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# Committee Meeting

of

## ASSEMBLY LABOR COMMITTEE

"Assess existing programs that help bolster entrepreneur opportunities for displaced workers and new ideas for policies to expand entrepreneurial activity and opportunities"

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LOCATION: Committee Room 8  
Legislative Office Building  
Trenton, New Jersey

DATE: May 5, 1994  
10:00 a.m.

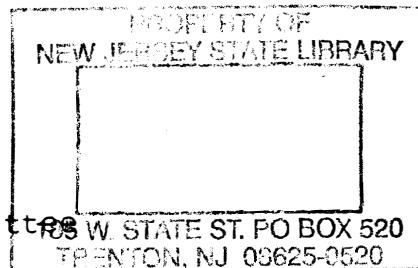
### MEMBERS OF COMMITTEE PRESENT:

Assemblyman Patrick J. Roma, Chairman  
Assemblyman Stephen A. Mikulak  
Assemblyman Tom Foley  
Assemblyman Steven Petrillo



### ALSO PRESENT:

Walter C. Kowalski, III  
Office of Legislative Services  
Acting Aide, Assembly Labor Committee



### ***Hearing Recorded and Transcribed by***

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FRANK CATANIA  
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## New Jersey State Legislature

ASSEMBLY LABOR COMMITTEE  
LEGISLATIVE OFFICE BUILDING, CN-068  
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### REVISED

### COMMITTEE NOTICE

TO: MEMBERS OF THE ASSEMBLY LABOR COMMITTEE  
FROM: ASSEMBLYMAN PATRICK J. ROMA, CHAIRMAN  
SUBJECT: COMMITTEE MEETING - May 5, 1994

*The public may address comments and questions to Gregory L. Williams, Committee Aide, or make bill status and scheduling inquiries to Cynthia D. Petty, secretary, at (609) 984-0445. Those persons presenting written testimony should provide 15 copies to the committee on the day of the meeting.*

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The Assembly Labor Committee meeting scheduled for **\*Wednesday, April 27, 1994, has been rescheduled to Thursday, May 5, 1994 at 10:00 AM in Committee Room 8, Legislative Office Building, Trenton, New Jersey.**

In light of recent company downsizing, firm restructuring and resulting layoffs, the Assembly Labor Committee is meeting to assess existing programs that help bolster entrepreneur opportunities for displaced workers and new ideas for policies to expand entrepreneurial activity and opportunities. Included among those invited to testify are public and private sector representatives, including entrepreneurs and representatives of companies that offer outplacement services for their laid-off employees.

**\*\*The following bill will be considered at 9:30 AM :**

A-1101	Exempts from workers' compensation
Ogden	certain employees who are eligible for
S-146	compensation under federal law. (A-2956)
Martin	

Assistive listening devices available upon 24 hours prior notice  
to the committee aide(s) listed above

Issued 04/21/94

\*Rescheduled 04/26/94

\*\*Revised 04/29/94 - A-1101 added



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**ASSEMBLYMAN PATRICK J. ROMA (Chairman):** I thank you for your patience.

I understand there are two people who have time constraints. If I may briefly read a statement, I will call Penni Wild, Director, Division of Development for Small Business, and Women and Minority Businesses, New Jersey Department of Commerce and Economic Development; and Bryan Finnie, Director, Urban Programs, New Jersey Economic Development Authority.

Very briefly, before we commence with the testimony, the Labor Committee has examined a number of issues with the hope of trying to create more employment opportunities, more business. Small- and medium-size businesses substantially contribute to job growth in the State of New Jersey. In fact, more than 1.5 million of our State's workers are employed by small businesses.

Because of the importance of small businesses, the more we can nurture small business development, the greater the opportunity for growth in our economy and job creation. This is especially true when we consider the trend toward corporate downsizing and company restructuring that is presently occurring. White-collar workers and blue-collar workers are out of work for longer periods of time and just cannot find new positions under current economic conditions, despite the fact that we appear to be in economic recovery. We ought to be investing in these individuals if they have a viable and innovative idea to start their own business. We should be promoting accessing training and skills that fit the needs of an entrepreneur. We ought to be investing in new product and technological developments.

It shouldn't be purely a matter of handing them an unemployment benefit check. We are enrolling displaced workers in job training through the Workforce Development Partnership Program, but perhaps we need to enhance those efforts by

putting emphasis on entrepreneurial skills training and development for those who have the appropriate backgrounds. While New Jersey's job training and retraining programs serve a viable purpose and New Jersey is leading the nation in its efforts, we should also be making a special effort to target opportunities for displaced workers to empower them with the skills and training necessary to develop their own business. They include women and minorities, as well as displaced white-collar and blue-collar workers.

Let us empower them to grow their own businesses so that they have more control over their lives. Women would have more flexible time schedules with their children, allowing them to work from their home if the circumstances were such, thereby alleviating the problems of finding suitable day care and bearing its high costs.

On the national level, 1992 was a turning point for female-owned businesses, since they employed, for the first time, more of the U.S. population than the Fortune 500 companies.

Over the last two years, while the largest companies in this nation were reducing workforces, 25 percent of women-owned businesses were adding employees. As a matter of fact, according to data provided by the New Jersey Association of Women Business Owners, in 1990, an estimated 200,000 women-owned businesses had sales and receipts of \$37.7 billion, with approximately 307,000 employees and an estimated payroll of \$5.2 billion.

An August 1993 issue of "U.S. News and World Report" indicated that currently 20 percent of white-collar workers out of work have gone the route of creating a business, as compared to 7 percent in the past. This is a way of the future, and State government should be doing everything possible to adopt the proper strategies to further this goal.

Access to capital is one of the largest obstacles to entrepreneurship and small business development and growth. Making it through the initial stages of business development when cash flow and credit problems are at their peak is a real challenge. We must do everything we can to solve the problem of capital access, and nurture innovation and entrepreneurship through skills building and other such avenues.

We look forward to hearing the guest speakers' thoughts about this very important topic and the trends in entrepreneurship and new businesses, and what strategies we might employ to further business growth and job creation.

As an aside, recently I was listening to a radio program, and they were talking about the types of businesses in America. From what I understood, according to statistics, 75 percent of those businesses are small businesses, where presumably they have 10 or less employees.

So when we are talking about those opportunities -- giving people the opportunity to create jobs, to have new businesses, this is an area that dovetails with a lot of work the Committee has done with the Workforce Development, the Youth Apprenticeship, and all the related programs -- an extremely important goal.

Before proceeding, are there any comments from the members of the Committee? (no response)

All right, Penni, you're on.

**P E N N I   W I L D:** Thank you.

Good morning, Mr. Chairman and members of the Committee. On behalf of Commissioner Medina, we appreciate your holding this hearing to explore what New Jersey can do to assist displaced workers, especially those who plan to become entrepreneurs. The timing of your hearing, as you know, is at the end of Small Business Week throughout the country.

Commissioner Calderone, today, will later talk about some of the important programs he has in the Department of

Labor, those especially designed to assist workers. The Commerce Department, in particular the Division of Development for Small Business, and Women and Minority Businesses, is proud to participate in one of those programs called the Rapid Response Team. That is, when a team is dispatched at the request of a company, members of this Division are on the spot to provide assistance, general information, and technical assistance to potential entrepreneurs.

Among the most meaningful tools that State government can provide to would-be entrepreneurs is financing -- as you pointed out -- information, and technical assistance. The SBWM Division -- that is an acronym for the Division, because the name is just so long -- offers this assistance through its Trenton office and through the nine Small Business Development Centers it supports throughout New Jersey. You will also hear more about the SBDCs' contributions today from the Executive Director, Brenda Hopper, and also from Pat Peacock, who is the Director of the Camden SBDC, and is also a recent SBA honoree for her work as a small business advocate in the State.

Our Division is also working with other groups and associations, such as NJAWBO, the Minority Business Development Centers, and the Regional Alliance to identify best practices and learn about the services they offer to assist small businesses.

Our goal is to serve as a catalyst to ensure that entrepreneurs know about all the resources and all the networks available to them. Unfortunately, when we talk about entrepreneurs, we are talking about some of the most motivated people in the world. They are the risk takers and, in essence, they are professional risk managers. Many of the displaced workers today are probably middle managers with significant experience in their field. Researchers, including Commissioner Medina, who has written extensively on the topic of patterns of

successful entrepreneurs, have identified certain factors and characteristics that can contribute to business viability. To name a few, they include:

the education of the principals, more education and exposure to training;

the age of the principals -- between 35 and 55 -- seems to be strongly associated with business viability;

the management experience of the principals, which shows a direct correlation between experience and the success of the venture; and

household income, sufficient equity and collateral to start a business effectively.

In all likelihood, the group we are talking about today will have the same concerns, basically though, that others have when they want to start a business. The top two questions are: Where do I begin? Where do I get money?

In a few moments, you will hear from Bryan Finnie. Bryan is the Director of the Urban Development Corporation in EDA, and has been heading up financial initiatives designed to help small business owners.

As you know, the EDA works under the direction of the Department of Commerce and Economic Development. One of our pilot programs, in particular the Entrepreneurial Training Institute, holds great potential if it is expanded statewide to expand the pool of successful entrepreneurs.

I do not want to steal Bryan's thunder, but I just want to tell you briefly about ETI. It is administered through the New Jersey Development Authority for Small Businesses, and Women and Minority-Owned Businesses. ETI was created with the Casino Redevelopment Authority funds that were earmarked to help existing small businesses, but the funds went begging because there was no interest. On the flip side, there was a lot of interest on the part of start-up businesses that were looking for capital. So, in response, the NJDA developed ETI

to match small business training with funding. The graduation program -- the graduation requirement requires submission of a business plan and, based on the integrity and strength of that business plan, you have a better chance of obtaining an NJDA loan, and also paying that loan back after you apply for it.

Again, Commerce is working closely with the EDA and with the EDC to ensure that small businesses can tap into the financial resources they need. But the beauty of the ETI is that small business owners learn the mechanics of owning and operating a business, not only to employ themselves, but to create jobs. As you mentioned earlier, most of the jobs, in fact, have been coming from the small business sector.

Under the leadership of Commissioner Medina and the Department of Commerce, my Division and the EDA plan to encourage entrepreneurship and foster the growth of small business ventures by bringing to life yet another financial tool, microenterprise development. One of the most promising models of microenterprise lending is in Camden, New Jersey. The city contributes Community Block Grant funds to a nonprofit corporation called the Cooperative Business Assistance Corporation -- CBAC. In turn, CBAC leverages those funds with contributions from foundations, from the EDA, from the SBA, and others. For larger microloans between \$25,000 and \$75,000, CBAC sends applicants to a business consultant who helps them to prepare the business plan. That plan is then presented to a consortium of banks that sit on CBAC's Loan Committee. CBAC will participate in any loan the banks approve, and the banks take 60 percent -- offer 60 percent of that loan, and CBAC offers 40 percent. One bank serves as the lead bank.

For smaller loans, the applicants are required to attend a Business Management Training Program, again, matching the training and funds. They must also prepare a business plan and agree to accept technical assistance from a consultant who

is contracted by CBAC, if they receive a loan. CBAC makes these loans directly.

CBAC began in 1990. It has experienced low default rates, primarily because it has become an expert in making character loans. We are working closely with CBAC now to identify how this model can be replicated throughout New Jersey, because this is the type of banking relationship that is the one most often sought by small businesses.

Entrepreneurship, as you know, is not for everyone, and most people go into it, try it, and hopefully a lot of them will succeed and flourish. But for those who are just thinking about the challenge, the Department of Commerce, the Economic Development Authority, the Small Business Development Centers, and a host of others stand ready to provide the information, the technical assistance, and the financial guidance they need.

I will now turn it over to Bryan, who can talk a little bit more about the ETI program.

ASSEMBLYMAN ROMA: Thank you.

**B R Y A N   K.   F I N N I E:** Good morning.

ASSEMBLYMAN ROMA: Good morning.

MR. FINNIE: Are there any questions on the ETI program, as Penni laid it out?

ASSEMBLYMAN ROMA: Are there any questions? (affirmative response) We do have some questions. Maybe this would be a good time.

The New Jersey Economic Development Authority has launched a relatively new program?

MR. FINNIE: Yes, sir.

ASSEMBLYMAN ROMA: The Entrepreneurial Training Institute offers individuals who have an idea -- an interest in starting their own business the necessary training and basic skills to succeed. After completion of the program, graduates apply for funding. Can you tell us how many individuals have successfully completed the program, and what types of

businesses they formed? Also, what levels of funding does EDA offer to assist them with initial start-up costs?

MR. FINNIE: Okay. We have had 76 participants; we have had 50 graduates. We have had nine loans approved, of which two have closed. The average-size loan is around approximately \$45,000. What we have been doing to date is providing financing to microbusinesses. We have made a loan to an individual who would like to set up a software network. We have made loans to women who have established retail operations in Atlantic City.

In terms of the ETI program, I think an important component that we did not review with the Committee is the peer group concept. The program, in itself, is based on a seven-week training course. We take approximately 15 individuals per course, and we put them into groups of 5. This is where the beauty of the program is. We essentially create a Board of Directors. We put them through the training process, and we basically capitalize that group at \$75,000. We say, "Upon completion of your business plans, we will let you decide which is the best business plan to be funded," and we will fund that plan.

The access of capital for the remaining members is contingent upon that first loan making 12 successful payments. What we have done is create a Board of Directors. We have created a support network, which we found that many of our small businesses do not have. If an individual has a problem, there are four other people to reach out to, to resolve those problems. With the ETI program, our motto is, "We won't give someone a fish; we will teach someone how to fish." Hopefully, through that curriculum, they will develop the skills they need to be successful as an entrepreneur.

ASSEMBLYMAN ROMA: Thank you.

There was one follow-up question. I don't know if it would be appropriate to ask you, or one of the other speakers.

In terms of women-owned businesses, it seems that they are less likely than other businesses to grow rapidly and/or decline. What factors have influenced this particular characteristic of women-owned businesses? I guess, what are we doing in order to help those sorts of businesses?

MR. FINNIE: I can't answer that question. I have not thought on that matter for an extended period of time. But what I can say is, in the portfolio of the New Jersey Development Authority we have a \$30 million revolving loan fund. Seventy percent of our loans are to WBEs. In just generally looking at the portfolio, the people who appear to be living up to their responsibilities and are paying us in a timely manner, tend to steer heavily toward our WBE borrowers. From a lender, I love small businesses owned by women, because they seem to be very responsive to the trials and tribulations of being an entrepreneur.

ASSEMBLYMAN ROMA: As a suggestion, something that you might want to do, I know even in my own district questions come up with small businesses: What can the State do in order to help people? They have questions about the nature of the business, whether it is going to be a corporation, a partnership, a limited liability partnership. All of these different things come up. Sometimes there is a sense of, you know, I need to know where to start. Where do I go? What is the proper State agency?

I realize we have an expansive area to cover, but maybe what you could do is set up meetings in each of the counties, or maybe pull in three counties at a time, where each of us would have the opportunity at home to invite different groups to some type of a hearing where there is a question and answer period, and information to be disseminated to those people who do not have the ability to come to Trenton and ask those questions. I certainly would welcome the opportunity in northern New Jersey, even if we would make it northern,

central, southern, so that we would have some ability to transmit more information and have those ideas out there working.

Assemblyman Foley?

ASSEMBLYMAN FOLEY: Yes, through the Chair, has there ever been any thought given to getting some public relations, public announcements out via radio or television with reference to starting up an entrepreneur program and small business loan activity?

MR. FINNIE: We advertise for our program extensively. Over the last year, I have been on at least seven radio programs. When we place announcements for the ETI program, we publish them in newspapers statewide. We have been around on the stump making presentations, in conjunction with the Small Business Development Centers and various economic development officials within various cities throughout the State.

The problem we have had with the ETI program to date -- and this is something you should be cognizant of -- is that the moneys for the program are funded through a pool of capital generated via casinos. As per the casino legislation, 88 percent of our proceeds are held captured to Atlantic City. That is why we have been hosting the program in Atlantic City.

ASSEMBLYMAN ROMA: Well, what can we do to follow up on that? We want to make sure that Atlantic City prospers, but at the same time we would like some other initiatives to be able to expand the program to help other people.

Maybe what you might want to do is take back to the Department the possibility of some other initiative, whereby, as Assemblyman Foley indicates, we might be able to disseminate more information and help more people.

MR. FINNIE: We have had discussions with Commissioner Medina. We are working on two or three scenarios whereby we could free up capital for areas outside of Atlantic City. We

have an application in place now with the Federal government for a \$1.5 million loan to expand in that area.

ASSEMBLYMAN ROMA: I will tell you that in my district office, the types of inquiries that I get about new businesses starting up-- There are so many questions. It seems to me that if we were to specialize in this particular area and take it across the State, I think we would learn a lot. I know you have done a lot in terms of getting information out there, but we have learned that even with a good governmental program, the additional cheerleading is not only necessary, but helpful.

MS. WILD: We also have a publication. Each of you will receive a copy as soon as we get it from the printer. It is called, "A Guide to Doing Business in New Jersey." It is for start-ups, entrepreneurs, and small businesses. It gives them, in one book, where you need to go, from the Secretary of State's Office, to our Division, to EDA, to Taxation--

ASSEMBLYMAN ROMA: That was my next question.

MS. WILD: --with phone numbers and contacts and how to go through lending programs.

ASSEMBLYMAN ROMA: When those booklets are available, if you could make a supply available for each one of the members of the Committee so that then we can take care of the other members of the Legislature, we would appreciate it.

MS. WILD: Okay, no problem. If you have any other takers for meetings in your counties, just give me a call and let me know.

ASSEMBLYMAN ROMA: Assemblyman Foley?

ASSEMBLYMAN FOLEY: Through the Chair, just one question.

MS. WILD: Sure.

ASSEMBLYMAN FOLEY: If 88 percent of the funding is developed through the casino industry, what is the utilization of that 88 percent funding, as far as lending to communities? I guess the successful nature of the lending-- The companies

that you create, or help to create, do they exist, or do they go out of business after the loan is developed? What is your percentage between utilization and the success rate?

MR. FINNIE: We have, to date, a \$2.9 million loan exposure booked. Of the \$2.9 million, approximately \$300,000 has gone into default. The rest of the businesses are open. Some are struggling, but they are established and are employing people. Our default rate, to date, has not been quite high.

What you have to understand is that with our program, the New Jersey Development Authority, we will not provide financing to someone, not unless they have already been turned down by a bank. So by the time we get a transaction, it is the best of the worst. Some have made arguments that our default rate could be a bit higher, but if we are going to do the types of things we need to do, we have to be prepared to take risks.

ASSEMBLYMAN FOLEY: I understand.

My second question on the 88 percent funding level is: What is that actual figure? Is that the \$2.9 million?

MR. FINNIE: No. Year to date, we have available to the Authority -- and it is a very complicated process -- \$12 million. Of the \$12 million, 88 percent, to date, must be spent in Atlantic City.

ASSEMBLYMAN FOLEY: And there is only \$2.9 million in the total program that is being utilized?

MR. FINNIE: To date, yes, sir.

ASSEMBLYMAN FOLEY: See, Mr. Chairman, that is part of the problem we are having, at least in my district, the rebuilding of Atlantic City. Part of the problem, I guess, is the dissemination of the information, because we are really not getting the message out. We have people who are constantly contacting the district offices asking how they can develop a business, how they can get some help from the State of New Jersey. I am glad to see that we are going to be disseminating

this information on, I guess, a quicker basis than we have in the past, and on a more informational level than in the past.

MR. FINNIE: Right.

ASSEMBLYMAN FOLEY: But I think to rebuild-- The question always comes about, especially in the Legislature from various members, "What is wrong with the experiment of Atlantic City?" I think this pinpoints what is wrong. We have a \$12 million fund, and just about 10 percent of that funding is being used -- or 20 percent of that funding is being used. Certainly something is wrong. Where do we go from here?

I think that what you are doing, and maybe appearances around the area-- I have had people call me from-- I had a person call me just recently, last week, from South Africa who wants to start a computerization training business here in the city. He said that he would like to do that because the educational levels in Atlantic City are down so low, and he felt that part of the problem he saw was the fact that they are not getting the proper training from the elementary level to the high school level. He wants to start a business to kind of do that -- start an entrepreneurial business where you could get computerization training. I thought that was an excellent idea. I am glad to see who I am going to turn him over to. He is having a tough time getting established in Atlantic City.

MR. FINNIE: We already have a graduate who plans to do that.

ASSEMBLYMAN FOLEY: Great. That is part of the problem.

MR. FINNIE: Right.

ASSEMBLYMAN FOLEY: The talk around our community is the fact that the 12 money machines are generating the capital we need to do something in our area for the State of New Jersey and for Atlantic City, and yet it is not being utilized. I can see that this is part of the problem. When you say that you have \$12 million of capable funding, and \$2.9 million--

MR. FINNIE: Yes, sir. A lot of that has to do with numbers. The majority of the populations are in areas outside of Atlantic City. The demand is far greater up North. I could spend, easily, \$5 million to \$7 million in one year up North.

ASSEMBLYMAN FOLEY: I am certainly not interested in you taking the casino money away from the city, while we are trying to get back to rebuilding the city. I would like to see us go the opposite way, but that is part of the problem.

MR. FINNIE: It helps the whole boat.

ASSEMBLYMAN FOLEY: Thank you, Mr. Chairman.

ASSEMBLYMAN ROMA: Thank you.

One of the areas that might be helpful in terms of advancing your efforts, not only working with each of the legislators in terms of letting people know through the information that you will be submitting, but also I found that the State Bar Association has been very helpful with a number of publications. If we could somehow work with them to foster these opportunities, it would provide another sounding board for getting the information out there.

MS. WILD: That is what we are trying to do, identify who is doing what out there, so we can try to pool these resources, rather than adding to--

ASSEMBLYMAN ROMA: Well, we have three hearings, I believe, that will be set up, North, Central, and South. You can work on that and the legislation to expand the program. Okay?

ASSEMBLYMAN FOLEY: Just another point: Maybe people like you could get in touch with rotaries and the Chamber of Commerce in our area. I think that would be very helpful. They are constantly asking for information on how they can develop small business. I certainly agree with you that about 90 percent -- well, 70 percent of the businesses in the State of New Jersey are small businesses.

MS. WILD: Ninety percent employ 100 or less, so it is a huge--

ASSEMBLYMAN FOLEY: If you can maybe set up meetings with the coordinating effort of business groups, like the BIA, the chambers, and the rotaries, it would be very helpful.

MS. WILD: Okay.

ASSEMBLYMAN ROMA: I believe we have some time constraints. I know we put you behind schedule, but we want to thank you for being here.

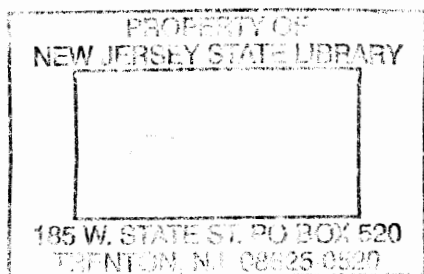
If I could see you for a moment, Assemblyman Mikulak is going to take over the meeting.

ASSEMBLYMAN MIKULAK: I will call on Pat Peacock, and C.M. Ramakrishna. Please come up and introduce yourselves to the Committee, and we will hear your testimony.

**P A T R I C I A P E A C O C K, Ed.D.:** Good morning. I very much appreciate the opportunity to talk to you about the need for continued entrepreneurial training and some innovative programs. I believe in the course of the morning you will hear more about the outreach and specifics of the Small Business Development Centers from our State Director, Brenda Hopper, and also from my colleague, Herb Spiegel, who is the Director here in Mercer County at the Community College Program.

Let me jump ahead and address some specific issues that I think are relevant for consideration. Today, the victims of the corporate downsizing bring a new challenge to the job training organizations. These bright, well-educated individuals agree to suppress personal fame, and sign on as members of a corporate team.

Our educational system, from its earliest first grade, has preached the basic tenet that personal success is measured by one's dedication and commitment to the organization. The organization's mission, however, has been significantly altered by global changes in technology. The organization, responding



to the most basic of needs, that of survival, holds now nothing sacred in its quest for the bottom line.

If this burgeoning population of displaced workers would eagerly retrain, they could if guaranteed a job, but then the question is: Train for what industries, and for what jobs? Research suggests that individuals will now change careers fully seven times before retirement. Therefore, individuals must be empowered to manage their employment careers. This will require a new way of planning, but more importantly, it requires an immediate infusion of new programs that will meet the individuals' needs today.

One of the challenges offered to us in Camden was to develop a unique program specifically tailored to address the needs of a group of engineers that had been severed from General Electric. To place these individuals into standard lockstep training undermines their integrity as professionals. As members of departments and teams, they understood traditional planning models. The goal, therefore, was to construct an entrepreneurial curriculum that capitalized on their working knowledge of planning models, and that planning structure is provided as an attachment.

The old social educational message of loyalty to the corporation or organization must be replaced with emphasis on personal commitment to change. It is imperative that new information and training concepts be disseminated to develop one's personal confidence, enabling them to participate as successful entrepreneurs.

What I would like to do is simply discuss with you several of the myths that are out there. One is that downsizing is only for the big guy. The press is a constant reminder of the trickle down effect of downsizing, because it is felt in our communities not only in the loss of jobs, but also in the loss of purchasing power, tax dollars, and an individual's personal worth.

The second myth: "If it happens to me, I will get another job." Companies today are taking a wait-and-see approach before filling vacancies. Many firms are turning to outsourcing -- which, by the way, is up 30 percent this past year -- as the fastest growing entrepreneurial opportunity as a source for temporary qualified help. Full-time work, complete with benefits as we know them, is the exception today, not the rule.

The third myth: That entrepreneurs are born, not made. Contemporary business literature is full of examples of successful entrepreneurs who trained in the corporate environment or in the military. There is a growing body of evidence that identifies success with the ability to plan your work, and work your plan. To that gain, I took a couple of very popular textbooks in management, as well as in small business, and I gave you a comparison of traits and characteristics.

The fourth myth: Company managers cannot make it as entrepreneurs. There is a widely held, but to date largely untested belief that past work experience is a better predictor of decision, performance, and behavior than education. Research substantiates that experience with an industry provides an entrepreneur with certain key competencies and insight information needed to recognize opportunity and manage risk.

The fifth myth: All novice entrepreneurs are alike; therefore, a standard textbook approach would work. Contrary to popular belief, entrepreneurs are energenic and driven personalities, often put off by traditional educational methods of training. Research identifies today's entrepreneur as brighter than the general population, and willing to take their role within their community through participative activities. Nontraditional, highly customized approaches to small business

management training are essential, if the essentials of proper business management are to be practiced by this new breed of owner.

So given these points, I ask that this Committee now consider the role of the State of New Jersey in creating an entrepreneurial climate, and suggest the following policies:

Access to entrepreneurial training: The problem is that individuals who have been laid off from middle and upper management positions are unlikely to find similar upper management positions at similar pay scales. The scattered approach of entrepreneurial training or the inadequate approach and resources through local programs leaves these highly qualified individuals frustrated and angry with a system that would prefer to send them to a basic skills program. In large part, their referral source often comes from JTPA-type programs -- and by the way, in deference, I do sit on the Camden County PIC, as well as the Camden County Workforce Investment Board.

"The problem is that historical unemployment is from minimum education and minimum set skills, and the JTPA offering truck driving to degrade engineers is a clear mismatch," and that is a direct quote taken from one of the candidates to our program.

Solution: Provide an open enrollment, state-of-the-art high skill level entrepreneurial training program. Many prototypes exist in SBDCS.

The second is access to money. This is an issue that requires policy change. The problem is that individuals who have been laid off, other than limited benefits provided under Unemployment and Disability, are not able to secure traditional funding sources. Without a stream of income, they cannot demonstrate their ability to service the debt. Likewise, while they may have assets tied up in the form of equity in their property, unless the property is liquidated the owner cannot access these dollars.

Solution: Access to a limited or restricted line of credit or short-term loans that require interest only for a defined period of time -- for example, six to twelve months -- to allow the new business to get established, to allow the use of collateral available in their homes through pledging the property, and to require to tie to all loan packages a business plan.

Permit individuals receiving UDI benefits to apply for a lump sum payout, is specifically to start a business, and accompanied by a detailed business plan.

The third policy for consideration: Technical support following the loan. The problem: Without guidance, individuals are often at risk to apply the loan proceeds to purposes other than those detailed in a proposal.

Solution: Consistently apply standards of reporting, including the firm's marketing goals -- the expected versus the actual -- and encourage all funding sources to require continued technical support of small business loan programs.

The fourth policy: Consider nontraditional management training. The problem: When struggling to start a business, individuals often seek only enough instruction to get them started. As the company begins to grow, they are caught up in the momentum of change, and set their need for information aside.

Solution: Require regular training through a variety of contemporary media; for example, videos, workbooks, audiotapes for the seminars, with a feedback component. Information that is not understood and delivered in a format that cannot be applied to a business, is information that is soon forgotten. I very much like Bryan Finnie's approach of the Board of Directors. We use a similar approach.

The fifth policy: Streamline and improve government information dissemination. The problem: Unless the owner is plugged into the network, their access to regulations and

compliance is limited, if not nonexistent. For example, the perception is that the New Jersey DEP regulations are among the most burdensome in the United States.

Solution: Ask primary government agencies to share and disseminate information on a consistent basis.

Another solution: When a trade name is registered or a certificate of incorporational partnership filed, transfer the key information -- company name, ownership status, address, and phone number -- to a database, and then use the database for monthly or quarterly bulletins that highlight all issues pertaining to State programs, regulations, and/or compliance. Charge a subscriber fee, if necessary, but create a tool that disseminates changes in the law as applied.

The sixth policy: Create incentives to encourage small business to do business in New Jersey. The problem: The perception is that companies are treated better in, for example, the State of Delaware, the southern states, or the midwestern states, which offer timely assistance in site selection, funding packages, and technical assistance.

Solution: Forgive certain taxes for a predetermined period of time. Create hiring incentives with tax credits, and include the new owner/operator as eligible for tax credits.

The seventh policy: Provide technical information to outsourcing professionals. The problem: Well-intentioned job counselors direct individuals into small business opportunities without a safety net of entrepreneurial assessment, training, and support.

Solution: Develop and reinforce a statewide handbook for distribution to the outsourcing specialists, including the preferral to the area SBDC programs.

Along that same route, I have with me a colleague who has come through one of the tailored entrepreneurial training programs that the School of Business at Rutgers, Camden, has

provided. C.M. Ramakrishna is here to tell his own story briefly.

**C. M. R A M A K R I S H N A, Ph.D.:** Good morning. My name is C.M. Ramakrishna. Ramakrishna, by the way, is my first name, or given name, and C.M. are my family initials.

I have a Ph.D. in electrical engineering, with communications engineering and antenna engineering as specialties. I have worked as a systems analyst and software design engineer. I also served as a project manager on an explosive detection project under a contract with the FAA.

I was a victim of the recent downsizing occurring at many major companies. I got laid off in October 1991. Since then, I have not been able to get any job, even a sales position in any supermarket or department store. Even though I applied for hundreds of jobs, I hardly had two interviews.

I am also an expert in yoga exercises. The yoga philosophy and the yoga way of life can resolve many societal problems we have today, like racism, religious bigotry and fanaticism, health care mess, greed, corruption, and violence.

I would like to mention at this point that my wife and I have not had any insurance since March 1992 -- no medical insurance, no life insurance, no disability insurance -- so we can't even go to a doctor.

Therefore, I thought of opening a yoga center. With that idea, I took an entrepreneurship course in April, May, and June of 1992. From that course I learned a lot about starting a small business: the importance of cash flow, the importance of writing a business plan, the pitfalls involved in starting a small business, the probability of success, and so on.

Before opening a fullfledged yoga center, I decided to test the water, so I started a yoga class in the basement of my house. The class grew to six members, but after six months it dwindled back to zero again. I did start a yoga class in the

Cherry Hill Jewish Community Center, because they expressed an interest, but that, too, did not succeed.

I am apparently poor in marketing. Further, my foreign appearance and my foreign-sounding accent might have been contributing factors.

My wife and I are opening a small family day-care center. It is keeping us just above water. I am going to expand this center, if possible. For that purpose, I am getting a great deal of help from the Regional Small Business Development Center in Camden. Even though I did not succeed in opening the yoga center, I can say categorically that the help I received from the RSBDC was a great help, in that I did not fail catastrophically. I strongly recommend that the program to help laid off employees to become self-employed should be continued, and even expanded, if possible.

Thank you.

ASSEMBLYMAN ROMA: Thank you.

Questions? (no response) I have one question, and Assemblyman Foley, I am sure, will have a couple of questions.

In terms of the initiatives you were outlining, we will agree that more needs to be done in those areas to the extent that we can focus and have some pilot programs, or expand current programs.

I am familiar, also, with the JPTA, the PIC, and various programs. Do you know how we worked out the Workforce Development by utilizing moneys from the Unemployment Insurance Fund? Have you given any thought as to where we might have the additional funding for programs like this? In other words, what might be the funding source? We have two options here: To take away from something that already exists, or to create some additional opportunities.

MS. PEACOCK: Perhaps, though, we can look at a compromise. Perhaps rather than charting individuals into some standardized training programs that are under the auspices of a

variety of sources -- even our JTPA doesn't just use sources from the Department of Labor funds -- if we could look at perhaps blending some of these packages, doing a different type of preassessment.

One of the major issues I believe that the middle manager confronts is their fear of making the change into a business ownership career, which is why I have now taken to the task of comparing the traits that make them a good manager versus a good entrepreneur. If we can create entrepreneurship as a legitimate career choice-- I think it is seen on the periphery, and unless one can come to the front and say, "I believe I want to own a retail store," for example, or, "I want to start an education or training center," or provide other kinds of services, we tend to step back and not consider that to be legitimate. So if we could take a look--

I would be happy to work toward that end on the Committee, but I think we need to take a look at other options.

ASSEMBLYMAN ROMA: I didn't mean to put you on the spot. It is just that as we are talking about the idea, and it is a good idea, if you could give some thought to how those programs might be funded, I think that would be helpful.

MS. PEACOCK: It is a good challenge, because even in Camden County we are one of two counties that received a WIB grant. We are struggling with helping the business community evaluate what they really need in terms of skill and technology for the 21st century, and then going back to all of the educational delivery services and finding out what they have and what they have not, so that we can, in fact, tell someone who asks in Camden County what is available, that, indeed, is there.

ASSEMBLYMAN ROMA: For the benefit of the Committee, you know, we are familiar with a number of the initiatives, but in terms of those types of businesses that women become involved in in terms of entrepreneurs, do we have specific

categories, or can you give us some idea of the nature of those areas where they have succeeded?

MS. PEACOCK: We find that many women in the past have tended toward service businesses. I believe there have been studies coming out of the New Jersey Association of Women Business Owners suggesting that perhaps over the long haul in the small individually owned companies, their opportunity for financial success is not as powerful as women to go into fields of math, science, and computers. Women are now graduating from colleges with some very powerful sets of educational tools, and they are looking at many of the competitive industries that offer greater opportunity.

In the past, though, I think they generated toward the skills that they have known best, and in many instances these skills have limited their earning potential. But we are seeing a far better educated population across-the-board, much greater interest on the part of women in terms of creating companies where they can set the quality standards and they can forge their own path. I think you will see a balance sometime.

ASSEMBLYMAN ROMA: You are a very interesting person. We look forward to working with you on these initiatives.

MS. PEACOCK: I welcome that challenge. Thank you.

ASSEMBLYMAN ROMA: Assemblyman Foley?

ASSEMBLYMAN FOLEY: Yes, through the Chair, I would just like to congratulate you, Ms. Peacock. I appreciate that when you come up with problems, you also come up with solutions. I think that is fantastic. What we usually hear in government is what the problems are, and then allowing the solutions to be run around the corridors.

I really appreciate what you have done here. In fact, I just want to ask you a question: Under our current Unemployment system, it is my understanding that there are no programs to help the entrepreneur, according to your records. Is that a fact, or are they dedicated to go somewhere else?

MS. PEACOCK: In our counties in southern New Jersey, there are limited opportunities for entrepreneurial training. If you are unemployed, the tendency is to place you in existing curriculums to teach you a new skill -- computers, for example, truck driving, and the like. My recommendation is that we do a better job of preassessing. That was the second set of materials I gave you to read and peruse.

We have just begun to do an assessment battery using one of the tools called the Myers-Briggs, which does validate, at least initially, through the first year of follow-up, that individuals who have been trained and coached over a long period of time can, indeed, forge the confidence quality that is necessary for business success; that all other things being equal, most of them come to the table with equal characteristics of successful entrepreneurs. So we can move toward that.

So it is a matter of testing the waters, because, again, when you talk "entrepreneur," and you talk to a JTPA board, we understand it intellectually, but we want to see delivered results. When we used to micromanage and we would review all of the contracts in Camden, if we could not see demonstrated results, we weren't very interested in suggesting that our group continue it.

ASSEMBLYMAN FOLEY: I particularly liked the committed individuals who are receiving UDI benefits on a lump sum payout basis, if they provide the -- if they do a plan. I think that is an excellent idea.

MS. PEACOCK: Thank you.

ASSEMBLYMAN FOLEY: I would hope that this Committee would try to incorporate some of the suggestions you made into the Unemployment Insurance. That's great.

Thank you.

MS. PEACOCK: Thank you.

ASSEMBLYMAN MIKULAK: Thank you.

Herb Spiegel and Pamela Dempsey, would you like to come up and testify?

**H E R B E R T   S P I E G A L:** Good morning. You will be happy to know that I do not have a prepared statement to read.

My name is Herb Spiegel. I am the Director of the Small Business Development Center at Mercer County Community College. I am a 26-year veteran of being a small-businessperson. This is a second career for me. I have been at Mercer County for-- I am starting my ninth year. I recently returned from Russia, where I was selected to start the first Small Business Development Center in all of Russia. I mention that because I think fledgling entrepreneurship in Russia is probably the quintessential system.

We all have different ways to approach our dealing with small-businesspeople, and there is no way I could ever be, or SBDC could ever be against helping outsized, outplaced people to become entrepreneurs. I am here just to give a little bit of a warning. As my colleague, Pat Peacock, mentioned, there are many, many characteristics of entrepreneurship: the risk taker, which I have heard today, the person with management abilities. I think far down on that list of characteristics of entrepreneurship would be, "I lost my job."

I just want to issue a warning of the utilization of the Small Business Development Centers. I was really a little bit surprised this morning by the number of Assemblymen who are not aware, or whom I do not think are aware, of our particular duty and our particular mission here in the State of New Jersey; a mission that we are very proud of. Our State Director, Brenda Hopper, is going to follow me, I am sure, and speak about the Small Business Development Centers.

You have a jewel here in this State. You have eight regional Small Business Development Centers that stretch from

Atlantic City, to Camden, to Monmouth County, to Mercer County, to Warren County, to Bergen County, to Essex County, and so forth. We stretch the State. If someone is preparing for entrepreneurship, we're there. Each Small Business Development Center -- and Brenda will speak about the statistics, I am sure -- sees hundreds of would-be entrepreneurs a year. We provide training for thousands of people. We are a great resource out there. I am not here to sell the Small Business Development Centers. I think that with a little research and the presentations you are going to hear later, you will agree that we happen to have a jewel here in the State of New Jersey.

I am here to talk to you about utilizing these Small Business Development Centers, because I am alarmed at statistics which are not very often mentioned. We all hear the statistics that 70 percent to 80 percent of all businesses in the State of New Jersey have 10 or less employees. We know that. We know that 52 percent have four or less employees. What we do not talk about is failure. This is what I am concerned about.

I have brought here a study done by Bruce Caretshaw (phonetic spelling), who is from the New Jersey Institute of Technology, who has studied the destiny -- and eight-year destiny of small firms that were formed between 1977 and 1978. If you would just take a second to look at these statistics, you will notice the businesses that do not last. You will see that of the 100 percent figure here, only 28 percent survive in an eight-year period. You will see that their ownership changes. You may want to call that survival, but the original owner is not there. You can see that they closed the business voluntarily, or a complete failure of 18 percent. Businesses do fail.

Now, the Small Business Administration, the Office of Advocacy, recently released statistics on small businesses in New Jersey. Business bankruptcies in New Jersey showed an

increase of 19.8 percent, while nationally there was a 1.1 percent decrease. Those are the 1992 figures. In business failures, which are people who do not know how to go bankrupt, New Jersey only showed a rise of 2.3 percent; nationally it went 9.9 percent, which shows me that New Jersey businesses are cognizant of the bankruptcy laws.

I just feel, very, very strongly -- and P.J., who is going to make a presentation-- I feel very strongly about proper utilization. I am concerned about people going out of business. I am concerned about giving money to people who just because they are down, they are outplaced. I think they need proper training; they need proper counseling; they need proper handholding, whether it is done by the Small Business Development Center, which obviously I want them-- I feel we are the best equipped to do this. I feel that just the handing of money has to be controlled in some sort of a way so that these people are prepared.

The cause of bankruptcy is poor management, usually not lack of money. As I said from the onset, there is no way to be against entrepreneurship. My life is entrepreneurship. I just feel we have to be very careful, and that we have to make sure that we have the people trained and the people mentored.

P.J. Dempsey is the owner of a-- She objects to the term "a woman business," because I think we have gone beyond that stage. She is a business owner. She happens to be the owner of a personnel agency, a human resource development firm in Princeton. P.J. started a workshop -- I guess Assemblyman Roma would be very much interested in this -- for women only, which we do twice a year in Mercer County. It has been extremely successful. We have had a thousand people go through these workshops. P.J. also helped me to start a Small Business Development Center in Russia, and also we provided counseling and training for people in the Volgograd region.

ASSEMBLYMAN ROMA: Before you head off to another country--

MR. SPIEGAL: Yes, I'm sorry.

ASSEMBLYMAN ROMA: --we will invite you up to Bergen County. (laughter)

**P A M E L A (P.J.) D E M P S E Y:** My name is Pamela Dempsey. I am an entrepreneur, and have been an entrepreneur for 10 years in the State of New Jersey. This year I am celebrating -- in July -- my 10-year anniversary, which is a real milestone because after '91 and '92, I wondered if we had any entrepreneurs left in the State of New Jersey. However, I am happy to say that a lot of us survived.

When Herb called to tell me about this, that you were looking for an entrepreneur to make a presentation here, I had to think long and hard about what I was going to speak to you about. The first thing that came to mind was, I never met a person who told me they wanted to be an entrepreneur, but couldn't. I have only met people who have become entrepreneurs and told me what they went through to become an entrepreneur.

I do not believe that if anybody wants to be an entrepreneur that they can't find a way and the means to do it. As a woman who started a business 10 years ago with no money, no collateral, no other source of income, you find a way to do it. Now, I will also tell you that I am a member of the Mercer County College Small Business Advisory Board to Herb. I believe in the Small Business Development Centers 100 percent. I have referred thousands of people to the Small Business Development Center, and I find a tremendous need for entrepreneurs to have a place like this to go.

But probably the experience I had before I became an entrepreneur is what influenced me the most to come here to speak to you; that is, I worked for a franchisor in New York, where I put people in business all over the country for a franchise organization. The selection process that we went

through as a franchisor was incredible, because a lot of people who had the money, who were in middle management, who had what appeared to be all the resources to go into business, had the right educational background, had the means to do it, could not survive entrepreneurship.

Now, it sounds to me like what the State is talking about, or what the proposal is, is to become a franchisor to fledgling entrepreneurs, because it is not just the money, it is not just the time, it is not just the support. When you are the person whose neck is on the line, and you have payroll obligations for 5, 10, 50 to 100 people, all the training, all the help, all those things cannot help you at that time. I mean, there is a certain type of person to become an entrepreneur.

I am thrilled that you are all interested in entrepreneurs in the State of New Jersey, and I am thrilled that Small Business Development Centers are around. I would advocate, as an entrepreneur, that what entrepreneurs really need is the opportunity to seek information and advice; that Small Business Development Centers give us the access to bankers, to attorneys, to accountants for some free advice, because that is what you need when you are an entrepreneur starting out. Probably you know what you're doing if you are going into a business that you want to be going into, but it is the other parts of business that you don't know about. It is the other parts of business where you don't know you are going to have to become your own attorney, your own accountant, your own marketing department. All those things go into being an entrepreneur, and you can't learn all those things. You learn them as you go, and you learn them by your mistakes.

To have places such as the Small Business Development Centers where you can go for that kind of free advice for people in the beginning would be such a marvelous step and a marvelous help. I am not sure that just funding people and

letting them go is really the right way. I am saying give tax credits; absolutely, give tax credits to entrepreneurs. If 90 percent of the business in the State of New Jersey is from entrepreneurs, for God's sake, help them with tax credits. That is one thing that would really help.

It is a very lonely profession when you are an entrepreneur, but to have places like the Small Business Development Centers, to have information from the State that will help you continue is what you need most.

So I would make my plea that when you decide what you are going to do with funding to help entrepreneurs, talk to entrepreneurs. Establish an Advisory Board from entrepreneurs. Entrepreneurs are people who love to help other people go into business. I have talked to countless people. I have an employment agency. Over the past 10 years, I have put thousands of people into business. I have many people who have been outplaced, but I have never had somebody say, until the past week, "I never thought about being an entrepreneur until somebody said they would give me money."

Well, I do not think this is the right way to find an entrepreneur. I don't think these are the kinds of people who are going to be successful. I would encourage you to think about those things.

I certainly would not encourage you to support entrepreneurs or provide programs to assist entrepreneurs, but I am just saying how you monitor people going into business and what responsibility you have for putting people into business, how you choose who should be going into business and receiving funds as an entrepreneur, are some things that I would be very cautious of.

ASSEMBLYMAN ROMA: Before, when we were talking about different ways of getting the information out -- and you have done an outstanding job, and I applaud you -- I mentioned the possibility of working with the State Bar Association and other

groups. From time to time, we have special seminars. The Institute for Continuing Legal Education is designed for a practitioner. Perhaps what could be done in each of the counties would be to have a similar type of program with the people who are most helpful, either in the Bar Association or the financial institutions or the State, to be available for some type of seminar, if you will, and invite people who would like to participate.

MR. SPIEGAL: Assemblyman, we use them. In fact, as I mentioned, the Small Business Development Centers-- I see an entrepreneurship opportunity here for day care, too. (laughter) I think I heard that. Anyway, we do something called-- We provide something called a "Prebusiness Workshop," which is absolutely marvelous. I'll tell you, it is a \$44 program. It starts with a breakfast; it also has a lunch. We start with an attorney, who comes in and talks one hour on legal formations. We have an insurance person; we have an accountant, a CPA who is there for an hour and a half. A person can come for an entire day and get an overview of what it is to go into business.

All of the Centers have feasibility workbooks, or certainly workbooks, which show people what they need to go into business; what it takes; how to do -- what marketing is available. We have these available. I may sell a few cheaply, so just be careful. I see the--

ASSEMBLYMAN ROMA: This is not being done all over the State.

MR. SPIEGAL: Pardon?

ASSEMBLYMAN ROMA: This is being done in certain areas.

MR. SPIEGAL: Well, you were out when I mentioned that we start: Atlantic City, Camden, Brookdale, which is Monmouth County, Mercer County, Warren County, Bergen County, and Essex County. That is nine Centers throughout the State of New Jersey. I think we really cover the waterfront.

ASSEMBLYMAN ROMA: Could you send some complimentary copies to the members of the Committee, so we can look over the merits of your program?

MR. SPIEGAL: Absolutely. It will be my pleasure. You can start with the first one. I'll show you what kind of a guy I am.

MS. DEMPSEY: I would just like to add to that that while having these seminars is very helpful, the one thing that I did mention was having resources, not when you can just go to a seminar. Unfortunately, as small entrepreneurs, you cannot take time away from your business to go to a seminar, as much as you would like to, because your offices are not big enough. So if you leave that day, or you want to go that morning, maybe there isn't anyone to back you up, and you cannot afford to miss the business. So it is a great idea, but also in addition to that, it would be great if you could have an ongoing, like, help line that entrepreneurs could call and get this kind of information on a daily basis when you need the information. I mean, sometimes you are sitting in your office at 7:00 at night, and you certainly can't get people to volunteer for that, or at 10:00 in the morning you have a crisis, and who do I call?

Those types of things would be extremely valuable to entrepreneurs. I mean, that information when you need it and how you need it. For people who are already juggling 5000 things at once, time is of the greatest essence to an entrepreneur. So I think having access-- Many times I have called Herb and said, "Oh gosh, who do you know?" I can't tell you the benefit and how many people I have referred, but it would be really great to promote programs like that, that make it easy for entrepreneurs to participate, not just training in seminars and things, but ongoing training, or help lines, or hot lines, things like that.

ASSEMBLYMAN ROMA: Thank you.

Questions? (no response)

MR. SPIEGAL: If you will provide me with a list of the-- How many do we need? I will just send them all to you. How many are on the Committee?

MS. SMARTH (Assembly Majority Staff): Seven.

MR. SPIEGAL: Seven. We also have business plan outlines, fill in the blanks, and so forth. I will send those also. If you need consulting, you can come to see us.

ASSEMBLYMAN ROMA: Thank you. Have a good day.

MS. DEMPSEY: Thank you.

MR. SPIEGAL: Thank you very much.

ASSEMBLYMAN ROMA: Peter? This will be the first time that the Commissioner-- Is it now official?

**A C T I N G   C O M M .   P E T E R   J .   C A L D E R O N E :**  
It's still Acting. I was before the Judiciary this morning. I had my Judiciary hearing and my Commerce Committee hearing this morning.

ASSEMBLYMAN ROMA: That is the most difficult aspect, I think, getting a hearing over there. We want to congratulate you, with successful passage and clearance by the Senate Committee.

ACTING COMMISSIONER CALDERONE: Thank you very much. I appreciate being here today, because this topic is very important to me.

New Jersey has become a State for business to grow and prosper. Governor Whitman has emphasized that New Jersey is open for business. Such an environment is particularly important to entrepreneurs, who need proactive and business-friendly services from all levels of government and the banking and investment community.

Recently, we revised our job growth numbers to now show that nearly 80,000 new or additional jobs have been added in New Jersey since the March 1992 low point of the recent

national recession. Much of this growth was found to be based in small and developing companies. Moreover, many of these enterprises had been started by risk-taking individuals who had been misplaced in their former employment by corporate or other downsizing. Offering entrepreneurial training skills for newly displaced workers who have the inclination and ability for such opportunities is, in my judgment, a good investment for New Jersey's economic future.

New Jersey has long recognized the need to assist displaced workers. In July 1986 through June 1987, the New Jersey Department of Labor, with the cooperation of the United States Department of Labor, initiated a program entitled the "New Jersey Unemployment Insurance Reemployment Demonstration Project." The purpose of this pilot project was to examine whether the Unemployment Insurance system could be used to identify displaced workers early in their unemployment claims and provide them with intensive services geared toward accelerating their return to work. These services included: job search assistance alone; job search assistance combined with training; or job assistance combined with a cash bonus for early reemployment.

By the end of the trial period, over 8000 claimants were offered the services, and the outcome of the program indicated that persons who received these benefits became reemployed sooner than those who did not participate.

This pilot provides evidence that well-tailored services to identified individuals can produce results that are beneficial to displaced workers and the overall economy. I believe this would also be true for a properly developed program that is specifically designed for entrepreneurial training for individuals who want to establish new or start-up businesses. Such a process could be coordinated with the individual grant procedures under the Workforce Development Partnership Act, or other programs.

I also note that the Federal government enacted the Self-Employment Assistance Program as part of the North American Free Trade Act. This Program would permit individuals to receive Unemployment Compensation benefits while attempting to establish a business and become self-employed. These individuals must be eligible for unemployment benefits and be identified through a profiling system as eligible for intensive training services.

New Jersey has currently applied for Federal funding for profiling initiatives. For New Jersey to participate in the Self-Employment Assistance Program, changes to our Compensation law may be necessary. We intend to discuss this matter with the Employment Security Council, the statutory advisory board to this Department on employment issues at its June 1994 meeting.

The issues raised in this public hearing are important to the Department of Labor, and I look forward to working with you in this endeavor.

Thank you, Mr. Chairman.

ASSEMBLYMAN ROMA: Thank you.

As we were taking testimony on a number of initiatives, we found that most of the businesses -- some 75 percent or 80 percent -- were small businesses, usually with 10 or less employees. We started these hearings with an idea of, "What can we do in order to foster additional business?" Every time we seem to turn around in our district office, there is a question raised about, "How do I get started? What do I do?" The frustration and the difficulty of starting a new business is an awesome task for someone who is wondering about the financial commitments, the legal information necessary -- "Will I be able to make the bills? Will I be able to take care of the business?"

We talked about ways of expanding the information we have. Apparently Commissioner Medina will have booklets

available to send out. But here is an excellent opportunity, working with your Department, to enhance those job opportunities. It seems as if we have a really good opportunity to promote business opportunities. I would like to see this as a priority, in terms of working with you and working with Commissioner Medina and the administration.

It seems that there are a lot of people out there with those questions. Every now and then they run into an obstacle and they are not quite sure how to handle it. Having an Ombudsman, if you will, someone particularly tuned in to getting those questions answered, would be extremely helpful.

ACTING COMMISSIONER CALDERONE: One thing, Mr. Chairman, I was at a session recently where we had individuals who had started small businesses. I was amazed that they did not know, as you indicated, where funding was available. They had not heard about the Economic Development Authority, the Urban Development Authority. I sit on those commissions, so I am very concerned that there isn't this knowledge out there.

In fact, one individual who spoke said that he had gone to banks, he had gone to his own accountant, and no one ever heard of the EDA. He had read an article in the newspaper, and that was the only way he found out about it. He called, and they were very accommodating. But it took almost a year to get the funding, because he did not know of any source, and neither did the professionals, which really disturbs me. So what you are suggesting, working through the Department of Commerce, is absolutely essential.

ASSEMBLYMAN ROMA: We talked about the idea of having some hearings across the State, or some type of panel, if you will -- North, Central, South -- so that at least the message would be getting out there. All too often, we have many good ideas, but not enough people are getting them all. We have to repeat the message.

The other aspect we heard was in terms of the funding. I guess with the legislation that was passed, a disproportionate amount is being used in one area of the State, versus a total program. While we recognize the need to build up Atlantic City, at the same time we want to try to be fair with other people as they are establishing businesses.

ACTING COMMISSIONER CALDERONE: I concur.

ASSEMBLYMAN ROMA: I don't know where those additional dollars will come from, but it seems to me that it would be a very good investment and we would be rewarded many times over.

ACTING COMMISSIONER CALDERONE: You are absolutely correct. Our statistics and numbers show that that is where the job growth-- Small business, start-up business is the real growth in our State.

ASSEMBLYMAN ROMA: One of the ideas-- It is wonderful when you have such qualified staff members as Deb Smarth. She just gave me an idea to pass on to you. We have these 1-800 numbers. I have to tell you, sometimes when we are all calling and trying to get in touch with the various departments to be able to do certain things, it sounds a little hackneyed, but having a 1-800 number where it would be an entrepreneur line for these sorts of questions, where someone is on-line-- If someone said, "What do I do in this particular case?" the answer could be, "Well, let me send you out the publication. Meanwhile, let's see if we can send you over to a department that might be helpful."

These are the sort of questions we get in the district offices on a daily basis. We do not function in the capacity of accountants, brokerage members, or attorneys, even though we try to help out in those categories. We just need to have a little more of an ability for someone to be able to call one number and get through to the proper department. Perhaps that would be a good start, having the 1-800 phone number for entrepreneurship, and showing them that New Jersey is not only

going to be business friendly, but attracting those sorts of opportunities. People would be less intimidated in starting up a new business.

ACTING COMMISSIONER CALDERONE: That is an excellent idea. As you may know, we have a Business Resource Network that works between the various departments. They are on-line. Companies that are in start-up or that are having trouble can get on the network. But the important question you raise is, "How do companies, especially new companies, know about our resources?" Maybe through the Business Ombudsman's Office we can develop that kind of a line. If it is something that needs assistance from the other departments, it will be put on the Business Resource Network.

ASSEMBLYMAN ROMA: I think Deb has a question.

MS. SMARTH: I am going to work out--

ASSEMBLYMAN ROMA: She is going to follow through on something, but we need to get more information out there as to how someone can access the materials. I think the idea of the 1-800 number would be helpful. Someone could call, and at the very least, after they have called that phone number, they would receive the package of information as a starting point.

Questions? Assemblyman Foley?

ASSEMBLYMAN FOLEY: Yes, if I may, through the Chair. I spoke to -- I believe she has left the room -- Ms. Peacock, from the Rutgers Campus in Camden. We came up with an idea and a solution. Permit individuals receiving UDI benefits to apply for a lump sum payout specifically to start a business, accompanied by a detailed business plan.

In your testimony, Commissioner, you're saying that you are going for some changes in the law. Would you be acceptable to a change like that?

ACTING COMMISSIONER CALDERONE: Well, you raise a very good point, because one of the provisions in President Clinton's Reemployment Act is just that; to allow bonuses --

incentives for individuals to get off Unemployment and start up businesses. You would be able to get a lump sum early on in your filing, and the money could be used, of course, to start up a business.

That is not allowed in the current Federal law. We had a demonstration project, as I indicated, where we did provide for early bonuses to get people off Unemployment. What I indicated before, which is allowed now under the NAFTA legislation, is to allow individuals to get Unemployment while they are starting up a business.

My understanding, after reviewing the statute, is that it may need a statutory change, because they would not be looking for work. One of the provisions in our current law is that you look for work. If you were starting up a business, you would be disqualified at the local office. We may need a provision in the current law that would say -- to comply with the Federal legislation -- that you were either looking for work, or you were starting up a business that is acceptable under the Federal law.

ASSEMBLYMAN FOLEY: There are a couple of other questions, or just statements: I am glad to hear from our Chairman about the Ombudsman program, which was Executive Order No. 15, I believe, from the Governor. I submitted a bill to make that permanent, myself and Assemblyman Cohen -- to do just that.

I hate to put you on the spot, but I am going to have to: Do you agree with that decision? I wholeheartedly agree with the Governor's position that that should be coming from the Secretary of State's Office, so that person can expedite, within any office of the State of New Jersey, whether it be Personnel, Labor, Commerce, or any other portion of State government--

I would hope that maybe we could get some positions out on this through Labor to try to back up, hopefully, what

will be my legislation. You never know, but that is one thing I will be looking for.

ACTING COMMISSIONER CALDERONE: Well, we do. One of the early things, when the Office was created, I sent my people who run the Business Resource Network to get the Secretary of State's Office on-line. So they are now connected to Commerce, DEP, Labor. It is very critical that we communicate with each other all the time. What happens is, highly skilled individuals in our Departments meet very often, to talk about all the companies that are on-line and what still has to be done. What is going to be the lead agency?

But you are absolutely on point. You need one person to be identified by the Governor as having the Governor's authority to be the Ombudsman. In the Secretary of State's Office, you also have the corporate filings and everything right there. They can assist early on in getting that company started. The other agencies are absolutely critical, too.

It is interesting. I met with the Business and Industry Association yesterday. They talked about a suggestion that maybe for new and start-up companies we should not be charging Unemployment tax, because the intent there is that these will be new jobs being created, that we would not have the Unemployment tax anyway. Give them a leg up off the ground.

I guess we would have to research that. But what was important was, these ideas are coming forward. There is an awareness that new and start-up companies are actually critical to our economy.

ASSEMBLYMAN FOLEY: Thank you, Commissioner.

ASSEMBLYMAN ROMA: Further questions? (no response)

As always, it was a pleasure to see you.

ACTING COMMISSIONER CALDERONE: Thank you, Mr. Chairman.

ASSEMBLYMAN ROMA: I believe the next two speakers will be Dick Tyler, Rutgers University, and Brenda Hopper, State Director, New Jersey Small Business Development Center.

R I C H A R D   B .   T Y L E R: Good morning.

ASSEMBLYMAN ROMA: Good morning.

MR. TYLER: My name is Richard Tyler. I am the Project Manager of the Center of Entrepreneurial Studies, which is a joint venture affiliate of Rutgers University's Small Business Incubator. I appreciate the opportunity to be part of this hearing.

For the past three years, I have served as the PI -- the Principal Investigator -- in attempting to implement a statewide program to provide entrepreneurial training to displaced, dislocated, unemployed individuals. In that capacity, I have been able to examine the majority of available resources and government policies and practices related to entrepreneurship for the unemployed.

My testimony will cover three areas: I want to give you some recent history of self-employment for the unemployed that you may or may not be aware of. I want to give you the results of some of my investigations regarding the type and availability of unemployment. I want to provide you with some statistics related to the cost-effectiveness of self-employment.

During the recessionary period between '87 and '92 -- maybe '86 and '92 -- it became evident to those of us teaching entrepreneurial development that there was a population segment of potential entrepreneurs being created from displaced and dislocated workers out of large firms that were being downsized out of their careers.

The figures indicate that between 12 percent and 14 percent of the unemployed had undertaken some degree of self-employment. Even in nonrecessionary periods, it appears that 8 percent of the unemployed had formed their own business ventures. It is now safe to say that the government entity most involved on a continuing basis with the country's largest population of potential entrepreneurs, and the government entity that would have a compelling interest in promoting

entrepreneurship is not going -- is no longer going to be the USBA or the Department of Commerce, but the Department of Labor.

Appropriately over the past few years, the U.S. Department of Labor has been developing promotional policies and programs on entrepreneurship and self-employment. Some items should be a part of these hearings. They are:

The concept of unemployed becoming self-employed is not unique. Unemployed individuals receiving assistance from government entities to form their own business is not a new concept. Several other countries have, for many years, had entrepreneurship for the unemployed as a reemployment vehicle. Among the industrial nations, there are several countries that have been operating programs to encourage the unemployed to create their own jobs through financial grants and other assistance. Programs exist in: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, and Sweden. It appears that of the industrialized nations, only the U.S. and Japan do not have self-employment as an activity of unemployment programs.

The two largest systems are the French system, which gives a lump sum payment of \$7200, and the British program, which gives ongoing self-employment payments of \$66 a week for a year.

Accordingly, in this country, the Unemployment Insurance system initiated two self-employment demonstration experiments. In September of '87, the Unemployment Insurance Self-Employment Demonstration Program was initiated in the State of Washington under a joint agreement between the Department of Labor and the State of Washington. Subsequently, a second self-employment project was implemented in the State of Massachusetts. Those demonstrations have just been completed. The difference between the two was that the

Massachusetts demonstration project provided ongoing cash insurance income; the Washington system had the lump sum system.

Some 10 or 12 years ago, I was a Principal Investigator, and subsequently the Founding Director of what is now the New Jersey Small Business Development Centers, about which you have heard something, and you will hear more from the current Director. I was also affiliated with the Rutgers Minority Investment Company. That firm, headquartered at the Graduate School of Management, is the only licensed small business investment company owned by an institution of higher education. It is 25 years old. They have been making investments and loans to small businesses for those 25 years.

During those same years, I was an instructor in the entrepreneurial courses at the Graduate School of Business. Of the more than 400 or so graduate business students who took these courses, less than a dozen went into business for themselves. From discussions with other instructors and other schools around the country, they had the same experience.

It has become evident that if you are going to train entrepreneurs, you need a radically different course syllabus and support network for displaced, unemployed individuals ready to form their own businesses. These courses would need to be innovative and intensive in their representation, effective in their implementation of new start-ups, and include an extensive degree of ongoing management assistance and a dedicated business finance mechanism.

In exploring what training and assistance were available in this State, there were a lot of TV business opportunities, a lot of business books, really an explosion of them, a lot of franchise conventions. In some programs in some of the better outplacement firms, which are retained by some of the large firms that are very good, there are several good course offerings in the colleges and other higher educational institutions, including the SBDC programs, but I could find

virtually none that were identified as being directed toward specifically unemployed individuals going into their own businesses. There are scored counseling chapters and there are a half a dozen small business incubators, including three affiliated with institutions of higher education.

In May of '93, Mr. Harris Wofford, a Senator from Pennsylvania, and Mr. Bill Bradley, a Senator from New Jersey, introduced Senate Bill No. 1045 to permit states to establish programs using Unemployment funds to assist unemployed individuals. That bill was the Senate version of amendments to U.S. House Bill No. 103182, Section 507, the transition adjustment amendment, treatment of self-employment assistance under the NAFTA bill. The legislation requires the states to pass companion legislation to implement Unemployment Insurance payments to individuals while they are receiving training -- training to develop their businesses. The legislation expands the Massachusetts experiment. There is a five-year Sunset to this program.

The training funds for the self-employer would now be allowed under the Workforce Security Act. As written, the bill would provide to New Jersey something like \$60 million to \$100 million of new funds under Title III of JTPA.

As you heard in previous testimony by the Commissioner, when the Employment Security Council certifies it, I assume it will be transmitted to your Committee for introduction into -- to be introduced into the Assembly. This would do much to implement self-employment as an acceptable reemployment vehicle. Currently, self-employment does not fit as an occupation acceptable to the service delivery areas. That is mostly due to the 90-day job placement requirement under the JTPA. That will apparently be waived after passage of this legislation -- if it is passed. Even under the Workforce Development Partnership Program it has not been possible to implement such training. There are probably 10,000

individuals who have been, or are being retrained with funding from Workforce Development, but there were 50,000 applicants to that Program. Self-employment was not a high priority occupation under that Program, and I have not been able to find anyone who has received any self-employment training under Workforce Development.

Finally, just some interesting statistics you might keep in mind: In 1900, 90 percent of the individuals in this country were self-employed. Today, seven percent are self-employed, but 50 percent would like to be, based on recent polls. The general consensus is that eight out of ten new jobs are created by small companies. I think I heard Presidents Reagan, Bush, and Clinton all repeat that statistic. The most recent data indicates that that figure is probably closer to 60 percent to 65 percent, at least here in Jersey.

The best data available on the subject was made available in a Department of Labor publication entitled, "New Jersey Business Births and Deaths," authored by Mr. Robert Baden of the Department. From a reemployment standpoint, if the estimates are correct of the average of 10,000 weekly initial claims, something close to 1200 of these individuals took some form of self-employment. That would represent over 50,000 new businesses per year in New Jersey.

Looking at it another way, of the 300,000 or so currently unemployed in the State, some 30,000 will be, or are self-employed in some form. That makes unemployed entrepreneurs a major industry category in this State. Most of them will be home-based businesses. Most will be family concerns. A significant amount will be underground or invisible businesses; that is, unregistered as business entities, with their business income unreported. They will cover all business categories from service and retailing to transportation and manufacturing. Within five years, many will cease to exist in their original form, but they will not

necessarily be failures. Some will be gazelles; that is, they will grow to 500 or 1000 employees over the next decade. A few may even wind up having their stock publicly traded.

I have three graphs which are part of my testimony. The first graph shows the net number of new businesses between 1982 and 1989. These numbers are more meaningful than new incorporations, because they take into effect any business which has employees. As it indicates, even in 1992, a bad year, there was a net increase in the State of 3300 businesses, going up to about 10,000 in 1987. The estimates are that today, something like 10,000 a year are being formed in New Jersey.

The second graph indicates the number of employees hired in each of the years between '82 and '89 by new businesses. The numbers indicate that in '88 and '89, over 80,000 new people were hired each of those years by those new businesses.

The third graph indicates the average number of employees for new businesses. It is fairly consistent at about 3 1/2 or 4. What it indicates is that if a person is going to hire three or four people, he registers. Below that, it appears that they don't. They don't pay Unemployment Insurance, Disability Insurance, or anything of that nature.

If I take those 10,000 businesses, those three new employees per business, on the average, I wind up with 30,000 new jobs created by new businesses formed in the year. You also wind up saying there are two or three times as many single proprietorships as there are businesses that employ people, so unemployed people reemploy-- Really, 80,000 new jobs are probably created each year at this point.

That concludes my testimony.

ASSEMBLYMAN ROMA: Thank you.

MR. TYLER: Ms. Brenda Hopper.

**B R E N D A   B .   H O P P E R:** Hi.

**ASSEMBLYMAN ROMA:** Welcome.

**MS. HOPPER:** I assure you that I will not read my statement. I also assure you that I did not have people stacked for the SBDC program.

**ASSEMBLYMAN ROMA:** Well, you get 10 points to start off with.

**MS. HOPPER:** There are just a few things I would like to say: The New Jersey Small Business Development Center Program was one of the pilot programs started by the U.S. Small Business Administration way back in 1977, so we have been around for a long, long time. We have been doing small business development for many, many years.

The Small Business Development Center Program is a program that provides free counseling -- free one-on-one counseling -- to small businesses in New Jersey. We did that in 1993 to over 2700 small businesses. We also trained over 6000 small businesses in over 300 training sessions.

The point that I want to make today is that the Small Business Development Center Program is not a grant program. We do not come with our hands out for a grant. Our program is leveraged. We bring Federal dollars to the State of New Jersey. We provide a two-to-one match. For every non-Federal dollar that we can raise in the State of New Jersey for small business development, we get \$2 from the U.S. Small Business Administration.

The program is currently nationwide, at an annual appropriation of \$67 million. There are currently 56 Small Business Development Lead Centers throughout the nation, with over 900 affiliate offices. In New Jersey, we have eight regional Centers; we have our headquarters office; and we have 15 affiliate offices located throughout the State. The point is, we make it easy for the small-businessperson to come to us for training and assistance.

We are here today to talk about job creation, and primarily, what happens to a segment that is downsized or becomes unemployed because of downsizing. The Small Business Development Center thinks this is a group of people who are not all necessarily trained or will become entrepreneurs. There has to be an assessment; there has to be training; there has to be hand-holding, and we feel at the SBDC that we can do this.

The way we are currently funded, we have participation from the New Jersey Department of Commerce. We have participation from the various host centers. We have participation from Rutgers Graduate School of Management, private foundations, and corporations. With these moneys, we can then again leverage and bring additional moneys, start new programs, and address this population that is currently in need.

One of the things that I would like to state today-- Mr. Chairman, you talked about funding and how you are going to fund these programs. One of the things that I would suggest is that many of the corporations that we work with, or if the Department of Labor can develop a program-- If a corporation truly wants to assist a small-businessperson, they can develop a seed pool of money for their employers. If those employers are trained, and if those employers are assessed, why not really put something back and say, "We want to help these people"? That is one idea that I think would work.

The other idea, in terms of training, because of our leveraging capability, why create the wheel again? We have locations throughout the State. If dollars are given to the Small Business Development Center to assist this population, we can then leverage those dollars, again, two to one, with Federal moneys.

There is another area that the Small Business Development Center can address. Many of the corporations will downsize, but they do not think about some of the services that

the population that is going to suddenly be unemployed provided in the past. Who is going to do that now?

You heard the word "outsourcing." Many of the corporations are doing that. The Small Business Development Center can identify small businesses that can provide those services. We can train entrepreneurs. We can work with this population to make sure that they are profitable, that they are creating jobs, and that they are becoming employed and becoming a part of our society again.

I get very emotional about entrepreneurship, because I personally went through Rutgers University and worked for one of the Fortune 500. But the University allowed me to take entrepreneurial courses. I was suddenly interested in entrepreneurship and saw that this was a legitimate option. Why do I have to work for a Fortune 500 company, when I can be trained and possibly have my own business and be successful? So when it comes to entrepreneurship, just personally, I get emotional. I think there are so many lost opportunities for potential entrepreneurs. The key is training, and having financing and lending opportunities available for these businesses.

Earlier, you talked about the statistics of women-owned businesses. That is the largest segment of the population in terms of entrepreneurship. Women-owned businesses and minority-owned businesses are currently entering into this entrepreneurial area in droves.

We want to address that population. We want to address the unemployment population. We look to you to work with the Department of Labor, to work with corporations, to collaborate and provide these services to the small business community.

Thank you.

ASSEMBLYMAN ROMA: Thank you.

Members of the Committee, questions? Assemblyman Foley?

ASSEMBLYMAN FOLEY: Yes, through the Chair, with reference to the location of the New Jersey Small Business Development Center in my district, Atlantic City--

MS. HOPPER: Yes?

ASSEMBLYMAN FOLEY: I noticed that several-- I would imagine that each and every one of the other small business development areas are in community colleges or universities. Why was it not sent to the Atlantic Community College?

MS. HOPPER: The Chamber of Commerce -- the Greater Atlantic City Chamber of Commerce -- provided the Small Business Development Center Program with an opportunity to look at other economic development and business associations as possible sites for Small Business Development Centers. We are very proud to have, for the first time, a Center located at a Chamber. It was not intentional that it did not go to the Atlantic County Community College. In fact, several years prior to my becoming the State Director, I think it was in the Atlantic County Community College, and there had been some problems. For this Center, we actually produced a RFP for the site, and the Greater Atlantic City Chamber came up as the site selected.

ASSEMBLYMAN FOLEY: Okay. Thank you.

ASSEMBLYMAN ROMA: Thank you for your testimony.

MS. HOPPER: Thank you.

ASSEMBLYMAN ROMA: This is an important initiative, and we will be coming back to you for additional input.

I have a question about the funding: As you can appreciate, there are a number of things we would like to do. We don't want to reinvent the wheel, but it just seems to me that we get too many phone calls at our offices concerning business opportunities. While we generally find the information, it seems that we have to go through a number of

sources to be able to bring that information home. So to the extent that we can bring it all under one umbrella, I think that would be a good way of handling what you have spoken about today.

MS. HOPPER: Just another comment: You spoke earlier about a 1-800 number. The Small Business Development Center, for the first time, received a grant from the New Jersey Commission on Science and Technology. We have established an in-state 800 number. Currently, it is for technology-based companies. However, over the long term we look to provide a general small business number for the small business community.

ASSEMBLYMAN FOLEY: Do you have that number?

MS. HOPPER: Right now, in your newsletter, it is 1-800-432-1TEC.

ASSEMBLYMAN ROMA: I thought it was going to be something like 1-800-HELP.

MS. HOPPER: It is right in the cover story in the newsletter.

ASSEMBLYMAN FOLEY: Okay. Thank you.

MS. HOPPER: Thank you.

ASSEMBLYMAN ROMA: Thank you.

Bernadette Tiernan, Tiernan Associates, Past President, Bergen County Chapter of the New Jersey Association of Women Business Owners.

Good afternoon.

**B E R N A D E T T E   T I E R N A N:** Good afternoon.

ASSEMBLYMAN ROMA: Thank you for being here.

MS. TIERNAN: Thank you very much for inviting me to be here. I really appreciate this opportunity, mostly because I come from a number of different areas that touch on small business, and I am also an entrepreneur myself.

My company, Tiernan Associates, is a management consulting company. I am up in Ridgewood, so I am sort of representing Bergen County. I help companies to get started,

to get bigger, and to get better. Before I formed my own business in 1986, I worked for another small business for about two years, but before that I was with AT&T for about 12 or 13 years. So I have seen the corporate environment, I have seen large and small business, and I have seen very small business.

I am also an instructor in the Management Development Program over at the Bergen Community College. Many of my students in those classes are small business workers or owners. I am a consultant at the Small Business Development Center at Bergen Community College, so I do work with the SBDCs. I have taught courses on how to start a business since 1987 in places ranging from Manhattan College to Fairleigh Dickinson to working with the Unemployment Coalition in the United Way projects up in Bergen County. So I have seen one on one and in a group environment the personal stories of entrepreneurs and what they have to face in order to get their businesses going.

ASSEMBLYMAN ROMA: You know, that would be a good idea. We have heard different aspects, but maybe one of those situations that you have encountered in terms of a business, the problems that have been encountered, and now, perhaps, you were able to resolve some of those difficulties for that client--

MS. TIERNAN: What I have been able to pull together from a variety of different resources is really about eight steps, some of which you are hearing in different places.

First of all, let me back up a little bit and tell you about what I see that is not in statistics. I think we need more data in this area. Mr. Tyler quoted a number -- one statistic of about 12 percent to 15 percent of corporate people involved in starting up businesses. What I see in my contacts with the Small Business Development Center, privately run classes, and private consulting work is a breakdown of three main categories:

About a third are corporate, very often executives who have been let go. Many of them up in the Bergen County area are in the \$90,000 and up category. They have big expenses. They may be leaving with severance checks, but they are still very often the sole working person within a household. They have either been fired or early retired, or they felt a sense that this was imminent and got out just ahead of time.

The next category I see comes from corporations by choice. That is because they have decided they can do something better, they can work in a better environment, or they can have more flexibility.

The other third is a combination of people who are making career changes such as: teachers; homemakers who have decided to get back into the workforce; people from family businesses who have decided to branch out into another kind of business; and employees of small businesses that want to change the nature of the job somewhat and start something on their own.

There is a survey about entrepreneurs in the "Harvard Business Review" that gives, I think, the most accurate, up-to-date data to the March/April version. I can have this copied, if you would like. It breaks out why people happen to start businesses and where they come from on a large-scale study that says that a large number of them are trying to do something better.

ASSEMBLYMAN ROMA: That information would be helpful if you could make it available to the Committee.

MS. TIERNAN: Fast access to answers is critical. Now, in talking about what the SBDCs can do, that is an existing route, definitely, that people can take. If something like an 800 number--

Fast access to detailed information about how to start a business is critical. Secondly, thorough information in specific areas. For example, when a client comes into a SBDC office-- The walls are lined in the Bergen Community College

office with books by title: "How to Start a Hair Salon," "How to Start a Video Business." One book per topic. They are great, but there is only one topic. Many of these people would love to get their hands on them and take them home and study them.

So the resources-- We know there are resources available, but what they need are more of them, easier access, easier availability.

The third thing: 24-hour a day answers. I get the craziest calls at all hours of the day and night. I know if there were a 24-hours-a-day number, you would be getting those calls 24 hours a day. Many people who work for another business and start their own business, can't call from their jobs, so they are calling after 5:00, or after their shift ends. When they have a question about what they ought to do, it is more or likely 10:00 or 11:00 at night, if not 3:00 in the morning. So it would help to have something available. Libraries are not open; the SBDCs are not open. But a hot line would be very helpful when they are locked into working on their business plan after their kids have gone to bed, and they need to know what licenses are required, and they are getting up for work at 6:00 the next morning to go into an office to work for someone else. It would be helpful to have that information.

They need a financial break in their first three years. I see -- and statistics will bear this out -- more companies go under in three years because of cash flow problems or poor management. Sometimes the poor management creates the cash flow problem. But breaks from any extra financial burdens are extremely helpful.

The fifth thing: Home-based businesses can use a break, because so many of these people will be in their homes until they can afford rent. The longer they can keep their

rent expenses either nonexistent or minimal, the more chance they have to put their money into the product or the service they need to deliver.

If the stigma of home-based businesses-- So many people, I have been told, will do anything to hide the fact that they are a home-based business. You know, God forbid the drier buzzer goes off when someone is in the middle of a business call, or there is noise from a radio or something to indicate that you are anything but your own mini corporation.

So home-based businesses need both a physical break, I think, and a break in reputation, so that people can use that as a good way to get their feet off the ground.

Another item: Support the efforts to help others and to employ others. The very small business getting started can only grow. Once there is a point where the work is coming in steadily, where the products or the services are selling steadily, in order to move to the next level, businesses need to be able to bring in staff. So they need help; they need breaks in hiring. They need help in hiring, and they need as much relief as they can get.

Many times when people are looking for financing, it is because they want to hire people. They could desperately use an administrative assistant. They know it means they have to guarantee a salary of about \$18,000. They say, "My work is seasonal. What happens if I can't pay that person in October because my money is not coming in?"

So the cash flow problem is an issue, but the issue of being able to employ people at the point where they could employ people is important.

Another item: Building links to large corporations. Brenda Hopper mentioned this. It is very important that we let larger companies know what smaller companies can do for them. They won't know about the small businesses, because small businesses do not advertise very often and are not in on the

networking of the larger companies in their first three years. Eventually, they can get their names known, but as they are starting up, they need a faster, easier access to the decision makers at large companies.

Finally, links with other small businesses. This is called the "virtual corporation concept." If we can provide ways for small businesses to pool their services so that they can act like bigger companies, then they can attract larger clients and obtain a more stable income.

There can be a role, perhaps through the Small Business Development Centers, to facilitate these links and to provide more connections between small businesses.

So that is my, not 12-step, but 8-step strategy for helping out the types of people I see.

The companies I have seen through the Small Business Development Center range from people who have no money at all to work with and walk in the door saying, "I need money"-- "Well, what else-- Let's talk about what else you need." "No, I need money." "Well, how about training?" "Will training get me money?" They would like training if it would get them more money. So there is a definite focus, as if money solves everything, and we all know that it doesn't.

I have seen people in the Small Business Development Center with multimillion-dollar businesses who want to change businesses. There are all types, from the very tiny to the very large, some of whom are moving out of Manhattan and into New Jersey and want help. They think the Small Business Development Center is a way to get into New Jersey. There are Jersey residents who want to come back. I am sure there are more of them around that have not been tapped.

I teach Start Right, which is the five-week, 15-hour course on how to write a business plan. I have seen some corporate types run through this, and I have seen people

changing careers. It is a wide spectrum, but there are more people coming out of the corporate sector, I think, than the statistics would indicate.

Do you have any questions?

ASSEMBLYMAN ROMA: What we were thinking about is enhancing some of the programs we have, or perhaps focusing more attention on particular areas. Probably the most frustrating aspect -- and Assemblyman Foley mentioned it earlier -- is that when people call our offices, they are looking to get in touch with someone to make their life easier, to get quick answers. As you indicated, someone late at night, when they are getting ready to get up early in the morning, it is kind of difficult. They have the strain of having a job, starting a new business, the pressures of family, the pressure of, "What am I going to be doing? Will this business make it?" With all of those pressures coming at one time, now they have the additional pressure of not knowing how to get through to the person who can give them answers as to what filing might be necessary.

So what we are trying to do is to make it easier to set up a business. Perhaps, as a result of this hearing, we will be able to do certain things to tie in all of those resources and make information available, which was not otherwise available before.

One of the things that we would like to do is to have a couple of panels across the State to make people more aware of these initiatives. I think sometimes when you have that kind of an approach, someone who didn't make the phone call, didn't know how to get in touch with someone, might be sitting in the audience and saying well, "Maybe I want to start that new business. Now, today, I have a direction. I know who to get in touch with."

MS. TIERNAN: I like that concept, and I think providing more information would have an immediate impact. I

think going out into the communities would have an immediate impact. I work with so many people who don't want to travel. They don't want to come down here to get information. But if you would offer something at a community college or through an adult education program, and if you are on their turf, you will hear their voices and they will come to you.

ASSEMBLYMAN ROMA: Even as to the choice of business mode, for example, whether someone should set up a corporation, a limited liability partnership, a sole proprietorship, you could go through an hour of explanations--

MS. TIERNAN: Absolutely.

ASSEMBLYMAN ROMA: --as to which is best for them, the cost, which is better tax-wise. I mean, there are so many different questions just about the type of business they will be starting up, let alone the financing and everything else they will be facing.

MS. TIERNAN: We have a very positive response, and this is through sessions I run along with the SBDC through NJAWBO and privately through different community schools, two half-day sessions that provide overviews on the legal aspects. We go through should you incorporate or not? What about limited liability? From the insurance point of view, what do they need to do to protect themselves from banking? What do they need to do to get themselves in good shape?

I handle the part about the psychology of entrepreneurs, their personal strengths, and I handle the marketing. How do they get their name known at low cost? Because very often they do not have big budgets. These half-day overviews work very well, because you cover the fundamentals, particularly the things that will help to keep them out of trouble. These have been well-attended. You can handle the basics, and then give people a way to know where to go next. After they have heard what they need to worry about legally, then they will know what to ask an attorney, when they

meet with an attorney, instead of starting from scratch. They can go in with the strategy and say, "I think what I need to be is a limited liability corporation now. Do that for me, or talk me out of it."

So they are smarter when they get started, and they can keep the fees down -- lawyers' and accountants' -- because they are not starting from ground zero.

ASSEMBLYMAN ROMA: Thank you.

Questions? (no response)

Again, thank you for being with us.

MS. TIERNAN: Thank you.

ASSEMBLYMAN ROMA: Is there anyone else who wishes to testify? (no response) I think we have gone through the entire speaker list.

Again, I would like to thank everyone for being with us.

ASSEMBLYMAN FOLEY: This is from Jim Kirk. He left, but he wanted this to be read into the record.

ASSEMBLYMAN ROMA: Oh, I'm sorry. We will surely be in trouble if I don't read this statement.

Assemblyman Foley and I were sitting down before going through a couple of the concerns. Apparently, different participants had to be in different buildings with different committees going on.

One of the concerns raised by Mr. Kirk of the New Jersey AFL-CIO is that the funding source we had spoken about earlier would not be from employee contributions. There was a concern on the part of the AFL-CIO that it would be unfair to use this as a funding source. He wanted to make sure that that was understood. He submitted a statement to be included in the record.

We always understand that funding is difficult in terms of how a particular program is set up. When we set up the Workforce Development, we talked about the percentages

between the employer and the employee, and we came up with a very innovative way of helping people that developed a pot of money of \$50 million. It has saved a lot of jobs, and has helped a lot of people.

We do not profess to have all of the answers. That is why we are asking for input. As Assemblyman Foley indicated before, it is nice when people come forward not only with the questions, but with some of the answers.

We hope that with your combined input we will be able to have additional initiatives to make it a little easier to start a business in New Jersey and to make sure that we create additional jobs.

Thank you.

**(MEETING CONCLUDED)**



APPENDIX



# Assembly Republican News

May 5, 1994

## CONTACT:

Assemblyman Patrick J. Roma  
201-265-6680  
Michelle Pucci  
609-292-5339

## ASSEMBLY LABOR COMMITTEE HOLDS HEARING ON ENTREPRENEURSHIP TO HELP CREATE JOBS AND PROMOTE BUSINESS GROWTH IN NEW JERSEY

New Jersey could enhance business development and create more jobs by promoting entrepreneurship, Assemblyman Patrick J. Roma said during a public hearing of the Assembly Labor Committee today.

"Employees are out of work for longer periods of time and just cannot find new positions today, despite the fact we appear to be in economic recovery," said Roma, chairman of the Labor Committee. "We should be investing in individuals with innovative ideas to start their own businesses.

A recent U.S. News and World Report article stated that 20 percent of white collar employees out of work have started new businesses compared with 7 percent in the past, Roma noted.

"There is currently a trend of corporate downsizing and company restructuring throughout the state to cut costs," said Roma, R-Bergen. "We should be encouraging those out of work to start their own businesses. It shouldn't be purely a matter of handing them an unemployment check. Instead, we should be offering training and skill development that fit the needs of the entrepreneur."

By encouraging entrepreneurship with business incentives, Roma said, the Assembly could help to stimulate New Jersey's economy and create more jobs.

"Since small businesses are the backbone of our economy, the more we can nurture small business development, the greater the opportunity for economic growth," the assemblyman said.

Roma said that access to capital is one of the largest obstacles to entrepreneurship.

"Making it through the initial stages of business development when cash flow and credit problems are at their peak is a real challenge," he said. "We must do everything we can to solve the problem of capital access so we can nurture innovation and entrepreneurship.

MORE

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Those testifying at the hearing included Brenda Hopper of the Small Business Development Center; Dick Tyler of Rutgers University, Institute for Entrepreneur Management; Henry Leshner, executive vice president for The Merrill Group; and representatives of the Department of Commerce, Department of Labor and the New Jersey Economic Development Authority.

Roma said the Assembly Labor Committee will continue studying the trends in entrepreneurship and what strategies can be used to enhance business growth and job creation in New Jersey.

# # # # #

Jim Kirk  
NJ AFL-CIO

We would like to  
commend the bus. com-  
munity for being will-  
ing to fund this type  
of program. In no  
way, do we expect  
Employee Contribution  
to be used for this  
type of **3x** project.



We would like  
to be apprised  
of any development  
in this area.

4X



*Inventing Business in the "Invention State "*

**THE NEW JERSEY NEW BUSINESS PARTNERSHIP**

A Request for Funding  
for a Demonstration Project  
on Entrepreneurial Investment and Development

*September 26, 1993*

*Final Draft*

Presented to the U.S. Secretary of Labor  
from the Commissioner of  
the New Jersey Department of Labor  
*Trenton, New Jersey*

## INTRODUCTION

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That inventive, entrepreneurial spirit that is so much a part of the American culture is particularly rich in New Jersey: Literally thousands of new products — the light bulb, the transistor, even the submarine — sprang from the fertile minds of New Jersey entrepreneurs intent on seeing their inventions become the vehicle for their dreams.

Not surprisingly, the activity of those entrepreneurs has resulted in the creation of hundreds of new, small businesses — businesses that eventually grew to employ thousands of New Jersey workers.

Research consistently shows that activity of such entrepreneurial small business is the engine that fuels job growth. It follows, then, that a well-designed program that selects New Jersey's emerging entrepreneurs from the ranks of structurally displaced workers would be a reasonable investment of public monies — particularly in an era when job creation appears stagnant.

To be successful, however, such a program must address — and attempt to reduce — the extraordinary failure rates of entrepreneurial small businesses.

Why do such small entrepreneurial businesses fail? First, many aspiring entrepreneurs know little about running a business. Second, their businesses are undercapitalized.

What follows is a proposal to establish an

entrepreneurial investment program that will both train promising entrepreneurs in basic business skills and capitalize their ventures in order to guarantee their success and, as a result, foster potential job creation.

## THE PURPOSE OF THIS PROPOSAL

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With this proposal, the New Jersey Department of Labor is formally petitioning U.S. Secretary of Labor Robert Reich for a grant in the sum of \$1.5 million in support of an innovative demonstration project on entrepreneurship targeting permanently displaced workers in the state's unemployment insurance system.

This request is made with full appreciation of the aggressive efforts by both the President and the Labor Secretary to move forward on a national program of entrepreneurial support for this population, as outlined in the Department's Workforce Investment Strategy proposal. It also recognizes both the efforts of Congress, through S.1045, to move in a similar direction as well as the historic support of demonstration projects in the states of Washington and Massachusetts that have broken ground in this area.

The goal of the State's and the nation's employment security policy must extend beyond the traditional benefits payments and employment service model represented by the current unemployment insurance system. Given the nature of the emerging global economy in our "new world order," providing displaced workers with the necessary tools to pursue and succeed in self-employment is essential.

## WHAT IS THE GOAL OF THE PARTNERSHIP?

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Fundamentally, the goal of the New Jersey New Business Partnership is to provide both financial support (in the form of unemployment benefits, education grants and venture capital loan support) as well as administrative and technical support (in the form of the facilities, equipment and resources) to men and women who demonstrate that they have not only the initiative and desire, but the *idea* necessary to start their own businesses.

In providing those resources, the Partnership resembles two other successful "self-investment" programs established in the Department by the Florio Administration: The Workforce Development Partnership, which provides training grants and extended benefits to dislocated workers retooling their skills for new careers, and the Professional Services Group, a "self-help" team of unemployed professionals who meet in, and use the services and equipment of, the Department's Employment Service offices statewide.

Most important, like those other two programs, the Partnership will be entirely consumer driven: The energy, initiative and abilities of the participants, not the Department, will ultimately determine their success or failure.

Unlike those two programs, however, the success or failure of participants will also be dependent on the judgment of the private capital markets, which will make the first — and ultimately most important — determination of the viability of the entrepreneurs' ideas.

## WHO IS ELIGIBLE?

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While all those who qualify for unemployment insurance are potentially eligible, the Partnership is intended to attract **structurally dislocated workers who have a genuine desire to start their own businesses** as an alternative to returning to the employment of others.

Once selected, participants must:

- Create a **business plan** describing their entrepreneurial goal;
- Complete **training courses** to prepare them to run their businesses; and
- Secure **private capital** necessary to begin their business.

## HOW DOES THE PROGRAM WORK?

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Potential participants will learn about the program immediately when they register for unemployment benefits. Should they pursue participation, they will then formally enter the Workforce Development Partnership, where they will apply for "self-investment" grants.

Following approval, participants will be immediately referred to one of three "entrepreneurial incubators" located in key regions of the State. There, working with other participants, the entrepreneurs can go about the business of creating a new business.

In addition to providing basic administrative resources such as office equipment and telephones, the Department will also make available research material, professional assistance *from the business community* (not from government) and, most important, access (in the form of both information and contacts) to representatives of private capital markets.

These representatives will already have been fully briefed by the Department of the existence of the program, and asked to pay special attention to participants .

While developing their proposals for their businesses, participants will be required (if necessary) to attend courses on business administration and development offered at local community colleges and state colleges and universities (where, thanks to the Workforce Development Partnership, excellent political, administrative and programmatic relationships exist). Those courses may include seminars on securing loans, financial planning, developing staff, etc.

## WHAT DOES THE STATE PROVIDE?

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The State of New Jersey will provide participants with support throughout their "business incubation" process. Resources available to participants (through the Workforce Development Partnership) during that period will include:

- A full 26 weeks of unemployment benefits to support them during the "incubation" process.
- Up to \$4,000 in grants to help pay for entrepreneurial training and business-related courses.
- Access to office space, fax machines, computers, and other office equipment and resources in "entrepreneurial incubation centers" to be established in three Employment Service offices located in key regions throughout the state.
- Technical assistance in performing research and locating private capital.

In addition, the State will offer a public capital loan to appropriate ventures once private capital is secured. Those initial loans will range in value up to a cap of \$20,000, with a term of five years or less and an interest rate at below prime.

After the business has been operating for one year a second micro loan program will be available to the entrepreneur to seek continuing capital support through

an additional loan ranging up to a cap of \$10,000, with a term of five years or less and an interest rate below prime.

These public monies will be made available through a special fund at the State's Economic Development Authority (EDA) created by a discretionary allocation from the federal government as well as State matching funds.

This provision of public capital will provide both further incentive to participants as well a measure of confidence to private lending institutions concerned about their exposure to risk. The State's total limit of liability for all loans in the program will be \$750,000.

## HOW DO PARTICIPANTS SECURE CAPITAL?

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As the foregoing suggests, a key requirement of the Partnership is that participants must **secure private capital** in order to finance their plans. This requirement provides both the State and the entrepreneur with absolute proof that, in the judgment of the capital markets, the potential business venture has promise.

Before approaching private capital lenders, however, participants are required to complete — with help from technical and professional consultants provided by the Partnership — a **comprehensive business plan**. Once completed, that plan will be subject to a merit review by the Employment Security Council, a body consisting of representatives from government, business and the workforce charged with overseeing the State's employment security system.

Only after securing approval from this board can participants approach private lenders for capital and represent to the private market that their plan has the endorsement of the New Business Partnership program.

Once private capital is secured, the State, using the lending agency's approval as an initial screen, will review the proposal for eligibility for the **supplemental, reduced-rate financing** through the State's Economic Development Authority. That loan may be extended beyond the **business start-up period**, depending on the promise of the venture, through the program's micro-loan component.

## CREATING THE PARTNERSHIP: STARTUP NEEDS

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It should be emphasized that no new administrative structure will be necessary to establish the Partnership; it will be administered through the existing apparatus of the unemployment insurance and employment service systems, and the Workforce Development Partnership. Because of that, monies allocated to the Partnership will be almost entirely directed toward potential business creation.

Initially, we envision a cost of approximately \$2.25 million for this public capital loan pool, shared between the State and Federal governments.

- The State of New Jersey would contribute \$750,000 to pay for administrative startup costs, including the costs of staffing and equipping the "entrepreneurial incubators." A portion of this money will also go toward supplementing the matching loan program

- The Federal government would contribute \$1.5 million toward the creation of an "entrepreneurial loan pool," to be administered through the State's Economic Development Authority.

## PROJECT TIMELINE

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We anticipate initiating the project in early 1994, with the demonstration running **one and a half years** (to June 30, 1995). Target dates for acquisition of funding are as follows:

- January 1 to June 30 1994: \$500,000 in Federal funding creates loan pool; \$250,000 in State funds to provider administration, maintenance and startup costs.

- July 1, 1994 to June 30, 1995: \$1 million in Federal funds to supplement loan pool; \$500,000 in State funds for ongoing administration and to supplement loan pool.

FOR MORE INFORMATION

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For more information, please contact:

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609/292-0299*



Regional Small Business Development Center  
School of Business • Camden • New Jersey 08102  
Tel: (609) 225-6221 • Fax: (609) 225-6231

May 4, 1994

State of New Jersey  
Honorable Assemblyman Patrick J. Roma, Chairman

**Background:**

The national press is covered with headlines on downsizing and layoffs. The employment picture for 1994 is expected to resemble a wildly fluctuating tidal wave, and workers who will survive will be those who can be flexible and adapt to the ups and downs of a turbulent job market. This restructuring of the US work force is changing the type of worker needed and the way jobs are done. It will also change the way our work force is educated. New and emerging technology will require an emphasis on lifelong learning and continuous education.

**Statistics:**

Digital Equipment, Ciba Geigy, Chemical Bank, the military, all have one thing in common, slashing their workforce in unprecedented numbers to bring their budgets and balance sheets into line.

The Houston Post (4/11/94) reported that while traditional temporary employment, such as secretarial, clerical and word processing work has grown by 10 to 15%, the area of outsourcing has grown more than 30%. One reason for the industry's growth is that many companies have downsized to the point they find they need additional help but they can better concentrate on their core business if they farm out their peripheral functions.

**Research:**

A significant body of literature has been gathered on the essential managerial skills required of the manager. When categorized they are labeled: technical; human; and conceptual (Katz; Yukl, et al). The traits and skills found most frequently to be characteristic of successful leaders are identical to those now identified as characteristic of the successful entrepreneur (Timmons; Bird, et al).

#### Application Model:

Rutgers University, under the direction of Milton Leontiades, Dean, School of Business-Camden, created a Center for Management & Entrepreneurship in 1992 to address the changing needs of companies and individuals impacted by "downsizing". The trickle down effect of "downsizing" leaves no one untouched. While the immediate benefit to layoffs may be to reduce salary and benefit costs, passing savings onto shareholders, the real toll is like an insidious disease, leaving its calling card at the door of everyone.

Decisions to reduce the size of the workforce impact the community in which the company resides. Jobs are gone. Rates are reduced. Services reduced or eliminated. And the support or feeder companies, the suppliers and vendors experience the impact with diminishing requests for inventory, equipment or service.

The victim of corporate downsizing brings a new challenge to the job training organizations. These bright, well-educated individuals agreed to suppress personal fame and signed on as members of a corporate team. Our educational system from as early as first grade has preached the basic tenet that personal success is measured by one's dedication and commitment to the organization. The organization's mission, however, has been significantly altered by global changes in technology. The organization, responding to the most basic of needs, survival, holds nothing sacred in its quest for the bottomline.

This burgeoning population of displaced workers would eagerly retrain if they could be guaranteed a job. But train for what industry? for what job? Research suggests that individuals will now change careers fully seven times before retirement. Therefore, individuals must be empowered to manage their employment careers. This will require a new way of planning, but more importantly, it requires an immediate infusion of new programs that will meet the individual needs, today.

In addressing the pressing needs of General Electric, Dr. Leontiades, asked Patricia Peacock, Ed.D. to develop a curriculum that was specifically tailored to the address the needs of a group of engineers that had been severed from General Electric. To place these individuals into standard, lock-step training undermines their integrity as professionals. As members of departments and teams, they understood traditional planning models. The goal, therefore, was to construct an entrepreneurial curriculum that capitalized on their working knowledge of planning models.

A second objective was to provide a safe, academic environment that would address the underlying "fear of change". Through the administration of a carefully selected battery of assessment tools, participants developed an understanding of their personal attitudes, aptitudes and traits as they related to the opportunities and threats of business ownership. Decision-making, information processing, motivation and leadership were measured against the preferred traits for success.

With interactive training, company employees can modify behavioral traits to facilitate successful small business ownership. The 50 hour program included three hours of assessment; 45 hours of classroom and laboratory experience; and two hours of individual counseling. (The curriculum outline is attached.)

#### The Challenge:

The old social/educational message of "loyalty to the corporation/organization" must be replaced with emphasis on personal commitment to change. It is imperative that new information and training concepts be disseminated to develop one's personal confidence enabling them to participate as successful entrepreneurs.

#### Assessments:

1. Personal Assessment: Individuals dependent upon the organization for decision-making are at a loss to determine, let alone chart their own destiny. Assessment tools and/or assessment inventories addressing personal qualities need to become more accessible. In addition, assistance in interpreting the information along with instruction on making personal traits work for the well-being of the individual needs to be made available without barriers.

#### 2. Job Assessment:

The State of New Jersey needs to take a pro-active role in gathering the information necessary to assist the existing business structure to identify the current jobs/positions in their organization. These managers and leaders should become the information core to label the baseline skills and traits presently required in their industries.

3. Industry Assessment: The State of New Jersey, Department of Labor needs to gather the national and international trends of the industries identified by the managers and leaders of today's New Jersey companies. Training opportunities and program development must be based upon a thorough reviewed of the demographic trends.

The common understanding and basis for training and education is often the result of many misconceptions and myths that continue to hang on as we enter the 21st century.

Myth #1: Downsizing is only for the big guys. The press is a constant reminder that the trickle down effect of downsizing is felt in our communities, not only by the loss of jobs, but also by the loss of purchasing power, tax dollars, and the individual's personal worth.

Myth #2: If it happens to me, I'll get another job. Companies today are taking a wait and see approach before filling vacancies. Many firms are turning to outsourcing, the fastest growth entrepreneurial opportunity, as source for temporary, qualified help.

Full time work, complete with benefits as we know them, is the exception, no longer the rule.

Myth #3: Entrepreneurs are born, not made. Contemporary business literature is full of examples of successful entrepreneurs who trained in the corporate environment and/or the military. There is a growing body of evidence that identifies success with the ability to "plan your work, and work your plan".

Myth #4: Company managers cannot make it as entrepreneurs. There is a widely held, but to date largely untested, belief that past work experience is a better predictor of decisions, performance and behavior than education. (Bird) Research substantiates that experience with an industry provides the entrepreneur with certain key competencies and inside information needed to recognize opportunities and evaluate and manage risk.

Myth #5: All novice entrepreneurs are alike. Therefore, a standard textbook approach to training will work.

Contrary to popular belief, entrepreneurs are energetic and driven personalities often put off by traditional educationally methods of training. Research identifies today's entrepreneur as brighter than the general population and willing to take their role within their community through participative activities.

Non-traditional, highly customized approaches to small business management training are essential if the essentials of proper business management are to be practiced by this new breed of owner.

Given these points, consider now the role of the State of New Jersey is creating an entrepreneurial climate.

#### New Ideas for Policies:

##### 1. Access to Entrepreneurial Training

Problem: Individuals who have been laid-off from middle and upper management positions are unlikely to find similar employment at similar pay scales. The scattered approach of entrepreneurial training or the inadequate approach and resources through local programs leave these highly qualified individuals frustrated and angry with a system that would prefer to send them to a basic skills program. The problem is that historical unemployment is from minimum education and minimum skill set people. JPTA offering truck driving to degree engineers is a mismatch (Jon Masten).

##### Solution:

Provide open enrollment to state of the art, high skill level entrepreneurial training.

##### 2. Access to Money

Problem: Individuals who have been laid-off, other than the limited benefits provided under Unemployment & Disability Benefits, are not able to secure traditional funding sources. Without a stream of income they cannot demonstrate their ability to "service debt". Likewise, while they may have assets tied up in the form of equity in their property, unless the property is liquidated, the owner cannot access the dollars.

Solution: Access to a limited and/or restricted line of credit or short term loan that requires interest only for a defined period of time (six to twelve months) allowing the new business to get established. Make use of collateral available through pledging property. Require a business plan.

Solution: Permit individuals receiving UDI benefits to apply for a lump sum payout, if specifically to start a business and accompanied by a detailed business plan.

##### 3. Technical Support Following the Loan

Problem: Without guidance, individuals often are at risk to apply the proceeds of a loan to purposes other than those detailed in a loan proposal.

Solution: Consistently apply standards of reporting, including the firm's marketing goals (expected versus actual).

Solution: Encourage all funding sources to require continued technical support of small business loan programs.

##### 4. Non-traditional Management Training

Problem: When struggling to start a business, individuals often seek only enough instruction to get them started. As the company begins to grow they are caught up in the momentum of change and set their need for information aside.

Solution: Require regular training through a variety of contemporary media, for example: video, workbook, audio tapes, seminars, etc., with a feedback component. Information that is not understood and delivered in a format that cannot be applied to the business is information that is soon forgotten.

5. Streamline & Improve Government Information Dissemination  
Problem: Unless the owner is "plugged into" the network, their access to regulations and compliance is limited, if not, non-existent. For example, the perception is that the New Jersey DEP regulations are among the most burdensome in the United States.

Solution: Ask the primary government agencies to share and disseminate information on a consistent basis.

Solution: When a tradename is registered or Certificate of Incorporation filed, transfer the key information (company name, ownership, address, and phone number) to a database.

Use the database for monthly or quarterly bulletins that highlight all issues pertaining to state programs, regulations, and/or compliance. Charge a subscriber fee if necessary, but create a tool to disseminate changes in the law as applied.

6. Create Incentives to Encourage Small Business to Do Business in New Jersey. Problem: The perception is that companies are treated better in the state of Delaware. Southern and midwestern states offer timely assistance in site selection and funding packages.

Solution: Forgive certain taxes for a pre-determined period of time. Create hiring incentives with tax credits, and include the owner-operator as eligible for the tax credit.

7. Provide Technical Information to Outsourcing Professionals

Problem: Well intentioned job counselors, direct individuals into small business opportunities, without the safety net of entrepreneurial assessment, training and support.

Solution: Develop a statewide handbook for distribution by the outsourcing specialists, including a referral to area programs.

## TRAITS/CHARACTERISTICS COMPARISON

Manager	Entrepreneur
Adaptable to situations	same
Alert to social environment	same
Ambitious & achievement oriented	same
Assertive	same
Cooperative	same
Decisive	same
Dependable	same
Dominant (desire to influence others)	same
Energetic (high activity level)	same
Persistent	same
Self-confident	same
Tolerant of stress	same
Willing to assume responsibility	same

Source: Leadership in Organizations, 1981, Gary, Yukl; and New Venture Creation, Timmons, 1990.

Rutgers, The State University of New Jersey  
School of Business, Camden  
ENTREPRENEURIAL TRAINING

**Schedule**

<u>Course</u>	<u>Date</u>	<u>Location</u>	<u>Topics</u>	<u>Instructors</u>
1	4/22	Fine Arts 111	<b>Housekeeping</b> <b>Assessment:</b> evaluation instruments  <b>Assessment:</b> interpreting results	Joel Haness Pat Peacock Sam Rabinowitz Sam Rabinowitz
2	4/29	Fine Arts 111	<b>Program Overview</b> <b>Mechanics of Starting a</b> <b>Small Business</b>	Joel Haness Pat Peacock
3	5/05	Fine Arts 111	<b>Business Plan:</b> overview (uses, goals, format, supporting documents, etc.), description, marketing & competition.	Joel Haness
4	5/13	Library A & B Fine Arts 111	<b>Business Plan:</b> marketing aspects, market research & the library; plan narrative & strategic plan	Theo Haynes
5	5/20	Fine Arts 111	<b>Small Business Owners:</b> tips from those who presently own their own businesses <b>Business Plan:</b> financial aspects (development of cost structure, pricing formula, sources of funds, etc.)	Business Panel Joel Haness
6	5/27	Fine Arts 111	<b>Time Management:</b> organizational tools <b>Business Communications:</b> public speaking, assertive vs. aggressive styles. & matching styles <b>Business Plan:</b> Critique & Review	Debra Natkin  Joel Haness
7	6/03	Business 116	<b>The Image of the Business:</b> graphics, logo, business cards, personal management style & match <b>Business Plan:</b> marketing strategy, competition, customers & niche; personnel & management	Joseph Waller Joel Haness
8	6/10	Business 116	<b>Negotiations:</b> "getting to yes" presentation styles, sales techniques, & match <b>Business Plan:</b> Critique & Review	Phyllis Micahnik Joel Haness

9	6/17	Business 117	<b>Introduction to Learning Lab.</b> <b>Introduction to the Computer:</b> introduction to and application of simple business software packages	Joel Haness Debbie Mojta
10	6/24	Business 116	<b>Recordkeeping:</b> accounting, financial statements, cash vs. accrual	Steve Applebaum
11	7/01	Business 117	<b>Computer Laboratory Time:</b> putting the narrative on the computer, spreadsheets, data bases & security <b>Business Plan:</b> Critique & Review	Debbie Mojta  Joel Haness
12	7/08	TBA	<b>Panel Discussions:</b> resources <b>Professionals;</b> finding and using attorneys, accountants, insurance agents, bankers, etc. <b>Financing;</b> looking for start up dollars - banks, venture capitalists, "angels," vendors, franchisors, government, etc.	Professional Panel  Financing Panel
13	7/15	TBA	<b>Recordkeeping:</b> taxes, depreciation inventory	Steve Applebaum
14	7/22	TBA	<b>Formal Presentation of Plan:</b> draft copy due	Joel Haness and Guest Banker
15	7/29	TBA	<b>Formal Presentation Plan:</b>  <b>Final Business Plan Due</b>	Joel Haness and Guest Banker
to be announced			<b>Graduation</b>	Dean Milton Leontiades

# The MBTI® and Entrepreneurial Confidence: Initial Comparisons and Changes After Training in Small Business Management

Gayle Porter  
Rutgers University School of Business

Patricia Peacock  
Rutgers University School of Business

Samuel Rabinowitz  
Rutgers University School of Business

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## Summary

The Small Business Development Center conducted a fifteen-week training course for approximately 100 veterans, to help prepare them for entrepreneurial ventures. During the first session, a battery of psychological tests was administered, including the MBTI. Participants also completed an assessment of their confidence level on 46 items pertaining to competence in general business, entrepreneurship, self-management, and other skills important to an independent business owner. In addition, confidence was measured again at the conclusion of training to assess changes. Based on research on self-efficacy, confidence in abilities was considered important to eventual success. An overview of correlations suggests that, without the training intervention, certain MBTI dimensions, as well as a composite profile, would be more strongly related to confidence in various abilities and, therefore, to probable success as an entrepreneur or small business owner. The training program had the effect of eliminating many of the ties between confidence and personality type--often through raising confidence within a given dimension/profile, sometimes through lowering confidence. Follow-up is in progress to determine whether there is any relationship between these measures and the individuals' initiation of a business venture following training.

## Introduction

### The Training

The Small Business Development Center is part of a network of regional centers across the state of New Jersey. It functions as a community service outreach of Rutgers' School of Business in Camden. The center received one of three Small Business Administration grants awarded nationally to offer a Veterans' Entrepreneurial Training (VET) Program.

Approximately 100 veterans formed four class groups, and each group met once a week for fifteen weeks of training. The content of the training centered around preparation of a business plan, including presentation of a completed plan to a panel of business people for feedback. To support this objective, technical aspects of preparing a business plan were covered, as well as topics such as public speaking, assertiveness, negotiation skills, impression management, and time management.

### Use of the MBTI

On the first class night for each group, participants completed a battery of psychological tests including the MBTI. The feedback from these tests provided the individuals with knowledge of their own interests and tendencies, and it helped them appreciate which features of an entrepreneurial endeavor might be more difficult for them individually. In line with the intent of the Myers-Briggs Type Indicator, this was not to discourage them from pursuing such a path, but rather to cue them as to where they might have more need for outside help or additional self monitoring.

Occupational rankings for the sixteen MBTI profiles indicate that certain types of people are more likely to be found in management professions, and specifically small business management. For example "Manager: Small Business" is ranked fourth for the ESTJ profile and fifth for the ESTP profile, whereas it is ranked 202nd for the ENFJ profile

(Hammer and Macdald, 1992). This provides only general information as to which professions are selected by certain types. Further explanation of why a type may tend to choose similar professions might be gained by looking at the selection process through the concept of self-efficacy.

### Connections to Self-Efficacy

Self-efficacy is a belief in one's capabilities -- that one can execute certain behaviors or can accomplish a certain level of performance on those behaviors (Bandura, 1986). Feelings of efficacy have been shown to influence people's choice of activities or goals, as well as how much effort they will expend on a task and how persistent they are when faced with adversity. Throughout this paper the terms efficacy and confidence in ability are used interchangeably.

The primary source of efficacy perceptions is the person's own experience of success on related endeavors. Tying this with the personality concepts creates a spiral of reinforcing experiences. A certain type of person may initially be somewhat drawn to pursue one type of activity. If they do well at this activity, a perception of self-efficacy begins to develop. This perception will increase the chance of selecting another pursuit of similar activity and, again, the chance of success (natural tendency combined with effort and persistence), which further increases the efficacy.

By the time an individual joins the work force, these patterns may be deeply ingrained and limit potential in other areas of endeavor. On the other hand, efficacy perceptions can be influenced. This could be particularly important in cases where individuals have chosen, for whatever reason, to pursue a career where their personality profile is not well represented. Training that will increase confidence in related abilities could be a key factor in finding the means to succeed. Our research effort is directed at (1) better defining the interplay of personality and confidence in abilities in relation to starting

one's own business, and (2) determining whether training has any impact on that relationship

## The Study

### Subjects

Of the total training participants, a subgroup of 66 is the basis for our research at this time. This subgroup covers all subjects that completed the MBTI and confidence measure on the first night of class and completed the voluntary second confidence measures at the end of the course (some did not complete the course, others did not turn in usable 2nd instruments).

Our 66 respondents ranged in age from 30 to 68; the mean age was 45. Nearly all were male (60). Fifty-five indicated their rank as enlisted personnel rather than officers; affiliations ranged across Army, Navy, Marines, and Air Force; only 12 indicated they had retired from the military. Approximately 75 percent (50) indicated they were currently married. Years of education were listed ranging from six to 19, with a mean of slightly over 14 years, which would equate to two years of college or post-secondary training. Twenty-one people indicated they were currently unemployed.

### The Confidence Measures

A total of 46 questions were used to assess the subjects' perception of efficacy in a variety of areas. Each required a separate answer through circling a number one through seven. The extreme low, at number one, was labeled "no confidence;" the mid-range was labeled at number four as "moderate confidence;" and the extreme high, at number seven, was labeled "complete confidence."

A. Pertaining to **general efficacy** as an entrepreneur or small business owner, we asked them to rate the amount of confidence in their current ability to:

--handle the running of a business

--recognize an opportunity for new business  
--take advantage of new opportunities that present themselves

B. For topics specifically covered in the training, a second group of items pertained to their confidence in ability to:

--prepare a business plan  
--obtain necessary information for a business plan  
--compare different combinations of information ("what if" scenarios) as part of the planning process  
--present business plan information to potential financial backers

C. Some more specific entrepreneurial skills were included by asking about their confidence in ability to:

--negotiate with others as a means of problem solving  
--handle public speaking that may be necessary in my position  
--be assertive in representing the best interests of the company and myself  
--project a positive business image  
--make wardrobe and appearance decisions that will project a professional image  
--manage my time efficiently

D. For general business skills and knowledge, we included their confidence in ability to:

--be aware of the tax implications of various business decisions  
--know what record keeping is important to the success of the business  
--track the cash flow of the company  
--avoid cash flow problems within the business  
--understand marketing choices and the related pros and cons  
--be aware of legal or regulatory requirements pertinent to my company  
--compare risks and benefits of various decision options

E. In relation to their ability to learn and increase their beliefs in self, we asked about their confidence in ability to:

- learn the necessary skills for running a business
- improve my skills in running a business
- change my own perception of my capability

F. For competence related to career choice, they rated confidence in ability to:

- make a career choice that I will be satisfied with
- implement my career choices
- succeed with my career choice over the long run
- recover from temporary setbacks and failures with my career choice

G. Their ability to solicit expertise as needed was covered by asking about confidence in ability to:

- judge when help or advice from others is needed
- know when to solicit others' expertise
- determine when and how to supplement my own skills with outside help

H. General coping skills were the target of items asking about confidence in ability to:

- cope with the multiple roles I have to assume to run the business
- cope with the range of choices to be made in running a business
- deal with the unpredictability of influences from outside the company

I. A single item referred to handling competing demands of work and family, asking their confidence in ability to:

- balance the demands of the business with family concerns

J. Capacity for adaptation to growth of the entrepreneurial effort, which is believed to be instrumental in whether entrepreneurs survive

over the long term (Sexton, 1991), was represented by a single item asking about confidence in ability to:

- enlarge my perspective, if rapid growth occurs for the business

K. A range of self-management processes were included (Manz and Sims, 1980), by asking them to rate confidence in their ability to:

- think through how to accomplish an activity before attempting to implement the idea
- practice (mentally or physically) a new task, before doing it for the first time
- define my own goals
- set goals for performance that will allow for monitoring my progress
- be honestly critical, if my performance is below the standards I desire
- feel positive about my accomplishments, when I have done a job well
- reward myself when I accomplish my goals
- be aware of my own level of performance
- monitor how my performance compares to standards I have set
- judge how well I am performing as owner or manager of the business

#### Results--Comparing Preferences to Confidence Before Training

The pre-test of confidence revealed a number of noticeable patterns, using zero order correlations for analysis. The comparisons are for all subjects showing a score on the particular dimension, looking at whether a stronger preference score (higher indication on that dimension) relates significantly to confidence.

All comments about relationships are based on statistically significant results with  $p < .05$  or better.

When looking at specific dimensions, the most striking result is on the Introversion

dimension. On 16 of the 46 items, the stronger the indication of Introversion, the less confidence was felt. This included all three of the items relating to general confidence as an entrepreneur (section A), on three of the four items relating to specific topics covered in training (section B), on the item about enlarging one's perspective with growth (section J), and scattered responses throughout the remaining sections.

On six items, the greater the indication of Intuition, the more confidence was felt. This included the ability to take advantage of new opportunities (last item in section A), to compare different combinations of information (third item in section B), to maintain professional image and manage time (last two items in section C), and to practice a task in advance and define own goals (second and third items in section J -- self-management).

Some of the dimensions showed mixed results. For example, the greater the indication of the Feeling dimension, the less confidence was felt on two of the items relating to entrepreneurial skills (section C: items 4 and 5). But the greater the Feeling dimension, the more confidence was felt on three items of business skills and knowledge (section D: items 1, 3, and 4).

The stronger the Perceiving dimension the less confidence in three items of business skills (section D: items 3, 4, and 5), and the less confidence in balancing work/family demands (section I), but the more confidence in ability to change their own perception of capabilities (section E: last item).

Remaining dimensions had either no significant relationship to confidence items, or only isolated single items (full tables of results are available on request).

#### Results -- Comparing Preferences to Confidence After Training

Post training confidence was measured the same way as the pre-test, and comments are based on the same comparison process.

At the completion of training, the extent of Introversion still related negatively to a number of confidence items, but only a total of four rather than 16 as was the case prior to training. Greater Introversion still corresponded to less confidence on understanding marketing choices (section D: fifth item), although at a lower significance level; and to less confidence in enlarging perspective with growth (section J). Confidence had changed on all the other pretest items, so as to eliminate the negative correlation. New relationships appeared -- still negative -- between Introversion and thinking through a task and setting goals for performance (section K: first and fourth items).

The stronger indication of Intuition now only related significantly with the ability to define own goals (section K: third item). The Feeling dimension, which had a mixture of pre-test relationships, now had only one of significance; the stronger the Feeling dimension the greater the confidence to know what record keeping is important (section D: second item).

From the pre-test there were no significant correlations between confidence items and the Judging dimension. Following training, six items indicated less confidence the higher the score on Judging (section C: second item; section D: 2nd and 6th items; and all three items in section E).

The Perception preference scores had previously shown a negative relationship to several confidence measures. These items no longer showed significant relationships, but a number of new and positive relationships appeared (section D: second and sixth items; section H: last item; and section K: fifth item).

On the post-test measure the strength of the Extraversion preference related negatively to five items (section C: last item; section D: items 1, 2, and 6; and section K: ninth item). Prior to training, the only significant relationship was the negative correlation to being aware of tax implications (section D: first item), which did not change.

Several dimensions showed no significant relationships or an isolated single item.

#### Results -- Comparing Preferences to the Degree of Change Between Pre- and Post-test Confidence

In many cases, it may be more meaningful to look at the actual change in confidence that occurred from before to after training. To do this, the before scores were subtracted from the after scores. This change was then compared to the MBTI preference scores as previously. The significant relationship is based on the significance of the change itself, not the level of confidence. A positive relationship then indicates that among people with that preference, the stronger the preference the greater the increase in confidence. A negative correlation means the stronger the preference the less the gain in confidence (or the greater the loss).

Most striking is the result among people indicating a Perceiving preference. Thirteen confidence items related positively to the strength of the Perceiving dimension (Section D: items 3, 4, 5, and 6; section G: last item; section H: 1st and last items; section I; section J; and section K: items 2, 4, 6 and 7). Overall, this suggests that people higher on Perceiving were more likely to increase their confidence in the areas of business skills and knowledge, coping skills, balancing work/family concerns, enlarging their perspectives, and self-management skills.

On seven items, there is a positive relationship between confidence and the

Introversion dimension. In several cases, these appear in direct comparison to the negative pre-training results. For example, on the general confidence in ability as entrepreneur items (section A), the pre-test indicated the stronger the indication of Introversion the less confidence on all three items. Now we can also say that the stronger the Introversion the more confidence changed in a positive direction, thus explaining the lack of significant relationship on post-training measures.

In most cases, the change in confidence related positively to the strength of a particular dimension. An exception to this pattern is the Extraverts. The greater the Extraversion preference, the more positive the increase in confidence related to avoiding cash flow problems (section D: fourth item). However, in four other cases greater Extraversion related to lessening in confidence (section A: item 2; section J, and section K: items 3 and 4). These are items that cover recognizing opportunity, enlarging one's perspective during growth, and defining goals and monitoring one's own progress against those goals.

#### Results -- Comparing MBTI Profiles to Confidence

Participants had to apply for this training program so there is a strong self-selection effect on the profiles represented. None of the participants fell into the categories of ISFJ, INFJ, INFP, ESTP, or ESFP. Following is a breakdown of the MBTI profiles of our 66 subjects

ISTJ (19)	ISFJ (0)	INFJ (0)
INTJ (6)	ISTP (3)	ISFP (1)
INFP (0)	INFP (0)	INTP (3)
ESTP (0)	ESFP (0)	ENFP (1)
ENTP (3)	ESTJ (16)	ESFJ (4)
ENFJ (2)	ENTJ (8)	

Comparisons of profiles to confidence were run as point-biserial correlations. In this process the focal profile is compared to everyone of every other profile, to determine whether there is any significant relationship

between being that particular type and the confidence item. For example, the first comparison looks at ISTJs against all other people, the next singles out INTJs and compares them to all others, and so on.

In the pre-training measures, the ESTJ profile was significantly related to higher confidence on 36 of the 46 confidence measures. All but five of these disappeared in the post-training comparisons. Correspondingly, comparing the change in confidence, we see negative correlations for ESTJs on 13 items. This indicates that ESTJ lost confidence, or at least gained to a lesser extent than other profiles (both situations actually occurred).

In post-training measures, the ISTPs show 17 items on which there is a negative correlation. That is, being an ISTP relates significantly to having lower confidence. There were no significant correlations prior to training. However, being ISTP only shows up as negatively related to change in confidence on two items. Because there are only three people of this profile, it may not be prudent to over-interpret these results.

## Conclusions

In times past, people deciding to plunge into an entrepreneurial venture were more likely motivated by a desire to work on their own and/or promote a pet idea. In recent years, there has been an increase in the number of people going into business for themselves. One factor is the number of people who have been unable to secure satisfactory employment in other ways. This trend brings more people of different personality profiles into entrepreneurship or small business ownership/ management.

Rather than focusing on which people naturally are drawn to entrepreneurship and small business management, we may do more good by determining the best ways to open

doors for others who have chosen this path for different reasons.

"Manager: Small Business" is listed as the fourth occupation ranked for ESTJs and the sixth for ISTJ. These two profiles constituted more than half of the subjects studied in this research, and, due to the self-selection process of having to apply, this is not surprising. In line with the occupational ranking, it is also not surprising to see the strong positive relationship between being ESTJ and having higher confidence on nearly all of the items used. This supports the idea of high confidence leading to selection of related activities and goals, which would then result in a strong showing of ESTJs in such occupations. The lack of a similar showing for ISTJ seems in line with the less confidence pattern of the Introversion preference, when looking at the individual dimensions rather than overall profiles.

We have been able to determine, so far, that training does effect the individuals' perceptions of efficacy in some interesting combinations with the personality indicators. The strong pre-training patterns of confidence, which appear in line with other MBTI research, are disrupted during training. One path to follow from this information would be to further document how the various profiles respond to training, in order to better tailor methods of presentation and content to be most effective based on the profiles of the participants.

Another direction, and the continuation of our work, is to track these participants over time to see which influence, the personality type or the confidence before/after training, more strongly relates to the initiation and success of entrepreneurial ventures. If the overall effect of training was to somewhat equalize confidence across profiles, the question remains whether that effect will endure or the participants will revert to their profile tendencies once away from the classroom.

Phone interviews are in progress to ascertain which participants have started businesses since the conclusion of their training, or what stage of this process they have reached. Additional follow-up letters will not only verify this information, but also supply a third measure of efficacy perceptions. If business start-up does relate more strongly to personality profile, it will be important to know if this corresponds to reverting confidence levels, or whether confidence held at the post-training measure and personality still was the stronger determining factor.

If the confidence changes prove to be only temporary, it would be a worthwhile extension of future programs to implement organized follow-up activities or structured networking among the participants. Transfer of training is always a concern (Baldwin and Ford, 1988), but there has been some evidence that follow-up combined with self-efficacy can enhance performance even after time (Gist, Stevens, and Bavetta, 1991). Underlying both the idea of training transfer and self-efficacy is the fundamental issue of whether it is prudent to attempt training entrepreneurship to people who are just not "the type." But much more can be done to explore the issue before accepting the position that an entrepreneur must be born an entrepreneur.

Additional experiments might include differential training based on profile information. In the cases where a relationship between an aspect of personality and confidence changed because one type increased in confidence faster than another, there is the question of how best to reach every participant. Of greater concern, however, are the cases in which subjects actually lost confidence during training. In some cases, this may be because they received their first realistic look at what was involved in the issue. If so, the result may be a tempering of their natural tendency to rush into things unprepared. But can the same realism be injected without a loss of confidence? Can we separate foolhardy

confidence from confidence based on knowledge and information? Or is this important?

There is much to be gained by furthering this research, both for learning more about the successful entrepreneur or small business owner and for better knowledge of training influences. In addition, with all the rapid changes in our society that are redefining career paths for many individuals, the potential for "developing" entrepreneurs could open up new options. More and more businesses seem to be considering related training as part of outplacement packages, and individuals are struggling to find ways to combat the decline of opportunities. It's important we know whether such training makes a difference and how to do the best with the potential that is there.

(References available on request)

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### **COUNSELING PHILOSOPHY**

**The Mercer County Community College Small Business Development Center (SBDC)** supports the local business community through educational services. The counseling program is an integral part of this support. Counseling services are educational and offered free of charge to all members of the business community.

Counseling services are offered by the **SBDC** in an effort to provide professional, confidential listening, "coaching," and technical assistance to businesses involved in all phases of the business cycle.

#### **Counselors offer many types of assistance including:**

- information related to a specific topic or problem.
- a framework for decision making.
- feedback on ideas, problems or situations.
- information on appropriate additional educational services offered by the SBDC.
- referrals to other sources of business assistance.
- a supportive interactive environment for the discussion of business management and operations issues.

Pre business workshops  
One-to-one counseling  
Start-up training in all phases of business  
development  
International trade counseling/training  
Government procurement counseling/training  
Computerized learning center  
Business plan/marketing plan review

STATEMENT OF RICHARD TYLER TO:  
THE NEW JERSEY LEGISLATURE  
ASSEMBLY LABOR COMMITTEE

MEETING OF THURSDAY, MAY 5, 1994

My Name is Richard Tyler, and I am the project manager of the Center of Entrepreneurial Studies which is a joint venture affiliate of Rutgers University's Small Business Incubator. I appreciate the opportunity to be part of this hearing on entrepreneurship of Displaced Individuals.

For the past 3 years I have served as the principal investigator (P.I.) in attempting to implement a Statewide program to provide entrepreneurial training to displaced, dislocated unemployed individuals.

In that capacity I have been able to examine the majority of available resources and government policies and practices related to entrepreneurship for the unemployed.

My testimony will cover three areas.

First, I would like to give some recent history of self-employment by the unemployed.

Secondly, I will want to give some results of my investigations regarding the type and availability of resources and requirements for unemployed seeking self employment.

Finally, I want to provide you with some statistics related to the cost effectiveness of self employment in New Jersey.

During the recessionary period between 1987 and 1992, it became evident, to those of us teaching entrepreneurial development, that a population segment of potential entrepreneurs was being created from the displaced and dislocated workers of large firms who were "downsized out of their working careers. The figures indicate that between 12 and 14% of the unemployed had undertaken some degree of self-employment. Even in non-recessionary periods it appears that up to 8% of the unemployed had formed their own business ventures.

It is now safe to say that the government entity most involved, on a continuing basis, with the country's largest population of potential entrepreneurs and the government entity who would have a compelling interest in promoting entrepreneurship to these individuals is not the US SBA or Department of Commerce, but Department(s) of Labor. Appropriately, over the past few years, the U. S. Department of Labor has been developing promotional policies and programs on entrepreneurship and self-employment.

There are some items which should be a part of these hearings. They are: The concept of the unemployed becoming self-employed is not unique. And, unemployed individuals receiving assistance by government entities to form their own businesses is not a new concept. Several other countries have for many years, had entrepreneurship for the unemployed as a re-employment vehicle. Among the Industrial Nations there are several countries which have been operating programs to encourage the unemployed to create their own jobs through the use of financial grants and other assistance to start new business ventures. Programs exist in:

- Australia
- Belgium
- Canada
- Denmark
- Finland
- France
- Germany
- Great Britain
- Greece
- Ireland
- Italy
- Luxembourg
- the Netherlands
- Norway
- Portugal
- Spain
- and Sweden.

It appears that of the industrialized nations, only the U. S. and Japan do not have self-employment as an activity of their unemployment programs.

The two largest self-employment programs provide two alternative models of how a self-employment program for unemployed workers are structured.

The French Chomeurs Createurs ("Unemployed Entrepreneurs") program provides participants with a self-employment allowance in a single lump-sum payment of up to 43,000 francs (\$7,200) for business start-up capital. This amount varies by individual depending on the length of their previous employment and how long they have been unemployed.

In contrast, the British program, "the Enterprise Allowance Scheme", provides participants with a weekly self-employment allowance payments of 40 pounds (approximately \$66), in place of their regular unemployment benefits, for one year while the participant develops and establishes his/her business.

Accordingly, in this country the Unemployment Insurance System has initiated two Self Employment Demonstration Experiments.

In September 1987, a UI Self-employment Demonstration was implemented in the State of Washington under a joint agreement between the U.S. Department of Labor and the State of Washington. In December 1987, the U. S. Congress enacted legislation, that authorized DOL to proceed with self-employment demonstration projects in additional States. DOL proceeded with a second self-employment project in the State of Massachusetts.

In the Washington experiment, a group of the claimants were selected to receive "self-employment assistance" involving lump sum payments of their benefits.

As soon as individuals are selected, the UI requirement that they search for wage and salary employment is waived, and these participants began working on self-employment activities. The training began within two weeks of selection.

The "training" consisted of a 1 week seminar on the fundamental issues involved in starting a business. Following the training seminar, a business development counselor was assigned to work with each participant throughout the process of planning and establishing their new business.

The Massachusetts demonstration project was similar but did not involve cash grants but did involve unemployment insurance income support.

12 Years ago I was the principal Investigator and subsequent founding director of the NJ Small Business Development Center about which you will hear more from affiliated institutions and from the current director. During that time I was also affiliated with the Rutgers Minority Investment Company. That firm, headquartered at the Graduate School of Management is the only licensed Small Business Investment company owned by an institution of higher education. Those organizations figure conspicuously into the available and potential sources and training for the unemployed, potential entrepreneurs in New Jersey.

For many years I was one of the instructors of the entrepreneurial courses at the Rutgers Graduate School of Management in Newark. Of the more than 400 or so Graduate business students who took this course, less than a dozen of those MBA students went into business for themselves.

My discussions with instructors of entrepreneurship courses at other institutions around the country, confirmed that, essentially, they had the same experience with MBA students.

It had also become evident that a radically different course syllabus and support network is required for a displaced and unemployed individual committed to forming their own business. The consensus is that these courses", entrepreneurial training for the unemployed", would need to be innovative and intensive in their presentation, highly effective in the successful implementation of new business startups and include an extensive degree of ongoing management assistance with a dedicated business finance mechanism.

In the exploration of what training and assistance was available to the unemployed entrepreneurs, what we found were:

- A large number of...TV business opportunities,
- An explosion of "starting you own business books",
- An exponential growth of franchise opportunity conventions,
- Some programs which provided counseling and assistance in self-employment in the better outplacement firms who were retained by some of the larger firms ,
- Several good course offerings in higher education institutions including the SBDC programs ranging from one day seminars to 16 week courses. However, few of the college level or continuing Ed courses, were identified as being directed toward, or were structured specifically for unemployed individuals starting their own businesses.
- U.S. SBA SCORE counseling chapters
- Several Small Business Incubators including 3 affiliated with institutions of Higher Education

#### Recent U.S. legislative initiatives

On May 27, 1993 (legislative day, April 19, 1993) Mr. Harrison Wofford, Senator from Pennsylvania (for himself) and Mr. William Bradley, Senator from New Jersey introduced Senate Bill #S.1045; - To permit States to establish programs using unemployment funds to assist unemployed individuals in becoming self-employed.

That bill was the senate version of amendments to the U.S. House bill HR 103-182; Section 507; The transition adjustment amendment entitled Treatment of Self Employment assistance programs under the NAFTA bill.

That legislation requires the states to pass companion legislation to implement Unemployment Insurance payments to individuals while they receive training to, and undertake to develop their businesses. Essentially, the legislation expands the Massachusetts experiment.

There is a 5 year sunset provision to this program. The training funds for self employment would now be allowed under the proposed Workforce Security act. As written, the bill will provide \$60 to \$100 million dollars of new funds to New Jersey under Title 3 of JTPA.

As you have (will hear) heard in (subsequent) previous testimony, upon certification by the NJ Employment Security Council, the NJ Legislature will be introducing the appropriate NJ companion legislation to the NAFTA bill.

This would do much to implement Self Employment as an acceptable re-employment vehicle. Currently, Self-Employment does not easily fit as an occupation acceptable to the Service Delivery Areas (SDAs) who administer JTPA in New Jersey. That is due mostly to the 90 day job placement requirement under JTPA.

Within the past 5 years, I could find only one Service Delivery area which had funded a self-employment training program. The program initiated in 1988 by the Hudson County/Jersey City PIC. was very controversial, and was not implemented the second year.

Under the Workforce Development Partnership it has not been possible to implement such training. Some 10,000 individuals have been, or are being retrained, with funding from this program. There were, however, 50,000 applicants to that program. Self-Employment was not a high priority occupation under that program.

This past September, the NJ Department of Labor developed a proposal to submit to the U. S. Department of Labor for a grant to finance an entrepreneurial program in New Jersey. Unfortunately, changes in State administration and the passage of the NAFTA bill with it's amendment, and other factors, have not resulted in award and implementation of that grant program for New Jersey.

At issue is whether Entrepreneurial programs for the unemployed would be cost effective both from a economic development standpoint, from a new jobs creation standpoint and from a reemployment standpoint. The changes in the U. S. economy through the last decade have been monumental. In 1900 90% of individuals were self-employed. Today, 7% are self employed but 50% would like to be, based on recent polls.

It would be fair to assume the general consensus regarding job growth, is that 8 of every 10 new jobs are created by small companies. At one time or another Presidents Ronald Reagan, George Bush and Bill Clinton all repeated that statistic. The most recent data indicates the figure may be closer to between 60 to 70% here in New Jersey.

The best data on this subject was made available in the March of 92 NJ department Labor's publication entitled "New Jersey Business Births & Deaths in the 1980's authored by Robert Vaden.

From a re-employment standpoint, if the estimates are correct, of the average 10,000 initial weekly claims, something close to 1,200 of those individuals undertook some form of self employment. That would represent well over 50,000 new businesses/an. Looking at it another way, of the 300,000 or so currently unemployed in the State, some 30,000 will be or are self employed in some form.

That makes unemployed entrepreneurs a major industry category.

Many of them will be home based businesses, Most will be family concerns. A significant number will be "underground businesses", that is, unregistered as business entities with their business income unreported. They will cover all business categories from service and retailing to transportation and manufacturing. Within 5 years many will cease to exist in their original form. Not necessarily failures. Some will be gazelles, that is, grow to 500 or 1000 employee businesses over the next decade. A few may even wind up having their stock publicly traded.

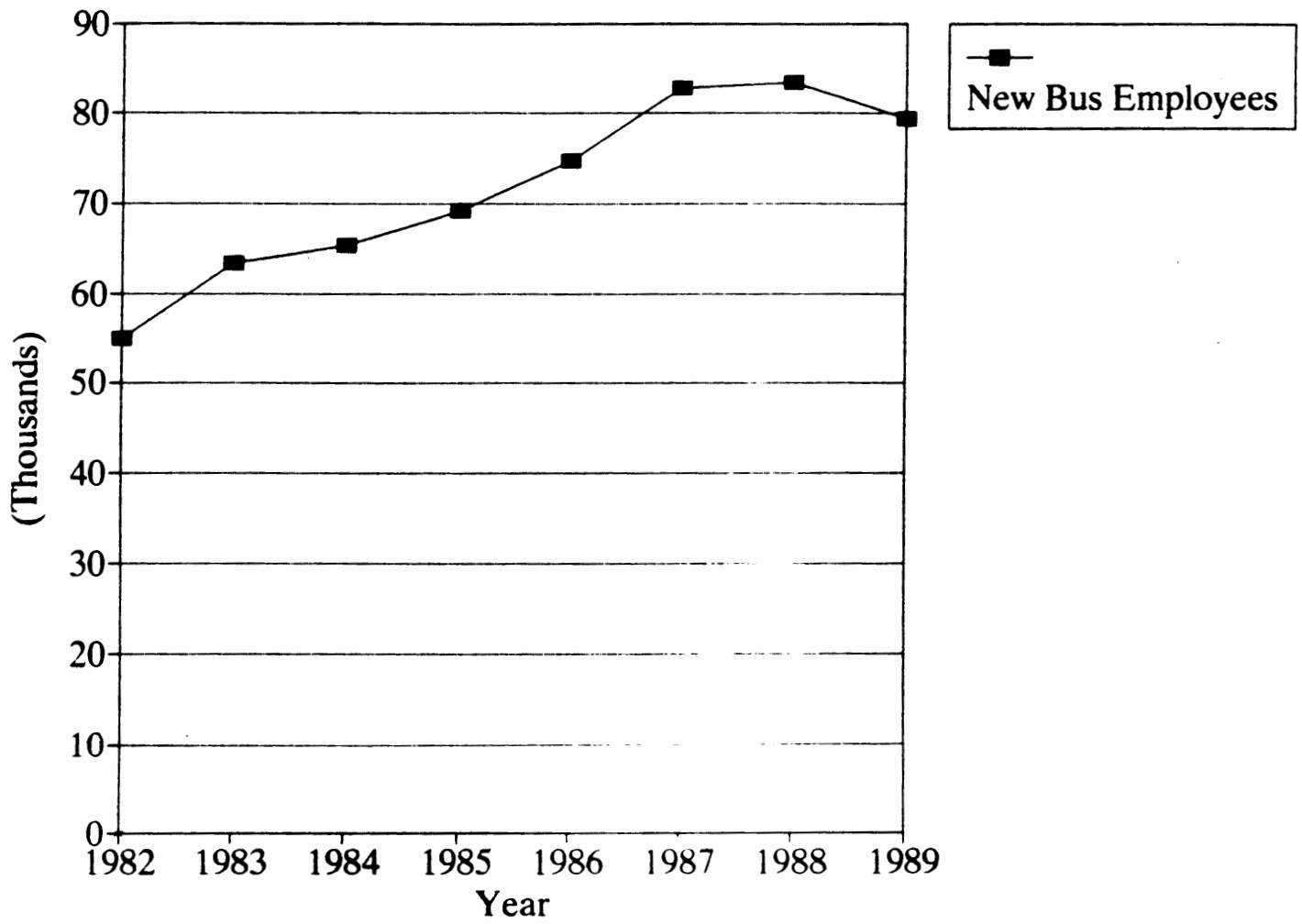
The first graph shows the net number of new businesses between 1982 and 1989. These numbers are more meaningful than new incorporation because they take into effect any business which had employees. As it indicates, even in 1982 there was a net increase of 3330 businesses.

The second graph indicates the number of employees hired in each of the years between 1982 and 1989.

The third graph simply indicates the average number of employees for new businesses formed between the years 1982 to 1989. Its fairly consistent at around 3.4 rising to 3.6 in 1989.

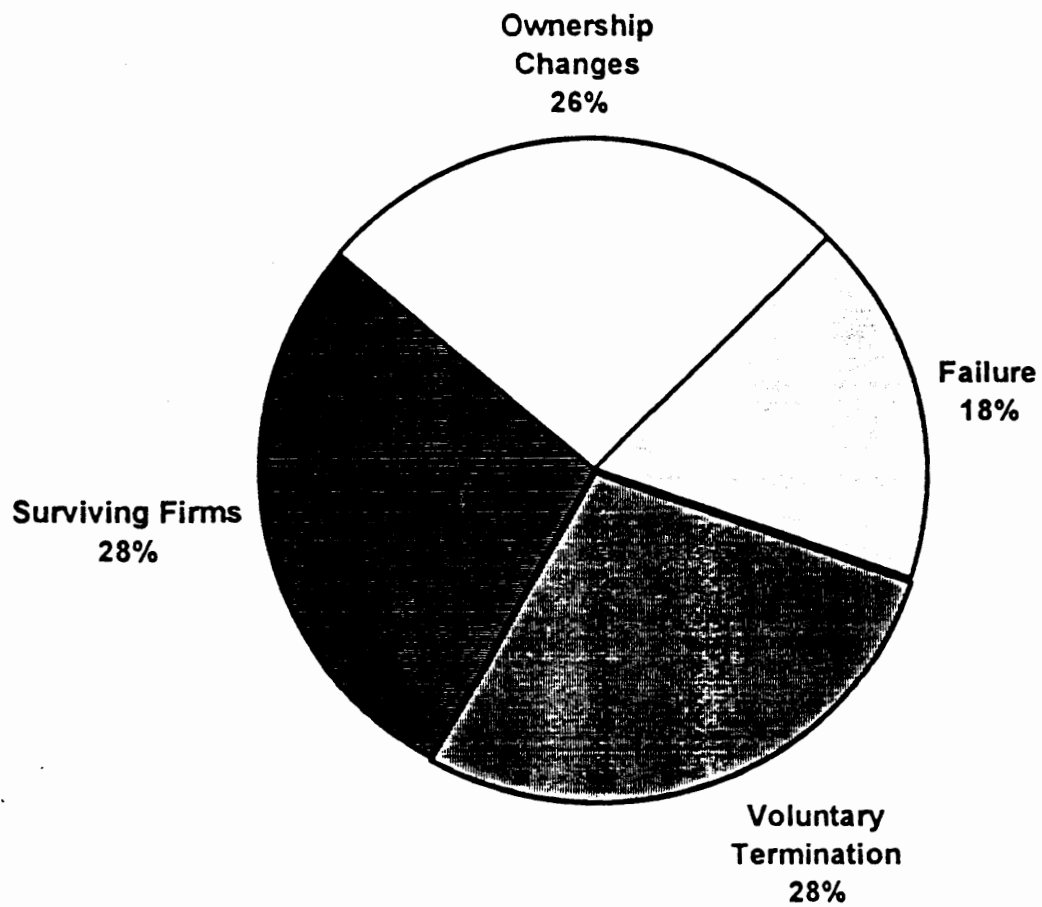
Our estimates are that there are 3 to 5 times as many sole proprietorships...one person businesses as there are businesses which register their employees. Such that we can roughly double the number of jobs created by new businesses as there are businesses who have employees.

This completes my testimony.



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# **Eight-Year Destiny of Small Firms Formed 1977-1978**



Bruce Kirchoff NJIT

# COMPENSATION RATING AND INSPECTION BUREAU

STATE OF NEW JERSEY

DEPARTMENT OF INSURANCE

60 Park Place, Newark, NJ 07102

JOSEPH S. DI MARTINO  
Executive Director

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DAVID W. HANNUM  
Special Deputy Commissioner

November 1, 1993

## MANUAL AMENDMENT BULLETIN #372

To All Bureau Members:

### Re: New Jersey Workers Compensation Approved Managed Care Program

In 1992 the Department of Insurance through the Compensation Rating and Inspection Bureau established a Workers' Compensation Task Force consisting of eleven major New Jersey workers compensation insurers. The purpose of the Task Force was to recommend improvements in a number of areas one of which was medical cost containment. In its examination of cost containment measures the Task Force recommended that the "State sanction use of managed care."

In accordance with the recommendation of the Task Force and following review of the managed care concept, the Department of Insurance adopted rules governing the use of approved managed care programs (N.J.A.C. 11:6-2). The Rules became effective July 6, 1993. Under an approved program, an individual member carrier of the Rating Bureau may contract with a separate approved managed care organization or may use its own approved managed care program. The use of an approved managed care program is optional with the carrier. Applications for approval are to be filed pursuant to N.J.A.C. 11:6-2.5, as noted in Exhibit V.

An individual member carrier utilizing an approved managed care program may apply to the Rating Bureau at 60 Park Place, Newark, New Jersey 07102 to offer a premium reduction of not less than 5% of standard premium. A copy of the application for premium reduction is included with this Bulletin in Exhibit III.

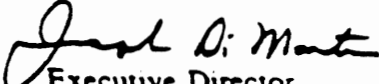
Specific changes to the Manual are required to accommodate the new Program. Accordingly, the Commissioner of Insurance has approved the following alterations to the Manual:

- Exhibit I - Part 3, Section 2 "New Jersey Approved Managed Care Program Endorsement"
- Exhibit II - Part 3, Section 3, Paragraph 56 "Preparation and Auditing of Policies"
- Exhibit III - A new Part 3, Section 10B "Approved Managed Care Program"
- Exhibit IV - Part 3, Section 11, Paragraph 17 "Experience Rating Plan"
- Part 3, Section 13 "Statistical Plan"

Exhibits I through IV are included with this Bulletin. The alterations to the Statistical Plan are included with Statistical Circular #93 issued concurrently with this Bulletin. Also included in this Bulletin is Exhibit V which is a duplication of the Rules as adopted by the Department of Insurance.

This Bulletin does not specifically address the application of an approved managed care program premium reduction to the residual market. The Department of Insurance is considering alternatives to promote widespread introduction of managed care to the residual market. In the interim, a member carrier may elect to make its approved managed care program premium reduction available to all of its residual market policyholders, as well as its voluntary policyholders.

Please be guided accordingly.

  
Executive Director

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