

U.S. Small Business Administration
President's Management Agenda (PTB II Results)
Report to Employees (July 2004—June 2005)

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Proud to Be II Results (July 2004-June 2005) *Report to Employees*

Introduction

In 2004, the U.S. Small Business Administration (SBA) exceeded its goals and experienced a banner year in its delivery of services to small businesses (e.g., guaranteed loans, contracts, and entrepreneurial development assistance). Projecting FY 2005 results, we will continue to provide more for small business, while using fewer resources. Much has been achieved, but even more can be done to reform the Agency by changing the way we do business to improve our program delivery each year.

The President's Management Agenda is about reform and changing the way government conducts business. It is about creating a New SBA that is more *customer and employee-oriented*; more *results-driven*, demonstrating relevance and value to our citizens; more *technology-enabled*, increasing outreach and adding value; more *cost effective*; and more *market-based*, relying on partnerships and efficiencies gained from competition.

To achieve the difficult task of delivering better programs with fewer resources, SBA is using the PMA to work smarter. We are particularly proud of the following overall program accomplishments during FY 2005:

- Guaranteed over 67,000 business loans through June 2005 (\$10.5 billion), with nearly 100,000 loans projected for all of FY 2005, a 22 percent increase over FY 2004, and the highest level of capital and credit ever provided to the small business community;
- Nearly a third of all SBA loan guarantees go to minorities, with a 23 percent increase to women;
- Provided capital and credit to nearly 22,000 entrepreneurs in the first nine months of FY 2005 to *start* a business, with a projected goal of 23,871 for FY 2005;
- Helped create and/or retain a projected 826,000 jobs for FY 2005, an estimated 5 percent increase over FY 2004 levels;
- Facilitated over 28,000 appointments from 2002 to 2005 between small businesses and government and private procurement officials in the "Business Matchmaking" initiative. In the first nine months of FY 2005, the matchmaking led to approximately \$32 million in contracts;
- Provided entrepreneurial assistance through a network of resource partners to a projected 2.3 million prospective and actual small businesses. In FY 2005, the Small Business Development Centers (SBDC) will exceed their goals by 4 percent, the Service Corps of Retired Executives (SCORE) will conduct over one third of all counseling online, and Women's Business Centers (WBC) by 12 percent;
- Approved approximately \$1.5 billion (net) in disaster loans during first nine months of FY 2005 to respond primarily to the widespread damage caused by four successive hurricanes;

- Saved billions in FY 2004 regulatory costs to small businesses by working with regulatory agencies to minimize the negative regulatory impact on the small business sector;
- Ensured equity and fairness in the regulatory enforcement process by conducting 16 hearings, processing 340 public comments on alleged “unfair regulations,” conducting outreach to 85 business service organizations, and providing media contacts to over 4 million;
- Continued to streamline the Agency, focusing most notably on the centralization of the loan repurchase and liquidation activities into one office (from 68 district and 2 branch offices), which reduced SBA costs from \$32.1 million in FY 2003 to an estimated \$7.4 million in FY 2005 (saving \$24.7 million);
- Continued to implement a human capital plan designed to “put the right person in the right job at the right time” that included an “early out/buy out” provision. A total of 182 staff accepted the offer, resulting in a projected annual savings of \$18 million or a net savings of approximately \$12 million after one third of the vacancies are filled;
- Held over 1,000 workshops with faith-based and community organizations and over 15,000 people to remove barriers to their participation in Agency programs. Specifically, we are helping one such organization, the Joseph Center based in Lake Forest, Illinois, to become an SBDC Service Center;
- Enhanced SBA’s loan monitoring by recalculating levels of risk and introducing exception and trend reporting to focus resources on problems where there is greatest opportunity to mitigate risk;
- Increased and improved the provision of information and service to small businesses via the Internet, most notably through completion of E-Tran (electronic loan application), improvements to the SBA.gov website, the launch of the first phase of the Business Gateway (www.business.gov), implementation of an online 8(a) eligibility and certification application, and expanded distance learning through the Small Business Training Network; and
- Strengthened and improved SBA’s efforts to ensure the security of online and electronic transactions with SBA’s partners, program clients, and the small business sector.

President’s Management Agenda (PMA) Scorecard Status

Using the President’s Management Agenda (PMA), we are working to develop and strengthen the spirit of entrepreneurship in America. Guided in this effort by the President’s Small Business Strategy, we are working to achieve four Strategic Goals:

- (1) An improved economic and regulatory environment conducive to small business,
- (2) Reduced opportunity gaps that impede small business success,
- (3) Restored homes and businesses affected by natural disasters, and
- (4) Improved program efficiency and effectiveness.

Where in the past we emphasized “the goods and services we produced” or program *outputs* (e.g., conferences, loans, counseling sessions, contracts), now we are focused additionally on “the effects of the goods and services we produce” or program *outcomes* that the small business customer cares most about (e.g., regulatory cost savings, number of startups, firm growth in jobs

and revenues, survival rates, small business ownership diversity, share of Federal procurement to small businesses, and customer satisfaction.)

To manage for results, SBA first aligned its goals, objectives and strategies to the President’s Small Business Agenda, then to the Agency’s Strategic Plan, and finally to the Administrator’s key initiatives. After publishing its Strategic and Annual Performance Plans, SBA directed each manager to incorporate specific milestones in *individual* performance plans and scheduled regular meetings to monitor, review, and report on progress. The Agency used as a monitoring tool an Execution Scorecard where the government-wide rating system was replicated for each SBA program (i.e., red, yellow, and green to designate progress). This was done to give SBA a means of changing the direction of its programs and rewarding employees through the performance appraisal process.

The Agency is proud of its vision for modernizing and cutting costs, while serving millions of small business customers each year. SBA was one of the agencies praised by the National Academy of Public Administration (NAPA) for making concerted efforts to enhance the performance management programs for executives, managers and supervisors. Both last year and again this year, NAPA praised SBA for successfully linking the performance expectations of its leaders and managers to the Agency’s goals and cascading those performance expectations throughout the organization through the use of the Execution Scorecard and Personal Business Commitment Plans (PBCPs).

Effective June 30, 2005, SBA earned the following scores from OMB in its PMA activities¹ :

	<u>Status</u>	<u>Progress</u>
1. Expanded E-Gov	Green	Green
2. Budget Performance & Integration	Green	Green
3. Improved Financial Management	Red	Green
4. Strategic Mgmt of Human Capital	Yellow	Green
5. Competitive Sourcing	Yellow	Green
6. Faith-Based & Community Initiative	New	New
7. Eliminating Improper Payments	Yellow	Green

Performance Management. We are identifying steps to improve each program’s performance and we expect to be held accountable for implementing those actions. We are creating a culture of performance to improve management and provide more transparency and accountability through alignment of our strategic plan and program activities. We have developed personal business commitment plans to establish and define performance contracts, worked to train staff in effective management skills, and have monitored progress and rewarded

¹ Scores for “Status” are based on standards for success published in the FY 2003 Budget. Under each of the standards, which were defined by the President’s Management Council, an agency is “green” if it has achieved all of the standards for success, “yellow” if it has achieved some but not all of the criteria, and “red” if it has any one of a number of serious flaws. Quarterly, OMB assesses agency “Progress” on a case by case basis against the deliverables and timelines established for the five initiatives that are agreed upon with each agency. “Green” represents an environment in which implementation is proceeding according to plans, “Yellow” signifies slippage or other issues requiring adjustment by the agency to achieve the objectives on a timely basis, and “red” means the initiative is in serious jeopardy and unlikely to realize objectives absent significant management intervention.

success through our internal execution scorecard process. SBA has also sought to improve the efficiency of delivery of services through the creation of one-stop web portals, development of web based transactions and expert tools, and supported online matchmaking efforts. Finally, in our effort to transform the Agency and provide services that small businesses need and want in a faster, better, and cheaper way, we have centralized a number of functions, increased competition, and worked to develop strategic alliances in the marketplace that benefit entrepreneurs.

Human Capital Management. We understand that we must value and invest in our workforce as our most important asset, assigning the right person with the right skills to do the right job at the right time. We have focused our attention on strengthening our personal accountability and performance appraisal systems, reducing the hiring times for SES and key staff, using individual development plans for staff in critical positions, assessing gaps and establishing plans to fill the gaps, mentoring and training, evaluating our organizational structure against a transformation model, doing succession planning and offering more options for staff (including “early-out/buy-out” options).

Information Technology Management. We recognize that one way we can improve year-to-year is through working *smarter*. We can achieve these improvements by using technology to support our programs, our customers, and our internal operations. The Internet is changing the way we work, live, play, and learn. These changes are creating an environment where technology connects everyone to everything and where open communications, open standards, and open markets prevail. SBA, like industry, must adopt as a core business process the use of technology—particularly electronic commerce—to deliver information and services more rapidly, securely, and cost-effectively to a wider group of constituents. We continue to focus our attention on using information technology to eliminate internal paper-based processes and to make formerly paper-based transactions with our business partners and small business customers available electronically.

Financial Management and Cost Efficiencies. Using an activity-based costing tool, we continually assess the costs to deliver a unit of output so we can deliver more for less. For example, we conducted our annual cost survey to identify unit costs of program delivery, reduced the leased space and associated rent for offices, set targets for reducing the level of improper payments, completed three competitions to determine the most efficient way to deliver particular program services in three areas, and established an implementation plan for strengthening the Agency’s internal controls (OMB Circular A-123). We also met the accelerated schedule for financial reporting and improved the audit opinion on our financial statements from a “disclaimer” to a “qualified opinion” in November 2004.

Culture of Performance and Improved Management

At the core of our agenda, we have continued to create a culture of performance and accountability, using an internal Scorecard to measure progress and report on success. You cannot manage what you cannot measure (and reward), so the Scorecard has become an internal team effort that everyone in SBA owns.

We have followed the PMA guidance—improving our scores to “Green” in status for both Budget and Performance Integration and E-Gov. Moreover, we have linked an individual’s success to achieving organizational results, which creates a more transparent system of accountability and provides incentives for improved performance. As required by the Results Act, senior managers set expectations, regularly measured progress, and reported on results.

During the past year, we are proud to report the following:

- We achieved a **“Green” status for two** of the five original PMA initiatives: Expanded E-Government and Budget & Performance Integration, with a “Green” in progress for the remaining three initiatives.
- We continued to use an **internal Scorecard to manage for results** and create a culture of performance and accountability. The Scorecard process permits senior leadership to monitor progress, improve program decision-making, and reports on results.
- We improved the **accountability for performance appraisals** for both SES and non SES staff by requiring individual “performance contracts” (i.e., Personal Business Commitment Plans (PBCPs) and by ensuring timely completion and review of these plans. Based on strengthening our performance appraisal system, we improved the differentiation among civil service employee ratings.
- We no longer judge the performance of the **Small business Development Centers** solely on the number of small businesses that it counseled or trained. Now the program managers are focusing on the effects of those efforts by setting targets for jobs created or retained.
- We **reduced our risk and losses** associated with the venture capital program by moving more quickly to liquidation and enhancing credit analysis for leverage draws and expiring leverage commitments.
- We **enhanced SBA’s loan monitoring** by recalculating levels of risk and introducing exception and trend reporting to focus resources on problems where there is greatest opportunity to mitigate risk.
- We **strengthened our personnel accountability system** with the addition of 21 new measures and collection procedures, and created teams to review data used to evaluate performance and measure results.
- We **improved our internal IT management**, resulting in the Agency’s major technology projects being managed within budget and delivered on time.
- We **secured all of the Agency’s IT systems** by completing security certifications and accreditations, ensuring that our partners and customers can safely conduct electronic transactions with SBA.

Efficiency through Technology

At the core of our Information Technology strategy is a concerted effort to provide services and products to small firms when they need it, wherever they are, and in a format that is user-friendly, comprehensive, and cost effective. We will continue to use information and communications technology to implement electronic business transactions that will replace the current paper intensive processes. Use of the Internet by SBA and its customers will enable us to be more efficient and informed so that our face-to-face client relationships can be more productive.

An increasing amount of SBA business is now conducted on the Internet, from elementary business guidance for prospective business owners to online counseling and education, to online business matchmaking. Computerized application review systems speed the process of evaluating a borrower's creditworthiness, verifying a firm's eligibility for the 8(a) or Small and Disadvantaged Business programs, and matching small businesses with procurement opportunities in HUBZones. Electronic transactions and the security features and technologies that we have implemented provide instantaneous and secure responses and transactions for all stakeholders - SBA staff, resource partners, and small businesses.

During the past year, we are particularly proud of the following:

- Using a new **web-based loan application solution**, we implemented **E-Tran** to allow us to receive loan applications electronically, screen data, and provide the lender with an approval number, usually in minutes. Currently, SBA processes 200 loans a day from over 500 lending partners, representing 75 percent of our SBAExpress loans and just under half of all of our lending.
- Moving to an **electronic eligibility and certification process for the 8(a)** and Small and Disadvantaged Businesses (SDB), we reduced processing time by 60 percent -- a major customer service improvement and efficiency driver for SBA.
- By populating a firm's profile with SBA certification data and eliminating the self-certification provision, we improved the **quality of the information in the Central Contractor Registration Data Base (CCR)**, which ensures that only qualified small businesses are listed and receive Federal contracts set aside for small businesses.
- Through the HUBZone **Procurement Query and Reporting System**, we are monitoring the number and nature of non-HUBZone set-aside decisions by Government contracting officers and electronically notifying contracting officers when qualified HUBZone firms are available to satisfy specific contract requirements.
- By continuing to create a **one-stop portal (Business Gateway: www.business.gov)**, we improved businesses' accessibility to government information, compliance tools, and transactions, saving an estimated \$109 million annually.
- Through use of **digital video conferencing**, we expanded our ability to reach a larger audience, both domestically and internationally, with a projected savings of \$36,000. Through the use of this technology, we learned important technical skills and reduced the

time employees were required to be away from the office. Most recently, the SBA Administrator was able to remain in his office and still “meet” with Chinese dignitaries visiting the West Coast.

- Moving to an **electronic Disaster Credit Management System (DCMS)**, we began to process all workload generated as of January 2005 with DCMS (e.g., disaster declarations, loss verification, application processing, closing and disbursements), saving processing time, paper, shipping costs, and improving quality and customer service. We estimate savings of \$5-6 million annually from use of this technology.
- Employing **distance learning pedagogy through the Small Business Training Network (SBTN)**, we registered 235,783 entrepreneurs from October 2004 until mid June 2005. Comparing the less than \$1 cost per online client to the average \$76 for face-to-face SCORE, SBDC, and Women’s education, SBA would have spent \$17.9 million, versus the estimated \$235,000, to train this group of entrepreneurs. Put another way, SBA can save \$7,500 for every 100 clients served.

Transforming the SBA

As envisioned under the PMA, we established a strategic goal to reform the Agency, particularly by changing the way we do business. SBA’s fourth Strategic Goal reads: “Ensure that all SBA programs operate at maximum efficiency and effectiveness by providing them with high quality executive leadership and support services.”

Leading and managing change has been a difficult but worthwhile goal to ensure that all of our programs operate at maximum efficiency and effectiveness and that incremental improvement is evident each year. SBA has worked to harness powerful information technology tools to address changing customer needs, transform the way we work, and improve our service to America’s small businesses. Our transformation strategy is predicated in part on our creating a new culture of performance and accountability, achieving efficiencies in operations, and increased use of technology.

During the past year, we are particularly proud of the following:

Do More with Less

- We achieved **record program levels with fewer resources**, reflected by a 39 percent decrease in budget from FY 2001 through FY 2005 and a 19 percent decline in full-time Salaries and Expenses funded employees over the same period. An additional 182 staff took advantage of a “buy-out/early-out” option offered in the first nine months of FY 2005.

Strategic Management of Human Capital

- We reduced **hiring times for SES to 55 days (from a baseline of 90 days) and other employees to an average of 17 days**. OPM guidelines are 45 days for non-SES and 30 days for SES. We also developed a model program and tracking system to ensure that we meet the 30/45 day model.

- We implemented a plan to **evaluate the organizational structure of SBA** programs when they request replacement positions as a result of losses under “early-out/buy-out” options. Plans should demonstrate how the new organization is consistent with the new SBA model described in the Agency transformation plan.
- We **increased female employee representation** by two percent during the year to 57 percent of total workforce, 22 percent higher than government wide averages in GS-11/15.
- We **developed Individual Development Plans (IDPs)** for general business and loan specialist positions. Significant productivity increases averaging 49 percent were achieved in three pilot offices in 2004-2005, with an increase in loan volume, increased small business counseling and training through expanded outreach, and more effective strategic alliances throughout the geographic regions.
- We **implemented a pilot mentoring program** to enhance our succession planning.
- We continue to **analyze gaps for mission critical positions** to ensure that personnel can be found quickly to perform mission critical functions.
- We **developed standard position descriptions** to expand the role of staff and improve the utilization of employees whose functions have been superseded or diminished. Positions will provide greater job security by broadening the functions performed as well as enhancing the delivery of services to Agency customers.

Improved Space Management

- We **eliminated 101,710 square feet of leased space** and associated rent costs of \$1.4 million, with a projected savings of \$1.6 million and 136,534 square feet by the end of the fiscal year.

Centralization

- We **saved more than \$24 million by centralizing the process of purchasing defaulted loans** and the oversight of liquidation case activities. Approximately 50 centralized staff is performing the workload previously accomplished by 275 staff in 68 district and 2 branch offices. The newly established Center purchases over 6,000 defaulted loans annually and has over 19,000 liquidation cases under management.
- We **centralized the 504 loan approval process**, achieving efficiencies of scale by processing more than 10,000 loan applications with only 25 full-time staff, previously processed in 68 district offices. Other benefits include more consistent application and interpretation of loan policy, and reduced response time. The average turn around time to loan approval is less than 6 days. Lenders have praised SBA’s efforts in this area, citing the Agency’s use of industry best practices to streamline labor intense functions.

Cost Efficiency

- We saved taxpayers an estimated \$100 million in FY 2005 through moving to a **zero subsidy for the 7(a) loan guaranty program** that does not require a yearly appropriation for the

multi-billion 7(a) loan guaranty program. This provides more consistent access to financing for small businesses and reduces the potential for loan caps or closure of the program during the fiscal year.

- We **completed all subsidy model improvements** for our credit programs, **eliminated all material non-compliance** with laws and regulations, and **met financial reporting** deadlines.

Use of Technology

- Increased and improved the provision of information and service to small businesses **using the Internet**, most notably through completion of E-Tran (electronic loan application), improvements to SBA.gov and launch of the first phase of the Business Gateway, implementation of an online 8(a) eligibility and certification application, and expanded distance learning through the Small Business Training Network.

Next Steps

Over the next 12-24 months, SBA will continue to implement the President's Management Agenda and demonstrate that the Agency can "get to green" (or maintain green) in every category by achieving the following results:

- Have unqualified audited financial statements with no material weaknesses, and financial information that is timely, accurate and useful;
- Use program and financial information to allocate our resources in a way that will help create and sustain the maximum number of small businesses possible;
- Have the appropriate level and mix of skilled employees and managers;
- Finalize a long term plan that will help SBA consider where competition can best be applied to increase efficiencies and lower costs for the Agency's commercial support functions;
- Quantifiably demonstrate the value of our programs to support small businesses;
- Eliminate the majority of improper payments through improved risk mitigation; and
- Break down barriers to participation of faith-based organizations in SBA programs.

Achieving the goals of the PMA, our employees will:

- Know what is expected and what must be done to contribute value for small businesses;
- Have received additional cross-skills training to improve our value;
- More clearly understand our customers' needs and how to address them;
- Continue to see how performance drives organizational results, and how one can personally benefit through direct contribution toward these results;
- Continue to receive training and management support to achieve excellence;
- See improved outcomes for our customers, providing enhanced job satisfaction; and
- Know that we are providing an outstanding and cost effective service for the taxpayer.