

Testimony

**House Subcommittee on
Contracting and Workforce
U.S. Small Business Field Hearing**

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Entrepreneurship**



Distinguished Members of the U.S. House of Representatives Committee on Small Business and Subcommittee on Contracting and Workforce:

Thank you for extending me the opportunity to offer my testimony today. It is truly a great honor and privilege to be with you today.

For the record, my name is Bill Imada and I am one of the co-founders of the Asian/Pacific Islander American Chamber of Commerce & Entrepreneurship, which is also known by its acronym, "ACE." ACE was established in January 2013 and is based in Washington, D.C. Our mission is to address the needs, interests and aspirations of business owners, entrepreneurs and corporate leaders of Asian American, Native Hawaiian and Pacific Islander American heritage. I am also the founder, chairman and chief collaboration officer of a certified minority-owned and operated small business that focuses on marketing and communications to the greater Asian-American and Pacific-Islander (AAPI) communities.

ACE was established as a business advancement organization and strives to be a visible and credible voice for the AAPI business sector in the halls of government in our nation's capital. For the past year, our 22-member board of directors met with and listened to the leaders of dozens of AAPI business organizations from more than 25 states to learn from their experiences as small-business advocates. What we heard reinforced our resolve to be a representative voice for AAPI small-business owners and entrepreneurs with elected and officials and federal agencies such as the U.S. Department of Commerce, U.S. Department of Labor, U.S. Department of Education, U.S. Small Business Administration and others.

The AAPI community represents some of the most recent immigrants in the United States all the way to some of the oldest communities that were instrumental in the development of this country. As entrepreneurs, AAPI-owned businesses represent the gamut of large companies that manufacture products and distribute across the nation or around the globe, to the smallest businesses around the block from your own neighborhood. Yet too often, it seems as though many AAPI entrepreneurs must start from square one and are often overlooked as key stakeholders in the business community and are rarely acknowledged by policy makers as contributing more than \$500 billion in annual economic output and nearly three million jobs.

It is critical to state that we can only be successful in advancing economic development, business growth and new job creation if the federal government and federal agencies work in tandem with community-based AAPI chambers, business organizations and professional associations. Last October, ACE convened a meeting with more than 200 AAPI chamber leaders, business owners, entrepreneurs and corporate officials representing 16 different states and the District of Columbia. This was the first time these business leaders had ever met in person to address the needs of the AAPI-business community. During this and subsequent meetings, we were able to review and discuss several topics of mutual interest and concern. As a direct result of these meetings, we identified three specific areas to address:

1. Access to Capital
2. Federal Contracting
3. Small Business Development Assistance

We also agree that we can only make progress in these areas by:

1. Developing a system for collecting, monitoring and verifying data on federally supported programs addressing the needs of AAPI and other minority small businesses;
2. Reducing language and cultural barriers for small businesses and entrepreneurs that impede them from seeking assistance;

3. Adding SBA and MBDA business development centers in growing immigrant and minority communities; and by
4. Holding federal agencies and prime contractors accountable for meeting all minority business development goals.

I would like to start by addressing each area separately.

Access to Capital

According to the U.S. Census, more than two-thirds of the AAPI population immigrated to this country and now consider America their home. Due to language and cultural issues—which set many of these immigrants and their families apart from the American mainstream—starting a business is often viewed as the best (and only) way to earn an income and to make ends meet. Today there are over 1.54 million AAPI-owned businesses in the country, with more than 80 percent of them small, family-run operations with no paid employees. These businesses, according to U.S. Census Bureau's 2007 Survey of Business Owners (SBO) conducted as part of the 2007 Economic Census, generated \$514.1 billion in annual economic output and support more than 2.84 million jobs. Seven years later, we can only assume these figures are higher today.

However, as a result of the chaos and confusion caused by subprime mortgage lending to individuals and families who could not qualify for prime-rate loans, and the ultimate crash of the real estate and mortgage markets, the banking industry began lending money only to individuals who posed the least financial risk, leaving many small-business owners and entrepreneurs without the capital needed to expand their operations, hire new talent, open new offices, advance sales and marketing, or invest in new equipment that would allow them to compete successfully in an increasingly competitive marketplace. This lack of capital has also constrained the ability of small businesses to increase production, introduce new products or develop new services that would allow them to accommodate larger corporations or compete for federal contracts.

There are signs of progress. The U.S. Small Business Administration (SBA) has made historic gains with AAPI-owned and operated small businesses, as well as with other minority groups and women. From January 2009 to March 2013, more than \$19 billion or 27,485 SBA loans were granted and distributed to AAPI small businesses. The San Francisco SBA District Office held seminars in Chinese, attracting a capacity crowd of Chinese-American business owners eager to learn more about fiscal management, loans, mentorship programs, and business development training. We believe these gains can be improved significantly in the months and years ahead through stronger, more-targeted outreach and through education and partnerships with AAPI chambers and business organizations.

Although the SBA encourages more AAPI-owned small businesses and entrepreneurs to apply for government-guaranteed loans through their preferred lenders, we believe that a large percentage of businesses do not. A full 33 percent of small businesses do not apply because they fear rejection by the same lending institutions that are there to assist them. But ACE and many of the regional AAPI chambers believe there are other critical factors that may dissuade an AAPI small-business owner from applying for an SBA loan. These factors include:

- A distrust of what a preferred government lender will do with their personal and financial information;
- A pervasive belief that SBA officials may not have the ability to assist them in languages and dialects other than English;
- An overwhelming fear that rejection will lead to “loss of face” in the community or adversely impact their credit scores;
- A strong and pervasive feeling that lending institutions do not have the means or the resources to explain why a loan was denied;
- A lack of understanding and knowledge that even a government-backed loan still requires some personal guarantees in the form of collateral that may be difficult for many smaller businesses to provide; and,

- A lack of SBA and MBDA development centers in communities where many of these small business enterprises are established—especially in areas such as Queens, New York.

A large number of AAPI businesses encounter these issues and more must be done with ACE and regional AAPI chambers and business associations to alleviate these sometimes opaque cultural barriers to capital.

Federal Contracting

Although tools (such as websites and webinars) are available to help AAPI small business owners secure information about federal contracting opportunities, there continues to be a lack of knowledge and awareness about them and about how to utilize these options. Nearly all of the AAPI chamber and business association leaders who met with us in Washington said they were unaware of these tools that were available to them, which meant that many of their members lacked the knowledge and understanding of federal contracting opportunities. Unfortunately, many ACE and AAPI-chamber leaders only learned about federal contracting opportunities after they were officially awarded.

One program that could be helpful to many AAPI small businesses interested in pursuing federal contracts is the 8a program. I can speak from personal experience that the 8a program has the ability to advance AAPI businesses in the federal contracting arena. After applying for 8a status at a local SBA office, my own firm achieved this designation several years ago. But once my firm became a bona fide 8a company, my partners and I did not know what to do next. Fortunately, I recognized quickly that we needed to actively and assertively market ourselves and our company to be viewed as a credible supplier to the federal agencies. This was no easy task when the field of potential suppliers (large and small) is filled with legacy firms with decades of relevant experience pursuing and securing federal contracts, and a wide cadre of 8a firms competing to attract attention to their products and services. Within a very short period of time, my firm was able to secure a major federal contract and quickly found ourselves among the ranks of 8a graduates. While I was successful, I believe I was the exception, not the rule.

There needs to be stronger and more visible oversight on the federal contracting process. While Executive Order 11625 requires federal agencies to report their minority business development activities, a more comprehensive data collection process must be employed to ensure that more AAPI small businesses have opportunities to participate in federal contracting opportunities. Over the past year, several AAPI business owners have recounted how they have been invited to serve as subcontractors in the federal contracting and procurement process. The prime contractors—often non-minority-owned firms with a long history of federal contracting deals—enlist diverse businesses to bolster their teams’ capabilities and to demonstrate their commitment to supplier diversity. However, a number of business owners, including my own firm, have served on winning teams only to be told that there is not enough funding in the budget to utilize all of the diverse team members. In other words, the prime contractors were ultimately unwilling to allocate any funding from the budget to utilize the talent diverse suppliers bring to the team.

Small, diverse businesses that are not given any paid contractual work often do not lodge a protest because they run the risk of being ostracized by the prime contractors and other team members that win many of the large federal contracts. Congressional representatives and federal agencies could mitigate this challenge by simply asking prime contractors to report their budget allocations before a contract is awarded, during the contracting period, and once a contract is completed and fully executed. It is essential that once a federal contract is awarded, that includes AAPI subcontractors and other diverse suppliers, budget allocations are reviewed and monitored to ensure that contracting opportunities are available to all willing and able.

Current U.S. government procurement policy needs to reinforce what is known as “maximum practicable” contracting and subcontracting opportunities for small businesses. This reinforcement and strong encouragement is critical since federal agencies missed two percent of their contracting goals (23 percent), resulting in a loss of \$10 billion for small businesses.

Mentorships and training also increase the chances that AAPI small businesses can secure more federal contracting opportunities. While the SBA does have a mentorship program in place for 8a firms and other diverse suppliers, very little is known about this program or its success rate. In order to increase the success rate of AAPI-owned small businesses in the federal contracting process, it is critically important to identify mentors early and to work with the regional AAPI chambers and business organizations to match them with qualified AAPI suppliers.

Small Business Development Assistance

The U.S. Department of Commerce, through the SBA and the Minority Business Development Agency (MBDA), offer assistance to small businesses and entrepreneurs who have specific financing and business development needs. While many of their programs benefit AAPI businesses, it is clear from ACE's discussion with the regional AAPI chambers and business organizations that many more AAPI small businesses could benefit from the business loans, 8a program, technical assistance, business counseling and business development programs that are offered by SBA and MBDA.

In the past few months, ACE has made great strides with the SBA and the MBDA. In high level meetings that were held in Washington, D.C. and later in San Francisco, ACE signed a Memorandum of Understanding (MOU) with the SBA and continues to have ongoing dialogue with their representatives. Our MOU established a framework for ACE to partner with the SBA on promoting programs, services and initiatives designed to address the needs of AAPI-owned small businesses throughout the country.

ACE also received an invitation to meet with former SBA Acting Administrator Jeanne Hult and also met with other business associations to discuss how the SBA could enhance their outreach to diverse small businesses nationwide. As a result of our meetings with the SBA, we have received a myriad of information about programs and services that will benefit regional and local AAPI chambers and business association.

After several conversations with the MBDA, two of their representatives have been designated to work closely with ACE to advance 15 AAPI firms nominated by the leaders of several regional AAPI chambers of commerce. We also hold regular conversations with MBDA leaders to advance and promote more MBDA Business Centers to address the cross-cultural needs of AAPIs, and were delighted to learn that five of these centers are located in communities with large and growing AAPI populations. To build on these successes, we continue to advocate more of these small business development centers, especially in areas such as the Queens borough of New York and the San Gabriel Valley in the Greater Los Angeles area. We also encourage the SBA and MBDA to recruit, hire and advance more AAPIs with language and cross-cultural skills to navigate the cultural barriers that arise with diverse AAPI-owned businesses and business organizations. Since a majority of AAPI-business owners are recent immigrants to this country, language and cross-cultural skills are needed to instill trust and to provide culturally relevant consultations with AAPI business owners. In some cities where there are MBDA offices, there are few, if any, officials or specialists of AAPI heritage.

In conclusion, in order to ensure that AAPI small businesses continue to have access to capital, federal contracting opportunities and small business development assistance, we must verify data that serves as a benchmark for their progress and the progress of the federal government; more outreach specialists with language and cross-cultural experience; more SBA and MBDA centers in growing immigrant and minority communities; and, greater accountability in meeting and achieving stated goals for minority business development.

ACE and the regional AAPI chambers and business organizations recognize that the federal government cannot be held fully responsible for the success of AAPI small businesses in the country. The AAPI small business community, in partnership with government and corporations, must work more collaboratively together to ensure that all AAPI and other minority companies have their opportunity to grow, develop and thrive. We also recognize that ACE and the AAPI business community must act assertively, but responsibly to ensure that information about government programs and services are made available to the greater Asian American, Native Hawaiian and Pacific Islander business communities.

Once again, we can only be successful in advancing economic development, business growth and new job creation if the federal government and federal agencies develop a system for collecting, monitoring and verifying data on mentor-mentee programs, reducing language and cultural barriers for small businesses and entrepreneurs that impede them from seeking assistance, adding SBA and MBDA business development centers in growing immigrant and minority communities, and by holding federal agencies and prime contractors accountable for meeting all minority business development goals.

Thank you for advancing the interests of AAPI-owned businesses and entrepreneurs. We look forward to our continued partnership with each of you and with the federal agencies dedicated to addressing the needs, interests and aspirations of all people living and working in our country.