

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-0515

Memorandum

To: Members, Subcommittee on Health and Technology
From: Committee Staff
Date: September 11, 2017
Re: Hearing: “Tech Talks: How SBA Entrepreneurial Development Programs Have Evolved with Technology”

On Thursday, September 14, 2017 at 10:00 A.M., the Committee on Small Business Subcommittee on Health and Technology will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining how the Small Business Administration’s (SBA) Entrepreneurial Development (ED) programs have adapted their training and counseling programs to reflect small businesses increased reliance on technology to be competitive in the market. This hearing will highlight the ways in which ED centers and programs have incorporated varying levels of technological training into their programs, are working together to share best practices for implementing these training programs, and are employing technology administratively to increase services to their clients.

I. Background of the SBA’s Entrepreneurial Development Programs

The Small Businesses Administration’s Office of Entrepreneurship Development oversees the SBA’s four ED programs: the Service Corps of Retired Executives (SCORE), Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), and Veteran’s Business Outreach Centers (VBOCs).

SCORE was established on October 5, 1964 by then-SBA Administrator Eugene Foley and was formally incorporated as a non-profit organization in 1975.¹ Overall, SCORE has 348 chapters and over 13,000 volunteers, offering counseling and training to entrepreneurs and business owners through training centers and mentorship pairings between clients and SCORE volunteers.² The SCORE Association serves as the non-profit association and centralized leadership of all SCORE chapters and volunteers nationally.³

SBDCs began as the 1976 University Business Development Center pilot program, with 8 participating universities across the country. After being renamed, the SBDC pilot program continued to grow until July 1980, when the Small Business Development Center Act of 1980 officially authorized the program.⁴ Now with 63 host branches and more than 900 sub-centers, the SBDC program has grown

¹ *SCORE History*, SCORE, <https://core.score.org/node/147953> (last visited Sept. 1, 2017).

² *More About SCORE*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/oed/resources/148091> (last visited Sept. 1, 2017).

³ *About SCORE*, SCORE, <https://www.score.org/about-score> (last visited Sept. 5, 2017).

⁴ Pub. L. No. 96-302, 94 Stat. 833 (1980) (codified at 15 U.S.C. §648).

to be the largest and highest funded ED program.⁵ Each host-center effectively serves as the manager of the sub-centers under its jurisdiction, determining funding levels and conducting performance evaluations.⁶ The SBDC network aims to “deliver up-to-date counseling, training and technical assistance in all aspects of small business management.”⁷ America’s SBDC serves as the governing association for SBDCs, offering membership benefits, bringing SBDCs together for conferences, and serving as the accreditation authority on behalf of the SBA.⁸

WBCs were created through a pilot program established by the Women’s Business Ownership Act of 1988, directing the SBA to provide financial and managerial training to women.⁹ There are currently over 100 WBCs across the country, each aiming to empower “economically or socially disadvantaged” women through “advocacy, outreach, education and support.”¹⁰ The Association of Women’s Business Centers is a non-profit association that provides WBCs with additional resources and an increased network of support.

The final SBA ED program, VBOCs, was authorized by the “Veterans Entrepreneurship and Small Business Development Act of 1999.” This legislation requires the SBA to establish an office to “provide assistance to small businesses owned and controlled by veterans and service-disabled veterans.”¹¹ These veteran’s centers provide training and counseling to veterans and military spouses at 20 locations throughout the United States.¹²

II. Technology in the Modern Marketplace

Since the creation of the SBA’s ED programs, technology has advanced at an exponential rate. Reliance on technology has increased to the point where businesses now believe that the use of technology is not just beneficial, but imperative to their success.

In a 2013 National Small Business Association survey, seventy percent of surveyed small businesses reported that technology is very important to the success of their company, with an additional twenty-seven percent of small businesses saying that technology is somewhat important to being successful.¹³ Clearly, small businesses recognize the benefits that technology can offer, but how are they actually using technology in their daily routines?

⁵ *FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report*, U.S. SMALL BUS. ADMIN. (May 22, 2017), https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf.

⁶ E-mail from Tee Rowe, President/CEO, America’s SBDC, to author (Aug. 16, 2017, 15:29 EST) (on file with author).

⁷ *About Office of Small Business Development Centers*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/osbdc/about-us> (last visited Sept. 1, 2017).

⁸ *Office of Small Business Development Centers 2016 Cooperative Agreement*, U.S. SMALL BUS. ADMIN., https://www.sba.gov/sites/default/files/article-files/2016_SBDC_Program_Terms_and_Conditions.pdf (last visited Sept. 5, 2017).

⁹ Pub. L. No. 100-533, 102 Stat. 2689 (1988) (codified at 15 U.S.C. §637(c)).

¹⁰ *Office of Women’s Business Ownership*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/wbo> (last visited Sept. 1, 2017).

¹¹ Pub. L. No. 106-50, 113 Stat. 233 (1999) (codified at 15 U.S.C. §631)

¹² *Office of Veterans Business Development / Resources*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/ovbd/resources/1548576> (last visited Sept. 1, 2017).

¹³ *2013 Small Business Technology Survey*, NAT’L SMALL BUS. ASS’N, <http://www.nsba.biz/wp-content/uploads/2013/09/Technology-Survey-2013.pdf> (Sept. 17, 2013).

The use of smartphones and laptops for businesses are a given in modern society, but are no longer sufficient. Seventy-one percent of small companies currently maintain a website.¹⁴ That number is up from fifty-three percent in 2014 and from forty-five percent in 2009.¹⁵ Many of those websites boast not only online shopping and payment systems, but also mobile friendly versions of their website content. Within physical stores, technology has allowed for small businesses to process credit and debit card transactions through point-of-sale systems. Newer technologies, such as Square, have allowed mobile businesses (i.e. food trucks, farmers markets stands, etc.) to accept credit or debit cards payments through smartphones or tablets with an internet connection. The internet is also now a common means of marketing. Digital marketing on social media and popular websites is allowing small businesses to reach more potential clients and even increase their market beyond their geographic area.¹⁶ Additionally, many entrepreneurs have turned to cloud-based storage systems to save on the cost of traditional server-based storage without losing capacity. In fact, it is estimated that by 2020, seventy-eight percent of small businesses will adapt to cloud-based storage.¹⁷

These technologies barely scratch the surface for what is available in the modern marketplace. There are now systems available for everything from accounting to inventory management. Clearly, small businesses require at least some of these technological tools to succeed and compete in the modern world. But for a developing small business, how do they determine which tools are necessary in their specific market?

III. How Entrepreneurial Development Programs Have Adopted Technological Training

While each ED program within the SBA has a different target audience, the goal of all of these programs is to offer business training and counseling. As small businesses are relying more and more on technology to be competitive in the market, it is the responsibility of the ED programs to adapt their training and counseling programs to reflect that.

Of the four ED programs, SCORE offers the most centralized training through the SCORE Association. Clients working with SCORE mentors have the opportunity to hear their mentors' experiences on how technology can be used to benefit their businesses. Additionally, mentors commonly offer advice on the brands of technology they would recommend. In order to be able to offer this type of counseling, SCORE is focused on recruiting more tech savvy mentors as volunteers. In addition to recruiting volunteers, the SCORE association also works with their national partners to prepare online webinars on technology-based tools. One of the benefits of SCORE webinars is their ability to be adapted quickly in the event that a new business technology becomes available. The SCORE Association also offers more than 50 "courses on demand" through their website and in FY17, with the support of the Kauffman Foundation, piloted a distance counseling program. This program used Skype and Google Hangout to connect SCORE mentors with counseling clients. Administratively, the SCORE

¹⁴ *What Percentage of Small Businesses Have Websites? | 2017*, SMALLBUSINESS.COM, <https://smallbusiness.com/digital-marketing/how-many-small-businesses-have-websites/> (Mar. 18, 2017).

¹⁵ *Small Business Website Statistics*, STATISTIC BRAIN, <http://www.statisticbrain.com/small-business-website-statistics/> (last visited Sept. 1, 2017).

¹⁶ *12 Ways Technology is Helping Small Businesses*, FARM BUREAU FIN. SERVS., <https://www.fbfs.com/learning-center/12-ways-technology-has-helped-small-businesses> (May 05, 2016).

¹⁷ Louis Columbus, *Roundup of Small & Medium Business Cloud Computing Forecast and Market Estimates, 2015*, FORBES, (May 4, 2015, 5:32 PM), <https://www.forbes.com/sites/louiscolumbus/2015/05/04/roundup-of-small-medium-business-cloud-computing-forecasts-and-market-estimates-2015/#5a6568dc32b0>.

Association has also found technology useful for holding their annual conference since FY 2016. Since then, the virtual conferences have grown in size and allowed increased volunteer participation.¹⁸

Unlike SCORE, training offered by SBDCs and WBCs are far more varied depending on which center a client visits. SBDCs are required to go through an accreditation process to achieve and maintain their status; however, this accreditation does not require specific training courses be offered. Roughly five percent of SBDCs offer increased technological training through receiving an additional accreditation as a Small Business Technology Development Center (SBTDC).¹⁹ These SBTDCs offer a higher level of training that would allow emerging tech firms the resources they require to succeed. The increased number of technology specialists at SBTDC locations also allow for non-tech businesses to seek advice that might otherwise be unavailable.²⁰

Often, SBDCs employ technology administratively as a means of offering distance learning opportunities to clients. Some state SBDCs produce these programs internally, while others rely on their partnership with America's SBDC to provide these courses.²¹ Additionally, it is common for SBDCs to work with local universities to develop consulting partnerships between university students and SBDC clients. These programs allow for those clients to get personalized consulting recommendations from students who are knowledgeable in the technological sphere.²² When one SBDC is able to successfully create and run this type of technology training or counseling program, the host-branch/sub-center structure within SBDCs allows the transfer of successful programs. Information regarding implementation of successful programs can also be shared through dedicated conferences. For example, when SBTDCs were expanding, multiple "Tech Program Development" conferences were held to facilitate the expansion of the program.²³

A similar center-by-center structure exists within WBCs, where courses offered largely depends on which center a client is accessing. Most WBCs offer basic technological training in some form. This type of training is aimed at entrepreneurs who are slow adapters of technology and focus on teaching simple concepts, such as email. This type of technological training, in addition to more advanced training, can be built into the WBCs core training courses or can be completed through separate training sessions.

In addition to the training opportunities at individual WBCs, there are some technological benefits that are available through the Association of Women's Business Centers. As a membership benefit, WBCs receive a "25-seat QuickBooks teaching license" and "a \$1,000 discount on the purchase of a license to use Vista Share's Outcomes tracker database."²⁴ This program allows for each participating WBC to offer QuickBooks training as a part of their curriculum. This type of off-the-shelf technology is used fairly consistently at WBCs, as well as other ED programs, due to lower costs and ease of access. Additionally, similar programs can be seen on the administrative end of WBCs, with many centers offering online access to business resources to their clients.

¹⁸ E-mail from W. Kenneth Yancey, Jr., CEO, SCORE, to author (Aug. 29, 2017, 08:15 EST) (on file with author).

¹⁹ *Small Business Development Center*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/tools/local-assistance/sbdc> (last visited Sept. 5, 2017).

²⁰ E-mail from Scott Daugherty, State Director, North Carolina Small Business Technology Development Center, to author (Sept. 7, 2017, 13:19 EST) (on file with author).

²¹ *eLearning – click on your state*, AMERICA'S SBDC, <http://americassbdc.org/resources/elearning-map/>, (last visited Sept. 5, 2017).

²² Telephone Interview with Christian Gregory, State Director of Pennsylvania SBDCs (Aug. 23, 2017).

²³ E-mail from Scott Daugherty, State Director, North Carolina SBTDC, to author (Sept. 7, 2017, 13:19 EST) (on file with author).

²⁴ *Membership*, ASS'N OF WOMEN'S BUS. CTRS., <http://awbc.org/membership/> (last visited Sept. 1, 2017).

Technological-based training by VBOCs tends to be more limited. VBOCs have most commonly employed technology as a means of offering distance learning opportunities such as webinars or online training courses. Some centers produce these training programs within their center, while others link to training by the SBA, other ED programs, or similar resources.²⁵ VBOCs also have strong relationships with local ED programs and centers as a means of offering increased training.

IV. Challenges Entrepreneurial Development Programs Face

The ED programs do face challenges in adapting to new technological training programs. Even the most advanced and adaptive ED centers are challenged by the speed at which technology evolves.²⁶ In order to keep up with technological advancements, ED programs need to continuously educate themselves on developing technology before being able to translate that knowledge into training opportunities for ED clients. This challenge is further compounded by the cost of many of these technological systems, making adaptation by smaller ED centers more difficult.

In addition to keeping up with technological advances, ED programs must keep the existing knowledge, needs, and means of their clients in mind when developing technology-based training programs. Some clients, depending on the location of the ED center, may not have access to reliable broadband, may have limited experience with technology, and may have financial constraints that limit their ability to implement technology.²⁷ Balancing these limitations with appropriate training can be challenging when developing a technological curriculum.

One key challenge for WBCs, specifically, is a lack of communication between centers. Aware of this weakness, the Association of Women's Business Centers is currently working to build capacity to expand their inter-association communication and best practice policies. Up to this point, most communication between WBCs is very informal and done on a personal level or at the Association's conference. This lack of communication forces each WBC to develop their training programs from scratch, duplicating efforts with numerous other centers.

V. Conclusion

This hearing will offer Members the opportunity to hear testimony on the ways in which ED programs have adapted their training curriculum to reflect the market's increased reliance on technology and the challenges they face as they continue to do so. Generally, each ED program has all been able to adapt to technology to some degree. However, it is clear that technological training opportunities vary widely depending on the ED program and the center visited. Moving forward, each ED program will need to continue to educate themselves on technological strategies common in the marketplace while developing and adapting their training programs to allow their clients to be competitive. Furthermore, ED programs will need to continue to grow information sharing best practices as a way of increasing consistency of training while minimizing inefficiency.

²⁵ *Veteran's Business Outreach Center*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/tools/local-assistance/vboc?leavingSBA=http://www.nmvboc.org> (last visited Sept. 5, 2017).

²⁶ E-mail from Scott Daugherty, State Director, North Carolina SBTDC, to author (Sept. 7, 2017, 13:19 EST) (on file with author).

²⁷ E-mail from Marsha Bailey, Founder, President & CEO, Women's Economic Ventures, and Chair, Association of Women's Business Centers, to author (Sept. 2, 2017 at 12:24 EST) (on file with author).