

Entrepreneurs find free advice valuable
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By HEATHER HADDON
HERALD NEWS

Charles Evans knows how to run a business.

His Paramus-based enterprise, Corporate Turnaround, is a \$15-million venture that resurrects troubled small companies. Evans originally came to the Bergen Small Business Development Center to find potential clients. After meeting **Vincent D'Elia**, the center director, Evans ended up becoming a client himself.

"He was able to tell us where our business was at and what's coming our way," said Evans, 47, about the guidance he received from D'Elia. "And he was absolutely right."

The sage advice, he says, was completely free. Had it come from a private consultant, the bill would have been \$1,000 a day, Evans estimates. He was able to keep that money in his business, which has created 75 jobs since it opened in 1998.

"These guys are really qualified," Evans said. "They deserve more funding."

Local small business centers

Bergen Small Business Development Center

Bergen Community College

355 Main St., Hackensack

201-489-8670

William Paterson Small Business Development Center

131 Ellison St., Paterson

973-754-8695

William Paterson University (by appointment)

1600 Valley Road, Wayne

973-754-8695

For 30 years, entrepreneurs nationwide have gotten essential lessons in realizing their professional dreams through Small Business Development centers -- free sites run by the federal and state government at public universities. The programs provide one-on-one counseling by seasoned professionals, and studies

consistently show they create jobs and generate tax revenue. The counseling also prevents business failure, and the financial disaster that comes with it for entrepreneurs.

Yet federal assistance has dropped nationwide for such centers, and New Jersey has done less than neighboring states to fill the gap.

As a result, local programs must operate on a shoestring.

And while successful, New Jersey centers cannot provide the depth of counseling that would help more small businesses grow and buttress the state economy, advocates say. That's particularly a problem as job growth stagnates among big corporations, and New Jersey's economy relies more on small companies.

"Employment in big companies has dropped drastically," said Don Wilson of the Association of Small Business Development Centers, a nationwide program membership group. "Putting all your eggs in one employer basket is outdated. You have to build a meaningful entrepreneurial infrastructure."

Employment dropped by 117,600 in New Jersey's big manufacturing, technology and professional companies between 2000 and 2005, according to a recent Rutgers University report.

Meanwhile, the state's small businesses have thrived -- in part because laid-off professionals opened their own ventures. "Most of them don't want to play that corporate game anymore," said D'Elia, of the Bergen Center.

Bergen County was home to nearly 77,000 small businesses in 2004 -- more than San Francisco or St. Louis -- 2006 Census Bureau statistics found. In Passaic County, the number of small businesses grew by 8 percent between 1997 and 2004.

"A lot of the new job growth is coming from small businesses," said Joseph Seneca, a state policy expert at Rutgers University.

But small businesses are notorious for failure, typically because entrepreneurs lack prior business experience, said Wilson, of the Center Association. "Someone knows everything about fixing a car, but doesn't know anything about handling personnel or finding real estate," he said.

To help prevent business failures, the federal government funded the centers nationwide in 1980. New Jersey's initiative began prior to that to help businesses damaged by the Newark riots of 1967.

New Jersey now has 11 full-time centers and 16 part-time sites. The centers don't "incubate" businesses -- nurture them with on-site assistance, access to equipment and shared office space -- but for no charge, clients can meet one-on-one with business consultants, lawyers and other experts. Their directors have impressive pedigrees: D'Elia, of the Center at Bergen Community College, has decades of experience as a CEO and private consultant; Kate Muldoon,

director of the center run by William Paterson University in downtown Paterson, worked in banking for 20 years.

"There are so many resources available for them," said Muldoon, whose staff also speaks Spanish and Arabic.

Many of Muldoon's clients are small outfits, such as bakeries, caterers, nail salons and day-care centers. Staff members first assess whether clients should be going into business -- preventing people from gambling their entire nest egg on a weak idea. They then move onto business planning and financing.

The centers also work with existing companies. Roberto Alferez, a Paterson counselor, helped a cleaning company erase about \$40,000 in back taxes after an accountant improperly filled out IRS forms, he says. He's also coached a Peruvian import company in its billing practices.

"It can't just be kindness," said Alferez, who started working with the Passaic company after its outstanding balance grew into the thousands.

Often, the centers simply provide support. "I should have gone there years ago," said John Brito, of Paterson, a musician who started a record label with assistance from Alferez. "I had to have some schooling with them."

The Bergen and Paterson centers help hundreds of clients a year with just three full-time staff members each, along with some adjunct professors. "We're running on fumes," D'Elia said.

Federal funding for the centers has fallen since 2001, when factoring in inflation. The dollars are linked to population growth, creating a double whammy for New Jersey, which has seen little increase in residents.

As a result, New Jersey centers have cut consultants and have no marketing budgets. The Paterson center has outgrown its office, with staff hunting for space to host their packed training sessions. With a bigger budget, they could do much more to ensure that area small businesses succeed, research shows.

"The (businesses) that have the assistance have a much higher survival rate," said James Chrisman, a professor at Mississippi State University who has studied centers for 25 years. Pennsylvania businesses had a 65 percent survival rate when they sought center assistance, Chrisman found, as opposed to the national average of 47 percent.

Some of New Jersey's neighbors have counteracted the decrease in federal funds with more state aid. Pennsylvania forked over \$1.25 million in additional funds to its centers last year, allowing them to open two new sites last month, said Christian Conroy, a director for Pennsylvania's centers.

"This is a program that is effective and works," Conroy said.

Brendan Gilfillan, a spokesman for Gov. Jon S. Corzine, said that small business

development is a centerpiece of the governor's economic plan, but stopped short of promising more money for centers.

"Our focus is not necessarily on more funding but on smarter funding," Gilfillan said in an e-mailed statement.

Chrisman, of Mississippi State, thinks the centers are an unbeatable government investment. For every dollar given to centers in 2006, more than three came back in tax revenue, according to his research.

New Jersey's program retained and created thousands of jobs in 2005, according to center figures. The additional employment is especially important because many of the state's large companies are hemorrhaging jobs. Supporting small businesses is an essential way to make up for the loss, advocates say.

"People get excited about bringing in a plant," Chrisman said. "But small and new businesses contribute the most to new job generation."

Staff members at New Jersey's centers know they need more funds. But they are too busy -- and too passionate about small business -- to complain.

"I feel that we do so much good here," said Muldoon, who took a pay cut to join the center. "I get so much out of this."

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By the numbers

New Jersey Small Business Development Centers were busy in 2005 and 2006.

At Bergen and Paterson sites last year:

973 people received one-on-one counseling

2,438 people attended business workshops

129 workshops were held

\$2.5 million in loans were packaged

Among clients at centers statewide in 2005:

\$10 million in sales tax revenues was generated

10,000 jobs were created or retained

\$155 million in private sales were generated

Source: New Jersey Small Business Development Centers