

Roslyn Mixon Phillips March 12, 2018

Statement to the House Small Business Committee hearing on “Disparities in Access to Capital: What the Federal Government Is Doing to Increase Support for Minority Owned Firms.”

Good morning,

I am Roslyn Mixon Phillips, Vice President of Hester Group, a small, woman owned, minority business, certified as an 8 (a) and HubZone by the SBA.

Thank you for the opportunity to speak with you this morning on the subject of small business disparities in access to capital.

The inability to access much needed capital, already quite a daunting task/obstacle for many small and minority businesses, continues to make it difficult for them survive not to mention stifling any opportunity to grow as the banking industry tightens their lending policies. Business owners who have not adequately positioned themselves to meet credit standards find themselves utilizing credit cards and lenders of last resort with extremely high interest rates. That further erodes their ability to retain equity for reinvestment or to improve financial standing that would position the business for tradition loans. Small business owners when in crisis often resort to taking 2<sup>nd</sup> mortgage loans on their homes or exhausted their savings just to survive.

Hester Group (HG) is a small, women owned, minority firm. Having received a computer as a Christmas present from her family and a desire to have work/life balance as she raised her two children, the dream that she had harbored of owning her own business moved at warp speed and by year end HG was a reality. Hester Taylor Clark, the Founder and President of HG, used her savings to capitalize her micro business in the early years and as her business development efforts began to result in contracts was able to self-fund as she bought on staff.

Entrepreneurs in many instances are excellent at performing or providing the service but not as good at handling the business of the business. They may either lack the time, lack the business acumen to manage the business or fail to realize the importance of providing for the strategic management to include financial, operations and marketing. They are often too busy seeking new opportunities and, in many cases, performing the work.

Once when asked how she knew her business was successful, Ms. Clark responded that she “had money in the bank”. That was true, but what she did not have was corporate infrastructure to make informed decisions to support the growth that she envisioned for the company. In 2011, having been in business for nearly 13 years and growing from a micro business to a thriving small business, HG was ready to move to the next level. It was at a time the recession was in full force and dollars that had gone into PR and marketing were tightening and the need to diversify business revenue was apparent, if the company was to grow.

Having been successfully awarded local and State government contracts, Hester began to explore federal contracting opportunities which lead to the SBA 8(a) Program. At this point self-funding was no longer an option.

Ms. Clark spent months researching best practices for managing and growing small businesses, available resources for training and business development. SBA became an invaluable “partner” in the company’s growth through the 7J Training Program and establishing a line of credit through its loan program.

Additionally, she identified mentors that helped her identify what she needed to prepare for growth. Identification of mentors is vital to transitioning the business and identifying obstacles and how to overcome them. Mentors are not all one size fit all and HG has had several informal mentors depending on the issue/need. With the recent changes to the SBA Mentor Protégé Program, HG is currently looking to identify a formal mentor as we move to the next level of growth.

Fortunately, the owner of Hester Group was always a step ahead of what was needed for the next level which positioned her to have the financial infrastructure in place to access the capital when needed.

From my more than 30 years of experience working with small businesses, my observation is the more things change, the more they stay the same, the infrastructure is not in place. The obstacles to accessing capital for small and minority owned businesses have not changed:

- Lack of a solid business plan to make case for loan or venture capital
- Lack of equity to invest
- Insufficient financial documentation that demonstrates past performance and profitability to support ability to repay
- Lack of knowledge of available resources and support such as SBA, SCORE, MBDA, SBDC, Jacksonville Chambers Women’s Center, Athena Link and others
- Understanding the importance of establishing relationship with Banker/Financial Institution

An additional point I would like to add is the impact of education and criminal justice system on small minority businesses that are businesses by default. Many of these businesses are born out of necessity as the owners have no other options to generating income to provide for themselves and their families. Opportunities for these micro small businesses to access capital don’t exist as the barriers are insurmountable for most, if not all, existing programs or financiers.

Continuing investment in education and outreach for small minority businesses is an investment in a thriving economy.