



**National  
Urban League**

***Empowering Communities.  
Changing Lives.***

**Testimony of Marc H. Morial**

**Before the**

**Senate Committee on Small Business and Entrepreneurship**

**Hearing On**

**“Strengthening the Entrepreneurial Ecosystem for Minority Women”**

**May 8, 2013**

Madam Chairwoman Landrieu, Ranking Member Risch, members of the Committee, thank you for the opportunity to testify today on the economic significance, and the challenges faced by minority women in job creation and business ownership. I am Marc Morial, President and CEO of the National Urban League. Established in 1910, the National Urban League is the nation's largest historic civil rights and urban advocacy organization serving over 2 million people each year through 95 affiliates in urban communities in 36 states and the District of Columbia.

The economic empowerment of our nation's economically disadvantaged has guided the National Urban League throughout its 103-year history. As we continue our journey toward economic equality in this country, the National Urban League is commemorating the 50<sup>th</sup> anniversary of the 1963 *Great March on Washington for Jobs and Freedom* – a watershed moment in Black history that gave voice to the hardships facing Blacks as they sought a fair shot at the American dream. We marked this pivotal event and its subsequent impact on our nation by titling our signature publication, the *2013 State of Black America, Redeem the Dream, Jobs Rebuild America*. We have similarly themed our upcoming annual conference in Philadelphia this July given the current unemployment crisis in the communities we serve.

Madam Chairwoman, I commend this Committee for focusing special attention on the role that minority women play in the business ownership world by recognizing the 25th anniversary of the *Women's Business Ownership Act of 1988*. This discussion on how we can build upon this law to address the business environment today is timely and much needed.

One of the most fundamental elements of economic self-sufficiency is entrepreneurship. Small businesses have always played a critical role in the economic well-being of communities of color as job creators and wealth generators. That legacy continues as more minority business enterprises are created at every level, from small/micro operations to rapidly growing

technology companies. According to the most recently available data from the U.S. Census Bureau's Survey of Business Owners, minority female-owned firms once again grew faster than all other groups of firms in number of firms, gross receipts and employment between 2002 and 2007.

Empowering minority and *minority women-owned* entrepreneurs, and accelerating their level of productivity are critical to strengthening US competitiveness nationally and worldwide. Indeed, the implications of strengthening and expanding minority and Black women-owned businesses are especially great if we are to address the unemployment crisis in minority populations given that minorities disproportionately enter the workforce through self-employment or employment by minority-owned businesses (MBEs).<sup>1</sup> Therefore, there is a continuous need to implement programs that address the needs of minority businesses to help them grow faster, particularly in annual sales and employment, and to close the entrepreneurial parity gap.

According to the *State of Minority Business Enterprises, an Overview of the 2002 Survey of Business Owners*, minority business generated over \$688 million in annual sales, and employed about 4.7 million people.<sup>2</sup> The report notes, however, that although minority owned firms are increasing in number at a faster pace than the rate of the minority population, the gap in annual gross receipts [only] slightly widened when compared to the share of the minority population.<sup>3</sup> Thus, with increased sources of financing for minority owned businesses at all stages, strategic alliances and access to the marketplace, many minority firms, including those owned by women, can expand and succeed.<sup>4</sup>

### **Black Women-Owned Enterprises are Integral to Economic Status of Black America**

In our *The State of Black America 2008, In The Black Woman's Voice*, we highlighted the importance of Black women-owned businesses. Our commissioned article by Lucy J. Reuben, Ph.D., a professor at Duke University's Fuqua School of Business, provides a detailed analysis showing the significant impact that Black women-owned businesses have in generating economic activity as well as providing large numbers of jobs across our nation.<sup>5</sup> The article found that Black women-owned business enterprises (BWBEs) are increasingly integral to the enhancement of the economic status of Black America.<sup>6</sup> Based upon the latest available data from the U.S. Department of Commerce Census Bureau, the article found that:

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<sup>1</sup>"Make Room for the New "She" EOs: An Analysis of Businesses Owned by Black Females," by Lucy J. Reuben, Ph.D., in *The State of Black America 2008, In The Black Woman's Voice*, National Urban League, 2008, p. 118.

<sup>2</sup>*The State of Minority Business Enterprises, An Overview of the 2002 Survey of Business Owners: Number of Firms, Gross Receipts, and Paid Employees*, U.S. Department of Commerce, Minority Business Development Agency, August 2006.

<sup>3</sup>*Ibid.* p.1.

<sup>4</sup>*Ibid.*

<sup>5</sup>*Ibid.* p. 115.

<sup>6</sup>*Ibid.*

- Black women are the primary owners of at least 547,032 businesses, meaning that Black women hold at least 51% of the ownership in these important businesses, which are sole proprietorships, partnerships and privately held corporations.<sup>7</sup>
- These Black women-owned businesses represent 45.7% of the total 1,197,567 businesses owned by African Americans.<sup>8</sup>
- Businesses owned by Black women generated approximately \$20.7 billion in revenues, which comprises over twenty percent (23.3%) of the revenues of all Black-owned businesses.<sup>9</sup>
- If BWBEs had generated a share of revenues proportionate to their numbers, the receipts would approximate over \$40 billion.<sup>10</sup>
- BWBEs are also crucial sources of employment and job creation, where they employed more than 176,000 workers, or 23.4% of the 753,978 workers at Black-owned businesses. The average BWBE employed the equivalent of 6.5 workers, or one worker for every \$74 thousand of revenue.<sup>11</sup>

### **Increasing Revenue for Black Women-Owned Businesses**

While we celebrate the progress in expanding Black women-owned businesses, we find that a key challenge faced by such businesses, as well as by Black businesses overall, is revenue growth. The average revenue for all Black women-owned businesses (employer and non-employer firms) is very small – less than \$40,000. This average revenue amount for BWBEs is only 54% of the \$74,000 for all Black-owned businesses.<sup>12</sup> The research shows that if we are to significantly increase revenues for BWBEs, we must create the opportunity for Black women entrepreneurs to enter and concentrate in those industries that yield higher revenues and profits<sup>13</sup>:

- One of the more significant challenges to BWBEs is that they are concentrated in lower margin industries within the categories of health and social services as well as retail trade. These two industry sectors account for more than 45% of the industry distribution for BWBEs.
- Black women-owned businesses would need to participate in the higher skilled, higher technology sub-segments of these industries in order to realize significant revenue streams and profit margins.
- A tremendous boost to BWBE revenues and profitability would also result from increased participation in the retail related industry sector of wholesale trade.

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<sup>7</sup>Ibid. pp. 115-116.

<sup>8</sup>Ibid. p.116.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid. p. 118.

<sup>12</sup>Ibid. p. 117.

<sup>13</sup>Ibid. pp. 119-123

- Greater participation by BWBEs in the traditionally male dominated areas of the construction industry and manufacturing industry, as well as the higher skilled industry segments of the management services industry or the professional, scientific and technical services industry, are dramatic examples of how these would offer the prospects of much higher revenues. For example, while the 8,772 BWBEs in the construction industry comprise less than 2 percent (1.6%) of the total number of BWBEs, these construction businesses provide more than 5 percent (5.4%) of the total revenues of all BWBEs.

### **The National Urban League Entrepreneurship Center Program (ECP)**

The National Urban League is playing a direct role in the development of minority entrepreneurs, including especially minority women entrepreneurs, in the business world through our Entrepreneurship Center Program (ECP). Now in its 6th year of operation, the goal of the Entrepreneurship Center Program (ECP) is to enable minority entrepreneurs to take advantage of new business opportunities to qualify for financing that will lead to high-level business growth through the provision of proper management skills. Currently, 60% of those served in our ECPs are minority women.

Entrepreneurs who qualify for the program receive individualized management assistance and group training services designed to increase their business acumen and ability to operate their businesses on a profitable basis, increase their market share and offer living wage employment opportunities to residents in their market area. Currently there are ten centers, which operate in Atlanta, GA, Chicago, IL, Cincinnati, OH, Cleveland, OH, Jacksonville, FL, Kansas City, MO, Los Angeles, CA, New Orleans, LA, Philadelphia, PA and Houston, TX (which was opened in 2011).

The overall program has shown steady growth since 2006.

- In 2006, the Centers provided 1,272 hours of management counseling and 1,777 hours of business skills training to 1,164 clients.
- In 2007, the Centers provided 4,102 hours of management counseling and 4,272 hours of business skills training to 2,182 clients.
- In 2008, the Centers provided 9,670 hours of management counseling and 9,424 hours of business skills training to 3,913 clients.
- In 2009, the Centers have provided 8,010.77 hours of management counseling and 7,113.50 hours of business skills training to 4,930 clients.

Given the current state of the US economy, more people are looking at entrepreneurship as a way to provide self-employment opportunities and be able to grow their businesses to a scale which would allow them to employ people in their community.

- In 2010, the Entrepreneurship Centers provided 10,911 hours of counseling and 11,242 hours of training services to 5,938 entrepreneurs. These services assisted entrepreneurs in receiving \$20.19 million in new contracts and financing during the year.
- In 2011, the Centers provided 12,146.92 hours of individual counseling and 19,341.25 hours of business training to 8,435 clients. The Centers were also successful in creating and saving 5,453 jobs and assisting clients in receiving over \$19 million in new contracts and financing, capping a very successful year.
- In 2012, the Centers provided 13,500.50 hours of business counseling and 23,137.03 hours of business training services to 9,987 clients. The Centers also assisted clients in receiving \$447,883,094 in new contracts and business financing, while helping to create 879 jobs.

### *Program Components*

The ECP combines direct entrepreneurial skills development assistance from business mentors with targeted referrals to insure that assistance received by entrepreneurs is specific to their skill level and needs. Components of the program are:

Management Skill Evaluation: Each program participant is evaluated to determine the type of assistance necessary and the source of that assistance.

Relationship Building: Each center develops relationships with outside resources that provide management and technical assistance in the areas such as idea development, operations management, business plan development, marketing, procurement and financing.

Strategic Group Deployment: The grouping of outside resource providers by skill level of clients to ensure that the client is receiving the necessary assistance from the proper resource.

Business Management Training: Clients receive group training sessions on business management topics that can advance their entrepreneurial skill level along with information on new business opportunities and financing options that can be accessed. Training sessions are held monthly through direct sponsorship or co-sponsorships with outside resource providers. Training session topics that are offered include:

- Developing a successful business plan
- Pre-venture business strategies
- Building and marketing your brand
- Conducting market analysis
- Assessing financing needs
- Steps to accessing prime and subcontracting
- Market Development
- Business Growth strategies
- MWBE Certification applications packaging
- Public/Private Sector Procurement matchmaker events

Selection of "Business Mentors": The ECP staff selects 'generalist' and 'specialist' skill set mentors, so that clients can benefit from a full range of management assistance.

Performance Evaluation: Center staff is responsible for monitoring the services of the Business Mentors and outside resource providers to ensure services delivered at the levels are beneficial to the clients.

Program Evaluation: Continuous evaluation of program components is provided and revision of any areas that show deficiencies.

Success of the program is contingent upon the development of a close working relationship between center staff, business mentors and resource providers. It is through these relationships that the development of the clients' entrepreneurial skills and the growth and development of their business model takes place.

All assistance is provided through a common framework and process:

- An assessment is performed
- A development level assignment is made for each client
- Assignment of the type and amount of service provided is based on the assessment
- Development of business skills and information training sessions that will enhance the client's ability to operate his/her business and provide information on new business opportunities and financing options that the client can access for the growth and development of the business
- The performance of "business mentors" and resource providers are assessed based on business results and client feedback

### **ECP Program Success Stories Involving Black Women-Owned Businesses**

Among the National Urban League's Entrepreneurship Center sites, the following provides some of the minority women business client success stories that have been the result of assistance that business owners have received from the Entrepreneurship Center programs.

#### Philadelphia Urban League

T. McCall's Electric and Plumbing is a small family owned company which was established January 1, 2007, as a partnership between three siblings, Tyrone, Terrance and Tisheba McCall. The business provides electric and plumbing services for residential and commercial properties in Philadelphia and the surrounding counties. The business is located at 4834 Old York Road, Philadelphia, PA 19141 in the Logan section of the city.

The company has contracts with the City of Philadelphia and Loews and also does private residential work for a range of customers. The contracts have been

ongoing and the company initially funded these contracts by borrowing from a New York city-based hard money factoring company.

Ms. Tisheba McCall, who is responsible for the company's finances, met Urban League Entrepreneurship Center consultant Chris Chaplin through a previous business relationship with the Philadelphia Industrial Development Corporation (PIDC) and requested assistance. Chris Chaplin recommended that Ms. McCall become an Urban League member which she subsequently did.

Mr. Chaplin met with Ms. McCall and ascertained that she needed help with the preparation of the businesses cash flow projections and the preparation of the loan request to PIDC. He assisted her with the preparation of the cash flow projections and the loan package. The company was subsequently approved by PIDC for a \$100,000 line of credit which will be used to support the City of Philadelphia contracts.

The company is now working on its minority certification and ULEC will be assisting her through that process as well as providing ongoing technical assistance as the company wins more contracts.

#### Houston Area Urban League

Doneika Mondaine is a client of the Houston Area Urban League Entrepreneurship Center and graduate of the Small Business Development Program.

When she first came to our Entrepreneurship Center she was working full-time searching for an outlet to help fulfill her dreams and aspirations as a business owner. Her goal was to open Juicy Measures, a lingerie company. Ms. Mondaine, like many of our other economic development clients, did not have the business acumen, network, or the technical resources to accomplish the task of entrepreneurship alone.

The affiliate enrolled her into our Small Business Development University Program. The program curriculum includes; Business Modeling, Marketing Principles, Marketing Strategies, Pricing Strategies, Human Capital and Business Technology Management, Legal Liability Issues, Record Keeping & Cash Management, Fundraising & Financial Management, Sales & Negotiation Strategies. Participants were held responsible for utilizing the facilitators, subject matter experts (SME), business mentors, and key technological resources to assist in learning and applying the course content to their businesses.

She completed 27 Hours of Business Development Training, business, customer model, business plan, and a formal business presentation. Upon making formal presentations to investors, bankers, senior executives and their business mentors, Doneika Mondaine and her fellow classmates were awarded certificates of completion through the Houston Area Urban League Economic Development training program. Doneika said, "I was so surprised and disappointed at the

negative responses and comments I received from people when I first came up with the idea of JM. To have a place like the Small Business Development University where people can relate to the same issues and support each other is a safe haven for entrepreneurs like me."

Since her completion of the small business program, we continually provide her with one-on-one counseling sessions to help develop and further grow her business. Through Juicy Measures, Doneika Mondaine's goal is to create bold collections that bring out the sexiness and confidence in every woman. Today, Doneika Mondaine is self-employed working for herself at Juicy Measures.

### Los Angeles Urban League

Happy Baby Vending provides healthy organic snacks and eco-friendly products such as diapers & wipes in vending machines for children 0-5 years old at family-friendly locations. Ericka participated in the Big Bang! Business Plan Competition hosted by UC Davis in Berkley, CA. Ericka has also been accepted as 1 of 50 women to the "Make Mine A Million \$ Business" Urban Rebound which is a business growth initiative for women business owners in the greater Los Angeles, Detroit and Charlotte, NC, regions funded by a grant from the Sam's Club Giving Program.

Urban Rebound was developed to bring 100 women business owners from each of these areas to \$250,000 in annual revenues within 12-18 months using a proven combination of professional business coaching and education, confidence building, and support from a strong community of peers. Stop by the Baldwin Hills Crenshaw Plaza near the food court and see Happy Baby Vending. Erica currently has vending machines in 5 locations with anticipation of 5 more in the next year.

### **Women Business Center Operated by the Urban League of Greater New Orleans**

Our Urban League of Greater New Orleans is a Small Business Administration (SBA) Women Business Center. The mission of the Women's Business Resource & Entrepreneurship Center is to aid in the creation of wealth and vitality of the region by assisting small business owners and aspiring entrepreneurs to develop, sustain, and grow business ventures.

The Women's Business Resource & Entrepreneurship Center (*The Center*), provides training, technical assistance and strategic business consulting services to owners of small and micro businesses. The Center operates in eight parishes throughout southeastern Louisiana. Since its inception in 2001, The Center has consistently provided diverse business services to some 700+ small business owners annually.

The primary goal of the organization is to empower small business owners and entrepreneurs, with an emphasis on businesses operating in low-wealth communities. Our approach is facilitated through three operating components:



education, training, and consulting, in addition to other resources that facilitate access to economic opportunity.

1. Business Education through diverse training resources
2. One-on-one strategic business consulting and coaching
3. Facilitation of economic opportunity & access to funding

An eight-module Entrepreneurial Training Boot Camp series, developed by staff is presented each month to individuals who are operating established small businesses or aspire to start new ventures. The seminars are designed and presented to provide the participants with exhaustive information and available resources necessary to start a new venture and to effectively operate and grow an existing enterprise. Other diverse training workshops and events are presented throughout the year addressing needs of the organization's clientele.

The Center offers personal consultations and coaching to its diverse business clientele. The consultations begin with a review of the business plan and a thorough assessment of the business' operations and proceed with the best course of action and advice for each individual business. Typically, the approach is one that is encroaching and comprehensive to foster the most successful outcome. Very often the interaction includes a collaborative effort among several members of the staff to embark upon the most effective course of action to accelerate the business's goals.

The Women's Business Resource Center operates with a staff of 5, including the Director, a Program Coordinator, 1 full-time and 2 part-time Business Advisors. Many business and banking professionals assist in facilitating some of the center's training workshops.

The organization remains active in its role of assessing the needs of minority and disadvantaged small business entities, especially as need relates to low-wealth neighborhoods and communities of color. At the forefront of our mission, the Center's work is prevalent in giving voice to underserved populations and advocating for fair and equitable policy on their behalf.

The Women's Business Resource & Entrepreneurship Center has developed numerous and diverse partnerships and affiliations with both public and private entities. These collaborative opportunities leverage the work we provide to our clientele, increases funding and investment opportunities and enhance the organization's credibility in the community, among other benefits. Partners include The U.S. Small Business Administration, Goldman Sachs 10,000 Small Businesses Initiative, Capital One Bank, Jacobs/CSRS (New Orleans School rebuilding economic inclusion initiative) and others.

Annual Service Stats	
Training Attendees	Approximately 800 at 90 Training Events
Clients Receiving Business Consulting/Coaching	300+ Clients 1100+ Hours of Counseling
No. of New Businesses Started	50+
Number of Jobs Created	100+
Number of Jobs Saved	35+
Funding Secured	\$2.5M+

A substantial number of the clients have achieved significant successes and business growth, including receipt of public and private contracts; commercial and micro loans; grants; referrals to other diverse business resources, i.e. mentorship opportunities, advanced education programs, investment prospects, available economic resources and new project opportunities etc., which has led to job growth and a boost in neighborhood economies throughout the region.

**SEE ATTACHMENT FOR THREE SUCCESS STORIES FROM THE URBAN LEAGUE OF GREATER NEW ORLEANS – WOMEN 'S BUSINESS RESOURCE AND ENTREPRENEURSHIP CENTER.**

## National Urban League Recommendations

In light of our experience through our Entrepreneurship Center Program and WBC, the National Urban League believes that the following recommendations will go a long way toward strengthening the entrepreneurial ecosystem for minority women:

- **“Unbundled Contracts”** – “Unbundling contracts” will be helpful in allowing more small- and minority-owned businesses to have the opportunity to bid on federal contracts. This should define the contract amounts at which unbundling will take place, and define what a small business concern is to clarify size standards. According to the National Urban League's *State of Urban Business, 2011* report, for young firms (5 years or less), the ability to expand the customer base beyond individuals and to conduct a larger share of business with other businesses and the government is critical to firm growth and survival<sup>14</sup>. To this end we would recommend language stating that, the small business size standards shall be those that have

<sup>14</sup> *State of Urban Business 2011: Metro Areas that Lead the Way*, National Urban League, December 2011.

been set by the US Small Business Administration and should be published on their web site for public viewing.

- **Increasing Federal Procurement Goals and Subcontracting Plan** – Increasing the federal procurement goals for small- and minority-owned businesses and the requirement of a subcontracting plan would need to include a non-federal monitoring system which ensures that each agency is working toward these goals. We recommend that monitoring should be performed by an independent non- profit or for- profit firm that has experience in the oversight of public procurement programs for small and minority business owners. This will provide an impartial overview of the program activities and can provide recommendations on how to make the program more effective if necessary. A good example of an independent monitor would be the Greater Baltimore Urban League which has been successful in monitoring and increasing small and minority business participation in public procurement in Baltimore over the past few years.
- **Access to Capital** – Access to capital is essential for starting and growing a business. Women-owned firms with revenues of \$1 million or more are more likely than any other women-owned firms to access commercial loans or lines of credit.<sup>15</sup> Yet, even these businesses lagged behind those run by men in accessing credit (56% of women versus 71% of men.) Women-owned businesses also tend to rely more on their business earnings as their primary funding source.

“Women start with less capital than men and are less likely to take on additional debt to expand their businesses,” according to the report *Women-Owned Businesses in the 21st Century*. “They are more likely than men to indicate that they do not need any financing to start their business. It is difficult to distinguish preferences from constraints in these data. For instance, women may encounter less favorable loan conditions than men or they may be less willing to take on risk by seeking outside capital.”

Women business owners can take advantage of existing financing options and resources designed specifically to serve them—provided they are aware that these resources are available. The key policy recommendations on access to capital are as follows:

- First, resource organizations such as SBA, MBDA could expand their outreach efforts to women business owners who need improved awareness of information resources on how to prepare to approach lenders and investors.

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<sup>15</sup> *Women-Owned Businesses in the 21st Century*, U.S. Department of Commerce Economics and Statistics Administration, for the White House Council on Women and Girls, October 2010, <http://www.esa.doc.gov/WOB>

- Second, resource organizations could improve their outreach efforts to women business owners who need an improved understanding of the different types of funding sources and the associated advantages and disadvantages of each program.
- **Federal procurement** – The set-aside has been in statute since 2000, so it is exciting news for women business owners that there will finally be a federal program to assist agencies in meeting the goal of awarding five percent of all federal contracts to women-owned small businesses. (In fiscal year 2009, women-owned small businesses received 3.68% of federal contracts.) To participate in the program, firms will need to either self-certify or be certified by a third party as a woman-owned small business. Despite the new requirement, some challenges remain that women business owners say they are eager for federal policymakers to address. They are as follows:

Policymakers could simplify the registration process for becoming eligible for government contracts by:

- Linking the Central Contractor Registration (CCR) system with other systems used by contracting agencies so that if a business is entered in this registry at [www.CCR.gov](http://www.CCR.gov), its information would automatically be updated in other systems. Linking these systems would greatly simplify the process and remove potential errors.
- Clarifying which certifications, registration numbers and NAICS codes are necessary for eligibility. Certification does not translate directly into business opportunities. Some women business owners in our Entrepreneurship Center program expressed dissatisfaction with having to declare themselves “disadvantaged” to be eligible for certain types of certification.
- Agencies and resource organizations could offer additional matchmaking events to increase access to subcontracting opportunities with government contractors. This is an effective activity for businesses just starting out in government contracting. In terms of winning contract business, a database listing has limited utility; high-touch marketing efforts and in-person networking and matchmaking events with prospective clients are keys to success.
- Participants in our Cincinnati affiliate's women certification program with experience in government contracting advised that instead of trying to start a company based on doing business with the government, women business owners should start by working as a subcontractor for another firm that has a large federal contract. They also noted that “government work” doesn't necessarily have to be for federal-level entities since cities,

counties and their respective departments can be much more accessible to smaller businesses seeking contract work.

- These participants also noted that registering on the CCR will help counter the fact that women-owned small businesses are “woefully under-reported” in certain statistics. Women-owned small businesses can stand up and be counted by entering themselves into the CCR if they meet all the requirements of a woman-owned small business.
- The National Urban League agrees with the President's proposed FY2014 SBA budget proposal to waive loan fees for 7a loans under \$150,000. These are the loans that many MBEs seek and waiving the fee makes these loans more attractive.
- We also strongly agree with expanding entrepreneurship training as this benefits all minority, including minority-women, business owners that are looking for information that helps them grow their businesses. We urge further that this training be provided by community based organizations that provide direct business management services such as the National Urban League Entrepreneurship Center program. Analysis of Kauffman Firm Survey data in our 2011 State of Urban Business report showed that black-owned firms were more likely to receive assistance sponsored by the SBA or a non-profit association for small businesses (16.4% and 15.5%, respectively)<sup>16</sup>.

Thank you for the opportunity to present our views and I will be pleased to answer any questions.

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<sup>16</sup> *State of Urban Business 2011: Metro Areas that Lead the Way*, National Urban League, December 2011.