

Expanding Economic Literacy by Using the Money Smart for Small Business Curriculum

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MSU EDA University Center for Regional Economic Innovation

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Expanding Economic Literacy by Using the Money Smart for Small Business Curriculum

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Contents

- Overview 3
- Introduction 3
 - Using the Money Smart Curriculum to Support Businesses 4
- Why Training is Important 8
- Developing the Videos 9
 - Producing the Videos 9
 - Evaluating Success 10
- Training Video Scripts 11
 - Insurance 11
 - Tax Planning and Reporting 18
 - Selling and Succession Planning 28
 - Financial Management 35
 - Banking Services 43
 - Risk Management 52
 - Credit Reporting 63
 - Organizational Types and Considerations 68
 - Time Management for a Small Business 79
 - Record Keeping as a Management Tool 86

Overview

Northern Initiatives (NI) has a successful 28-year track record of making a real and measurable difference in the daily lives of small business owners and emerging entrepreneurs in the Upper and Lower Peninsulas of Michigan. Initially founded as an academic program at Northern Michigan University to “invest in ways of strengthening the regional economy,” NI spent the first decade providing high quality technical support to entrepreneurs. In 1992, NI was spun off as a separate corporation and starting in 1994, began to use lending as the primary tool to effect change in the region’s rural economic landscape. Since making its first loan, NI has invested a total of \$42.6 million in the region, leveraging another \$39.6 million, and creating and/or retaining more than 2,939 jobs.

In conjunction with business loans, NI provides business support or technical assistance to start-up and existing businesses. These services are provided by staff coaches, with support from NMU student interns, and in cooperation with local experts and practitioners such as QuickBooks ProAdvisors, CPAs, local SBDCS, and other providers. This provided support is individualized, but typically focuses on bookkeeping, financial literacy, marketing/sales strategy, and online marketing.

Introduction

Northern Initiatives has seen its loan volume grow in the post-recession period, setting new records in loan volume during each of the past three years. NI now has the staff and capital resources to originate and close 100 loans per year, feasibly as soon as 2014. The loan production growth means that NI has been studying complimentary ways to scale its technical assistance.

NI works in a demanding environment. Rurally isolated, and spread across more than 37,564 square miles, its business customers are hard hit by the dual effects of fundamental economic restructuring and the lingering effects from the recession. While Michigan has made substantial progress in the post-recession period, much of rural Michigan lags. Jobless rates are higher in NI’s Service Area than Michigan and the United States overall. There continues to be significant population decline in many areas and the attributes of hard work and reliability while important, need technical skill compliments which may be in short supply.

Yet, there are clear encouraging trends taking place today in NI’s 51 county Service Area (46 counties in Michigan and 5 bordering counties in Northern Wisconsin) that will dramatically affect NI’s ability to affect positive change and drive job creation. Rural communities given the proper tools and resources can “grow their own businesses.” This requires the skills to launch and grow businesses and also the wherewithal to transition ownership of family-owned businesses, through sale or passing on to the next generation. Over the next three years, Northern Initiatives will be originating 300 loans, averaging 100 new loans per year, causing its loan portfolio of borrowers to swell to 300. It is critical to create scalable tools that will support the delivery of high quality technical assistance and training.

According to James Yagley, of the Federal Deposit Insurance Corporation, the uptake of the curriculum has seen more response through banks than CDFIs or public bodies. This work will provide a practical application of how a CDFI can put this curriculum into practice. The value for others is learning to incorporate this curriculum into building economic literacy in small businesses. To date, technical assistance at Northern Initiatives and perhaps for many CDFIs and micro lenders, is an outgrowth of making loans. Scale tends to happen on the lending side through such innovations as an online

application with imbedded scoring system (ACCION Texas’ Microloan Management System, MMS). Seldom are their ideas and advancements in scaling technical assistance apparent in keeping pace with growing loan portfolios. Money Smart could contribute importantly to an effort to scale technical assistance. That is the nature of what this project will work to demonstrate. It will also test this approach in advancing economic literacy for small businesses.

Toward that end, Northern Initiatives started examining the FDIC Money Smart for Small Business curriculum. NI believes that this tool has the potential to deliver broader assistance resources to more small businesses. To that end, NI entered into a partnership with the Federal Deposit Insurance Corporation to become a user of the curriculum.

The Money Smart for Small Business curriculum features ten modules of instruction that include pre & post training quizzes to assess comprehension. Applying the curriculum to support technical assistance for small business borrowers is a logical step for NI that will have useful implications for Economic Development Professionals and public organizations. The U.S. Small Business Administration estimates that 35% of all small businesses have been created in the last five years. Boosting economic literacy in this pool of talent is critical to adding jobs and economic capacity in communities.

Northern Initiatives’ application of the Money Smart for Small Business curriculum is in support of technical assistance to our loan borrowers. This effort to scale our technical assistance coincides importantly with this topic. This work will have implications for others who see value in using this resource to boost economic literacy in a small business community. The work could be relevant to educational institutions and economic development professionals, including community development financial institutions, small business counselors, and Downtown Development Authorities.

Using the Money Smart Curriculum to Support Businesses

NI has developed a work plan to take the development and deployment of technical assistance in new and exciting directions. The work plan will begin by doing a standardized assessment with customers (start-ups and established) to determine their proficiencies and knowledge gaps. The Money Smart curriculum will be the subject of ten training videos, which NI will be creating. Once an assessment has been completed, Northern Initiatives will work with the borrower to create a “training plan.” The training plan, videos, and supporting resources will be housed in a central online business advancement portal, which will be accessible by all borrowers. NI will use some of its past and current customers as talent in the videos. This use of peers will help the audience to connect the topic with its value. The testimonials will speak to the relevance of these topics expressed by familiar people and businesses.

The following table provides an overview of the Money Smart training modules.

TOPIC	TRAINING SUMMARY
Insurance <i>(page 11)</i>	This module provides an overview of how small businesses can manage risk through insurance, as well as highlight the circumstances when insurance may be required by law.
Tax Planning and Reporting <i>(page 18)</i>	This module provides an overview of tax planning and reporting and is designed to help participants understand how taxes can benefit and affect their business.

Selling and Succession Planning <i>(page 28)</i>	This module provides an overview of selling small businesses and succession planning. It is designed to explain how to change the ownership of a business through selling, closing, or transferring the business to successors.
Financial Management <i>(page 35)</i>	This module provides an overview of business financial management and is designed to build awareness of financial management practices, rules, and tools that are commonly available to a small business.
Banking Services <i>(page 43)</i>	This module provides an overview of banking services. It is designed to explain how they work for a small business, including information on business checking, payroll processing, merchant services, business loans, and cash management services.
Risk Management <i>(page 52)</i>	This module provides an overview of risk management and is designed to help participants understand how risk management can benefit their business.
Credit Reporting <i>(page 63)</i>	This module provides an overview of credit reporting and is designed to help participants understand how reporting their credit can benefit their business.
Organizational Types and Considerations <i>(page 68)</i>	This module provides an overview of the general characteristics, advantages, and disadvantages of a Sole Proprietorship, Partnership, Limited Liability Company (LLC), C-Corporation, and S-Corporation.
Time Management for a Small Business <i>(page 79)</i>	This module provides an overview of time management and is designed to help participants understand how time management can benefit their business.
Record Keeping as a Management Tool <i>(page 86)</i>	This module provides an overview of the importance of keeping good records and explains record keeping basics for a small business.

The FDIC provided all materials needed to teach the Money Smart curriculum on a CD-ROM. Every module is formatted and structured the same way. The components of each module are in PDF format and consist of:

- An Instructor Guide.
- Overheads (visuals) in PowerPoint and PDF formats.
- A Participant Guide.

The Instructor Guide is the roadmap for presenting the modules. It includes:

- The purpose and objectives of the module.
- A detailed lesson plan.
- A copy of the overheads (visuals).

Each lesson plan provides detailed information for the instructor teaching the course including: icons or picture representations of the type of activity or training called for a word-for-word script of the module content as well as more lengthy instructions for delivering the content and conducting the practice exercises.

The Money Smart for Small business curriculum has generally been delivered through one to two hour, in-person workshops. Due to NI's large rural service area and the need to scale technical assistance, NI needed to explore other ways to deliver the content. NI has been providing virtual learning for over three years, through individual coaching or webinars. Businesses have reacted favorably to virtual coaching and have requested more online resources, webinars, and trainings they can access at their convenience. Therefore, NI pursued using the Money Smart curriculum as a basis to launch an online learning series.

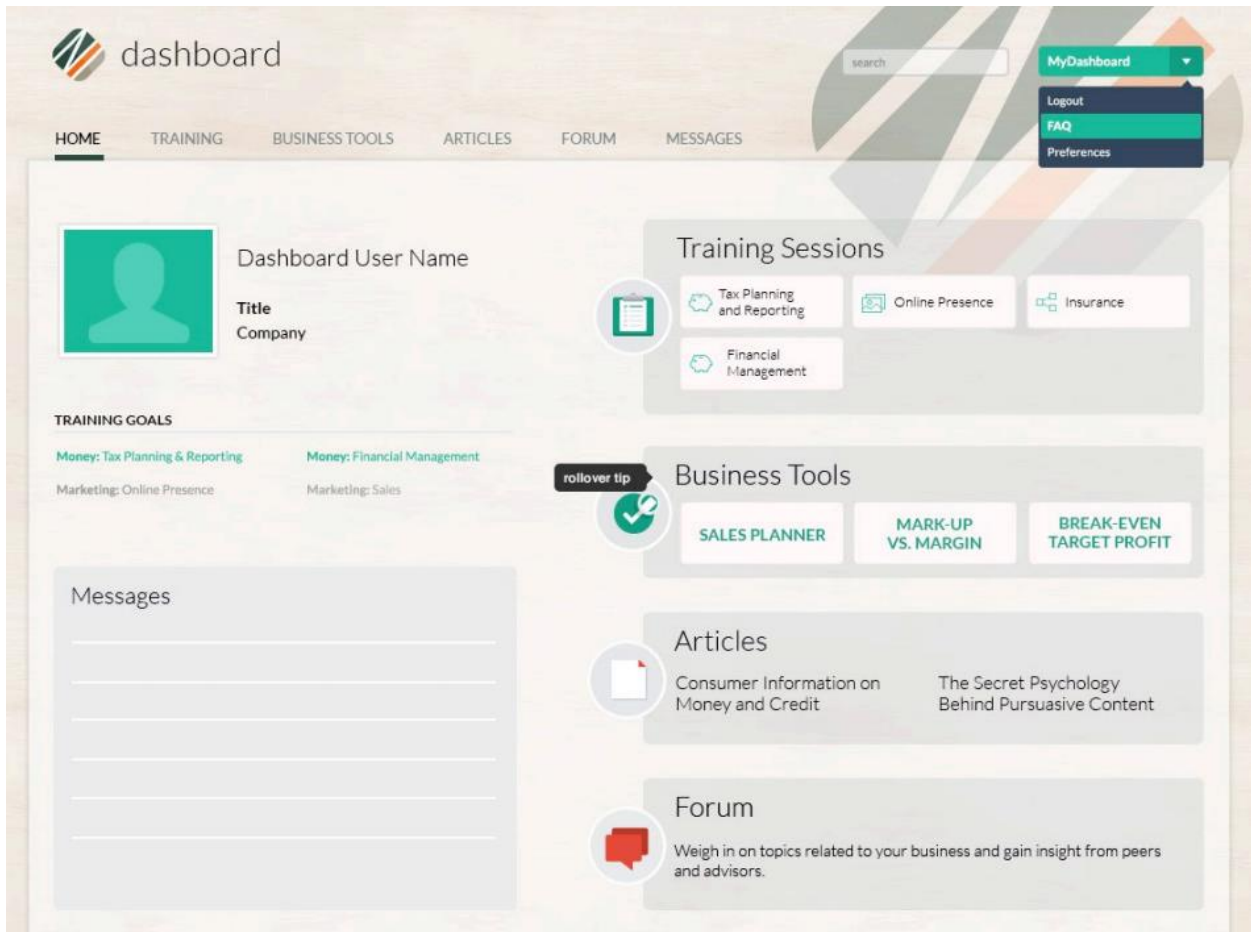
Each video is 15-20 minutes in length, and generally follows the same format:

1. Introduction of the topic by a small business owner and why it is important to their business
2. Objectives for the training are set by an NI representative
3. Key lessons and training provided through use of videos and a narrator
4. Content wraps up, sharing a perspective from another small business
5. NI representative wraps up the video with standard messaging

Quizzes will be conducted before and after each video to test comprehension of the topic and to gather feedback on the training video's usefulness to the small business. The videos are crucial to an online learning portal to be launched by Q3 2014. The portal will be the central location where borrowers can track progress towards their training plan, watch videos, and explore resources and articles to support their business as well as connect with peers and coaches. The dashboard is the welcome screen and central location to access all components in the portal. Information displayed is tailored for the small business, based on their training plan and the industry/topic preferences set under their profile. The information in the dashboard is broken into key areas:

- **Training Goals.** Goals established based on the training questionnaire and goals identified by the business owner.
- **Training Sessions.** Videos based on the Money Smart for Small Business curriculum. Additional videos to be added based on funding and feedback from businesses.
- **Business Tools.** Interactive online business tools to calculate break-even, markup, and sales by product/distribution channel.
- **Articles.** Recommended articles are displayed based on industry and preferences set in their profile.
- **Forum.** Ask a question and connect with peers and coaches.
- **Messages.** Connect directly with a Northern Initiatives coach and receive updates on the resources/trainings added to the portal.

Figure 1: Screenshot of the Education Portal



With the addition of the online training videos and portal, NI will be able to provide training to all businesses in a scalable manner. Training will now be set up in a tiered approach to support businesses that have the capacity to grow and are committed to building systems and improving their business operations. Training will start with recorded videos and resources offered through the online learning portal. As training objectives are completed, the training will move to live group sessions, QuickBooks training, and on to more individualized coaching. This approach allows NI to offer assistance to more businesses and provide individualized coaching, targeted on businesses that want to grow and create jobs and greater economic impact in their communities.

Figure 2: Technical Assistance and Training Work Plan



Why Training is Important

According to the U.S. Small Business Administration, 50% of entrepreneurs who start businesses survive five years or more and about one-third survive ten years or more. One of the top reasons that businesses fail is because they run out of cash, but there are many underlying issues that lead up to the cash shortfall. Training and resources can help businesses to understand the potential pitfalls and put systems in place to help them manage their cash and profits. The video library focuses on the basics that every business should consider. Each item could have a significant impact on their long-term success as a business. For example, if a business doesn't have proper insurance and there is an injury due to a defective product, that business may not be able to survive the damage to their market reputation and expenses due to legal fees.

Another key issue for businesses is succession planning. Many businesses wait too long to think about retirement, selling their business, or handing it down to a family member or employee. One of the training videos focuses on succession planning and the importance of having a plan from the beginning. Many business owners plan to pass the business down to future generations, but the reality is much different. Only about 30% of family-owned businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond (Family Business Institute, n.d.).

The Money Smart videos will provide a good base of knowledge, but will be coupled with webinars, coaching, and other resources to help business build out additional systems. After the launch of the ten money smart videos, NI will be pursuing the development of additional trainings focused on sales, marketing, and cash management. The Money Smart series and the proposed sales and marketing video

series, will be supplemented by tools that Northern Initiatives will create. Combined, these offerings will allow Northern Initiatives' borrowers to build sound financial systems and develop actionable strategies and tactics that will assist them in reaching sales and profit goals.

Developing the Videos

The content and basis for the trainings was developed by the FDIC. The Money Smart for small business curriculum included an instructor manual, participant manual, and PowerPoint slides. These materials were originally created to be delivered in an in-person workshop setting. Due to our large territory and rural nature, we needed to find a different way to deliver these trainings to the businesses. Therefore, we decided to pursue developing them as online trainings. Before moving forward, we met with James Yagley at FDIC to discuss our idea. We wanted to see if this was already being done, as we did not want to duplicate efforts and wanted to understand any restrictions/considerations in using the curriculum as the basis for the online trainings. Agreements were formed to have access to the curriculum, and going through the process started to make this project happen.

NI had the basis for the training, but now needed to find the resources to make it happen. This was the first video training project to be conducted at NI. As a non-profit, funding is a key component to new initiatives. We were able to combine funding from federal, state, corporate sponsors, and private foundations to launch the program.

Producing the Videos

The next crucial step was to find a provider that could help with revising the script to fit an online format, record and produce real-life accounts told by local businesses, narrate the training, develop the graphics, and pull it all together. Initially, NI was looking for providers to fill each of these tasks. Finally, what was recommended and decided upon was to find a producer to manage the whole process from scripting and recording to the final product. Such Video, Lansing, MI was selected to be the producer and brought new ideas to that project that we had not considered.

Even with having a producer, it was still a lot of work on our end. Since NI has direct experience with providing coaching to businesses, we needed to be directly involved in the script development and messaging for the videos. The organization needed to be able to commit the time and have funding to support the staff time in reviewing scripts, reviewing text/graphics, selecting businesses to interview, and gathering sponsors.

Development of the videos will take five months from signed contract to final product. Most of the time has been spent developing the scripts. The word-by-word scripts provided by the FDIC were a great launching point, but needed to be revised to fit an online format and reduced from 1-2 hours to 15-20 minutes. This was the targeted length for the videos because we felt we could deliver the key messages in that time, and if they were much longer it would be tough to keep the business owner's attention. Therefore, a lot of work was put into the scripts to ensure the key messages were conveyed, and the business owner could understand how to implement the lessons learned in their business. There were three rounds of review and revision conducted for the scripts, and an additional fourth round of review to see how all the components fit together. There was also a review of the graphics that accompanied the narration.

In addition, we wanted to provide tools, links, and additional resources for the content. Links and resources provided in the instructor manuals were coupled with materials developed by NI or sourced externally to support implementation of the lessons learned.

Project timeline:

February 2014. Contract signed and full day planning session conducted

February – April 2014. Script reviews, revisions, and finalization

April 2014. Business interviews and NI representative video introductions recorded

May 2014. Sponsors secured. Narration recorded and graphics developed

June 2014. Review and finalization of videos

July 2014. Videos embedded into the education portal and supporting resources added

July – August 2014. Piloting the videos and portal

September 2014. Promotion and launch of the training series to all borrowers

Now that we have experience with this type of project, we could reduce the time needed to revise the scripts and graphics. Below are a few key lessons we have learned:

- 1) **Read the script out loud.** Reading it silently versus out loud (how the businesses are going to hear it) made a big difference on how the content flowed.
- 2) **Be clear on expectations.** Understand limits for revisions, and be clear on expectations as you review and provide feedback. Do they want comments, or do they want you to edit? Set these expectations early to avoid additional costs, and stay within timeline.
- 3) **Get sponsorships early.** Run the scripts by sponsors before finalization in case they have edits to content in order to avoid delays and additional costs.

Evaluating Success

The project will be evaluated to measure process and output objectives. Training evaluations, system analytics, and job growth and retention will be monitored throughout the effort. Session evaluations will assist in measuring program content and delivery. NI will quantify the number of business leaders and entrepreneurs served conversions to business launch and growth activities, and resulting job retention and creation.

Training evaluations, system analytics, and job growth and retention will be monitored throughout the effort. Session evaluations will assist in measuring program content and delivery. Also, the assessment will be set up to be taken annually or upon completion of a training plan. We will then be able to measure if businesses have implemented these new lessons and how confident they are in the new skills. All of this information will be attached to their profile in Salesforce and coupled with loan and financial performance data.

These metrics will be collected directly by Northern Initiatives, but a third party evaluation will also be conducted by the Corporation for a Skilled Workforce to understand the degree to which exposure to NI's technical assistance increases survival and growth rates of businesses being served by NI.

About REI

The MSU EDA University Center for Regional Economic Innovation (REI) seeks to identify and develop new economic development tools, models, policies and practices to support innovative economic development high-growth enterprises and job creation in distressed regions across the state. REI has established a new economic development ecosystem to cope with the ever-changing global and regional dynamic. Through this ecosystem, we engage innovative and creative minds which result in new economic development practices.

The REI University Center was established in 2011 with support from the U.S. Department of Commerce, Economic Development Administration, and in collaboration with the following MSU offices:

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