

**Testimony
of
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on behalf of the
U.S. Women's Chamber of Commerce**

Before the House Small Business Committee

**The State of SBA's Entrepreneurial Development Programs and
Their Role in Promoting an Economic Recovery
February 11, 2009**

Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today on behalf of the U.S. Women's Chamber of Commerce representing our 500,000 members and the millions of American small businesses who are in need of assistance as they seek to grow strong businesses to provide income for themselves, their families and communities. Thank you for providing me the opportunity to share our views with you.

America needs entrepreneurial development programs that match our challenging economic times. We cannot afford to simply rubber stamp existing delivery models and add increases on to old budgets. We are at a fragile economic crossroads that demands our government focus every tax payer dollar towards productivity and towards assuring that entrepreneurs (born both from opportunity and necessity) receive quality, expedient education and financial assistance.

Over the last fifty plus years, the SBA entrepreneurial development programs have grown into a fragmented array of programs including Small Business Development Centers, Women's Business Centers, Service Corps of Retired Executives, the Small Business Institute, and more. These fragmented programs have resulted in a disorganized, overlapping and inefficient delivery of service in a system that is ill prepared to effectively address the challenges of our current economy.

Looking to the past, the evidence of failure is profound. During the last decade the most impressive new spirit of entrepreneurship came from our new minority and women entrepreneurs. But, while the number of new minority and women-owned firms grew dramatically the average revenues generated by these firms actually declined.

Over the last decade, women started a record breaking number of new businesses. But, their revenue growth has not kept up. Even though the number of (majority-owned) women-owned firms grew 42.3 percent between 1997 and 2006, their combined annual sales grew only 4.4 percent. Consequently, the average annual sales for a women-owned firm dropped 36 percent. And, even though women own 28.2 percent of all non-farm firms in the U.S., our total portion of all sales continues to hover around a remarkably low 4.2 percent.¹

Minority business owners have seen the same lackluster results. Over the last decade, the number of minority-owned firms increased 35 percent, but their gross receipts only increased 13 percent. Consequently, between 1997 and 2002 the average gross receipts of minority-owned firms decreased by 16 percent.²

These numbers tell a tale of lost opportunity as the resources within our entrepreneurial community have failed to convert the great promise of entrepreneurship into economic gains for millions of women and minority-owned firms.

Another disturbing statistic should be noted. While entrepreneurship has long been considered a pathway to increased wealth in America, the period between 1984 and 2004 showed a marked decline in the fulfillment of this promise. A 2007 report from the SBA Office of Advocacy finds, "Families owning businesses are significantly less likely to be high income earners in 2004 than 1989." In 1989, small business-owning households were nearly two times more likely (62.1 percent versus 33.0 percent) to be classified as high income as households not owning a business. In 2004, this percentage dropped significantly to 55.2 percent versus 24.8 percent.³

While America had the good fortune of experiencing one of the longest and strongest periods of economic growth in our history, the average revenues of women and minority firms declined, and the percentage of small business owners designated as "high income earners" contracted.

Looking to the future, small businesses are faced with the greatest economic contraction in fifty years. The collapse of the U.S. manufacturing base and the deeper issues in the auto industry shines the light on the reality that our need for entrepreneurial support has deep regional clusters which shift and change over time. Katrina, Ike and 9/11 have shown us that tragedy can strike in an instant – creating an immediate and urgent need to assist small business owners. And recent employment reports tell us, for the first time, women now exceed men in the labor force because many of the manufacturing and higher paying jobs are now gone. This means many men may now turn to entrepreneurship to help pay their mortgages and feed their families.

¹ Small Business Administration. "Women in Business: A Demographic Review of Women's Business Ownership." <http://www.sba.gov/advo/research/rs280tot.pdf>

² Small Business Administration. "Minorities in Business: A Demographic Review of Minority Business Ownership." <http://www.sba.gov/advo/research/rs298tot.pdf>

³ Small Business Administration. "How Did Small Business-Owning Households Fare During the Longest U.S. Economic Expansion?" <http://www.sba.gov/advo/research/rs276.pdf>

If we are to serve the needs of American entrepreneurs and help our country overcome the challenges of our current economic recession, we must commit to a top to bottom restructuring of the delivery of entrepreneurial services by the SBA. The myriad of individual entrepreneurial development programs should be unified into one centrally managed organization that has the flexibility to provide services when and where they are needed. Unified entrepreneurial centers should be developed with the full array of SBA support and connections to other regional support providers.

Providing one clear channel for assistance is paramount to the average business owner seeking help. With one unified system, the SBA can provide a much stronger, coordinated response than the current patchwork system. There are many facets of need, and each community has a unique set of issues. This doesn't mean we need an alphabet soup of programs; instead we need a flexible system of response that is coordinated at the national level and held accountable for delivering quality service in regions of need.

One example is the Women's Business Center program. While it is clear women business owners are among those emerging market businesses that have not been well served, it is even more important that these firms work side by side with male business owners for a number of important reasons. SBA studies have shown that there are real differences in the backgrounds and resources available to male business owners. On the whole, male business owners have a greater history of entrepreneurial experience than women, better business networks, and greater access to capital.⁴ These are attributes to which women should be exposed instead of segregated.

Additionally, the funds within the SBDC network are much deeper and structured more favorably, the connection to mainstream resources is much broader, and the locations of the SBDC network are greater and more diverse.

We believe the SBDC network should be used as the foundation for a new unified delivery platform of entrepreneurial programs that includes outreach to women and minority entrepreneurs (reflecting the demographics and needs of the community) along with broad community accountability for the effectiveness of their outreach and delivery of value. This network should be transformed into a more broad based system of flexible entrepreneurial centers which include education, counseling, incubators, access to capital and access to community resources.

⁴ Small Business Administration. "Are Male and Female Entrepreneurs Really That Different?" <http://www.sba.gov/advo/research/rs309tot.pdf>

Additionally, the Internet and e-learning have revolutionized how we learn just about everywhere except the SBA. It is alarming to see how far behind the SBA is in the development of a coherent set of e-learning tools with integrated virtual counseling and support. E-learning can greatly extend the reach of the SBA, add stability and accountability into the system, and better organize the delivery of assistance helping business owners to learn on schedules convenient to the individual.

The SBA should outsource the creation of a top-tier e-learning educational system to include measurements and a clear standard assuring that the content creates positive results that improve the record of business success. Create certificates of accomplishment to help small business owners focus towards completion of important learning levels and integration of concepts and processes into their businesses. Include online counselors. Become more involved in educational innovation and pull the SBA entrepreneurial programs into the twenty-first century.

Finally, Congress should define an external process to measure the results of SBA entrepreneurial programs looking at both micro and macro views. We should not only look at the details of progress for individual firms who make use of SBA entrepreneurial programs. We must also look from a broader macro view to understand if we have the right programs in place and the right scale in place to make a real difference for all Americans including minority and women entrepreneurs.

In summary, our recommendations are as follows:

Recommendation One: Replace the myriad of different entrepreneurial education programs with one unified entrepreneurial development entity to save money, improve results, increase reach and provide flexibility. Establish community outreach specialists who work closely with the community to engage with local entrepreneurs (and potential entrepreneurs) pulling them into specific training opportunities. Position many of the SBA entrepreneurial facilities (or outreach centers) in areas with least mobility and/or greatest economic need. And, assure that each facility has staff that can assist with language and cultural needs within their community.

Recommendation Two: Outsource the creation of a top-tier e-learning educational system to include measurements and standards assuring that the content creates positive results that improve the chances for business success. Create certificates of accomplishment to help small business owners focus towards completion of important learning levels and integration of concepts/processes into their businesses. Include online counselors. Become more involved in educational innovation and pull the SBA entrepreneurial programs into the twenty-first century.

Recommendation Three: Provide flexibility within the regional framework for the individuality of the region. Make regional funding more flexible so that funds can be directed quickly to regions in need. By providing a standardized set of educational proficiencies including web-based e-learning, the local centers should be able to focus with more flexibility to the needs and opportunities within their region.

Recommendation Four: Establish a method to review the impact of SBA entrepreneurial programs on our communities – including minority-, women-, handicapped-, and veteran-owned firms. Use an external provider to design and take these measurements, rather than the organizations that have a vested interest in the outcomes. Look at the macro view, rather than solely the view of individuals or firms taking part in the SBA entrepreneurial programs. If women and minority-owned firms are seeing declines in their overall revenues, can we clearly say our entrepreneurial programs are making a difference? Until we can say, “yes” – we simply cannot be certain that our tax dollars are being well invested.

Recommendation Five: Congress should define an external process to measure the results of SBA entrepreneurial programs looking at both micro and macro views to assure we have the right programs in place and the right scale in place to make a real difference for all Americans including minority and women entrepreneurs.

In closing, it is vitally important for Congress to act now to unify, streamline, modernize, and right size the SBA entrepreneurial development programs. The delivery of education and resources to our current and would be entrepreneurs must become more effective, reach more deeply and become more flexible to the changing needs of our country. Congress must measure the effectiveness of these programs against a broad view looking at the macro results. In these troubling economic times, we need your assistance to protect the American tradition of entrepreneurship as a gateway to wealth for all Americans.