardening®, is considered too volatile, arbitrary, and based on public relations success to consider in this analysis. https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/fast500-winners.html
22 Svpi, LLC and Public Policy Associates 2016 Survey, 2016. Survey in 2016 of over 1,400 SBAM members and SBDC clients was conducted by Svpi, LLC and Public Policy Associates. Relevant, complementary results were found in a 2014 telephone survey of SBAM members by Shepherd Advisors, LLC. Also, a 2014 survey of SBAM members by Public Policy Associates for the Sense of Place Council found that access to a talented workforce was the most important factor for selecting a new location, after availability of broadband internet.
26 Shepherd Advisors Research, January to March 2018. Primary research conducted January to March 2018 by Shepherd Advisors aggregating small business program details and data from state government publications and online resources. Alabama (Department of Commerce), California (in Governor’s Office), Connecticut (Department of Economic and Community Development), Kentucky (Commission on Small Business Advocacy), Maine (Secretary of State), New Jersey (Department of State), New Mexico (Economic Development Department), Tennessee (Comptroller of the Treasury).
27 Shepherd Advisors Research, January to March 2018. Primary research conducted January to March 2018 by Shepherd Advisors aggregating small business program details and data from state government publications and online resources. Illinois (Illinois Environmental Protection Agency) and Minnesota (Department of Employment and Economic Development).
28 Shepard Advisors Research, January to March 2018. Primary research conducted January to March 2018 by Shepherd Advisors aggregating small business program details and data from state government publications and online resources. New York (Workers Compensation Board) and Pennsylvania (Regulated Utilities)