

THE BIG POWER OF SMALL BUSINESS

THE SUMMIT

The Goldman Sachs *10,000 Small Businesses* Summit: The Big Power of Small Business is the largest gathering of small business owners from across the U.S., and underscores the vital role small businesses play in the U.S. economy, while elevating their collective voice. At the two-day Summit, business owners participate in breakout sessions on topics that optimize their growth – hiring, leadership, accessing capital and more – and will also meet with policymakers to advocate for policies that support their ability to grow and compete.

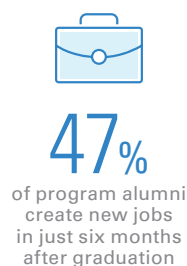
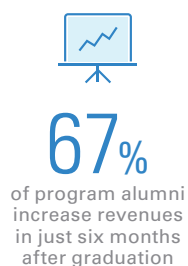
WHO WE ARE

We represent the broad spectrum of American entrepreneurs, demonstrating the diversity of small businesses across the United States. The median revenues reported by program participants is \$731,000 and the median number of employees is 11.



WHY WE MATTER

Irrespective of age, education level, gender, or industry representation, we are growing revenues and creating jobs to a greater extent than the overall U.S. small business population.



ABOUT 10,000 SMALL BUSINESSES

Goldman Sachs *10,000 Small Businesses* is an investment to help entrepreneurs create jobs and economic opportunity by providing greater access to education, capital and business support services. To date, more than 6,700 business owners have graduated from the education program across all 50 states in the US, Puerto Rico and Washington, D.C. Each has received a 100-hour, practical education that focuses on skills they can apply immediately, including accounting, marketing, and human resources management.

THE RESEARCH

SURVEY OF GOLDMAN SACHS 10,000 SMALL BUSINESSES AND RELATED FOCUS GROUPS

Small businesses play an important role in the U.S. economy, providing jobs to around 60 million Americans. However, small businesses face a unique set of challenges compared to their larger counterparts. To better understand these challenges, and to supplement research we have conducted on the topic¹, the Global Markets Institute of Goldman Sachs spoke with and formally surveyed business owners who have participated in Goldman Sachs *10,000 Small Businesses*. Conversations with more than 100 of these business owners, together with survey results from over 1,000 respondents, highlighted the key barriers these small businesses face in growing and competing in their respective markets.

TOP 3 BARRIERS TO GROWTH

- 1) Attracting new employees and managing the hiring process
- 2) Securing financing
- 3) Training employees



KEY FINDINGS

70% struggle to find and retain skilled talent, and therefore find themselves playing a significant role in training their employees.

- 90% provided at least some of their employees with on-the-job training over the preceding two years, and 20% provided pre-hire training through a technical or vocational program over the same timeframe.
- More than 55% have some employees who are shifting careers, 50% have hired individuals with no prior job experience, 30% have some employees who were formerly out of the workforce and 20% have some employees with a criminal record.
- About 25% have some employees who did not graduate from high school.

Owners are often personally responsible for a variety of business functions. They often serve simultaneously as CEO, CFO, General Counsel and Chief Compliance Officer, among other roles. Nearly 85% of owners are responsible for ensuring that their business complies with local, state and federal requirements.

- More than half of business owners noted difficulty in learning about all the local, state and federal requirements that affect their businesses.
- The reasons vary but center on overly dispersed information (70%), frequently changing requirements (“keeping up,” 50%+), staff at agencies tasked with enforcement being unable to explain rules or answer questions (30%) and unreliable information (25%+).
- Business owners find it difficult to comply with local, state and federal regulation given complex processes and significant paperwork involved. They face similar barriers in doing business with larger corporations and with the public sector.

¹ For other analysis of the challenges and opportunities facing small businesses, see prior research from the Global Markets Institute of Goldman Sachs: “Who pays for bank regulation?”, “The two-speed economy” and “Narrowing the jobs gap: overcoming impediments to investing in people.” These reports are available at: www.goldmansachs.com/our-thinking/public-policy/

Owners identify access to financing as a barrier to growth. 75% believe that doubling their financing would help them grow employment by roughly 30% over the next year.

- More than 40% would like or need more financing just to manage their ongoing operating expenses, while 65% would like or need more financing to make the long-term investments required to grow their businesses.
- More than 70% of small business founders said their personal credit score was important when securing financing to start their business, and 80% of all owners believe their personal credit score would be used to secure new financing for their businesses today; this makes consumer credit rules more important to small business formation and growth than some may think.
- For businesses formed in the last five years relative to those formed prior to 2007, there has been a notable shift from the use of home loans, personal loans, and personal credit cards to greater use of retirement funds, personal savings and private investment to cover start-up costs.

POSSIBLE SOLUTIONS

- 1. Providing a centralized repository of federal, state and local rules**, which would create one location for small business owners to find the full set of rules as well as those most likely to apply to them. This could substantially improve transparency and lessen unanticipated fines or other delays faced by small firms caught off-guard by changes in rules that evolve frequently.
- 2. A common certification standard could be introduced** that could be used by governmental agencies and other businesses as a verification of the suitability of a given small firm to compete for opportunities that may require them to meet various federal, state and local requirements, including vendor requirements, either directly or indirectly.
- 3. Enable better access to affordable consumer financing** for small business owners for the purpose of financing their firms by exempting them from or lessening the burden of various consumer lending rules. A separate, simplified set of unified rules related to consumer lending for small business owners could be considered as a possible solution, one that would enable less paperwork and other “red tape.”
- 4. Consider ways to reward the training small business owners provide their employees.** This could be in the form of expanded tax credits. Alternatively, small businesses could be allowed to pay a “training wage” for some predetermined fixed period of time in exchange for formal training funded by the small business employer.