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America’s Small Business”**

**Statement  
to the  
U.S. House Small Business Committee  
U.S. House of Representatives  
May 6, 2009**

Chairwoman Velázquez, Ranking Member Graves and members of the committee: my name is Ken Yancey and I am the chief executive officer of SCORE, the Service Corps of Retired Executives, also known as SCORE “Counselors to America’s Small Business.”

Thank you for the opportunity to offer this testimony about the proposed amendments to the Small Business Act related to SCORE, including the FY 2010 and FY 2011 budget authorization bill. I represent SCORE and the 11,200 volunteer counselors who donate their time and expertise to serve America’s entrepreneurs.

SCORE fulfills a vital role for America's small business owners and aspiring entrepreneurs by providing much needed technical assistance. As you know, many small businesses continue to struggle with layoffs, access to capital, cash flow and overall management issues. SCORE has a proven track record of both creating and saving jobs by improving small business survival rates and accelerating small business formation.

Many of those laid off by corporate America will find opportunities through self-employment or by being employed in a small business. Technical assistance provided by SCORE and other SBA resource partners must be available to assist these aspiring and growing businesses as they contribute significantly to economic recovery and consumer confidence. Research shows that small businesses are five times more likely to start if they get assistance from a government supported program such as SCORE.

**SCORE Offers an Excellent Return on Investment**

According to an SBA report to Congress, SCORE helped create 19,732 new small businesses in 2007 at a cost of \$29 per business. SCORE helps create more than 25,000 new jobs each year, according to an SBA Impact Study. Based on SCORE’s \$5 million appropriation from Congress, these jobs are created at a cost of \$200 per job. Congressional funding and support of SCORE makes this possible.

SCORE has helped more than 8.3 million people since it was founded 45 years ago. In FY 2008, SCORE helped 357,637 people through its mentoring and workshop programs, an

increase of 13 percent over the previous year. SCORE volunteers donated more than 1.3 million hours of service.

At a standard hourly consulting fee of \$150, these services would have cost small business owners more than \$195 million dollars. According to Independent Sector, the average value of a volunteer hour is \$19.51. Even based on that heavily discounted hourly rate, SCORE's volunteer services are valued at \$25.4 million dollars annually, five times SCORE's \$5 million appropriation.

We support the committee's request that all counselors have a minimum of 10 years experience in a given field, although it is difficult to measure independent of the counselor's own word. Based on existing surveys, SCORE volunteers average 17 years of managing and owning a small business and 24 years managing and working in a medium to large business.

In addition to measuring outputs and outcomes, SCORE also measures the quality of its services. A recent survey of SCORE's email counseling clients, completed by the Center for Entrepreneurial Excellence at George Washington University, reports that 76 percent of SCORE's email clients indicated that their overall experience with SCORE counselors was relevant or extremely relevant. In addition, 73 percent responded that their overall experience with SCORE counselors was valuable or extremely valuable.

SCORE has expanded its focus on measuring quality at the client/counselor level and has implemented additional tools to measure and track the quality of that relationship. After a year of successful beta testing, SCORE now surveys 100 percent of both face-to-face and email counseling clients and develops a Net Promoter Score (NPS) at the national, chapter and volunteer level. NPS is a survey process based on "the ultimate question," which is, "On a scale of zero to 10, how likely is the client to recommend SCORE services to a friend or family member?" The three highest scores are considered promoters, six and seven are neutral, and a score of five or less indicates a detractor and an unsatisfied customer.

This methodology was developed at Harvard University and is widely used by corporate America. It has proven useful to SCORE in identifying individual counselors who are providing excellent service and those who require additional training or need to be removed from counseling altogether. SCORE's NPS for face-to-face counseling is currently 86 percent, while email counseling is 76 percent. Since this quality measurement has been in use for less than a year, we do not have solid comparisons. However, the trend since implementation has been positive.

### **SCORE Increases Small Business Success**

Dr. Jianwen Liao from the Illinois Institute of Technology found that "Entrepreneurs who contact and participate in government programs (such as SCORE) are about five times more likely to successfully start a new business." There are three types of clients served by SCORE:

- **Pre-start-up.** SCORE provides counseling, mentoring and coaching for aspiring business owners in person at one of more than 1,000 chapters and branches across

the country or online through “Ask SCORE,” our email counseling system at [www.score.org](http://www.score.org). In addition, SCORE provides business related templates and workbooks for assigned tasks to clients, as well as pre-business workshops both online and in person.

- **Start-up:** SCORE provides business counseling, mentoring and coaching both online and in person to start-up businesses in operation from zero to one year. SCORE also offers start-up specific templates and workbooks for clients, as well as a variety of start-up workshops online and in person.
- **Existing businesses:** SCORE provides business counseling, coaching, mentoring and support both online and in person to existing small businesses. SCORE offers team counseling, templates and a variety of workshops online and in person for existing businesses.

Research has shown that businesses that survive four years have a better chance of surviving long-term. According to the *Survival and Longevity in the Business Employment Dynamics Database, Monthly Labor Review, May 2005*, 80 percent of new employer firms survive one year, while 44 percent survive four years. After the fourth year, the rate of firm closings declines considerably. By entering into a long-term mentoring relationship with a SCORE counselor, small business owners have a greater chance of success.

### **SCORE Takes Action during the Recession**

Small businesses face challenges on many fronts, including lower consumer spending, rising unemployment and tightening credit. Many small business owners have been coming to SCORE for help with cutting costs, managing cash, finding capital, streamlining operations and developing new customer channels.

SCORE volunteers know things that only experience can teach. All across the country, SCORE is helping clients navigate the credit crunch. SCORE can mentor an aspiring entrepreneur through the business plan process to get them through the start-up phase. For in-business clients, SCORE can provide advice on handling cash flow problems and marketing to drive leads and sales. Many SCORE chapters offer team counseling, where a group of volunteers examine various aspects of the client’s business and make recommendations.

“Fuel prices were up. My interest rate went up, making my loan all but impossible to cover,” says Sandra Lowe, owner of Service West Delivery in Phoenix, Ariz. “Thanks to SCORE’s advice, I stabilized my cash flow. As the economy went down, I was able to downsize real costs. I am not sure what would have happened if I had not gone to SCORE.”

In response to this growing need, SCORE recently launched the “Accelerate Your Success” Campaign to help small businesses survive and thrive during the economic downturn. Each month in 2009, SCORE adds a new toolkit with focused articles, templates, podcasts and workshops on helping entrepreneurs weather the current economic storm. These tools can be found at [www.score.org/accelerate](http://www.score.org/accelerate).

In addition, SCORE volunteers are contacting their clients to offer to assess their business conditions and map a plan for success. Many SCORE chapters are working with local chambers of commerce to help their members through the recession

SCORE mentors themselves have faced economic opportunities and difficult economic times. They know how important it is to make payroll, repay a line of credit, anticipate the drag of a down economy, and most importantly, what to do next. All of us at SCORE want to help small businesses hire more people and keep current employees working and their jobs safe.

### **SCORE Starts Online Community & Social Media Outreach**

SCORE is working hard to be where the client is. We're not waiting for the client to find us. SCORE's LinkedIn network now has more than 600 SCORE counselors and clients sharing information and networking. In addition, SCORE has an active page on Facebook and is continuing to explore opportunities to increase online awareness. SCORE is active on Twitter with a small but growing following. Our goal is to use online social networking opportunities to attract and serve more existing and aspiring small business owners.

In May, SCORE will launch its first-ever online client community in partnership with PartnerUp, a Deluxe Company. This new leading edge community will offer peer-to-peer networking opportunities within the community, pursuant to a request by the House Small Business Committee.

The community also will be populated with easy-to-identify SCORE volunteers who will participate in discussions and respond to questions. This is a particularly valuable opportunity for SCORE as the new SCORE Online Community will be aligned with other communities through PartnerUp. These communities currently have more than 80,000 active small business participants, which provides an existing networking framework and opportunity for SCORE counselors to serve more clients.

Last year, SCORE launched the Women's Success Blog, the first blog from SCORE at the national level. Women SCORE experts offer their insights and advice on issues facing women entrepreneurs. The blog won the prestigious 2009 Interactive Media Award (IMA) for Outstanding Achievement with high marks for design, content, functionality and usability. The new SCORE Ask an Expert Blog, which features SCORE experts who offer advice and answers to questions, continues to grow in popularity.

### **SCORE Serves Many Communities**

We are the SBA's most diverse resource partner. SCORE includes 25 percent women and minority volunteers, achieving the goal set by us, the SBA and the House Small Business Committee. The SCORE Board includes 50 percent women and minority directors. SCORE continues to focus on increasing our level of counselor diversity, which will assist us in our efforts to serve the increasing diversity of our client base.

According to the 2006 Impact Study of SBA Entrepreneurial Resources, 13 percent of SCORE clients are African-American, and another six percent are Hispanic/Latino. SCORE offers a section on the website specifically developed for minority entrepreneurs at [www.score.org/minority.html](http://www.score.org/minority.html). It offers articles, resources and statistics on the growing number of African-American, Hispanic, Asian and Native American entrepreneurs. SCORE offers Spanish-language materials at [www.score.org/hispanic.html](http://www.score.org/hispanic.html) and [www.score.org/guides.html](http://www.score.org/guides.html).

Almost half of SCORE clients are women. A key SCORE focus is helping women grow their business from a sole proprietor to an employer firm by hiring workers. Last year, SCORE launched a new Web site for women at [www.score.org/women](http://www.score.org/women). The Web site provides interactive tools, mentoring, workshops and articles that can help women entrepreneurs achieve their business dreams.

More than half of SCORE clients are between 35 and 54 years of age. Many SCORE chapters also work with local high schools and colleges to reach younger entrepreneurs. SCORE provides information, articles and business research in Web sections for women, minorities, veterans, manufacturers, baby boomers, rural entrepreneurs and young entrepreneurs.

### **SCORE Helps Meet Diverse Needs**

Through a national network of 370 offices and 800 branch locations, SCORE has a presence on main streets in small towns and urban centers in the United States. By working with leading national and local organizations, SCORE can reach new clients and help provide opportunities for all communities.

At the 8<sup>th</sup> Annual eWomen Network International Conference and Business Expo in July 2008, 14 women SCORE volunteers provided counseling and advice in a round table setting to more than 200 attendees on a wide range of topics, including SBA-backed loans, time management, Internet marketing and franchising. Based on our success in 2008, SCORE has been invited to fill a bigger role in the 2009 meeting scheduled for August 6-9.

SCORE is cross-promoting its mentoring and resources with the Initiative for a Competitive Inner City (ICIC). Volunteers with SCORE have helped several clients get listed on the Inner City 100, a ranking of fast-growing, competitive companies in America's inner cities. SCORE is also supporting ICIC's "Growing up CEO" program for young inner city entrepreneurs. SCORE is working with ICIC on the development of the agenda for their upcoming fall meeting in Washington, D.C.

SCORE is working with the Brooklyn Economic Development Center to serve existing and aspiring entrepreneurs in their community. Last year, SCORE helped more than 800 people in the Brooklyn area.

The Hispanic Business Initiative Fund (HBIF) and SCORE are developing a unique partnership to expand the HBIF model of support to Hispanic small business owners in new markets, including markets outside of Florida. Initial efforts include pilot expansion to south Florida and Atlanta. Using SCORE's reach within these communities, SCORE and HBIF

will offer HBIF start-up workshops to gauge community interest and support. Based on the level of success, SCORE and HBIF will identify and develop local community, federal and corporate support to launch the HBIF education and support model for existing and aspiring Hispanic business owners.

“Our developing partnership with SCORE offers HBIF a significant opportunity to leverage our model and brand with SCORE’s brand and reach to serve more Hispanic businesses,” says Ed Bustos, president and CEO of HBIF. Bustos adds, “SCORE’s respected presence and knowledgeable volunteers in markets across the country, as well as their desire to support the Hispanic business community, make this a partnership a significant opportunity for HBIF.”

SCORE is developing a new partnership with The Latino Coalition. SCORE will participate in a new direct mail project call Excito. SCORE’s email counseling is now available on The Latino Coalition/Excito Web site through our email counseling widget.

SCORE continues to focus on minority business owners with specialized mentoring and resources to improve business survival and success rates. We also continue to explore new alliances to continue to provide additional support.

SCORE supports the committee’s request for additional volunteer diversity, including individuals from socially and economically disadvantaged backgrounds. SCORE’s new National Diversity Taskforce is made up of SCORE volunteers from across the country representing diverse backgrounds. The taskforce recently developed and presented a peer-to-peer learning session through ReadyTalk on recruiting for diversity. This session was recorded and can be viewed by any SCORE leader or volunteer anytime in the Volunteer Center of the SCORE Web site. The members of this taskforce are also available to mentor SCORE chapters by telephone. More training sessions are in development.

### **Veterans Can Succeed with SCORE**

Men and women serving in the U.S. Armed Forces can count on SCORE for business mentoring and advice. After returning from duty, veterans face a unique challenge: to join or rejoin a competitive job market. For some of them, starting a small business is an attractive option, especially if they had previous business experience or acquired entrepreneurial skills.

"I wasn't a neophyte when it came to starting a business, but everybody needs to think outside the box. And the only way to do that is to have someone from outside take a look at what you do," says Jack Licata, U.S. Air Force veteran and owner of Fast Bags Corporation, which produces biodegradable trash bags in Basking Ridge, New Jersey. "That's what the people at SCORE do best. Even if you've done all this before, they'll give you insights and ideas that you might never have thought of."

Many SCORE volunteers are Vietnam, Korea and WWII veterans. Eleven percent of SCORE clients are veterans, with one percent service-disabled. SCORE counselors can provide assistance for the new SBA Patriot Express Pilot Loan Initiative, which offers loans to help start or grow a small business.

Many SCORE offices have established programs or outreach specifically for veterans, National Guard and Reservists. SCORE chapters often work with clients through the Transition Assistance Program (TAP). This program helps service members move from their military service to a civilian career, which can include starting a business.

SCORE volunteers, many of whom served in the military themselves, are proud to support the success of entrepreneurs in the military community.

### **SCORE Faces Funding Challenges**

Although SCORE is not required by the SBA to do so, we continue to seek to increase non-governmental funding. Last year, SCORE raised more than \$1 million in total contributions from corporate, foundation and volunteer sources. Most of these donated funds are restricted gifts for specific projects, and the funds cannot be used beyond their intended purpose. These include Disaster Preparedness/Greening Your Business workshops, sponsored by HP, and Speed Mentoring Seminars, sponsored by OPEN from American Express, that are being held in cities across the country. These events, along with Business Matchmaking which we also cosponsor, have peer-to-peer networking components consistent with the committee's request related to client networking sessions.

Sony recently funded a reprint of the *Business Basics* workbook. The Office Depot Foundation supports the SCORE disaster preparedness Web section and American Express OPEN supports the SCORE Web site home page. Donors sponsored the popular *SCORE eNews* and *SCORE Expert Answers* eNewsletters. UPS, Visa and Concentric sponsored online workshops to help small businesses create success in a tightening economy. Constant Contact provides free email marketing resources to SCORE offices nationwide.

Even with this support, educational programs, diversity outreach, online tools and training remain woefully under-funded. These targeted donations have helped to fund local and national SCORE resources, but they are often restricted and cannot be used to support critical initiatives that enhance our client services and strengthen our organizational growth efforts. Private funds cannot replace the dedicated appropriation we receive from Congress each year. While major corporations are interested in reaching out to entrepreneurs and small business owners through SCORE, they mainly provide funds for specific projects. The funds provided by Congress are absolutely critical to help SCORE expand new client services, build its infrastructure, and further develop its mentor training program.

SCORE will continue to rely on the federal grant for operational funds. Congress set SCORE's annual funding level at \$5 million from FY 2002-FY 2007, although in some years, Congress mandated an across-the-board rescission of up to one percent that reduced the amount SCORE actually received. In FY 2008, Congress reduced SCORE's appropriation to \$4.95 million. Congress increased SCORE's funding back up to \$5 million for FY 2009.

Based on inflation, the \$5 million that SCORE was appropriated in FY 2002 has a purchasing power of about \$4.3 million today, or a decline of \$700,000. With a paid staff of just 16, SCORE's ability to generate additional funds is limited.

While SCORE's appropriation has remained stable at about \$5 million, SBDC's appropriation has grown from \$88 million in FY 2002 to \$110 million, and the Women's Business Center's appropriation has increased from \$12 million to \$13.75 million. All of the SBA resource partners—SCORE, SBDC and Women's Business Centers—offer valuable training and assistance to help entrepreneurs succeed. SCORE continues to demonstrate its value in both cost and efficiency. We deserve an increased appropriation and appreciate the Committee's support for \$7 million in both FY 2010 and FY 2011. Unfortunately it is not enough to allow SCORE to fulfill its mission of service to America's entrepreneurs at this critical time in our economic history.

### **SCORE Requests Additional Financial Support**

SCORE is grateful for the support that has been provided over the years by this committee. However, to meet rising costs, expand services and modernize operations, we request that the committee consider authorizing SCORE for \$10 million in FY 2010 and in FY 2011. We also request that the committee urge the House Appropriations Subcommittee on Financial Services and General Government to fully fund SCORE at the authorized level in FY 2010. SCORE has not been funded at its authorized level in more than five years.

SCORE is in the midst of a large-scale transformation process that will enable us to dramatically increase the number of businesses started during the next five years. In order to meet this goal, SCORE is requesting a significant increase in funding in order to implement these new initiatives that will be targeted at improving client service, access and quality. These new initiatives include:

- **Develop new online mentoring services via online video and online chat.** SCORE would like to implement a new system to allow SCORE chapters to conduct video counseling, such as Skype, between counselors and clients, plus enable online counseling via chat with clients.
- **Redevelop and deploy a new SCORE Web site focused on enhancing client services** and taking advantage of new technologies, social networking capabilities and the new SCORE Online Community.
- **Create an online centralized national workshop registration and payment system.** Currently, there is no way to register for chapter workshops from one central location. The proposed system would allow a client to search and register for local workshops they would like to attend.
- **Begin the development of a national online client scheduling system for mentoring services.** SCORE would like to implement a new client scheduling system for its mentoring services. Clients could submit a request for counseling from an online system. They could select whether they prefer face-to-face and/or email counseling.
- **Create a standardized counseling methodology.** Based on research and proven experience, SCORE plans on developing a standardized counseling framework that

will be the first in the country to demonstrate that entrepreneurs who are counseled by SCORE volunteers will experience superior business start-up success rates and survivability rates when compared with the national average against the Panel Study of Entrepreneurial Dynamics (PSED).

- **Significantly expand volunteer recruitment efforts.** As part of SCORE's expansion goals, SCORE plans to grow its volunteer base from 11,200 to 22,000 during the next five years. Funds will be utilized to support recruitment growth and outreach in developing minority counselors.
- **Begin development of a national call center.** Under this program, a national call center will be developed that will answer entrepreneur questions 24 hours a day, seven days a week. It would filter callers to the appropriate chapter and counselors.
- **Develop a Mentor Certification Program (MCP).** SCORE would develop a counselor certification process. All new and current counselors would be required to meet certain criteria and pass a rigorous exam process before counseling clients. By having a counselor certification process, SCORE can better serve clients by ensuring that all counselors are trained in a similar manner and that mentoring is consistent across all SCORE chapters.
- **Develop and implement a new client intake model with a SCORE relationship manager** who would guide the client to and through the many resources offered by SCORE.
- **Develop communities of expert counselors** around specific businesses and functional disciplines that will act as a resource for SCORE clients nationwide.
- **Provide more accurate reports to Congress** and other stakeholders related to measurable economic impact outcomes.

In order to take SCORE to the next level, additional financial resources are required to implement these strategies. There is nothing more powerful than an army of 11,200 passionate volunteers dedicated to the success of small businesses in America. We currently have the passion, volunteers and leadership to take this to the next level, immediately. What SCORE has been missing the past few years and what continues to be missing today is just one important ingredient—a higher level of funding from Congress. With an increase of just \$10 million dollars per year, for a total appropriation of \$15 million—millions of start-up and current small business owners would benefit by expanded and improved SCORE services, much of this leveraged through technology.

What could be more economically important than to make the small businesses of America stronger? The proper sowing of these entrepreneurial seeds will be the measure of America's success well into the future. Help us make sure that all small businesses discover SCORE. Help us make sure that this army of volunteers has enough resources to make an enormous difference in the lives of everyday entrepreneurs.

Chairwoman Velázquez, Ranking Member Graves and members of the committee: Every entrepreneur SCORE helps is a company, a job and a contributor to the economy. Every small business matters, and SCORE mentors make a difference. SCORE appreciates the support of this committee and your personal support of SCORE.

I would be pleased to answer any questions you may have. Thank you again for this opportunity to testify.

Respectfully submitted,  
W. Kenneth Yancey, Jr.  
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