



The State of Business Development Services

By Elaine Edgcomb
and William Girardo

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FIELD
at the Aspen Institute



THE ASPEN INSTITUTE

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FIELD
The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036
www.fieldus.org

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Introduction

The U.S. microenterprise development field has always been a field that is microfinance *plus*. Since the first survey of the field, conducted by the Aspen Institute in 1992, it has been clear that the majority of individuals assisted by microenterprise development organizations (MDOs) receive training, technical assistance, coaching, mentoring and a whole array of other services that can collectively be called business development services (BDS), or services designed to help an aspiring entrepreneur start, sustain or grow his business. These services are offered both by microlenders and by organizations that specialize in nonfinancial assistance. In some instances, entrepreneurs may come seeking loans, but find that they need help in improving their credit, or their business fundamentals, before they can access financing. In many other instances, aspirants come specifically seeking the knowledge and skills that can help them achieve the success they desire.

This report documents the scale and scope of this business development service work by U.S. MDOs as of 2010. It draws on data collected in both the 2010 and 2008 U.S. Microenterprise Censuses (implemented by FIELD at the Aspen Institute) to describe the characteristics of this work and how it has changed over the last two years. It also examines the characteristics of large-scale programs providing business development services and how they differ from smaller-scale programs. The difference in characteristics is important to note as increasing demands are placed on the field in the face of the continuing effects of the Great Recession.

As the report will show in greater detail, the data describe an industry spread across the United States that in aggregate appears to be reaching more aspiring entrepreneurs each year. It also describes an industry that survived the first two years of financial crisis and economic challenge, and that, while remaining the same in many respects, has changed in some critical ways. Among the key findings that the report will explore are these:

- *The size of the overall field appears to be growing.* The 2010 census identified over 800 MDOs, of whom 366 completed surveys, and 356 reported that they provided business development services to their clients. This is 90 more than reported providing BDS services in 2008. Over half of them may have been too young to report a full year of data in the previous census.

With funding from the U.S. Small Business Administration's PRIME (Program for Investment in Micro-entrepreneurs) program, FIELD at the Aspen Institute is exploring how microenterprise development organizations can scale up their business development services in order to serve many more microentrepreneurs, and serve them more effectively.

This is the second report that examines the scale and scope of the field with respect to business development services, and explores the factors that appear to support large-scale programs.

Other studies in this research initiative describe the strategies and experience of large-scale service providers, and offer scans of practice, case studies and other materials on specific approaches including financial education and credit building, distance-based services and access to markets brands strategies.

*These materials can be accessed at:
<http://fieldus.org/Projects/ScalingBiz.html>.*

- *The number of individuals assisted appears to be growing as well, although the trend data suggest that the increase in the count of individuals assisted (from 61,833 in 2008 to 110,791 in 2010) may have as much to do with the increase in the number of survey respondents, and the new entrants to the field, as it does to growth in individual organizations.*¹
- *The 2010 census found more large-scale MDOs — that is, organizations serving 500 or more individuals with business development services — than it did in 2008.* There were 38 that met this criterion in 2008 and 46 in 2010. These numbers reflected some churn in the industry, with some institutions growing over two years to join this cohort and others declining in numbers served. In addition, there were a number of institutions that did not report in one year or the other making a full analysis of the trend difficult.
- *The distribution of service across the field reflects the 80-20 rule: about 20 percent of the programs serve roughly 80 percent of all the individuals assisted with business development services.* This type of bifurcation is not new, but reflects a field that has always been, and remains fairly, a home-grown industry with local supporters serving local communities. This reality has always raised the question: what factors enable some institutions to grow larger than the norm, and what can other organizations learn from the experience of these larger-scale providers? This report will look at how the target market, service model, program age, institutional structure, and revenue streams may influence program scale.
- *Despite the challenging context between 2008 and 2010, the field as reflected by those institutions that reported data held its own financially.* The mean and median operating budgets reported in 2008 and 2010 were close in size and trend data from a smaller group of institutions reporting in both years support this finding.
- *Budgets were sustained by federal funding and, for some, an increase in earned revenues helped.* In aggregate, federal dollars represented the largest source of funding for operating budgets in 2010, whereas in 2008, private philanthropy exceeded federal support. Trend data also indicated that for many organizations, earned revenues also increased, compensating for reductions in private funding, as well as in state and local support. These findings reflect the dynamic funding environment that affected the industry in the wake of the financial crisis. The compensatory financing that MDOs were able to generate from federal sources and earned income enabled them to maintain and, in many instances, add services.
- *As a consequence of this budget support, although the number of hours of service provided to individuals ticked up only in a few organizations, MDOs appeared to be offering more types of assistance. The number of organizations providing training, technical assistance, coaching and mentoring, financial literacy, credit counseling, business incubation and tax preparation all increased, although most by small amounts.* The increasing diversification of services likely reflects an effort to respond to the changing needs of clients facing the economic downturn, more of whom

¹ A change in metric may also influence these results. The 2008 census asked for the number of individuals receiving training and technical assistance services. The 2010 census asked for the number of individuals receiving business development services. Although some organizations may have interpreted these terms synonymously, others may have omitted counts of individuals receiving other forms of assistance such as mentoring and coaching, access to markets services, tax preparation and so on in their 2008 responses.

were arriving at MDO doors with credit issues or the desire to explore business in the face of a daunting job market.

The report that follows has three parts:

Part 1 will explore the key findings from the analysis of both the 2008 and 2010 census in greater detail.

Part 2 will lay out the key findings from the 2010 census.

Part 3 will compare large- and small-scale MDOs to better understand the factors that influence scale.

Part 1: The Evolution of Business Development Services

The years since the start of the financial and economic crises have been turbulent ones for small and microbusinesses, and for the microenterprise development organizations that seek to support them. Although most attention has been focused on the credit crisis and how microlenders responded by extending credit to more businesses in need, the changed context also had implications for business development services. As more microentrepreneurs needed help surviving the downturns in their markets, and as more unemployed considered self-employment as a jobs strategy, MDOs needed to find ways to be responsive. In addition, economic turbulence had funding implications for many MDOs and increased the challenge of raising the funds needed to serve their traditional clientele and more. This section of the report will lay out how MDOs fared in providing business development services from 2008 to 2010. What changed? What remained the same? And where did this leave the field two years after the start of these hard times?

The findings in this section are drawn from analyzing data submitted to FIELD by MDOs in response to the 2008 and 2010 U.S. Microenterprise Census. The census is an industry-wide survey that attempts to identify all organizations across the United States providing microenterprise services, and to collect detailed, descriptive data from as many of them as possible. That data describes the scale and scope of program services, along with basic organizational information on staffing, structure, funding, and target markets. Census data capture key information on both microfinance and business development services, and this report will focus on the data related to that second type of service. The data offer a set of insights about the work of helping aspiring entrepreneurs sustain and grow their businesses.

The number of institutions offering business development services appears to be growing.

The 2010 census identified over 800 MDOs, of which 366 completed surveys, and 356 reported that they provided business development services to their clients. In 2008, 266 MDOs of 369 programs that completed surveys indicated that they offered business development services. The 2010 respondents include 30 programs whose start dates were in 2009 and 2010, and an additional 18 that launched in 2008 and may not have had a full year of activity before the 2008 census. Together,

The U.S. Microenterprise Census data can be found at www.microTracker.org, a web portal to data on the microenterprise field. MicroTracker contains listings of over 800 organizations offering microenterprise services, detailed profiles on 366 of them, predefined data reports, and data tools that enable users to develop customized reports that answer questions regarding the scale, scope, finances, and performance of the field. Nonprofit MDOs can find the site useful for benchmarking performance against their peers. Funders can find it helpful in identifying potential partners as well as monitoring grantees. Researchers and others interested in the industry can find a rich source of data. Complete census results are available on the site for both 2008 and 2010. Data collection for 2011 is underway.

these newer programs represent over half of the increase in the number of institutions reporting in 2010. The 2010 census found MDOs offering BDS in 45 states and the District of Columbia.

The number of individuals assisted with business development services appears to be growing as well.

237 MDOs reported providing BDS to 110,791 individuals in 2010. 184 organizations reported providing these services to 61,833 individuals in 2008. These counts included any individual receiving any level of service from a one-session event to deep and long-term program participation. The increase in the number of individuals assisted may have as much to do with the increase in the number of survey respondents (53 more reported in 2010 than in 2008) and the addition of new entrants to the field, as it does to growth in the scale of individual organizations.² The mean and median data suggest why, as the tables below illustrate.

Table 1: All Reporting MDOs

	2008	2010	Percentage Change
Median	138	115	-16.7%
Mean	336	467	39.0%
N	184	237	—

Table 2: MDOs Reporting Both Years (Trend Group)

	2008	2010	Percentage Change
Median	235	238	1.3%
Mean	513	453	-11.7%
N	81	81	—

Table 1 shows the different medians and means for all reporting institutions in each of the two census years. The data suggest that the 2010 reporting group included both more large-scale organizations than in 2008 (the mean is 131 higher in 2010) and more small-scale organizations (the median for 2010 indicates that 118 organizations served fewer than 115; in 2008, 92 organizations served fewer than 138 individuals). Table 2 shows that the median for the trend group — which is about a third of all organizations reporting 2010 data — stayed the same and the mean actually declined. In fact, this group reported an aggregate decrease of 12 percent in the number of individuals served. And, 33 of the 81, or 41 percent of the group, reported decreases, some by spectacular amounts. So the picture was quite

² A change in metric may also influence these results. The 2008 census asked for the number of individuals receiving training and technical assistance services. The 2010 census asked for the number of individuals receiving business development services. Although some organizations may have interpreted these terms synonymously, others may have omitted counts of individuals receiving other forms of assistance such as mentoring and coaching, access to markets services, tax preparation, and so on, in their 2008 responses.

complex: while some institutions grew, others clearly struggled. But, with the addition of new institutions providing services, more of the market appears to have been served.

The 2010 census found more large-scale MDOs — that is organizations serving more than 500 individuals with business development services — than it did in 2008.

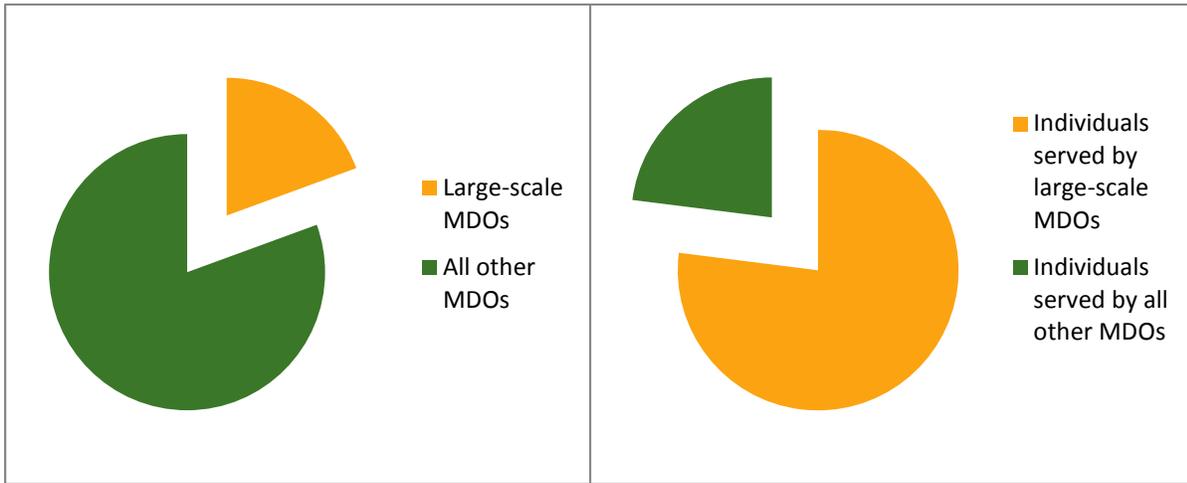
There were 38 that met this criterion in 2008 and 46 in 2010. These numbers reflected some churn in the industry. Twelve institutions that were in the “500 plus club” in 2008 were still in the club in 2010. Eight institutions grew into this category since 2008. Six that were in the 2008 “club” declined in the number of individuals they served and no longer made the cut off. The rest either did not respond to this question in 2008, or did not appear in the 2008 data set at all. In any case, the large-scale BDS providers in the 2010 data set are a substantially different group of organizations than appeared in the 2008 data set. The median and mean number of individuals served by this group was 1,040 and 1,854 respectively, as compared to 921 and 1,169 in 2008. This means that the large-scale BDS providers reporting in 2010 are 59 percentage points larger, on average, than those reporting in 2008. The median number of individuals served is also 13 percentage points higher than in 2008. Although the percent of large-scale institutions still remains small in the industry, there appears to be more of them than observed in the previous census results, and they serve more individuals than those that reported two years earlier.³

The distribution of service across the field reflects the 80-20 rule.

About 20 percent of the programs serve roughly 80 percent of all the individuals assisted with business development services. This type of bifurcation is not new. The 2008 data revealed fairly similar results. If anything, the 2010 data suggest an even higher concentration of effort in the field. In 2008, the large-scale BDS providers represented 21 percent of all MDOs that provided data on the number of individuals served, and they served 72 percent of all reported individuals. In 2010, the large-scale BDS providers represented 19 percent of all reporting MDOs, and they served 77 percent of the total population served. This stratification reflects a field that has always been, and remains, a fairly home-grown industry with local MDOs serving local communities, often with funding that is relatively local as well. This reality has always raised the question: what factors enable some institutions to grow larger than the norm, and what can other organizations learn from the experience of these larger-scale providers? Part three of this report will look at the how target market, service model, program age, institutional structure, and revenue streams may influence program scale.

³ There also may be more organizations that merit inclusion in the “500 plus” club. There are several MDOs that reported serving more than 500 individuals overall, but that did not respond to the question asking how many of their assisted individuals were recipients of business development services. So the number 46 should be considered the lower bound for MDOs in this category.

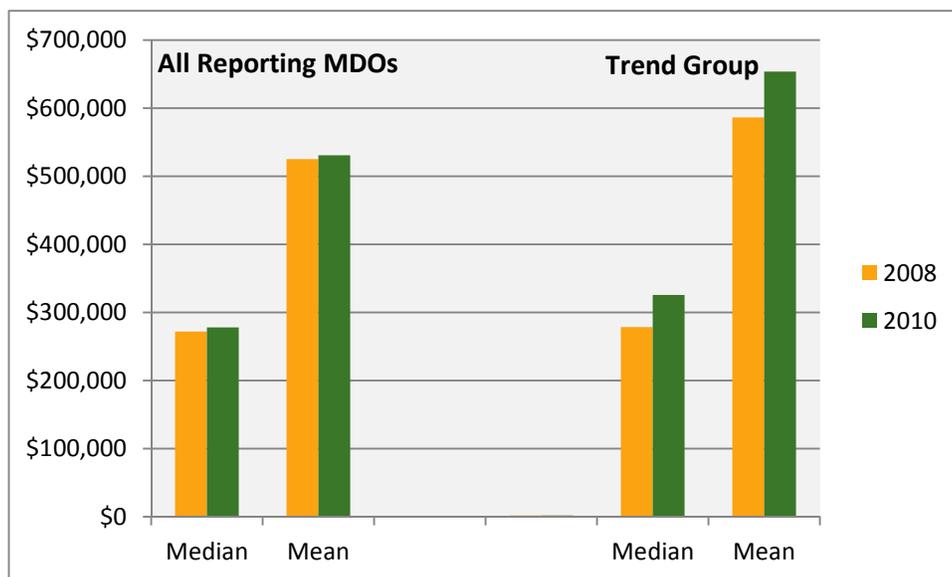
Figure 1: Distribution of Service across the Field



Despite the challenging context between 2008 and 2010, the field as reflected by those institutions that reported financial data held its own financially.

Using 2010 dollar values, the median reported operating budget in 2008 was \$271,934 and, in 2010, it was \$278,000. The mean was \$525,048 in 2008 and \$530,741 in 2010 (162 MDOs provided data in 2008; 214 provided it in 2010). Trend data on 69 MDOs reporting in both years support this finding. Again, using 2010 dollar values, the median operating budget increased from \$278,517 in 2008 to \$325,650 in 2010. And, the mean operating budget increased from \$586,408 to \$653,597.

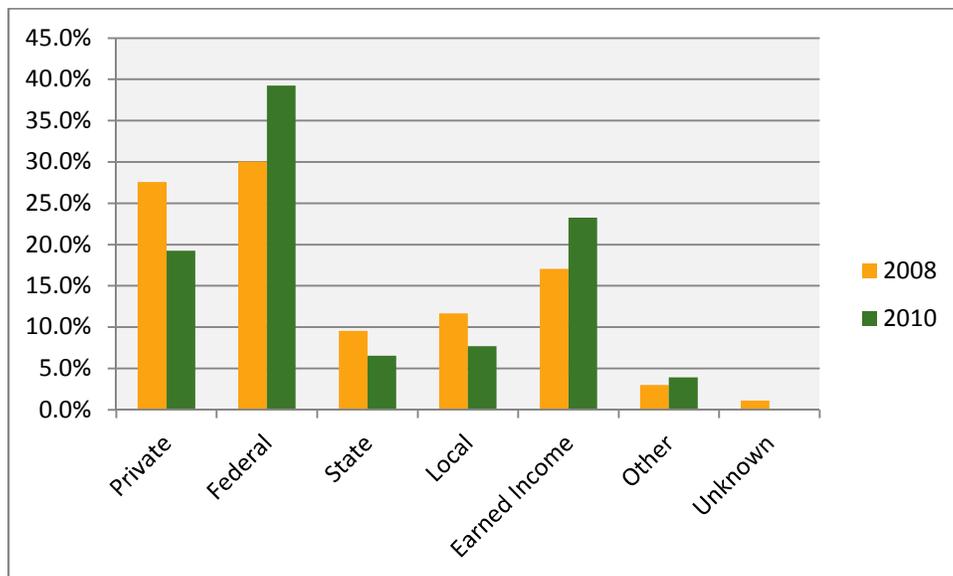
Figure 2: Operating Budgets in 2008 and 2010



Budgets were sustained by federal funding and for some, an increased reliance on earned revenues.

In 2008, 162 organizations reported that private philanthropy was responsible for 31 percent of their budgets and federal support was responsible for 28 percent. In contrast, in 2010, 192 MDOs reported that private philanthropy covered 23 percent of operating budgets and federal support represented 37 percent of their budgets. A trend group of 61 MDOs reporting both years indicated that private philanthropic dollars decreased from covering 27.6 percent of their operating budgets in 2008 to 19.3 percent in 2010. The actual dollars declined by almost \$1.5 million over the two year period. In contrast, federal support rose from 30 percent to 39.2 percent of operating budgets, and dollars increased by \$4.4 million. The trend group also reported reductions in state and local support and an increase in earned revenue — from 17 percent in 2008 to 23.3 percent in 2010. These findings reflect the dynamic funding environment that affected the industry in the wake of the financial crisis. As the stock market tumbled, foundations experienced drops in their endowments, which reduced their capacity to fund, and the federal government stepped in with emergency funding to support the recovery. In addition, as many microlenders increased their lending responding to the needs of entrepreneurs locked out of mainstream markets, their earnings from interest and fee income also increased.

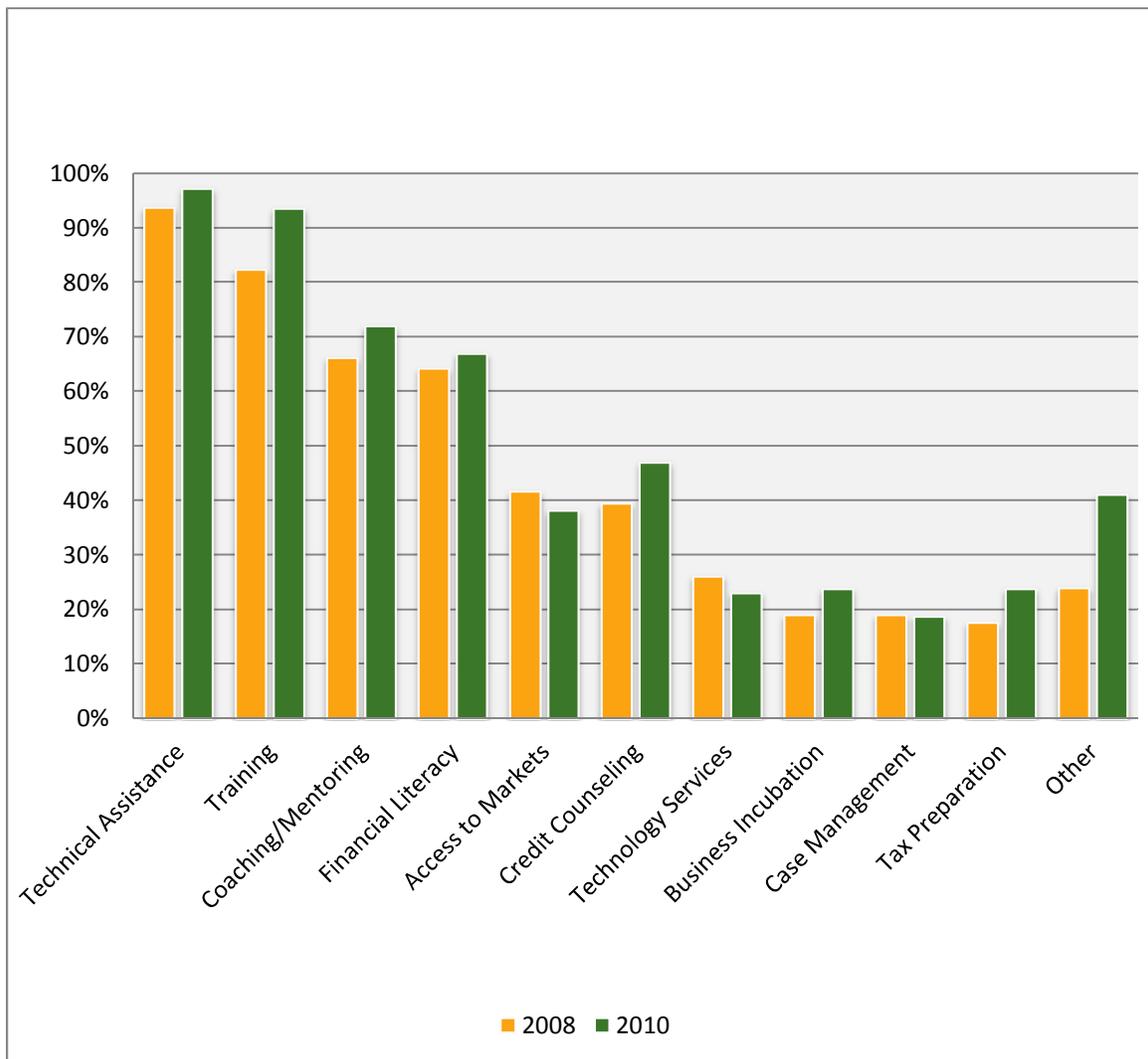
Figure 3: MDOs Reporting Sources of Funding Both Years (Trend Group)
N = 61



And, surprisingly, although the number of hours of service provided to individuals ticked up only in a few organizations, MDOs appeared to be offering more types of assistance.

The number of organizations providing training, technical assistance, coaching and mentoring, financial literacy, credit counseling, business incubation and tax preparation all increased, although most by small amounts. The greatest percentage increases were in those offering training (11 percentage points), credit counseling (7 points), coaching and mentoring, and tax preparation (each 6 points). The increasing diversification of services likely reflects an effort to respond to the changing needs of clients facing the economic downturn, more of whom were arriving at MDO doors with credit issues or the desire to explore business in the face of a daunting job market.

Figure 4: Percent of BDS Services Offered by MDOs Reporting in Both 2008 and 2010



Part 2: Key Findings from the 2010 Census

This section will summarize the key findings from the 2010 census, offering an aggregate picture of those microenterprise development organizations that reported providing business development services to individuals that year. The findings provide a more detailed look at the “state of business development services” as practiced across the industry. Because 97 percent of all reporting organizations indicated that they offered business development services, these services touch the majority of individuals assisted in programs across the U.S.

BDS Organizations, Their Age and Geographic Location

The organizations that provide business development services are varied in their institutional form. Some are institutions whose sole purpose is to provide microenterprise development assistance. Many others are embedded in organizations with broader missions. They include community development finance institutions that provide financing and technical assistance for multiple purposes; educational and human services organizations; place-based community development corporations; and others. The survey captured data from all these types of institutions. Three hundred and sixty-six organizations responded to the 2010 U.S. Microenterprise Census, and, of that number, 356 indicated that they provided some form of business development services. Within that number, 285 organizations identified themselves as having a separate microenterprise development program within their structure, suggesting that 74 percent of institutions offering BDS services represented organizations with broader missions. Some organizations consider business development services their lead service for microenterprise development. Others are credit-led institutions that offer business development services as a complement to their financing.⁴ It is important to keep that breadth of institutional form in mind when reviewing the data.

The 356 reporting organizations also varied in age. Among those that reported their starting year (n = 319),

- 74 programs are “young” programs, starting in 2006 or later;
- 53 programs are “experienced,” that is they started between 2001 and 2005; and
- 192 programs are “mature,” that is, they started before 2000.

The oldest program reported starting in 1966. Two reported starting in the 1960s; ten in the 1970s; and 37 in the 1980s. The 1990s saw the industry take off: 129 reported starting in that decade, which corresponded to a period of great support for the microenterprise movement from the federal government, complemented by strong philanthropic interest. Another 141 reported start dates of 2000 or later, and 48 of them started in the last three years, indicating the continuing power this strategy holds for institutions concerned with poverty alleviation, job creation and community economic development.

⁴ For ease of reference, all organizations that offer business development services as part of their portfolio will be called BDS organizations in this paper. However, it is important to keep in mind that a number of them would not be characterized as that by their leadership.

More than half (57 percent) report serving urban areas and almost half (48.3 percent) report serving rural areas. Sixty-four organizations (18 percent) report providing services statewide, and only 23 organizations (6.5 percent) serve individuals in multiple states. The states with the largest number of business development service providers among the survey respondents are:

California: 42 providers

Oregon: 29

New York: 26

Georgia: 17

Nebraska: 16

Pennsylvania: 16

Ohio: 15

Minnesota: 14

Washington: 13

Individuals Served with Business Development Services

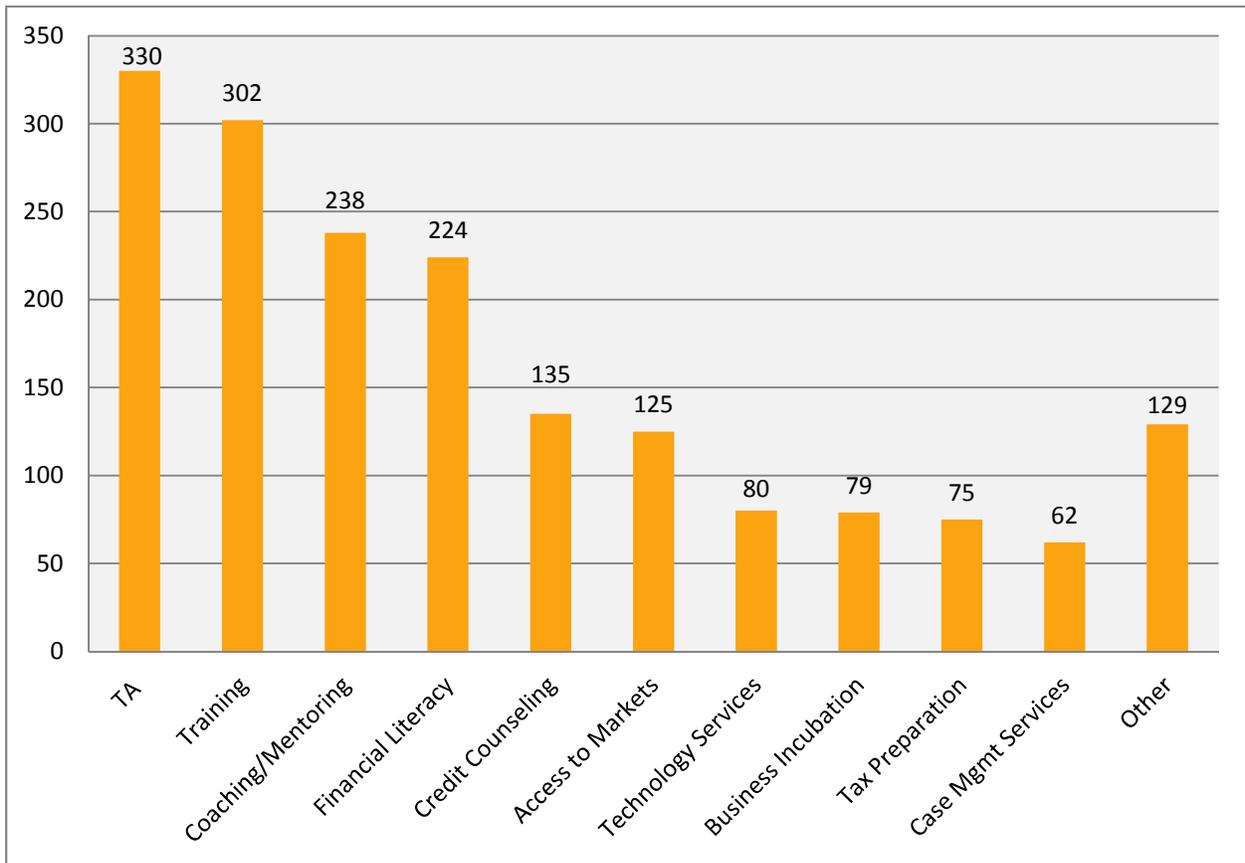
The majority of these programs are small. The survey asked respondents to report the total number of individuals assisted with business development services in 2010, including anyone who received any level of service from the organization.⁵ Two hundred and thirty-seven organizations answered that question, and for that group, the median number of individuals assisted was 115; the mean was 467. The range was from 1 to 17,487. In all, these organizations reported providing business development services to 110,791 individuals.

BDS Services

Business development services organizations provide a large number of services. The chart below shows them in order of their prevalence:

⁵ FIELD, under its performance measurement project, MicroTest, asks organizations to distinguish between *participants*, those who receive any level of service, and *clients*, those who receive a microloan or other financing product, or who receive a *substantial* amount of service in a year. While MDOs define substantial in terms of their own program offerings, the rule of thumb is ten hours or more in a given fiscal year. The survey did not ask respondents to classify assisted individuals in this way. Therefore the number should be understood as including individuals receiving all levels of service from the most limited to the most comprehensive.

Figure 5: Organizations Providing Business Development Services



Other includes: loan packaging, leadership development, ESOL, inventor and entrepreneur clubs, natural disaster training, forestry and energy sector support, etc.

The majority of organizations report offering fewer than 20 hours of business development services to each individual. The table below indicates the number and percent of organizations reporting the average number of hours of assistance per individual assisted in each category. More than four out of ten organizations report offering nine or fewer hours of service per individual assisted, and more than seven in ten (73.8 percent) report offering 20 or fewer hours per individual.

Table 3: Average Number of Service Hours

	Number of Organizations	Percent
0 - 9 hours	124	41.2
10 - 20 hours	96	31.9
21 - 30 hours	21	7.0
31 - 40 hours	21	7.0
41+ hours	22	7.3
Don't know	17	5.6
Total	301	100.00

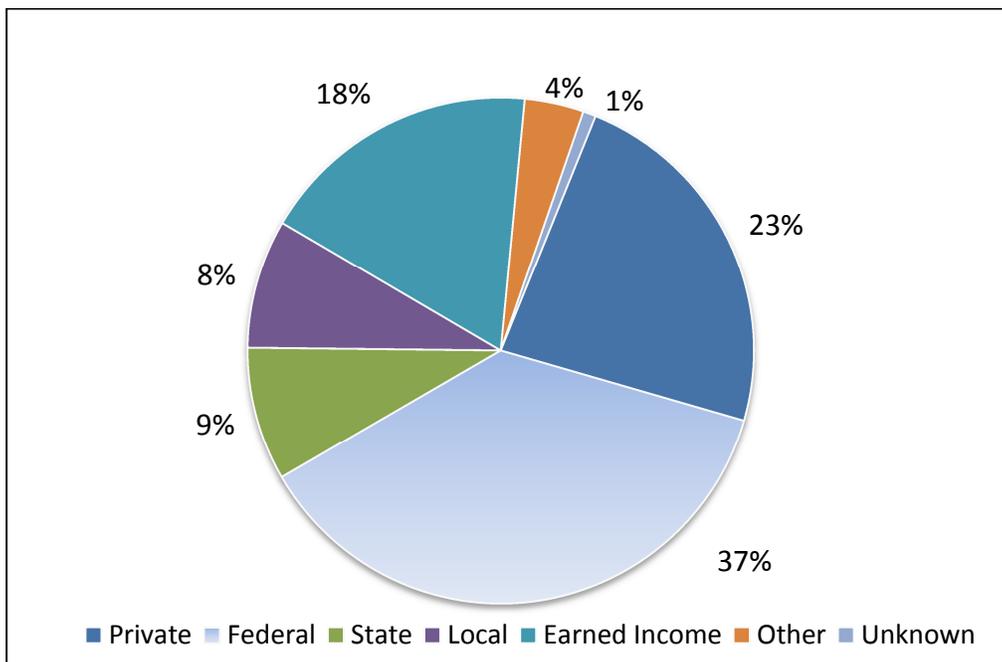
Operating Budgets and FTEs

The median operating budget is \$278,000, and the mean is \$530,743 (n =214).

The median number of FTEs is 2.5 and the mean is 4.6 (n =276). The small size of programs in terms of financial and human resources is consonant with the relatively small number of individuals served by most organizations.

For 192 organizations reporting, the percent of their aggregate budgets for each of the following sources is indicated in the pie chart below.

Figure 6: All BDS Organizations' Funding Sources



The median earned revenue was \$39,404, with almost 40 percent reporting no earned revenue at all. The mean was \$146,746, and the range was from \$50 to \$3.6 million. The median percent of budget covered by earned revenue was 3 percent and the mean was 11.2 percent across the whole group (114 MDOs reported their funding sources). For those that reported having earned revenues, the median was 12 percent and the mean was 23 percent.

Social Enterprise

Microenterprise development organizations that offer financing earn revenues —through interest and fee income — that partly cover their operating costs. To that end, microfinance is a social enterprise. In addition, twenty-nine organizations (8.1 percent of the group) reported having other social enterprises, which were defined as business ventures designed either for a social purpose — producing direct benefits for clients and generating financial returns to cover their costs — or earned income operations designed to provide revenue to support general program operations. The mean earned revenues for those organizations (n = 16) was 30.7 percent, and the median was 23.5 percent. The range of earned revenue for these organizations was from 1 percent to 60 percent. The data is not sufficient to determine the relationship of that earned revenue to the specific enterprise that generated it. It does, however, appear that organizations with social enterprises tend to have more earned revenue than others in the industry, perhaps indicating a more revenue-focused sustainability strategy overall. Within the field, social enterprise is a small component of program strategy, and in most cases, the role of social enterprises in generating adequate revenues to sustain organizations is currently limited.

Part 3: A Look at Large-Scale BDS Organizations

This section will explore the characteristics of the largest BDS organizations that reported to the U.S. Microenterprise Census and attempt to understand how they differ from other organizations in the industry and what factors might explain their larger size.

Individuals Served and Target Markets

Among the 356 business development services practitioner organizations, there were 46 that reported that they provided business development services to over 500 individuals in 2010. The table below compares their scale with the 191 others that reported serving 500 or fewer individuals with business development services. (One hundred and nineteen of the respondents did not provide data on individuals served.)

Table 4: Number of Individuals Provided Business Development Services by Large-Scale and Small-Scale BDS Organizations

	Large-Scale BDS Organizations (> 500 individuals served in 2010) N = 46	Small-Scale BDS Organizations (< or equal to 500 individuals served in 2010) N = 191
Mean	1,854	133
Median	1,040	76
Minimum	515	1
Maximum	17,487	500
Total Served	85,306	25,485

As the data indicate, the largest 46 organizations served 77 percent of all individuals assisted with business development services by reporting organizations. Some of these organizations are large microlenders that offer technical assistance along with their lending. Others are large organizations whose focus is predominantly on providing business development services.

The size of these organizations may be related to the markets that they serve. Six of the organizations are based in California and Minnesota, five are in New York and three each in Illinois and Washington, all states with large populations. They also tend to serve urban centers more (74 percent compared to 60 percent for the other MDOs). A greater proportion of the large-scale MDOs report statewide service areas (35 percent versus 15 percent), and multistate service areas (17 percent versus 4 percent).

Institutional Age

Another factor influencing size may be the age of the organization. Thirty-eight of the large-scale group, or 83percent, are mature organizations, that is, they started before 2000. Only 50 percent of the small-scale organizations (n = 96) started during the same period. It can be assumed that longer-lived organizations have developed the capacities to sustain themselves and to grow.

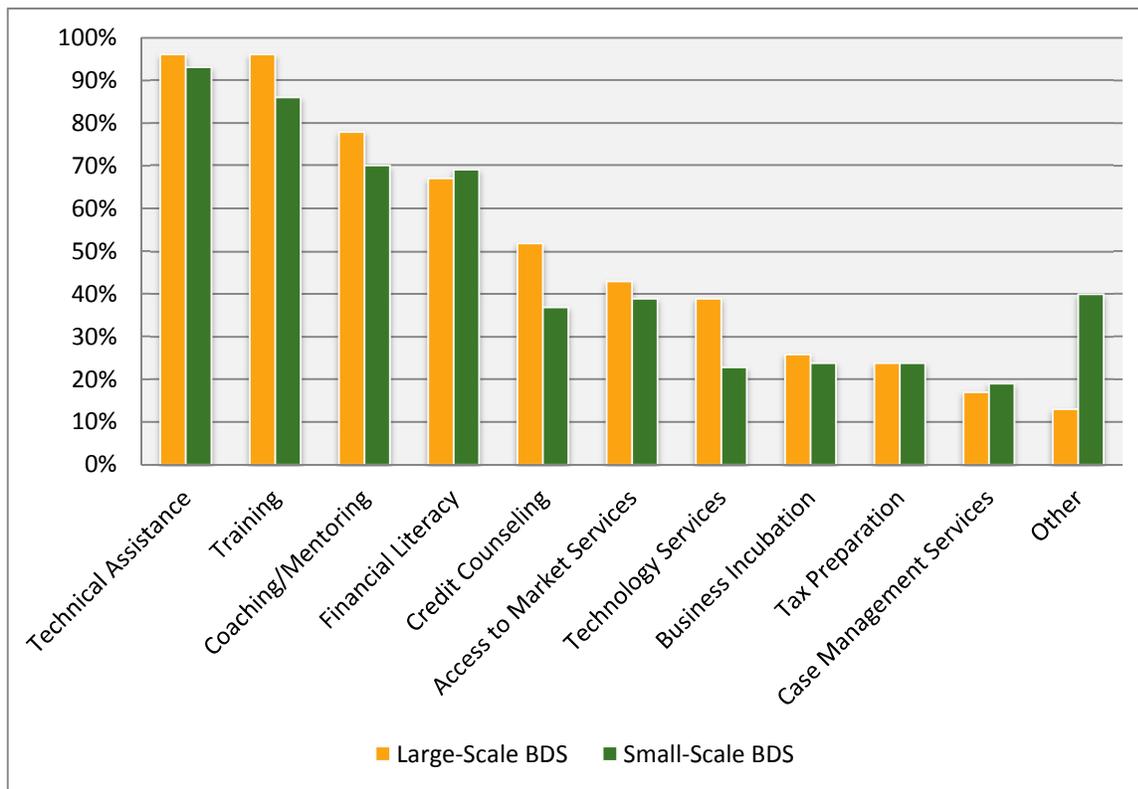
BDS Services

With their growth has come greater complexity. In all instances but three, the percentage of the large-scale organizations offering each business development service is greater than the percentage of small-scale organizations that do. The table and chart below illustrate the difference:

Table 5: Services Provided by Large-Scale and Small-Scale BDS Organizations

	Large-Scale BDS Organizations N = 46		Small-Scale BDS Organizations N = 191	
	%	N	%	N
Technical Assistance	96%	44	93%	178
Training	96%	44	86%	164
Coaching/Mentoring	78%	36	70%	134
Financial Literacy	67%	31	69%	70
Credit Counseling	52%	24	37%	70
Access to Markets	43%	20	39%	74
Technology Services	39%	18	23%	44
Business Incubation	26%	12	24%	46
Tax Preparation	24%	11	24%	46
Case Management Services	17%	8	19%	36
Other	13%	17	40%	76

Figure 7: Percent of Large- and Small-Scale BDS Organizations Providing Services



Other includes: loan packaging, leadership development, ESOL, inventor and entrepreneur clubs, natural disaster training, forestry and energy sector support, etc.

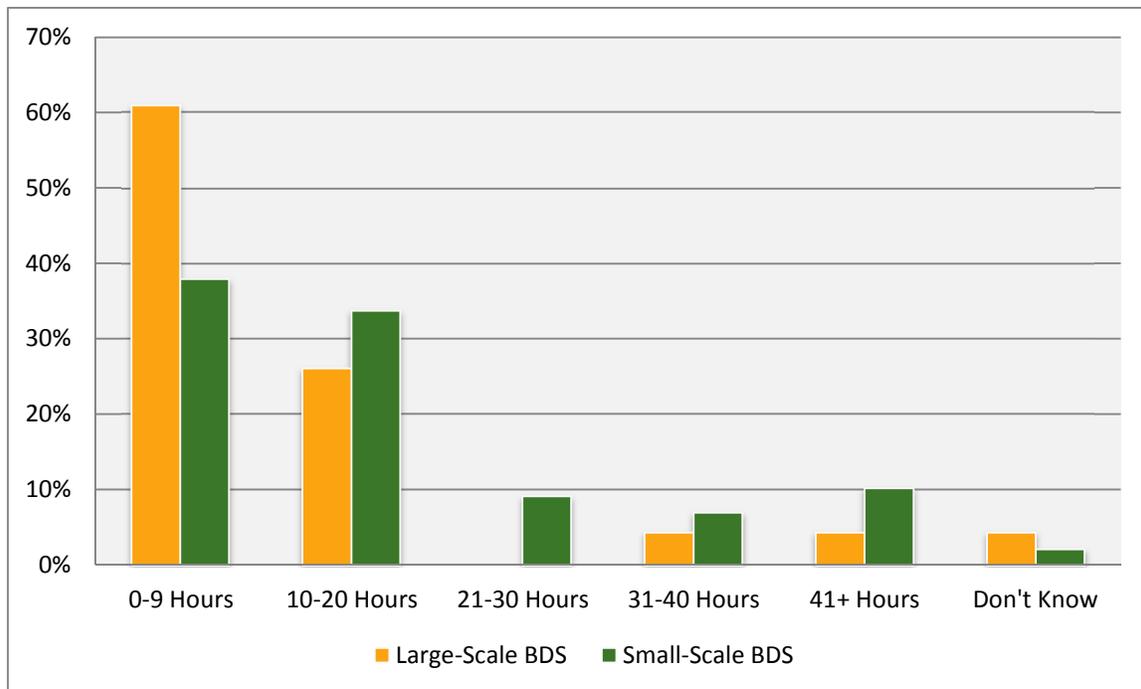
This suggests that growth has come for these organizations, not just by extending core products and services, but by adding services to their program. Growth, in part, comes from aggregation, rather than massification, of services. This type of growth is more challenging as it requires adding new capacities, and sometimes structures, to deliver the new services. Investments in technology, incubators, and access to market services, in particular, demand substantial resources to do well.

At the same time, large-scale organizations tend to offer fewer hours of service than small-scale organizations. The table below compares these institutions. The majority of large-scale providers report offering nine or fewer hours of services to clients, whereas a third of small-scale organizations offer between 10 and 20 hours, and another 26 percent offer 21 hours or more. This is not surprising as the large-scale group includes some high-volume microlenders that provide technical assistance in conjunction with microloans, and small business development centers and women’s business centers that serve many individuals with short-term services. It does not mean that intensive services are not offered to some individuals; it does mean that the individuals engage with the programs at different levels of intensity depending on their interests and needs, and that such participation may vary over the length of their connection to the MDOs. Because large-scale organizations offer many options, they may also offer varying degrees of interaction to program participants.

Table 6: Average Service Hours of Large-Scale and Small-Scale BDS Organizations

	Large-Scale BDS Organizations		Small-Scale BDS Organizations	
	N = 46		N = 191	
	%	N	%	N
0 – 9 hours	61%	28	8%	71
10 – 20 hours	26%	12	34%	63
21 – 30 hours	0%	0	9%	17
31 – 40 hours	4%	2	7%	13
41+ hours	4%	2	10%	19
Don't know	4%	2	2%	4
Missing Data	0%	0	2%	4

Figure 8: Hours of Service by Large- and Small-Scale BDS Providers



Operating Budgets and FTEs

Large-scale organizations have large-scale budgets. As the table below shows, the largest MDOs offering BDS have operating budgets that are three times larger than the budgets of other organizations on mean and on median. Not surprisingly, staff size is also larger, although in neither case were these organizations very large except for a few. For the large-scale organizations, the mean was 10.2 and the median was 6.9 employees, compared to a mean of 3.0 and median of 2.0 for smaller organizations.

Table 7: Operating Budgets and FTEs of Large-Scale and Small-Scale BDS Organizations

	Large-Scale BDS Organizations N = 36 for budget; N = 42 for FTEs	Small-Scale BDS Organizations N = 139 for budget; N = 172 for FTEs
Operating Budget		
Mean	\$1,085,148	\$344,895
Median	\$547,000	\$200,000
FTEs		
Mean	11.4	3.0
Median	6.9	2.0

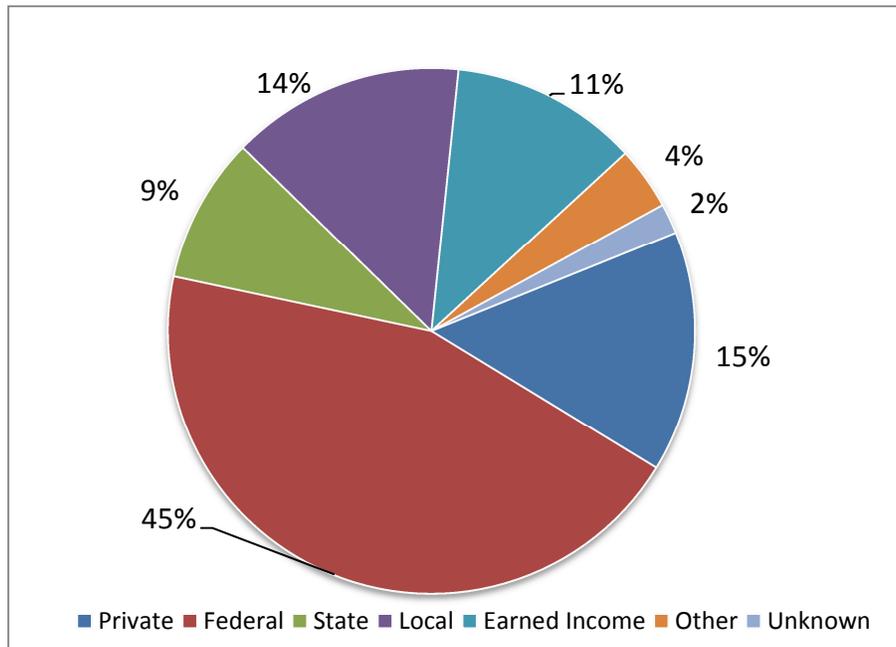
This represents a substantial resource mobilization challenge for large-scale BDS providers, as earned revenues represent a small portion of overall budgets. Figure 9 below shows the percent of their aggregate budgets by source. The mean and median earned income is higher in dollar terms for large-scale BDS organizations than for small-scale institutions, but on a percentage basis, the income is a smaller percentage of the amount required to sustain these institutions. Only three of the large-scale organizations report having social enterprises, and so the majority of the large-scale institutions likely generate their earned revenues from charging for their business development and financing services. The funding that large-scale organizations must raise from external sources, therefore, is considerable.

Table 8: Earned Revenues of Large- and Small-Scale BDS Organizations

Earned Revenues	Large-Scale BDS Organizations (n = 32; 21 with earned revenue among its funding sources)		Small-Scale BDS Organizations (n = 134; 80 with earned revenue among its funding sources)	
	Dollars	Percent	Dollars	Percent
Mean	\$97,374	5%	\$62,619	12%
Median	\$26,353	0%	\$5,333	3%

In FY2010, the larger-scale organizations acquired more federal resources than small-scale organizations to underwrite those budgets (45 percent versus 39 percent), and less private funding (15 percent compared to 22 percent). If winning federal grants is an indicator of institutional capacity, this is further evidence of the type of organizational competencies that the larger organizations have been able to develop and use to grow their program services. However, the large dependency on federal resources may also represent a cause for future concern. As the government stepped up in the aftermath of the financial crisis, its resources compensated for a drop in private philanthropy. Going forward, its ability to maintain funding at this level is not certain, and MDOs may face the challenge of replacing some of this support.

Figure 9: Large-Scale BDS Organizations' Sources of Funding



Conclusion

The 2010 U.S. Microenterprise Census results offer an interesting window into the evolution of the U. S. microenterprise development field with respect to business development services. As earlier sections have indicated, despite challenges, the number of individuals assisted appears to have grown. At the same time, the data indicate that only a small number of MDOs have developed programs that are reaching large numbers of aspiring entrepreneurs. Within the field, reaching more than 500 individuals a year with BDS training and technical assistance still places an organization among the largest. Only 46 organizations out of 356 respondents reported serving at least that many in 2010. Within that group, the range was substantial. Twenty-seven, or just less than 60 percent, served over 1,000 individuals, and the largest organization — actually a state-based Small Business Development Center (SBDC) network -- reported that it provided services to 17,487 individuals. These data illustrate the scale that the nonprofit field has reached — and the concentration of scale — with respect to business development services.

The data also suggest several factors that have influenced the scale of organizations: geographic target market appears to matter, as does organizational age. The capacity to mobilize external resources year after year also appears critical as earned revenues are a small portion of organizational budgets. In addition, it seems that large-scale organizations have grown not only through extending core services to more individuals but also through integrating more types of services within their portfolios. This suggests the increasing complexity of organizational structure and strategy that accompanies growth. In addition, 29 of them — 63 percent of the group — also offer microloans.

Finally, the data indicate the challenges that institutions face in underwriting the cost of services. Earned revenues play a limited role in financing relatively large annual operating budgets, and most organizations implement their services with modest staff sizes. This requires them to be highly efficient within structures attempting to offer a large array of products and services.

How these large-scale organizations address these challenges, and how they continue to grow, is explored in other studies produced by FIELD, and will be a continuing focus of research under FIELD's PRIME-funded body of work. Interested readers can find this work at:

<http://fieldus.org/Projects/ScalingBiz.html>.