

Maine's Gigantic Need for Big Business

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July 07, 2011

Commentary originally published in *Maine Ahead*
www.maineahead.com
July 2011



While the backbone of Maine may be small business, we need more big business muscle to get our state moving. Until then, our malnourished economy will continue to crawl.

Here's a riddle for you: What do you get when you cross robust corporate profits and balance sheets, a rising stock market, a spate of successful IPOs, and increasingly available business credit with the Maine economy?

Answer: Not much.

Let me explain. I've been trying for some time now to understand why the growing body of positive economic data has yet to manifest itself in more jobs and more rapid economic growth here in Maine. After spending the better part of a day with a roomful of economists in Boston recently, however, I've come to the conclusion that our problems have a lot to do with a particular element of the Maine mystique in which we take considerable pride. To put it another way, what we love about Maine is also what is holding us back. Maine is a state of small businesses, as we all know. More than 90% of our businesses have fewer than 50 employees, and you can count the Maine

companies traded on the NYSE and the NASDAQ on one hand. We seem to like it this way.

For many of us, bigness is incompatible with accountability and personal service. An "access to the owner, close-to-the-customer" ethos in many ways defines us. These are Maine values, part of what makes life in Maine the way life should be.

The problem, however, is that our iconic small businesses depend to a significant extent on the value of real estate as collateral for their lines of credit or other borrowing. What's more, in many cases, the real estate in question is the principal's primary residence, and not necessarily the company's physical premises.

Everyone knows that the housing industry has been in a protracted slump. New home construction is at a near standstill. Prices of existing homes (i.e., small business loan collateral) have declined as well, and, with a glut of foreclosed housing added to the existing inventory, there's little likelihood that home values will be climbing rapidly anytime soon.

The unfortunate bottom line is that the borrowing base of small businesses has been eroding right

alongside the precipitous decline in housing, so that even successful small businesses are having difficulty financing potential expansions. It's the rare small business indeed that can incur significant new debt merely against the promise of new orders.

To correct this structural economic challenge, we in Maine must confront another aspect of our DNA, and that is our strong prejudice in favor of the small and comfortable over what is large and powerful. The anonymous and heartless "corporado" in some distant global HQ is and should be an unwelcome part of our economic landscape.

On the other hand, a large, responsible corporation that has the resources necessary to obtain credit, open new facilities, create new jobs, conduct research, partner with our universities, and so on is nothing to be feared. We have a few of these in Maine—UNUM, IDEXX, Wright Express, for example—though the landscape is constantly changing.

It is true that bigness frequently begets detachment from local accessibility and accountability. Size requires structure, compartmentalization, departmentalization, and so on. But, particularly these days, the strength and resources of a significant industry player may mean the difference between a state's economic recovery and its continuing to lag in the growth that others are beginning to enjoy.

Yes, larger companies shut facilities, close divisions, and shed employees. It's big news and it hurts when a major employer ratchets back; but fear of economic downturn and large-scale job loss should simply motivate us to develop skills and capabilities of interest to growing industry sectors, rather than driving us to serve the needs of a particular employer.

A good example is Northern Maine Community College's wind power technology program. Graduates will have skills that industry sector is likely to require for years to come, regardless of the

wind farm developer or the companies that are chosen to design, install, or maintain wind turbines in Maine.

Of course we have to continue to nurture our small businesses. They're part of Maine, and they drive many aspects of our economy. But this recession is different. Parts of the national economy are recovering, and if we don't succeed in attracting companies with bigger and better balance sheets, with greater access to capital and deeper economic resources, we're likely to emerge from this recession much more slowly than other parts of the country.

The road to prosperity is lined with a mix of businesses, large and small. One paved by a 90% small business mix is a rocky road indeed.



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