

Will Holmes | Director of Outreach | Goldman Sachs 10,000 Small Businesses | Morgan State University

Good morning. My name is Will Holmes and I am Director of Outreach for the Goldman Sachs 10,000 Small Businesses program in Maryland and I am the Founder of WHC, a business management and technology consulting firm.

My testimony today will outline the fundamentals of the *Goldman Sachs 10,000 Small Businesses* program, briefly explain my role in Baltimore's entrepreneur ecosystem, and detail my observations on the challenges small, minority and women-owned business owners face when attempting to access capital.

Goldman Sachs 10,000 Small Businesses

Here in Maryland, the *Goldman Sachs 10,000 Small Businesses* program is facilitated by Morgan State University, Johns Hopkins University and the Community College of Baltimore County. I am based at Morgan State and I am contracted to promote the benefits of this highly effective program to business owners in Maryland who meet the following criteria:

- At least 2 years in business
- At least 2 employees (including the business owner)
- At least \$100,000 in revenue

After talking to me, Business owners apply online. If they meet the criteria, they are invited to an interview. If selected, they are placed in a Cohort and they become a Goldman Sachs Scholar. Once they graduate from the program, they are called Alumni.

There is no cost to be in the 11 week program. It is free. But there is a tremendous time commitment. Scholars are in class one full day per week and often meet outside of class to work on their growth plans and share ideas with the other scholars.

The program is intense and it is working! Across the U.S., *Goldman Sachs 10,000 Small Businesses* graduates are increasing their revenues and creating new jobs in their communities. Here are some statistics from Goldman Sachs:

- 99% of business owners who start the program, complete the program
- 67% of graduates report an increase in revenues after finishing the program
- 47% of graduates report creating new jobs in their communities
- 88% of graduates report that they do business with other graduates

When talking to graduates, I often ask them how the program has helped them. The most common answers usually include:

- *They have an appreciation for the peer-to-peer learning environment.* (They are often surprised that they were able to learn from business owners in other industries; but extremely happy that they had the opportunity to meet them and learn from them.)
- *They have a noticeable increase in their confidence.* (They are always very pleased with the knowledge they received and how that new knowledge has helped them to be more confident when negotiating, selling, hiring and leading their teams.)
- *They have a fantastic new network.* (They are usually ecstatic about the new trusted colleagues and new business partners they acquired by going through the program. Many mention that they have started an Advisory Board for their businesses and plan to fill their Board with the people from their cohort.)
- *They feel more ready to grow and hire staff.* (They often mention that before the program, how difficult it was to take the risk of investing in new hires; but now, they feel ready to hire and expand.)

The Scholar's investment is their time. But, the returns are a more sustainable business, higher revenue, the opportunity to employ more people in their communities and a new network of thousands of graduates across the

country. Plus, they have a better understanding of what is needed to attract investors and lenders when pursuing capital to grow their businesses.

Furthermore, the Goldman Sachs initiative brings attention and partnerships to the educational institutions that host the program. For example, our Referral Partners Program brings local banks and business organizations to outreach events on the Morgan State University campus. Partners are introduced to all the resources Morgan State University can offer in addition to the quality of the faculty and facilities. These new relationships are fantastic for creating employment pathways for graduates and internship opportunities for students.

The Goldman Sachs program teaches business owners how to work ON their businesses instead of working IN their businesses. The program also gives business owners the tools to create positive change in their communities through job creation. More jobs mean more stability in the community, a greater tax base and eventually better schools, more homeowners and a stronger local economy.

My role in Baltimore...

To give you some background about me, I am a business consultant. I opened WHC, my business management and technology consulting firm, in 2009. Our clients are government agencies, financial institutions, universities and growing companies in North America, Africa and Asia. Additionally, I am on the Board of Directors for the Baltimore City Chamber of Commerce. And I often partner with the U.S. Small Business Administration, Department of Commerce, the Department of Treasury and the Greater Baltimore Urban League to provide free training to new business owners and help connect them to new tools and growth opportunities. Additionally, I founded Baltimore Professionals and Entrepreneurs. BPE has over 5400 members and we have hosted over 800 professional development events since 2011.

So, as a consultant and business owner, I know first-hand the difficulties entrepreneurs have in qualifying for business capital.

Barriers to Accessing Capital

In my experience, the 2 greatest barriers for small businesses, to accessing capital, are:

- Lack of information
- Low credit scores

As for lack of information, Baltimore is rich in resources. So acquiring knowledge is possible if business owners took full advantage of consultants like me or utilized the SBA, Small Business Resource Center, The Small Business Development Center, The Urban League Entrepreneurship Center, The Baltimore City Chamber of Commerce, The Minority Business Development Agency or the dozens of incubators in the city.

But, I believe all business owners would benefit from more coordination between these state, federal and local resources. Also, better marketing of programs and some integrated case management would help push new entrepreneurs to fully utilize these services. I believe that, for first generation or minority or women entrepreneurs, the information they need to grow exists. We just need to develop a better system for connecting entrepreneurs to the knowledge they need to develop sustainable business models, access capital and pursue RFPs and contract opportunities.

But, low credit scores... That is a different problem. When it comes to low credit scores, my experience is that minority and women entrepreneurs usually do not lack moral character or have some insidious desire to be delinquent on payments. Instead, entrepreneurs often have low credit scores because of three simple reasons:

- **First, their biggest customers are late paying them.** I can attest, set asides and government contracts don't always mean smooth sailing for growing companies. Often business owners wait for months for

payments from large agencies or organizations, well past agreed upon 30 or 45 day net payment terms. When big clients are late paying a business owner, that business owner needs to go into savings or find other sources to pay their employees. Then, they wait to get paid by the client. That delay often causes business owners to be late paying their creditors. And of course, those late payments negatively affect their credit scores. Then, their bad credit scores and inconsistent income prevent business owners from qualifying for the loans or credit lines they need from banks to cover payroll, add staff, buy new equipment or pay fees. It can eventually reach the point where a business can't grow because they experience an artificial cap on their capacity that is set by their limited financial resources. Not because their service is poor or their products are inferior, it is because they don't have the money to market effectively, buy equipment, pay accountants and attorneys or make investments in their infrastructure. This also means they can't hire people from their communities and help grow the local economy.

- **Second, they have little to no accumulated assets or wealth-** Minority and women owned businesses often don't have adequate savings, investment accounts or wealthy family and friends to provide start-up cash or short term personal loans. And it is the nature of business, that unforeseen situations occur that cause slow periods or create emergency situations that require immediate attention. With no cushion provided by savings or go-to sources of short term capital, that business owner is forced to close temporarily or permanently, lay off staff and possibly stop the streams that are providing revenue. And of course, no assets and slow Account Receivables are not attractive to investors or lenders. As I've grown my business, I have met more wealthy business owners. Wealthy entrepreneurs throw money at their mistakes and emergencies and have the financial cushion to outlast the situation, then regroup and begin again. But, an underfunded business owner, without access to capital, must develop some long-term, complicated, bootstrap plan to dig themselves out of their situation. And if that doesn't work, another small business fails and the local economic ecosystem takes a loss.
- **Third, overwhelming debt...** Ideal debt-to-income ratios set by banks are hard to meet when business owners have high student loans and maxed out credit cards. Minority and women business owners often use their personal credit cards to start their businesses. But, if they run into slow periods or emergencies, which are normal in business, and they can't get additional funding, they max out their credit lines, tighten their belts, grind harder and cross their fingers in hopes of making it through until business picks up. But, if that doesn't work, they shut down and their employees, suppliers and community suffer. All due to lack of funding and no access to capital.

Conclusion

As a management consultant, I understand the need for financial institutions to limit risk and set standards to protect their shareholders. But, as a Baltimore business owner who works with thousands of Baltimore business owners, I also see how our local economy and communities suffer when small businesses are not able to grow and offer long term jobs to the thousands of residents who want to work and take better care of their families.

The *Goldman Sachs 10,000 Businesses* program offers an amazing opportunity to businesses who make over \$100,000 in annual revenue. Graduates come from diverse backgrounds and communities, and because of the opportunities the program affords, these business owners are adding jobs, positively affecting their communities and are prepared to access capital.

But, Baltimore entrepreneurs who haven't made \$100,000 yet need help also! To be successful, small, minority and women business owners need to better access available free and low cost resources and be better supported by legislators, lenders and investors. I believe greater access to capital is the key to stronger small businesses. And I firmly believe that stronger small businesses, who employ local residents, are a cornerstone in the foundation of healthier, wealthier and safer communities in Baltimore.

I want to thank you and the committee for allowing me to speak to you today. On behalf of Morgan State University and the *Goldman Sachs 10,000 Small Businesses* program, I am happy to answer any questions you may have. Thank you.