

**Testimony of**  
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**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 Velazquez, 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 tweetchat 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 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 may 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 woman 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 re 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 anyone 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 travelled 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 exposed 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 an 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 UCC1 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, Google+, 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 the 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 is a real hardship for a struggling business with ongoing cash flow issues.

When I think about things your committee could do to help work 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.