Statement on Behalf of the
Minority Business Accelerator
An Initiative of the
Cincinnati USA Regional Chamber

Empowering Small Businesses:
The Accelerator Model

Testimony of Darrin M. Redus, Sr.
Before the Small Business Committee
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Good morning. Chairman Chabot, Ranking Member Velazquez, and distinguished Members of the Committee, thank you for the opportunity to speak with you today. My name is Darrin Redus, and I serve as Vice President of the Cincinnati USA Regional Chamber, and Executive Director of the Minority Business Accelerator, an initiative of the Cincinnati Chamber.

The Cincinnati USA Regional Chamber is one of the nation's largest Chambers, representing the interests of nearly 4,000 member businesses in a 15 county region across three states – southwestern Ohio, northern Kentucky, and southwestern Indiana. It is the purpose of the Chamber to grow the vibrancy and economic prosperity of our region. The Chamber works to accomplish this goal by being inclusive and regional in all that we do, and by leading with a bold voice for business, expanding the talent base and harnessing the power of the region's unique offerings.

On behalf of the Chamber and its member businesses and constituents I'd like to first thank the committee for holding this hearing as small businesses are certainly the beating heart of our community as they are for communities across the country.

This is also a very personal topic for me individually as I have now served for the better part of 29 years in any of a number of capacities in support of small businesses – be that as a commercial banker and financial services executive for 16 years, an entrepreneur myself and founder of 3 different startups, as well as an investor, consultant and economic development professional over the most recent 12 years in supporting small business and entrepreneurial ecosystems nationwide.

I've had the good fortune of being directly in the center of today's topic having been on the leadership team of one of the country's first wave of tech accelerators in 2006, and then serving as a consultant in various capacities as incubators and accelerators have literally exploded over the past 10 years with now hundreds of such organizations around the world. Evidence of the explosion can be found in the SBA's Growth Accelerator Competition which took in 832 applications from accelerators nationwide in 2014, up from less than 10 such organizations on record in 2005.[1]

At their core, the very nature of accelerators – as the name implies – is to accelerate the growth and development of promising business enterprises by engaging in an intensive and comprehensive set of business development and mentoring activities that, without the intervention and guidance of such resources, would significantly lengthen the growth process, if it would happen at all. This has certainly been the case for states such as Ohio that just less the 10 years ago were considered "fly over states" by the venture capital community – denoting the historical tendency of venture capital firms to primarily focus on the east or west coasts for qualified deal flow and investment activity and "fly over" states such as Ohio. Whereby today our state is experiencing a vibrant and robust investment climate with national VCs directly tied to the great work of our statewide network of incubators and accelerators that comprise our entrepreneurial ecosystem. In fact, since 2006 over 330 early-stage companies across Ohio have received over $1.6 billion in follow-on equity capital from regional and national VCs.[2]

Whether it's helping entrepreneurs with product development, gaining traction with early client sales, facilitating key relationships with industry experts and subject matter expertise, or any of a number of critical milestones designed to expedite the investor and market readiness of a promising business, the early returns of accelerators over the past 10 years certainly speak to their overall importance as a significant catalyst to our nation's economy.

And while the economic benefits and significant contributions of accelerators have certainly been impressive, there remain segments of our population, particularly many ethnic minority groups, that remain largely disconnected from many of these critical resources.

The Cincinnati USA Regional Chamber's Minority Business Accelerator (the "Accelerator") has been its premier minority business and inclusion program for over a decade – specifically targeting African American and Hispanic populations

[1] 2014 Growth Accelerator Competition Quarterly Metrics and Results as of 1/31/15, prepared by SBA Office of Investment & Innovation in February, 2015
[2] Ohio Third Frontier Commission Meeting published on 3/29/17.

that unfortunately continue to lag behind from an economic standpoint. In fact research by the Pew Research Center released in the past two years indicates that economic disparities have actually widened for these two populations, now representing the largest gap in wealth and other key economic indicators in the past 25 years. This is especially troubling for our nation as a whole as ethnic minority populations are expected to represent over half of the nation's population over the next 20 years, and such continuing economic disparities threatens the entire economic vibrancy and overall competitiveness of the nation.

Since its inception in 2003, Cincinnati's Minority Business Accelerator has specifically sought to address these negative trends. Today our Minority Business Accelerator is recognized as a national best practice by such organizations as The Surdna Foundation and the Association of Chamber of Commerce Executives, and consists of 35 larger scale African American and Hispanic firms that collectively generate just over $1 billion in aggregate annual revenues, and have created over 3,500 jobs in the region since the program's inception. The Accelerator's approach focuses on preparing high potential minority firms for larger scale business opportunities with corporate and institutional buyers through an intensive process of capacity building, capital readiness, and strategic growth initiatives. The Accelerator further collaborates with over 40 major corporations (referred to as our Goal Setters) that work intentionally and strategically to conduct greater levels of business with minority firms that demonstrate the capacity and capability to scale. Over the most recent year, clients of the Accelerator have continued to demonstrate strong results as evidenced by:

• $30 million Average Annual Revenue per firm

• 24% Average Year over Year Revenue Growth

• Over 250 new jobs created

Moreover, the Accelerator also manages a $2 million loan fund called the L. Ross Love GrowthBridge Fund, which was created in 2013 to further address the shortfall of financial capital for growth-oriented minority firms.

And while we are certainly proud of our efforts to date, much more work remains. Our new strategic plan, just launched in September of 2016, calls for the creation of an additional 3,500 new jobs in the region over the next 5 years, and an additional $1 billion in aggregate annual revenue growth across the portfolio of minority firms assisted by the Accelerator.

The specific strategy to be deployed to accomplish this objective consists of leveraging more "mainstream" business growth strategies such as mergers and acquisitions, joint ventures, strategic partnering, exporting, and partnering with private equity investors, to name a few. An even greater commitment from our corporate Goal Setter partners to further diversify their respective and collective supply chains will also be a cornerstone of our anticipate results going forward.

As large corporations and other institutional buyers increasingly operate in a global marketplace, minority-owned enterprises and small businesses as a whole, must continue to expand their capacity and scale to remain viable strategic partners for these larger institutional clients. This will in part be accomplished through a greater focus on risked-based equity capital, and the encouragement of higher growth enterprises that this form of capital supports. A continuing over-dependence on debt capital with minimal equity (as has been well-documented for minority firms), and failing to adopt more mainstream business growth strategies such as the aforementioned approaches of joint ventures and acquisitions, will continue to threaten the longer term competitiveness of minority firms and ultimately the nation as a whole.

In closing, a rising body of evidence as further detailed in studies by the Harvard Business Review, the Kauffman Foundation and various others, reveals a significant contribution to our nation's economy spurred on by the accelerator model. Much more work remains however to further insure that this good work is not lost on various segments of our population. As ethnic minority groups become an even greater percentage of the total U.S. population, reversing the negative trends tied to widening economic disparities must become a critical component of the nation's economic agenda to ensure that all of America's citizens are contributing to economic output.

Again, thank you for this opportunity and I'm happy to take any questions that you have.

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