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*Report and Executive Summary prepared by BTW - informing change*

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EXECUTIVE SUMMARY OF AN ASSESSMENT  
**Pacific Community Ventures  
Business Advisory Service**

# Advising for Change

Pacific Community Ventures (PCV) is an innovative nonprofit organization and private equity investor that has pioneered a new approach to community development. PCV's mission is to provide capital and resources to businesses that have the potential to bring significant economic gains to low/moderate-income (LMI) communities throughout California. PCV provides entrepreneurs, who own or manage businesses hiring from LMI communities, with targeted services to help them access the knowledge and expertise of the mainstream business community. PCV also provides equity investments to a smaller group of expansion-stage businesses.

## KEY RESULTS OF PCV'S BUSINESS ADVISORY SERVICE

- 88% of Advisors report a direct connection between volunteering their time and helping small businesses grow.
- 76% of Advisees have experienced a tangible impact.

PCV's cornerstone program, the Business Advisory Service, attracts high-level, talented individuals from the business world as volunteers. These Advisors, who become part of PCV's expanding network, help dynamic small businesses improve their capacity for growth. PCV also strives to create "mindset shifts" for Advisors and Advisees by building relationships across communities and teaching small businesses to seek outside advice and support.

In September 2005, PCV commissioned BTW—*informing change*, an independent research and strategic consulting firm, to conduct an assessment of the impacts and challenges of its Business Advisory Service. This assessment, focusing on program activities from November 2004 through October 2005, relies upon multiple data collection methods including a review of archival program data, surveys of Advisors and Advisees and key informant interviews with a range of stakeholders.

## PROGRAM PARTICIPANTS

The primary participants in PCV's Business Advisory Service are Advisees and Advisors, whom PCV selects through a highly targeted recruiting and screening process and matches in one-on-one business advising relationships.

### Advisees

PCV targets high-potential, labor-intensive businesses in traditional industries that are hiring from

California's LMI communities. These are small businesses—nearly 70% have less than \$3 million in annual revenues and all have fewer than 100 employees—however, they are larger than "Mom and Pop" shops or micro-enterprises. PCV-Advised companies are in industries that have traditionally struggled to attract outside equity capital or to gain access to valuable business expertise and networks.

There were 23 companies in the PCV Advised Portfolio in the twelve-month

## One-on-One Business Advising

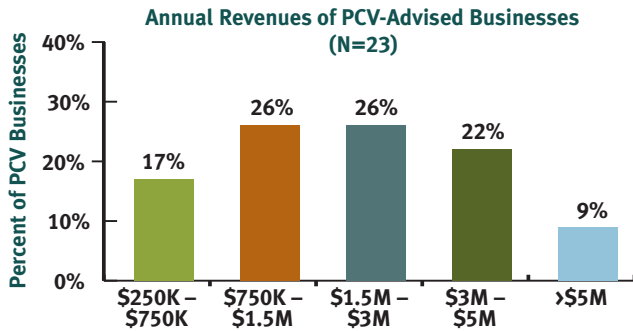
In PCV's model of business advising, the Advisor's role falls between that of a consultant and a coach. A PCV Advisor is a collaborator and thought partner who helps identify problems as well as possible new approaches and solutions. In addition, Advisors help Advisees focus on the big picture and allocate their management resources more effectively.

Each advising project consists of three phases: needs assessment/planning, core project work and evaluation/follow-up. Advisor-Advisee pairs work together for five to ten hours per month over a six- to twelve-month period. During their time with PCV, the 23 businesses in this study benefited from a total of 33 business advising projects that focused on sales and marketing, strategic planning and business development, operations and manufacturing, financial planning, preparation for fundraising and new product development.

## CEO Forums & Business Roundtables

CEO Forums are professional development and networking events for portfolio entrepreneurs. They provide case-based instruction and exercises led by business school professors and business leaders; for example, the CFO of a national restaurant chain recently led a workshop on developing effective management control systems. PCV Business Roundtables are opportunities for a PCV-Advised business to present strategic issues or questions to a group of senior business executives in PCV's network who provide feedback and strategic advice.

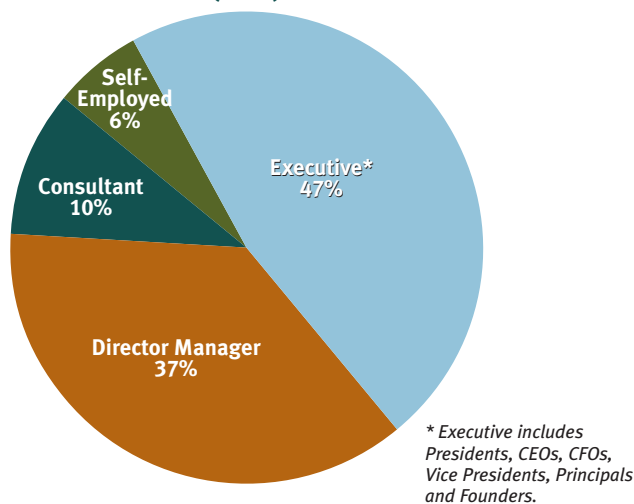
period ending in October 2005. They are located in the San Francisco Bay Area and the Los Angeles area and are primarily product wholesalers, specialty manufacturers and business service providers. This portfolio includes two general types of companies: young companies looking to expand and mature companies looking to enter a new era of growth and development. All are profitable or close to profitable and have a commitment to local hiring and increasing the number and quality of jobs they provide.



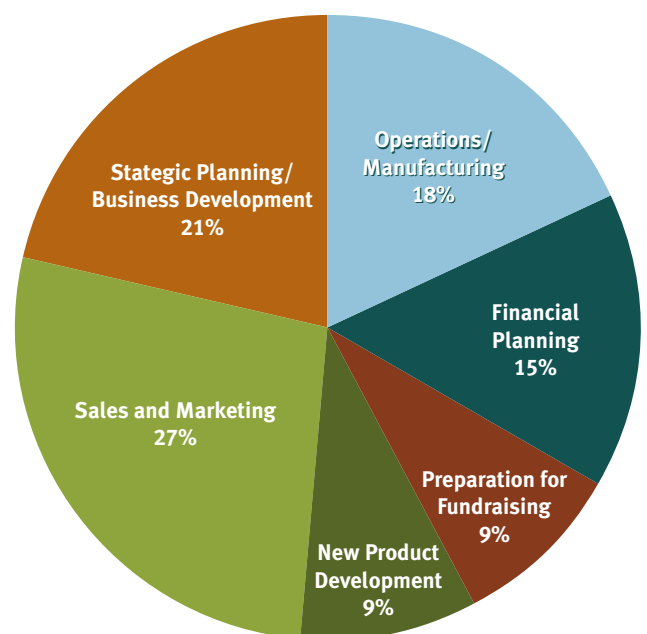
## Advisors

PCV engages Volunteer Business Advisors who are seasoned, senior-level business professionals with active business networks. 87% have more than 10 years of business experience, and of these, close to half have 15 or more years of experience. Advisors are in active leadership roles in established businesses and many also have experience in high-growth entrepreneurial environments. PCV Advisors have experience in a diverse set of industries and bring skills from a wide range of business functions. Most PCV Advisors (88%) are drawn to PCV because of the opportunity to use their expertise to help small businesses grow. Additional Advisor motivations include helping LMI communities (88%), an interest in entrepreneurship and connecting with other entrepreneurs (88%) and building their own business networks (69%).

PCV Business Advisors by Current Business Title (N=30)



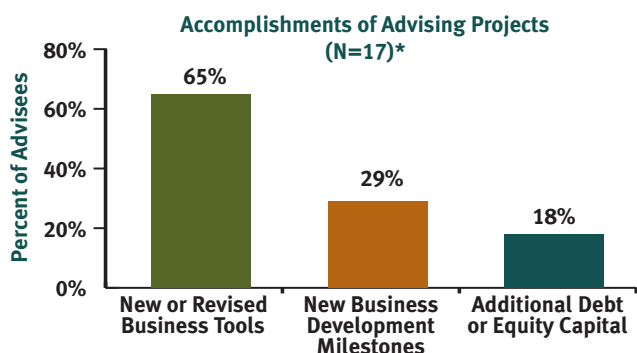
PCV Business Advising Projects (N=33)\*



\* Responses do not total 100% due to rounding.

## PROGRAM RESULTS

- ✓ **Over three-quarters of Advisees (76%) have experienced a tangible impact as a result of their business advising experience**, with another 12% reporting it is too early-on in their advising relationship to tell. 65% of Advisees report having developed new or revised business tools (management plans, operations and business process design, technology systems or tools, equipment/facilities, financial management systems, organizational design, or human resources/compensation systems); 29% report new business development milestones (new strategic partnerships or new customers); and 18% report securing additional debt or equity capital. Almost half (47%) of Advisees report more than one of the above.

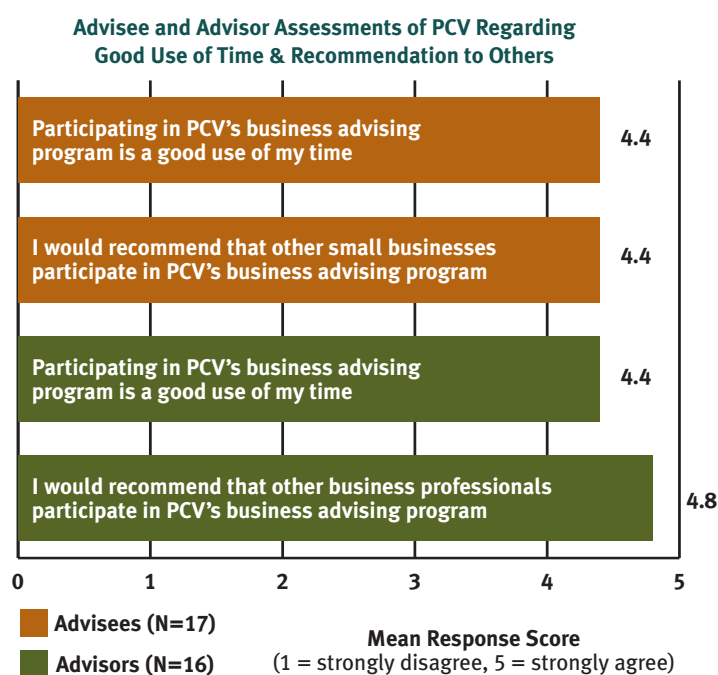


\* Responses equal more than 100% because multiple responses were allowed.

- ✓ **Advisees are developing new perspectives on how to manage and grow their businesses.** Advisees give a mean score of 4.3 out of 5<sup>1</sup> to having increased their capacity to grow their businesses and a mean score of 4.0 to having increased their capacity to manage their businesses. Interviews with Advisees suggest that in addition to developing new tools, they are thinking more strategically and approaching business challenges in new ways as a result of working with their Advisors and attending PCV events. Advisees give CEO Forums a mean score of 4.5 and Business Roundtables a mean score of 4.2.
- ✓ **Advisees are expanding their business networks.** Advisees agree that they are part of a new business network that can help them grow their businesses, especially Advisees in active advising relationships who give this a mean score of 4.5 out of 5. Advisees feel that they have new entry points into a broader network and the mainstream business community.
- ✓ **Advisors' expectations are being met.** 88% of Advisors report feeling a direct connection between volunteering their time and helping small businesses grow.

<sup>1</sup> Mean scores in this study are based on a scale from 1 to 5, with 1 being "strongly disagree" and 5 being "strongly agree."

- ✓ **Business advising translates philanthropic energy into action.** Advisors appreciate giving back to the community in a way that draws upon their unique attributes, skills and experiences. 94% of Advisors consider advising to be part of their philanthropy. 50% of Advisors say they are more likely to volunteer their time to PCV or another nonprofit as a result of their involvement.
- ✓ **PCV is providing high-quality business advising services.** Advisees and Advisors report that participating in PCV's business advising program is a good use of their time, with both giving a mean rating of 4.4 out of 5. Advisors give a resounding "yes" to the prospect of recommending other business professionals to PCV's business advising program, with a mean score of 4.8, and Advisees responded with a mean score of 4.4.



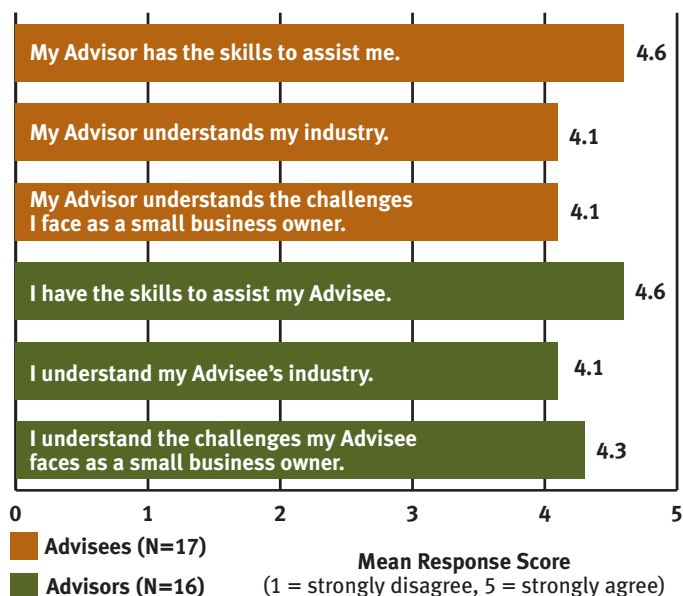
## PROGRAM MODEL CHALLENGES

PCV's program requires Advisees and Advisors to make a significant time commitment over a set number of months, a commitment that can be challenging to keep. Given the pressing day-to-day needs of running small, growing businesses, Advisees may need to focus on priorities other than their advising projects. Likewise, as active business professionals, Advisors may face challenges in making time to meet with their Advisees. PCV staff play an important role in mitigating these challenges by setting expectations on both sides from the outset, scoping projects appropriately and addressing problems quickly as they arise.

## REASONS BEHIND THE RESULTS

- ✓ **“Venture Capital Without the Capital.”** PCV’s Business Advisory Service follows a venture capital approach that, in place of equity, calls for the concentrated investment of time and resources to power small business growth. The level of intervention is strategic, helping companies increase management capacity, and explicitly focuses on cultivating and leveraging networks as tools for business development. PCV utilizes a highly-targeted Advisee recruiting and screening process, focusing on companies that demonstrate both need and characteristics for likely success in the program. PCV attracts staff members with private sector backgrounds and has an organizational culture that emphasizes growth, innovation and measurable results.
- ✓ **Senior & Seasoned Advisors.** PCV’s ability to attract Volunteer Advisors who are active, senior-level business professionals is one of the program’s most unique and valuable assets. Both Advisees and Advisors strongly agree, with a 4.6 out of 5 mean rating, that PCV’s Advisors have the relevant skills to be successful Advisors.
- ✓ **The Art of the Advisee-Advisor Match.** In making one-on-one business advising matches, PCV staff focus primarily on the functional fit between an Advisor’s expertise and an Advisee’s needs, while also attending to industry experience, interpersonal dynamics and logistical constraints. Interestingly, Advisors and Advisee both have a strong perception of industry fit in their pairings (4.1 out of 5), though industry alignment is only a secondary consideration when making matches. This strengthens PCV’s assertion that while specific criteria is used, the matching process is still part art and part science.

Advisee and Advisor Assessments of Advisor’s Fit with Advisee



- ✓ **A Relationship-Based Approach.** PCV focuses on building collaborative relationships, setting expectations and establishing a sense of community within its network. The result is high quality, respectful interpersonal relationships where Advisors and Advisees strongly agree that they are treated with respect by one another, with mean scores of 5 and 4.9 out of 5, respectively.

## CONCLUDING THOUGHTS

PCV’s Business Advisory Service is a successful model. It is a multi-faceted service offered in a dynamic environment that provides business executives a powerful way to give back to the community. More importantly, however, PCV’s Business Advisory Service has positively and tangibly influenced small businesses hiring from LMI communities. This study documents that:

- PCV’s Business Advisory Service is providing both tangible and intangible benefits for small businesses hiring from LMI communities.
- PCV is creating meaningful philanthropic experiences for PCV’s Volunteer Business Advisors.
- PCV’s venture capital-based approach—targeted recruitment, functional matchmaking, strategic advising, relationship focus and network building—creates positive program results.

With respect to making a difference to the health and growth of small businesses in its portfolio, PCV is indeed advising for change.

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