

Stimulating Small Business Growth

Progress Report on
Goldman Sachs 10,000 Small Businesses

Developed by Babson College



BABSON



This report presents findings collected through the *10,000 Small Businesses* measurement and evaluation system, which helps to facilitate the program's continuous improvement. It also allows the program delivery team to learn from the program participants, their businesses and changes that occurred over the course of the program and at specific intervals after completion. This report includes data collected from more than 2,300 program participants.



Executive Summary

Goldman Sachs *10,000 Small Businesses* works at the intersection of entrepreneurship and economic development. By the end of March of 2015, the program had reached over 4,600 small business owners across 44 states, as well as four sites in the United Kingdom. Alumni consistently report that the program helped them acquire the skills necessary to grow their businesses — and that their businesses grew.

The educational approach is practical and links a peer-to-peer driven classroom experience with business support services. The curriculum's design drives participants to examine their assumptions about their business growth, change their attitudes on how to approach growth, and adapt their business practices to meet their goals of increased revenues and job creation.

**BY THE END OF 2014
THE PROGRAM HAS
REACHED OVER
4,600
SMALL BUSINESS
OWNERS
ACROSS 44 STATES**

The public discourse about the economic role of small businesses and their broader contribution generally focuses on the number of start-ups and failures, with some attention paid to these businesses as job creators. Notably, according to the Small Business Administration, between 1993 and

the middle of 2013, small firms created 63% of net new jobs. And, indeed, *10,000 Small Businesses* is a program for existing small businesses seeking to grow, not start-ups.

There is limited national data available that accounts for both the business and the business owner. This report offers three unique contributions. First, it does focus on both the business and the business owner in order to understand how people grow businesses. Second, it adds the responses of an additional 1,000 small business owners to the sample used for the previous report and, therefore, gives us the opportunity to evaluate our previous conclusions. And third, it reports on data from the program alumni 18 months after they completed the program, allowing us to track behavioral changes and growth outcomes over a longer period of time.

REVENUE GROWTH AND JOB CREATION

A key finding is that most participants in *10,000 Small Businesses* grow their business revenues. At six months, 66.8% of the respondents reported revenue growth. The growth rate across all respondents was 49.8%. When including only those that grew, the average growth rate was 85.0%. This report adds the more extended follow-up data, showing that, by 18 months after the program, 76.0% of the alumni have grown their revenues. At this point in time, the average growth rate is 60.8% across all participants and, for the 76.0% who were “growers”, the average amount of growth is 88.0%. While national comparisons are difficult to find, one point of reference is a national rate of 45% of U.S. businesses reporting increased revenues.¹

¹ The National Small Business Association (NSBA) 2014 Year-End Economic Report. (2014). Retrieved March 16, 2015 from <http://www.nsba.biz/wp-content/uploads/2015/02/Year-End-Economic-Report-2014.pdf>

Job creation is also strong, with 46.2% of the business owners reporting that they had created new jobs by six months after completion of the program, and 57.1% creating new jobs by 18 months. The average rate of job creation across all participants at six months is 26.5% and at 18 months was 78.6%. And, for businesses that created any jobs, they generally created at a significant pace. Of those that created new jobs, the average increase (how much they grew) by six months was 77.6%. By 18 months, the average job increase for those that grew was 155.0%. Overall, these numbers can again be compared with the 22% average job creation statistic for the United States.²

CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS AND GROWING BUSINESSES

The extent of business growth varies across characteristics of the business owners and the businesses. For instance, research has for years generally shown that women owned/led businesses tend to stay smaller than those owned by men. The reason driving this difference is the topic of much debate. The data from *10,000 Small Businesses* adds fuel to the debate by showing that, at six months, the percentage of women and men who grow their revenues is actually the same (67.0%). However, a difference does emerge by 18 months, with 73.7 % of women reporting revenue growth as compared with 78.2% of the men. The historic pattern seems to be continuing here with respect to long-term revenue growth.

Differences are also seen across industries. At six months, the largest numbers of businesses reporting growth in their revenues are found in transportation and warehousing (73.1%), retail trade (72.9%), and accommodation and food services (72.2%). The sectors with the largest percentage of participants that added jobs are finance and insurance (66.7%) and other services³ (62.5%). At 18 months, the picture had changed somewhat. The sectors with the highest percentages of revenue growth are other services (100.0%), real estate and leasing (87.5%) and manufacturing (85.0%). For job growth, other services (100.0%) and finance and insurance (83.3%) are quite far ahead of any other sector.

Certain behavioral changes on the part of the business owner are also seen as vital for business growth. These include small business owners changing their approach to business collaboration, best practices for using financial statements,



LETICIA POLLOCK PANTHER COFFEE MIAMI

Leticia is the co-founder of Panther Coffee, which sources, roasts and prepares fine coffees for both wholesale and retail customers. Since joining *10,000 Small Businesses*, her company has added 20 new jobs (growing by 60%) and doubled revenues, all while expanding into three new locations.

identification of growth opportunities (new products, services, and/or markets), and the ways in which small business owners recruit and retain employees.

Capital fuels business growth, and, therefore, another question of interest is about the relationship between business growth and seeking capital. Differences emerging from the 18-month data suggest a relationship between seeking external capital and business growth. As seen throughout this report, we measure growth in four ways: 1) the percentage of business owners who grew revenue, 2) the percentage increase in their revenues, 3) the percentage of business owners who created jobs and 4) the percentage increase in their jobs created. Business owners who applied for capital had larger growth numbers in each of these categories than those who did not apply for capital. Most strikingly, those business owners who acquired capital created 33.0% more jobs than those who did not acquire capital.

² Ibid.

³ The other services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. Retrieved April 6, 2015 from <http://www.bls.gov/iag/tgs/iag81.htm>

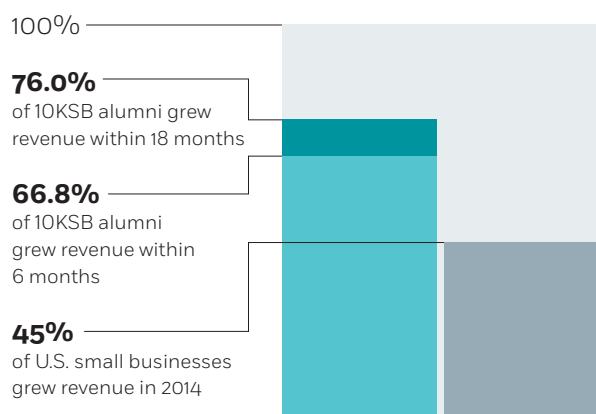


Additionally, we see:

- 84.1% of the graduates report collaborating with each other at graduation, 66.2% at six months, and 63.7% at 18 months. In general, increased collaboration led to more instances of business growth.
- Notably, alumni who opened new markets or expanded existing ones reported growing more often than those launching new products or services.
- Businesses who reported discontinuing selling an unprofitable or ineffective product or service were more likely to grow revenues (83.0%) and create jobs (58.0%) at 18 months than average alumni.
- The number of businesses exporting is small, 2.3% at baseline, though it more than doubles by 18 months. The number of those who are expanding their existing location doubles (6.1% to 12.6%), the number of new locations opened almost triples (5.4% to 15.3%), and business relocations triples (4.1% to 12.3%). Businesses who reported any of these at 18 months reported revenue and job growth more often than program average.
- The use of the income statement grows during the time away from the program. Just under three-quarters (73.1%) of the business owners entering the program reported that they use income statements. Six months after graduation, 87.0% reported using them and 87.4% reported using them 18 months after the program. Overall, the percentage of businesses that do not use any financial statement fell from 11.4% when entering the program, to 1.5% 18 months after graduating.
- The percentage of businesses providing on-the-job training and career planning for employees rises after businesses complete the program. At 18 months, revenue growth is seen more often by business owners who provide written performance reviews to employees and formal succession plans.

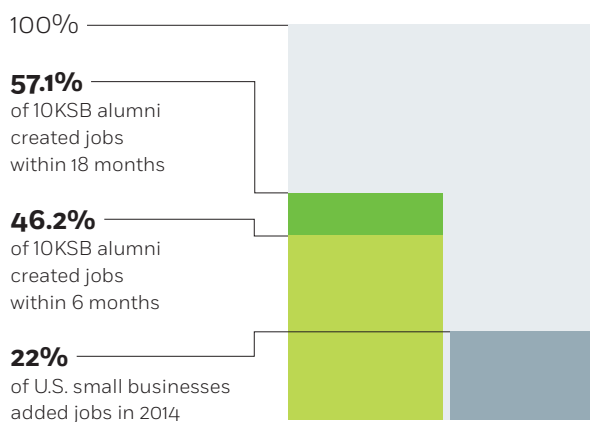
Revenue Growth

10KSB Alumni vs. U.S.



Job Creation

10KSB Alumni vs. U.S.





The number of participants providing medical and/or dental coverage for all or most employees increased by more than 10% over the course of this study, from 32.4% at baseline to 42.8% at 18 months, with an additional 20.2% providing this coverage for some of their employees. Together, these alumni more often reported growing revenues than average alumni.

PROGRAM DESIGN

10,000 Small Businesses is a \$500 million initiative that provides entrepreneurs who actively want to grow their businesses with educational resources, business advising and enhanced opportunities to access capital. The Goldman Sachs Foundation has committed \$200 million to fund business owner training at partner community colleges and other educational institutions, as well as faculty training and technical assistance to help build the entrepreneurial support capacity of each program partner. With the help of these partners, small business owners receive a practical and actionable education that focuses on the skills they can immediately apply to the growth of their businesses. For the capital component, \$300 million has been allocated nationally for a combination of lending and philanthropic support to nonprofit Community Development Financial Institutions (CDFIs) and

Small business owners receive a practical and actionable education.

other mission-driven small business lenders. The investment increases the amount of growth capital available to small businesses in underserved communities and expands the capacity of mission-driven lenders to deliver financing and technical assistance to small businesses.

The program includes a network of more than 100 local and national partnerships. These partners include members of the *10,000 Small Businesses* Advisory Council, which is co-chaired by Goldman Sachs chairman and CEO Lloyd Blankfein, Bloomberg L.P. founder, president and CEO, and 108th Mayor of the City of New York Michael R. Bloomberg, Berkshire Hathaway chairman and CEO Warren Buffett, and Harvard Business School and the Initiative for a Competitive Inner City's Dr. Michael Porter.

The program is supported by an academic partnership with Babson College, whose team leads on curriculum design and development, faculty and business advisory training, alumni services and

program measurement and evaluation. Babson works with community colleges and other higher education institutions that offer their expertise in teaching adult learners, supporting entrepreneurship programs and servicing the communities targeted by the program. The Initiative for a Competitive Inner City is another key program partner, providing nationwide support in administering the program's admissions process. In addition, *10,000 Small Businesses* partners with local and national business development organizations, which recruit small businesses to join the program and provide technical assistance for participants on a range of business growth topics.

10,000 Small Businesses has now grown to include thirteen education delivery sites across the United States. These program sites include the metro areas of Chicago, Cleveland, Dallas-Fort Worth, Detroit, Houston, Long Beach, Los Angeles, Miami, New Orleans, Philadelphia, New York, Salt Lake City and the national cohort hosted by Babson College in Wellesley, Massachusetts. In addition, *10,000 Small Businesses* capital is available in Georgia, Kentucky, Maine, Montana, Oregon, Virginia and Washington.

10,000 Small Businesses is committed to a strong measurement and evaluation system that provides information to guide continuous improvement of the curriculum and the delivery model, and tracks the outcomes of the business owners who participate in the program from the time they start the program, at graduation, and at six and 18 months after program completion. The 2013 progress report for *10,000 Small Businesses* was released in early 2014 and contained responses from approximately 1,300 graduates based on when they entered the program, and a subset of those six months after graduation. This second report features data collected from over 2,300 respondents and gives us the opportunity to evaluate our early assumptions using a sample size almost double that of the first publication. This report also has an additional follow-up data point, 18 months after graduation.

The value of the program to the participating small business owners can be evaluated through a number of measures. First, the completion rate of the programs offered at the thirteen education sites across the United States remains 99% and the completion rate for the blended learning national cohort is 94%. We also ask the scholars if they would recommend the program to their families and friends. Based on their feedback, *10,000 Small Businesses'* Net Promoter Score is +91.4, an extremely high measure of program satisfaction.

BEYOND 10,000 SMALL BUSINESSES

The impact of this program can be seen not only for the individual business owners and their families, but also in the entrepreneurial ecosystem by considering how participating communities change their approach to entrepreneurship education. *10,000 Small Businesses* is a partnership program and works closely with community colleges and other schools of higher learning across the country with the goal of enhancing their approaches to teaching entrepreneurship and supporting their local entrepreneurship ecosystem. Over the course of the past year, several of our partners have received recognition for their work in this area.

- New York State awarded LaGuardia Community College \$5 million to build a *10,000 Small Businesses* Education Center.
- Miami Dade College launched its Idea Center, which focuses on entrepreneurship through a portfolio of programs.
- The City of Houston awarded *10,000 Small Businesses* the Program Partner of the Year award.
- Long Beach Community College received the NACCE (National Association for Community College Entrepreneurships) Entrepreneurial College for 2014.

84%
**OF GRADUATES
DO BUSINESS
WITH EACH OTHER**

Overall, Goldman Sachs *10,000 Small Businesses* continues to contribute to the growth of U.S. small businesses, and to demonstrate the impact of providing a targeted approach to entrepreneurial development that meets the growth needs of a very broad array of small business owners and their businesses.

Where Entrepreneurship Meets Economic Development

Small businesses remain the drivers of the national economy. According to the Small Business Administration, between 1993 and the middle of 2013, small firms created 63% of net new jobs against a backdrop of a range of economic conditions.

In just the second quarter of 2014, small firms (under 250 employees) produced approximately 60% of net new growth.⁴ This pattern holds for all of 2014, with smaller firms producing 58% of all new jobs (36% produced by firms with 1-49 employees plus 22% produced by firms with 50-249 employees).⁵ Overall,

since the end of the recession (from mid-2009 to mid-2013), small firms accounted for 60% of the net new jobs, with most of those jobs created by firms with 20-499 employees.⁶

Most know that small businesses create more jobs, yet the immediate economic context in which they operate is often less well understood. The Small Business Administration (SBA) provides an annual updated FAQ sheet that provides a helpful overview of the actual role of small businesses in the economy. According to the SBA, small businesses make up:

SMALL BUSINESSES MAKE UP:

99.7%

OF U.S. EMPLOYER FIRMS

63.0%

OF NET NEW PRIVATE-SECTOR JOBS

48.5%

OF PRIVATE-SECTOR EMPLOYMENT

- 99.7% of U.S. employer firms
- 63% of net new private-sector jobs
- 48.5% of private-sector employment
- 42% of private-sector payroll
- 46% of private-sector output
- 37% of high-tech employment
- 98% of firms exporting goods
- 33% of exporting value⁷

Overall, while the U.S. economy consists of almost 28 million businesses, less than 1% have more than 500 employees, 78% (22 million) have no employees other than the business owner, 13% employ between one and four people, and another 8% employ between 4 and 20. In short, most of the businesses in the United States (approximately 98%) employ fewer than 20 people.⁸

It is also helpful to remember that the U.S. economy is dynamic in its very nature. Businesses start,

⁴ Retrieved April 6, 2015 from U.S. Bureau of Labor Statistics <http://www.bls.gov>

⁵ Retrieved April 6, 2015 from U.S. Bureau of Labor Statistics Business Employment Dynamics – Second Quarter 2014. (2014). <http://www.bls.gov/news.release/pdf/cewbd.pdf>

⁶ Retrieved April 6, 2015 from U.S. Bureau of Labor Statistics Business Employment Dynamics – Second Quarter 2014. (2014). www.sba.gov/advocacy/10871

⁷ U.S. Census Bureau, SUBS, CPS; International Trade Administration; Bureau of Labor Statistics, BED; Advocacy-funded research, Small Business GDP: Update 2002- 2010. Retrieved April 6, 2015 from www.sba.gov/advocacy/7540/42371

⁸ U.S. Small Business Administration. Small Business Trends. Retrieved April 6, 2015 from <http://www.sba.gov/content/small-business-trends>



grow, shrink and close for many reasons, and not necessarily in that order. According to the SBA, approximately 10-12% of employer firms open every year, and about the same percentage close. While business “failure” rates are often bandied about, there is no definitive government data on “failures.” Business bankruptcies are reported and business discontinuances are reported.⁹ However, we are not able to determine which personal bankruptcies are due to business expenses, and we are not able to tell the reasons for business discontinuance. A discontinuance might be a result of a sale, merger or simply retiring and closing the business with no outstanding debts. It’s an ambiguous picture at best. What our government data does tell us is that 80% of businesses are still there at the two-year point, approximately half are still there at five years, and approximately one-third are still there at the 10-year point. These rates have been quite consistent over several decades.

By virtue of meeting the program entrance requirements (four or more employees), 10KSB participants have already grown more than most businesses in the United States.

The aggregate numbers are interesting; however, they mask the great variability seen when examining U.S. small businesses based on the different demographics of the business owners and those of the businesses. For example, 28.8% of U.S. businesses are majority-owned by women, 51.3% are majority-owned by men, and an additional 17.0% are owned equally by men and women, yet it is rarely recognized that this means that women own at least half (50% ownership) of 46% of U.S. companies.¹⁰

⁹ Small Business Association. Frequently Asked Questions Retrieved March 31, 2015 from https://www.sba.gov/sites/default/files/advocacy/FAQ_March_2014_0.pdf

¹⁰ *Ibid* (Numbers do not add up to 100% due to rounding).



CARLA WALKER-MILLER WALKER-MILLER ENERGY SERVICES DETROIT

Carla Walker-Miller is president and CEO of Walker-Miller Energy Services, an energy solutions company. Since joining *10,000 Small Businesses*, her company has added 14 new jobs (growing by 50%) and increased annual revenues by over 27%, all while securing a contract with the Detroit Public Lighting Authority to provide LED lighting for the highways in Detroit.

services led the way (721,000 new jobs), followed by education and health (507,000), and leisure and hospitality (466,000).¹⁴

Understanding the overall makeup of the U.S. economy, the small business owner's role in it, and his or her contribution to it is an important part of the *10,000 Small Businesses* curriculum. Most of the participating small business owners are shocked to realize that, just by virtue of meeting the program entrance requirements (four or more employees), they have already grown more than most businesses in the United States.

The basic ownership structure is often different than the one imagined. However, the difference in business size based on the owner's gender is significant, with businesses owned by men reporting average annual revenues of \$570,000, women-owned businesses generating \$130,000 and equally-owned businesses generating \$240,000.¹¹

The age of the business owner is also of increasing interest, especially at the two ends of the continuum: youth entrepreneurship and self-employment among those over 65 years old. Between 2002 and 2012, youth self-employment (entrepreneurship by those younger than 25 years old) decreased 23% while self-employment among those older than age 65 increased by 66%.¹² Understanding who is involved in starting and growing businesses provides the foundation for the development and provision of more supportive entrepreneurial ecosystems.

When it comes to the demographics of the business, the industrial sector is usually the first thing considered, especially with regards to job creation. U.S. businesses are widely distributed across industry categories, with retail as the largest category (14.3% of businesses), followed by professional, scientific and technical services (11.6%) and healthcare and social assistance (11.2%).¹³ After these categories, no other sector contains more than 10% of U.S. businesses. The question of interest for us: Where are the jobs being created? Of the more than 2.74 million nonfarm jobs created in 2014, professional

¹¹ *Ibid*

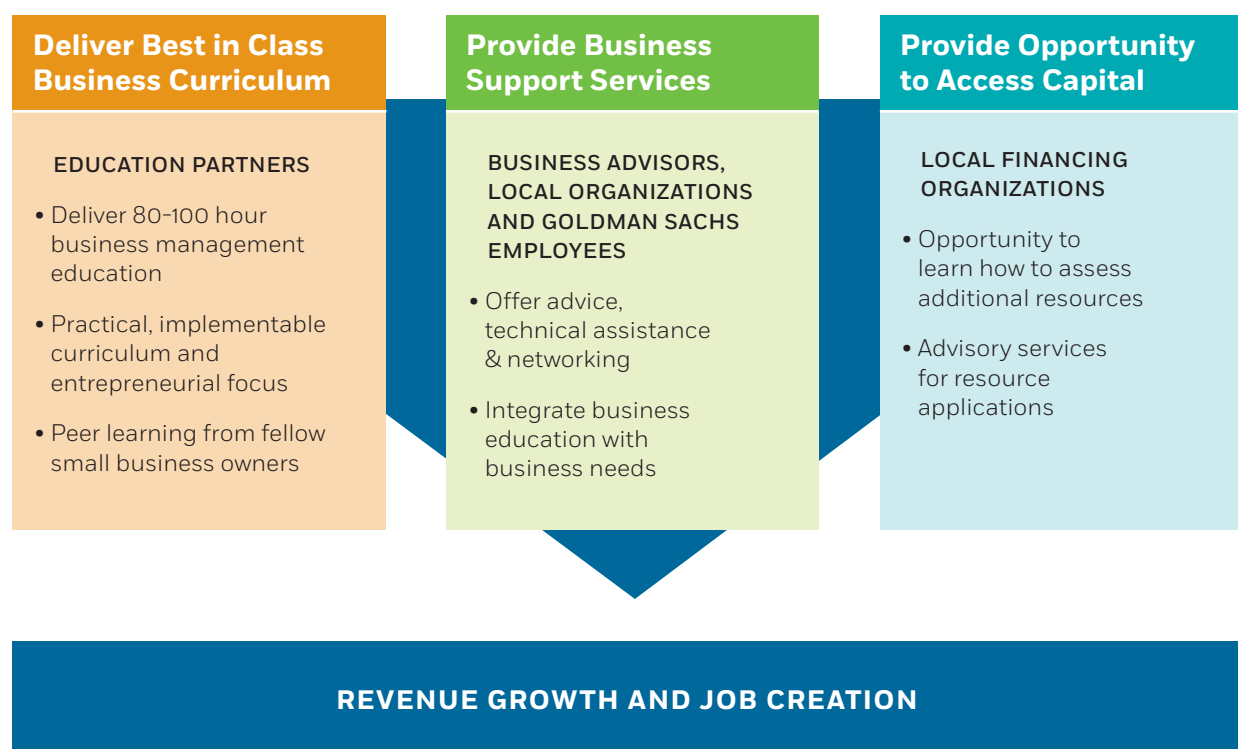
¹² *Ibid*

¹³ U.S. Census Bureau, U.S. Department of Commerce, American FactFinder Business Patterns. (2012). Retrieved April 6, 2015 from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=BP_2012_00A1&prodType=table

¹⁴ The Atlantic and U.S. Department of Labor. Bureau of Labor Statistics. Retrieved on April 6, 2015 from <http://www.bls.gov/news.release/empsit.t17.htm>

What is *10,000 Small Businesses*?

10,000 Small Businesses is a \$500 million commitment by Goldman Sachs and The Goldman Sachs Foundation designed to unlock the growth and job creation potential of small businesses across the United States.



The program is based on the broadly held view of leading experts that greater access to a combination of education, capital and business support services best addresses the barriers to business growth. *10,000 Small Businesses* was announced in November 2009, and the first class was held in April 2010.

For the education component, the Goldman Sachs Foundation has committed \$200 million to fund business owner training at partner community colleges and other educational institutions, as well as faculty training and technical assistance to help build the entrepreneurial support capacity of each program partner. Through these partners, the small

business owners receive a practical and actionable education that focuses on the skills they can immediately apply to the growth of their businesses.

For the capital component, \$300 million has been allocated nationally for a combination of lending and philanthropic support to nonprofit Community Development Financial Institution (CDFI) Loan Funds and other mission-driven small business lenders. The investment increases the amount of growth capital available to small businesses in underserved communities and expands the capacity of mission-driven lenders to deliver financing and technical assistance to small businesses.

10,000 SMALL BUSINESSES

PARTNER NETWORK

10,000 Small Businesses is designed to guide small business owners in the development of a growth plan and the immediate implementation of that plan to increase their revenues and grow their businesses. Given that this is an economic development program, there is an equally strong focus on the creation of new jobs.

The program includes a network of more than 100 local and national partnerships. Each partner organization shares his or her expertise to best serve the small business owners enrolled in the program. These partners include members of the *10,000 Small Businesses* Advisory Council, which is co-chaired by Goldman Sachs chairman and CEO Lloyd Blankfein, founder, president and CEO of Bloomberg L.P. and the 108th Mayor of the City of New York Michael R. Bloomberg, Berkshire Hathaway chairman and CEO Warren Buffett, and Harvard Business School and the Initiative for a Competitive Inner City's Dr. Michael Porter.

The program is supported by an academic partnership with Babson College, whose team leads on curriculum design and development, faculty and business advisory training, alumni services and program measurement and evaluation. Babson works with community colleges and other higher education institutions that offer their expertise in teaching adult learners, supporting entrepreneurship programs and servicing the communities targeted by the program. The Initiative for a Competitive Inner City is another key program partner, providing nationwide support in administering the program's admissions process. In addition, *10,000 Small Businesses* partners with local and national business development organizations, which recruit small businesses to join the program and provide technical assistance for participants on a range of business growth topics.

Across these partnerships, the investment by *10,000 Small Businesses* is designed to increase each organization's capacity to serve small business owners beyond the scope and duration of any small business owner's participation in the program. By bringing together educational institutions, business development organizations and lenders, as well as professional service firms and local governments, *10,000 Small Businesses* is helping to develop local entrepreneurship ecosystems.

INSIDE THE PROGRAM

The comprehensive suite of services included in *10,000 Small Businesses*—an entrepreneurial education focused on business growth, integrated with business support services and the opportunity to access capital—drives the program's impact on the small business owners who participate and on economic growth more broadly. The education the participants receive is critical and is carefully designed in terms of both content and the means and methods of delivery. Thus the program is driven by a practical curriculum and a supportive, peer-to-peer learning environment. This curriculum is updated periodically through a review process that includes feedback from the participating small business owners and members of the program delivery teams from across the country. As such, it stays current in both content and teaching approach.

The *10,000 Small Businesses* Advisory Council is co-chaired by Lloyd Blankfein, Michael R. Bloomberg, Warren Buffett and Dr. Michael Porter.

Babson College, ranked by *U.S. News and World Report*, *The Princeton Review*, and *Entrepreneur* magazine as the number-one entrepreneurship program in the country,¹⁵ and by the *Financial Times* as the top graduate program for entrepreneurship in the world,¹⁶ led the design and development of the *10,000 Small Businesses* academic program, including the integration of the curriculum and the business advising approach. In addition, Babson College has trained almost 250 faculty and staff members to be local education program partners. The American Association of Community Colleges, LaGuardia Community College, Long Beach City College and Los Angeles City College informed the program's design and provided guidance on teaching adult learners from a variety of educational and geographic backgrounds. The national curriculum was first piloted in 2010 with Long Beach City College and Los Angeles City College in Southern California.

¹⁵ Retrieved on January 14, 2015 from <http://www.babson.edu/news-events/babson-news/Pages/140916-princeton-review-entrepreneur-magazine-ranking.aspx>

¹⁶ *Financial Times*. Rankings List. Retrieved April 6, 2015 <http://im.ft-static.com/content/images/8d2c407e-a164-11e4-bd03-00144feab7de.pdf>

Network of Partners

The program includes a network of more than 100 local and national partnerships. Each partner organization shares its expertise to best serve the small business owners enrolled in the program.



10,000 Small Businesses Delivery Sites

The program is available to business owners nationwide

■ **LOCAL PROGRAM LOCATIONS**

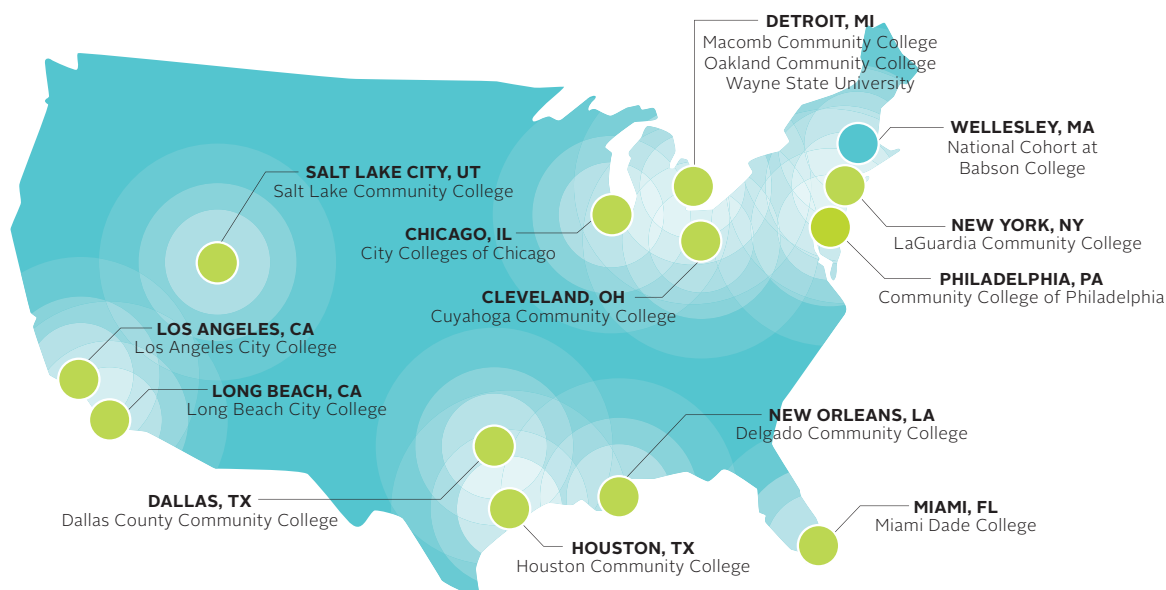
■ **NATIONAL PROGRAM RECRUITS ACROSS THE U.S. AND IS TAUGHT ONLINE AND AT BABSON COLLEGE**

CAPITAL LOCATIONS:

Capital is available to program graduates across the entire United States.

Additionally, capital is available to other small business owners in all of the following states:

California, Georgia, Illinois, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Montana, New York, Ohio, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington.



The pilot program was based on five guidelines that remain in place today:

1. Focus on entrepreneurial growth, with an emphasis on the creation of new jobs in order to have an impact both on individual businesses and the local economy
2. Emphasize a peer-to-peer learning environment where each participant brings his or her current business opportunities and challenges into the classroom and immediately applies what they learn to their business
3. Design a program that is highly scalable
4. Directly connect and integrate the curriculum to business support services and the opportunity to access capital
5. Measure and evaluate business owners' progress and curriculum efficacy

10,000 Small Businesses has now grown to include thirteen education delivery sites across the United States. These program sites include the metro areas of Chicago, Cleveland, Dallas-Fort Worth, Detroit, Houston, Long Beach, Los Angeles, Miami, New Orleans, Philadelphia, New York, Salt Lake City and

10,000 Small Businesses is available nationally to all business owners in the U.S.

the national cohort hosted by Babson College in Wellesley, Massachusetts. In addition to its availability in the communities with an education site, at the time of publishing, *10,000 Small Businesses* capital is available in parts of Georgia, Kentucky, Maine, Montana, Oregon, Virginia and Washington.

THE CURRICULUM: EXPANDING WITH NEW MODELS

The curriculum is the core strength of the program and is delivered in a high fidelity manner at each site. The approximately 100-hour, three- to four-month curriculum is delivered in a combination of full-day modules and evening clinics with thematic and integrated topics such as Growth and Opportunity, Money and Metrics and It's the People, rather than through free-standing traditional business

10,000 Small Businesses Curriculum

The approximately 100-hour, three- to four-month curriculum is delivered in a combination of full-day modules and evening clinics



disciplines. This approach allows participating small business owners to focus on identifying and taking the actions they need to grow their businesses. The *10,000 Small Businesses* curriculum is built on the foundations of peer-to-peer learning and integrates business advisors who have been trained in this particular growth methodology. Every exercise and activity in the program is explicitly designed to allow participants to immediately practice and apply what they are learning to their businesses. Participants consistently report making changes to their businesses during the program, while bringing their own experiences into the classroom to help their peers make changes.

In 2014, a national version of the curriculum was introduced to expand the reach of the program beyond the commuting distance of any partner community college by blending online and offline learning. Babson College recast the existing curriculum into a model that is delivered online and through face-to-face sessions on the Babson campus. The design goal was to maximize the use of the existing, proven *10,000 Small Businesses* approach. Each session of the curriculum

was analyzed to determine the better delivery method—online or face-to-face. The final version retained 100% of the content areas and is delivered in a blend of approximately 75 hours of face-to-face time and 25 hours of online meetings and assignments. The participants begin their work online, including starting to build the community of their cohort. These weeks are a combination of synchronous and asynchronous work and are targeted towards analyzing the existing company and beginning the identification process for new business opportunities. All participants then travel to Babson College for four intense days combining peer learning with direct application to each of their businesses. This face-to-face week is followed by an online intersession that includes new content, as well as time devoted to work on a growth plan. The final portion of the blended model is an additional four days at Babson to dive even more deeply into the operations and management of their companies and concludes with a final pitch about their plans for growth.

The program is taught by members of the community college delivery teams from around the country, each of whom received additional training

National Program Curriculum

- Online
- In Class

ORIENTATION

1. Diagnostics and Skill Sets
2. Financial Statement Construction
3. Entrepreneurial Growth
4. Building Out Opportunities
5. You Are the Leader
6. Marketing & Selling
7. Opportunity Assessment & Readiness
8. Operations and Processes
9. Forecasting for Growth
10. Sales Tactics & Selling
11. It's the People
12. Process and Operations
13. Action for Growth 1
14. Action for Growth 2

In 2014, a national version of the curriculum was introduced to expand the reach of the program beyond the commuting distance of any partner community college.

for online education. In addition, the business advising system for the participants in the blended model has been adapted to be entirely virtual, working through both individual and group coaching sessions. And, finally, the participants go through the program in assigned growth groups that meet continuously throughout the course of the program, both virtually and face-to-face.

For both delivery models, the program curriculum requires each participant to complete and present a business growth plan to graduate. Quite unexpectedly, especially given the time required for participants to be in the program and away

from their businesses and the rigor of the program work, the program continues to maintain a 99% graduation rate for the programs delivered at local sites. Equally surprising is that the retention rate for the first two cohorts of the blended model is 94%, an exceptionally high number for any blended educational program. Across the program, if a participant starts the program, it is rare for her or him not to finish the program. This completion aspect is particularly important for the program's success (given the emphasis on peer-to-peer learning) since it has implications that go beyond individual retention to affect the overall learning experience for all participants.

Participants start the process of developing their growth plans quite early in the program. Each individual works with an assigned business advisor to first identify and evaluate opportunities for growth and then create the corresponding growth plan. These plans are tools, specifically designed for the *10,000 Small Businesses* program, that include all the components of a traditional business plan, but are more tactical, timelier and, importantly, more personal. It is the personal aspect that captures the business owner's motivation, vision and level of commitment. As the curriculum progresses, each module and clinic influences the development of the growth plan. One of the most unique aspects of the program is the time and care spent on the identification of a new business opportunity. While improving the business in general is important, it is not considered the primary pathway to growth. Instead, all participating business owners are instructed to approach their opportunity as one that 1) solves a customer pain, 2) is a new product, service or market, 3) builds on a capability that already exists in the company, 4) has a business model that can be profitable and 5) fits with the personal values and visions of the owner.

Given the personal nature of the program, the manner in which the participants are organized for program work also makes a difference for their learning experiences. Each class of business owners is arranged in several growth groups from the very beginning of their cohort. As growth group members, they become one other's primary peer support for growth plan development. The growth groups share and critique ideas and provide support for each participant to fully explore and develop his or her plan. Notably, the growth groups are specifically organized to provide for business diversity—by industry, size, stage, market and age—to promote innovative and expansive thinking about business growth.



THE PROGRAM
MAINTAINS A
99%
GRADUATION RATE





The growth groups and peer-to-peer learning environment are fundamental to the efficacy of the program, serving to leverage participants' shared objective to grow their businesses, increase revenues and create jobs. To support that objective, the initial curriculum design was guided by the premise that entrepreneurship is behavioral, which means that business growth is achieved by taking action steps. The *10,000 Small Businesses* curriculum promotes these action steps through training on how to identify and evaluate entrepreneurial opportunities, acquire and organize resources and provide authentic and entrepreneurial leadership.

BUSINESS SUPPORT SERVICES

The experience and perspective of the dedicated *10,000 Small Businesses* business advisors play a crucial role in supporting the success of each participant. As with the *10,000 Small Businesses* curriculum, the advising element of the program focuses on a practical, direct and immediately applicable approach. The advisors deliver a combination of advice, guidance and coaching, which culminates in the business owners' development of the growth plan.

Each participant is offered at least five sessions with his or her business advisor. Most sessions are one-on-one, while others may occur with members of a participant's growth group. The business advisors also attend every curriculum session, partnering with the faculty members to ensure that all program participants can apply their new knowledge in order to grow. Program faculty and business advisors work together to review the growth challenges of each business owner and suggest specific community

A key element of the program's business support services is improving the participants' ability to access capital.

resources that participants might use to target those challenges. This approach also helps participants to understand the range of resources in their community and the most effective ways to use them both during the program and after graduation.

One of the most important elements of the program's business support services is improving the participants' ability to access capital. Building largely from the curriculum module, "Being Bankable" and the clinic, "You Are the Lender", the business advisors work with participants to make them aware of the different sources of capital potentially available to them, with particular regard to what might best fit their growth goals. As part of this exercise, the program invites different types of financial institutions to share with participants what they look for in a borrower or in an equity investment. In addition, *10,000 Small Businesses* directly improves access to capital in the markets served by the program through partnerships with CDFIs and other mission-driven lenders.

In the blended model for the national cohort, the business advising role is slightly different. For this approach, the business advisors work entirely

virtually, and there is more time spent in growth group sessions. Business advisors meet with their scholars in four growth group sessions for a total of four hours individually at prescribed times during the curriculum. The growth group sessions are much like growth group exercises in a face-to-face module, providing an opportunity for scholars and business advisors to strengthen one another's work on their growth plans. Scholars come to their online meeting prepared to report on and discuss specifically assigned pieces of his or her growth plan while the other members of the group affirm or respectfully challenge what is shared. The individual sessions are similar to the core program, where business advisors help scholars move forward in their analyses and in the writing of growth plans.

FINDING SMALL BUSINESSES

10,000 Small Businesses is designed to meet a specific need in the market—reaching past the start-up phase in order to teach established businesses how to grow. Given the organization's years of experience in working with inner-city businesses, The Initiative for a Competitive Inner City, founded by *10,000 Small Businesses* Advisory Council co-chair Dr. Michael Porter, played a key role in establishing the profile of the target participant and now also administers the admissions process. Applicants must be the owner or co-owner of a business that typically meets the following criteria:

- In operation for at least two years
- A minimum of four employees (which may include the owner)
- Revenues greater than \$150,000 in the most recent fiscal year

Beyond these basic quantitative guidelines, the selection process also aims to identify small business owners who want to grow and have the potential to grow their businesses with the program's aid and who would support the program's emphasis on peer-to-peer learning. Information from application forms and applicant interviews is used to assess:

- The entrepreneur's and the business's track record
- The entrepreneur's aspiration for his or her business
- The entrepreneur's potential to both benefit from the program and also to contribute to the development of other program participants

The addition of the blended national cohort expanded the recruiting process across the country, with applications now received from 50 states and several territories. Overall, the admission criteria



PAYAL KAMDAR VSOLVIT LONG BEACH

Payal is the CEO of VSolvit, which provides geospatial and information technology consulting services and solutions to government and private sector clients. In the 2014 *10,000 Small Businesses* report, we learned that since joining the program, VSolvit was awarded a five-year, \$53 million software development contract with the U.S. Navy and selected as the 2013 Los Angeles Minority Business of the Year. Payal was also chosen as the 2012 Small Business Administration Region IX Minority Small Business Person of the Year. Since joining the program, VSolvit has grown from 16 to 121 employees and increased annual revenues by 500%. The figures have since risen to over 200 employees and increased revenues by 1,677%.

remain the same, with one additional criterion for the national cohorts—the willingness and ability to learn to use the technology tools used to deliver the online portion of the program as well as to connect with their far-flung classmates.

A man with short dark hair and a goatee, wearing a dark grey suit jacket over a bright orange button-down shirt, stands at a podium. He is smiling and looking towards the camera. A name tag is pinned to his left lapel. Behind him is a whiteboard and a colorful abstract painting. In the foreground, the back of a person's head and shoulders are visible, and a white disposable cup sits on a table.

**GOLDMAN SACHS
COMMITTED
\$300
MILLION FOR A
COMBINATION OF
LENDING AND
PHILANTHROPIC
SUPPORT TO
IMPROVE ACCESS
TO CAPITAL**

Access to Capital

Capital enables growth-oriented small business owners to access a variety of resources. The challenge of obtaining growth capital is a consistent theme for many small businesses across the country.

A core component of *10,000 Small Businesses* aims to meet the needs of small businesses seeking capital in order to grow. The need arises from the fact that there exists a significant population of underserved businesses unable to access funding through conventional lenders for a variety of reasons, including the age of their businesses, the potential loan size or credit issues—either personal or business-related. Given this, through *10,000 Small Businesses*, Goldman Sachs committed \$300 million for a combination of lending and philanthropic support to Community Development Financial Institutions (CDFIs) and other mission-driven small business lenders to increase the opportunity for small business owners to access funds from sources other than the traditional sources of commercial and retail banks.

The investment is designed to increase the amount of growth capital available to small businesses in underserved communities and to expand the capacity of the program lenders to deliver financing and technical assistance to small businesses. The goal of these lenders is to provide capital to businesses that are growing but are unable to get a loan directly from a bank. *10,000 Small Businesses* supported lenders not only provide capital, they also provide extensive technical assistance to help businesses become “bankable,” or ready to obtain a capital loan from a bank. The lenders specialize in making loans in amounts smaller than conventional banks. For example, the average *10,000 Small Businesses* loan size is approximately \$200,000 and is used to fill a variety of needs like providing working capital, purchasing equipment, making leasehold improvements, buying business-related real estate and refinancing existing debt. Goldman Sachs and the Goldman Sachs Foundation also provide significant grant support and training opportunities to these lenders to support their

growth and sustainability, including funding for a loan loss reserve and for capacity building. The training and peer learning initiatives funded by Goldman Sachs and Goldman Sachs Foundation have helped mission-driven small business lenders grow and reach more small businesses. For example, Valley Economic Development Corporation (VEDC) became a capital partner in 2010 and has leveraged both capital and grant support to increase its small business lending. VEDC has also successfully expanded its lending footprint from Southern California to New York and beyond. As of February 2014, Goldman Sachs has committed or approved over \$150 million to more than 23 capital partners, who, in turn, have lent over \$96 million, resulting in over 530 loans to small businesses in 18 states. Over 50% of the businesses served are located in low and moderate income areas.

Business owners in the educational component of the program have the opportunity to apply for capital with *10,000 Small Businesses* capital partners. However, many already have access to capital, or, through the program, find ways to improve their operations and cash flow in order to grow organically and avoid taking on loans. Of all loans made through the program, 12% have been provided to graduates of the *10,000 Small Businesses* educational program. To ensure that local business owners’ funding needs are met in each site, capital is provided broadly to the market, and loan recipients are referred into the educational program as appropriate.

Who are the 10,000 Small Businesses?

The *10,000 Small Businesses* participants continue to be illustrative of the diversity of small business owners across the United States. Since the 2014 progress report, the diversity in the program has even increased.

The owners themselves now range in age from 22 to 75, with an average age of 46.5. The educational range is also consistently large, ranging from some high school or a GED through graduate degrees. The participant group continues to be fairly evenly split between women (46.1%) and men (53.9%). As in last year's report, this is similar to the ownership split of the United States, in which 46% of the businesses are at least 50% owned by women.¹⁷

Most of the business owners in *10,000 Small Businesses* founded or co-founded their current business (79.7%) and over half started their businesses alone (52.4%), while 27.3% started with others and nearly half (47.1%) describe themselves as a family-owned business. The remainder of the participants (20.3%) generally either bought or inherited their businesses. Seventy-three percent of program participants are the largest shareholder in the company, owning on average

The educational range of the business owners is consistently large, ranging from some high school or a GED through graduate degrees.

73.4% of the company when they start the program, an ownership percentage that actually slightly increases over time, with participants reporting an average of 75.7% 18 months after program completion.

The businesses themselves also continue to be quite diverse. Business ages range from 2 to 103 years, with a median operational age of 11 years old. The median size by revenues and jobs is \$692,000 and 11 employees, respectively. The older businesses represent family-owned businesses, with some in their third generation. The businesses are most often organized as S-Corp (51.9%), a much higher average than the national average, which reports only 18.5% of businesses being any kind of corporation.¹⁸ This is quite likely due to the fact that all business owners in *10,000 Small Businesses* are employers and are seeking growth, while the vast majority of US businesses are not employers. LLC (Limited Liability Corporations) (26.9%) and C-Corp (15.4%) are the next most common types of business entities within the program. Just under 1% of the organizations enrolled in *10,000 Small Businesses* are 501(c)3s — nonprofit entities.

The industrial sectors of the participating businesses are somewhat different than those of the U.S. economy in general, possibly due to the locations of the various program sites, the growth criteria necessary for admission and the nature of the alumni recruiting program. Within the program, professional services are by far the most prevalent sector (36.4%). Notably, there is no predominant group after professional services; no other industry sector represents more than 10%. By comparison, the U.S. economy in general is more evenly dispersed with retail as the largest sector (14.3%), followed by professional services (11.6%), other services (except public administration) (9.8%) and accommodation and food services (8.9%).¹⁹

¹⁷ U.S. Small Business Administration. (2012). *Frequently Asked Questions about Small Businesses*. Retrieved March 1, 2015 Note: the 46% for women's business ownership is the addition of the 7.8 million businesses that are majority owned by women (>51%) and the 4.6 million that are equally owned by women and men (50/50).

¹⁸ *Ibid.*

¹⁹ U.S. Census Bureau, U.S. Department of Commerce, American FactFinder Business Patterns. (2012). http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=BP_2012_00A1&prodType=table



Also of note is where diversity of people meets diversity of industry sector. When considering the gender of the owner, the largest differences are seen in construction (36% female, 64% male), manufacturing (39% female, 61% male), information (24% female, 76% male), educational services (66% female, 34% male) and wholesale trade (32% female, 68% male). However, with the exception of wholesale, these differences are far less than seen in the gendered industrial distribution of the United States.

This industrial diversity of the program is considered to be a significant strength for the participating small business owners, giving them the opportunity to explore the bounds (real and perceived) of industrial standards and practices to see if there are innovative processes to learn from others outside their type of business.

Businesses have a median operational age of 11 years old, and 47.1% of owners describe themselves as a family-owned business. Forty-six percent of the businesses are at least 50% owned by women.

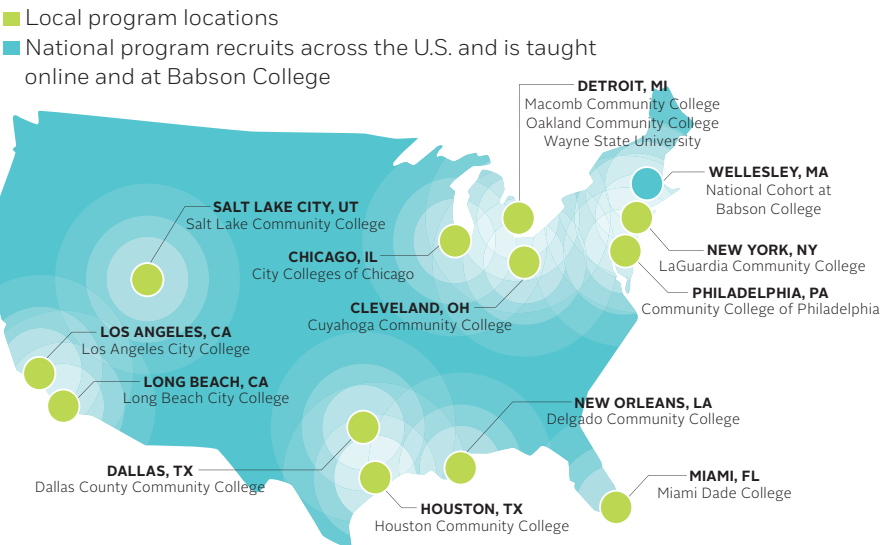
While understanding the types of diversity found in the program is important, it is equally important to understand the commonalities that cross all types of people and businesses. Even with the larger sample size for this second report, and the continued diversity of both business owners and businesses, the patterns of practices and challenges remains remarkably similar. Participants are

continued on page 26

About the 10,000 Small Businesses Program

Goldman Sachs 10,000 Small Businesses is a public-private partnership to unlock the growth and job-creation potential of small business owners. Led by co-chairs Lloyd Blankfein, Warren Buffett, Michael R. Bloomberg and Dr. Michael Porter, the program provides businesses with a practical business and management education, business support services and access to capital. 10,000 Small Businesses has served nearly 5,000 small businesses across the United States and United Kingdom.

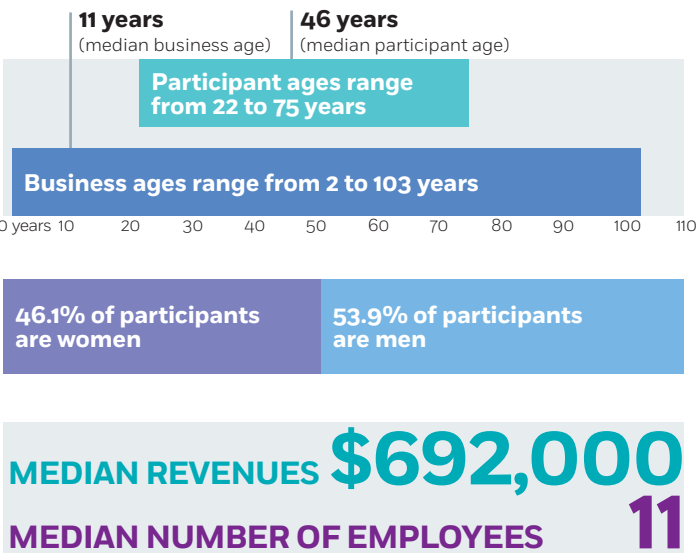
10,000 Small Businesses Delivery Sites



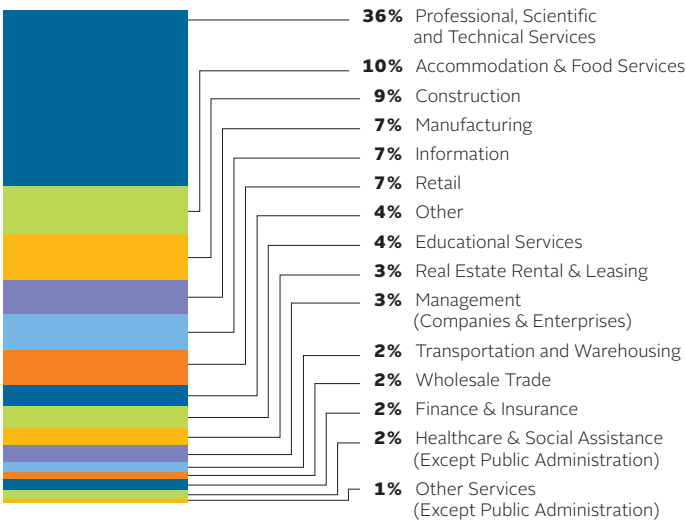
Curriculum



The Participants and Their Businesses



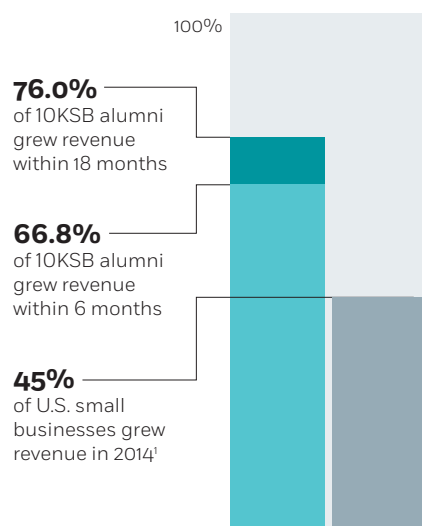
Participant Industries



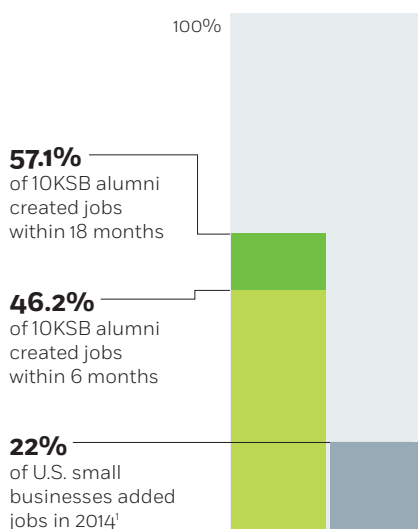
Program Impact on Growth

10,000 Small Businesses partners with more than 100 organizations to help small businesses grow and create jobs. Overall, program graduates are far more likely to grow than U.S. small businesses in general. This report provides an update on previously published revenue growth and job creation data measured six months after graduation. Furthermore, the report shows that the frequency and degree of revenue growth and job creation for program alumni increase when measured 18 months after graduation.

Revenue Growth



Job Creation



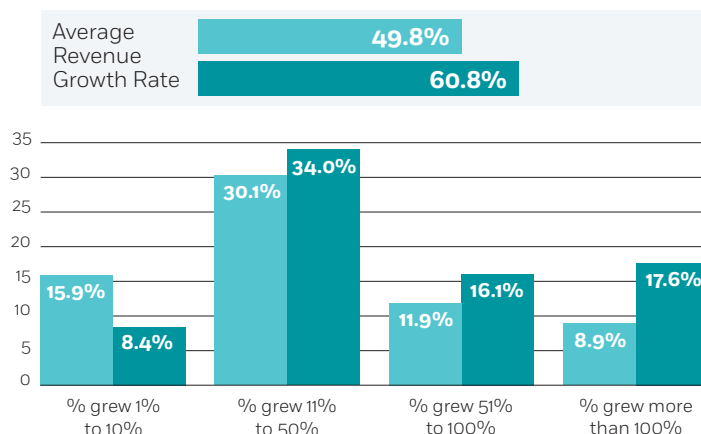
99%
GRADUATION RATE

84%
OF GRADUATES DO BUSINESS WITH EACH OTHER

Growth Rates

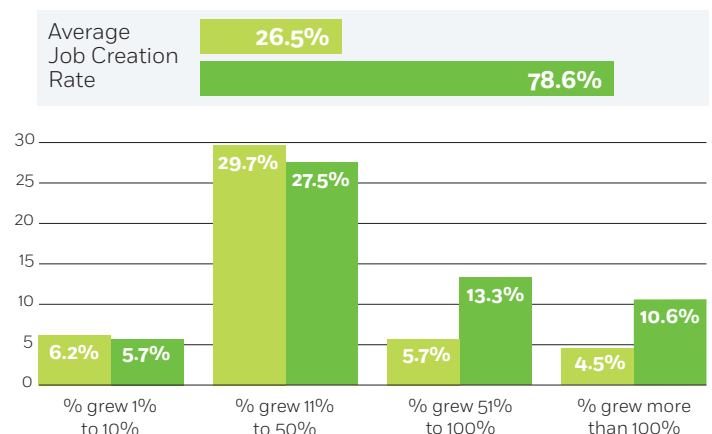
Revenue Growth Rates Among 10KSB Alumni

■ Within 6 months ■ Within 18 months



Job Creation Rates Among 10KSB Alumni

■ Within 6 months ■ Within 18 months



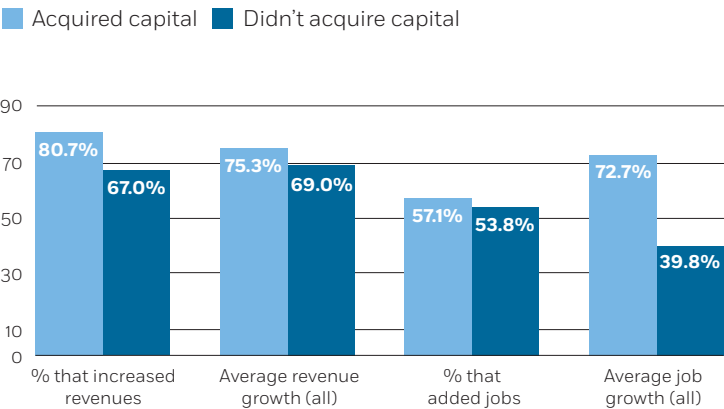
¹ The National Small Business Association (NSBA) 2014 Year-End Economic Report. (2014). Retrieved March 16, 2015 from <http://www.nsba.biz/wpcontent/uploads/2015/02/Year-End-Economic-Report-2014.pdf>

Growth Catalysts

Each 10,000 Small Businesses graduate develops a detailed, step-by-step plan for growth. Following their plan and applying what they've learned, alumni report changing the way they do business to include greater access to capital, increased use of financial statements, expansion into new markets and improved management skills. Each of these changes contributes to their ability to grow and create jobs.

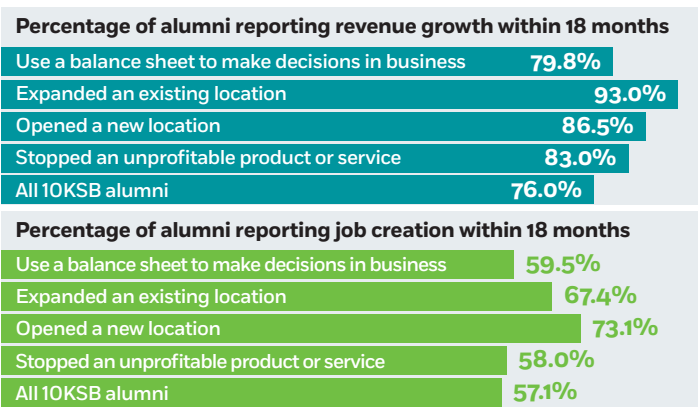
Acquiring Capital

Acquiring capital leads to higher revenue growth and job creation among 10KSB alumni



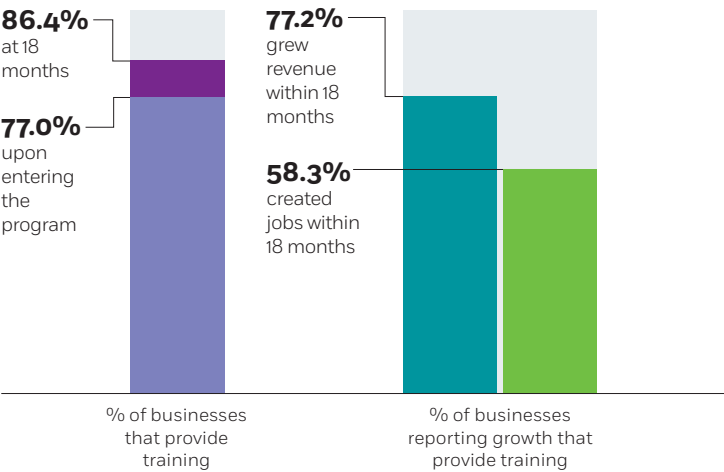
Behavioral Changes

10KSB alumni reporting certain behavioral and business changes were more likely to report growing revenues and creating jobs than alumni generally



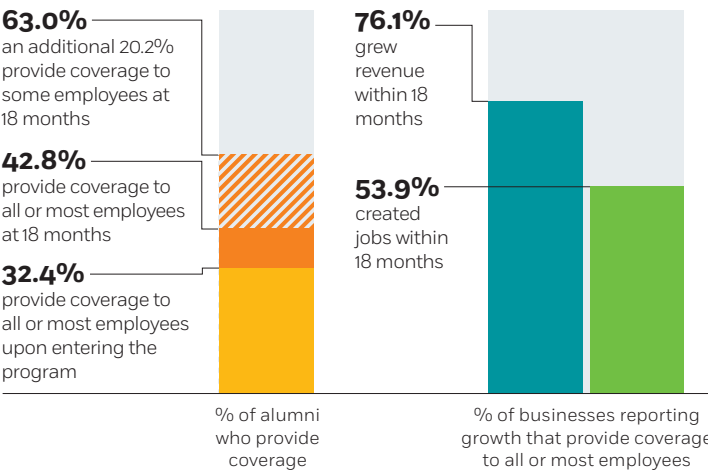
Workforce Training

Businesses providing on-the-job training increased after graduation and were slightly more likely to report growth and job creation than alumni generally



Employee Benefits

Businesses providing medical and/or dental coverage for all or most employees increased after graduation, and showed similar growth and job creation to alumni generally



Appendix: Methodology

10,000 Small Businesses is built on a robust platform of Measurement and Evaluation (M&E) in order to facilitate continuous learning and improvement, provide evidence of impact and promote accountability and transparency. The M&E process is designed to be simple and valuable for everyone in the program, and it ensures that all partners are fully equipped to administer and benefit from the M&E system.

The key metrics of the program are job creation and business revenue growth. This provides a framework to monitor the goals of the program while also making adjustments to ensure that it has a strong and positive impact in the communities where it is active. The surveys also ask other relevant information in addition to the revenue and employment numbers, and this report utilizes some of the collected data.

The program participants respond to standardized surveys when they begin the program (the “baseline” survey), upon graduation, and then approximately six months, 18 months, and 30 months after their completion of the core program. These surveys are administered via an online survey system.

The baseline survey is intended to determine participants’ circumstances prior to entering the program, in terms of revenue, employees, business management, business planning, access to capital, networking and business challenges. This survey is administered prior to first curriculum module to allow participants and faculty the opportunity to review the diagnostic results in class. Subsequent surveys enable changes in the same variables to be tracked over time. The graduation survey is administered before the last module and the follow-up survey is administered six, 18, and 30 months after graduation. Each participant is responsible for logging in and taking the diagnostic, following the instructions of the program team.

In order to ensure the accuracy of key data points collected from participants, randomized data validation is performed by the local program staff after each survey is administered. This also helps ensure that the reported results reflect the true changes for participants and their businesses and confirms participants’ understanding of their businesses. Validation is conducted on two key data points: revenues and number and type of employees. The validation process utilizes the available data on each participant such as the participant input on application and surveys and the review of financial documents. The target validation rate of survey respondents is 80% for the baseline and graduation surveys and 50% for the follow-up surveys. While the validation process cannot guarantee the 100% accuracy of all program data, it does help to ensure a higher level of data reliability.

For this report, the baseline data is based on the 2,311 responses collected from the possible 2,326 survey respondents resulting in a remarkably high response rate of 99%. Similarly, the graduation survey achieved the response rate of 95% (1,988 out of 2,102 possible responses).

The six-month data was collected from 1,022 respondents (out of 1,426 possible respondents) resulting in the response rate of 72% and the 18-month data was collected from 356 respondents (out of 763 possible respondents) resulting in the response rate of 47%. The number of completed surveys at each time interval will continue to increase as greater numbers of small business owners complete the program.

Data used in this report is based on the responses from the baseline, graduation, six-month, and 18-month data collection points.

Program Diversity by Industry Sectors

Industry Distribution, Program vs. U.S.

Industry	10KSB (All)	U.S. Distribution	Industry Distribution by Gender of Owner (10KSB)		Industry Distribution by Gender of Owner (U.S.) ²⁰	
			Female	Male	U.S. Female	U.S. Male
Professional/scientific/ technical services	36%	12%	49%	51%	35%	65%
Accommodation and food services	10%	9%	50%	50%	36%	64%
Construction	9%	9%	36%	64%	10%	90%
Manufacturing	7%	4%	39%	61%	25%	75%
Information	7%	2%	24%	76%	32%	68%
Retail ²¹	7%	14%	46%	54%	41%	59%
Other	4%	0.1%	44%	56%	n/a	n/a
Educational services	4%	1%	66%	34%	61%	39%
Real estate and leasing	3%	5%	45%	55%	32%	68%
Management (companies and enterprises)	3%	1%	49%	51%	n/a	n/a
Transportation and warehousing	2%	3%	45%	55%	14%	86%
Wholesale trade	2%	6%	32%	68%	Combined with retail	
Finance and insurance	1%	6%	43%	57%	Combined with real estate and leasing	
Healthcare and social assistance (except public administration)	5%	11%	66%	34%	n/a	n/a
Other services (except public administration)	1% ²²	10%	72%	23%	49%	51%

still highly focused on time use, seeing a fairly wide gap between how they actually are spending their time and how they wish they were spending their time. When entering the program, participants report spending an average of 42.7% of their time at work on day-to-day business operations, while wishing to cut that amount to 24.6%. Most of the owners reported wanting to spend this newly saved time on their business strategy, changing this time allocation percentage from 11.8% to 24.6%. This is often a question of delegation, a topic of much conversation among the scholars in their growth groups.

Business challenges are also quite similar. Most often upon entry to the program, participants share that finding and keeping customers is their largest problem (29.0%), followed by hiring and keeping good employees at reasonable wages (23.2%), developing and updating a business strategy (19.6%) and financing their business (18.8%). One of the most rewarding parts of the program is the discovery that these challenges are shared by most of the small business owners in the program, and they now have a venue in which to also work together towards solutions.

²⁰ U.S. Department of Commerce Economics and Statistics Administration for the White House Council on Women and Girls. *Women Owned Businesses in the 21st Century*. (2010.) This source combined the retail with the wholesale industrial categories and the real estate and leasing with finance and insurance. Accommodation and food services is here named Leisure & Hospitality.

²¹ *Ibid.*

²² The dataset includes 5.1% missing data for industry.



**THE MEDIAN SIZE
OF ALUMNI BUSINESSES
BY REVENUES AND JOBS
IS \$692,000 AND 11
EMPLOYEES RESPECTIVELY**



Program Impact

10,000 Small Businesses helps small businesses grow and create jobs by supporting business owners through an integrated approach to education, business support services and the opportunity to access capital.

The mindset and skills learned in this program are intended to support business growth over the long term for a participating business owner. Therefore, the commitment to tracking participants' outcomes has been an important part of the program. However, the tracking serves more of a purpose than just considering outcomes; it also serves as a means of guiding continuous improvement in the program. And, perhaps most importantly, the diagnostics used for tracking are introduced to the participants as important business growth tools, leading to the creation of the types of metrics and dashboards they need to lead the growth of their business.

10,000 Small Businesses was designed based on the research and practices that identified what someone needs to know or be able to do in order to grow his or her business. The founding assumptions of the program are that, through a combination of education, business support services, and the opportunity to access capital, small business owners will be able to grow their revenues and create jobs. The first *10,000 Small Businesses* progress report focused on the impact largely from the six-month

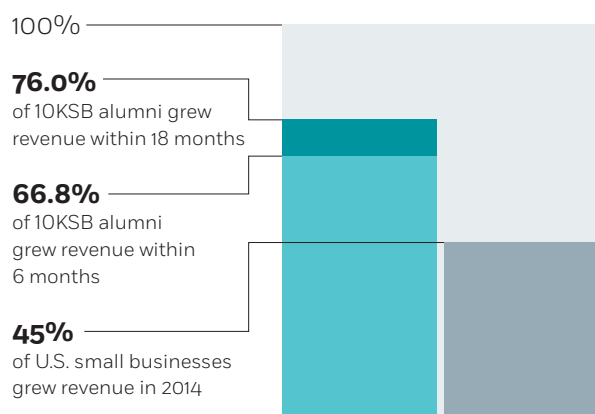
point after completion of the program. This report now greatly expands the size of the sample and adds the first data from the 18-month follow-up point to explore if changes are long-lasting. That is, if the program is “sticky”—if the learning and changes stay with the business owners over an extended period of time. We are pleased to say that the program does indeed seem to be sticky—having a long-lasting influence on business growth.

GROWING REVENUES

Most participants in *10,000 Small Businesses* grow their business revenues. At six months, 66.8% of the respondents reported revenue growth. The growth rate across all respondents was 49.8%. When including only those that grew, the average growth rate was 85.5%. This report adds the more extended follow-up data, showing that by 18 months after the program, 76.0% of the alumni have grown their revenues. At this point in time, the average growth rate is 60.8% across all participants and, for the 76.0% who were “growers”, the average amount of growth is 88.2%. While national comparisons are difficult to find, one point of reference is a

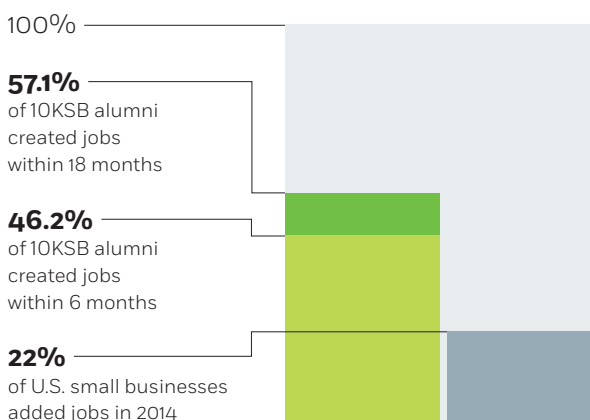
Revenue Growth

10KSB Alumni vs. U.S.



Job Creation

10KSB Alumni vs. U.S.



national rate of 45% of U.S. businesses reporting increased revenues.²³

There are many reasons why growth patterns vary. Anecdotally, business advisors and faculty in the program report that many of the scholars need to take steps backward before they can grow forward. Changes and investments are made in products and services, employees and more, and many of these things take time to execute.

10,000 Small Businesses is based on the idea that all the processes learned and practiced and tools shared during the curriculum are evergreen, providing not only the input for immediate action toward growth, but also a mindset and skill set that encourages continually learning and the understanding of how and where to look for assistance and support. This report provides additional evidence that this approach is working. At six months, 15.9% of the participants had grown between 1% and 10%, while 8.9% had grown more than 100%. At 18 months, those numbers had basically reversed, with 8.4% of the small business owners in the 1% to 10% growth category and 17.6% reporting growing more than 100%.

GROWING JOBS

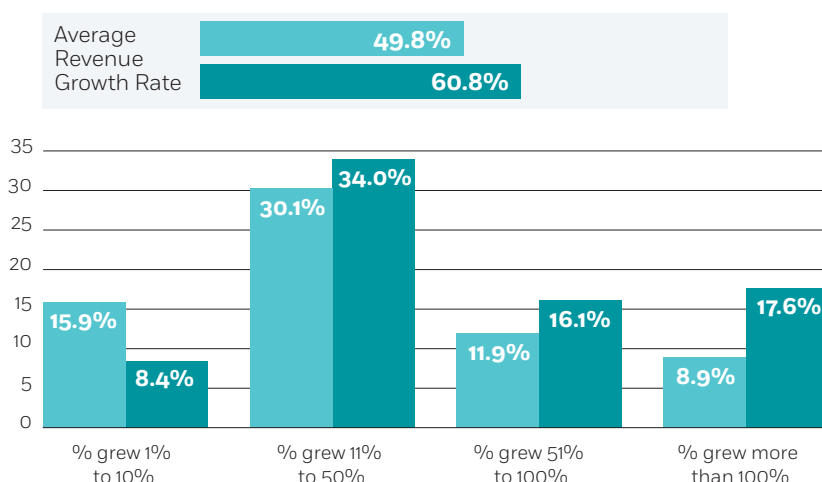
Job creation is also strong, with 46.2% of the business owners reporting that they had created new jobs by six months after completion of the program, and 57.1% creating new jobs by 18 months. The average rate of job creation across all participants at six months is 26.5% and 78.6% at 18 months. And, for businesses that created any jobs, they generally created quite a few jobs. Of those who created new jobs, the average increase (how much they grew) by six months was 77.6%. By 18 months, the average job increase for those who grew was 155.4%. Overall, these numbers can again be compared with the 22.0% average job creation statistic for the United States.²⁴

The pattern of change in growth categories for those who created jobs is slightly different for those who grew revenues, in that while the slower growth category (1% to 10%) did not change very much between six and 18 months (6.2% and 5.7%, respectively), the larger growth categories each more than doubled. At six months, 5.7% of the small business owners reported growing jobs by 51% to 100%, and 4.5% reported growing more than 100%. At 18 months, those numbers were 13.3% for those growing 51% to 100%, and 10.6% of the companies reported growing jobs more than 100%.

The first 10,000 Small Businesses progress report focused on the impact from the six-month point after completion of the program. This report adds the first data from the 18-month follow-up point to explore if changes are long-lasting.

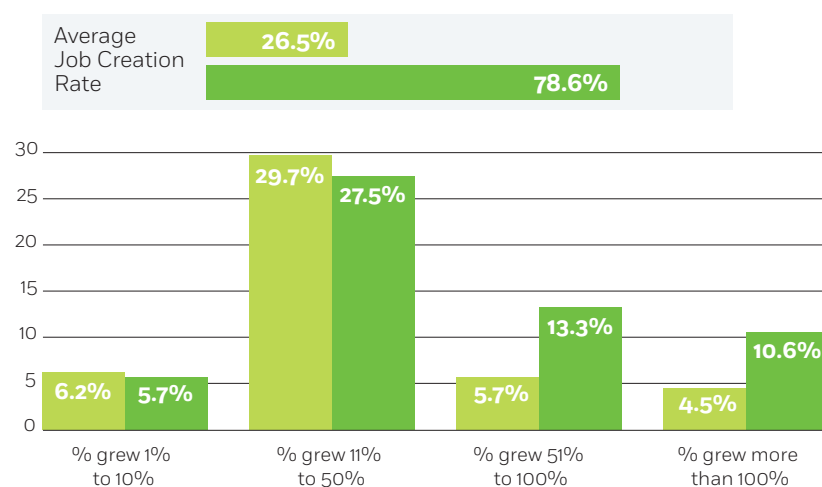
Revenue Growth Rates Among 10KSB Alumni

■ Within 6 months ■ Within 18 months



Job Creation Rates Among 10KSB Alumni

■ Within 6 months ■ Within 18 months



²³ The National Small Business Association (NSBA) 2014 Year-End Economic Report. (2014.) Retrieved March 16, 2015. <http://www.nsba.biz/wp-content/uploads/2015/02/Year-End-Economic-Report-2014.pdf>

²⁴ Ibid.

Growth Catalysts

The overall growth numbers in the program are encouraging. At the same time, the question always remains about who is actually growing. *10,000 Small Businesses* has reached the point where there are enough alumni to further explore this question.

Historically, women business owners across the United States tend to own smaller businesses, whether measured in terms of revenues or jobs.²⁵ Yet, we know that many do want to grow, with one piece of recent evidence from the application pool to *10,000 Small Businesses*: the desire to grow is an application criterion, and 46.1% of the participants in the program are women. Sixty-seven percent of men and 67.3% of women report revenue growth at six months. At 18 months 73.7% of women-owned and 78.2 % of male-owned businesses report growth. We see quite similar numbers for job creation, with 47.0% of women adding jobs and 45.3% of men adding jobs at six months, and then again, more of a difference at 18 months (53.5 and 60.2% women and men respectively).

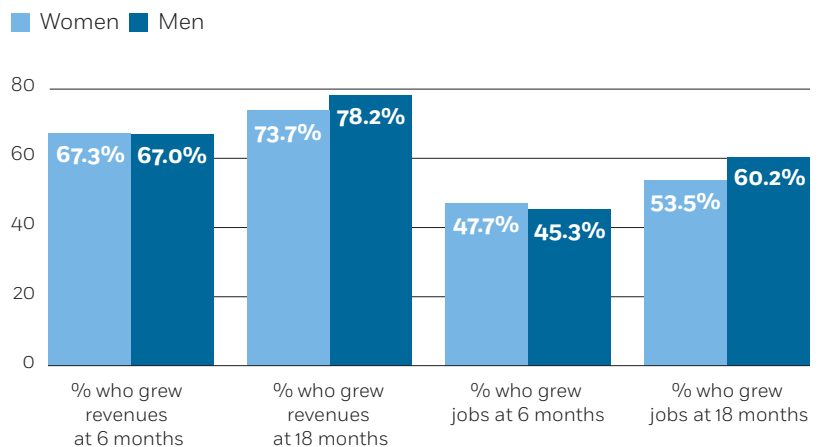
There is also an ongoing question about the impact of education on business growth. The diversity of the educational level of the *10,000 Small Businesses* is a hallmark of the program, and business growth is achieved by business owners with all types of educational backgrounds. With the exception of having less than a high school degree (60.0% grew revenue) and a high school degree (74.8% grew revenue), all the rest of the educational levels' revenue growth rates at six months are similar across educational attainment levels, with more variation seen in the creation of jobs. At 18 months, again with the exception of "some college," the level of revenue created increased along with years of education. Similar to the pattern seen at six months, more variation is seen in the relationship between education and jobs.

The age of the business owner is another demographic variable of interest. While stressing that we do have fairly small sample sizes in some

categories, intriguing themes are emerging. Our youngest business owners (those under 44) who grow their revenues are the least likely to show low levels of growth and the most likely to increase their growth between the six- and 18-month follow-ups. Also, when looking at the 18-month follow-up point, the number of businesses with younger owners that grew by more than 100% nearly doubled.

Questions also often arise about whether or not certain industries grow faster than others. There are differences across the industries represented in *10,000 Small Businesses*, and these differences do change between the six- and 18-month measurement points. At six months, the largest numbers of business owners reporting growth in their revenues are found in transportation and warehousing (73.1%), retail trade (72.9%) and accommodation and food services (72.2%), while the sectors with the largest percentage of companies that grew jobs are finance

10KSB Alumni Business Growth by Gender of Owner



²⁵ Brush CG, Carter NM, Gatewood EJ, Greene PG, Hart MM, eds. *Women and Entrepreneurship: Contemporary Classics*. Cheltenham, UK: Edward F. Elgar Publishing, 2006.



and insurance (66.7%) and other services (62.5%). At 18 months, the sectors with the highest percentages of revenue growth are other services (100.0%), real estate and leasing (87.5%) and manufacturing (85.0%), while with jobs, other services (100.0%) and finance and insurance (83.3%) are quite far ahead of any other sector.

ACQUIRING CAPITAL

Capital is often considered the foundation of business growth. *10,000 Small Businesses* includes the educational components to learn about accessing capital and the opportunities to apply for capital. The small business owners learn to understand the business model of funders, and therefore how to find a funding fit, and how to make

10KSB Alumni Business Growth by Education of Owner

Education level	6 months		18 months	
	% grew revenue	% grew jobs	% grew revenue	% grew jobs
Less than high school	60.0%	40.0%	66.7%	33.3%
High school (Diploma or GED)	74.8%	43.9%	66.7%	60.4%
Some college, no degree	67.6%	48.7%	100.0%	100.0%
Associate degree	64.6%	52.2%	67.6%	62.9%
Bachelor's degree	67.5%	46.2%	78.0%	55.4%
Master's, doctorate, professional degree	64.4%	41.6%	83.7%	54.3%

continued on page 34

A photograph of a house with a porch and a brick foundation, with a yellow text box overlaid on the left side. The house has light blue siding and a white porch with columns. A brick foundation is visible at the base of the porch, with some damage and a hole. A ladder is leaning against the side of the house. The text box is yellow and contains white text.

57.1%
OF BUSINESS OWNERS
REPORT THAT
THEY CREATED
NEW JOBS
WITHIN 18 MONTHS
OF GRADUATING
**10,000 SMALL
BUSINESSES**





their businesses (and themselves) more fundable. While focusing on more traditional debt funding, a small number of the *10,000 Small Businesses* participants acquire capital through other funding sources as well. Upon entering the program, almost half of the business owners (49.2%) reported that they had applied for funding from external sources. Many (47.0%) had applied to banks, while others had

Within 18 months of graduation, 82.9% of alumni who applied for capital received funding.

appealed to friends and family (15.6%), Community Development Financial Institutions (CDFIs) (7.2%), grants (5.2%—an unusually high number for small business owners) and equity capital (4.1%) through either angel investors or venture capitalists. Of those that had not sought funding prior to the program, 42.5% said the business already had sufficient funds while 23.5% were “discouraged” borrowers in that they did not apply because they did not think they would be approved. Over one-third of small business owners entering *10,000 Small Businesses* reported that they would be seeking capital within the next three months. By 18 months after the program the number of those intending to seek capital to support business growth increased to 66.7% of the owners.

The number of those reporting they had applied for capital increased slightly by the 18-month point after

At 18 months, the sectors with the highest percentages of revenue growth are other services (100%), real estate and leasing (87.5%) and manufacturing (85.0%), while job growth was highest in the other services (100%) and finance and insurance (83.3%) sectors.

the program, with 52.7% reporting that they had now applied for funding within the past 12 months. While prior to the program 70.1% reported receiving at least part of the requested funds, by the 18-month point that number had increased to 82.9%.

10,000 Small Businesses partners with CDFIs and other mission-driven lenders around the United States in order to help business owners access

10KSB Alumni Business Growth by Industry

Industry	6 months		18 months	
	% grew revenue	% grew jobs	% grew revenue	% grew jobs
Accommodation and food services	72.2%	36.9%	66.7%	54.2%
Construction	67.1%	51.1%	68.4%	62.2%
Educational services	68.0%	33.3%	83.3%	58.3%
Finance and insurance	66.7%	66.7%	66.7%	83.3%
Information	65.1%	37.3%	69.2%	50.0%
Management of companies and enterprises	72.0%	46.2%	83.3%	33.3%
Manufacturing	59.0%	50.0%	85.0%	60.0%
Other	61.9%	47.6%	62.5%	50.0%
Other services (except public administration)	62.5%	62.5%	100.0%	100.0%
Professional, scientific, and technical services	67.5%	47.8%	83.0%	55.1%
Real estate and leasing	68.4%	48.8%	87.5%	60.9%
Retail trade	72.9%	43.5%	76.0%	62.5%
Transportation and warehousing	73.1%	37.9%	72.2%	58.8%
Wholesale trade	58.8%	52.9%	50.0%	50.0%

funds when they are not able to obtain them from more traditional sources, like commercial and retail banks. Between the start of the program and the 18-month follow-up point, the number of small business owners applying to CDFIs for funding increases by 6.6% (7.2% and 13.8% respectively) and the amount requested increases as well (\$201,336 and \$220,950, respectively). On the other end of the funding spectrum, the percentage of those applying for equity capital varies less than 1% over the course of this study, and the absolute numbers are quite small. However, the increases in the amounts of capital requested and received are striking. Between baseline and the 18-month point, the amount requested across all types of partners increased from \$418,972 to \$851,177, with an average of two-thirds of the requested amount received at the later point in time (\$568,333).

The program recognizes that acquiring capital is a skill set that must be applied at the right time and teaches participants how to be prepared for that moment. From the start of the program to the 18-month follow-up, the percentage of the participants reporting that they have a strong business relationship with their bank increases by 9.8% (from 53.8% to 63.6%) and the percentage who report they don't know anyone at their bank decreases by almost half (9.9% and 5.8%). The business owners now understand that these relationships, or "social capital", are themselves a resource for growth.

CAPITAL AND GROWTH

Capital is the fuel for business growth and, therefore, another question of interest is the relationship of seeking external capital to support growth. Our interest is in the relationship between business growth and seeking capital. Differences are emerging from the 18-month data points to suggest an evident relationship between seeking external capital and business growth. As seen throughout this report, we measure growth in four ways: 1) the percentage of business owners who grew revenue, 2) the percentage increase in their revenues, 3) the percentage of business owners who created jobs and 4) the percentage increase in their jobs created. Business owners who applied for capital had larger growth numbers in every one of these categories than those who did not apply for capital. Most strikingly, those business owners who acquired capital created 32.9% more jobs than those who did not acquire capital.

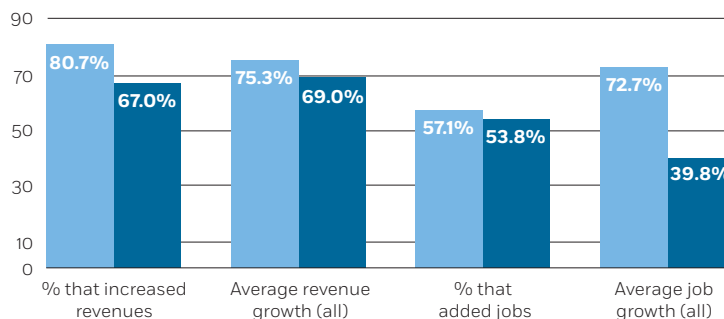


BOB McCLURE McCLURE'S PICKLES DETROIT

Bob is the co-owner of McClure's Pickles, a manufacturer of high-quality food for the natural, specialty and traditional consumer marketplace. Since joining *10,000 Small Businesses*, his company has added three new jobs (growing by 11.0%) and increased revenues by over 63%.

Acquiring Capital Leads to Higher Revenue and Job Creation Among 10KSB Alumni

■ Acquired Capital ■ Didn't Acquire Capital



Behavioral Changes

The program is also designed to emphasize the need for business owners taking deliberate and clear action in order to grow their businesses. The basis of *10,000 Small Businesses* is a robust understanding of the tasks and skills that people actually need in order to grow their businesses.

Participants are guided by their program faculty members, business advisors and peer business owners in identifying a new opportunity to pursue, and then working to recast their businesses to plan, execute and subsequently manage their growth.

84.1% of the graduates report collaborating with each other at graduation, 66.2% at six months and 63.7% at 18 months. In general, increased collaboration led to more instances of business growth.

The *10,000 Small Businesses* curriculum emphasizes the value in collaborating with other business owners to grow, especially with other business owners in the program. At graduation, 84.1 % of the participants report working together. It is not surprising to see that, after the conclusion of the formal instructional part of the program when the business owners see each other less frequently, this number goes down. What is unexpected is that at six months, almost two-thirds are still collaborating (66.2%), and, of the 18-month data collected to date, that number stays firm, with 63.7% of the small business owners reporting collaborations. The data show that business and personal relationships built in the program are enduring. The ways in which they work together include sharing challenges (62.2%), referrals (56.6%), developing new business opportunities (15.5%) and, notably, contracting with each other (42.0%). This type of working together is actually a way of continuing the peer learning aspect of the program while contributing to the growth of local economies.

This level of interaction is part of the program's goals. *10,000 Small Businesses* emphasizes the importance of peer-to-peer learning as part of the educational approach. The data now shows that collaboration is not only important for learning how to grow a business, it's important for the actual business growth. With the one exception of revenue growth at 18 months, those who collaborated with their fellow alumni reported growing more than those who did not collaborate. We are starting to identify several patterns. For instance, at the 18-month point, as shown in the table below, it seems that with the exception of actually partnering on new business opportunities, the more intensive the type of collaboration measured, the more often the business grew in revenues and jobs.

Networking Among 10KSB Alumni Drives Growth

Method of collaborating	6 months		18 months	
	% grew revenue	% grew jobs	% grew revenue	% grew jobs
Discuss challenges and opportunities of being a small business owner	67.8%	46.0%	74.3%	56.5%
Discuss current challenges faced in your business and potential solutions	68.0%	46.5%	78.0%	57.9%
Provide business referrals for potential customers and/or suppliers	68.0%	46.2%	78.0%	57.1%
Contract to buy or sell each other's products/services	71.7%	48.7%	81.7%	61.3%
Partner to develop new business opportunities/ initiatives	67.0%	45.8%	84.9%	46.2%
I do not collaborate substantially with any of the other participants	64.3%	48.9%	73.9%	54.3%

An increase in collaborating with other businesses is one type of change frequently seen in the program; however, change is a constant theme for the alumni. *10,000 Small Businesses* was designed to prompt business owners to take action while still in the program, and, in general, that's what they do. Most participants make substantial changes in their approach to their businesses. The top three activities seen prior to graduation are improving the quality of an existing product or service (47.1%), launching a new product or service (26.3%) and offering their products or services in a new area of the city or country (20.5%). At 18 months, the changes most often reported also focused on the company's product or service, including improvement of a product or service (67.5%), researching or developing a new product or service that hasn't launched yet (32.6%), or launching a new product or service (49.0%). These changes are followed by reports of entries into new local markets (32.6%).

Alumni who opened new markets or expanded existing ones reported growing more often than those launching new products or services.

The data in this report allows for a limited look at changes over time. For instance, the percentage of participants who are researching or developing those new products actually decreases over time (42.7% at program completion, 34.4% at six months after the program, and 32.6% at 18 months), and our assumption is that these changes moving from development to execution as we see the new product launch numbers show a corresponding increase over time (26.3%, 40.1%, 49.0%).

Strategic Business Changes Lead to Growth

	Baseline	6 months	6 months	6 months	18 months	18 months	18 months
Changes	% reported change	% reported change	% grew revenue	% grew jobs	% reported change	% grew revenue	% grew jobs
Improved quality of an existing product/service	47.1%	60.7%	69.1 %	47.9%	67.5 %	76.2%	57.9%
Researched or developed a new product/service but haven't yet launched	42.7%	34.4%	70.6%	50.3%	32.6%	79.1%	54.5%
Launched a new product or service	26.3%	40.1%	69.0%	48.5%	49.0%	81.7%	66.1%
Stopped selling or delivering an unprofitable/ineffective product or service	14.5%	23.4%	67.3%	43.3%	29.6%	83.0%	58.0%
Offered product/services in new area in city or country	20.5%	27.6%	63.9%	44.4%	32.6%	80.0%	61.8%
Began exporting product/ services outside of country	2.3%	3.3%	75.9%	22.6%	5.3%	66.7%	50.0%
Expanded an existing location	6.1%	9.5%	77.8%	60.9%	12.6%	93.0%	67.4%
Opened a new location	5.4%	9.0%	78.0%	57.5%	15.3%	86.5%	73.1%
Closed an existing location	1.5%	3.6%	60.6%	33.3%	5.3%	66.7%	33.3%
Relocated my business	4.1%	7.6%	62.0%	46.7%	12.3%	71.4%	61.9%
I agreed to a partnership with another organization (jointly sell, jointly buy, etc.)	10.6%	12.9%	63.4%	39.7%	11.7%	72.5%	42.5%
None of these	3.7%	4.9%	63.8%	40.4%	4.4%	53.3%	53.3%

Other types of business changes are smaller in number, however, representing greater proportional change. For instance, the number of people exporting is small, 2.3% at baseline, though it more than doubles by 18 months. Facility changes are also notable. The number of those who are expanding their existing location doubles (6.1% to 12.6%), the number of new locations opened almost triples (5.4% to 15.3%), and business relocations triples (4.1% to 12.3%). The business owners seemed to be increasingly ready to make these types of decisions. Also of note is what the business owner stopped doing, as in stopped selling or delivering an unprofitable or ineffective product or service (14.5% to 29.6%). Each of these business actions is likely based on the analyses the small business owners learn to do—and complete—within the terms of the program.

How do these changes relate to business growth? Different types of business changes do affect businesses differently and at different times. As we continue to identify emerging patterns, with the expectation of exporting due to the previously mentioned small sample size, the greatest number of alumni who grow their revenue at six months is found within those who opened new (78.0%) or expanded existing locations (77.8%). Not surprisingly, these two methods of growing also prompted the larger number of alumni to create jobs, although in reverse order. 60.9% of the alumni who expanded new locations added jobs and 57.5% of those who opened new

Businesses who reported discontinuing selling an unprofitable or ineffective product or service were more likely to grow revenues (83.0%) and create jobs (58.0%) at 18 months than average alumni.

locations did so as well. This pattern lasted through 18 months. This is not particularly surprising, given that it would generally take more people to manage additional or larger operations.

It is also interesting to observe the impact of stopping an activity. For instance, at the six-month point, 67.3% of the alumni who reported that they stopped selling or delivering an unprofitable or ineffective product or service grew their revenues,

The number of businesses exporting more than doubled from baseline to 18 months.

and 43.3% grew jobs. These results are very close to the overall averages for the program. However, at the 18-month point, the activity of discontinuing the product or service led to 83.0% reporting that they grew revenues and 58.0% reporting that they created jobs. Being able to analyze costs and make strategic decisions from the results of that financial analysis is an integral part of the program. Notably, the largest revenue and job increases at 18 months come from those who opened new markets or expanded existing ones, as opposed to those who launched new products or services.

Internal and operational changes also make a difference. In *10,000 Small Businesses*, not only do the participants learn to understand what is inside their financial statements, they are now able to better apply them and use them to make business decisions to support that growth. The Money and Metrics curriculum module, as well as two clinics dedicated to understanding financial statements, are key elements of the curriculum. The clinics were actually developed after the program was designed to meet what was quickly identified as a greater need for financial literacy than initially anticipated. At first, these clinics were elective. However, it became evident that these clinics are a particularly good fit with the peer learning model, with those that are able to use their numbers, able to provide examples and help coach others who are less familiar or comfortable in working directly with their financials. In true peer learning style, those able to help during the financial clinics are almost always recipients of help from their peers in later topics.

The practice of using financial statements is another area of the program that the data suggests is sticky—it stays with the participants. The more striking changes include cutting in half the number of respondents who were tracking their financials in a written ledger (10.1% to 5.0%), whittling down the number who managed from their bank statements (61.3% to 49.0%) and increasing by almost 10% the number who now track their revenues at least monthly (70.9% to 80.7%). While 11.4% enter the program reporting they do not use any financial statements, by the



BY GRADUATION ALMOST
85%
OF PARTICIPANTS
WORK TOGETHER



18-month point only 1.5% (5 people) are not using any of the usual formal statements to manage their finances.

Again, patterns start to emerge. For instance, the use of the income statement grows over the time away from the program, moving from just under 73.1% of the business owners entering the program reporting that they use income statements, to 87.0% using them at six months after the program and 87.4% using them at 18 months after the program.

ATTRACTING, DEVELOPING AND RETAINING TALENTED PEOPLE

Small businesses face a triple stereotype challenge in building their workforce. The perception is that they are challenged, not only by the provision of competitive salaries, but also by other aspects of business life, including the provision of development and training, and the ability to offer career growth opportunities. As such, being intentional about how you attract and retain people is the subject of a great deal of discussion among the *10,000 Small Businesses* participants, with almost everyone having concerns about their talent pool. Two program modules, “You Are the Leader” and “It’s the People”, provide the participants with the skills, and mindset, to lead and manage the growth of their businesses. The program acknowledgement is that *10,000 Small Businesses* develops people who grow businesses. This is another area in which the learnings and practices from the program seem to stay with the participants. Most changes in this area are seen between graduations, with smaller, but consistent behavioral changes and practices seen between the six- and 18-month follow-ups. Refining their vision for their business growth is an important step in the program. This helps the participants understand what they are actually trying to build,

The use of the income statement grows during the time away from the program. Just under three-quarters (73.1%) of the business owners entering the program reported that they use income statements. Six months after graduation, 87.0% reported using them, and 87.4% reported using them 18 months after the program. Overall, the percentage of businesses that do not use any financial statement fell from 11.4% when entering the program, to 1.5% 18 months after graduating.

recognizing that growth means entirely different things to different people and that, as the owner, they are the ones to decide how large a company they’d like to develop.

Participants therefore address the challenge of hiring and keeping good employees at reasonable wages, the second most common challenge reported by participants when they enter the program. This challenge often escalates in importance as the businesses begin to grow, often at a pace owners are unaccustomed to, as they find themselves surrounded by many new employees to lead and manage. *10,000 Small Businesses* alumni therefore focus on addressing that challenge, often finding ways to increase company benefits, training and advancement

Financial Literacy Contributes to Growth

	Baseline		6 months		18 months		
	% reported using	% reported using	% grew revenue	% grew jobs	% reported using	% grew revenue	% grew jobs
Income statement	73.1%	87.0%	68.6%	46.5%	87.4%	75.9%	57.4%
Balance sheet	50.8%	70.0%	69.5%	47.3%	66.6%	79.8%	59.5%
Cash flow statement	51.5%	64.5%	68.5%	46.1%	64.8%	76.1%	55.8%
Budget	34.9%	50.7%	69.5%	48.3%	46.6%	78.0%	57.7%
Did not use any	11.4%	2.9%	52.0%	48.3%	1.5%	100.0%	80.0%

opportunities they can offer to employees. Changes can be seen in many of the team-related practices between the start of the program and their 18-month follow-up diagnostic survey:

- All but one of the practices²⁶ related to providing feedback and performance to employees continued to increase in the prevalence of usage from baseline to 18 months, including the practice of providing informal feedback about job performance, having formal written job descriptions, conducting performance review meetings and developing formal succession plans. By 18 months, we see that those that are providing feedback and performance reviews for some employees are more likely to report that they have grown in both revenues (89.3%) and jobs (78.6%)—numbers that are significantly higher than the program averages.
- The number of participants providing formal job descriptions increased by 14.2% to 42.6%, with 80.6% of those providing these descriptions for all employees reporting revenue growth. When it comes to the creation of jobs, interesting questions do arise over the impact of providing these description for all versus some employees, with 73.7% of those providing them for some employees and 55.8% of those who provided them for all reporting the creation of more jobs.
- Formal career progression opportunities are one of the more difficult things to provide within a small company, yet from the start of the program to 18 months after the program, the number of businesses creating succession plans for their employees more than doubled, moving from 13.8% to 28.3%. And again, alumni who did undertake this effort reported revenue and job growth more often than those who did not do so.

Active Management Leads to Growth

	Baseline		6 months		18 months		
	% reported providing	% reported providing	% grew revenue	% grew jobs	% reported providing	% grew revenue	% grew jobs
Informal feedback about job performance							
All/Most employees	79.3%	84.0%	68.8%	47.6%	87.3%	75.6%	54.5%
Some employees	15.4%	12.7%	58.8%	39.0%	8.4%	89.3%	78.6%
No employees	5.3%	3.3%	57.1%	37.9%	4.2%	50.0%	64.3%
Formal written document that described their job performance							
All/Most employees	28.4%	41.5%	71.6%	47.9%	42.6%	80.6%	55.8%
Some employees	20.2%	26.3%	65.4%	49.2%	24.5%	77.8%	63.7%
No employees	51.4%	32.2%	63.0%	41.6%	32.9%	67.6%	53.2%
Performance review meeting							
All/Most employees	43.2%	57.4%	69.6%	47.1%	56.9%	79.6%	56.5%
Some employees	27.7%	24.8%	64.8%	48.0%	25.6%	71.8%	61.9%
No employees	29.1%	17.8%	62.6%	40.9%	17.5%	69.0%	51.7%
Formal succession plans to provide career progression opportunities							
All/Most employees	13.8%	27.3%	71.2%	47.6%	28.3%	79.1%	55.9%
Some employees	27.1%	33.4%	70.7%	52.1%	31.0%	83.5%	65.3%
No employees	59.1%	39.3%	61.2%	40.1%	40.7%	67.4%	51.5%

²⁶ Conducting performance review meetings for all or most employees is the exception to the emerging rule that alumni continue to adopt behavioral changes to support their employees. 43.2% of the participants entered the program with this practice, which increased to 57.4% by the six-month follow-up, and then showed a slight dip at 18 months to 56.9%.

Training Employees to Create Growth

	Baseline		6 months		18 months		
	% reported providing	% reported providing	% grew revenue	% grew jobs	% reported providing	% grew revenue	% grew jobs
On-the-job training at the work site							
All/Most employees	77.0%	83.9%	68.4%	46.6%	86.4%	77.2%	58.3%
Some employees	15.8%	13.0%	58.4%	45.1%	10.2%	69.7%	52.9%
No employees	7.2%	3.1%	66.7%	40.7%	3.3%	54.5%	36.4%
Online training courses							
All/Most employees	20.0%	30.4%	67.7%	48.8%	31.6%	71.4%	49.0%
Some employees	28.1%	30.1%	67.5%	48.7%	31.0%	86.3%	58.4%
No employees	51.8%	39.6%	66.6%	42.3%	37.3%	70.5%	62.6%
Formal training where employees were required to attend a course							
All/Most employees	21.2%	28.7%	70.5%	47.5%	28.6%	79.8%	55.3%
Some employees	34.3%	37.4%	67.0%	51.2%	37.0%	76.4%	58.3%
No employees	44.5%	34.0%	64.6%	39.7%	34.3%	71.4%	57.0%

The provision of training for professional development is another critical aspect of growing a business. This is an area in which the alumni of *10,000 Small Businesses* showed a constant trajectory of increasing their practices over time. Each of the training categories consistently increased from baseline, through six months to the 18-month follow-up. On-the-job training is something that many companies provide in some way, and 77% of the business owners entering *10,000 Small Businesses* report providing this to all or most of their employees. By 18 months, this number has reached 86.4% of the alumni, with only 3.3% reporting that they don't provide this for any of their employees. The value of this shows quite clearly in the table above, as those who don't provide it to any employee actually show a job loss. Perhaps one of the more intriguing examples is the use of online training courses. This practice was reported by only 20% of the participants when they entered the program, increased by more than 10% by six months and reached 31.6% by 18 months. This means that almost one-third of the alumni are using online training courses for all or most of

their employees. The outcomes results are intriguing, again as shown in the table above, and particularly when looking over time. For instance, the number of business owners who reported providing on-the-job training for all or most of their employees—and who reported growing revenues—grew from 68.4% at six months to 86.3% at 18 months, with a similar increase in those who reported job growth (46.6% to 58.3%). By contrast, the number who grew actually decreased over time for those who did not provide on-the-job training for any of their employees.

The last category of potential changes in behaviors to support business growth relates to the provision of compensation and benefits. This topic is of particular interest and concern to the alumni, especially as it relates to governmental changes as to the provision of health care. And, once again, with one very minor exception, the emerging trend for use of these behaviors suggests increases over time.²⁷

- Businesses that provide financial performance incentives for all or most of their employees more

²⁷ The progression of the provision of retirement savings accounts starts at baseline, with 20.7% of the business owners providing these, moves to 24.3% at six months, and dips quite slightly to 24.1% at 18 months.

Rewarding Employees to Create Growth

	Baseline		6 months		18 months		
	% reported providing	% reported providing	% grew revenue	% grew jobs	% reported providing	% grew revenue	% grew jobs
Commissions, merit pay or other performance incentives							
All/Most employees	32.8%	41.4%	70.7%	49.2%	47.6%	80.8%	60.3%
Some employees	37.2%	33.9%	67.6%	45.5%	29.8%	72.7%	50.5%
No employees	30.0%	24.7%	60.8%	42.0%	22.6%	68.9%	58.7%
Medical and/or dental							
All/Most employees	32.4%	39.2%	69.4%	48.8%	42.8%	76.1%	53.9%
Some employees	20.2%	18.3%	66.2%	47.6%	20.2%	81.5%	62.1%
No employees	47.5%	42.5%	65.7%	43.3%	37.0%	72.1%	57.9%
Retirement savings accounts (e.g., pension, 401(k))							
All/Most employees	20.7%	24.3%	72.9%	48.9%	24.1%	81.2%	61.3%
Some employees	9.7%	9.3%	64.1%	58.1%	6.6%	81.0%	61.9%
No employees	69.6%	66.4%	65.7%	43.6%	69.2%	73.2%	55.1%

often reported increased revenue and job growth than those that do not provide these for any employees. (This result is especially striking since the practice is not a fit for all industries or businesses.)

- The number of participants providing medical and/or dental coverage for all or most employees increased by more than 10% over the course of this study, from 32.4% at baseline to 42.8% at 18 months, with an additional 20.2% providing this coverage for some of their employees. To emphasize this point, approximately two-thirds of the alumni provide medical and/or dental coverage for at least some of their employees. This compares with a national number of 35% of businesses with fewer than 50 employees providing health insurance.²⁸ *10,000 Small Businesses* alumni that do provide health coverage more often reported an increase in revenues; however, the job creation picture is more varied across health care provision practices.
- Fewer companies provide retirement savings accounts, and unlike other practices followed in this study, this basically doesn't change over time (30.4% at baseline for those that provide for any of their

The number of participants providing medical and/or dental coverage for all or most employees increased by more than 10% over the course of this study, from 32.4% at baseline to 42.8% at 18 months, with an additional 20.2% providing this coverage for some of their employees. Together, these alumni more often reported growing revenues than average alumni.

employees to 30.7% at 18 months). What is notable, however, is that business owners who do provide retirement savings accounts for all or most of their employees are more likely to report both revenue and jobs growth than those who do not provide any such benefit.

²⁸ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends (2013). Medical Expenditure Panel Survey-Insurance Component. Retrieved from NFIB study. <http://www.nfib.com/article/small-business-and-the-cost-of-health-insurance-49514/4>

"Through Goldman Sachs *10,000 Small Businesses*, I improved my marketing strategy, which immediately helped me expand into new markets and reach new customers."

BRIAN KOESTER, BARK BARK CLUB PET SERVICES, CHICAGO

"Everything in the *Goldman Sachs 10,000 Small Businesses* program was new to me... becoming bankable, branding, doing a pitch. We had ideas and vision, but now we know how to execute on them."

MEL DAVIS, THE BREAKFAST KLUB, INC., HOUSTON

"Since I participated in *Goldman Sachs 10,000 Small Businesses*, I now have our financials together. Graduating from the program has been the most impactful thing I've ever done for my business."

**KENDALL WASHINGTON,
SAFE SPOT PEST CONTROL,
NEW ORLEANS**

"The Goldman Sachs *10,000 Small Businesses* program provided me with the tools I needed to launch a new product and double the size of our company."

**PATRICIA SETLOCK,
FABRICATION
GROUP,
CLEVELAND**

"Immediately after graduating, I felt the confidence that I could walk into Red Rabbit and lead my growing number of employees. I owe that to the *10,000 Small Businesses* program."

**RHYS POWELL, RED RABBIT,
NEW YORK**

"The program has impacted my business tremendously. Before the program, I focused on selling to retail stores only, but it has taught me to consider my competition of wholesalers with more powerful distribution channels. Today, I am selling to them directly and increased production from 1,000 units daily to 3,000!"

EDISON ARENAS, AZTECA MEXICAN CANDY, DALLAS

"Goldman Sachs *10,000 Small Businesses* gave me the confidence to put together a growth plan, enabling me to maintain great control over the business I run."

**COURTNEY McKEE, HEADFRAME
SPIRITS, INC., BUTTE (NATIONAL
COHORT)**

"The 'being bankable' module helped me the most. Teaching me how to focus on bringing all the pieces of our growth plan together and present to a bank, or potential customer. This has helped my confidence grow in many different areas."

NATALIE KADDAS, KADDAS ENTERPRISES, INC., SALT LAKE CITY

"I have all the tools to take an opportunity and decide whether it's something that's going to be profitable or not for my business. I learned through the *10,000 Small Businesses* program how to take the company to the next level."

**MICHAEL BROWN, ENVIRONMENTAL CONSTRUCTION
SERVICES, INC., PHILADELPHIA**

Participants' Views of *10,000 Small Businesses*

The two strongest measures of educational program success are student completion and satisfaction rates.

We are very proud to say that the retention rate for the local program sites across the country remains at 99%. Once a person begins the program, it is very unusual for him or her not to complete the program—both regarding attendance and the completion of a business growth plan. Given that this program includes more than 100 hours of classroom work, plus all the individual work required, this is striking. The new blended online and in-person national curriculum has a retention rate of 94%, also uniquely high among programs of this kind given that people are asked to work online for part of the program, and then leave their businesses for four days on two separate occasions.

The “Net Promoter Scale” (NPS) is a customer loyalty metric introduced by Fred Reichheld in his 2003 *Harvard Business Review* article “One Number You Need to Grow.”²⁹ NPS is based on a direct question: How likely are you to recommend our company/product/service to your friends and colleagues? NPS can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (e.g., greater than zero) is felt to be good, and an NPS of +50 is excellent, or, in Reichheld’s terminology, “World Class.”³⁰ The use of the scale crosses both large,

highly recognized companies and smaller social programs. *10,000 Small Businesses* has a Net Promoter Score of +91.4.



***10,000 Small Businesses* has a Net Promoter Score of +91.4.**

²⁹ Reichheld F. (2003). One number you need to grow. *Harvard Business Review*, 81, (December), 46-54. Net Promoter Scale is a registered trademark of Satmetrix.

³⁰ Reichheld F. (2011). *The Ultimate Question 2.0 (Revised and Expanded Edition): How Net Promoter Companies Thrive in a Customer-Driven World*. Bain and Company.

TRANSITIONING SUPPORT AND THE 10,000 SMALL BUSINESSES ALUMNI PROGRAM

10,000 Small Businesses is also built on the premise that small business owners do not have to go it alone. The core educational program is structured as a defined intervention with explicit lessons and practice sessions on where to find help and how to use help after the program. One possible outcome of this approach is the reported increase in the use of mentors from the 35.9% who reported their use of mentors when they entered the program to the 53.9% who at 18 months reported using a mentor within the last 12 months (and therefore at least six months after their completion of the program).

As the program grows and matures, so does the *10,000 Small Businesses* alumni program. A designated alumni manager at each of the 13 educational sites works with the program alumni through three main types of opportunities: 1) providing additional educational and networking opportunities, 2) helping alumni serve as role models to others through entrepreneurship recognition programs and 3) providing referrals for others to apply to the program and subsequently become part of the alumni network. This approach is used for both the programs offered through the partner community colleges and the blended national program. For the national program, more of the alumni offerings are understandably offered through a virtual platform.

The Babson team created a number of alumni clinics to support the continued educational part of the alumni mission, including clinics focusing on pricing, competitive marketing, and negotiations. Community college sites have also developed a portfolio of local programs, with topics ranging from industry expert groups to how to scope out new technological tools for your company.

The UK/NYC *10,000 Small Businesses* trade mission is a prime example of an alumni networking opportunity. The UK alumni visit was sponsored by Santander Bank and featured numerous types of business development meetings throughout the New York City region. One of the highlights of the trip was the session linking the two sets of alumni (United States and United Kingdom) through a speed pitching session. Each alumnus had the opportunity to meet a counterpart from the other country and efficiently, effectively and compellingly (the hallmarks of the *10,000 Small Businesses* communication approach) share his or her opportunities and resource needs.



During 2014, more than 75 alumni were recognized through a number of local and national award programs.

During 2014, more than 75 alumni were recognized through a number of local and national award programs, with nine recognized through a variety of awards from the SBA, two through the U.S. Chamber of Commerce Blue Ribbon Award and 20 on the Inc. 5000 Fastest Growing Businesses. These recognitions showcase what are often perceived as “Main Street” businesses in their business growth accomplishments and demonstrate that an entrepreneurial economy includes all kinds of people growing all kinds of businesses. Alumni report that they benefit from participation in these programs in a number of ways, but particularly through the self-analysis that is necessary to creating a strong application and subsequently from the public recognition for those who are selected to be honored.

Implications and Conclusions

We used our first progress report³¹ last year to stress three main points.

1. *10,000 Small Businesses* guides small business owners in developing a new perspective towards their businesses and their opportunities for growth.
2. Partners matter, and this turned out to be true for the delivery of the program as well as for the small business owners who participate.
3. The application of the *10,000 Small Businesses* is both unique and universal.

We are now one year further out in *10,000 Small Businesses*, with a growing number of alumni. In fact, as of March 2015, there have been more than 4,600 participants in the *10,000 Small Businesses* educational program. Though the program content and delivery style has remained largely constant over the years, in order to ensure that the program stays current for all the participating business owners, the Babson team has worked with representatives of each of the delivery sites to conduct four full curriculum reviews. Feedback from these reviews and the participating small business owners provides the input to continue to keep the curriculum fresh and to meet ever more completely the educational needs for growth.

The entrepreneurial approach used in *10,000 Small Businesses* focuses on the ability to identify opportunities, organize resources and provide the leadership to create something of value. We can now show that the identification of opportunities is a critical part of business growth, and the type of opportunities matters as well.

The opportunity to grow is desired by all types of business owners with business growth being industry agnostic—growth seen by all kinds of businesses.

- The alumni of this program who identified opportunities in new markets were more likely to grow than those that did not do so.
- Understanding the actual cost of an opportunity allows you to choose more wisely what avenues to pursue, and understanding what opportunities to stop pursuing is also an important growth strategy.

Resources are also an essential part of the growth process. While financial capital is crucial, other types of resources are vital for growth as well.

- When just considering financial capital as a primary resource, alumni who acquired external capital were more likely to grow more than those who did not.
- Small business owners who collaborated with others in the program (social resources) report business growth more often than those who did not.

The alumni of this program who identified opportunities in new markets were more likely to grow. Also, alumni who acquired external capital were more likely to grow.

And finally, being an entrepreneurial leader includes building an organization that attracts talented individuals as employees and is able to retain team members.

- Small business owners who provided performance incentives more often reported growth in revenues and job creation than those who did not.
- Small business owners who provided medical and/or dental benefits to all or most of their employees more often reported revenue growth.
- Small business owners who created plans to provide career progression opportunities for their employees grew more often than those who did not.

The impact of this program can be seen not only for the individual business owners and their families, but also at an entrepreneurial ecosystem level by considering how participating communities change their approach to entrepreneurship education. *10,000 Small Businesses* is a partnership program and works closely with community colleges and other schools of higher learning across the country with

³¹ Retrieved April 6, 2015 from <http://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/10ksb-impact-report-2014/program-report.pdf>

The alumni of this program who collaborated with others in the program report business growth more often.

the goal of enhancing their approaches to teaching entrepreneurship and supporting their local entrepreneurship ecosystem. Over the course of the past year several of our partners have received recognition for their work in this area.

- New York State awarded LaGuardia Community College \$5 million to build a *10,000 Small Businesses* Education Center.
- Miami Dade College launched its Idea Center, which focuses on entrepreneurship through a portfolio of programs.
- The City of Houston awarded *10,000 Small Businesses* the Program Partner of the Year award.

- Long Beach Community College received the NACCE (National Association for Community College Entrepreneurships) Entrepreneurial College for 2014.

These types of awards and recognitions provide resources such as physical space, larger social networks, and community recognition, making it all the more apparent that a carefully crafted and focused approach to entrepreneurial education, advising, and access to capital leads to a stronger economy for small business owners. *10,000 Small Businesses* supports these efforts to drive the advance of entrepreneurship education across the United States in a manner that allows small business owners to create value for themselves, their families, and their communities.

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Other Goldman Sachs Programs

GOLDMAN SACHS 10,000 WOMEN

10,000 Women is a global initiative to foster economic growth by providing women around the world with a business and management education, mentoring, networking and access to capital. The program is founded on research conducted by Goldman Sachs, the World Bank and others, which suggests that this kind of investment can have a significant impact on GDP growth.

Today, the initiative has reached more than 10,000 women in 43 countries. *10,000 Women* operates through a network of nearly 90 academic and nonprofit partners. These partnerships help develop locally relevant coursework and improve the quality and capacity of business education worldwide. The women selected for the program enroll in customized certificate programs ranging from five weeks to six months. Topics covered include marketing, accounting, business plan writing and strategic planning, among others.

Further deepening its commitment to women entrepreneurs, the Goldman Sachs Foundation, in partnership with IFC, a member of the World Bank Group, recently launched the Women Entrepreneurs Opportunity Facility. The Facility, the first-ever global financing facility dedicated exclusively to women, is a \$600 million effort to enable approximately 100,000 women-owned small and medium enterprises to access capital.

GOLDMAN SACHS 10,000 SMALL BUSINESSES UK

The Goldman Sachs *10,000 Small Businesses UK* program is also designed to provide high-quality, practical education and business support to leaders of high-growth small businesses and social enterprises across the country. These small businesses play a vital role in creating jobs and driving economic growth in the United Kingdom through innovation and market expansion. The program also includes social enterprises, which also increasingly contribute to UK economic and community development through sustainable business models that are less dependent on traditional grant funding. Goldman Sachs launched the *10,000 Small Businesses UK* program in 2010 to specifically address the support gap for small enterprises, helping them to unlock the economic and job creation potential of their businesses. The curriculum design and material development of *10,000 Small Businesses* in the United States was the foundation for *10,000 Small Businesses UK*, and the program was adapted for UK use by leading experts and is run in partnership with some of the country's top business schools.



