

# INSPIRING ENTREPRENEURS: LEARNING FROM THE EXPERTS

---

---

## HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

HEARING HELD  
MAY 11, 2016

---



Small Business Committee Document Number 114-059  
Available via the GPO Website: [www.fdsys.gov](http://www.fdsys.gov)

---

U.S. GOVERNMENT PUBLISHING OFFICE

20-074

WASHINGTON : 2016

---

For sale by the Superintendent of Documents, U.S. Government Publishing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

HOUSE COMMITTEE ON SMALL BUSINESS

STEVE CHABOT, Ohio, *Chairman*  
STEVE KING, Iowa  
BLAINE LUETKEMEYER, Missouri  
RICHARD HANNA, New York  
TIM HUELSKAMP, Kansas  
CHRIS GIBSON, New York  
DAVE BRAT, Virginia  
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa  
STEVE KNIGHT, California  
CARLOS CURBELO, Florida  
CRESENT HARDY, Nevada  
NYDIA VELAZQUEZ, New York, *Ranking Member*  
YVETTE CLARK, New York  
JUDY CHU, California  
JANICE HAHN, California  
DONALD PAYNE, JR., New Jersey  
GRACE MENG, New York  
BRENDA LAWRENCE, Michigan  
ALMA ADAMS, North Carolina  
SETH MOULTON, Massachusetts  
MARK TAKAI, Hawaii

KEVIN FITZPATRICK, *Staff Director*  
JAN OLIVER, *Chief Counsel*  
MICHAEL DAY, *Minority Staff Director*

# CONTENTS

## OPENING STATEMENTS

	Page
Hon. Steve Chabot .....	1
Hon. Nydia Velázquez .....	2

## WITNESSES

Ms. JJ Ramberg, Host, MSNBC “Your Business”, New York City, New York ..	4
Mr. Ramon Ray, Editor, Smart Hustle Magazine, Elizabeth, New Jersey .....	6
Ms. Susan Solovic, The Small Business Expert & Advocate, St. Louis, Missouri .....	8
Ms. Melinda Emerson, Founder & CEO, Quintessence Group & Melinda F. Emerson Foundation, Drexel Hill, Pennsylvania .....	10

## APPENDIX

Prepared Statements:	
Ms. JJ Ramberg, Host, MSNBC “Your Business”, New York City, New York .....	32
Mr. Ramon Ray, Editor, Smart Hustle Magazine, Elizabeth, New Jersey ..	36
Ms. Susan Solovic, The Small Business Expert & Advocate, St. Louis, Missouri .....	38
Ms. Melinda Emerson, Founder & CEO, Quintessence Group & Melinda F. Emerson Foundation, Drexel Hill, Pennsylvania .....	46
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
None.	



## **INSPIRING ENTREPRENEURS: LEARNING FROM THE EXPERTS**

---

**WEDNESDAY, MAY 11, 2016**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Hanna, Luetkemeyer, Gibson, Brat, Hardy, Kelly, Radewagen, Velázquez, Hahn, Adams, and Lawrence.

Chairman CHABOT. Good morning. The Committee will come to order. I want to thank all the witnesses for being here and we will get to you very shortly.

Last week, our country recognized National Small Business Week, a time when small businesses and entrepreneurs are celebrated for the tremendous impact they have on every community all across America. Setting aside a week to highlight the importance of small businesses services is a reminder as to how crucial they are to our national prosperity and economic security. Here at the Small Business Committee we are reminded of this every day.

It is often said that when small businesses succeed, America succeeds. At the very heart of small businesses, what allows them to succeed, are the people, the men and women of this country who set out with an idea and the desire to turn that idea into a reality. It is this enduring spirit of American innovation that continues to breathe life into our economy and create the jobs no government program can.

Today, the Committee is excited to have before it what is truly an expert panel. Our witnesses today are prominent and passionate voices in the small business community all across America. Each of our witnesses have taken the lessons learned from building their own businesses and provide guidance to small business owners and aspiring entrepreneurs. The difference between a good idea and a good business is execution, and who do America's small businesses turn to for help developing and executing a business plan? They turn to J.J. Ramberg, to Ramon Ray, to Susan Solovic.

Ms. SOLOVIC. Solovic.

Chairman CHABOT. I apologize. They pronounce it correctly and they turn to her, and to Melinda Emerson, and today, so do we.

Through their work, our witnesses have helped to inspire and shape countless small businesses all across America. They have their fingers on the small business pulse and can offer unique per-

spectives as to the challenges small business owners face every day. This Committee is eager to hear more about the great work our witnesses are doing to help small businesses and grow the conversation of small business success stories.

I would like to thank all of the witnesses for coming here today. We will stop talking soon and turn to you all, and we will listen, but at this point I would like to yield to our ranking member, Ms. Velázquez, for her opening remarks.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Our nation's culture, character, and economy have always been defined by entrepreneurship. Today, 28 million small firms drive growth and create opportunity in major cities, rural areas, and every community in between. Small businesses employ over half of all private sector employees. Their hard work, innovation, and ingenuity to create new products and open new markets contributes to all economic sectors.

However, forming a new business is an inherently risky undertaking, and there are many obstacles entrepreneurs face when getting started. From accessing capital to navigating an uncertain tax code, to managing operations, to understanding their regulatory landscape, it is not as simple as it once was to start a small business. As a result, we have seen the face of small businesses change. Small businesses have always been dynamic, but in today's world, that rate of change is accelerating. Many entrepreneurs no longer choose the traditional brick-and-mortar business model. Instead, they opt for sole proprietorship and online models that provide greater flexibility. These structures allow many entrepreneurs to launch a new venture while avoiding risks, like sales revenue or cash flow, that are primary concerns for more traditional firms.

We have also seen the face of entrepreneurship evolve to more accurately reflect our nation's diversity. The rate of minority- and women-owned small business growth continues outpacing other business growth. Released last year, the 2012 Survey of Business Owners found that the percentage of minority-owned firms increased from 22 percent to 29 percent over a 5-year period. Meanwhile, the number of other businesses declined by 1.1 million. Women-owned firms also experienced higher growth rates than their male counterparts as their market share increased by more than 2 million firms.

These are positive trends, but minority- and women-owned firms continue facing barriers to formation and growth. They find it harder to secure financing and often face unfair treatment in the marketplace from potential customers and vendors.

If the economy is to benefit from the high rates of business formation and the job creation that follows, more must be done to ensure hurdles like these are removed. One role for this committee is ensuring these firms can access resources to overcome those barriers and expand opportunities for all Americans.

In more than two decades on this committee, I have seen firsthand the ingenuity and resilience of small business owners, not only in my district, but across the nation. These firms can accomplish great things if they have the right tools.

During today's hearings, some of the country's leading small business experts and advocates can provide us with useful guid-

ance on how to better accomplish that goal. In that regard, I want to thank all the witnesses who traveled here today for their participation and valuable perspective.

Thank you again, Mr. Chairman, and I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

Now, before I introduce the panel, no more speeches, but I would like to just kind of inform you all about our lighting system. You all have probably been informed that you have 5 minutes each to testify. The lights there will help you to stay within that if at all possible. The green light will be on for 4 minutes. The yellow light comes on to let you know you have about a minute to wrap up, and the red light comes on and we ask that you try to stay within that if at all possible. We will give you a little flexibility, but not a whole lot, so try to stay within it. I do have a gavel up here.

We would now like to introduce our very distinguished panel. We are pleased, as I said, to have a really fantastic group of folks here. First, we have Ms. J.J. Ramberg. Ms. Ramberg is the host of Your Business, a program on MSNBC that is dedicated to issues affecting small business owners, as well as the author of the best-selling book, *It Is Your Business*. She is also an entrepreneur herself, co-founding Goodshop, an online platform that has forged a connection between retail savings and nonprofit and school fund-raising. We welcome you here this morning.

Our second witness will be Ramon Ray. Mr. Ray is an entrepreneur, keynote speaker, author, journalist, and publisher of *Smart Hustle Magazine*. This magazine is dedicated to telling the journey of entrepreneurs and small businesses. Mr. Ray's specialty is in working with small businesses to help them grow by better utilizing technology and marketing. Mr. Ray has traveled the Nation speaking at and hosting events designed to help small business owners and entrepreneurs grow their business.

Our third witness today is Ms. Susan Solovic. Ms. Solovic is an entrepreneur, best-selling author, media personality, speaker, and she is known as "the" small business expert. No offense to the other witnesses here today. Ms. Solovic has served on the National Women's Business Council, and is a past board member of the Women's Leadership Board at Harvard University, the Women Presidents Organization, Women Impacting Public Policy, and the Institute for Economic Development of Women. We welcome you here this morning as well.

I would now like to yield to the Ranking Member for the introduction of our fourth and final witness here today.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. It is my pleasure to introduce Ms. Melinda Emerson. Ms. Emerson, also known as the SmallBizLady, is the leading expert in all things small business. She is the creator and host of Small Biz Chat, the longest-running live chat on Twitter for small business owners, which reaches more than 3 million entrepreneurs each week. She was named by *Forbes* magazine as the number one woman for entrepreneurs to follow on Twitter. In addition to being a regular columnist for the *New York Times*, Ms. Emerson is the founder and president of the Quintessence Group, an award-winning marketing consulting firm based in Philadelphia, Pennsylvania, as well as the

founder of the Melinda Emerson Foundation, which provides mentoring and business training for minority and women entrepreneurs. Welcome. Thank you.

Chairman CHABOT. Thank you very much. We are done talking, so we will now start our panel. Ms. Ramberg, you are recognized for 5 minutes.

**STATEMENTS OF J.J. RAMBERG, HOST, MSNBC, YOUR BUSINESS; RAMON RAY, EDITOR, SMART HUSTLE MAGAZINE; SUSAN SOLOVIC, THE SMALL BUSINESS EXPERT AND ADVOCATE; MELINDA EMERSON, FOUNDER AND CEO, QUINTESSENCE GROUP AND MELINDA F. EMERSON FOUNDATION**

**STATEMENT OF J.J. RAMBERG**

Ms. RAMBERG. Thank you. Good morning, everyone. Thank you so much, Chairman Chabot and Ranking Member Velázquez, and everyone, for inviting me to testify today. It is a true honor and I really appreciate having the time to speak with you all.

For the last 10 years, I have had a really unique vantage point when it comes to small business and entrepreneurship, because during this time I both founded and have grown my own company called Goodshop, and I have been the host of Your Business on MSNBC. Through that I have been able to interview thousands of small business owners and investors and experts to really understand best practices when it comes to small growth survival and expansion. We were around in 2008, so we did a lot of stories on survival in those days.

This show was originally supposed to be on air for just 6 months, but we quickly learned that there was such a strong appetite by small business owners for advice and inspiration, and I think most importantly, just a sense that they are not alone on this journey. Now we are the longest-running show on MSNBC. We have been on for 10 years.

Entrepreneurship is in my blood. I am a third generation entrepreneur on both sides of my family. My paternal grandfather moved here from Mexico, and his first job here was as a peddler selling pots and pans and blankets door to door. He then went on to open a furniture store which my dad took over, and then my dad opened a storage business, a document storage business, and a real estate development firm.

On my mother's side, my grandfather was sort of a typical entrepreneur, always starting companies from a tropical fish company to he was the first person to bring frozen pizza to California, and he had a tire distribution company. My mom got the bug. When she was in her late forties, she partnered with my brother to start a company called JOBTRAK, a very bootstrapped company. I spent many of my summer hours making cold calls for that company when they first launched, and 12 years after they launched they sold that company to Monster.com.

I had a really special place by the time I started my company in 2005, because I had a front row seat to watching things go from idea to a business multiple times. As I look at my own experience, and I have talked to so many small business owners around the country, I know that having that experience and having a group of

people around me who are advisors, who I can ask questions of very informally, really provides a shortcut to small business growth. It can be the difference between failure and success.

I do believe nothing really prepares you, even though I witnessed all these businesses, for doing it yourself. I certainly went in with my eyes open and I had a good group of people around me. My company Goodshop, which I founded with my brother Ken, was conceived upon a foundation of socially responsible business. We wanted to do good and do well. We have partnered with more than 30,000 retailers, and we provide the best coupons and deals for those retailers. If a user selects their favorite nonprofit or school, a percentage of what they spend goes back to that cause. Now we have saved people about \$100 million in savings when they are shopping, and we have donated more than \$12 million to organizations, large and small, across the country.

We now have about 60 employees and we continue to grow. We have a number of jobs that are still open right now that we are trying to fill. The company started just like many other bootstrapped businesses, with me working in my one-bedroom apartment in New York City, 24 hours a day, basically making calls in my pajamas, and my brother working at home at his place in Los Angeles, and just working hard. It took a lot of work to get to where we are today.

A few months after we launched Goodshop, I had the honor of being called by MSNBC and being brought on to launch the program, Your Business. On this show, once a week, we tackled common small business issues through profiling small businesses. These are issues that we hear consistently across the country regardless of industry and regardless of geography.

To give you some examples, we profiled a beauty salon in New Jersey, which was having trouble navigating the layers of regulations, local regulations, that kept them away from focusing on their growth. We told the story of a company that turns your T-shirts into blankets, and they could not find funding, despite very initial success that they had. We interviewed a woman whose clothing business was having trouble until she met an advisor from the SCORE organization. Simply having his perspective changed everything and her company started growing. Finally, we have done a series of stories on Main Streets across America, from Brundidge, Alabama, to Natchez, Mississippi, and I have seen the change that government grants can make—how money given to pave streets, help with signs outside of stores, get streetlights, flowers—can transform a Main Street and transform a city. Finding champions in those areas who are able to find those grants and get the businesses to work together can transform everything.

Now, I believe we are at a very exciting time for small business and entrepreneurship. I have with me, as I said, true champions who have worked with small businesses to help them grow and transform the economy of different cities around the world. Technology companies, particularly in the FinTech world and the EdTech world are just beginning to address these issues of small business funding and getting an educated workforce. I am excited to see what happens as these companies and these industries grow.

Now, there is no doubt, as we all at this table know, that owning a small business and entrepreneurship is no cakewalk. It can be hard. There are many people who struggle, and even for those who are very successful, there are a lot of pain points along the way, which is why I really want to thank you again for taking the time to talk about small business success stories. Because the more attention we can pay, the more focus we can put on both the challenges on small businesses and the success of small business and the contributions of small business owners, the more we can support this very incredibly important part of our economy. Thank you.

Chairman CHABOT. Thank you very much. We appreciate it. Mr. Ray, you are recognized for 5 minutes.

#### STATEMENT OF RAMON RAY

Mr. RAY. Thank you very much. I would also like to acknowledge my wife of 22 years, who is there, and my daughter. I am sorry. Thank you. I would like to acknowledge my wife of 22 years and my daughter Charity, who is over there to my left as well. It is good to be amongst friends and experts who I have learned from over the years.

Chairman Chabot, Ranking Member Velázquez, thank you for inviting me to represent America's small business owners and entrepreneurs at this Committee hearing.

I would also like to extend a great warm greeting to the representatives from New Jersey, where I live near Newark Airport, and those from New York, where I grew up in Brooklyn. It is nice to see you all here as well.

Starting and growing a business, as we have talked, as you all know—

Chairman CHABOT. You are making a lot of friends.

Mr. RAY. Oh, great. Starting and growing a business is fraught with challenges as many of us know. I have started four businesses, and I have been blessed to be able to sell one of them and am on the way to selling the second one. I am an entrepreneur who is currently growing two companies, and one of those companies is Smart Hustle Magazine.

The day-to-day challenges of business ownership includes, of course, hiring the right staff, obtaining financing, trying to get new customers, and maybe keeping the ones we have. Also, of course, navigating government regulations and so much more.

Business ownership, it is not, of course, just about the challenges, but as many of us here on this panel know, it also comes with the sweet taste of independence, the freedom to chart our own course, the privilege of helping others with our income and, earning profitable rewards from the risks that so many small business owners and entrepreneurs take day to day. I think the greatest reward is the awesome responsibility of providing for our families and supporting our communities, which I know all of us here do.

Chairman Chabot and fellow Committee members, more important I think than any of us in this room, of course, are the thousands and thousands of small business owners who I am privileged to speak to across the country on a yearly basis, and the millions

of small business owners that I am able to touch through events, through conferences, being on J.J.'s show, Twitter chats, et cetera.

Based on the input from this community—and I did ask, what should I tell the Committee?—there are three recommendations that they would like me to express to you today. Many of them you have heard, but I hope this helps to underline them.

I think first is definitely a continued reduction of burdensome, and I would say unnecessary, regulation at the Federal level, but let's also try to work and help at the local and State level as well. We need regulation, absolutely, for our safety. Please make sure the plane I am flying on tomorrow is safe. But, we do not need burdensome or unnecessary regulation. I think as an example that we have seen, in my opinion, the treatment of Uber. It is now a very big company, but I think that aspect at a very local level of stifling innovation and limiting growth is an example of what I think small businesses do not need.

Second, I would say the reduction and simplification of taxes. I count it as a privilege that I can pay taxes which, from my hard-earned income, helped to fund our awesome government. However, I would dare say, is there a limit to what taxes and tax laws are fair versus which ones are excessive and burdensome? Every year I pay thousands of dollars. Now, not as much as J.J. and Melinda and Susan pay, because they have a lot more money, but every year I pay thousands and thousands of dollars in taxes, and I would rather reduce the taxes I pay and instead use those funds to grow my business and invest in my community.

Thus, as we said, investing in America.

The third thing that my community has said, please tell the House of Representatives, please tell the congressmen and women, to foster small business education. I applaud the great work of the Small Business Administration, of SCORE, that I benefitted from many years ago; 26 Federal Plaza, that is where I went to. SBDCs and other government-supported organizations, they support and educate small business owners. I think the more we can invest in the education of business owners, the more we ensure that less businesses will fail and more will succeed. In particular, I applaud the great work of the New York City Department of Small Business Services. It happened to be in my backyard, but a great model I think that many local governments can follow.

Private and for-profit education efforts, such as the Goldman Sachs 10,000, Google's Get Your Business Online, Microsoft's Small Business Academy, Kaufman Foundation, and many more, these are examples of not government organizations, but still in the whole sphere of educating small business owners.

I was recently speaking with Robert Herjavec of Shark Tank and we discussed how all businesses hustle. They all work hard. They grind. We all work hard. However, it is those who are educated—and I think education is so important—who have smart hustle, who succeed. Educating business owners is essential.

As I conclude my statement, I think of a company like Infusionsoft, which was started by three friends in a strip mall, or a company like SumoMe, started by someone who was fired by Facebook. They are in Austin, Texas. These companies, my com-

pany, and millions of other small businesses, they need to be encouraged to start, grow, and thrive.

Let's think about the husband and wife who have just started their business today, what can we do to help them? Or a high school graduate who is now working on an invention right now to put me out of business, unfortunately. Or the laid-off 50-year-old, who is forced to begin their own business. The best thing our government can do for small business owners, as I conclude, is to limit regulation, lower and simplify taxes, and continue to invest in the education of small business owners at the local, State, and Federal level.

Thank you very much for the opportunity to share about the hustle—as I also like to say, the Smart Hustle—of entrepreneurship in America. Thank you so much.

Chairman CHABOT. Thank you very much. It is not very often that we get called awesome around here. But thank you.

Ms. Solovic, you are recognized for 5 minutes.

#### STATEMENT OF SUSAN SOLOVIC

Ms. SOLOVIC. Good morning, everyone, Chairman Chabot, Ranking Member Velázquez, members of the Committee. I thank you so much for giving me the opportunity to be here with you today to share my insights and experiences as a small business owner and as an instructor to small businesses around the country. It is truly an honor to be here.

Let me begin by sharing a little bit about my entrepreneurial background. You see, I had a great mother. She became an entrepreneur right after she lost her first husband in World War II out of necessity, but she sure learned a lot. She had a number of businesses along the way.

When she married my father and moved to the town he lived in, they opened up their own funeral home. A very small, rural Missouri town, 3,000 people, now 2,999 since I have gone. I grew up working in a family business from the time I could barely even walk, and I started my own personal journey when I was 15 years old. After waiting tables and getting blisters on my feet, I realized there had to be a much better way to make a living. I realized I could teach little girls how to twirl a baton every Saturday morning, 75 of them in the high school gym, for \$1 each. I thought, this is pretty good, better than working for tips. I opened up a small dance studio in my basement and taught little girls how to do ballet, tap, and jazz. Then, of course, college comes along and I moved on.

I followed a traditional career path for a while. I had a lot of success there. I was one of the first female executives in a Fortune 50 company in their financial services division. I am also, Chairman Chabot, like you, an attorney, and I got to work with many small business owners setting up their legal entities and structures. I also did quite a bit of franchise law during that time.

I have worked with small businesses in many capacities, but my heart has always been in my own entrepreneurial endeavors. I truly enjoy being my own boss. I like making deals happen. I like making money, and I like seeing it all come together, birthing those entrepreneurial activities and watching them grow. I, too,

have had the opportunity to sell a business, in 2009, right toward the end of the recession. I was very fortunate; my business continues to prosper.

Unfortunately, as I talk to small businesses around the country, many of them are saying they are discouraged and disheartened. They are struggling. We know now that the number of small business closures is exceeding small business startups. That is a critical issue for the recovery of our economy. The Capital One Spark Business Barometer just noted that small business confidence is down almost 10 points from where it was this time last year. Businesses are struggling. They tell me their business dreams have now turned into nightmares, and that is sad.

I have created a process I call the 1 percent edge. It is a process to get small businesses growing again. It is to help them become and place innovation into the DNA of their companies because we all know now what is cool and hot today is obsolete tomorrow. If you are doing business the same old way you have always done it, you are falling behind when you get started.

I got the idea when I was teaching an MBA class on entrepreneurial growth strategies, and I had a co-professor because I travel quite a bit. The co-professor would stand there and talk about case studies. He would put big formulas on the board. And then I would stand up to the class and say, now, let me tell you how it really works. If you are studying case studies in today's marketplace that is changing so rapidly, you are behind the eight ball. As someone once said, if you are just now jumping on the bandwagon, you are too late. You already missed it.

We have to give entrepreneurs the opportunity to be innovative, not just in their product and service delivery, but in their internal processing systems as well. Technology is certainly changing, leveling the playing field for small businesses, yet we need to get them to embrace it. I love to see small businesses using social media because it gives them an opportunity to broadcast their brand. I had an advertising agency at one point in time and people used to say to me, I do not have money to market my business. Now they say to me, I do not have time to market my business. The world is changing.

Before I run out of time, I do want to deliver another personal story. Ramon talked about regulations. I know you hear it all the time. In today's news we are talking about the increase in the overtime pay. My parents, in that little funeral home, had an ambulance service for many years. It was not a profit center; it was a service to the community. The Department of Labor sent an auditor in and audited my parents, and decided whenever a hearse had a stretcher in it, it was covered by the wage and hour law. Whenever it was a hearse, it was not. Well, what happened is he extrapolated all the back pay my parents owed their three or four employees, told them they had 2 years to sue, and told them how to do it. Unfortunately, because it was not a moneymaker for my parents, they did not pay, no one sued, but they, like many funeral homes, quit the ambulance service. My little small-town community in rural Missouri had no service for many years until the hospital decided to take it over.

While I think that policies and regulations, as Ramon said, are good, and they are always passed with the best intentions at heart, sometimes we do not take time to understand the effects and the far-reaching effects that it has, not only on small businesses and jobs, but on our communities as well. I do believe that today we are living in a world where entrepreneurship is still great. This country was built on the spirit of entrepreneurship, and God love us all, it is still the greatest country in the world. Thank you all to the wonderful public service you do to help us and grow our businesses.

I also want to applaud you for your bipartisan efforts, to get some victories through in terms of legislation. You are helping us, we appreciate what you do, and I look forward to our discussion today.

Chairman CHABOT. Thank you very much. With the way I mispronounced your name, you have every right to call me Cabot or anything else you want.

Ms. SOLOVIC. I am sorry.

Chairman CHABOT. It is quite all right. Quite all right.

Ms. SOLOVIC. Why would we not be simple like Smith or Jones, you know?

Chairman CHABOT. There you go. That is right.

Ms. Emerson, you are recognized for 5 minutes.

#### **STATEMENT OF MELINDA EMERSON**

Ms. EMERSON. Thank you Committee Chairman Chabot and Ranking Committee Member Velázquez, and the rest of the Small Business Committee. I truly am grateful for this opportunity to share with you what I think is the status of small business in the United States.

My name is Melinda Emerson, but my nickname worldwide is SmallBizLady, and my mission is to end small business failure. Every single thing I do, every blog post I write, every book I have written, every interview I give, is about giving people nuggets that they may not even know will potentially befall them as they start a small business.

You know, the funny thing about being a small business expert is I rarely hear bad business ideas. Unfortunately, however, I see poor business execution everywhere. It is like the cold and the flu, it is everywhere. I have to agree with my colleagues that there are four major things that I think we need to help small business with.

Number one is access to credit and capital. A lot of the reasons why small business cannot get capital is because they have poor credit. I also think they need training. They need education. We need to talk about the best ways that the government can help do that. Certainly, there is SCORE. There is the SBA. There is the Small Business Development Centers. There are P-TECH centers, and there are some great work going on in these centers. However, there is some quality control issues. Depending on what city you are in depends on how good the services are in your city, and I think we need to do more with that.

I also think that we need to look at how we can help entrepreneurs get access to networks, particularly minority and women entrepreneurs. We did not go to the business schools that other

people got to, so when the major decision on whether or not you get private equity funding has to do with whether or not you went to the same B school as the people doing the funding decision, I think we need to look at different ways that equity can be done. I am aware of programs that, you know, sort of like how SBIR grants and things are done. There are organizations, nonprofit organizations that have been given funds from the government to do equity investment, so it is not just about going in with a pitch board and having the right deck and the right idea and the right management team. I mean, there are other ways to get private equity capital in the hands of businesses that so desperately need it.

I also think we need to look at mentorship. Mentorship is essential. The work that SCORE does is God's work as far as I am concerned. I believe that SCORE has made the difference in so many. I am from Philadelphia, so I do have to give a shout out to SCORE Philadelphia. They have done an amazing job, and any time I can help them, I do. We do know that there are differences in other markets, so I do think that mentorship, networking, access to capital, and then just access to opportunities. I think if we look at the work that the government does and all the things that the government spends, I do think we need to enforce the set-asides, and it is not just enough for people to make a best effort; I think we need to start holding people accountable for missing their goals for set-asides for minorities, women, veteran-owned, as well as 8(a) set-aside contracts.

I also think that when these contracts are given or when people are partnered with prime contractors, we need to make sure they get paid, because one of the biggest issues that befall small businesses of all types, creeds, and colors, is getting paid. That is, whether they are doing business with corporations or doing business alongside a prime for a government contract, or, frankly, doing business directly with the government. Getting small businesses paid net 30 or faster through electronic funds transfer needs to become the standard and not something that if you have the right relationship you can make happen.

I think if we look at some of those things, I think that we will go a long way in making sure that we grow America's small businesses.

Now, Committee Member Velázquez, I wanted to address your excitement about the numbers of minority- and women-owned businesses that have been started over the last 5 years. While those numbers have grown, the revenues of those businesses have not. If you look at just women-owned businesses, for example, Asian-American women businesses, on average their revenue is \$330,000. African-American women businesses on average start revenue is \$38,000. What is the poverty number? Do you know what I mean? So when you look at what is really going on, a lot of these people are starting businesses because they got washed out in the recession. They still have not been able to find a job, so they are starting what I call side hustle businesses for cash. They are not really starting businesses that are going to scale. They are not starting businesses that are going to be able to hire employees if we do not give them some infrastructure.

I also think that when we look at models of things that we want to do to help small businesses, we need to look internationally. I have had the opportunity to travel as the SmallBizLady around the world, and I see other countries approach entrepreneurship as their strategic advantage in their country. If you look at Singapore, for example, they invest \$50 million a year in youth entrepreneurship. They have a mall in the heart of their equivalent to Rodeo Drive just for youth entrepreneurs. Young entrepreneurs as young as 10 years old can get a stall in this mall and sell their products and services. They consider youth entrepreneurship up to 35 years old. They are strategically funding entrepreneurs and training entrepreneurs that young.

If you look at China, I had the opportunity to travel in October to Hung Jo, which is the Silicon Valley of China, they have a place called Dream Town. If your business qualifies to get into Dream Town, you get office space in there for 3 years. They have a \$300 million fund to put equity into these businesses. Other countries are taking entrepreneurship very seriously. If you look at Start-up Chile, for example, Start-up Chile will give you \$40,000 and a place to stay for a year if you are willing to go to Chile and start your business.

Start-up America is a PR campaign that at best you might network with some people if you go to one of their events. I think we need to get serious about entrepreneurship and these programs because I do believe it is a competitive advantage. I have a 10-year-old son who tells me all the time, Mommy, I do not need to go to fourth grade. I already know how to make money. I am like, well, sweetheart, I need you to know how to count money, so I need you to go to school.

My point, simply, is that I think we need to bolster programs like Junior Achievement, like the National Foundation of Teaching Entrepreneurship, particularly in our urban decaying schools that are struggling anyway. When we look at our ex-offender population coming out, we need to teach these people how to start businesses because they are not going to be able to get jobs anyway. I do believe that entrepreneurship is the difference, and it is my passion. I really appreciate the opportunity to come here today to talk to you about what we need to do to help America's small businesses.

Chairman CHABOT. Thank you very much.

I have to say, as chair of this Committee, if this is not the best testimony we have had from a panel, it is certainly at or near the top. Well done. All four of you were good. I kept thinking, that was great. That was maybe even better, and even better. This is really, really good. Well done. Maybe we should just not ask questions and let you all talk. We would not do that. We are politicians after all.

I will recognize myself for 5 minutes and we will move around here. I will begin with you, Ms. Ramberg, if I can.

What are some of the top questions that you are asked by small business folks who ask you for advice, either on the street or on your TV program? What do they ask you and what do you tell them, a couple of things?

Ms. RAMBERG. We get questions. It runs the gamut. Right? How do I find money? How much money is it going to take for me to start my small business? How do I find good employees? We get

very granular, so it could be how do I fire my first employee? I think, how do I get an IP lawyer, right? Where do I find a company to develop my Web site? I get questions across the board. What it speaks to is the fact that all of us have mentioned, there needs to be small business education. We are not reinventing the wheel. Any problem that you, as a small business owner, are dealing with, someone else has.

For instance, I belong to this organization called YPO, Young Presidents Organization, and we meet once a month where we talk about our business issues. It is an extreme shortcut for me to get to an answer about an issue that I am facing. So we need to create these networks, again, as Melinda just said, for everyone.

Chairman CHABOT. Thank you very much. Thank you.

Mr. Ray, I will go to you next. I had a prepared question but I thought of something I thought would be more interesting, so I am going to ask you something maybe a little off the wall.

I had the opportunity to meet not only with you in my office before this, but also with your beautiful wife and your daughter Charity. I do not know if Charity is interested in going into small business someday. But, if you had to give her advice on how to be successful down the road, how to prepare herself and what kind of things she ought to be thinking about if she want to be successful in life, or in small business, what would you tell your daughter?

Mr. RAY. I do advise her quite a bit to her angst, unsolicited. I think there are a few things. It is interesting you asked that because that is a question that many people ask me. You know, they see me on stage and et cetera, and it is very simple.

I think, one, and this is not really small business advice, but for me, I find just being nice to people and making connections. Because there are some people who you come in contact with—I am sure we have all met them—there are some slimebucket nasty people out there. You cannot succeed unless you have a smile or are nice. That is one.

Chairman CHABOT. That is kind of similar to the field that most of us are in up here, too. We would never say which ones are in that category.

Mr. RAY. I understand.

Chairman CHABOT. People usually figure that out on their own.

Mr. RAY. Absolutely. The second thing I share with my daughter, you can ask her, I share with her and my son as well, make connections. Because the only thing different from me being here today, and we are all on the panel, and anybody else, is the connections I have made. Being nice, making connections, looking for and taking advantage of opportunities.

The third thing I would say is that going back to the grit or the hustle, the hard work, is love to be punched in the face, get back up, ask for more, but learn. My point is being able to innovate. You are not going to get it right the first time. Those are the three things I would say.

Chairman CHABOT. Thank you very much.

Mr. RAY. You are welcome.

Chairman CHABOT. Ms. Solovic, I will go to you now. You mentioned you had 75 kids that you taught years ago. I do not know if you have kept in touch with any of those or not, but did any of

those young ladies ever become small business people or end up in careers that might be of interest to folks?

Ms. SOLOVIC. You know, it is interesting. The little town I grew up in is very depressed and, unfortunately, most of the young people do not get out of that town. Very few people from there go to college. In fact, when I was growing up there it had the highest illiteracy rate of any area in the State of Missouri. So it is a very depressed community.

I do keep up with some of them on Facebook. They seem like they are doing well. They are married with children of their own. I realize I could easily be a grandmother. Not a problem. But they are doing well.

While we are talking about young women, though, I want to dovetail on something Melinda said, and that is growth capital for women-owned businesses. I know the Title III regulations go into effect on Monday. I think that is great for the crowdfunding source, but to really grow a large organization and scale it, you have got to get venture capital. It is very tough for most small businesses to get VC money. It is particularly difficult for women-owned businesses.

I started one of the first video-based Internet sites, and I did raise venture capital. I did not go to a pedigree school, an Ivy League school. I was not from one of the coasts. I was from the Midwest, and the fact that I was a woman was a big hindrance. I will tell you, the first venture forum I ever participated in, one of the men said, well, you are the only woman who is presenting, who was asked to present here, but we sure are glad you are good looking. And I wanted to say, seriously? Who would have said that to a man? It was so inappropriate, but there is tremendous bias and it is something that needs to be addressed.

Chairman CHABOT. Thank you. I am almost out of time. Ms. Emerson, very quickly, most of the folks here on the panel mentioned SCORE and how important that has been. Would you want to comment on SCORE and what you have seen?

Ms. EMERSON. I am a huge fan of what SCORE does, and I have participated many times as a presenter for SCORE webinars.

Chairman CHABOT. For the people that are watching this, would you tell those folks what SCORE is?

Ms. EMERSON. SCORE stands for the Society of—Service Corps of Retired Executives. Thank you. It is an organization of folks that mentor and help, and they work with businesses face-to-face or online, and they have an amazing Web site full of resources at [score.org](http://score.org). It is a really treasured, valuable resource here in the United States for small business owners.

Chairman CHABOT. Thank you. Just for the record, we have heard the same thing from lots of folks, too, about how important SCORE has been to them.

Ms. SOLOVIC. Can I make one comment on that?

Chairman CHABOT. Yes.

Ms. SOLOVIC. She mentioned their online training, which is very well-developed. The feedback I have gotten from some people, though, who have gone to SCORE is it is very diverse, sometimes, the quality of mentoring you get.

Chairman CHABOT. You can get somebody really good.

Ms. SOLOVIC. Right, or something—yeah.

Ms. EMERSON. It depends on what city you are in. I think there are some hits-and-misses there, and that is what I was alluding to earlier about some quality control challenges, but you know, SCORE Philadelphia is awesome.

Chairman CHABOT. All right. Thank you very much. Again, great panel. My time is expired.

The Ranking Member from New York is recognized for 5 minutes.

Ms. VELÁZQUEZ. Yes. I would like to add that the SCORE reauthorization was reported out of our committee and it was Ms. Adams who authored that legislation, so I am glad to hear how you really cherish the contribution that they do, as they are a resource partner with SBA, the Small Business Administration.

I would like to hear from Ms. Ramberg and Ms. Emerson, you mentioned that the face of small businesses is changing. We have more women, more minorities, and younger people, right? Not everyone experiences the same struggles when starting or growing a business. This day, entrepreneurs are not only facing general start-up challenges, but also student debt. How can we best help them overcome both of those challenges?

Ms. EMERSON. Well, when it comes to student debt, I think we should make public universities free in America. I think that that might be a very good thing to do because I do not believe that the amount of money folks go to get higher education could at all possibly equate with the value of that education after they get it.

Now, in terms of how can we help more minority small businesses, it goes back to what we talked about earlier. We have to have different diverse pools of equity funding available. We have to encourage public-private partnerships. There are major corporations with foundations who have entrepreneurship as a goal. They could partner with major cities in America and run business plan competitions.

One of the things that I benefitted from in my business was the third year I was in business, I won the Minority Business Plan Competition in Philadelphia. I won \$20,000 and free office space for 1 year in a business incubator called the Enterprise Center in Philadelphia, and that was a game-changer for me. That allowed me to hire my very first employee, and I have been in business for 17 years. So there are all kinds of things that can be done to help, but everybody has got to be on the same sheet of music to make sure that people are getting money to seed their ideas.

Ms. VELÁZQUEZ. Thank you. Ms. Ramberg, can you comment on what are the greatest obstacles facing students and recent graduates as they try to get their companies off the ground?

Ms. RAMBERG. Money and education. It is as simple as that, right? You need to have an idea for a company and you need to know how to grow it. I cannot tell you how many companies I have gone into and I ask something about their financials—and this is not just the youth, actually, this is everyone—and they cannot quote them to me. They cannot cite their financials. They do not understand. I say, what is your revenue? They cannot give me a number. If you do not have that, you are not going to be able to go into someone, whether that is an angel investor, a bank, any

kind of funder, and get money. It starts with education. Once you have that—and people understand—and also, an education around testing. To understand that there is a true market for their business out there. Right?

We are dreamers. We sit around and we come up with ideas and we just believe that it is going to work. Understanding how to test whether there is a true market, someone is going to pay you for that, is something that every small business owner, entrepreneur needs to understand. Once they have tested, then you need to build out their networks and help them get face to face with funders.

Ms. VELAZQUEZ. Thank you.

Ms. EMERSON. Congresswoman Velázquez, can I add something to that?

Ms. VELÁZQUEZ. Yes.

Ms. EMERSON. One of the other things I think would benefit, very early on when I started my first business I got a \$25,000 loan from a SBA-backed fund called the Competitive Edge Loan Program. In addition to the \$25,000 I got, I got 25 percent of that loan in technical assistance. My first accountant and my first marketing consultant came from those resources that were paid for through that SBA loan fund. We need more programs like that because it is not just the money, it is the technical assistance folks need.

Ms. VELAZQUEZ. We do have microlending under SBA, and it is both. It is access to capital, right, and it is technical assistance. By the way, when we look at the default rate, it is the lowest of any of the loan programs that we have in place. And 62 percent of those borrowers are low-income women.

Mr. Ray, for those businesses without large operating budgets, word-of-mouth advertising is all they have. What more can be done to bring together small businesses and end users of their products?

Mr. RAY. Thank you for asking the question. One of the things I talk about a lot is personal branding. I do not have a lot of money, did not have a lot of money. I do not know if I have a lot of money or not. I have to ask my wife. But my point is I did not have a lot of money.

Chairman CHABOT. Just for the record, his wife is shaking her head no, they do not have a lot of money, or not enough.

Mr. RAY. Ranking Member Velázquez, I think the biggest thing is building their personal brand. I think you need money. That is actually helpful. But those who do not, if you network like heck, if you build your personal brand, leverage the power of social content, video, you can rock it and do quite a bit. I have built my brand quite a bit with just a video camera, a smartphone, and just Tweeting.

Ms. VELÁZQUEZ. Ms. Solovic, would you like to comment?

Ms. SOLOVIC. I totally agree with what Ramona is saying. As I said, people say to me, I do not have time to do it. You do not have time not to do it. It is a great way to build your brand. I was an early adopter of social media, and I remember after I sold my business and I was starting out again all over and I would sit there and Tweet things out and post things on Facebook, and my husband would say to me, you are wasting your time doing that. That is just silly. You should be making sales calls. Well, today, I do not have to do any outbound marketing. Everything comes to me and

walks in the door simply because, as Ramona is saying, I have built my personality brand. I have a huge following. I am always listed in the top five of small business experts to follow on Twitter.

It takes some time. It takes authenticity. You cannot job it out to anybody else. They want to know it is you. They want to talk to you. It is a great advantage for small business because large companies who are out there, it is great. They are building their brand, too, but they are not humanized. They need people like us to talk to the small business market, and that is what we do best.

Chairman CHABOT. Thank you very much. The gentlelady's time is expired.

The gentleman from Missouri, Mr. Luetkemeyer, who is the Vice Chairman of this Committee, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Ms. Ramberg, I was interested in your comments a minute ago. Somebody who sits across the table from a lot of people who are aspiring entrepreneurs and trying to find ways to help them, what you said is really quite accurate from the standpoint that entrepreneurs quite oftentimes are people with big ideas or the folks who can dream and think outside the box, can see a niche, can see an opportunity, or sometimes they may be left-brained, but their right brain part of it, they do not understand the business part of this, how to set up a financial plan. You just said a minute ago that they could not give you the statistics off their P&L. That is where it is important for them to have access to that education to be able to understand there is a flip side of this, or be able to go find people who can help them do that. Your comments are very apropos here from the standpoint that in order for entrepreneurs to grow, they have got to have the ability of people to help them through the myriad of rules, regulations, access to capital. A number of you have talked about that this morning, and I think you mentioned it a minute ago.

What do you propose to people who have access to capital problems? What is your advice to those people on how they can go find money or present themselves in a way to be able to access themselves to the kind of money it takes to be able to get a business started?

Ms. RAMBERG. I do work with a number of people who are going to talk to angel investors. We have a number of angel investors who come on the program, and so help them in sort of organizing their thoughts down so that they can present their elevator pitch in a way that will at least pique somebody's interest. We also talk a lot about just alternative financing. Right? So all these FinTech companies, OnDeck Capital, the Lending Club, and thinking about factoring. Think beyond a traditional bank loan, if you are not in a position to get one, and look into some of these other ways to get money.

I also talk a lot to people about bootstrapping. My company was bootstrapped. My mom's company was bootstrapped. The company that I mentioned, which turns T-shirts into blankets, was also bootstrapped. If you can get yourself to a certain position where you have a little bit of success, it will be much easier to get money on down the road.

Mr. LUETKEMEYER. Ms. Solovic, where in Missouri are you from? I am a Missourian.

Ms. SOLOVIC. Fredericktown, Missouri.

Mr. LUETKEMEYER. Oh, yes. Very good. I was guessing southeast Missouri from the comments you made, but okay, very good. Nice little town, been there many times. Not in my district, but it is still a good place.

Ms. SOLOVIC. Thank you. It is a good place to be from.

Mr. LUETKEMEYER. Good place to be from. Well, that is okay. It is nice to go back home there, too.

You talked quite a bit about some of the—again, going on some of the comments I addressed to Ms. Ramberg here, what do you see with the folks that you talk to with regards—to me, access to capital is really key to being an entrepreneur off the ground. You have to be able to get the money to make it work. It is what greases the skids and what makes it all—what is your advice to people to be able to get them to be able to take that idea to the next step?

Ms. SOLOVIC. I am going to respectfully disagree with you on your comment because I think that when people come to me and they want to know where is the money, show me the money or I am just going to go out and get a SBA loan, and I am like, well, good luck with that, because most of us bootstrap. We use our own personal assets, credit cards, and go to family and friends for loans. So when people tell me, well, I have this idea and I would be able to make this business really go if I could just get some money. I want to say to them, you know what? You do not want to do it very badly. Because if you really have a passion, as my mama used to say, where there is a will, there is a way. If you really want to make it happen, you can start and make it happen. With technology today, the barrier to entry is so minimized, and you have got information and resources right at your fingertips.

The one thing that I get a little alarmed about is the professional advice from attorneys. I have seen a lot of mistakes that come off-line from going to those kinds of resources. But, it is there, it is available. You might not be able to start as big as you want. You may have to shrink your plan a little bit, but by golly, if you are willing to have that passion and put forth that sweat equity, you can make it happen.

Mr. LUETKEMEYER. Okay. Mr. Ray.

Mr. RAY. Yes, sir.

Mr. LUETKEMEYER. One of the things that you were talking about here is reduction and simplification of taxes. Can you give me an example of where you would like to see some reduction and simplification? How it would work and what the advantage would be to small businesses?

Mr. RAY. Sure. Having said that, I am not a tax expert by far. I am a personal branding expert.

Mr. LUETKEMEYER. Again, we want your ideas. You are the entrepreneur here.

Mr. RAY. Yes.

Mr. LUETKEMEYER. We are the guys who are supposed to make this all happen.

Mr. RAY. I went through a tax audit a few years ago. When the IRS called me, she had a southern accent so I assumed that she

was my friend and she was the best person in the world. She said, Mr. Ray, we would like to come to your home and all this. The IRS is great, they do great work, we need to pay our taxes. But my point is that I wish half the problem was my own. I wish that I had better advice and taken better advice as many of us said. So that is one.

But point two, just going through that process, the arduous process of the letters and the writing and the audit, it was exhausting. Thankfully, I had my tax attorney. We had to go through it. What I mean is that my industry is just content, but imagine the industries that deal with other things, manufacturing, et cetera. There are a lot of things they have to go through just to pay taxes. If they do not do it right, then there are things they have to go through to get it right. That is an example of what I mean by making it a bit easier for small businesses to pay taxes and to rectify if something goes wrong.

Chairman CHABOT. The gentleman's time is expired.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you.

The gentlelady from California, Ms. Hahn, is recognized for 5 minutes.

Ms. HAHN. Thank you, Chairman Chabot and Ranking Member Velázquez, for holding this hearing.

Small businesses truly are the backbone of this nation. I represent a district in Los Angeles County, and I see firsthand the hard work of thousands of small businesses take to achieve that American dream that so many of you are speaking about today. I think this Committee is really one of the most important committees in Congress because 99 percent of all businesses in the United States are small business. During my time on this Committee, one of the things I focused on is women- and minority-owned businesses, because that is the makeup of my district back in Los Angeles. We brought many women and minority small business owners together for roundtables and SBA workshops, and we have in my hometown a number of successful women-owned businesses. Some of the San Pedro favorites are the Omelet and Waffle Shop, a new coffee shop called Sirens, and a clothing store called Dramatique. While these businesses have been flourishing in my district, I was a little bit disheartened to learn that the percentage of women starting small businesses has been declining over the past 20 years. A recent study by the Kaufman Foundation found that the share of women startups fell from 43 percent in 2010 to 36 percent in 2015, which is close to a two-decade low. The decline is even more evident among younger women where the average number of businesses started by young women has decreased by 27 percent since 1996.

I think there is a variety of reasons for the decreasing number of women starting businesses. According to one Wall Street Journal, women have less access to capital, are erroneously perceived as less competent than men, and have less confidence when it comes to their success and potential failure.

I was going to ask those of you who are here today, how can we get more women to start businesses? What should this Committee and SBA do to address a problem that you might see happening

out there? I would be interested in hearing all of your responses to this.

Ms. EMERSON. Well, I would say that if you want to target more women business owners, particularly younger women business owners, we have to start talking about entrepreneurship much earlier in their educational cycle. I believe that elementary school is not too early to start teaching principles of entrepreneurship, and thus, we make it so that they understand that it is a potential idea as a career option, and it is not just about going to college and getting some good job. That does not exist anymore. So I think it is about helping people learn skills that are valuable much earlier.

I also think it is about more targeted programs. We need an incubator for women entrepreneurs. We need funding specifically targeting minority and women entrepreneurs, and we also need to make sure they are not fronts for their husbands. There is a lot of stuff going on around folks self-certifying that they are women-owned, and we need to make sure that it is actually; for a woman-owned business, it is actually run by a woman.

But, if we start doing targeted programs, targeted business plan competitions, that kind of stuff will help get the numbers up and really give them a boost because it needs to have money attached to it. Five thousand dollars is enough money to get in trouble. That is not enough money to run a business. We need to make sure that when we do business plan competitions and stuff like that, the prize money is \$20,000, \$25,000, \$50,000, that it is real money that is going to make a difference in these people's businesses.

Ms. HAHN. Thank you.

Ms. SOLOVIC. I would like to note that I think it is education, because I think a lot of women start businesses because they are good at what they do. It is a little craft. It is a little something, but they are really not educated on how to build a scalable and sustainable enterprise.

Also I mentioned I raise venture capital. After I did that in 2006, I wrote a book called *The Girls' Guide to Building a Million-Dollar Business*, because I figured if I could do it, anybody ought to be able to do it. It is not brain surgery. At that time, only 3 percent of women-owned businesses were grossing over a million dollars a year. According to a recent *Forbes Magazine* article, only 2 percent of women-owned business gross over a million dollars a year. A million dollars is not very much when you are talking about revenue.

In working with some women's organizations, too, when I talked about making money and business, if you are not going to make money, go volunteer. They say to me, well, I do not want to make a million dollars. I do not need that much money. And they do not want to talk about the money part. You know what? You have got to talk about the money part, that is what it is about.

I think there are stereotypes that still say to women in this country that making money, being aggressive, being successful is not feminine. We should not worry our pretty little heads about money, honey, and we have go to change that psychology. It is an undercurrent that still ripples through this country.

Mr. RAY. I would add two things being the minority on the panel here of women, no pun intended. I would say two things. I would

say, one, the focus could be not only on starting businesses, but I would encourage my women friends, also those who have already started, how can we encourage them to grow? You know, the number of who is starting, but let's say starting or not, those who are in it, what can we do to succeed?

Two, I would say working with small business owners in large, many of them women entrepreneurs, there has to be some element of, without putting my foot in my mouth, getting out of the bubble of just being for women, if that makes sense. Meaning, I talk to many women entrepreneurs. I am a women-owned business. It is four women. Four women. Where this world is beyond just women. Do you know what I mean? So it is kind of reverse. It is in a bubble.

Ms. HAHN. It is? Are you sure about that?

Mr. RAY. Does that make sense what I am trying to express?

Chairman CHABOT. I am not going to touch this debate here.

Ms. RAMBERG. Can I just add one thing?

Chairman CHABOT. Ms. Ramberg, go ahead.

Ms. RAMBERG. It is examples. Right? When you see a successful woman, you see that you can do it. And so the more, I mean, it is amazing that there are three women on this panel, but the more we can show that women are successful. I am in New York, and in New York City there is a burgeoning and very exciting community around female entrepreneurship and there are lots of conferences and lots of mentorship. I think that is what it takes. Again, it is about a community.

Chairman CHABOT. Thank you.

Ms. SOLOVIC. Could I add one more comment?

Chairman CHABOT. Go ahead.

Ms. SOLOVIC. All right. So—

Chairman CHABOT. I have lost complete control. Go ahead.

Ms. SOLOVIC. So I have to share this story.

Chairman CHABOT. As long as you pronounce my name right.

Ms. SOLOVIC. What was that again? Cabot?

I did some consulting for a very, very large financial services firm—and I will not mention their name here—on how to reach the women business owner market. They sent me all around the country to talk to their regional sales forces, and I was giving the statistics that we just discussed here and women growing businesses and all of that. I happened to have been south, and I will not say what state it was either, but we broke for lunch, and one of the investment counselors came over and he said, oh, there, pretty lady. You know, you did a nice job, but I just do not believe those numbers. And I said, really? He said, well, I know the only reason a woman goes into business for herself is because her husband wants to give her something to do or he needs a tax write-off.

Well, thank you, Mr. Chairman. I know my time is expired. I appreciate the indulgence on this question.

Chairman CHABOT. Long ago. But that is okay. This was great.

The gentleman from New York, Mr. Gibson, is recognized for 5 minutes.

Mr. GIBSON. Thanks, Mr. Chairman. I must say this is an awesome hearing. I am learning a lot and I am really inspired. I appreciate that very much. I know our middle daughter, who is inter-

ested in going into business, she is going to find this link very informative and inspiring, and I think she will probably be looking up some of your shows and everything like that going forward.

Mr. Ray, I was very interested to hear your comment. You were using Uber as an example, really as sort of a counter example. What I would like to hear is your thoughts on if we had a do-over, how might federal and state, perhaps even local, governments approach that issue in a manner that would certainly make sure that justice, safety, and public health is preserved, but at the same time, facilitates a good idea that is something that is really being demanded in the market.

Mr. RAY. Being the travel expert that I am not, from my observation, as one who has used Uber before, and taking them as an example and then I will move quickly to another point, but as one who has used Uber and as one who has used taxis. There are two sides of this equation. We know it is a public debate, good and bad and et cetera.

Regulation, obviously, is important. But, what I found, at least in New York, being a few minutes from Newark Airport, is that you have the taxi industry that was one bemoaning and complaining about it, which has a valid point. New York City has a lot of big taxi industry. But, I saw that with Uber, this is a small innovative company. This is a car-sharing service. Small business owners, when I go to Newark Airport from my home, there are guys who say I am using Uber to make more money. From my simple observation, clearly it is a company that is helping in some way. And we could do more. Mayor Baraka, I think in Newark, he made a deal with them, so I think we can do more to ensure citizens are protected, but while having innovation go as much as it can until it becomes a danger, like the airlines or something that has to have some, if that makes sense.

Mr. GIBSON. Yes, that is helpful. Do any other panelists want to make any comment on that before I go on to the next?

Ms. EMERSON. I think whenever we get in the business of trying to protect one industry to prevent another one from growing, that is a slippery slope for us to get on. In Philadelphia, there was also a nightmare fight with the taxi authority and the city with Uber, and I felt like if the taxi drivers had done a better job, Uber would not have a chance. They should be like any other business, and they should face competition like anybody else.

Mr. GIBSON. I really appreciate those remarks. The last question I have has to do with access to credit and capital, which you all hit on in one form or another. Ms. Solovic's comments about being self-starters and finding ways and working with family, agreeing with all of that, I am also interested in hearing your assessments as to Dodd-Frank, as to how well it is going or challenges that have emerged as it relates to access to capital and credit.

Ms. SOLOVIC. What we have seen as a result is that the level of lending, traditional lending, has really decreased to small business owners. There was a time, I think, during the recession that we heard a lot, or at least I did, from small business owners that they were not even applying for the loans because they did not want the debt. But also, there was that fear factor that their finan-

cial statements were not as strong as they had been and that they would not qualify, so what did it matter to try? But here we are, now, with some recovery going on in the economy, and you would think we would see a change in that, but we have not. As we said earlier, the crowdfunding platforms, the Title III regs, I think all of that is a positive step for small businesses. I do think that having more education, so that people understand, and more examples of how you can get a business off the ground without going out and putting yourself into debt with a bank or a lending program.

Personally, when I started my Internet company, I took out a big credit line on my house, and we were totally self-funded originally. I remember going to the venture capitalist. We were in front of Sequoia and they looked at my numbers and they said, well, you need more eyeballs on your Web site. And I said, but we are profitable. Look at my financial statements. They said, we do not care about that. I said, if you were funding it out of your own pocket you would, by gosh. I think education is important.

Ms. EMERSON. If I could add, when it comes to access to credit and capital, the first indication, small businesses knew the recession was coming before the recession hit everyone else because banks started rescinding people's lines of credit and they started turning them into term loans. People have not recovered from that. The people that were able to hang on and stay in business, they are not creditworthy. What has happened is now we have these cash loan lenders that have popped up and who are preying on businesses who cannot get capital anyplace else. They are happy to fund you if you have got a 600 or a 620 credit score at 24 or 25 percent interest. If there is any place where you guys do need to start regulating is those people. These cash flow lenders out there, to me, are snake oil salesmen, preying on people who need cash. They are only willing to do loans for ecommerce businesses that are doing 10 grand or more a month.

Also, too, one thing about crowdfunding. Crowdfunding is great if you have got a great product business and some sharp marketing. But the average crowdfunding campaign makes \$10,000. That is a hard way to make \$10,000. I do think Title III is going to help more people be able to get into that business, but I also think that is a little bit of a panacea. Right? The deal is, if you want to start a small business in America, your money is going to come from your right or your left pocket, so you better have taken care of your savings, protected your credit. Hopefully, you own property that you can take out a home equity loan against because that is really what it is going to take because banks do not loan money to startup businesses until you can prove you do not need it. So that is it.

Ms. SOLOVIC. I am also very concerned about the new calculations, and I am not an expert on this, but where someone leaves a company, they take a 401(k) plan, and then they flip it and make it a 401(k) in their company, and then they deplete those funds to start their business. We have got more baby boomers. I am a baby boomer, and we have retirement issues in this company. I am so fearful that people go out and bet the family farm and then what happens? Because you know what? Your challenges of starting a

business, your likelihood of success, you might as well go throw the dice out in Las Vegas. It is just about as good an odds.

Mr. GIBSON. Well, unfortunately, my time is expired. I want to congratulate each and every one of you on your personal successes and also thank you for sharing those stories for inspiring so many others.

Chairman, I thank you for your indulgence.

Chairman CHABOT. Thank you very much. The gentleman's time is expired.

The gentleman from Mississippi, Mr. Kelly, is recognized for 5 minutes.

Mr. KELLY. You know, I am starstruck with this panel. Thank you guys for being here. Mr. Chairman, thank you for bringing such a distinguished panel, and it is great to hear from—first of all, you are all excited about what you do, and I think enthusiasm is one of those things that any business, or whatever you are doing, that you have to have enthusiasm. To see people like you, you are all role models for people out there. So, thank you for being here, and for what you have done for small businesses in our industry.

Mr. Ray, I want to briefly touch with you, and I had not intended to ask you a question, but I am so appreciative that you brought your family, because it is much like serving in the military or anything else. Whether you are a small business or anything else, it is a family deal. You are all involved and engaged. Not using someone else's name, like other people have mentioned, but to have people who are involved and are part of that, and you gave your daughter some great advice. I found in life, relationships and leveraging those, and understanding those is one of the greatest things you can ever have is the capital in people. So do you want to comment any more on that, Mr. Ray?

Mr. RAY. No, just to thank you for having us and I think that, yes, family is important. I think the two things education, as we have said, education solves many problems, but definitely family. And I thank God for my wife. Not that she is always right, but she—

Ms. SOLOVIC. Well, it is going to be a long ride home.

Mr. RAY. However, however, she is right most of the time, and I am very happy that she is giving me advice in business, but also the things around business that make it successful. So I am very thankful for her.

Mr. KELLY. And then Ms. Ramberg, although not in my district, Natchez, Mississippi, is in Greg Harper from my state's district. You noted in your testimony several consistent themes that you found in various cities that were part of the Main Street series. First, for those who may not be familiar with the series, will you briefly share about the series and particularly about the Natchez visit?

Ms. RAMBERG. Absolutely. We have gone around the country and visited Main Streets across the country—Natchez, Mississippi; Galena, Illinois. We were just in Daytona; Brundidge, Alabama, to just try and get kind of a temperature check on what is going on on Main Street. What we found consistently at the Main Streets that were revived, over and over we heard the story of big box stores moved in, our factories closed, Main Street shut down. It be-

came lots of shutdown businesses, crime. The Main Streets that were able to revive almost to a Main Street was because of one person or one organization that organized everyone. Because the fact is, running a business is hard and it takes all of your time. So you have to concentrate on running your business and also reviving Main Street. These Main Streets have had a person or an organization who did that for them. It was pretty interesting.

Another interesting and important thing to note, about what we learned on Main Street, I have done a very informal poll of companies that I interview and just say, do you feel like anyone is looking out for you? We almost always hear no. I know this Committee does a lot, I know the SBA does a lot. I know there are a lot of organizations that are out there trying to help small business. But somehow it is not trickling down, so small businesses across this country often feel very alone and unsupported. I think there needs to be some education and some public relations around the resources that are available to them. We all know SCORE here. A lot of people do not.

Mr. RAY. May I make a comment?

Mr. KELLY. Be quick because I have one more question I want to get to.

Ms. SOLOVIC, and I hope I pronounced that right, in the South, we do not do over one syllable usually. But first of all, I want to thank you for your mother, and again, it goes back to family, and your father's service to this great nation. That is very important to me, and I think that our veteran-owned businesses, which we have not talked about a lot, I would like to give these guys and girls opportunities to proceed forward because they paid their debt to this nation, and anytime we can forward their agenda and help them to be successful in life after the military, that is great.

But can you elaborate a little bit on the Department of Labor's overtime rule and how that has impacted your business and other businesses, please?

Ms. SOLOVIC. Certainly. I get a lot of concern from small businesses, especially with the increase to the threshold of \$50,000. It will cost jobs in many, many small businesses. And not just the level of increase which is huge, but the fact that the complexity of the guidelines is very, very difficult for small businesses to follow. To know who is exempt and who is nonexempt, and how it applies. When I mentioned my father's ambulance service, how do you say today it was an ambulance, tomorrow it was a hearse, and who worked when? The complexity of it was overwhelming to him.

My other concern is, and I hear this from many small businesses in smaller parts of the country, particularly the Midwest and the area of the country I grew up in, \$50,000 in Manhattan is nothing; \$50,000 in Fredericktown, Missouri, is a heck of a lot of money.

I just sold my family's home. My father is now in assisted living. It was a big house, 5,000 square feet, 4 bedrooms, 3 full baths, 2 half-baths, a finished basement, and an extra lot for \$116,000. It is a different world, we cannot make arbitrary decisions like that.

We need to give small business owners the flexibility to manage their business in the way they deem appropriate. We are not slave drivers and greed mongers like we saw in the Industrial era. We want to care for our employees, we want to care for our families.

We want to give back to our communities, and the statistics on how much more a small business gives back to their community as opposed to a large chain company is significant. So we are trying to be good. We are trying to do the right things. We just need government out of our business.

Ms. RAMBERG. If I could add one thing to that. I cannot stress enough the problem with complexity. People are happy to follow the rules, but sometimes it is hard to know what the rules are. You spend money on lawyers, money on accountants, and time that you could be spending marketing or talking to your customers to just figure out if, in fact, you are following the rules correctly.

Ms. EMERSON. And if you make a mistake, it is costly.

Chairman CHABOT. Thank you. Thank you. The gentleman's time is expired.

Mr. KELLY. I yield back, Mr. Chairman.

Chairman CHABOT. Thank you.

The gentlelady from Michigan, Ms. Lawrence, is recognized for 5 minutes.

Ms. LAWRENCE. Thank you, Mr. Chair.

I would like to ask this question of Ms. Emerson. Hearing the discussion on the challenges, there has been a shift in the development of small businesses to the use of incubators. What does it mean to startups to have that kind of business when you are saying you need support? What is the role, and how can we support the incubators if that is the way to provide you with the support that you need?

Ms. EMERSON. Well, I am glad you asked me that question because I won a business plan competition that put me in a business incubator and I actually ended up staying in there for 5 years. So I can talk a lot about the value of incubators.

I think the number one thing you fight when you start a business is loneliness and feeling like you are by yourself. So the fact that you can walk down the hall and commiserate with someone else that is trying to figure out how to get paid by a vendor, I think that is very important to have a sense of community. What I also found valuable in an incubator is that education can be done right in the same building. Networks can be set up. Potential funders that are interested in the businesses in the building can come in and see a cadre of businesses, not just one type.

The Enterprise Center in Philadelphia is where I was located, and that turned out to be such an incredible proving ground for me in my business. It made all the difference in the world because when I started my business, back in 1999, being a homebased business was not cool. If you were working out of your basement, people did not take you seriously like you were in business. When I won my business plan competition, I was like, I am out of here. I am going to work every day. I got a parking space. It makes you feel—nowadays everybody is telecommuting and everybody is working from home, but it was not like that almost 20 years ago. So I think it is a great thing to do.

Ms. LAWRENCE. I appreciate that. I think we, as the Small Business Committee, should really spend some time supporting that.

I want to ask Ms. Ramberg, one of the greatest areas of success in my home state in Metro Detroit has been the rise of women-owned small businesses. According to the U.S. Census and the Small Business Administration, Michigan ranks among the top 10 states in the number of new small businesses operated or open by men and women who are self-employed. How can we sustain the growth rates among women in small business? As a small business owner yourself, you already outlined some of those, but what would you advise us on this Committee on how we can do a better job with women?

Ms. RAMBERG. Again, I think it is truly about mentorship. We do have issues. There are still many women out there who say that they go to find funding and they are discriminated against. I am quite sure that is true, but I think that if you are a woman who is going for venture funding and you talk to another woman who has been to that same person and asked for money, you will know what to look for. Again, I believe the answer is quite simple, which is just get people together, the experienced with the inexperienced. Get networks of women.

There is an organization called the WE Festival in New York City. It just happened, and it was for women entrepreneurs, and the excitement around it and the sharing of knowledge was huge; 10,000 women from Goldman Sachs, again, another organization. If you just get people together.

I went to a dinner. It was 20 women brought together from different industries by somebody, and by the end of the dinner, we went around and every single person had to ask something they needed help with. Three women at that table said I need help raising money for my company. And guess what? The next day they were contacted by people. Now, I do not know if they will get the money or not. It will depend if the businesses are good, but I am fortunate that I have this network in New York City. If we can create those same networks for people so that you feel comfortable saying I need this, and someone out there says, okay, let me help you.

Ms. LAWRENCE. Mr. Ray, and this is the last question, what are some of the challenges that you face in the competition with the corporates? I hear that often. I am a small business and I keep jumping up raising my hand. Look at me. Look at me. I can do it. What are some of the challenges there?

Mr. RAY. It is very competitive. For example, I produce events and I have a magazine. There are a lot of bigger companies than mine. Sometimes it is the wherewithal to keep pushing through. I think that is one.

I think, two, it is the business owner not having the education to talk the language of the large business person. That is what I have learned, what has helped me. I am talking to a big company, I will not mention them here, but a big courier or a big financial services company, a big bank. There are ways I have to talk. There are documents I have to have. They are risk averse. They do not know who I am from Adam, or Eve, for that matter.

Those are two things that I have found that will be helpful. The small business owner must learn to talk the language of big busi-

ness and not think small, as you have alluded to. That is the way to succeed. Thank you.

Ms. LAWRENCE. I hear clearly the need for information and training, and I love the analysis of not being alone and having access to those. So thank you, I yield back.

Chairman CHABOT. Thank you very much. The gentlelady's time is expired.

The gentleman from Nevada, Mr. Hardy, who is the Subcommittee chairman of Investigations, Oversight, and Regulations, is recognized for 5 minutes.

Mr. HARDY. Thank you, Mr. Chairman.

Thank you for being here. I must say that I believe, Mr. Ray, your father and mine must have hung out together because my dad used to tell me, son, you can do it and like it or you can do it and hate it, but either way you are going to do it. Your attitude determines your altitude.

Mr. RAY. I think they did hang out together, I think so.

Mr. HARDY. All of you seem to have a great attitude. I think that is part of the success.

Myself, being a small business person in the past, I had some successes, had some challenges. One of the challenges that you brought up, Mr. Ray, and also Ms. Ramberg, the federal government and duplicative regulations coming from not just from the federal government, from the state governments, the county governments, the city governments. Can you elaborate on that a little bit, Mr. Ray, what is your conversation there?

Mr. RAY. Absolutely. Sure. What I think, as you said, is that there is a labyrinth of different things. If I do it right this way, it is wrong this way. Right this way, wrong this way. The best example I can give, again, with New York City in my backyard, I know the New York City Department of Small Business Services, I think it is called Fast Track. I do not recall the exact name. They have a system where they set up where you go to one place and the organizations, the entities are all in kind of one place. That is an example of something that can help. You go there, fill out a form. Other people and the civil servants are trained to help you navigate through that. Because if you are not trained or educated—and all of us are just experts in what we are doing—it is tough. It was tough to get in this building, much less being a small business owner.

Ms. RAMBERG. I think it is clarity and knowing where the information lies. In San Francisco, for instance, right now you need to put a new employee poster up right now. My company works with a PEO who tells us, hey, here is the poster, go put it up. If we did not work with them, we would not know it existed. That is a tiny example of things that happen all the time.

The amount of time and energy trying to understand what the regulations are, trying to work with the government to get around them, if there is a way to do it if it does not work with your company, and then comply with them. Again, the exempt rules, they are very complicated. It seems like they are easy, but it is not. There are people who do not exactly fit into one side or the other, and there is no place to go ask. If you go ask someone they say, oh, you have got to go figure it out yourselves. Having that answer

as a small business owner, when this is not your core business, is incredibly frustrating and time-consuming.

Mr. HARDY. Thank you.

Ms. Solovic, you mentioned in your testimony about the overtime rule being a backbreaker. Mr. Knight and myself brought over 100 congressional members together to sign this letter to try to rethink how we are doing this. Can you elaborate a little bit on some of the challenges, this being backbreaking also and one size fits all does not necessarily fit?

Ms. SOLOVIC. Right. I think that is pretty simple right now just the way you said it. It is not the \$50,000 necessarily. It is the non-exempt versus the exempt, the paperwork, the tracking. I said, in parts of the country, \$50,000 is a lot of money to make. You are not victimizing a low-wage earner. Take the time to look at regulations such as that and look at the true impact on a small business and the community. If a small business has to cut jobs and they are on Main Street, it hurts that community. Where else do people go to get jobs? You do not have big industry or big companies coming in there, so it costs the entire community once those few jobs are gone.

Mr. HARDY. I would like to touch on a little different subject somebody brought up, and I think this might have been you, Ms. Solovic, but it had to do with the length of pay, especially on federal government jobs. The challenge is, I have seen myself, it jeopardizes small businesses. I was usually the larger business. I would have to wait for 90 to 120 days for the federal government to get paid, which meant in turn it makes it tougher for me to get the finance to be able to pay my vendors and that trickle down. Any suggestions on how we fix that here federally?

Ms. EMERSON. Well, I think you just have to make it a law. Folks have to get paid net 30. I mean, honestly, it is such a challenge because cash flow is king in a small business. If you have employees, you have to make payroll, regardless of when you get paid. Because it is so difficult for small business owners to get lines of credit, I mean, even if you qualify for a line of credit, the most you are going to get is 10 percent of your gross revenue. So for a business doing half a million dollars, that a \$50,000 line. Well, if the government owes you \$180,000, do you know what I mean? It strangles small businesses if they cannot get paid on time.

Mr. HARDY. Then that 10 percent retention on top of that ends up strangling somebody when you do not even have that kind of—

Ms. EMERSON. Then by the time you get the money, it is not even the same value if you had to go out and factor the invoice or had to go to one of these payday lenders for small business, which is what I call these cash flow lenders. It is strangling people's margins, and people are not able to make money because they cannot get paid on time. It is a huge issue, but it is not just a huge issue in the federal government. I think that there should be some MOUs that go out with corporations because I have found that the larger the corporation is, the harder it is to get paid, too. So it is not just a federal government problem; it is a problem all over the place. Everyone thinks they can pay a small business last or late.

Mr. RAY. May I underline something?

Chairman CHABOT. Yes, go ahead.

Mr. RAY. I wanted to underline that. Thank you for asking the question. It is a double problem because, again, your money comes in late and you have big checks, \$20,000, \$30,000, or Melinda has \$100,000 checks, and you have to pay out. I just got an email last night from one of my vendors who I work with. Ramon, I sent you an invoice for \$1,000. I need that money. Can you get it to me? I am going to forward that money to him tonight. But the money that is coming in for me is going to take 45, 30, 90 days. I just wanted to underline it, is jamming me up.

Ms. SOLOVIC. I would say when it comes to the corporations, even in the agreements that I sign with them now, they will just put 90 days. You have to float that money, and it is tough on us.

Chairman CHABOT. The gentleman's time is expired.

The gentlelady from American Samoa, Amata Radewagen, is recognized for 5 minutes, and she is the Subcommittee chairman on Health and Technology.

Mrs. RADEWAGEN. Thank you, Mr. Chairman.

This has been really fascinating. I have learned so much today.

I have a question for all of you, is the same question. Maybe we can start with Ms. Ramberg. What are some of the things that can be done to inspire the next generation of entrepreneurs?

Ms. RAMBERG. I think we are inspiring them. I think if you talk to millennials, if you have been into a WeWork office recently, it is filled with people who are inspired to start businesses. What we need to do is we need to keep them inspired and we need to keep them realistic. We need to talk about the challenges around small business, and we need to give education. It is the same as we have been talking about here. When I started my show 10 years ago, there were organizations focused on small business and entrepreneurship that were shutting down. Now there is a cult of entrepreneurship, and I think people are very excited to start their own small businesses, we just need to provide them the resources to do it. I think they want to.

Mr. RAY. Thank you for the question, my answer to that would be, just keep doing more of what we are doing here and keep providing platforms. I mean, the four of us, we have reached a level of success, but I think there is that cult of entrepreneurship. What can we do to go to the inner cities, those who are not yet inspired who think they cannot do it? I would just add that. How can we go maybe to small islands, et cetera, and help inspire them more and more and more. Thank you for the question.

Ms. SOLOVIC. I agree. I also believe, I have always told people children emulate their parents, so they behave and do things, what they see growing up. I think the same is true for young people today. You know, let's lead by example. Let's give them opportunities, even in grade school, to understand what entrepreneurship is and how fun it is to run your own business and be your own boss and make money. There are options other than traditional work paths for them to be successful in this country.

Ms. EMERSON. I would like to echo the same. I think it is about highlighting success stories, big and small. Highlighting youth entrepreneurs, women entrepreneurs, veteran-owned entrepreneurs, and making sure that National Small Business Week is not just

PR. It is really about highlighting the successes and honoring people who are doing this work so that people can say, you know, I want to get that award one day.

I think also looking at MED Week and putting some real teeth and resources around MED Week and highlighting minority women entrepreneurs during those times is really important because people look at that and see that as something of value. Everyone likes to hear their name called and get a little plaque with their name on it. So I think that more of that really will go a long way of making people feel appreciated and acknowledged and other people inspiring to feel the same way.

Mr. RAY. May I add one more? May I answer one more?

Mrs. RADEWAGEN. Yes.

Mr. RAY. I wanted to add, ma'am, and say that, not to be the contrarian, but small business ownership, entrepreneurship ownership is difficult. I think it could be interesting to highlight it so people can see, you know what? This is not for me. Let me go, I do not know, go work in Congress or something like that.

Mrs. RADEWAGEN. Thank you, Mr. Chairman.

Mr. RAY. I am just teasing.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. We hope you are.

The gentlelady yields back.

I think all the questions have been asked and answered. As chair of the Committee, I want to thank you all for your testimony here today. It has been very inspiring. I know that we have all learned a lot. In fact, we have decided to have you all come back every week from now on. We really do appreciate it.

I think Chris Gibson, the gentleman from New York who has left at this point, he mentioned he was going to have his daughter, who is an aspiring entrepreneur, watch this maybe down the road. I would recommend that our staff tries to get this out because I think a lot of small businesses all over America, whether they are thinking about starting a small business or whether they already have one and they are looking for ways to improve it, I think there are just pearls of wisdom here that we do not want to just go off into the ether. You have all really done a great job, and thank you so much. I think you have done your country a great service, you really have, so thank you very much for this morning.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the hearing, we are adjourned. Thank you very much.

[Whereupon, at 12:33 p.m., the Committee was adjourned.]

**A P P E N D I X**

JJ Ramberg Testimony

U.S. House of Representatives Small Business Committee

May 11, 2016

Good morning. Thank you Chairman Chabot, Ranking Member Velazquez and the Committee for the invitation to provide testimony today.

My name is JJ Ramberg and I am the founder of Goodshop.com and the host of the program *Your Business* on MSNBC which is the longest running television show aimed at inspiring and helping small business owners.

For the past ten years I have both grown my own company and interviewed thousands of small business owners, investors and experts to learn best practices for small business growth and survival.

I am a third generation entrepreneur. My paternal grandfather moved to Los Angeles from Mexico with his young family and his first job in this country was a peddler selling pots, pans, and blankets door to door. He eventually opened up a furniture store in Downtown Los Angeles catering to the Hispanic community which turned into a small chain of stores. My father took over that business and then subsequently branched out to establish one of the first document storage companies in the country which was ultimately acquired by Bekins and then Iron Mountain. He then went on to create a real estate development firm.

My maternal grandfather opened a series of small businesses from a frozen pizza manufacturer to a tire distribution business and tropical fish store. In 1988 my mother, who was in her late-40's and had been a stay at home mom for the majority of her children's school years, partnered with my brother Ken, a recent Stanford graduate, to start a company called JOBTRAK. JOBTRAK was a pioneer in the online career space, partnering with college and university career centers across the US and Canada and, after 12 years, was acquired by Monster.com.

I began my company with my brother Ken in 2005. Goodshop was conceived upon a foundation of social responsibility. Goodshop provides the best coupons and deals for more than 30,000 retailers and service providers and, if you select your favorite cause, a percentage of what you spend at thousands of those stores is donated to that organization. Today, we have saved shoppers more than \$100 million and donated more than \$12 million to organizations ranging from the American Cancer Society and the Humane Society of the United States to local schools, homeless shelters and parks.

The proudest moment of my entire career was the November after our launch when we sent our first checks out to the causes. We were still very much in start-up mode and my brother and I recruited some friends, his in-laws, his kids and our siblings to create an assembly line in his living room where we printed the donation checks, put them into envelopes, added stamps and sent them out. That day proved that the idea Ken and I came up with was actually viable.

Goodshop began, as many small businesses, with me working from my small apartment in New York City and Ken working from his home in Los Angeles. We contracted with a designer and developer whom we knew from Ken's previous business. Our first true employee, Kari McMinn, worked with me at my home, much to her mother's chagrin who hoped she would take the job she was offered from a more seemingly stable consulting firm.

Today, Goodshop is based in San Francisco, has 56 employees and is rapidly expanding into new verticals. We also have a number of open jobs which we are trying to fill.

I have been in a unique position during the expansion of my company. As the host of MSNBC's *Your Business*, I have also had the honor of interviewing so many small business owners around the country in whose companies have been in differing stages of growth.

Each week on the program, through profiles of small businesses, we tackle common business issues. For example, we explored how to handle pricing through the story of a hot air balloon company in Napa Valley; we covered expansion by telling the story of a children's playspace company which started with one location and now has stores around the world; we explored creating a good company culture by spending time with a plumbing business in New Jersey; and we discussed open book management by profiling a design/build firm in Maryland. Our stories have addressed issues ranging from how to find funding to how to recruit the best employees and how to market your product or service. In addition, since our show was on the air during the recession, there was a time when we did many stories on how to survive when the economy is heading south.

The program also incorporates segments around the best technology to use in your companies, elevator pitches—where someone pitches their company to a panel of experts in our studio—and “how to” segments such as how to look for new office space and how to determine whether to use a Professional Employer Organization or not. As you can see, we get quite granular in our segments.

Over the last ten years, since starting my company and launching our program, I have seen a great change in attitude towards small business. There is a much more public focus on entrepreneurship and a celebration and appreciation for small business in general. When we launched *Your Business*, publications which focused on this population were shutting down. Today, there are many resources available for small business owners.

And, when it comes specifically to women owned small businesses, while there were pioneering organizations like the National Association of Women Business Owners supporting them, there was not nearly the support there is today. While we are not where we want to be on that front, we have made progress.

I thank you for holding this hearing focused on inspiring entrepreneurs and learning from the experts because I believe the best education you can get when it comes to starting your own company is from people who have been in the trenches themselves. I was extremely fortunate to have had a front row seat in watching both my father and my mother—in partnership with my brother—start their companies. Because of those experiences, by the time I launched my own business, I had a real sense of both the excitement and the challenges I would face. Of course nothing really prepares you for doing it yourself, but I was able to go in with my eyes open.

When I'm asked about the most important things to consider when founding a company, I provide people with this initial checklist:

1. Gather a good group of advisors. By this, I do not mean a list of big names or famous people. Rather I mean make sure you have people around you who can advise you on the issues with which you are not familiar. These can be paid advisors or those who are doing it for free. It can be structured or more casual. You are providing yourself with a critical shortcut if you have people to turn to for advice. I personally belong to an organization called the Young Presidents Organization which meets once a month to discuss issues we are dealing with in our companies. I find the advice I receive from these CEO's invaluable as inevitably some subset of us has gone through the problem one of the other members is facing.

2. Before you launch your business, ensure that there is actually a market for it. Entrepreneurs too often fall in love with their ideas and do not get a true sense of whether or not customers will be willing to pay for their product or service before spending a lot of time and money on developing their company. While I believe surveys and focus groups are helpful, in my own experience, I have found that they can be misleading and so the more experiential you can make your test, the better. Whether you are starting a technology company or not, I believe it's important to familiarize yourself with the idea of a Minimum Viable Product, a concept made popular by Eric Reis's book *The Lean Start Up*.

3. Access to and preservation of capital is one of the biggest issues that small business owners face today. There are a number of ways to fund your business beyond traditional bank loans and equity investors such as online lending, grants, crowdfunding, and factoring to name a few. But, I also encourage people to read the stories of companies who did a lot with very little. We recently profiled a company called Project Repat which turns your old t-shirts into blankets. After being turned down by multiple lenders and investors, they were forced to bootstrap their business. Today, they are grateful for what seemed a hardship at the time. Because

they had limited funds, they had to become incredibly creative with their marketing and it worked. Now, not only is the company successful, but they own most of it themselves and do not have any debt. If and when they do go out to raise money, they will be able to do it at a much higher valuation.

We are at an exciting time for small businesses. Yet it is still a struggle for many. Over the past few years, we have done a series on *Your Business* on Main Streets across the country where we have profiled cities including Natchez, Mississippi; Brundidge, Alabama; Golden, Colorado; Daytona Florida; Galena, IL; Woodstock, NY and many others. Through these stories, I have found a few consistent themes:

1. Many of the Main Streets which were thriving were doing so because one individual or one organization led the revitalization. This included discovering and applying for grants to pay for improvements (like street lights and repaving sidewalks,) organizing local businesses to work together to plan events, and working with the local government to help boost excitement amongst consumers. To have more success on Main Street, it's important to identify and support these champions.

2. In spite of the work of this committee and the Small Business Administration, many business owners on Main Street do not feel like anyone in government is watching out for them. While they hear elected officials and members of the government in Washington speak of supporting small business, many business owners do not feel like they are seeing much action around that support. There is an issue around communication of improvements. More business owners need to know of the work you are doing here and learn how to take advantage of the resources provided by the federal government to help them grow their companies.

3. While a lot of attention is paid to federal regulations, there is less focus on local and state regulations. Many small business owners—both on and off Main Street—cite these as challenging because it is difficult to keep track of everything.

In addition, both on and off Main Street, we have heard a common refrain: difficulty finding affordable funding to expand, a challenge around recruiting top notch employees and a sense of loneliness and lack of community to help with business issues.

That said, I believe we are in the beginning of a sweeping change when it comes to small business. Companies in the fintech and edtech space are working to address the issues of financing business and educating our workforce. With millennials now making up the largest share of the American workforce and primed to take over an increasing share of small business ownership, much will continue to change when it comes to entrepreneurship.

Thank you again for taking the time today to celebrate small business owners and all they do. The more attention we can collectively bring to both the challenges of small business owners and their contributions, the more we can support this incredibly important segment of our economy.

**Ramon Ray, Editor, Smart Hustle Magazine**

**Statement to U.S. House of Representatives Small Business Committee - 11 May 2016**

Chairman Chabot, Representative Velazquez thank you for inviting me to represent America's small business owners and entrepreneurs at this Committee hearing.

I would also like to extend a special greeting to the Representatives from New Jersey, where I live and New York, where I grew up.

Starting and growing a business is fraught with challenges. I've started four business and sold one of them. I'm an entrepreneur who is currently growing two companies—one of those companies is Smart Hustle Magazine.

The day to day challenges of business ownership include hiring the right staff, obtaining financing, trying to get new customers and keep the ones you have, navigating various government regulations and more.

Business ownership is not just about challenges, but it also comes with the sweet taste of independence, the freedom to chart our own course, the privilege of helping others with our income, and earning the profitable rewards from our risks and hard work.

The greatest reward is the awesome responsibility of providing for our families and supporting our communities.

Chairman Chabot, fellow Committee members, more important than any of use in the room here are the thousands and thousands of business owners I speak to, in person, across the country every year and the millions of small business owners and entrepreneurs I reach through my writing, speaking and media appearances.

Based on input from the small business community I represent, there are three things our government, this Committee, can do for small business owners.

**First, continued reduction of burdensome and unnecessary regulation—at the Federal, State and Local Level.** We NEED regulation for our safety, but we do not need burdensome or unnecessary regulation. The horrendous treatment of Uber (now a large company) is the most public example of regulation gone wrong—stifling innovation and limiting growth.

**Second, reduction and simplification of taxes**—I count it a privilege that I can pay taxes, from my hard earned income, to fund our government operations. However, is there not a LIMIT to what tax rates and tax laws are fair versus which ones are excessive and burdensome? Every year I pay thousands of dollars in taxes, I would rather reduce the taxes I pay and instead use those funds to grow my business, invest in my community and thus invest in the growth of America.

**Third, foster small business education—"smart hustle"**—I applaud the great work of the Small Business Administration, SCORE, SBDC's and other government supported organizations who support and educate small business owners. The more we in-

vest in the education of small business owners the more we ensure businesses succeed and not failure.

In particular, I applaud the work of the New York City Department of Small Business Services.

Private and for profit education efforts such as the Goldman Sachs 10,000, Goggle's Get Your Business Online, Microsoft Small Business Academy, Kaufman Foundation and so many other initiatives are an important part of the small business education ecosystem as well.

I was recently speaking with Robert Herjavec of Shark Tank and we discussed that all small businesses hustle—they work hard. However, it's 'those who are educated, who have SMART HUSTLE, who succeed. Educating business owners is essential.

As I conclude my statement I think of a company like infusionsoft started by 3 friends in a strip mall in Arizona. Or a company like SumoMe started by a fired Facebook employee in Austin. These companies, my company and the millions of other small and medium sized businesses need to be encouraged to start, grow and thrive.

Let's think about the husband and wife who start a business together, or a high school graduate working on an invention, or that laid off 50 year-old forced to begin their own business.

The best thing our government can do for small business owners, is to have limited regulation, lower and simplify taxes and continue to invest in the education of small business owners at the local, state and Federal level.

Thank you for the opportunity to share about the hustle, the smart hustle of small businesses in America.

38

**Testimony of  
Susan Solovic  
THE Small Business Expert**

**On**

**“Inspiring Entrepreneurs and Learning from the  
Experts”**

**Before the**

**Small Business Committee  
United States House of Representatives  
May 11, 2016**

**The Honorable Steve Chabot, Chairman  
The Honorable Nydia Velázquez, Ranking Member**

Good morning Chairman Chabot, Ranking member Velázquez and members of the committee. Thank you for the invitation and opportunity to provide testimony and to share my experiences working with small business owners and entrepreneurs. It is an honor to be with you today.

Let me share with you a little bit about my entrepreneurial background. My mother was a pioneering entrepreneur. She opened her first business after her husband died in World War II and it was one of several she launched throughout the years. By the way, she also got her pilot's license in 1944. I still have her log book, which shows when she took her first solo flight.

After she married my father, they opened a funeral home in a small, rural Missouri town and I grew up working in the family-owned business. Personally, I started my first business when I was 15 years old. I taught 75 little girls how to twirl a baton for \$1.00 each on Saturday mornings in the high-school gym. Soon, I expanded to teaching dance classes in my basement. When I left for college, one of my star students took over and paid me 10 percent of the revenue for the first year. I guess you could say entrepreneurship is in my genes.

I've also worked successfully in the corporate world becoming the first female executive in the financial services division of a Fortune 50 company. Additionally, I'm a licensed attorney, but my heart has always been in entrepreneurship and at this point in my life, I guess you could say I'm totally unemployable. I like calling the shots, making deals happen, running my own show, and bringing in money. I'm fortunate because my business is prospering, but the picture is not the same for millions of other small business owners in this country.

Small businesses are struggling in the U.S.—as I'm sure you're aware. The number of small business closures is out-pacing startups for the first time in 30 years. According to the Capital One Spark Business Barometer, small business confidence has dropped nearly 10 points since the same time last year.

However, there are bright spots for small businesses. Thanks to technology, the barrier to entry is greatly reduced compared to when I started my first business decades ago. Resources rest at your fingertips to help you do everything from establishing your legal entity to learning how to manage and grow your business. Additionally, cloud-based solutions give small firms the ability to access sophisticated software solutions affordably, allowing them to compete more effectively with bigger companies. And, technology allows small businesses to do business around the globe from their garage or spare bedroom.

Yet even with these developments, startup founders who begin with passion and a sparkle in their eye now tell me their business dream has turned into a nightmare. However, we know many great companies have launched in the midst of difficult economic eras and have risen to the top echelons of business, so I encourage small businesses to focus on what they can control, rather than external pressures they can't control. In other words, don't point fingers and

place blame. Focus on building a great company that brings true value to the market.

As such, I've created a methodology called *The One Percent Edge: The Critical Difference That Will Make or Break Your Business*. The business world is changing rapidly today. What's new and cool today is obsolete tomorrow. Therefore, businesses that survive and thrive are the ones that have innovation in their DNA. They are constantly looking for enhancements and opportunities to bring something unique to the marketplace.

In my own experience, I launched one of the first video-based Internet companies that provided news and information to the small business market. While there were other companies that provided similar content in a text format, we delivered the information via streaming video. We recognized small business owners are time and resource constrained. Statistics show that while it takes several minutes to read a 2,000-word document, it can be delivered in a much shorter amount of time via video and/or audio. Plus, while watching content on our site, owners could multi-task. And, unlike our larger competitors that had made huge capital investments in print publications, equipment and personnel, we were completely digital with a small staff. So when the recession hit, we were able to remain profitable while many of our competitors closed their doors.

A number of years ago I taught an MBA class on growth strategies for entrepreneurs. Because of my travel schedule the university provided me with a co-teacher who was finishing his PhD in entrepreneurship. During our class time, my co-professor would discuss case studies and write formulas on the board. Once he finished, I'd stand up and tell the class how things work in the real world. The bottom line is that if you're following case studies or textbook formulas you are already behind in the game. There is no blueprint for success in today's dynamic business world. My motto is if you're jumping on the bandwagon now, you're too late. The window of opportunity has passed.

Small business owners, not only need to make product and service enhancements, but they also need to embrace technology for greater productivity and profitability. Companies with the 1 percent edge, constantly re-evaluate their operations, plan accordingly and adjust in a timely fashion. They are proactive, not reactive. Small businesses have a tremendous advantage when it comes to this process because they are agile. Large businesses often fail in adjusting to market needs because they are too large to make timely adjustments to their business models. That's why only 71 of the original Fortune 500 companies remain today. The others have gone to the grave, often simply because they failed to recognize market trends.

One positive note, I've seen is an increased use of social media by small businesses. More and more small companies are using social media to broadcast their brands, engage with customers and increase their sales. Many years ago, I owned a boutique PR and advertising agency. Our clients complained about not having enough money to market their businesses. Today, the major com-

plaint I hear from small business owners is that they don't have the time to market. The myriad social platforms often confuse them and they don't understand how to take advantage of this game-changing technology.

Similarly, when I had my agency, we worked hard to get our clients booked on traditional radio and TV shows or mentioned in a newspaper or magazine. The value of the new coverage was a huge boost for small companies. Today, small businesses can become their own media company by creating video content, podcasts, hosting a radio program and blog posts. One financial services advisor I know has become a well-loved and respected resource in this community because of a weekly radio show and a self-produced cable television show. The bottom line: Small business owners can create a celebrity brand position with the simple tools available today giving them a significant advantage.

I was an early adopter of social media. After I sold my Internet business, I began working independently building my own brand. My husband would question why I was wasting time on social media instead of getting on the phone making sales calls. Today, he has to eat those words as I am consistently ranked in the top five of small business experts to follow on Twitter. I do zero outbound marketing as business opportunities come to me. It's an excellent position to be in and one I primarily attribute to my social media presence.

Small business owners still need assistance and mentoring. I get hundreds of emails every week from business owners seeking advice on every aspect of their business development. This tells me that even with all the great resources on the Internet, business owners still like the one-to-one, personal touch.

I'd be remiss if I didn't mention small business capital needs. Traditional lending is down, and most startups use personal assets, credit cards and loans from family or friends. Crowdfunding is helping some small companies get off the ground and I am optimistic that the equity crowdfunding, including the new Title III regulations to the JOBS Act that will go into effect of May 16, will open up a new source of funds for small firms. Will it be enough? The jury is still out.

Growth organizations need access to venture capital, and that is an area of concern for me in terms of being a woman in business. I wrote a book called "The Girls' Guide to Power and Success" in 2001. Sadly, in the 15 years since its publication the statistics have barely changed—particularly when it comes to VC funding of women-owned businesses. That is partly the reason fewer than 2 percent of women-owned firms ever gross over \$1 million in revenue.

Having gone through the VC process myself, I can verify that the bias against women-owned businesses is real. There are myriad research studies that will also confirm it, but I experienced it firsthand. Being the only women-owned CEO selected to present at a venture forum, one of the organizers said he was glad I was attractive. I ask you, do you think he said that to any of the men?

Training programs that focus on helping women understand how to pitch to the VC community and the addition of more female VCs is beginning to make small improvements in this area. But it's only the tip of the iceberg; we have a long way to go to level the playing field.

While there are many positive developments for small business, there are a significant number of obstacles resulting in a stifling affect. I'd be remiss if I didn't touch on some of those. Politicians praise the importance of small business in producing jobs and innovation on one hand, yet continue to impose regulations and laws that create an environment that makes it nearly impossible for them to thrive.

The regulatory burden in this country is in the trillions of dollars and small businesses pay 36 percent more than larger enterprises.

Could small businesses in the U.S. eventually become extinct? In my opinion, if we continue down this path of hyper-regulation, they will certainly become an endangered species. How can we protect this important market sector? As one long-time entrepreneur said to me when I asked what needs to be done: Get out of our business.

I truly believe that most governmental policies are passed with the best intentions in mind, and of course some regulations are necessary to protect our citizenry. Unfortunately, the consequences are not always understood and the results wreak havoc on small business owners. As former Senator George McGovern said after his business venture in Stratford, Connecticut failed, "I ... wish that during the years I was in public office I had had this firsthand experience about the difficulties business people face very day. That knowledge would have made me a better U.S. senator and a more understanding presidential contender."

In my role as a small business expert, I speak to thousands of small business owners from around the country. They are discouraged and disheartened. So I'm asking you to walk a mile in our shoes today so you can better understand what is happening to small businesses and why they are slowly dying off.

The average sole-proprietor in the U.S. grosses annual revenues of \$44,000 and works 52 hours a week. She is he most likely has put their personal finances at risk to start and run his business. He or she sacrifice family time, holidays, weekends and vacations. There is no family medical leave for the entrepreneur. If they don't work, they don't get paid. There is no overtime, and if their businesses don't make it, no one is there to help bail them out or offer him an unemployment check.

Small business owners are not the captains of industry from the industrial age. They aren't slave drivers requiring their employees to work long hours with little pay in poor working conditions. They are individuals who are trying to provide a living for their families, to give back to the community, and to treat their employees with respect—often going without a salary themselves in order to pay their employees during tight times. We aren't money-hungry greed mongers, and those who make a profit put a larger share of that back into the business. But I ask: When did it become a crime to

want to better yourself and build wealth in this country? After sacrificing so much to build our businesses without governmental assistance, should we be penalized for this effort? Should the government tell us how to run our companies?

Allow me to share a personal story. My parents grew up in the depression. My father served in the Navy in World War II. Neither one had any education to speak of, but they knew how to work hard. In 1963, they launched a funeral home in the small town in southern Missouri where I grew up. At that time, our business, like most funeral homes offered ambulance service to aid the community. In the '70s, the DOL audited my parents for wage and hour violations. The auditor spent two days examining their books and talking with employees. His conclusion: When our vehicles were used as hearses overtime did not apply, but if the vehicle was used as an ambulance, then overtime did apply. The auditor extrapolated over a two-year period how much back pay my parents owed. When my parents refused to pay it because they thought the decision was unfair and arbitrary, the auditor met with our three or four employees and explained to them they had a right to sue and how to do it. Thankfully none of them did. But my parents quit the ambulance business, which was never a profit center, because trying to comply with the regulations was too costly and complex. As a result, our small community was left with no ambulance service until much later when the hospital began to provide it.

Unfair and misguided regulations such as these, not only affect the operations of a small business, but also hurt communities and jobs.

Speaking of overtime regulations, the increase in the overtime threshold to nearly \$50,000 is one such back-breaking regulation. First, it is extremely complicated for small business owners to determine precisely which employees are exempt and which are not. Culling through the guidelines, which are almost as thick as the tax code, is just an added headache for an owner who is already stressed by simply trying to keep up with daily business operations. Therefore, the risk of misclassifying an employee is significant. Small business owners don't have the funds to hire labor lawyers to help them navigate the complexity of the system. This puts them at risk for audits and even worse, lawsuits, which could be more costly than the overtime itself.

Additionally, an arbitrary amount doesn't take in account the differences in geographic economies. For example, \$50,000 in the little town I grew up in is a big amount of money. I recently sold my family home, which was over 5,000 square feet, 4 bedrooms, 3 full-baths and two half-baths, finished basement and an extra-large lot for \$116,000. On the other hand, \$50,000 in Manhattan wouldn't allow me to come close to affording my apartment there.

Increasing the overtime regulations means small business owners will have to reduce the number of employees, convert full-time to part-time positions, or increase the price of their products. Most small businesses find themselves competing on price with larger providers or big-box stores, therefore, price increases are not truly an option. Because profits margins have already been whittled

away during the last recession, cutting operational costs—employees—is the logical answer.

The same result occurs with the increase in the minimum wage. Small businesses simply can't absorb the increase so they will cut the number of employees. One businessman from Ohio told me how he has been squeezed so much that more costs are something he can't absorb. He plans to raise his prices, which he says the consumer doesn't want to hear but the money has to come from somewhere. It doesn't grow on trees. Another restaurant owner from the East Coast said he simply plans to close some of this locations because it is impossible to operate them profitably.

The Affordable Care Act has also had a dampening effect on job creation. Many small business owners have held their employee count down to avoid the employer mandate.

Mandatory family leave sounds good in theory, but let's apply it to a typical small business. What do you do when a team member takes leave for 12 weeks? You still have to pay at least part of his or her salary so you can't afford to bring on someone else. Even if you could afford it, how do you train replacements quickly, invest money in them, and then let them go when your original employee comes back? The only other option is to ask your remaining staff to pick up the slack. Employee morale and productivity is sure to wane impacting your bottom line. You may lose existing customers and business opportunities. Most small businesses have family-friendly work environments to accommodate personal needs. Isn't it better to allow the business owner to manage in way that is appropriate for his business?

What about the business owner himself who has a medical issue? For example, my mother had Alzheimer's. My father became her primary caregiver, which left no one to manage our family business other than me—an only child. I had to juggle commuting back and forth to my hometown to keep the business running while still trying to manage the demands of my own company until I was able to sell our family business.

The same is true for equal pay. I have been the victim of pay disparity when I was an executive with a Fortune 50 company. When I was elevated to the executive level, I was paid about \$20,000 less than my male predecessor. I understand how unfair it is and it is an issue that should be addressed, but not legislated. I understand how unfair it is and it is an issue that should be addressed, but not legislated. Business owners need the flexibility to establish wages based on experience and skills, not mandated by law. A man and woman who come to a job with the very same credentials should be paid equally, but if one has less experience and fewer skills then a business owner should have the flexibility to establish wages accordingly.

The tax code is also problematic for small businesses. While I think it is important to lower corporate tax rates to stay competitive internationally, most of us are pass-through entities, therefore, we are just as interested in a less complicated and lower personal tax rate. Because of the complexity of the tax code, many small businesses don't take advantage of available tax credits and deduc-

tions. The cost of complying with the tax code is 206 percent higher than a larger company.

While we're on the subject of taxes, let's discuss the death tax. For many small business owners, their business is their greatest asset and they want to pass it on to their heirs. Yet having paid taxes on it for years, when the owner passes away it becomes part of an estate that may be taxed at a rate as high as 55 percent by the government. Unfortunately, most small business owners don't have the money in their estates to pay the taxes so the business must be sold or liquidated to pay the tax. There goes the business and there goes the jobs.

There are still many bright spots for small business owners. America remains a great country with opportunity, which is why so many want to leave their homelands to come here. Our country was built on the spirit of entrepreneurship. Let's not extinguish this important characteristic of our culture. Let's create a pro-business environment that gives entrepreneurs the ability to start, grow, and build great companies that provide jobs and continue to drive our economy.

Thank you again for the opportunity to testify. I am grateful the great bipartisan work of this committee, which has led to important legislative victories and progress for America's small business owners and entrepreneurs. I look forward to our discussion today.

46

**Testimony of**

**Melinda Emerson**

**“SmallBizLady”**

**America’s #1 Small Business Expert**

**“Inspiring Entrepreneurs and Learning From Experts”**

**The Small Business Committee**

**United States House of Representatives**

**May 11, 2016**

**The Honorable Steve Chabot, Chairman**

**The Honorable Nydia Velázquez, Ranking Member**

Good morning, thank you Committee Chairman Chabot and Ranking committee member Velázquez and the rest of the Small Business Committee for the opportunity to testify on the status of small businesses in the U.S.

My name is Melinda Emerson, but I'm known worldwide as SmallBizLady, America's #1 Small Business Expert. My SmallBizLady brand reaches 3 million readers each week online. I've been an entrepreneur for 17 years as President and CEO of the Quintessence Group, a marketing and management consulting firm based in Philadelphia, Pennsylvania. We specialize in working with Fortune 500 companies who target small business customers.

For the last 8 years, I have also run SmallBizLady Enterprises, which is our training and development company for small business owners. Our mission at SmallBizLady Enterprises is to End Small Business Failure. We work directly with women and minority entrepreneurs who want to start and grow successful small businesses. We publish a resource blog at [succeedasyourownboss.com](http://succeedasyourownboss.com), which is syndicated through The Huffington Post. We reach millions of entrepreneurs a week and 22% of my audience is international. I get letters and emails each week from around the world asking for tools, advice, and funding.

I am also the bestselling author of the book, *Become Your Own Boss in 12 Months*, which is in its second edition and the ebook. *How to Become a Social Media Ninja*. In addition to these for profit pursuits, I also run the Melinda F. Emerson Foundation for small business success, which hosts a flagship conference every fall called Reinvention Weekend. I am also a former columnist for the New York Times, Inc. and Entrepreneur.com.

Technology really makes a difference for small business to get information to help them grow their businesses. For the last 7 years, I have also hosted a live tweekchat weekly on Twitter called #Smallbizchat to answer small business questions. Our audience ranges from start-ups to more established businesses depending on the topic of each show. We are the largest live small business audience on Twitter.

One of the things I am known for is the Emerson Planning System, which I highlight in my book *Become Your Own Boss in 12 months*. It's my six-step system to transition from employee to entrepreneur:

**Step 1:** Develop a Life Plan Before You Ever Write a Business Plan

**Step 2:** Develop a Financial Plan, as the money to start your business will most like come from you right or left pocket and banks do not loan money to start-up, you must be in business at least two years with position cash flow.

**Step 3:** Validate Your Business Idea, based on what skills you have and need to run that business

**Step 4:** Know Your Paying Customer, don't fall in love with your Idea, make sure there's a demand for It and a customer willing to pay.

**Step 5:** Write a Business Plan, you must plan for success it will not just happen to you

**Step 6:** Launch While Working, It takes 12-18 Months for a Small business to break even let alone replace your corporate salary.

As I thought about my opportunity to shed light on the state of small business in the U.S., I first looked back over my nearly two decades in business for ideas. And Chairman Chabot, I heard you were looking for some bold ideas to shape the future, so here goes a few.

There are three critical things that really propelled my business success. The first was the initial business loan I secured. It was a \$25,000 loan from Ben Franklin Technology Partners in 2000. It was a SBA backed loan fund, called the Competitive Edge Loan Program. What was unique about this program was that in addition to the funds, I also received 25% of the loan's value in technical assistance for my business. My first accountant and marketing consultant were hired with these funds, and I must say they saved me. I was a former television producer, and I knew how to tell great stories on video, which is what my firm do, but I didn't know a lot about running a business. I have a journalism degree from Virginia Tech, in fact the reason I started my business was because Oprah Winfrey inspired me, she was the first journalist I ever saw start a business. This made me think I could do it too.

But there was a lot to learn, I second thing that made the biggest difference for me was that I recognized early on that I had to grow myself to grow my business. Every year I've been in business I've invested in some course, coaching or leadership development program.

I have participated in executive training program at Dartmouth College, and the University of Virginia, I did the E200 training program sponsored by the SBA, the 8a Academy, Fast Track, I also went through Leadership Inc. Philadelphia, and the Urban League Leadership institute, but the first class I ever took was the SEA Program, which was a FREE state run program for people who were unemployed called the Self-Employment Assistance Program, which was run by the Women's Opportunity Resource Center in Philadelphia. It provided 8-week business plan course, allowing me to collect unemployment while I built my business. I think a National program like this could help a lot of unemployed people reinvent themselves as small business owners.

The third thing that was a pivotal moment in my business was when I won the minority business plan competition which was sponsored by The Enterprise Center and the City of Philadelphia. In 2001, I won \$20,000 and free office space in a business incubator for one year. This enabled me to hire my first employee, and that's when my business took off. We need more public/private partnerships America that seed and launch small businesses with grant dollars and incubation spaces, but we need some that intentionally support minority and women owned business that are main street businesses.

In Hungzhou, China's Silicon Valley, start-ups are given three years of space in business incubators and they have a \$300-million dollar fund to seed new businesses. In Singapore, there is a mall in the heart of the financial district dedicated to youth entrepreneurs. Young entrepreneurs, as young as 10 years old, once accepted into the government training program can get discounted space, training and mentorship to sell their products, and when their business get big enough they can get retail space. They define youth entrepreneurs up to age 35.

In Chile, Start-up Chile, provides \$40,000 and place to live for one year if entrepreneurs are willing to come and start their business in that country. In this country, Start-up America, is largely public relations initiative with very few resources to provide any one other than networking events.

Because we have some of the greatest businesses in the world in America, we think that we have cornered the market on innovation. But I have traveled internationally as the SmallBizLady, through the World Entrepreneurship Forum, and we are losing our edge. We need to start teaching entrepreneurship education starting in kindergarten. We need to support and fund Junior Achievement and NFTE's, especially in urban communities with decaying school districts to make sure that the next generation are ready with skills to launch and lead businesses.

My biggest concern about what efforts the government, SBA, and MBDA are doing is only focusing all the efforts is on finding the next Facebook or tech start-up and that is a dangerous precedent. 95% of all small business in the world will never gross of one million in revenue. We need programs that bolster main street businesses.

There are four things businesses need: Access to Capital, Mentorship, Training, and Networking. This is especially true for women and minorities. We need access to networks, industry decision makers and market leaders. Especially those in non-tech industries, that are not expected to leaders outside of their typically networks and this limits their ability to scale. We just don't have the mentorship or sponsorship relationships rather to build traction in our businesses and meet equity investors. They need that patient money that an equity investor could provide.

Since the great recession of 2008, small businesses owners that were able to hang in there are hurting. They can't get credit or capital. Although, if they are ecommerce business and have cash flow of at least \$10,000 a month or more they can get high interest loans from cash flow lenders like Kabbage, Merchant Cash, On Deck or one of 50+ others. This industry needs some regulations and close scrutiny. Many of these lenders will fund a business with a 620 credit score at a 24-26% interest rate with immediate payment terms. This industry is preying on desperate small business owners, who can't qualify for lending from traditional banks.

And when business owners do apply for an SBA loan the delays and paperwork burden, make that a loan of last resort. Because when business owners need money, they need it in a hurry. One of the other main drawbacks from using SBA guarantees for loans,

is that the government demands a UCCI lean on all current and future assets. That means for a \$25,000 loan, a start-up business would never be able to use business assets as collateral for a future loan, once the business starts to scale.

Now there is a lot of talk these days about crowdfunding, which has created some opportunities for product based business with sharp marketing, but the average crowdfunding campaign generates \$10,000, and it a lot of work for so little money. Now I am slightly optimistic with the pending approval of Title III from the JOBS Act, but I am concerned that too many small businesses who are not properly networked or prepared will pursue this option with poor results.

Technology is tough for some business owners. While cloud based computing has made enterprise level software available and affordable, there are too many options with no time to learn new software. This keeps many businesses paralyzed doing things the same old way. Too many business owners still do not have websites, which is their #1 sales tool. They are also overwhelmed with social media marketing. Everyone is out here trying to use them all Facebook, Twitter, Instagram, Goggle+, Snapchat, Pinterest, etc., but they must be strategic online. I advise small business owners to focus on one or two social media platforms, and they should be the ones where their best target customer is hanging out online.

There are other regulatory challenges that small businesses face that should be reviewed.....the expanded categorization of who can and cannot be considered a 1099 independent contractor is a challenge for small businesses that cost of full-time employees is prohibitive to cash-strapped start-ups. The tax code needs to be simplified to help more small business owners, it costs a lot to be in business in the U.S. And 12 weeks of mandatory family leave for a team of four in typical small business in a real hardship for a struggling business with ongoing cash flow issues.

When I think about things your committee could do to help on the enforcement of set aside goals and plans. This is critical for minority and women owned business success. The old "good faith effort" excuse should come with some financial penalty for agencies and prime contractors who do not meet goals. Create incentives for larger government contractors to identify and team with certified minority and woman owned firms. Also disadvantaged firms who are able to scale through 8(a), women-owned and veteran owned firms program should be encourage or maybe even required to help smaller firms grow once they are over \$30 million in gross revenue.

Despite all of the challenges, being a small business owner is still the greatest reward in business. We live how most people won't so that we can live how most people can't. Now is still an amazing time to launch a business, and no matter who you are, the world is still waiting on a better mousetrap. My favorite advice to give small businesses is, "You never lose in business either you win or you learn."

Thank you very much for inviting me to testify. I feel honored to be here.

