



FRIENDS OF BUSINESS SUMMIT

AUGUST 10 2022



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2022 SMALL BUSINESS ROUNDTABLE PROCEEDINGS & RECOMMENDED ACTIONS

About the 2022 Small Business Roundtable

The Governor's Council of Economic Advisers (GCEA), within its 10-year planning effort, organized its Small Business Development and Retention Planning Committee led by Council members Joe C. Guerrero and Alex B. K. Youn. Within this Planning Committee, GCEA coordinated with the Small Business Development Center Network (SBDC), and the Saipan Chamber of Commerce (SCC) to work collaboratively to review the historical and emerging challenges of small business.

The initial phase of this effort was to conduct a thorough assessment of the current environment in which small businesses operate. The survey was launched on June 28, 2022, through dissemination in business associations, media releases, and was made available on the GCEA website (www.cnmieconomy.com). The 23 questions contained within the survey were developed in collaboration between GCEA, SCC, and SBDC and constructed to capture responses that can be applied to multiple use cases.

On July 6 to July 8, 2022, responding to additional needs of the diverse business communities in the Commonwealth, the collaboration sought to expand the reach of the survey by connecting with the Korean, Chinese, and Filipino business organizations. These meetings led to the deployment of online surveys translated into Korean and Chinese languages.

The survey period closed on August 4, 2022, with a total response from 210 unique respondents. Highlights from the results of this survey along with findings from the initial outreach efforts were included in the 2022 Small Business Roundtable Briefing Paper. The Briefing Paper recommended that a Roundtable be held to discuss a central question facing small business leaders. The question determined from the survey results for the Roundtable was:



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“The majority of businesses state that doing business in the CNMI is difficult. In what ways can the CNMI Community (government, community organizations, business associations) work toward making starting and running a small business easier? This includes proactive efforts to decrease difficulty such as business development support, business retention programs, or greater information sharing, along with indirect efforts related to permitting, or government regulation if applicable.”

Following the creation of the Briefing Paper, GCEA, SBDC and SCC collaborated on the development of a framework for conducting a Roundtable. It was decided that the Roundtable should be a collection of business executives and senior officials outside of government from Saipan, Tinian and Rota. The list of invited attendees was derived from membership listing from the Saipan Chamber of Commerce, the Tinian Chamber of Commerce, and the Rota Chamber of Commerce, along with suggested invitees from the Small Business Development Center network and the Korean, Chinese and Filipino business communities. In total 44 individuals were provided invitations, of which 35 accepted the invitation to participate.

The Roundtable was scheduled to take place at the Saipan World Resort, Taga Hall on August 10, 2022, to occur immediately prior the Marianas Business Price Friends of Business Summit at the same location. The organizing group for the Roundtable elected a modified form of Brainwriting to be the format for the Roundtable discussions. Within this methodology, participants are segmented into separate tables, and each table was provided with a sheet with three blank bullet points. Teams are then challenged to respond to the central question with three solutions or ideas. The sheets are then passed to the adjacent table, where the task is to add, build upon, or critique the bullets from the prior table. This progresses with each table reviewing the ideas of the other until the sheets are returned to their original table. After this, the tables review the comments on their original thoughts, and present a completed concept that incorporates the thoughts, ideas and recommendations from other participants.

Following this exercise, the complete body of participants are then engaged in a conversation to derive the priority action areas to support following the Roundtable.

The Marianas Business Pride 2022 Small Business Roundtable commenced at 8:45 am with opening remarks from the Small Business Development Center, followed by



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introductions from the Roundtable facilitator who was tasked with leading the discussion and guiding the event's agenda. The agenda for the event is found as **Figure 1**.

ROUNDTABLE PROGRAM

9:00 AM WEDNESDAY, AUGUST 10, 2022
SAIPAN WORLD RESORT

8:45 AM	Opening Remarks
8:50 AM	Procedures & Agenda Overview
9:00 AM	First Brainstorming Session
9:15 AM	First Round of Review
9:25 AM	Second Round of Review
9:35 AM	Third Round of Review
9:45 AM	Fourth Round of Review
9:55 AM	Fifth Round of Review
10:00 AM	Final Assessment
10:15 AM	First Table Presentation
10:30 AM	Second Table Presentation
10:45 AM	Third Table Presentation
11:00 AM	Fourth Table Presentation
11:15 AM	Fifth Table Presentation
11:30 AM	Group Discussion & Idea Prioritization
12:00 PM	Closing Remarks

Figure 1: Marianas Business Pride Small Business Roundtable Agenda



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Survey Results

The 2022 Small Business Survey asked the small business community to provide their responses the following 23 questions, divided into three topic areas:

About Your Small Business

1. What is the ethnic group of the owner(s) of your business?
2. What is the nationality of the owner(s) of your business?
3. How many full-time equivalent employees do you employ?
4. How would you describe your business?
5. What sector does your business operate in?
6. How long has your business been running?
7. Which of the following best describes your situation?
8. What is your approximate revenue of your business in the tax year ending December 2021?
9. What is your operation cost including rents, salaries, and other overhead costs?

Small Business Financial Support

10. What type of financial assistance did you receive to start your business?
11. In your experience, what if any were the challenges with obtaining finance for your business?

Small Business Support

12. What are your main short-term concerns for you or your business?
13. What are your main long-term (3 years or more) concerns for you or your business?
14. How easy is it to start or run a business in the CNMI?
15. In your experience, how easy is it to find business support and advice in the CNMI?
16. Which of the following sources of business support and advice in the CNMI have you found most helpful?
17. In the past, on what topics have you sought advice on?
18. In your experience, how helpful have you found business support and advice at the CNMI Small Business Development Center Network?
19. In your experience, how helpful have you found business support and advice at the CNMI Department of Commerce?



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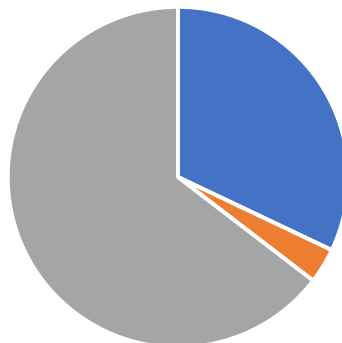
- 20. In your experience, how helpful have you found business support and advice at the Commonwealth Economic Development Authority?
- 21. In your experience, how helpful have you found business support and advice at the CNMI Department of Land and Natural Resources, Department of Agriculture?
- 22. In your experience, how helpful have you found business support and advice at the PTAC (Procurement Technical Assistance Center)?
- 23. How do you prefer to receive business support?

These questions elicited a range of responses. After consolidating the survey results from the English, Korean, and Chinese versions of the survey, the following are highlights from responses:

What is the nationality of the owner(s) of your business? **Responses** **Percent**

What is the nationality of the owner(s) of your business?	Responses	Percent
Non-US Citizen	67	32%
Green card holder	7	3%
United States Citizen	135	65%

What is the nationality of the owner(s) of your business?



■ Non-US Citizen ■ Green card holder ■ United States Citizen



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How many full-time equivalent employees do you employ?

Responses

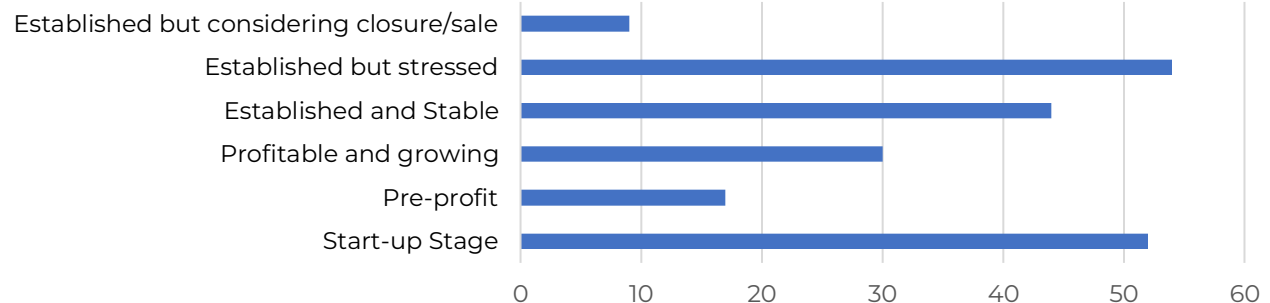
Average | 6.87

How would you describe your business?

Responses Percent

Start-up Stage	52	25%
Pre-profit	17	8%
Profitable and growing	30	15%
Established and Stable	44	21%
Established but stressed	54	26%
Established but considering closure/sale	9	4%

How would you describe your business?





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What sector does your business operate in?

Responses Percent

Agriculture/Fishing/Ranching	10	4%
Professional Service	30	11%
Construction	17	6%
Education	12	4%
Entertainment	6	2%
Financial Services	5	2%
Food Preparation/Catering	22	8%
Restaurant/Bar	30	11%
Health Care	7	2%
Hospitality and tourism	29	10%
Media	3	1%
Real Estate/Rental	24	8%
Retail	48	17%
Transportation	5	2%
Technology	9	3%
Manufacturing	15	5%
Wholesale	13	5%

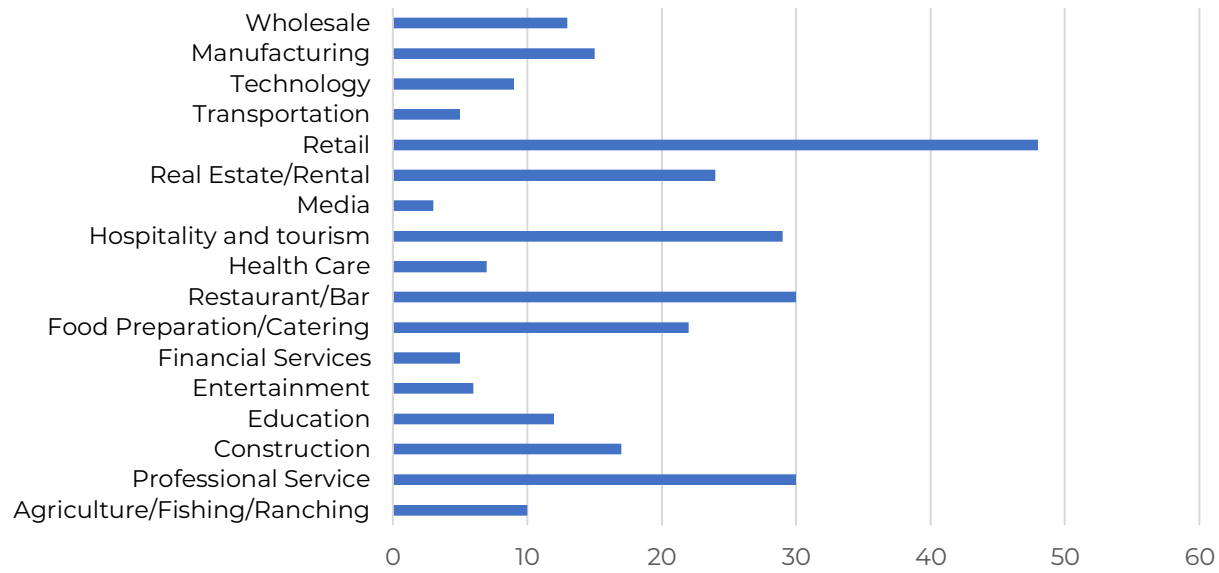


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What sector does your business operate in?





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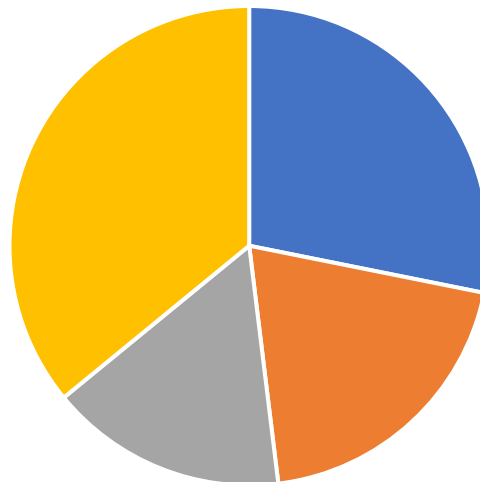


How long has your business been running?

Responses Percent

1 to 3 years	58	28%
Less than 1 year	41	20%
4 to 9 years	33	16%
over 10 years	74	36%

How long has your business been running?



■ 1 to 3 years
 ■ Less than 1 year
 ■ 4 to 9 years
 ■ over 10 years



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Which of the following best describes your situation?

Responses Percent

I rent a space in a co-working or shared space	14	7%
I rent multiple spaces	23	11%
I rent a space	76	36%
I own a space	24	11%
I operate my business from home	65	31%
I own multiple spaces	7	3%

Which of the following best describes your situation?





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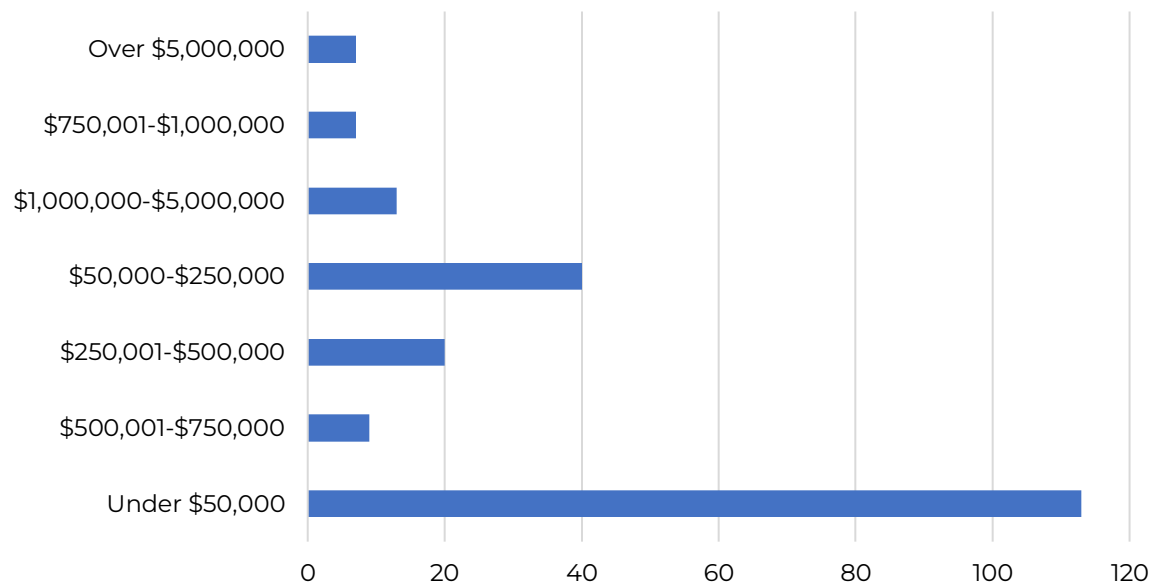


What is your approximate revenue of your business in the tax year ending December 2021?

Responses Percent

Under \$50,000	113	54%
\$500,001-\$750,000	9	4%
\$250,001-\$500,000	20	10%
\$50,000-\$250,000	40	19%
\$1,000,000-\$5,000,000	13	6%
\$750,001-\$1,000,000	7	3%
Over \$5,000,000	7	3%

What is your approximate revenue of your business in the tax year ending December 2021?





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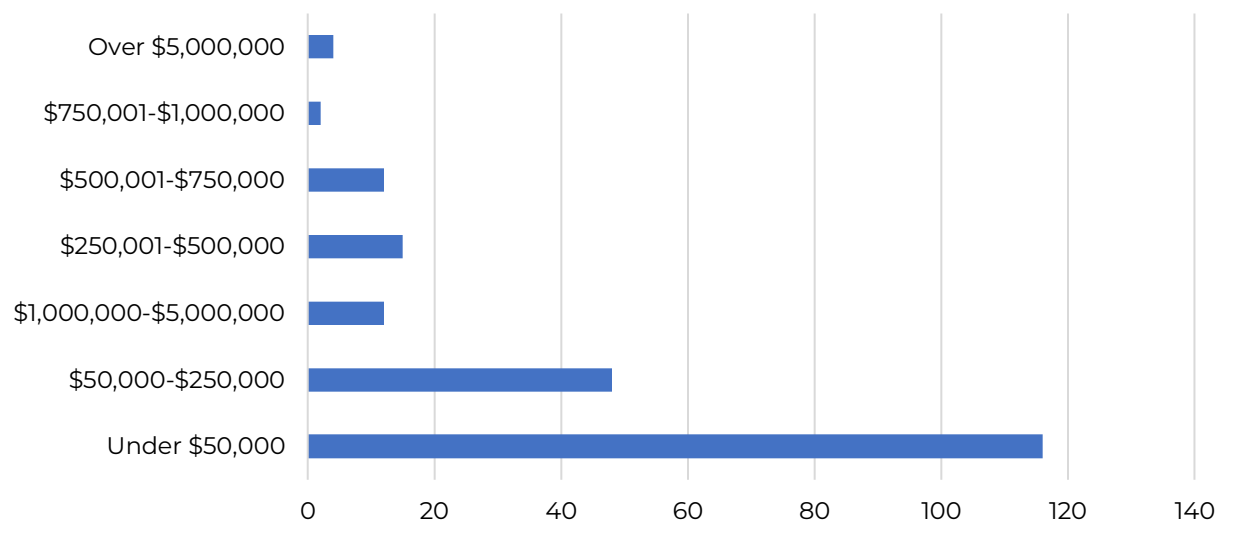


What is your operation cost including rents, salaries, and other overhead costs?

Responses Percent

Under \$50,000	116	56%
\$50,000-\$250,000	48	23%
\$1,000,000-\$5,000,000	12	6%
\$250,001-\$500,000	15	7%
\$500,001-\$750,000	12	6%
\$750,001-\$1,000,000	2	1%
Over \$5,000,000	4	2%

What is your operation cost including rents, salaries, and other overhead costs?





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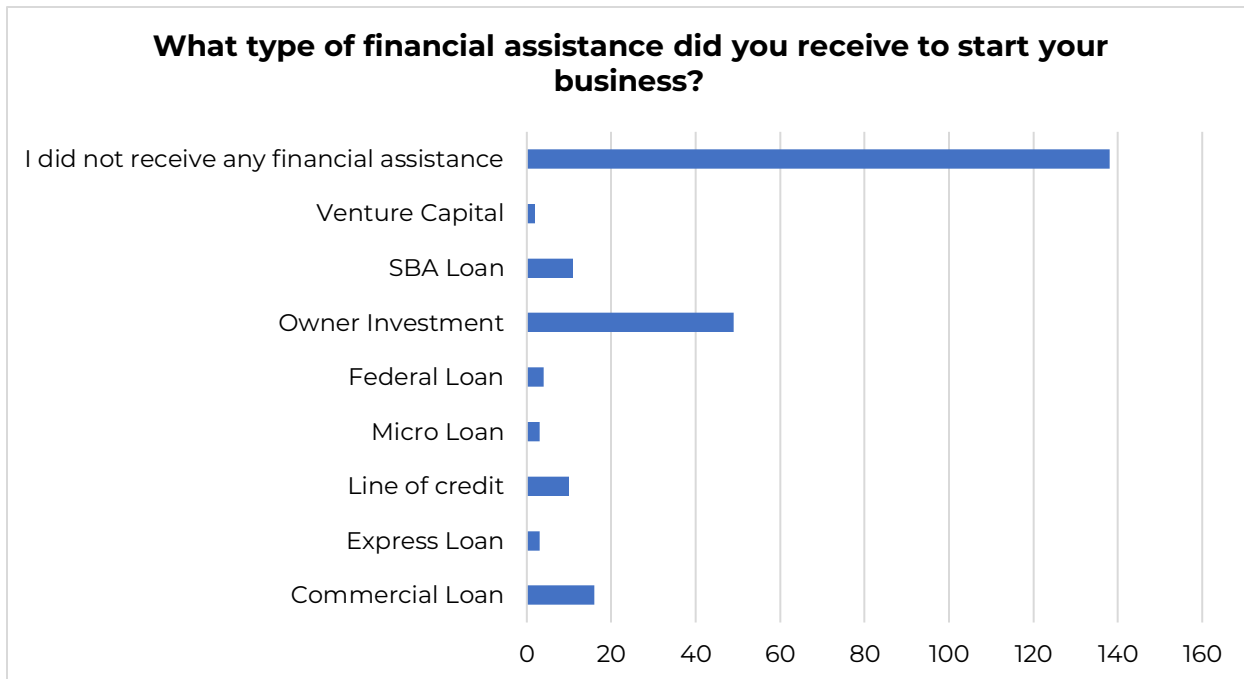
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What type of financial assistance did you receive to start your business? Responses Percent

What type of financial assistance did you receive to start your business?	Responses	Percent
Commercial Loan	16	7%
Express Loan	3	1%
Line of credit	10	4%
Micro Loan	3	1%
Federal Loan	4	2%
Owner Investment	49	21%
SBA Loan	11	5%
Venture Capital	2	1%
I did not receive any financial assistance	138	58%

What type of financial assistance did you receive to start your business?





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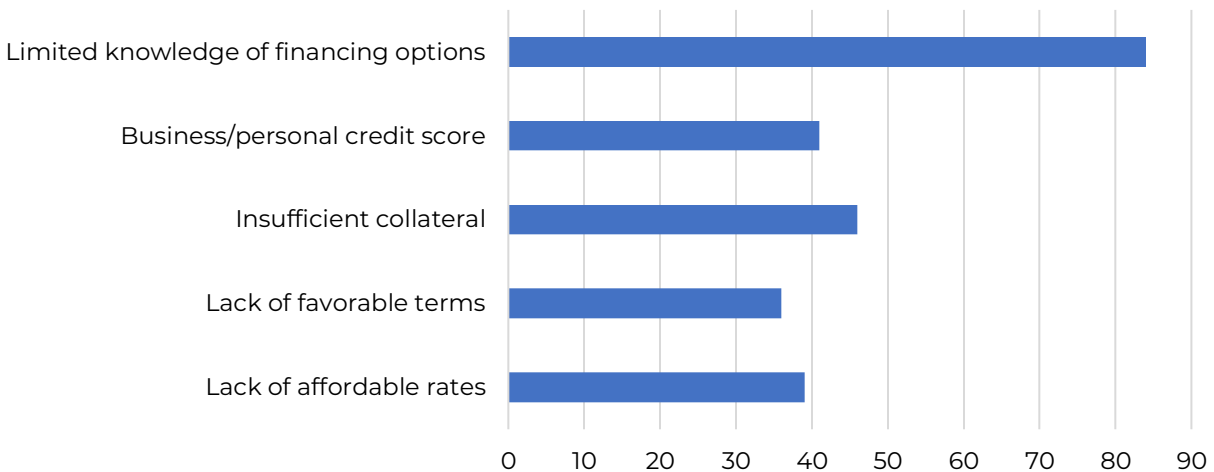


In your experience, what (if any) were the challenges with obtaining finance for your business?

Responses Percent

Lack of affordable rates	39	16%
Lack of favorable terms	36	15%
Insufficient collateral	46	19%
Business/personal credit score	41	17%
Limited knowledge of financing options	84	34%

In your experience, what (if any) were the challenges with obtaining finance for your business?





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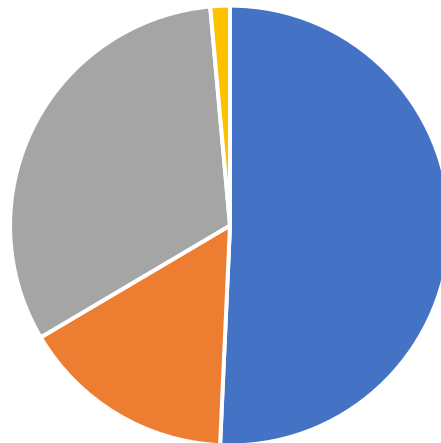


How easy is it to start or run a business in the CNMI?

Responses Percent

Difficult	106	51%
Very difficult	33	16%
Easy	67	32%
Very easy	3	1%

How easy is it to start or run a business in the CNMI?



■ Difficult ■ Very difficult ■ Easy ■ Very easy



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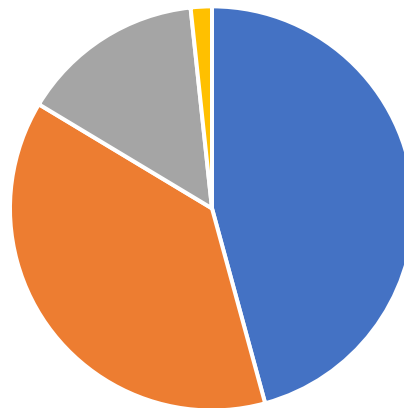


In your experience, how easy is it to find business support in the CNMI?

Responses Percent

Difficult	81	46%
Very difficult	67	38%
Easy	26	15%
Very easy	3	2%

In your experience, how easy is it to find business support and advice in the CNMI?



■ Difficult ■ Very difficult ■ Easy ■ Very easy



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Top 1 short-term concern

Top 1 short-term concern	Responses	Percent
Developing an online presence / e-commerce / social media	6	2.9%
Cost of doing business in the CNMI	64	30.8%
Obtaining finance	34	16.3%
Acquiring new customers	17	8.2%
Dealing with income volatility	18	8.7%
Managing finance	6	2.9%
Recruiting or retaining appropriate workforce	34	16.3%
Expanding to new markets	14	6.7%
Government departments are too inefficient	1	0.5%
Finding suitable workspace or retail space	4	1.9%
Biased and unfair CNMI Procurement regulations	1	0.5%
Integrating or adapting to new technologies	2	1.0%
CNMI government interference.	1	0.5%
Lack of personal finances to expand the business	1	0.5%
Developing new management or leadership skills	1	0.5%
Zoning changes from prior use to present restricted use and permit processing is unreasonable	1	0.5%
Relocation to Tinian	1	0.5%
Lack of financial resources to expand my house rental business	1	0.5%
Dealing with Government departments, permit process and red tape	1	0.5%



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Top 1 long-term concern

Responses Percent

Top 1 long-term concern	Responses	Percent
Cost of doing business in the CNMI	67	32.2%
Recruiting or retaining appropriate workforce	30	14.4%
Finding suitable workspace or retail space	8	3.8%
Expanding to new markets	15	7.2%
Developing an online presence / e-commerce / social media	5	2.4%
Obtaining finance	21	10.1%
Integrating or adapting to new technologies	6	2.9%
Dealing with income volatility	23	11.1%
Immigrant status	1	0.5%
Renewal every permit and business license. I can pay for payment but TOO MUCH PAPER WORKS. Please make some on-line.	1	0.5%
Developing new management or leadership skills	5	2.4%
N/A	2	1.0%
Acquiring new customers	13	6.3%
Managing finance	8	3.8%
CNMI government interference.	1	0.5%
Lack of personal finances to expand the business	1	0.5%
Dealing with Government departments – permits and ongoing costs of compliance with overly burdensome regulations	1	0.5%

Survey Highlights

Of the 210 respondents, there are a number of insights that can be gained into the characteristics of small business in the CNMI. In no particular order, here are the preliminary insights from the survey based on early analysis.



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1. Majority of Small Businesses in the CNMI had an annual revenue of less than \$50,000 in 2021 (54% ± 6.7%)
2. The majority of small businesses in the CNMI did not receive any financial assistance to start their businesses (58% ± 6.2%)
3. The largest single reason given for challenges in obtaining finance was the limited knowledge of financing options available (34% ± 5.9%).
4. The number one short term concern facing small businesses is the Cost of Doing Business in the CNMI, followed by Finding Suitable Workspace, and Expanding to New Markets.
5. The number one long-term concern facing small businesses is the Cost of Doing Business in the CNMI, followed by Recruiting or Retaining Appropriate Workforce, Dealing with Income Volatility.
6. Majority of small businesses find it is either difficult or very difficult to start or run a business in the CNMI.
7. More than 2/3rds of small businesses find it is difficult or very difficult to find business support and advice in the CNMI.

Table Discussion Outcomes

Following the Roundtable format provided to participants at the onset of the event, tables were provided a large sheet with blank bullet points to begin the first 15-minute round of internal discussions. This proceeded with a timer provided at the front of the room.

At the conclusion of the first 15-minute session, each table populated 3 bullet items for their teams. These were the following:

Table 1.

1. Review of permitting processes and consolidation of the whole process
2. One start permitting
3. Lack of Workforce



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Table 2.

1. Permit process improvement – work with businesses to coordinate improvements in process, more business friendly and focused
2. Workforce issues
 - a. Repeal the Consolidated Natural Resources Act of 2008
 - b. Take central control locally
 - c. Attempt to negotiate amendments if repeal is not possible
3. Infrastructure improvements (Airport, Hospital, Roads) including the privatization of CUC

Table 3.

1. Create a One Stop center that includes a process to educate businesses on how to start a business
2. Streamline efficient process with online accessibility
3. Access to startup funding and or/and subsidy

Table 4.

1. Implement the One Stop permitting – Simple, Easy to use, inter-agency process
 - a. Abolish Zoning and integrate into CRM
 - b. Eliminate annual occupancy permit
2. Access to Small Business Financing
 - a. MPLT funds for NMD small businesses as collateral
 - b. CEDA to give access to medium – large funding
 - c. Hire Modern Money/Equity Managers
3. Energy Financing
 - a. CEDA to charter a Green Bank to finance LEED certified projects
4. Have a well-qualified government workforce
5. Improve Superstructure/Infrastructure
 - a. Ports
 - b. Utilities

These initial thoughts were then transferred to the adjacent table, where ideas were added or strengthened. Following the second 15-minute session, the Roundtable facilitator provided an additional challenge to the participants, in reviewing the previous table's work, the teams were asked to think deeply about the "how" these ideas would or should be implemented.



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At the end of the third round, an additional challenge was added, which was to envision and write the possibilities for solutions if there were no constraints on funding or politics.

At the end of the 4 rounds, the sheets with the added comments were returned to the original table. The tables discussed the added elements and were tasked with presenting the original three thoughts, along with how those thoughts were altered or improved upon during the 4 rounds.

Following the presentations, the whole participant group participated in an open discussion on prioritization of concepts and ideas.

Final Roundtable Conclusions and Priorities

Throughout the table discussions and in the broader post activity dialogue, the recurring conversation involved the role of government, and government permitting, in adding to the complications and costs associated with starting and running a business. The participants acknowledged that there is ongoing work to ameliorate a number of the challenges discussed during the event. These include the eventual launching of the Energov E-government online permitting platform, which is believed to be available in later 2022, and the EDA-funded Economic Resiliency Center that will effectively provide for the physical co-location of permitting bodies.

With this understanding, the participants sought to discuss priorities from a short-, medium- and long-term perspective.

The majority of the participants agreed that the underlying statutory framework governing the public sectors interaction with businesses is an area in need of a comprehensive review. Laws produced over the years, need to be reassessed with the totality of other related laws to remedy duplication of efforts, inefficiencies, and ensure a legal structure that would effectively streamline business development and growth.

This, however, was acknowledged to require significant time, research, and conversations. Prior to the complete revision of the governmental structure for the private sector, the participants believed there are efficiencies that can be gained through executive action restructuring executive branch organizations, duties, and responsibilities.



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Article III, Section 15 states that “the governor may make changes in the allocation of offices, agencies and instrumentalities and in their functions and duties that are necessary for efficient administration.” And that, “If these changes affect existing law, they shall be set forth in executive orders which shall be submitted to the legislature and shall become effective sixty days after submission, unless specifically modified or disapproved by a majority of the members of each house of the legislature.”

In reviewing the current responsibilities, mandates, and data from critical regulatory and permitting agencies for business development, an interrelated set of recommendations can be developed that would secure a comprehensive restructuring framework toward a more business-friendly government. Following thorough review, the action areas can be segmented into being achievable either through executive order, or through action of the legislature.

Recommended Actions

To establish this process, the participants recommended the creation of a dedicated Task Force comprised of members of the private sector to be tasked with the mandate to review the permits and regulations required of businesses, and recommending, in writing, a process that would make changes in the in the allocation of offices, agencies, and instrumentalities and in their functions and duties that are necessary for efficient administration in line with the Constitutional authority of the Executive Branch.

This Task Force would further assemble a foundation for determining the medium-term statutory changes that are required to be produced by the Legislative Branch to ensure an administration of government services that promotes sustainable economic development and growth.

The Task Force should be comprised of business leaders with experience in operating on Saipan, Tinian, and/or Rota. These individuals should be committed to working toward the production of a written report under a deadline set by the Governor. At the culmination of the Task Force's work, the Office of the Governor should have actionable policy initiatives that could be implemented through Executive Order.



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Long-term, in the 10-year time horizon, the participants saw it possible to have a Commonwealth that supports business development, and provides an environment that keeps residents on island and finding opportunities to work toward their own personal and professional growth and success. Through these immediate actions, it is believed the foundation for achieving this reality is possible.