Reimagining the Role of Business Technical Assistance

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Friedman Associates strengthens the ability of nonprofit lenders to achieve their vision for economic justice and equal access to capital for underserved individuals and communities.

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Working Solutions

Provides San Francisco Bay Area entrepreneurs with the access to capital and resources they need to start or grow a successful business. We prioritize serving low-income businesses and women and minority business owners.

Background

- The CDFI industry has clear standards, guidelines, and metrics for the operation of a loan fund.
- We can’t we say the same for business technical assistance. Why?
- BDS is a key strategy to support portfolio performance and mission.
- Requires a formal structure to sufficiently support loan clients’ path to sustainability and growth.
- BDS is a “product.”
In our travels, we have found that....

• BDS is an after-thought, lacking a discrete strategy for client engagement outside of an annual site visit, a workshop, missed payments, restructurings, etc.

• Not well-articulated at closing, on websites or collateral materials.

• There are no established metrics to measure success.

• If we don’t know what we are really delivering, how can we possibly articulate our service & product to our clients?

What goals should BDS support?

• **Mission**: Aligns with organizational mission to support underserved entrepreneurs

• **Risk Mitigation**: Risk mitigation strategy in tandem with solid underwriting guidelines.

• **Impact**: business survival, growth, jobs.
What is BDS really all about?

Supporting the entrepreneur to sustainability

• To maintain balance
• To be able to last or continue for a long time - Miriam Webster dictionary
• The ability to maintain or support an activity or process over the long-term business dictionary.com

Applied to the businesses we work with....

• Maintain financial balance
• Last through the ups and downs of the market
• Keep on keepin’ on
Ask Yourself....

• Do you have an *intentional* strategy for BDS services?
• Are these goals (mission, risk mitigation, impact) explicitly stated and quantified in your strategy?
• Is BDS a product offering? What’s your value-added proposition? Why should I buy?
• How do you know if the business is really growing?

The Three Legged Stool

• The trade leg
• The sales leg
• The banker leg
Without all three, the business falls over...

• Loses its *balance*!
• We must support our clients in all three key areas of their business so they have balance in their business and reach sustainability!

We focus on the three legs through:

• Entrepreneurial education
• Pre-loan assessment
• Post-loan support
• Additional resources
Long Term Goals

- ID and Closing Skill Gaps
- Solution Driven Relationship
- Collaborative action plan that is iterative
- Longitudinal Outcome and Impact Tracking

A complete BDS strategy!

- From beginning to end!
- A continuum of services that help the entrepreneur build their skills.
- It isn’t over til they’re paid off and maybe not even then!
Effective Pre-Loan Assistance

- Assess the client’s financial acumen
- Assess the client’s business skills
- Prepare the client for capital
- Redirect for additional support
Pre-loan Gap assessment

- Financial acumen flow chart
- Skill assessment questionnaire

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Hand-off to the post-closing BDS staff

- Loan officer memo
- Setting expectations for the future
- BDS role
  - Providing financial statements including cash flow statement
- TA Flow Chart
A closer look at the post-closing relationship

- How does it work?
- TA Flow chart

Continuing the relationship

- Preparing for the initial site visit
- On-going work
  - Action Plan Template
- Financial statements including cash flow statement
- Using technology to keep in touch
- Minimize interim site visits
- Annual site visits
- TA Flow Chart
BA Site Visit Checklist: Procedure

Weeks or days prior:
- Get client assignment
- Go to QM to check ILR, for contact information/loan data
- Call/email client to set up site visit
- Send confirmation email if possible (see scripted email)
- Food prior to site visit

Day before or morning of:
- Print site visit data collection form (drive path: SUB/GSASSIST/Assistant/Forms/BA Visit)
- Print QM/BR for update if necessary (should be updated annually)
- For MLA clients, print Client Directory Form (to be posted on our website)
- Gather information for Client Folder (including articles, HR updates, upcoming events, class schedule, etc.)
- Print any necessary compliance forms (COB or employee demographics)
- Get camera and go to client appointment

During Appointment:
- Take notes (refer to all major areas on site visit checklist = excel form)
- Collect COB forms if necessary
- Collect updated QM/BR if necessary
- Discuss and update all materials given in the Client Folder
- Class schedule = all clients attend classes for free
- Upcoming event flyers
- Class brochure (to be posted on our website)
- Additional resources
- Take photos
- Ask client for quote; explain the purpose of the quote.

Upon return:
- Create a file folder in the database for the client if one doesn’t exist and save photos from visit.
- Upload photos to client folder and delete from the camera (make sure photos saved on drive before deleting from camera), save one in Outcome Tracker.

TA Site Visit Questions

CLIENT:

PURPOSE OF THE MEETING:

"Today QM will be completing an annual site visit of your business operations. The primary goal is to review the successes and challenges your business has experienced thus far and to determine how QM and I can provide you with assistance as you grow your business."

NOTE: we will schedule a follow-up meeting to work through some of the challenges we uncover today...".

USER & DOCUMENTATION (please add to meeting):

Closed cases: Add new case:
Current Payments (interest only, principal & interest):
Date opened:
CS:
B/F:
Last/initial site visit:
BA letter:

STATUS OF THE BUSINESS:

How is your business doing?, is it meeting your expectations?
Sales last 3 months? How do they compare to your projections?

FINANCIALS:

Do you think you are breaking even, getting behind, or on target? How is your cash flow? Are you behind on invoices, utilities, rent, other promises? How are you collecting receivables?, are you charging late fees?

"Your lease agreement requires you to provide QM with monthly financial statements and annual business tax returns, what is the easiest method for you to provide that information?"

MARKETING:

What is your strategy?
Are you tracking ROI (return on investment)? of all marketing efforts?
What is your social media persona? Website, Facebook, Twitter?

ENROLLMENT DEMOGRAPHICS:

What are your plans for hiring additional employees?

VISUAL ASSESSMENT OF THE BUSINESS (Date & ID # always needed):

Clearness:
A word about delinquencies!

- It's all about cash flow
- Global debt service template
## Tracking Compliance and Impact

**Continual contact**  
continual updating of:

- Jobs
- Wages (livable?)
- Stabilize/Strengthen/Expansion
- Change in revenue, credit scores
- Change in low income status
Role of the BDS Provider

- Coach
- Connector
- Mentor

Provider Skills

- Understanding of small business models
- Financial statement analysis
- Cash-flow management
- Communication/persuasive speech
- Creative problem-solving
- Sometimes tough-talk
What We Do

• Began lending and consulting in 2005
• Micro & Small Business Loans ($5K-$50K)
• Over 325 loans totaling $7.5 million lent
• Consulting through the life of the loan
• Staff is fluent in English, Spanish, Cantonese.
Our journey of rediscovering technical assistance

- Accelerated portfolio growth
- Sought help for rising delinquency and default rates
- Conducted a GAP Analysis instead (more on that later….)

Previous Model

- Outsource some work to volunteers and partners
- Meet with client quarterly
- Be responsive to clients and provide support as requested
Current Model

- Do not outsource primary function (but do utilize support services in specific categories)
- Proactively connect with client frequently (particularly in first 2 years)
- Individualized support with primary focus aligned with our core competency (financial analysis)

How do we do it:

- Determined who is responsible for which pieces of the process
  - Business Development – initial skills assessment
  - Lending – deep dive into assessment
  - Business Consultants – review assessments and monitor progress
  - Portfolio Management – monitoring overall portfolio performance
- Communicate specifically and often across teams
Business Consulting Specifics

• Leverage pre-closing prep work
• Designate business consultant based on geography and industry
• Attend closing and establish relationship early
• Action planning with client - including next meetings and resources needed
• Primarily 1:1 focused with some group opps
• Capitalize on relationships for great stories and impact data

Takeaways

• Step back and assess what’s working – and what is not.
• Clearly delineate staff roles – training will likely be needed.
• Set staff up to track measures and outcomes, and they’ll come up with best metrics.
• Market your work based on core functions, and your direct impact will be more clear.
Takeaways

- Question scared cows
- Be prepared for iterative process – involving multi-staff and time
- Right hires are critical to success
- Pushback is good - it means people are invested in the outcome
- This will be hard (see all of the above)

You Can Raise $$ for BDS?
What’s Next?

Diagnose:
• Current BDS
• Staff functions
• Success measures

Conduct a Loan Fund Gap Analysis

An evaluation of:

- Loan origination process from application to closing;
- BDS services;
- Business development practices;
- Portfolio maintenance and loan servicing;
- Capital funds management practices; and
- Portfolio risk management strategies.
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