

**EMPOWERING SMALL BUSINESSES: THE
ACCELERATOR MODEL**

HEARING
BEFORE THE
COMMITTEE ON SMALL BUSINESS
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HOUSE OF REPRESENTATIVES
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Questions for the Record:

None.

Answers for the Record:

None.

Additional Material for the Record:

None.

EMPOWERING SMALL BUSINESSES: THE ACCELERATOR MODEL

WEDNESDAY, MAY 3, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, King, Luetkemeyer, Radewagen, Knight, Kelly, González-Colón, Fitzpatrick, Estes, Velázquez, Evans, Murphy, Brat, Lawson, Clarke, Chu, Adams, Blum, Espaillat, Comer Schneider, Bacon, and Marshall.

Chairman CHABOT. The Committee will come to order. We welcome everybody here to the Small Business Committee today.

Before we begin this morning, I would like to welcome Ron Estes, who is our newest member of this Committee. He is fresh off a special election win, and with his background as being the former Kansas State treasurer, the Small Business Committee is lucky to have him on the team, and we welcome him here today. We are expecting great things from him. So thank you very much. Look forward to working with you.

We also have another guest here today. Dr. Marshall, would you like to introduce somebody?

Mr. MARSHALL. Sure. So my wife Laina is here for the First Ladies Luncheon tomorrow. Glad to have her and quite a bit of our extended family with us as well from Kansas. Welcome.

Chairman CHABOT. Excellent. Very good.

And I want to personally welcome some of the folks from Cincinnati here. We have the Chamber of Commerce, a bunch of folks that are here from the regional chamber, so they want to see Congress in action. So let us not disappoint them.

Ms. VELÁZQUEZ. What they want to see is a committee that works in a bipartisan way.

Chairman CHABOT. That is right. And they have got one here, right?

Ms. VELÁZQUEZ. That is right.

Chairman CHABOT. That is right.

Over in Statuary Hall there is a statue of Thomas Edison. Now, the people of Ohio placed it in the Capitol because while he may have done his most famous work in New Jersey, he is, like the greatest Americans, an Ohio native. Sorry about that. We love everybody on this Committee, whether you are from Ohio or not. The statute depicts Edison holding his invention that changed the

world, the lightbulb. Speaking about his career as an inventor and the varying degrees of success he had along the way, Edison famously said, "I have not failed. I have just found 10,000 ways that will not work." Edison knew that the power of American innovation was not always found in the resulting product; it is found in the process. That process is what we are really here to talk about today.

As American businesses and entrepreneurs have worked to bring about economic recovery over the last decade, business accelerators have emerged as an inspiring and effective force. With an end goal of pitching their ideas to a field of investors during a demo day, accelerators put company teams through a fixed-term, cohort-based program that focuses on mentorships. In effect, these are entrepreneurs helping entrepreneurs, small businesses helping small businesses, seeing what works, what has not worked, and what can be learned from it.

While the accelerator model is not entirely new, it has really materialized over the last few years and can be seen throughout the Nation. Many of us have heard about the successful high-tech accelerators out in Silicon Valley, but there is so much more to this story. While they are operating all over the country with an overall goal of accelerating growth, they oftentimes have different focuses. Some are concentrating on economic development within a geographic area, like my hometown of Cincinnati. Some are dedicated to female entrepreneurs. The process accelerators use to take entrepreneurs through their programs is making a difference. It is the power of experience coming alongside the newly inspired and helping them turn their idea into action, helping to make that crucial business connection, helping to advance a funding opportunity, helping to achieve success.

At this Committee, we like to say that every small business started with an idea, and with success, that idea turns into jobs. Business accelerators give us a close-up look at that process. As we celebrate National Small Business Week in our Committee, on Capitol Hill, and across the country, it is great to have such an impressive group of American innovators before us here today, and we will hear, of course, from them very shortly. Each one is directly involved with the running and the operation of an accelerator.

I am looking forward to hearing from them directly, hearing about their ideas and their stories. It is our hope that we all come away today encouraged and reminded that we have much to learn from our entrepreneurs and the processes that they pioneer.

I appreciate all of you being here today and look forward to your testimony.

And I would now like to yield to the ranking member, Ms. Velázquez, for her opening statement.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Business accelerators help high-growth startup enterprises develop their products, identify promising customer segments, and secure resources, including vital capital and potential employees. It is clear that they serve an important role in innovation, and I am very interested to learn more about their impact on small firms.

Growth accelerators have long been a powerful tool for helping innovative entrepreneurs grow. Each year since their formation in

2005, accelerators have gained in popularity. In fact, a number of accelerators nearly doubled each year between 2008 and 2014, proving that this model has real potential to assist entrepreneurs.

Accelerators are unique in that they provide the best of both worlds for both startups and investors. They serve as an all-inclusive, creative hub that provides technical assistance for growing businesses and a central location for investors to find vetted businesses. This arrangement reduces investor risk, while maximizing the capital network for high-growth companies.

In 2015, more than \$90 million was invested in the U.S. and Canada by 111 accelerators into nearly 3,000 startups. Silicon Valley firms accounted for more than one-third of that investment, while New York totaled about \$9 million in close to 400 startups. By opening the funding network for companies that might not otherwise have gained such exposure, accelerators contribute to stabilizing innovative businesses and the growth of the economy.

Beyond promoting business expansion, growth accelerators also bring benefits to the communities in which they are located in the form of economic development and job opportunities. We must consider ways to see a greater presence of accelerators in underserved and rural areas outside of the popular innovation hubs.

Another area of improvement is reaching entrepreneurs who have traditionally been disadvantaged. Evidence shows women and minorities are not participating at the same rate as their white male counterparts. One promising trend has been the emergence of accelerators focusing on these entrepreneurs. While this is a step in the right direction, more must be done because these businesses contribute greatly to our economy. After all, that is what today's hearing is all about, growing our economy and creating jobs. We already know the job creation power small firms hold. Now the question becomes how to maximize that power for startups.

During today's hearing we will hear from some of the most successful, innovative accelerators from around the nation. I look forward to hearing their suggestions as to how can we replicate that success in communities across the nation.

I thank the witnesses for being here today, and I yield back the balance of my time.

Chairman CHABOT. The gentlelady yields back. Thank you very much.

And if Committee members have opening statements prepared, we would ask that they be submitted for the record.

And I would like to take just a moment to explain our lighting system here and the rules that we operate under. We basically operate under the 5-minute rule. Each of you gets 5 minutes to testify and then we will all have 5 minutes to ask questions. And there is even a lighting system to assist you. The green light will be on for 4 minutes and then the yellow light will come on to let you know you have a minute to wrap up. And then the red light will come on, and if you can wrap up by that time we would appreciate it.

And I would now like to introduce our very distinguished panel. Our first witness will be Starr Marcello. Ms. Marcello is the executive director of the Polsky Center for Entrepreneurship and Innovation at the University of Chicago, where she runs the Edward L.

Kaplan New Venture Challenge. The New Venture Challenge, which aims to launch the next generation of companies, has an alumni list of some of the top technology companies in the country, such as Grubhub and Braintree. Ms. Marcello serves on a number of boards, including the Executive Advisory Board of Tech Week and the United States Association for Small Business and Entrepreneurship. We welcome you here this morning.

Our next witness will be Darrin Redus. Mr. Redus is the vice president of the Cincinnati USA—that is Cincinnati USA Regional Chamber’s Minority Business Accelerator, which has the mission of scaling minority-owned businesses and expanding the minority entrepreneurial community of the Cincinnati area. In partnership with larger corporations, the Minority Business Accelerator has been successfully piloting economic progress in our area for many years. As a former commercial banker from Cleveland, Mr. Redus—excuse me, Mr. Redus is the founder of a number of companies, such as the Main Street Inclusion Advisors, LLC, and the Redus Small Business Advisors. We thank you for being here as well.

Our next witness will be Carolyn Rodz—is that Rodz?

Ms. RODZ. Rodz.

Chairman CHABOT. Rodz. I apologize.

Ms. Rodz is the founder and the chief executive officer of Circular Board, which is a female entrepreneur-focused accelerator. Utilizing a virtual model, Circular Board concentrates on purpose, partnerships, and access to capital to accelerate growth. With a resume that consists of creating a retail line, founding of a global marketing firm, serving as a TD—excuse me, TEDx speaker, serving as a member of the Dell Women’s Entrepreneur Network, and a 2016 Entrepreneur Magazine Woman to Watch, Ms. Rodz is a driving force in the startup world, and we appreciate your testimony here this morning as well.

And I would now like to yield to the gentleman from Pennsylvania, Mr. Evans, to introduce our fourth and final witness.

Mr. EVANS. Thank you, Mr. Chairman.

It is my sincere pleasure to introduce Dr. Stephen S. Tang, president and CEO of University Science Center in Philadelphia. He is the first president in the Science Center history to have led the company to venture funding and initial public offering. University Science Center is a winner of the SBA Growth Accelerator Fund competition for the class of 2015 and 2016. I had the opportunity to work with Dr. Tang, and just yesterday, we both received an award from the Opportunity Industrial Center, OIC, of Philadelphia, founded by someone that I hold in high esteem, the late Reverend Leon Sullivan. Last September, Dr. Tang was appointed to the National Advisory Council on Innovativeness and Entrepreneurship, and now serves as the co-chair where he offers recommendations to the U.S. Secretary of Commerce for policies and programs designed to make U.S. communities, businesses, and the workforce more globally competitive. Welcome to Dr. Tang. And thank you for your testimony today.

And I yield back to the chairman.

Chairman CHABOT. Thank you very much. The gentleman yields back.

Ms. Marcello, you are recognized for 5 minutes.

STATEMENTS OF STARR MARCELLO, EXECUTIVE DIRECTOR, EDWARD L. KAPLAN NEW VENTURE CHALLENGE (NVC), POLSKY CENTER FOR ENTREPRENEURSHIP AND INNOVATION, UNIVERSITY OF CHICAGO; DARRIN M. REDUS, SR., VICE PRESIDENT, MINORITY BUSINESS ACCELERATOR, CINCINNATI USA REGIONAL CHAMBER; CAROLYN RODZ; FOUNDER AND CEO, CIRCULAR BOARD; STEPHEN S. TANG, PH.D., MBA, PRESIDENT AND CEO, UNIVERSITY CITY SCIENCE CENTER

STATEMENT OF STARR MARCELLO

Ms. MARCELLO. Thank you, Chairman Chabot, Ranking Member Velázquez, and members of the Committee for having me this morning.

My name is Starr Marcello. I am the executive director of the Polsky Center for Entrepreneurship and Innovation at the University of Chicago. The Polsky Center drives the creation of new businesses at the University of Chicago and on Chicago's South Side. We teach entrepreneurship courses, we commercialize faculty technology, we run a 34,000 square foot incubator, and offer numerous programs to support and mentor those on their entrepreneurial journey.

I am speaking to you today about our capstone program and accelerator, the Edward L. Kaplan New Venture Challenge. The NVC has been recognized as a top-ranked university accelerator in the country for the past 2 years by the Seed Accelerator Rankings Project.

Now in its 21st year, the NVC has helped launch more than 160 startups still in business today. NVC companies have raised over \$600 million in venture capital funding, and have created more than \$4 billion in value for investors through mergers and exits. We have two national brands in our portfolio, Grubhub and Braintree/Venmo, as well as emerging national brand Simple Mills. Grubhub, an online food delivery service, completed the New Venture Challenge in 2006, merged with its biggest competitor Seamless in 2013, and went public with its IPO in 2014. The company is now valued about \$3 billion.

The NVC also helped launch Braintree, a payment processing company, which was acquired by PayPal in 2013 for \$800 million. Those under 30 may know Braintree for one of its acquisitions, Venmo, which enables friends to send money to one another. By most recent count, Grubhub and Braintree alone have created 1,000 new jobs in Chicago and 2,000 new jobs nationally.

The NVC's success can be attributed to its unique structure and the environment in which it operates. As a leading research university in the third-largest city in the U.S., the University of Chicago is an intellectual destination for the most innovative minds in the world. The reputation of the university, its Booth School of Business and, increasingly, the New Venture Challenge, draws creative entrepreneurial talent to us. Getting top people into the accelerator is the first step in getting successful businesses to emerge from the program.

The New Venture Challenge is structured as a year-long, tiered selection process which coincides with the academic year. Phase 1

focuses on team formation, Phase 2 on business model development, and Phase 3 on communicating the vision to potential investors. The program is competitive, with the number of teams reduced at each phase to enable those most viable to participate in the final “Demo Day.”

Phase 1 of the program begins when students arrive on campus in autumn. We spend several months working with potential applicants on team formation and opportunity identification. We create connections among many constituents of our university and community, from scientists to MBA students. Eligibility requires just one current UChicago student. The others can be friends, family members, colleagues, acquaintances.

We use our National Science Foundation-funded I-Corps program to encourage these teams to better understand their potential customers and to understand how their business idea solves a real problem. The staff and faculty at Polsky Center spend time mentoring aspiring teams one on one, and in February, the hard work of this exploration phase results in 80 to 100 applications to the New Venture Challenge.

Of these, 30 teams are selected into Phase 2. In this phase, the entrepreneurs enroll in our New Venture Creation course, and spend 10 weeks testing and articulating their business model in front of faculty and members of the business community. The feedback they get is highly critical, but also constructive. More than 100 mentors and three full-time coaches participate in this phase, providing robust expertise, industry knowledge, and support to the teams. Our founders are working as hard and as fast as possible to show progress. They are building minimal viable products, launching pilots, and refining their value proposition. The deadlines create urgency, and the urgency creates focus.

Based on their success in Phase 2, 10 of the 30 teams are selected to compete in Phase 3, the NVC Finals, our Shark Tank-style pitch competition. The incentives to reach this last stage are substantial. The finalists pitch to top-level investors and entrepreneurs who fly in from around the Nation. We award a \$500,000 prize package, which includes direct seed funding from the university and from local VCs, as well as pro bono legal support, design services, office space, and more.

Our portfolio of 160 companies includes many small businesses of 50 or fewer employees. However, these businesses are designed with growth in mind. When the NVC ends, the hard work of scaling these companies continues. The Polsky Center continues to provide mentorship, connections to capital, and workshops for these growth-stage entrepreneurs. We help them understand how to increase sales and how to hire and fire while maintaining an entrepreneurial culture.

During the last decade, we have also grown the NVC platform to support our global MBA students in Hong Kong, London, and the Americas; our undergraduates; and those who are focusing on social impact ventures. We also enable many of our local community entrepreneurs to leverage the resources that have been created as a result of the New Venture Challenge.

Every entrepreneur I have worked with, hundreds over my 12 years at the Polsky Center, has been driven to create value in the

world, to solve a problem people are faced with, and to find ways of making people's lives better. Whether someone is a founder of a small business or a founder of a high-growth venture, these entrepreneurs are dedicating everything they have in pursuit of their dreams. It is an honor to do the work I do every day to support these founders' ambitions, and to see the effects not only on Chicago, but throughout the world. Thank you.

Chairman CHABOT. Thank you very much.

Mr. Redus, you are recognized for 5 minutes.

STATEMENT OF DARRIN M. REDUS

Mr. REDUS. Good morning. Chairman Chabot, Ranking Member Velázquez, and distinguished members of the Committee, thank you for the opportunity to speak to you today. My name is Darrin Redus, and I serve as the vice president of the Cincinnati USA Regional Chamber, and executive director of the Chamber's Minority Business Accelerator.

On behalf of the Chamber and its 4,000 member businesses and constituents, I would like to first thank the Committee for holding this hearing, and thank you, Chairman Chabot, for this opportunity to highlight some of the good work happening in your hometown.

This is also a very personal topic for me individually as I have now served for the Small Business Network for more than 29 years in a variety of senior-level capacities and entrepreneurial capacities as well.

I have had the good fortune of working directly in the center of one of the country's first tech startups in 2006, and then witnessing the explosion of accelerators over the past 10 years. Evidence of this explosion can be found in the SBA's own Growth Accelerator Competition, which received 832 applications from accelerators nationwide in 2014, up from less than 10 organizations in 2005.

At their very core, the very nature of accelerators, as the name implies, is to accelerate the growth and development of promising business enterprises by engaging in an intensive and comprehensive set of business development and mentoring activities designed to dramatically expedite the growth process. This has certainly been the case in Ohio that just less than 10 years ago was considered a "flyover State" by the venture capital community, denoting the historical tendency of the venture capital firms to primarily focus on the East or West Coasts for qualified deal flow and investment activity and literally fly over States like Ohio. Whereby today, our State is experiencing a robust relationship with the VC community, evidenced by 330 early-stage companies receiving over \$1.6 billion in venture capital since 2006.

Whether it is helping entrepreneurs with product development, gaining traction with early client sales, facilitating key business and investor relationships, or any of a number of critical milestones designed to expedite capital and market readiness, the early returns of accelerators over the past 10 years have certainly been an absolute catalyst for this country.

And while the economic benefits and significant contributions of accelerators have certainly been impressive, there remain segments

of our population, particularly ethnic minority groups, that remain largely disconnected from many of these critical resources.

For over a decade now, our nationally recognized accelerator has specifically targeted African American and Hispanic populations that, unfortunately, continue to lag behind from an economic standpoint. In fact, research by the Pew Research Center released just in the past 2 years indicates that economic disparities have actually widened for these two populations in terms of wealth gap and other economic indicators over the past 25 years. This is especially troubling for our Nation as a whole as ethnic minority groups are expected to be more than half of our national population over the next 20 years, and continuing such disparities threatens the economic vibrancy and competitiveness of the country.

Since its inception in 2003, the Cincinnati's Minority Business Accelerator, in partnership with our corporate community that we call goal setters, has specifically sought to address these negative trends. Today our accelerator consists of 35 larger-scale African American and Hispanic firms that collectively do just over \$1 billion in aggregate annual business and have created over 3,500 jobs since inception. And while we are certainly proud of our record to date, much work still remains. Our new strategic plan just launched in September of 2016 calls for the creation of an additional 3,500 jobs and an addition \$1 billion over the next 5 years. The specific strategy to be deployed to accomplish this objective consist of leveraging more mainstream business growth strategies, including mergers and acquisitions, joint ventures, strategic partnering, exporting and partnering with private equity investors, to name a few.

In closing, a rising body of evidence as further detailed in studies by the Harvard Business Review, the Kauffman Foundation, and various others, reveals a significant contribution to our Nation's economy spurred by the accelerator model. Much more work remains, however, to ensure that this good work is not lost on various segments of our population. As ethnic minority groups become an even greater percentage of the total U.S. population, reversing these negative trends tied to widening economic disparities must be a critical component of the Nation's economic agenda going forward to ensure that all of America's citizens are contributing to economic output.

Again, I thank you for this opportunity and look forward to your questions.

Chairman CHABOT. Thank you very much.

Ms. Rodz, you are recognized for 5 minutes.

STATEMENT OF CAROLYN RODZ

Ms. RODZ. Thank you. Good morning. My name is Carolyn Rodz, founder of Circular Board, a virtual accelerator for high-growth female founders. I am here today to advocate on behalf of our Nation's leading innovators, entrepreneurs, and influencers, and specifically, for one of the largest untapped economic and social opportunities in our country: women entrepreneurs. If women and men participated equally in the entrepreneurial ecosystem, in the United States alone GDP could rise by \$30 billion. Yet, in spite of this, less than 5 percent of venture capital goes to female founders,

and when we start to look at minorities, the numbers are significantly lower.

The current startup ecosystem is built upon a process that funnels information from a small group of people, predominantly white males in Silicon Valley and other dense startup cities, to their personal social networks and trusted colleagues. When you consider that venture capitalists invested \$58.2 billion in companies with all-male founders in 2016 and just \$1.46 billion in female teams, in spite of the fact that women and diverse leadership teams provide stronger financial returns, it becomes apparent that our system for funneling capital into companies solely based on financial opportunity is flawed. In 2016, 5,839 male-founded companies got venture capital funding compared to just 359 female-founded companies.

In other words, companies run by men got more than 16 times more funding than companies run by women. And to think, 2016 was a good year, with women-led companies making up 4.95 percent of all venture capital deals in 2016, the highest percentage in over a decade, and representing just 2.19 percent of dollars invested.

Which brings me to the rationale for the startup accelerator, which is, at its core, an advocacy group for founders with the intention of connecting them with the experts, investors, media, and processes surrounding the art of the startup. Think of the accelerator as a liaison between the founder, who likely knows much about how to operate their business and succeed within their industry, but often little about how to raise capital, get covered by the media, build support within their local community, and get the endorsement of the most influential minds in the startup ecosystem.

At Circular Board, our most important job is to understand the innovation landscape so that we can share this expertise with our founders, who are heads-down building businesses that are impacting the world around us, creating jobs, and driving our economy forward. It is our responsibility to ensure that their time is spent wisely, that their business models will resonate with potential funders, and that, most importantly, they gain a voice within the relatively small and very homogenous startup world.

At Circular Board, we have worked with over 13,000 female founders from places like Lake Oswego, Oregon, or El Paso, Texas, connecting them with the intellectual capital that resides nationwide. When these founders are armed with a network of experts, introduced to early-stage investors, and supported by a community of unique perspectives and varied experiences, they are better prepared to overcome the dismal statistics that currently define female founders.

Take Suchi Ramesh, for example, an Indian immigrant in New Jersey, who has created nearly 50 jobs for women in her first year. Women on welfare, no less. Or Adrienne Weir of Medolac, who has reduced pre-term infant mortality rates by over 50 percent through fortified human breast milk, and is currently raising her Series C at a \$45 million valuation. Circular Board's accelerator founders have raised over \$26 million in funding in the last 18 months and have created over 162 jobs. Overwhelmingly, our founders cite the

relationships they build as turning points within their respective businesses.

It is true that accelerators are popping up all over the country, but what is important to recognize is that each of these accelerators tackles a unique segment of founders, from industry verticals to marginalized audiences, attracting expertise that can support problems facing these specific groups of founders. Organizations like Circular Board bring more than mentorship. They bring energy to the startup landscape, forging connections, and bridging the gap between enterprise, government, foundations, and more. We are a loud, organized, and consistent voice for founders, and a pipeline for opportunities presented by organizations like the Small Business Administration, Kauffman Foundation, Case Foundation, and more.

At Circular Board, we have learned that resource connectivity is the greatest value we can provide to a founder, which is why we are building a global artificial intelligence platform that will support women at all stages of growth and connect them to the tools, experts, content, and events relevant to their real-time needs. There is an incredible demand for startup accelerators, and it is our mission at Circular Board to avail every entrepreneur, regardless of gender, ethnicity, geography, capital resources, or cultural constraints, the opportunity to engage the right support to scale their business, all with the end goal of solving our world's most pressing problems and creating sustainable, meaningful impact.

As policymakers, there are significant opportunities to support these accelerators, not only through government-funded programs like the SBA's Small Business Accelerator Fund, which we are grateful to be recipients of, but also by supporting trade agreements that open new markets for businesses of all sizes, streamlining the process of registering businesses and applying for government resources, particularly when working with strategic offices, such as the Patent and Trademark Office, Department of Commerce, Small Business Administration, and FDA.

Engaging with accelerators allows you to better understand how founders are supporting our country through innovation and economic development, and to see for yourself how the accelerator is a model, not only promoting business success, but also national leadership and economic prosperity.

I thank you for taking the time today to put a spotlight on what I believe to be one of the greatest economic opportunities of our time.

Chairman CHABOT. Thank you very much.

Dr. Tang, you are recognized for 5 minutes.

STATEMENT OF STEPHEN S. TANG

Mr. TANG. Thank you, Chairman Chabot, Ranking Member Velázquez, and members of the Committee. Thank you for this opportunity to testify regarding small businesses and the accelerator model, and to help you recognize and celebrate our Nation's legacy of entrepreneurial success. And special thanks to my representative, Congressman Evans, for your kind introduction.

I am Steve Tang. I am the President and the CEO of the University City Science Center in Philadelphia. It is an honor to join my distinguished colleagues in today's panel.

I would like to begin by expressing my strong support for Federal programs such as SBA's Growth Accelerator Fund, which encourage and facilitate entrepreneurship.

I have an extensive background in science, business, and entrepreneurship, and a firsthand understanding of the power and potential of technology commercialization. I have led a company through venture funding and an initial public offering, and I served as a senior executive of a large life science company as it acquired and integrated smaller companies.

Last September, I was reappointed to the Department of Commerce's National Advisory Council on Innovation and Entrepreneurship, NACIE, and I have the privilege of serving as NACIE's co-chair through 2018. NACIE reports to Commerce Secretary Ross and is charged with identifying and recommending solutions to issues critical to driving the innovation economy, including establishing entrepreneurship and firms to successfully access and develop skilled, globally competitive workforces.

My organization, the University City Science Center, has been a key driver of growth and a source of stability for the Greater Philadelphia region's life sciences and technology sectors since its founding in 1963 as the Nation's first and largest urban research park. Today, we are a dynamic hub for innovation, entrepreneurship, and technology development, offering business incubation, acceleration, and other programs that provide support for firms at all stages of the business life cycle.

At the Science Center, we cultivate and expand the possibilities that open up when research moves out of the lab and into the marketplace. Over the past 52 years, 442 companies have received incubation and acceleration services from the Science Center. Today, 155 of those 442 firms are located in Greater Philadelphia and account for 40,000 direct and indirect jobs, or 1 out of every 100 jobs in the Philadelphia region. And these 40,000 jobs drive \$13 billion in economic activity each year, more than 2 percent of the region's total economic output.

To date, our biggest success story is Centocor, now known as Janssen Biotech, a division of Johnson & Johnson. Centocor was founded in 1979, with a vision of developing monoclonal antibodies as a new paradigm to treat diseases such as rheumatoid arthritis. Today, Remicade is the biggest product in J&J's portfolio, with annual U.S. sales of \$5 billion. Another Science Center resident company, Spark Therapeutics, is developing gene therapies that are showing early, promising results for treating childhood blindness and potentially other conditions such as hematologic disorders and neurodegenerative disorders. These are just two examples of how the Science Center has paved the way for transformational business growth and job creation.

We are strong believers in the accelerator model as a business vehicle for empowering small businesses. We define an accelerator as a program that offers startups access to a suite of business tools, including mentorship and professional expertise, funding, and

other support services over a defined, limited time period, in an intensive, high-touch setting.

For example, our Phase 1 Ventures, or P1V, program works with “long-horizon” technologies in pharmaceuticals, biotech, healthcare, and other fields. P1V helps early-stage companies apply for and obtain SBIR and STTR grants, and then provides the companies with funding, management support, and access to outside expertise, as well as connections to private sector funding, in order to keep them growing.

And our Digital Health Accelerator, or DHA, helps health IT companies with products in the prototype stage to reach their first sales and investment milestones. The program selects promising companies from around the world and provides them with funding, collaborative workspace, professional mentorship, and introductions to key stakeholders and investors in the Greater Philadelphia region.

As you know, in the 3 years since the Growth Accelerator Fund was launched, awards of \$50,000 each have been made to 189 accelerators in 45 States, Washington, D.C., and Puerto Rico. The Science Center has been fortunate to win two of those awards, one for P1V and the other for DHA.

I am here to say that those awards, along with other strategic and critical Federal grants, have made a real difference. Since P1V was launched in 2015, a total of 18 startups have participated in the program, advancing technologies developed in 12 different academic and healthcare institutions. Together these companies have secured approximately \$3 million in public and private funding, and the 13 companies that have gone through DHA, since its inception in 2014, have created more than 160 new jobs, generating more than \$20 million in new revenues, and raising nearly \$22 million in follow-up funding.

Thanks to the Federal support that we received, we have been able to accelerate the growth startups of companies like UE LifeSciences, which is developing a low-cost, portable, handheld scanner that can detect breast cancer in its earliest stages, anywhere in the world. Or Talee Bio, which is developing a gene therapy for cystic fibrosis, the first curative disease treatment for this condition. Or SimUCare, which is enhancing the training process for doctors and nurses by enabling them to learn how to handle medically complex situations using live actors rather than mannequins to maintain realism.

At the Science Center, we support technology commercialization in the broadest sense by acting as an innovation intermediary or linchpin that brings together academia, industry, and capital. We create specific processes and frameworks, like P1V and DHA, that lower the barriers, facilitate collaboration, and enhance the likelihood of success. But we also create more generalized incubators, accelerators, and other resource-rich environments that combine multiple ingredients, including funding, expertise, and support services, to help generate the unpredictable and serendipitous outputs that have always fueled our Nation’s scientific advancement and economic growth.

Accelerators work because they promote and award efficiency. We have a saying in the industry: startups need to succeed or fail

quickly and cheaply. The only way to drive business creation and growth is for companies to move technologies from across the value chain and get it into the market.

Accelerators force technologies to move quickly, and by offering multiple layers of expertise, services, and support, accelerators often enable startups to pivot in different directions in response to market demand. If Congress is interested in stimulating entrepreneurship and pulling even more high-potential technologies out of academia and elsewhere into the marketplace, then accelerators and other key early-stage support programs are a wonderful way to achieve a robust return on investment.

Accordingly, we strongly support those targeted Federal initiatives, such as the Growth Accelerator Fund, SBIR and STTR, and the EDA's Regional Innovation Strategies program, among others, that encourage innovation, entrepreneurship, and tech-based economic development across the country. And equally important, we strongly support those programs, like the Growth Accelerator Fund, that promote greater diversity and inclusion in our Nation's small business sector.

More than two-thirds of our P1V and DHA companies are owned or led by women or members of underserved groups, such as racial minorities, veterans, and disabled individuals. We firmly believe that the knowledge-based economy must not only be a place of innovation and growth for the science and technology community, but also a hub for innovation and growth in a wider community with meaningful opportunities for all of our citizens to pursue STEM-related careers at all levels.

Mr. Chairman, this concludes my testimony. On behalf of the University City Science Center and NACIE, I want to thank you for this opportunity to highlight the benefits of Federal programs for our Nation's small businesses and, more broadly, our entrepreneurial ecosystem. I welcome your comments and questions.

Chairman CHABOT. Thank you very much.

I will recognize myself for 5 minutes to start the questioning. I will start with you, Mr. Redus, if I can.

It is my understanding that about 40 or so large Cincinnati companies, corporations play a pretty significant role in your minority business accelerator. Could you share with us kind of the details of that partnership, how it works and what the results have been?

Mr. REDUS. Absolutely. Thank you, Mr. Chairman.

It is also important to note that as important as the startup sector is, our particular accelerator works with existing companies that have significant upside potential, which dovetails directly into the question on our partnership with our corporate community. By design, our work is really trying to create more viable vendors and suppliers to our corporate partners, so we have to begin with some element of scale already. And so our corporate partners really help us to identify where their money goes locally and nationally, how we can perhaps then align the region's minority companies with their natural kind of spending on a go-forward basis.

So we start with kind of who in our landscape of minority businesses already has some size and scale that we can begin to accelerate in partnership with our corporate partners. But it is a direct, kind of one-on-one relationship and making sure that we are grow-

ing sizeable businesses that already have some foundation of infrastructure.

Chairman CHABOT. Okay. Thank you very much.

Ms. Marcello, I will go to you next. In your written testimony, you stated that deadlines create urgency and urgency creates focus. Could you expand upon that a little bit?

Ms. MARCELLO. Thank you for the question. Certainly. In the phase that that comment referred to of our New Venture Challenge, our teams are forced to make very fast progress, and the deadlines that they have do not allow them to spend as much time as they might like going out and considering the competitive landscape and talking to every potential customer, and really considering every risk factor. They have to show that they can make progress given the uncertainties that face them as entrepreneurs do. All entrepreneurs face those uncertainties. And by giving them a compressed time schedule in which to make progress, they narrowly focus their attention and go out and work harder than you can imagine. And so I believe that entrepreneurship, with all of the time that you could allow, could enable someone to consider every factor, every reason why they might not succeed. By making the timeline shorter, you can drive real progress.

Chairman CHABOT. Great. Thank you very much.

Ms. Rodz, I will go to you next. Could you talk to us about how and why you selected a virtual or online model for your accelerator?

Ms. RODZ. Certainly. We started Circular Board by looking at the existing model and why it was not working for women, and learned several things through that. Some around the learning science that relates to women; women tend to learn in a very collaborative environment. The other was looking at the unique constraints of women. Many of the women that we work with, and many women entrepreneurs in general, start their companies later in life, which means they have children. They have family constraints. Many are bootstrapping. Women start with half the capital as men, which means relocating can be very costly. And we wanted to target women that were in rural areas, that were in cities that did not have dense startup ecosystems, and found the virtual model to be the most beneficial structure for the women that we were serving.

Chairman CHABOT. Okay. Thank you very much.

Dr. Tang, you stated that there is a saying in the industry that, and I will quote it, "Startups need to succeed or fail quickly and cheaply." Could you talk about that?

Mr. TANG. Well, the success part is easy to explain. The faster you are successful, the faster you get to market, the more successful you will be. The failure part of it is a little less easy to understand, and that is if you are going to make mistakes, make them quickly and learn how to pivot and move on. And that is, I think, the core of what we see a lot of the activity in accelerators, it is putting that intense deadline-based pressure to help them think creatively about their businesses. So failure and success are equally important.

Chairman CHABOT. Thank you very much.

And before my time expires I will go back to you, Dr. Redus, for my final question. Is the successful minority accelerator model that we have seen in Cincinnati, could that be replicated in other areas around the country?

Mr. REDUS. Thank you, Mr. Chairman. Yes, it can. In fact, we are incurring discussions with a variety of communities to do just that. It really starts with a very thorough assessment of what are the existing companies in a given region. Every community is different, but when you start with your base, working with organizations like the Minority Business Development Agency here at the Department of Commerce, to understand your base and foundation, and then working with an all-hands-on-deck sort of approach with your corporate community and other business leaders, we are already seeing a number of communities asking us how to replicate this going forward.

Chairman CHABOT. Thank you very much. My time is expired. The gentlelady from New York is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And thank you all. It has been quite enlightening. You know, sometimes we have programs that are created by federal agencies as pilot projects, not that we authorized them, so there is no congressional record as to the reasons for creating a program and the metrics to measure their success. So this hearing is very important to me because I have been critical of pilot programs without the authorization from congressional committees.

So Dr. Tang, one criticism of accelerators is that we do not have proven metrics of this model and that job creation is not an accurate measure of success. What are your thoughts on this, and how can we best measure the performance of accelerators?

Mr. TANG. Thank you, Congresswoman.

I believe that job creation is a key metric, but not the only key metric. Many businesses that begin today do not require a large number of employees, and also, the rise of the 1099 economy I think skews that information, also. So that is why we, in addition to job creation, look at the revenue growth as well as the amount of invested capital beyond the accelerator. So the accelerator does not exist in a vacuum, and its performance should not exist in a vacuum either. It should be a bridge to something bigger and better. And that is on the success side.

On the failure side, I think that even when companies fail, the conservation of funds to help them fail so they fail cheaply is vitally important; also, as well as whether that entrepreneur repositions him or herself in the community with another venture.

Ms. VELAZQUEZ. Thank you.

Mr. Redus, what is the impact on minority business owners who participate in accelerators? And are they more likely to succeed than when receiving angel investing alone?

Mr. REDUS. Thank you, Ranking Member Velázquez. Yes. So the economic impact can be measured in a variety of ways, and I will be brief. So certainly, as was mentioned, we measure the growth of the companies in terms of their revenues, the capital that they have raised, the jobs that they have created, the average payrolls that they have created, the leadership positions that these business owners often then go on to take in the community. And

so from the standpoint of overall impact, it is far-reaching, and we also look to make sure that as our companies grow to scale, they in turn do business with emerging minority firms which furthers that impact. So to the point mentioned, it is a broader, far-reaching interconnected nature of how we measure the overall impact.

Ms. VELAZQUEZ. Thank you.

Ms. Marcello and Ms. Rodz, maybe the two of you or one of you mentioned the fact that there is a tendency for venture capitalists to invest significantly more in male-owned businesses. Women have received only 7 percent of venture capital raised in the U.S. and only 10 percent worldwide between 2010 and 2015. Because of this, and you also stated that, women are turning to unconventional sources, like accelerators. What has your experience been in the investment turnout for your women-owned businesses?

Ms. RODZ. Yeah, we see, you know, there is an incredible interest in the venture capital community to invest in women entrepreneurs, and we hear repeatedly that they are having a hard time finding these women-owned companies. And interestingly, we have had them flock to us, and a lot of it is because of the model that is created and the way that money flows. Investors will overwhelmingly say that it is partly looking at the analytics behind our company, but then partly also gut feel, and that relies a lot on who they know. And so one of the goals that we focus on at Circular Board is making those personal connections to investors so that they can get to know the female founders that are running these high-growth companies.

We are also really focused on these unconventional methods of raising capital. I am proud to say that 100 percent of the companies through Circular Board that have funded have succeeded, and that is in large part because we are able to leverage the community. And we are also looking a lot at private family offices and individuals as well, and getting more women involved in investing.

Ms. VELAZQUEZ. Would you allow—

Chairman CHABOT. Yeah. The gentlelady would like to—

Ms. VELAZQUEZ. Ms. Marcello, would you like to comment? Thank you, Mr. Chairman.

Chairman CHABOT. Sure.

Ms. MARCELLO. Certainly. The Polsky Center at the University of Chicago, in addition to supporting our entrepreneurs, also supports our students who are looking to enter the investment side of entrepreneurship and become part of the venture capital community and invest actually in startups. And what we have seen as well is an interest from the finance side, from the venture community, in hiring more women in as investors who build that diversity into their outlook of entrepreneurs who should receive the funding. So I think there is evidence going on that more women might be also investing and joining the finance side of entrepreneurship and having more diversity in terms of looking at entrepreneurs.

Ms. VELAZQUEZ. Thank you.

Chairman CHABOT. Thank you.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you. The gentlelady's time is expired.

The gentleman from Mississippi, Mr. Kelly, who is the chairman of the Subcommittee on Investigations, Oversight, and Regulations, is recognized for 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman.

I am constantly amazed at the quality of the panels that we have here in the Small Business hearings, and that is a great thanks to our chairman and our ranking member. You are all very accomplished professionals, and I just thank you for taking the time out of your busy schedules to be here.

Ms. Rodz, can you describe the application process startups go through to gain admittance into your accelerator program? And how many startups do you accept at one time?

Ms. RODZ. We run a 12-week virtual program. We accept between—we have had anywhere between 20 founders and 80 founders per class. The founders apply online. They submit a video application, as well as a write-up on their concept, on why it matters, and how they plan to scale. We then review those applications among our team, our mentor community and investors that we work with, and then follow up with phone interviews and make the selections from there.

Mr. KELLY. Thank you. And Ms. Marcello, say I am an applicant for the New Venture Challenge. As a small business, what do I experience? Who do I first talk to? Who do I interact with? How does that interaction work? And can you just kind of walk me through the process like that, please?

Ms. MARCELLO. Certainly. So as an applicant to the New Venture Challenge, you may very well walk into my office. However, Polsky Center has a staff of 45 individuals who are committed to entrepreneurship on the university campus. And so there is a tremendous amount of support right at the initial phase for people who are curious about whether the New Venture Challenge is the right accelerator program for their business and for them. And that web of support at the university level helps guide the entrepreneur at that point through the application process. We have the luxury at the University of Chicago, and with the New Venture Challenge, of having a lot of time on the front end before applications are actually do to make sure everyone understand what the New Venture Challenge can provide to them and how it will help their business go from point A to point B.

Mr. KELLY. Thank you very much.

And Mr. Redus, what is the employee structure of the Minority Business Accelerator? And if you will tell me how many employees you have, please.

Mr. REDUS. Thank you. Yes, our direct FTE is five dedicated individuals. We work also with a number of 1099 kind of coaches and business advisors, as well as an extended network of corporate partners that contribute expertise as well.

Mr. KELLY. And just down the line, I guess Dr. Tang, I do not hear a lot about the accelerator. So if I am a small business or someone who is starting to get into the small business, what can we do better to make sure that people know about the accelerator programs and know who to reach out to and how to do that?

Mr. TANG. We have a saying at the Science Center, which is celebrate what you want to see more of. And so I think the way to

get the word out is to have those that have been successfully through the program, which have maintained their success and sustainability, really do the talking for us. We will certainly do our best, and I think agencies within the government, like SBA, will do theirs as well. But nothing speaks like success like those that have succeeded.

Mr. KELLY. Thank you. And then just, you know, I have spent a lot of time in the last 2 weeks, they like to on the news say vacation. I guess working 8:00 to 8:00 is a vacation for those guys because I was in the district, meeting with people. And I felt the entrepreneurial spirit. It felt like a lot of people right now want to start up and create businesses. And if we could start and each of you just go down and tell me what you are hearing in your area, and do you think that people are like looking forward to investing in small businesses right now?

Ms. MARCELLO. The answer is yes. Absolutely. In the Chicago area, people are very interested in starting new businesses. Entrepreneurship is of great interest to most people. There are more and more early-stage investors coming out of the woodwork and more angel networks forming to enable capital for those entrepreneurs to succeed. I think the entrepreneurs that are looking to get started, they need three primary things: access to talent, access to capital, and access to space. And so what we have tried to do at the Polsky Center is provide that foundation and meet the needs of this growing energy around entrepreneurship that exists.

Mr. REDUS. Yes, in the Cincinnati region, the entrepreneurial spirit has never been greater. We have just a robust ecosystem. Investors nationally and regionally are coming to the region on a regular basis.

I would also add that as it specifically relates to minority entrepreneurs, there is a greater emphasis, as there should be, on equity versus debt. There is a longstanding mindset in the minority community on overdependence on debt. The equity capital market by its very definition looks for growth and scale, and the equity capital markets have not necessarily been that diverse. And so there is a big push to drive more of the minority community towards the equity capital environment.

Mr. KELLY. Mr. Chairman, if you will indulge, I would really like to hear the other two answers, but if you all will keep them short I would appreciate that.

Chairman CHABOT. Absolutely. I want to hear it, too.

Ms. RODZ. We are seeing at Circular Board a real national convergence in terms of the expertise and access, which is really exciting, and partly why I am very excited about our virtual model. We are able to bring together mentors that founders are demanding who may reside in California or New York when that founder is in Cincinnati. And it is, I think, a real testament to the democratization of intellectual and financial capital, and I think is going to be the real next wave for founders everywhere, being able to converge that access.

Mr. TANG. Mr. Congressman, I think there was definitely a pickup in the Greater Philadelphia area in urban centers. I think that should be expected. I think the unexpected and delightfully positive result is in the less populated areas of the State of Penn-

sylvania, Delaware, and New Jersey, where we serve, we are also seeing a pickup. And I think the unique challenge there is the access to resources. So would it not be great if a country, like the United States, could have an on-demand model of servicing entrepreneurs where the resources in high-density regions, urban centers, could be used anywhere in the country, rural or other places, where they do not have the resources? So I think that is the next challenge.

Chairman CHABOT. The gentleman's time is expired.

The gentleman from Pennsylvania, Mr. Evans.

Have I been given the wrong thing? Our bad.

Ms. Chu is next? Okay, the gentlelady from California. We apologize. Ms. Chu is recognized for 5 minutes.

Ms. CHU. Dr. Tang, my district of Pasadena, California, is brimming with entrepreneurial innovation and creativity. The combination of technical education institutions, like Caltech, innovative companies, and entrepreneurs has created a startup innovation Eco Lab in the district. A cornerstone of that is Idea Lab, which is one of the longest-running technology incubators in the country. Since 1996, Idea Lab has created over 150 companies with more than 45 IPOs and acquisitions, including successful companies like codeSpark and eSolar.

So Mr. Tang, could you tell me what makes a startup a better candidate for an accelerator or a better candidate for an incubator like Idea Lab or, for that matter, for an angel investor?

Mr. TANG. Yes. Congresswoman, I first of all recognize the success of the companies and the resources in your district. I think each one of those situations, incubator, accelerator, and just other general support programs, really depends on the availability of capital for those programs. So entrepreneurs are very adept in adapting their business plan for the funding source.

I think that accelerators help when you want to accomplish a set of goals in a shorter period of time. Incubation is a longer horizon. There is probably less goal orientation. That is why typically companies last a year or two within incubators.

So I think particularly in the high-tech areas, which obviously institutions like Caltech in your district, benefit well from accelerators because they have a beginning, a middle, and end to them.

Ms. CHU. Are there ways in which the Federal or State and local governments can successfully partner with the tech community, like the one in my district, to encourage economic development? Now, I know you talked about the SBA Growth Accelerator Fund competition. Would you consider that a success? And I say that because that last time that was in operation was 2014. But are there other ways in which we could have partnerships with government?

Mr. TANG. Yes. I think that the partnership with government is essential. I think what you have heard from this panel is that there is a market failure. The market failure is not enough folks in underserved communities who want to become entrepreneurs can become entrepreneurs, whether they are minorities or veterans or women entrepreneurs. So government has a role here.

The other factor I think is that innovation has to be scalable within the community. In other words, it does not do any good for a local community to invest in innovation and have that company

go elsewhere. So the place really does have to matter. There has to be a rich ecosystem that supports those entrepreneurs with the kind of connections they need. And I think the biggest connection has to be with customers, first customers. So entrepreneurs need to be able to sell in the local environment and have somebody buy it so they can have referenceable clients and customers that are close by. So there is a role for local, State, and Federal Government, clearly.

Ms. CHU. And how would that partnership be made?

Mr. TANG. A great example is the Department of Commerce's EDA, regional innovation strategies, which look at the greater set of resources in and around a company; the local, the State, and Federal level, and integrate those together. So I think there has to be a partnership between not only the public sector—State, local, Federal—and the private industry as well to help these startups.

Ms. CHU. Okay. Mr. Redus, we know that women and minorities are not participating in high-tech incubators and accelerators at the same rate as their white male counterparts and, in fact, in 2012, women and minority-owned businesses represented respectively only 14 percent and 19 percent of all businesses in the high-tech sector. That is why the work of your accelerator is so significant. And just last year you were able to work with minority businesses to generate \$30 million in average annual revenue performed and create over 250 new jobs. And you have an ambitious goal to create 3,500 new jobs in the next 5 years.

Can you tell me what strategies do you use for attracting minority firms that are different from other accelerators?

Mr. REDUS. Thank you. One important distinction again is that our accelerator by design does focus on existing companies that already have some base of size or scale. Typically, that means at least a million dollars in annual revenue, and we scale them from there, which in part speaks to our ability to put such a lofty job creation number out there which we have done once already, because these companies are now the size and scale to be more attractive to such strategies as acquisitions, being more relevant to private equity funds, et cetera. So that is one piece.

The second piece of that as relates to just pure tech startup environments, I would also just mention that part of the way we can be more inclusive in that environment is looking at all the various roles that are played in the typical ecosystem. So as important as entrepreneurs are, there are angel investors, there are subject matter expertise. There are people that serve on boards of these emerging companies, the management of these emerging companies. Every one of those roles is an opportunity for diverse engagement. That will then start to create more organic inclusion in every ecosystem.

Chairman CHABOT. Thank you. The gentlelady's time is expired.

The gentlelady from Puerto Rico, Ms. González-Colón, is recognized for 5 minutes.

Ms. GONZALEZ-COLÓN. Thank you, Mr. Chairman. And thank you for having this panel here.

Mr. Tang, you speak about having opportunities for this Growth Accelerator Fund as it was launched, awards in so many States, in-

cluding Puerto Rico. And I would like to know what kind of award was given in any specific case in the island and in the rest of the States so we can have a specific kind of startups or accelerator process you have got on the island.

Mr. TANG. Congresswoman, I am embarrassed to say I do not know the specifics of the awards in Puerto Rico or really any of the other awards.

Ms. GONZALEZ-COLÓN. Can you give us a specific case, even in the States, that we can use as an example?

Mr. TANG. Yes. Well, I provided two that I am very well aware of from the awards that we receive from the SBA accelerator fund. One was Phase 1 Ventures, which looks at long-horizon technologies. That is technology that takes a long time to develop, mainly in the high-tech areas. And the other one is the digital health accelerator, which takes more mature companies that are looking for their first sale and to ramp up sales.

So I guess the point is that it does not matter the domain or the vertical industry that the company resides in. What matters is that they are facing a particular challenge, either scaling technology or tying technological risk, or scaling up sales. So those are the fundamentals.

Ms. GONZÁLEZ-COLÓN. You said in your statement that you were like an intermediary in the Science Center. Why do you say that?

Mr. TANG. Yes. So this has to do with, I think, the market inefficiency between ideas in the marketplace. And that is, in our world it is typical that academic researchers create the ideas, but academic researchers culturally are not business people. And so to try to match and bridge that gap between the idea people and the business people is why innovation intermediaries like the University City Science Center exist. So you are always going to have that sort of cultural dissidence, and the lack of skills to convert the technology into the marketplace, and that is why organizations like us exist.

Ms. GONZÁLEZ-COLÓN. And my question then will be is there always any kind of relationship between the State, at the agencies, the Department of Commerce, SBA, the universities, each State organization, and the accelerators?

Mr. TANG. Well, I think it is very common for there to be an economic development role, and that can be local, State, or Federal. And different organizations exist on different funding streams. The Science Center has been around so long, 54 years, that we do not rely primarily on government funding, and it makes very efficient use of the funds. But I do think that because there is so much at stake in developing jobs locally, that is why you see the involvement at the State and the local level.

Ms. GONZALEZ-COLÓN. Thank you.

Mr. Redus, you said that there is small business accelerator. What is the number of complaints that you hear for these small businesses?

Mr. REDUS. Number of complaints?

Ms. GONZALEZ-COLÓN. If you heard?

Mr. REDUS. We do not really get complaints, if you will.

Ms. GONZÁLEZ-COLÓN. There are no complaints? But the thing is—

Mr. REDUS. There is more around what are the opportunities as relates to how do we, one, get more access to capital, of course, capacity building? So they are really just looking at where are the barriers that we need to address? So we really focus on those two issues in particular, capital readiness and capacity readiness.

Ms. GONZALEZ-COLON. So there is no complaining about regulation?

Mr. REDUS. Certainly, as it relates to doing business with the Federal Government. There is certainly an opportunity for growth at both the State and Federal level. There is always more of that that could be done. So that is a terrific opportunity for partnering to be sure.

Ms. GONZÁLEZ-COLÓN. Yeah, I am asking because I would like to know about the differences between the jurisdictions in each State regarding this kind of opportunity between the accelerator version and small businesses, if each State is managing this differently to improve their economy, to improve those startups, to see if that kind of relationship between those universities and accelerators may improve that to happen as they did in California, of course, and to use that as an example.

And as this Committee is trying to improve that kind of environment, to try to use this and use that success story, what kind of a specific recommendation you may bring to us today to amend or recommend specific legislation today. Do you have any?

Mr. REDUS. I would recommend, there are opportunities, certainly, to incentivize greater engagement as it relates to what has now been a proliferation of accelerators across the country. Many organizations' accelerators now go to their State and Federal partners to fund these operations. And so when you look at what the ecosystem has become as relates to the various roles that I played, angel investors, subject matter expertise, and C-level management, if every one of the roles was more inclusive, you would start to have more organic inclusion in these ecosystems. Angel investors is a great example because typically angel investors will bring a network with them. If we had more women and minority angel investors, and they certainly meet the requisite criteria of an accredited investor from an income standpoint, well standpoint, but they are not being engaged as much as they should be. So that in and of itself is an opportunity to incentivize that sort of activity as folks approach for grants, start having more of the kind of metrics around the broader roles of engagement.

Ms. GONZALEZ-COLON. Thank you, sir.

Chairman CHABOT. Thank you. The gentlelady's time is expired.

The gentleman from Pennsylvania, Mr. Evans, who is the ranking member of the Subcommittee on Economic Growth, Tax, and Capital Access, is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

The question I would like to start off to all of you is what could the accelerator model do better? That is a question I want to ask each one. What could the accelerator model do better? And go down

the line and give me some feedback on that, whoever wants to start first.

Mr. TANG. Congressman, I think first and foremost, it has to be we have to target companies that are successful where they are funded. In other words, we have to make sure that they have not only a good idea and a good business plan and a good team, but they have something to contribute and connect them to the community. I think that will help in many ways. Job creation and keeping jobs where they are funded are helpful as well.

Ms. RODZ. Accelerators certainly can utilize the very tools that we are encouraging the businesses that we work with to use. We are very focused on integrating technology into our platform in order to gain a more robust view of the individual founders that we are working with to better connect them to the broader resources available in the startup ecosystem, to reach far beyond what we know and the resources that we are aware of, and to start to partner with other accelerators and resources in the community, with government institutions and corporations, to understand all the initiatives and outreach that they have and the resources they have access to, to start to tie all those together, something that we are very focused on at Circular Board.

Mr. REDUS. One of the opportunities to get better, as much as this is already a focus, it can still be more so, and that is continuing to build bridges. When I think about the general nature of accelerators who connect the disconnected from resources, particularly as it relates to investors, key customers, et cetera, there is always more work to be done to really help entrepreneurs who are disconnected from those environments to, one, go deep with respect to readiness for those environments. And then after that readiness has been addressed, then further the connectivity to the actual resources that so many entrepreneurs are still disconnected from.

Ms. MARCELLO. I would just add that the outputs of an accelerator are only going to be as good as the inputs. And as all of us running accelerators can tell you, it is our responsibility to make sure that our entrepreneurs are considering which accelerator program might be right for them. The growth of accelerator programs means that entrepreneurs do have some options in terms of going to an accelerator that focuses on their industry or their geography, or a different system that they want to be a part of. And their success can be contingent on making that selection. So I think we have a role to play in guiding them along those lines so that they can leverage the ecosystem that is best for them.

Mr. EVANS. I want to follow up on the questions the ranking member asked. Ms. Rodz, you said, how can we best market the availability of accelerators to women?

Ms. RODZ. One of the big problems is that women are not currently integrated into the startup ecosystem, and a lot of the marketing initiatives and outreach programs are looking at current programs. What we have really focused on and why we have been able to engage so many women from so many different areas is looking at places outside of the entrepreneurial resources that exist, looking at women's chambers of commerce, looking at social organizations, looking at moms' groups and people that are innovating across the country in very different ways, but really are not

aware of all of the entrepreneurial resources that exist. And so I think it is important to get beyond what we know to start to really utilize the media. We have had incredible partnerships with the media and have been able to be recognized in, you know, major outlets in order to get exposure. Something that we are very focused on is how do we start to integrate more women and pull them into the ecosystem.

Mr. EVANS. Dr. Tang, obviously, I am a little biased since that is where I am from, Philadelphia, but what has made accelerators in Philadelphia so successful?

Mr. TANG. Congressman, you know, we have great assets in higher education and the medical arts in Philadelphia. And so what we do is try to make good companies out of good science. And so I think, as Starr mentioned, the inputs are very important. So I think the secret sauce in Philadelphia is we are at a good starting place in terms of intellectual capital, intellectual property, and talent, to begin with. It is then about converting that into something that is commercially viable, something that people want to buy. And I think that is, right now, what we are working on is that conversion from very good inputs to very good outputs.

Mr. EVANS. I yield back the balance of my time. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you very much. The gentleman yields back.

The gentlelady from North Carolina, Ms. Adams, who is the ranking member of the Subcommittee on Investigations, Oversight, and Regulations, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chair and Ranking Member Velázquez, for hosting the meeting today. And I want to thank all the witnesses for your testimony.

Charlotte, North Carolina, is honored to be home to a few accelerators, and these accelerators are critical to innovation and job creation.

Dr. Tang, I have spoken to a number of folks in my district who are concerned about the lack of a skilled workforce, especially in the STEM fields. So how is your center involved in working to fill this gap and how does it build on your work with entrepreneurs?

Mr. TANG. Yes. Thank you for the question, Congresswoman.

The University City Science Center is located literally at the fault line between the haves and have-nots in Philadelphia. We have great anchor institutions, like University of Pennsylvania, Children's Hospital of Philadelphia, Drexel University, and yet to our northern border of the Science Center, we have Mantua and Powelton Village, which are part of a Federal Promise Zone. So what we are trying to do is create more access and inclusion in the programs that we have, beginning with middle school and high school students.

And the real magic to what we are doing in a program called First-Hand is to create opportunities for these school children to be mentored by not only scientists, but by entrepreneurs. That is scientists, entrepreneurs who are founding companies, who are creating their own dreams with the benefit of accelerators and incubators and the like. So it is infusing young people with the possibilities of innovation and entrepreneurship at an early age. From

there, what we try to do is create opportunities for developing adults into skilled workers that can be working for these high-growth companies.

So our job, if you will, in Philadelphia, is to create good-paying, high-growth jobs in high-growth companies in high-growth industries. I think if we can do that we will create a lot more inclusion of the surrounding community.

Ms. ADAMS. Thank you.

Charlotte-Mecklenburg faces a number of barriers to economic opportunity and economic mobility. Ms. Marcello, can you elaborate on in what ways do accelerators, either directly or indirectly, promote this type of high-quality job creation?

Ms. MARCELLO. Yes. Accelerators, you know, do provide this new path for high-quality job creation in that a program like the New Venture Challenge is going through a tiered process by which we are looking at how these companies can be most viable and create a high number of jobs.

So I mentioned the New Venture Challenge, a lot of the companies that come out are small, but they have growth potential. And part of what we are evaluating as we go through and look at these companies is whether they are scalable and how big of an impact can they have not only on Chicago and our region, but throughout the country, and maybe throughout the world. And so as we look at the business ideas and the entrepreneurs and the skill sets and the resources that they need, we look at that with the growth strategy in mind hoping that a real impact will result from that.

Ms. ADAMS. Thank you. Thank you very much.

Mr. Redus, thank you, first of all, for your important work with Minority Business Accelerator. Many incubators and accelerators are located in high-income, less diverse communities. So do you think encouraging these centers to form in urban areas might increase diversity? And how can we support more minority entrepreneurs?

Mr. REDUS. Thank you, Congresswoman. Yes. In fact, I would wholeheartedly support that. There are some examples across the country where there are incubators and accelerators directly in the urban core, and it absolutely makes a difference. One of the barriers, of course, is connectivity; often transportation and various other barriers. So the short answer is, yes, it absolutely can make a difference. And I think working with our various business leaders, government leaders, higher education, et cetera, to specifically craft strategies around that, and looking at the economic lift of doing so. So often we have to first kind of create, based on that particular geography and the level of folks that are disconnected, if connected, if now part of an equity equation, what is the economic upside of that? And that certainly drives investment in the urban core.

Ms. ADAMS. Thank you very much. Mr. Chair, I yield back. My time is up.

Chairman CHABOT. The gentlelady yields back. Thank you.

The gentleman from Florida, Mr. Lawson, the ranking member of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Mr. LAWSON. Thank you very much, Mr. Chairman.

Dr. Tang, can you discuss how innovation and technology have impacted the growth of accelerators?

Mr. TANG. I think technology has really enabled many accelerators. Carolyn spoke of her accelerator being virtual. I think that is something that could not happen without the role of technology. So technology both enables these accelerators to do their work in an efficient manner, information technology, the technology itself that these companies are basing their ideas on. So having good starting points with sound science is actually very key to what we are doing with accelerators.

Mr. LAWSON. Okay, thank you. And can you also describe what accelerators will evolve into over the next 10 years?

Mr. TANG. I am not an expert at predicting the future, but I would say that more and more, as success of the accelerators is better known, they will become more successful, and I think evolve in their own right to the point where you can connect people, regardless of where they reside, to valuable resources and expertise that they could not get if they walked down the street. So to me, it is an on-demand model where the best advice gets to the best idea and the best entrepreneur at exactly the right time.

Mr. LAWSON. And one other question is how has the global market been affected by the growth of accelerators?

Mr. TANG. Well, the global market, I think, is both enabled and caused by the technology. So it is very possible to have teams that exist around the world. And, in fact, in the world of information technology, have software development that happens around the clock. So that consecutiveness across the globe enables better invention and ideas and enables better commercial success.

Mr. LAWSON. And anyone can respond to this. I think about 2 weeks ago when a panel was here they stated that the fastest-growing small business was minority women-owned businesses. You know, from the standpoint, how does accelerators enhance that opportunity for them to bring about more job growth?

Ms. RODZ. I think ultimately it boils down to accessibility. The more accelerators we have and the more focus each of those accelerators has, it opens up opportunities for all of these groups. I think across the board, I am going to guess that everyone on this panel is in favor of inclusive entrepreneurship. I think it is something that we all want and believe in, and I think the more we can create these opportunities, the more inclusive it is going to result.

Mr. REDUS. I would just like to add to that just briefly that certainly, the number of women and minority entrepreneurs has increased the number of new businesses. It is also a question of what type of businesses are they? Higher potential, scalable businesses, et cetera. And so part of the additional challenge is making sure that as the numbers improve in terms of just pure number of entrepreneurs, what are the industries? What are the growth models?

We still have a ton of work to do to drive more larger-scale, high-potential women and minority firms, so that the actual numbers of new business starts is absolutely improving, but the types of businesses need to be further examined.

Mr. LAWSON. You know, every time I have the opportunity to ask this \$10 million question, you all have given extraordinary testimony. What can this Committee do to help enhance the oppor-

tunity for more accelerators, more people having access to capital, and so forth as they work on issues here in the Small Business Committee?

Mr. REDUS. I will start. One of the things that I think is critical, and I mentioned this to some degree, but every Federal initiative by and large in the past around access to capital, particularly for minority entrepreneurs, has been around access to debt capital. And so you drive a certain mindset. There is a very different way of thinking around debt versus equity. And so a specific and intentional focus on driving more discussion and issues and activities around equity capital, because it drives a growth mindset, whether you are a tech company or not, just the ability to think bigger about your opportunity will attract equity capital. But that is a very different way of thinking that still has to go a lot further as relates to minority entrepreneurs.

Mr. LAWSON. Anyone else care to comment?

Mr. TANG. Congressman, that is a very big question. I think that we need more of an entrepreneurial mindset in our economy, beginning with young people and the people that are making their way through college and into the work environment. Obviously, they need incentives. I think there can be better incentives, tax incentives to start businesses and for communities to support businesses. But I also look at the overhang of student loan debt as preventing young people from going into entrepreneurial pathways. There is such a focus on getting a job and paying down the debt that they are unlikely, I think, to be entrepreneurs. And so I am concerned about the pipeline of entrepreneurs from the young to the old.

Mr. LAWSON. Mr. Chairman, I know just before I yield back—I have to yield back—that is a big issue with me. I have a lot of university students in my area back in Florida, and one of the things that they talk about all the time is they hope that we can do something from the standpoint to encourage them. So I really wish I had more time with Dr. Tang. But anyway, I yield back. I certainly hope it comes back up again in the Committee.

Chairman CHABOT. We appreciate the gentleman raising that very important issue. Thank you. And it is something that let us carry on further discussions about it.

I want to thank our very distinguished panel. I think you all did a great job here today, and thank you for celebrating National Small Business Week with us. This Committee likes to find out what is working, what is maybe not working, and emphasize what is working, and business accelerators are a part of the small business world which we think merits a lot more activity and encouragement by the Federal Government, which oftentimes means do not mess it up for you. And we will try not to. And we will work together in a bipartisan manner not to do that and to try to encourage what does succeed.

So thank you all for shedding a lot more information on the Committee members that were here today.

And I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee,
we are adjourned. Thank you very much.
[Whereupon, at 12:30 p.m., the Committee was adjourned.]

APPENDIX



May 1, 2017

Thank you Chairman Chabot, Ranking Member Velazquez, and members of the Committee for having me this morning.

My name is Starr Marcello. I am the Executive Director at the Polsky Center for Entrepreneurship and Innovation at the University of Chicago. The Polsky Center drives the creation of new businesses at the University and on Chicago's South Side. We teach entrepreneurship courses, we commercialize faculty technology, we run a 34,000 square foot incubator, and we offer numerous programs to support and mentor those on their entrepreneurial journey.

I am speaking to you today about our capstone program and accelerator, the Edward L. Kaplan, '71, New Venture Challenge (NVC) [1]. The NVC has been recognized as a top-ranked university accelerator in the country for the past two years by the Seed Accelerator Rankings Project [2].

Now in its 21st year, the NVC has helped launch more than 160 start-up companies still in business today. NVC companies have raised over \$600M in venture capital funding, and have created more than \$4B in value for investors through mergers and exits. We have two national brands in our portfolio, Grubhub and Braintree / Venmo, as well as emerging national brand Simple Mills. Grubhub, an online food delivery service, completed the New Venture Challenge in 2006, merged with its biggest competitor Seamless in 2013, and IPO'ed in 2014. The company is now valued above \$3B. The NVC also helped launch Braintree, a payment processing company, which was acquired by PayPal in 2013 for \$800 million. Those under the age of 30 may know Braintree for one of its own acquisitions, Venmo, which enables friends to send money to one

another. By most recent count, Grubhub and Braintree alone have created 1,000 new jobs in Chicago and nearly 2,000 new jobs nationally.

The NVC's success can be attributed to its unique structure and the environment in which it operates. As a leading research university in the third-largest city in the U.S., the University of Chicago is an intellectual destination for the most innovative minds in the world. The reputation of the University, its Booth School of Business, and increasingly, the New Venture Challenge, draws creative, entrepreneurial talent to us. Getting top people into the accelerator is the first step in getting successful businesses to emerge from the program.

The New Venture Challenge is structured as a year-long, tiered selection process, which coincides with the academic year. Phase one focuses on team formation, phase two on business model development, and phase three on communicating the vision to potential investors. The program is competitive, with the number of teams reduced at each phase to enable those most viable to participate in the final "Demo Day".

Phase one of the program begins when students arrive on campus in autumn. We spend several months working with potential applicants on team formation and opportunity identification. We create connections among many constituents of our University and community, from scientists to MBA students. Eligibility requires just one current student. The others can be friends, family members, colleagues, or acquaintances.

We use our NSF-funded I-Corps program [3] to encourage these teams to better understand their potential customers and to understand how their business idea will solve a real problem. The staff and faculty at the Polsky Center spend time mentoring aspiring teams one on one. In early February, the hard work of this exploration phase results in 80 to 100 applications to the New Venture Challenge.

Of these, only 30 teams will be selected into phase two. In this phase, the entrepreneurs are enrolled in our New Venture Creation course, and spend 10 weeks testing and articulating their business model in front of faculty and members of the business community. The feedback they get is highly critical, but also constructive. More than 100 mentors and three full-time coaches participate in this phase, providing robust expertise, industry knowledge, and support to the teams. Our founders are working as hard – and as fast – as possible to show progress. They are building minimum viable products, launching pilots, and refining their value proposition. The deadlines create urgency. The urgency creates focus.

Based on their success in phase two, 10 of the 30 teams are selected to compete in phase three – the NVC Finals, our *Shark Tank*-style pitch competition. The incentives to reach this last stage are substantial. The finalists pitch to top-level investors and entrepreneurs who fly in from around the nation. We award a \$500K prize package, which includes direct seed funding from the University and from local VCs, as well as pro bono legal support, design services, office space and more.

Our portfolio of 160 companies includes many small businesses of 50 or fewer employees. However, the businesses are designed with growth in mind. When the NVC ends, the hard work of scaling these companies continues. The Polsky Center continues to provide mentorship, connections to capital, and workshops for these growth-stage entrepreneurs. We help them understand how to increase sales and how to hire and fire while maintaining an entrepreneurial culture.

During the last decade, we have also grown the NVC platform to support our global MBA students in Hong Kong, London, and the Americas, our undergraduates, and those who are focusing on social impact ventures. We also enable many of our local community entrepreneurs to leverage the resources that have been created as a result of the NVC.

Every entrepreneur I have worked with – hundreds over my 12 years at the Polsky Center – has been driven to create value in the world. To solve a problem people are faced with, and to find ways of making people's lives better. Whether someone is a founder of a small business or a founder of a high-growth venture, these entrepreneurs are dedicating everything they have in pursuit of their dreams. It is an honor to do the work I do every day – to support these founder's ambitions, and to see the effects not only on Chicago, but throughout the world. Thank you.

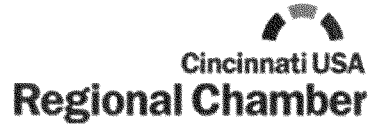
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[1] Visit the Edward L. Kaplan, '71, New Venture Challenge (NVC) website at: www.chicagonvc.com.

[2] To learn more about the Seed Accelerator Rankings Project (SARP), visit: www.seedrankings.com.

[3] More information about the Polsky Center I-Corps program, which is supported with funding from the National Science Foundation Innovation Corps (I-Corps™), is available at: icorps.uchicago.edu.



**Statement on Behalf of the
Minority Business Accelerator
An Initiative of the
Cincinnati USA Regional Chamber**

**Empowering Small Businesses:
The Accelerator Model**

**Testimony of Darrin M. Redus, Sr.
Before the Small Business Committee
U.S. House of Representatives
May 3, 2017**

Good morning. Chairman Chabot, Ranking Member Velazquez, and distinguished Members of the Committee, thank you for the opportunity to speak with you today. My name is Darrin Redus, and I serve as Vice President of the Cincinnati USA Regional Chamber, and Executive Director of the Minority Business Accelerator, an initiative of the Cincinnati Chamber.

The Cincinnati USA Regional Chamber is one of the nation's largest Chambers, representing the interests of nearly 4,000 member businesses in a 15 county region across three states—southwestern Ohio, northern Kentucky, and southwestern Indiana. It is the purpose of the Chamber to grow the vibrancy and economic prosperity of our region. The Chamber works to accomplish this goal by being inclusive and regional in all that we do, and by leading with a bold voice for business, expanding the talent base and harnessing the power of the region's unique offerings.

On behalf of the Chamber and its member businesses and constituents I'd like to first thank the committee for holding this hearing as small businesses are certainly the beating heart of our community as they are for communities across the country.

This is also a very personal topic for me individually as I have now served for the better part of 29 years in any of a number of capacities in support of small businesses—be that as a commercial banker and financial services executive for 16 years, an entrepreneur myself and founder of 3 different startups, as well as an investor, consultant and economic development professional over the most recent 12 years in supporting small business and entrepreneurial ecosystems nationwide.

I've had the good fortune of being directly in the center of today's topic having been on the leadership team of one of the country's first wave of tech accelerators in 2006, and then serving as a consultant in various capacities as incubators and accelerators have literally exploded over the past 10 years with now hundreds of such organizations around the world. Evidence of the explosion can be found in the SBA's Growth Accelerator Competition which took in 832 applications from accelerators nationwide in 2014, up from less than 10 such organizations on record in 2005.¹

At their core, the very nature of accelerators—as the name implies—is to accelerate the growth and development of promising business enterprises by engaging in an intensive and comprehensive set of business development and mentoring activities that, without the intervention and guidance of such resources, would significantly lengthen the growth process, if it would happen at all. This has certainly been the case for states such as Ohio that just less the 10 years ago were considered “fly over states” by the venture capital community—denoting the historical tendency of venture capital firms to primarily focus on the east or west coasts for qualified deal flow and investment activity and “fly over” states such as Ohio. Whereby today our state is experiencing a vibrant and robust investment climate with national VCs directly tied to

¹ 2014 Growth Accelerator Competition Quarterly Metrics and Results as of 1/31/15, prepared by SBA Office of Investment & Innovation in February, 2015

the great work of our statewide network of incubators and accelerators that comprise our entrepreneurial ecosystem. In fact, since 2006 over 330 early-stage companies across Ohio have received over \$1.6 billion in follow-on equity capital from regional and national VCs.²

Whether it's helping entrepreneurs with product development, gaining traction with early client sales, facilitating key relationships with industry experts and subject matter expertise, or any of a number of critical milestones designed to expedite the investor and market readiness of a promising business, the early returns of accelerators over the past 10 years certainly speak to their overall importance as a significant catalyst to our nation's economy.

And while the economic benefits and significant contributions of accelerators have certainly been impressive, there remain segments of our population, particularly many ethnic minority groups, that remain largely disconnected from many of these critical resources.

The Cincinnati USA Regional Chamber's Minority Business Accelerator (the "Accelerator") has been its premier minority business and inclusion program for over a decade—specifically targeting African American and Hispanic populations that unfortunately continue to lag behind from an economic standpoint. In fact research by the Pew Research Center released in the past two years indicates that economic disparities have actually widened for these two populations, now representing the largest gap in wealth and other key economic indicators in the past 25 years. This is especially troubling for our nation as a whole as ethnic minority populations are expected to represent over half of the nation's population over the next 20 years, and such continuing economic disparities threatens the entire economic vibrancy and overall competitiveness of the nation.

Since its inception in 2003, Cincinnati's Minority Business Accelerator has specifically sought to address these negative trends. Today our Minority Business Accelerator is recognized as a national best practice by such organizations as The Surdna Foundation and the Association of Chamber of Commerce Executives, and consists of 35 larger scale African American and Hispanic firms that collectively generate just over \$1 billion in aggregate annual revenues, and have created over 3,500 jobs in the region since the program's inception. The Accelerator's approach focuses on preparing high potential minority firms for larger scale business opportunities with corporate and institutional buyers through an intensive process of capacity building, capital readiness, and strategic growth initiatives. The Accelerator further collaborates with over 40 major corporations (referred to as our Goal Setters) that work intentionally and strategically to conduct greater levels of business with minority firms that demonstrate the capacity and capability to scale. Over the most recent year, clients of the Accelerator have continued to demonstrate strong results as evidenced by:

- \$30 million Average Annual Revenue per firm
- 24% Average Year over Year Revenue Growth

²Ohio Third Frontier Commission Meeting published on 3/29/17.

- Over 250 new jobs created

Moreover, the Accelerator also manages a \$2 million loan fund called the L. Ross Love GrowthBridge Fund, which was created in 2013 to further address the shortfall of financial capital for growth-oriented minority firms.

And while we are certainly proud of our efforts to date, much more work remains. Our new strategic plan, just launched in September of 2016, calls for the creation of an additional 3,500 new jobs in the region over the next 5 years, and an additional \$1 billion in aggregate annual revenue growth across the portfolio of minority firms assisted by the Accelerator.

The specific strategy to be deployed to accomplish this objective consists of leveraging more “mainstream” business growth strategies such as mergers and acquisitions, joint ventures, strategic partnering, exporting, and partnering with private equity investors, to name a few. An even greater commitment from our corporate Goal Setter partners to further diversify their respective and collective supply chains will also be a cornerstone of our anticipate results going forward.

As large corporations and other institutional buyers increasingly operate in a global marketplace, minority-owned enterprises and small businesses as a whole, must continue to expand their capacity and scale to remain viable strategic partners for these larger institutional clients. This will in part be accomplished through a greater focus on risked-based equity capital, and the encouragement of higher growth enterprises that this form of capital supports. A continuing over-dependence on debt capital with minimal equity (as has been well-documented for minority firms), and failing to adopt more mainstream business growth strategies such as the aforementioned approaches of joint ventures and acquisitions, will continue to threaten the longer term competitiveness of minority firms and ultimately the nation as a whole.

In closing, a rising body of evidence as further detailed in studies by the Harvard Business Review, the Kauffman Foundation and various others, reveals a significant contribution to our nation’s economy spurred on by the accelerator model. Much more work remains however to further insure that this good work is not lost on various segments of our population. As ethnic minority groups become an even greater percentage of the total U.S. population, reversing the negative trends tied to widening economic disparities must become a critical component of the nation’s economic agenda to ensure that all of America’s citizens are contributing to economic output.

Again, thank you for this opportunity and I’m happy to take any questions that you have.

*** END ***

Good afternoon. My name is Carolyn Rodz, Founder of Circular Board, a virtual accelerator for high-growth female founders. I am here today to advocate on behalf of our nation's leading innovators, entrepreneurs and influencers, and specifically for one of the largest untapped economic and social opportunities in our country: women entrepreneurs. If women and men participated equally in the entrepreneurial ecosystem, the United States' GDP could rise by \$30 billion. Yet in spite of this, less than 5% of venture capital goes to female founders, and when we start to look at minorities, the numbers are significantly lower.

The current startup ecosystem is built upon a process that funnels information from a small group of people, predominantly white males in Silicon Valley and other dense startup cities, to their personnel social networks and trusted colleagues. When you consider that venture capitalists invested \$58.2 billion in companies with all-male founders in 2016, and just \$1.46 billion in all female teams, in spite of the fact that all-women and diverse leadership teams provide stronger financial returns, it becomes apparent that our system for funneling capital into companies solely based on financial opportunity is flawed. In 2016, 5,839 male-founded companies got venture capital funding, compared to just 359 female-founded companies—in other words, companies run by men got more than 16 times more funding than companies run by women.

And to think: 2016 was a good year, with women-led companies making up 4.95% of all venture capital deals in 2016, the highest percentage over the past decade, and representing just 2.19% of dollars invested.

Which brings me to the rationale for the startup accelerator, which is, at its core, an advocacy group for founders with the intention of connecting them with the experts, investors, media and processes surrounding the art of the startup. Think of the accelerator as a liaison between a founder, who likely knows much about how to operate their business and succeed within their industry, but often little about how to raise capital, get covered by the media, build support within their local community and get the endorsement of the most influential minds in the startup ecosystem.

At Circular Board, our most important job is to understand the innovation landscape, so that we can share this expertise with our founders, who are heads down building businesses that are impacting the world around us, creating jobs, and driving our economy forward. It is our responsibility, as their guides, to ensure that their time is spent wisely, that their business models will resonate with potential funders, and that, most importantly, they gain a voice within the relatively small, and relatively homogenous, startup world.

At Circular Board, we lead companies through a 12-week, 100% virtual accelerator that attracts founders from places like Lake Oswego, Oregon, or El Paso, Texas, and connects them with the intellectual capital that resides nationwide. When these founders are armed with a network of experts, introduced to early stage investors, and supported by a community of unique perspectives and

varied experiences, they are better prepared to overcome the dismal statistics that currently define female founders. Take Suuchi Ramesh, for example, an Indian immigrant in New Jersey who has created nearly 50 jobs for women on welfare and generated over \$1 mm in revenues in her first 18 months of business. Or Adrienne Weir of Medolac, who has reduced pre-term infant mortality rates by over 50% through fortified human breast milk, and is currently raising her Series C with an estimated valuation of \$45 million. Overall, Circular Board founders have raised over \$26 million in funding, and have created over 162 jobs. Overwhelmingly, our founders cite the relationships they built as the turning points within their respective businesses.

It is true, that accelerators are popping up all over the country, but what is important to recognize is that each of those accelerators tackles a unique segment of founders, from industry verticals to marginalized audiences to impact centered hubs, attracting expertise that can support the specific problems facing these groups of founders. Accelerators like Circular Board bring more than mentorship, they bring energy to the startup landscape, forging connections and bridging the gap between enterprise, government, foundations and more. They are a loud, organized and consistent voice for founders, and a pipeline for opportunities presented by organizations like the Small Business Administration, Kauffman Foundation, Case Foundation and more.

Through our five cohorts, we've learned that resource connectivity is the greatest value we can provide to a founder, which is why we are pouring all of our resources into building a global artificial intelligence platform that will support women at all stages of growth, and connect them to the tools, experts, content and events relevant to their real-time needs and unique company profile. There is an incredible demand for startup accelerators, and it is our mission at Circular Board to avail every entrepreneur, regardless of gender, ethnicity, geography, capital resources or cultural constraint, the opportunity to engage the right support to scale their business, all with the end goal of solving our world's most pressing problems and creating sustainable, meaningful impact.

I urge each of you today to actively engage with accelerators in need of your expertise. As policymakers, there are significant opportunities to support these accelerators, not only through government funded programs like the SBA's Small Business Growth Accelerator Fund, which we are grateful to be recipients of, but also by supporting trade agreements that open new markets for businesses of all sizes, streamlining the process of registering businesses and applying for government resources, particularly when working with strategic offices such as the Patent & Trademark Office, the Department of Commerce, the Small Business Administration and the Federal Drug Administration, and enabling access to broadband in all parts of our country.

Engaging with accelerators will allow you to better understand how founders are supporting our country through innovation and economic development, and to see for yourself how the accelerator

is a model not only promoting business success, but also national leadership and economic prosperity. I thank you for taking the time today to put a spotlight on what I believe to be one of the greatest economic opportunities of our time.



**Dr. Stephen S. Tang
President and CEO
University City Science Center
Before the
Committee on Small Business of the
United States House of Representatives
Empowering Small Businesses: The Accelerator Model
May 3, 2017**

Chairman Chabot, Ranking Member Velazquez, and Members of the Committee, thank you for this opportunity to testify regarding small businesses and the accelerator model, and to help you recognize and celebrate our nation's legacy of entrepreneurial success.

I'm Steve Tang, President and CEO of the University City Science Center in Philadelphia. It's an honor to join my distinguished colleagues on today's panel.

I'd like to express my strong support for Federal programs—such as the SBA's Growth Accelerator Fund—that encourage and facilitate entrepreneurship.

I have an extensive background in science, business and entrepreneurship, and a first-hand understanding of the power and potential of technology commercialization. I've led a company through venture funding and an initial public offering, and served as a senior executive with a large life sciences company as it acquired and integrated smaller companies.

Last September I was re-appointed to the Department of Commerce's National Advisory Council on Innovation and Entrepreneurship (or NACIE), and I have the privilege of serving as NACIE co-chair through 2018. NACIE reports to Commerce Secretary Ross, and is charged with identifying and recommending solutions to issues critical to driving the innovation economy, including enabling entrepreneurs and firms to successfully access and develop a skilled, globally competitive workforce.

My organization, the University City Science Center, has been a key driver of growth and a source of stability for the Greater Philadelphia region's life sciences and technology sectors since its founding in 1963 as the nation's first and largest urban research park. Today we are a dynamic hub for innovation, entrepreneurship and technology development, offering business incubation, acceleration and other programs that provide support for firms at all stages of the business life cycle.

At the Science Center, we cultivate and expand the possibilities that open up when research moves out of the lab and into the marketplace. Over the past 54 years, 442 companies have received incubation and acceleration services from the Science Center. Today, 155 of those 442 firms are located in Greater Philadelphia and account for 40,000 direct and indirect jobs—or one out of every 100 jobs in the region. And these 40,000 jobs drive \$13 billion in economic activity each year—more than 2% of the region's total economic output.

To date, our biggest success story is Centocor, now known as Janssen Biotech, a division of Johnson & Johnson. Centocor was founded in 1979 with a vision of developing monoclonal antibodies as a new paradigm to treat diseases such as rheumatoid arthritis. Today, Remicade is the biggest product in the J&J portfolio, with annual U.S. sales of \$5 billion. Another Science Center resident company, Spark Therapeutics, is developing gene therapies that are showing early, promising results for treating childhood blindness and potentially other conditions such as hematologic disorders and neurodegenerative disorders. These are just two examples of

how the Science Center has paved the way for transformational business growth and job creation.

We are strong believers in the accelerator model as an ideal vehicle for empowering small businesses. We define an accelerator as a program that offers startups access to a suite of business tools, including mentorship and professional expertise, funding, and other support services over a defined, limited time period, in an intensive, high-touch setting.

For example, our Phase 1 Ventures (or P1V) program works with “long-horizon” technologies in pharmaceuticals, biotech, healthcare and other fields. P1V helps early-stage companies apply for and obtain SBIR and STTR grants, and then provides the companies with funding, management support and access to outside expertise, as well as connections to private sector funding, in order to help them grow.

And our Digital Health Accelerator (or DHA) helps health IT companies with products at the prototype stage to reach their first sales and investment milestones. The program selects promising companies from around the world and provides them with funding, collaborative workspace, professional mentorship, and introductions to key stakeholders and investors in the Greater Philadelphia region.

As you know, in the three years since the Growth Accelerator Fund was launched, awards of \$50,000 each have been made to 189 accelerators in 45 states, Washington, DC, and Puerto Rico. The Science Center has been fortunate to win two of those awards—one for P1V and the other for the DHA.

And I’m here to say that those awards, along with other strategic and critical Federal grants, have made a real difference. Since P1V was launched in 2015, a total of 18 startups have participated in the program, advancing technologies developed at 12 different academic and healthcare institutions. Together these companies have secured approximately \$3 million in public and private funding. And the 13 companies that have gone through the DHA since its inception in 2014 have created more than 160 new jobs, generated more than \$20 million in new revenues, and raised nearly \$22 million in follow-on investment.

Thanks to the Federal support that we have received, we have been able to accelerate the growth of startup companies like UE LifeSciences, which is developing a low-cost, portable, hand-held scanner that can detect breast cancer in its earliest stages, anywhere in the world. Or Talee Bio, which is developing a gene therapy for cystic fibrosis, the first curative treatment for this disease. Or SimUCare, which is enhancing the training process for doctors and nurses by enabling them to learn how to handle medically complex situations using the live actors, rather than manikins, to maintain realism.

At the Science Center, we support technology commercialization in the broadest sense, by acting as an innovation intermediary—or linchpin—that brings together academia, industry and capital. We create specific processes and frameworks, like P1V and the

DHA, that lower barriers, facilitate collaboration, and enhance the likelihood of success. But we also create more generalized incubators, accelerators, and other resource-rich environments that combine multiple ingredients—including funding, expertise, and support services—to help generate the unpredictable and serendipitous outcomes that have always fueled our nation’s scientific advancement and economic growth.

Accelerators work because they promote and reward efficiency. We have a saying in the industry—startups need to succeed or fail quickly, and cheaply. The only way to drive business creation and growth is for companies to move technologies across the value chain and get to market.

Accelerators force technologies to move quickly—and by offering multiple layers of expertise, services and support, accelerators often enable startups to pivot in a different direction, in response to market demand. If Congress is interested in stimulating entrepreneurship, and in pulling more high-potential technologies out of academia and elsewhere into the marketplace, then accelerators and other early-stage support programs are a wonderful way to achieve a robust return on investment.

Accordingly, we strongly support those targeted Federal initiatives—such as the Growth Accelerator Fund; SBIR and STTR; and the EDA’s Regional Innovation Strategies program, among others—that encourage innovation, entrepreneurship, and tech-based economic development across the country. And—equally as important—we strongly support those programs, like the Growth Accelerator Fund, that promote greater diversity and inclusion in our nation’s small business sector. More than two-thirds of our PIV and DHA companies are owned and/or led by women or members of underserved groups, such as racial minorities, veterans, or disabled individuals. We firmly believe that the knowledge-based economy must be not only a place of innovation and growth for the science and technology community, but also hub for innovation and growth in the wider community, with meaningful opportunities for all of our citizens to pursue STEM-related careers at all levels.

Mr. Chairman, this concludes my testimony. On behalf of the University City Science Center and NACIE, I want to thank you for this opportunity to highlight the benefits of Federal programs for our nation’s small businesses and, more broadly, our entrepreneurial ecosystem. I welcome your comments and questions.

