



U.S. Small Business Administration

TESTIMONY of

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U.S. Small Business Administration

House Small Business Committee

Subcommittee on Economic Growth, Tax, and Capital Access

Tuesday, February 2, 2016

Chairman Huelskamp, Ranking Member Chu, and members of the Subcommittee, thank you for inviting me to testify before you about the SBA's Office of Entrepreneurial Development and my oversight of its encompassing programs.

The Office of Entrepreneurial Development represents the third leg of SBA's support to entrepreneurs by ensuring that relevant and effective technical assistance, counseling, mentoring and training is delivered to our nation's small business owners. To accomplish this, my office is responsible for programmatic oversight of the Small Business Development Centers (SBDC), Women's Business Centers (WBC), and SCORE programs as well as other targeted entrepreneurial support initiatives such as Emerging Leaders, Regional Innovation Clusters, The Learning Center, and ScaleUp America. Our aim through the entirety of our programs and initiatives is to ensure that our nation's entrepreneurs find our services responsive and relevant to their needs of starting and growing successful small businesses. Research shows that 70% of small businesses that receive assistance survive more than five years. I applaud the House and Senate Appropriations Committees' recognition of the critical role business assistance programs play in the success of small businesses through their support of SBA's budget.

As a former SBDC center director, I would often counsel my small business clients that they couldn't be all things to all people. However, as stewards of public resources, we understand that we must meet the changing and varying needs of America's dynamic entrepreneurial community of 28 million small businesses. The diversity of our programs is reflective of this aim. Each program has a unique value and plays a key role in ensuring a strong entrepreneurial ecosystem.

As America's economy innovates and evolves, so do the needs of America's entrepreneurs. The most recent data from the Census Bureau tells us that the number of women-owned businesses has grown at a rate four times that of male-owned businesses in recent years, and they now represent 36% of our nation's businesses. However, while more women are starting businesses, 90% of their companies don't have a single paid employee and only 1.7% generate \$1M or more in gross receipts. This is where our Women's Business Centers step in to serve a unique purpose by providing services that speak to the particular needs and challenges of women entrepreneurs. WBCs offer women entrepreneurs a community of support and services that encourages their growth and business success. Currently, SBA manages 108 women's business centers that train and counsel over 140,000 clients annually. Unlike any of our other programs, the WBCs' core mission is to empower low-to-moderate income women to become entrepreneurs. Our WBCs play a critical role in helping to level the playing field for women entrepreneurs who face unique obstacles in the world of business.

In 2015, our Office of Women's Business Ownership launched InnovateHER, a national effort designed to identify and showcase products and services with potential for commercialization that have a measurable impact on the lives of women and families. This year this effort involved more than 200 organizations that hosted InnovateHER pitch competitions across the nation. Additionally, in 2015 our office partnered with the Association of Women's Business Centers to develop the first ever survey to capture the outcomes of all WBC services. Results from this survey will be published later this year, and the insights gained from the survey will be used to guide OED in our management and oversight of the WBC program.

SCORE, our office's longest-standing program, has been providing mentorship to business owners for more than 50 years. SCORE is powered by a corps of 11,000 volunteer mentors, most of whom have had successful careers in the private sector as executives and business owners. A SCORE mentor plays a critical role in helping to fill the knowledge gaps that entrepreneurs encounter as they start and grow their businesses. SCORE volunteer mentors volunteer more than 2,246,400 hours to 349,539 clients in fiscal year 2015. Starting off in business or even tackling a new business challenge can feel like driving along a road through a dense fog; you can barely see shapes and you're straining to get clarity. Our SCORE

mentors come alongside the entrepreneur to help guide them and they clear that fog so that the entrepreneur can see what's ahead.

In 2015, the Small Business Development Centers (SBDCs) placed greater priority on helping long-term clients, who, we have found, achieve the highest business outcomes. SBDCs are uniquely suited to deliver long-term advising through ongoing one-on-one business services tailored to the needs of the individual business owner. The average time spent per client increased by 2.5% in 2015 and business outcomes have also increased. SBDCs' business advisors helped clients start more than 13,000 new businesses and provided training and advising to over 450,000 entrepreneurs of which 61,000 were "long-term" clients who received 5 hours or more of face-to-face time with their advisor. SBDCs across the country continued to focus on programs and services designed to help underserved markets, emphasizing inclusive entrepreneurship along with the already vast array of services provided to their local small business markets.

As I stated previously, the entirety of our programs are designed to meet the changing and diverse needs of entrepreneurs across the lifecycle of a small business.

Since 2007, the Emerging Leaders program has sought to provide executive level training to entrepreneurs who come from underserved and underrepresented communities. Over the eight years that this program has existed, it has graduated more than 3,300 executives providing them with more than 100 hours of training per cycle. In 2015, we focused on expanding the program from 24 to 48 sites. We also focused on expanding outreach to attract a diverse group of participants. This year we will again expand the program to add five more communities. Our recent data shows that 88% of participants maintained or added an average of 3 net new jobs. Additionally, these businesses provided a median annual salary for new employees of \$40,000 and an average salary of \$74,000. In addition, 39% of participants reported successfully securing financing for the businesses.

Building on the success of Emerging Leaders as a cohort-focused program, we launched ScaleUp America in 2014 to fill a gap of business assistance needs of smaller growth oriented entrepreneurs. These businesses are beyond start up and have a desire to grow but need targeted programming and assistance specifically focused on the unique needs and challenges of scaling a business. Additionally, this initiative has a particular focus on reaching underserved and underrepresented entrepreneurs.

Although women and minorities represent the fastest growing segments of new entrepreneurs nationally, their ventures are generally smaller and experience far less success in terms of revenue and employee size. The most recent data from the Census Bureau shows that the average annual gross receipts of a woman owned business is \$144,000, with businesses owned by Black and Hispanic women generating \$28,000 and \$53,000, respectively. By comparison, businesses owned by men generate an average of \$638,000 in annual gross receipts. To further illustrate this need, minority owned businesses generate on average \$174,000 in gross receipts as compared to non-minority owned firms which generate \$552,000 in average gross receipts. Often these entrepreneurs lack access to growth capital, sufficient business networks, and the necessary management advice and training to increase their chances of success. The goal of ScaleUp America is to equip more high potential, growth oriented entrepreneurs with the right tools to overcome these barriers to growth. To serve this segment of the entrepreneurial marketplace, we have partnered with organizations with a keen commitment and focus on strengthening these entrepreneurs. In 2015 with the initial launch of the initiative, we also embarked on our first ever economic impact evaluation of this initiative. We have secured a third party evaluator that is not only capturing data on ScaleUp participants, but also a group of comparable small businesses that have not received the services of ScaleUp. The findings from this evaluation will be used to improve the effectiveness of this initiative as well as provide us with a model in which we will evaluate other programs that we manage.

Small businesses drive innovation and play a critical role in local economic development. However, as local economic development efforts seek to build on their region's assets by encouraging industry clusters, small businesses face challenges navigating and gaining access to opportunities within the cluster. Our Regional Innovation Clusters (RICs) play a critical role in connecting businesses, suppliers, service providers and related institutions within a defined cluster. They ensure that local clusters are inclusive of small businesses so that they can effectively leverage the cluster's assets to commercialize new technologies and expand into new markets. The portfolio of SBA clusters ranges from smart grid technology in Illinois to flexible electronics in Northeast Ohio to advanced defense technologies in San Diego, California. In 2015, we funded three new clusters, increasing our portfolio from eleven to fourteen, adding an autonomous and unmanned systems cluster in both Southern Kansas and Oklahoma, a bioscience and technology cluster in St. Louis, Missouri and a wood products cluster in a coal affected community in Appalachian Ohio. While the makeup of our clusters is unique to each industry, they all seek to provide small business participants with services such as technology commercialization assistance, business development support, avenues to access capital, and networking opportunities with other cluster stakeholders.

We take seriously our role as a steward of government resources and we want to ensure that our programs are producing the intended outcomes. Last year, we expanded our unit dedicated specifically to implementing and overseeing our data collection, program evaluation, and compliance efforts. Moreover this past year we worked closely with our partners – the SBDCs, WBCs, and SCORE – to implement a collaborative evaluation methodology. Through this work, all partners agreed upon common measures that are defined and tracked in a consistent and uniform manner which are the basis of all future evaluations. These common measures are jobs created/retained, gross sales revenue, new business starts, capital obtained, customer service, and client demographics. This will provide all partners with a consistent way to communicate results with stakeholders.

I hope I have given you a good picture of our thoughtful approach to program management, development, and evaluation which demonstrates our responsiveness to the diverse needs of today's entrepreneur.

Thank you for the opportunity to testify before you today. I look forward to answering any questions you may have. Thank you.