

ARIZONA SBDC NETWORK  
PROGRAM DEFINITIONS FOR COUNSELING & IMPACT RECORDING

Revised 2-4-11

1. Client – Any individual or representative of a small business, who fills out a Request for Counseling form, along with the AZSBDC Client Understanding Agreement, requesting one-on-one technical assistance from an SBDC. A former client, also known as Closed client, who wishes to resume services with the SBDC should sign new legal forms if the last counseling session was more than one year earlier.
2. In-Business - In business indicates a client in business operating formally, with completed required registrations (business license, Trade Name registration, taxpayer ID#, etc.) AND one of the following:
  - a. Has a documented sale and/or commenced selling;
  - b. Contracted for or compensated an employee;
  - c. Has acquired debt or equity capital, and/or begun to purchase inventory, equipment, building, etc.
  - d. Has incurred business expenses in operation of business.
3. Preventure - An individual or individuals who have taken steps to start a business, such as work on business plan, but not meeting requirements of definition #1 above.
4. Startup - Any Client, at intake, In-Business only, who has been such for a period of less than one year.
  - a. Any Startup, signed up as a client for SBDC services, if meeting definition for In-Business, will be designated a startup after an initial session, by checking Startup box in economic impact section of a subsequent session;
  - b. If a Client, Preventure meets requirements for In-Business while working with the SBDC, they will be converted to In-Business status and designated a startup in a session, by checking Startup box in economic impact section of a session;
  - c. If a closed Client, previously Preventure, who requests or is converted back to active Client status, and the last meeting with an SBDC counselor was one year or more, shall be converted to In-Business status, but shall NOT be counted as a Startup in economic impact.
5. Counseling – Services provided to Client, In-Business or Preventure that are substantive in nature, and meet the following requirements:
  - a. Legal requirements are met, consisting of signed Request for Counseling, AZSBDC Client Understanding Agreement has been signed by both Client and Counselor, AZSBDC Client matrix score has been assigned to Client, and any other legal requirements as determined by SBA and/or AZSBDC, now or in the future. Online form submission for the above agreements are satisfactory

- substitutes for printed forms. Matrix scores shall be input into Center IC in either a session, or in the Customer Main Screen under the Categories/Related tab;
- b. File support – Counseling should regularly be supported by documentation demonstrating and documenting the nature of a relationship, including copies of financial statement spreads, client documents, email conversations, bank commitment letters, and other pertinent items provided by the client. Such documentation acts as verification of the time and impact of the relationship, and relates to the commitment of hours by the SBDC in serving the client;
  - c. Linearity – Relationships should show a focus and objective, with each session to identify purpose, what was discussed, and next steps for the client and SBDC Counselor. Over time, an analysis of sessions together should show a focus on problem solving and substantive attention to assistance, with pre-identified goals for client and SBDC.
  - d. Impact – Counseling impact should be regularly reported by the Counselor for various impacts monitored by the AZSBDC and SBA, including the following:
    - i. Impacts reported in Center IC that relate to AZSBDC and SBA goals:
      1. Jobs
        - a. Jobs created – Should be an estimate using full time equivalent (FTE) for any jobs added as a result of the SBDC assistance, or created by the client during the process of being a client of the SBDC.
        - b. Jobs retained – Same as above, except this represents jobs that have been saved as a result of or in part due to SBDC assistance (for example, you assisted the Client in writing a business plan to obtain a loan so that they do not have to lay off two employees). The jobs need to be truly in jeopardy of loss to count as a retained job.
        - c. Contract vs. Employment – SBA does not have an official position on job creation with respect to “contract employees” (independent contractors). You should not count contractors such as the clients CPA, attorney, IT consultant, etc. You may be able to count contracted positions that would be sustainable (one year or longer retained). You would not count contracted employees that are temporary (less than one year) such as construction contractors or temporary contracted employees.
      2. Startups – see definition #4 above.
      3. Loans – record loans that the client receives while engaged as a Client, with the type of loan noted in Center IC. Loans submitted do not count toward goals, but are an indicator of future activity, and it is encouraged to record loan applications prior to documentation and closing.
      4. Investment Capital – As with loans, record other forms of investment capital under this category, and note the type. Avoid duplications of entry between this category and Loans (above). Often loans are obtained to purchase capital, and we should avoid double counting the capital under each category.

5. Sales

- a. Increased sales - should be recorded as a fixed dollar amount only (avoid using the % increase designation). You should only record the changed sales from your last sales recording, or base period, and avoid over-reporting due to a seasonality increase for a client.
- b. Retained sales – as with retained jobs, this category is only used when the business was at risk, and with the SBDC services you helped save the business from losing sales. A strong case needs to be made that without SBDC assistance the sales would have been lost, such as a recovery from Bankruptcy.
6. Contracts – this section does not represent an AZSBDC or SBA goal, but entry is encouraged, as contracting is a future indicator of sales for the small business. Our efforts to help small businesses obtain contracts is effective in leading to sales increases over time.

ii. Base Period

1. Calendar year – Impacts are normally measured from one point in time to another, thus representing change or improvement for a small business. It is preferable to use a calendar year for recording base periods, and often clients also share a calendar year end. That makes impact gathering especially important at the end of the year, and by promptly gathering impact data during the year, getting year end verification of results is far easier.
2. Data Mining - Impacts should normally not go back further than one year from the time of recording. If a former client is added back as a client, and impact is recorded that was over one year old, this is referred to as “data mining” and a prohibited practice.
3. Recording impact more than a year old - If a client was under-reported in past impact postings, the important consideration is still what growth they achieved while receiving assistance from the SBDC. Adding impact from a past base that was under-reported would be prohibited. Adding impact from a Chrisman survey that dates back further than one year might be an acceptable practice, if the client relationship was maintained during the year prior to reporting.

iii. Verification –

1. The AZSBDC requires verification of impacts, which is done at various levels within the organization:
  - a. Counselor – the Counselor should record impact as the client reports it, and should document impact by checking the reportable impact section of the session and entering the data. The session notes should also reflect the impact details, and should normally contain wording that provides verification of the source of the data and information. Copies of supporting documents should be attached or kept in file to substantiate the impact.

- b. Center - The Center Director is ultimately responsible for the verification of all impacts for their Center. The State Office will call the Center Director from time to time to verify and inquire about impacts recorded for their Center, and asked to provide details if required. Better support documentation is recommended for larger transactions.
- c. State – The State Office will be responsible for verifying all impacts before sending data to SBA. They will work with Centers on providing support, and are responsible to SBA for backing off any previously reported impacts that are later reversed.
- 2. Levels of Verification required – Verification needs are based on size of transaction and this process may require some back and forth dialog between Counselor, Directors, and State Office.
  - a. First tier (good) – for smaller impact transactions, normally the notes to the session should include the source of the data and information submitted. This can be as simple as the notes stating, for example “spoke with the client, who reported their sales were \$250 thousand for the year, which is a \$50 thousand increase over the prior year’s sales”.
  - b. Second tier (better) – for some transactions the verification would normally include a written statement from the client, such as an email confirmation or other statements from the client in writing. A conversation can be memorialized in an email to the client, with their response serving as a verification.
  - c. Third tier (best) – for larger transactions it is always preferable to have a third party verification of data. For example, a copy of a loan agreement, commitment letter, contract, etc. Other forms of third party documentation might include Dun & Bradstreet or other outside data source.
- iv. Attribution – This is an important area to evaluate in terms of impact reporting. The SBDC is charged with helping businesses create success for their clients, and the process is important in relating our program efforts to client success. While the SBDC Counselor is not always directly responsible for helping a client create impact while working on their needs, there should be a relationship between the hours spent helping a client to the reported success. While impact may be legal in terms of verification, the attribution should be assessed as to whether the SBDC is justified in claiming that impact. This is a judgment area that requires a regular dialog between the Counselor, Center and State on casework. Through the verification process, situations may arise that would find the attribution in conflict, and require negotiation on whether impact should be recorded at face value. Often, the best judge of what is required is common sense. Are the hours recorded “reasonable” in light of the impact being recorded?

6. Counseling Session Type – The session is the Center IC record where a Counselor reports their activity with clients. There are many types of counseling, which would include the following:

- a. Face to face – Meets the definition of Counseling (#5 above) and, the initial session cannot be less than one hour and does not include preparation time. Subsequent sessions can be less than one hour.
- b. Online or Telephone Counseling – Meets the definition of Counseling (#5 above) and, the client must acknowledge, through an SBA form 641 or an SBA approved “electronic substitute”, the requirements imposed by accepting counseling assistance from the SBA or its resource partners, and the initial session cannot be less than one hour.
- c. Long-term Counseling – Meets the definition of Counseling (#5 above) and, includes five or more hours of counseling, including prep time. This is an annual goal for AZSBDC and SBA.
- d. Extended Engagement Client – Meets the definition of Counseling (#5 above) and, includes 5 or more hours of counseling, contact time only. This includes all clients from Oct. 1, 2005 through the present.
- e. Contact Hours – The amount of time spent directly counseling/interacting with an individual or business client.
- f. Preparation Hours – The amount of time spent preparing and researching information for a business or individual client.
- g. Travel Hours – The amount of time spent traveling to and from a location to meet with a client, which should not be double counted for multiple clients.
- h. Closed Session – A client should be closed no later than 120 days after the last counseling session. To close a client you should record your time first in a follow up session, noting the reason for closing. Then open a separate session entitled “Closing” where you will enter no time, but instead just note that you are closing the file in the notes section.
- i. Information Transfers – When meeting with prospective clients, prior to determining client status, you may record those meetings as Information Transfers. Information Transfer contacts are contacts with individuals of a substantive nature that cannot be considered counseling because they do not meet the minimum time requirement for an initial session, or the individual or business is not ready to become an SBDC client. The hours from information transfers are counted toward Staff Utilization goals in the AZSBDC Key Performance Indicators.

7. Events (Training and other time recording) – The following definitions pertain to the Events recording in Center IC:

- a. Formal Training (also known as 888)
  - i. An activity or event presented or cosponsored by a resource partner, district office or other SBA office which delivers a structured program of knowledge, information or experience or an entrepreneurial or business related subject. The training must last for a minimum of one hour, and include at least two attendees.
  - ii. Center IC has a report form for each training (SBA form 888) that is to be completed for each formal training, and maintained in the Center files, including the signed form, and agenda or flyer showing program content, a sign-in list or printout of attendees, evaluations, and should be available for review by SBA or AZSBDC purposes.



would make it more difficult and potentially cause a crash from splitting the focus to too many places. The dashboard items currently are shown as follows:

- i. **Preventure Client % (PV Client %)** is the percentage pre-venture counseling clients to total client. The State standard is equal or less than 35%.
- ii. **Startup Success % (PV Client Success %)** is the percent of pre-venture clients that actually convert to startup. The State standard is greater than or equal to 25%.
- iii. **Training Conversion % (Attend Conv A & B%)** is the percentage of training clients that are also A & B Matrix clients. The State standard is greater than or equal to 20%.
- iv. **A & B Matrix Clients % (A & B Client %)** is the percentage of total clients that are either A or B Matrix clients. The State standard is greater than or equal to 50%.
- v. **Staff Utilization Hours** – this is the hours of counseling (contact plus support and travel), information transfers, and internal (clientcentric events). Subject to negotiation with State Office, the standard is based on 50% of total staff time being spent on these productive activities.
- b. **The “Report Card”** – Concept: the resulting outcomes presented as measurable items (lagging indicators). This is the score of the game; the activities that result in a Report Card outcome. AZSBDC report card has the following elements:
  - i. **New Jobs** – Goal for SBA and AZSBDC, part of total jobs goal, negotiated annually. See definition 5.d.i.1.a. shown above.
  - ii. **Retained Jobs** – Goal for SBA and AZSBDC, part of total jobs goal, negotiated annually. See definition 5.d.i.1.b. shown above.
  - iii. **Sales Increase** - Goal for SBA and AZSBDC, negotiated annually. See definition 5.d.i.5.a. and b. shown above.
  - iv. **New Capital** – Goal for SBA and AZSBDC, negotiated annually. See definition 5.d.i.3. and 4. shown above.
  - v. **Long Term Clients** – Goal for SBA and AZSBDC, negotiated annually. See definition 6.c. shown above.
  - vi. **Business Starts** - Goal for SBA and AZSBDC, negotiated annually. See definition 5.d.i.2 shown above.
  - vii. **Extended Clients** - Goal for SBA and AZSBDC, negotiated annually. See definition 6.d. shown above.
- c. **Other “Scorecard”** – These are items that the State Office and Network can use to track results and report to stakeholders and other investors/partners.
- d. A copy of the State Scorecard is attached herewith for information purposes.

Need / Commitment / Feasibility

0-19      20-39      40-50

analyst's discretion	analyst's discretion	analyst's discretion
analyst's discretion	analyst's discretion	analyst's discretion
analyst's discretion	analyst's discretion	analyst's discretion

0-19

20-39

40-50

**Economic Impact Outcomes**

**Client Evaluation Matrix**

Client Name:

Date:

Analyst:

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Need:	Commitment:	Feasibility:
_____ Limited client resources	_____ Client willingness to	_____ Market opportunities
management	listen and to consider	product differentiation
building/equipment	SBDC input	market niche
technology	Owner	_____ Financial viability
_____ SBDC mission fit	Mgmt team	adequate resources
Underserved market		adequate cash flow
Community connection		adequate liquidity
		_____ cell score

**Economic Impact Outcomes:**

\_\_\_\_\_ Jobs: new/retained  
 Rural: L=1; M=2; H=3  
 Urban: L=1.5; M=3; H=4,5

\_\_\_\_\_ Revenue increase  
 L=5%; M=10%; H=25%

\_\_\_\_\_ Credit Potential

\_\_\_\_\_ Equity Investment Potential

\_\_\_\_\_ Start up/turnaround/growth

\_\_\_\_\_ cell score

To score EI Outcomes & Need/Commitment/Feasibility use the following Scale: 1 to 10 for each cell

Notes: \_\_\_\_\_

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Scorecard: SBDC Program as of 1/29/2011

	This Year	Last Year	Last Quarter	This Quarter	This Month
2011	2010	2010 Q4	2011 Q1	2011 01Jan	

DASHBOARD (Leading )

PV Client %	24.77	42.65	29.11	24.77	24.77
PV Client Success %	11.32	27.07	29.01	11.32	11.32
Attend Conv A%	?	3.88	4.00	?	?
Attend Conv B%	?	16.50	4.00	?	?
A Client %	16.36	8.59	14.44	16.36	16.36
B Client %	24.77	20.61	22.22	24.77	24.77
Staff Utilization	513.40	6,922.66	1,729.84	508.40	491.90

REPORT CARD (Goals)

New Jobs	155.00	663.00	272.00	155.00	155.00
Jobs Retained	0.00	211.00	133.00	0.00	0.00
Sales Increase	16,212,129.00	22,657,384.00	13,143,109.00	16,212,129.00	16,212,129.00

All Centers

<b>New Capital</b>	2,877,000.00	19,869,548.00	4,727,200.00	2,877,000.00	2,877,000.00
<b>Long Term Clients</b>	16	300	190	16	16
<b>Business Starts</b>	6	121	38	6	6
<b>Extended Clients</b>	97	365	190	97	97
<b>SCORECARD (Other)</b>					
<b>New Clients</b>	30	663	130	30	30
<b>Total Clients</b>	214	1,048	450	214	214
<b>PreVent Clients</b>	53	447	131	53	53
<b>Total Contact</b>	232.25	3,432.43	688.42	232.25	232.25
<b>Average Contact</b>	1.09	3.28	1.53	1.09	1.09
<b>Average C+P</b>	1.73	4.86	2.26	1.73	1.73
<b>Event Count</b>	2	91	15	2	2
<b>Event Attendance</b>	27	1,058	230	27	27
<b>Capital ROI</b>	Infinity	91.99	87.54	Infinity	Infinity
<b>Sales ROI</b>	Infinity	104.90	243.39	Infinity	Infinity

