

**The President's Management Agenda  
Results Report**

**U.S. Small Business Administration**

**August 2004**

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# **The U.S. Small Business Administration: Building a More Customer-Centered, Results-Driven, Cost Effective Public Agency through the PMA**

## **Introduction**

Small businesses are vital to the Nation's prosperity and reflect the hard work of the American people. There are approximately 25 million small businesses in the United States. By virtue of their size, small businesses have greater flexibility and are quicker to respond to new opportunities than larger firms. They employ just over half of all private sector workers, pay 44.3 percent of total U.S. private payroll, create seven out of 10 net new private-sector jobs in America and account for more than half of the output of our economy. Total small business wealth amounted to \$8.3 trillion, accounting for 42.8 percent of total business wealth of \$19.4 trillion in 2000.

*The President's Small Business Agenda.* Recognizing that small businesses are the backbone of the U.S. economy, the Administration established the following five point Small Business Agenda:

- Provide new tax incentives to make it easier for small businesses to make important job-creating investments;
- Give small businesses more power to provide health care for their uninsured employees, and improve the health care options for employees who already have insurance;
- Tear down the regulatory barriers to job creation for small businesses and give small business owners a voice in the complex and confusing federal regulatory process;
- Save taxpayers dollars by ensuring full and open competition to federal contracts; and
- Provide small businesses with the information they need to succeed.

*SBA's Statutory Mission and Strategic Plan.* The U.S. Small Business Administration (SBA) plays an important role in the President's Small Business Agenda through its mission to "aid, assist, counsel and protect the interests of small businesses, and to contribute to the growth of the economy." In doing so, the Agency breaks down barriers to small business formation and growth and creates an environment where small business owners and entrepreneurs can succeed.

In support of this mission, SBA developed four strategic goals, each with a number of long term objectives:

1. Improve the economic environment for small businesses,
2. Increase small business success by bridging competitive opportunity gaps,
3. Restore homes and businesses affected by disaster, and
4. Ensure that all SBA programs operate at maximum efficiency and effectiveness by providing them with high quality executive leadership and support services.

SBA is most proud of the following programmatic achievements:

- Guaranteed 74,169 general business loans in FY 2003 (\$10.1 billion), with 89,000 loans projected for FY 2004 (\$12.3 billion), a 19 percent increase over FY 2003, and the highest level of capital and credit ever provided to the small business community;
- Provided capital and credit to nearly 17,000 entrepreneurs in FY 2003 and 14,000 in the first nine months of FY 2004 to *start* a business;
- Helped create and/or retain a projected 682,000 jobs for FY 2004, an estimated 16 percent increase over FY 2003 levels;
- Facilitated 18,600 appointments between small businesses and government and private procurement officials in a “Business Matchmaking” initiative that resulted in contracts worth approximately \$17.5 million in the first nine months of FY 2004;
- Helped small firms receive 23.6 percent of all contract dollars awarded by the government, for a total of \$65.6 billion, a new record in small business contracting;
- Provided entrepreneurial assistance through a network of resource partners to a projected 2.1 million prospective and actual small businesses in FY 2004;
- Approved 18,063 disaster loans worth \$614 million during first nine months of FY 2004;
- Saved an estimated \$6.3 billion in FY 2003 regulatory costs to small businesses by working with regulatory agencies;
- Ensured equity and fairness in the regulatory enforcement process by conducting 19 hearings and roundtables and reaching out to 120,000 businesses, which contributed to over \$1 billion in abatements, reductions in fines, or waivers;
- Continued to streamline the Agency, focusing most notably on the centralization of the loan liquidation activities into one office (from 69), which reduced SBA costs from \$44 million in FY 2002 to an estimated \$15 million in FY 2006 (a two-thirds reduction);
- 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; and
- Increased and improved the electronic provision of information and service to small businesses, most notably through enhancements to Businesslaw.gov, completion of E-tran (electronic loan application), improvements to SBA.gov and launch of the first phase of the Business Gateway.

This report describes SBA progress under the President’s Management Agenda to create an improved management infrastructure and performance-based processes to deliver meaningful results to our small business customers.

## **Implementation of the President’s Management Agenda**

Proper management is critical to effectively delivering results to citizens that matter. This Administration established a vision and a management reform agenda to create a government that is:

- Citizen-centered, not bureaucracy-centered;
- Results-driven, not input or only process-oriented; and

- Market-based, promoting -- not stifling -- innovation and competition.

With these underlying principles, the Administration identified five major problems and developed goals to improve federal management and deliver results in the near term. This became the President's Management Agenda, a government-wide commitment to changing how government goes about its business, how it treats the people it serves and what services it provides.

By implementing management improvements mandated by the President's Management Agenda (PMA), SBA is now a more customer-centered, results-driven, market-based, technology-enabled and cost-effective Agency. During the past several years, SBA has continued to implement a more rigorous, transparent and accountable process to manage for results.

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 the Administrator's key initiatives. Second, SBA communicated its Strategic and Annual Performance Plans to each employee; incorporated specific milestones in individual Personal Business Commitment Plans (PBCPs); and scheduled regular meetings with senior leaders and program managers to monitor, review, and report on progress. Third, SBA used as the tool of choice an automated internal Execution Scorecard system where the government-wide scorecard rating system was replicated for each SBA program (i.e., red, yellow, and green to designate progress). Fourth, SBA used performance data to change and modify the direction of programs and to reward employees in 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 four 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. NAPA singled out 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.

Effective June 30, 2004, SBA was one of only eight agencies (out of a total of 26) that had two or more "Greens" for the five PMA activities.<sup>1</sup> SBA earned the following scores from OMB in the five PMA activities:

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<sup>1</sup> 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.

	<u>Status</u>	<u>Progress</u>
1. E-Gov	Green	Green
2. Budget Performance/Integration	Green	Green
3. Financial Management	Red	Green
4. Human Capital	Yellow	Green
5. Competitive Sourcing	Yellow	Yellow

More specifically, SBA has implemented the following management processes that focus on ways to improve execution and deliver results:

- Published a new, integrated Strategic Plan to identify priorities and to link activities to results.
- Implemented a transformation plan to realign resources with new, evolving programs:
  - Streamlined and centralized the majority of SBA’s loan making activities, resulting in more timely decisions for participating lenders and small business customers, improved consistency in applying policies and procedures, and lower operating costs.
  - Streamlined and centralized loan guaranty purchases, servicing and liquidation activities, resulting in increased collections and lower operating costs.
  - Freed-up employees previously working on these “backroom” activities, and with the cross-skills training provided, we have now focused substantial additional resources to directly serving our small business customers nationwide.
  - Established a comprehensive human capital succession planning agenda that addresses future senior management needs.
- Implemented increased accountability for results at all levels within the organization through the direct alignment of performance with strategic goals.
  - Performance agreements for employees have been directly aligned with SBA’s goals, quantified using outcome-oriented measures, and included specific PMA objectives.
  - SBA has implemented an internal “Execution Scorecard” to regularly monitor and measure achievement of key milestones toward principal strategic goals and long term objectives.
  - SBA uses the Personal Business Commitment Plans to link individual achievements to organizational success, as described in the Strategic Plan, and measure performance against strategic goals and results achieved;
  - SBA has more effectively addressed audit and financial management weaknesses and major management challenges.

## **E-Government**

SBA met all of its E-Gov requirements. These include completion of a modernization blueprint, improvements in IT security, participation in cross-agency E-Gov initiatives, and adherence to the standards for cost/schedule/performance in developing systems. In addition, the

Agency completed the next version of the Business Gateway (business.gov), E-Tran (system to enable electronic communication with lenders), improvements to Businesslaw.gov that saved an estimated \$750,000 for small businesses seeking federal Employer Identification Numbers, and a prototype of the 8(a) eligibility and certification process.

In the third quarter FY 2004, SBA earned from OMB a Green for both Status and Progress for implementing all the standards of success described in the FY 2003 budget. SBA

- Implemented major IT investments within 10 percent cost, schedule and performance targets.
- Improved its security protection of its IT resources as noted by Congress' Security rating, which ranked SBA eighth among the 24 major federal departments and independent agencies.
- Strengthened existing processes to ensure that future IT investments align with the agency's mission and vision by establishing the Enterprise Architecture Technical Review Board and creating the Business Technology Investment Council (BTIC) Advisory Committee.
- Realigned OCIO resources to better serve SBA, including the approval of the reorganization, Office of E-government, and a Security Office.
- Successfully implemented an initial phase of the Business Gateway that will serve as a one stop resource for small business in dealing with government.
- Centralized its monitoring of its infrastructure through its Network Operations Center to more effectively and efficiently manage SBA's enterprise computing platform by adopting a more proactive approach to network maintenance, management and monitoring.
- Continued its commitment to E-government activities as illustrated by participation and contributions to 18 of the 24 cross-government projects.

## **Financial Management**

SBA continued to use a cost allocation survey to review the most cost effective way to manage resources and deliver program results. By centralizing loan purchase functions from 76 locations to one, SBA will reduce costs from \$44 million in FY 2002 to an estimated \$15 million in FY 2006 (a two-thirds reduction), as well as ensure consistency and a more uniform quality of actions and decisions in the guaranty purchase and liquidation processes. SBA also implemented an electronic tool to communicate with the lenders that saves an average of two days in decision-making time, eliminates over 50,000 faxes, and saves the Nation's small business time and money.

In the third quarter FY 2004, SBA earned from OMB a Green in Progress and a Red in Status, due to problems with the FY 2003 audited financial statement. During the year, SBA continued to make progress in addressing the issues that resulted in a disclaimer in the FY 2003 financial statement. Achievements that warrant a Green in progress include the following:

- SBA is on target and on plan to meet the November 15, 2004 statutory deadline for Agency financial statements. Specifically, SBA provided to OMB the June 30 interim financials as required on July 21. Two additional reports and the footnotes to the financial statements not required by OMB on July 12, 2004 will be delivered to the auditor on August 13, 2004 to permit a comprehensive audit of SBA's 3<sup>rd</sup> quarter financials that the auditor can update at yearend as part of the plan.
- SBA has addressed all identified audit findings and financial weaknesses, including improved internal control over subsidy modeling and re-estimates, increased accountability and accuracy of financial information, improved control over loan program funds, and improved documentation of financial management procedures and controls.
- SBA includes remediation of the FY 2003 financial statement findings and recommendations as an integral part of its reporting process. A Loan Team and an Administrative Accounting Team meet regularly to facilitate solutions that require the involvement of subsidy, budget and accounting personnel. Assignment of team leaders and due dates on loan and administrative initiatives has improved accountability and promoted achievement of objectives.
- SBA laid the groundwork for the upgrade of the Oracle administrative accounting system that will be implemented in FY 2005, to improve internal controls even further because of better auditing capabilities and further reduction of administrative accounting operational costs, which in turn will be reflected on the overall program costs.

## **Budget and Performance Integration**

Using an internal Execution Scorecard and an OIG-generated scorecard for major management challenges, SBA has instituted monthly reviews of key performance indicators, activities, and milestones to manage its efforts more effectively. It has also developed a marginal cost accounting methodology to use in justifying funding requests and assess cost efficiencies. In addition to surveying technical assistance recipients to measure program results, the Agency is using performance information from monthly review sessions and recommendations from the PARTs to make program decisions (such as merging the Business Information Centers with other management and technical assistance delivery networks and elimination in backlog of 8(a) eligibility and certification actions).

In the third quarter FY 2004, SBA earned a Green in both Status and Progress by:

- Using performance information to monitor program activities and important management initiatives monthly using an internal Execution Scorecard. It also has developed a

marginal cost methodology which will be used as part of the process of justifying program funding request changes.

- Integrating the Program Assessment Rating Tool (PART) results and performance information in its FY 2005 budget request.
- Using activity-based cost information in FY 2005 budget policy recommendations for credit programs.
- Establishing reasonable but challenging performance goals for each district based on consistent methodology.
- Using a new format for reporting of costs and results, offering the public increased transparency in the full cost of achieving strategic goals and fostering the integration of the various programs and delivery structures. The Mercatus Center April 2004 report on federal Agencies' budget and performance integration described SBA's use of cost allocation information as a "best practice" among federal agencies in linking goals and results to costs.

## **Competitive Sourcing**

Despite limited funding to implement ten competitions in FY 2003, SBA completed the proposals for determining the "most efficient organization" to implement the EEO/Civil Rights programs. In addition, SBA completed the work statement for the request for proposal for the Disaster Assistance loss verification program. The Agency has also included its venture capital and legal support programs in the competitive sourcing plan for FY 2005.

In the third quarter FY 2004, SBA earned from OMB a Yellow in Progress and a Yellow in Status. SBA has been working to apply competition to commercial activities where reasoned analysis indicates that competition can help to improve mission performance and reduce costs. Achievements include the following:

- SBA conducted five streamlined competitions on work performed by 251 full time equivalent employees (FTE), which could potentially save SBA an estimated \$1.6 million.
- SBA announced the Office of Disaster Assistance standard competition for loss verification activities (130 employees).
- SBA completed the preliminary work to re-compete as a standard competition next fiscal year the Office of Investment examination activities (23 employees).
- SBA has developed a Competitive Sourcing Plan, which reflects its workforce mix, capacity to conduct competitions (including available funding), and mission needs.

## Strategic Management of Human Capital

Including SBA employees as one of its customer groups, the Agency completed leadership and general skill competency assessments for its employees, launched an e-training program for field employees, mandated the development of career development plans for selected specialists to include participating in (“Go-Learn”) online training, and implemented both a workforce planning system and succession strategies to ensure there are not mission-critical gaps. As part of a comprehensive capital plan, SBA has also directed each employee to develop Personal Business Commitment Plans to include the President’s Management Agenda as success indicators in the appraisal process.

SBA also has increased its contact with its small business clients and resource partners through increased focus sessions, roundtables, and surveys to determine what is required and desired. An illustrative example is analyzing the online queries on the U.S. Business Advisor (search string phrases and words) to determine that eight out of 10 queries related to questions of a legal and regulatory nature. With the information the Agency developed Businesslaw.gov as a legal and regulatory information portal for small entrepreneurs.

For the third quarter FY 2004, SBA earned from OMB a Green in Progress and a Yellow in Status. OPM has recognized SBA’s Human Capital Plan as one of the best in government and referred other agencies to SBA for consultation on developing or improving their plans.

Specifically, SBA achieved the following:

- Experimented with Alternate Work Sites (AWS) in 11 locations in five states. This effort is designed to provide increased marketing and outreach efforts to reach a larger portion of the Nation’s small businesses. AWS will enable SBA to move towards a citizen-centered organization by increasing direct service delivery and interaction with customers and maximize the use of limited resources.
- Launched an e-training curriculum for field office staff, which included marketing, outreach, customer relationship management, and effective presentation techniques.
- Completed career development plans for all employees impacted by the centralization of loan liquidation functions.
- Offered all field offices access to GoLearn business suite of distance learning courses, resulting in 1,023 licenses issued and over 1,204 course registrations received.
- Identified an employee trainer cadre for the classroom portion of marketing and outreach training to deliver the transformation curriculum to all SBA field offices by the close of FY 2005. It will save the Agency tuition costs of approximately \$10,000.

- Completed the competency analyses of SBA staff requirements with the exception of legal support and information technology functions.
- Completed the 360° Leadership Assessment Training of all district directors and GS-15 employees, with feedback from OPM. Initiated the 360° Leadership assessment for the remaining supervisors and managers (to be completed in the 4<sup>th</sup> quarter of FY 2004). These data will provide the basis for a substantial and quantifiable succession plan.
- Issued competency surveys to complete a comprehensive skills analysis for ensuring continuity in the face of increased retirements and “brain drain.” This analysis will enable us to establish career development plans to meet any skills gap.
- Established a National Performance Systems Committee to improve the performance appraisal system and ensure that it accomplishes its intended objectives.
- Conducted quarterly performance reviews to ensure that the performance plans align with the PSBA and the Agency’s Strategic and Performance plans.

## **SBA FY 2003-2004 Program Results**

SBA is committed to transforming the way it does business and producing services that small businesses care most about. SBA achieved the following *selected program results* that embody its commitment to increased value and reduced costs.

### Capital and Credit

- Guaranteed 74,169 general business loans in FY 2003 (\$10.1 billion), with 89,000 loans projected for FY 2004 (\$12.3 billion), a 19 percent increase over FY 2003, and the highest level of capital and credit ever provided to the small business sector;
- Compared to FY 2002 levels, increased the number of loans to
  - African Americans by 79 percent,
  - Hispanic Americans by 42 percent,
  - Asian Americans by 31 percent,
  - Native Americans by 18 percent,
  - Women by 37 percent, and
  - Veterans by 22 percent;
- Provided capital and credit to nearly 17,000 entrepreneurs in FY 2003 and 14,000 in the first nine months of FY 2004 to *start* a business;
- Helped create and/or retain a projected 682,000 jobs for FY 2004, an estimated 16 percent increase over FY 2003 levels.

### Business Matchmaking and Government Contracting

- Facilitated 18,600 appointments between small businesses and government and private procurement officials in a “Business Matchmaking” initiative, which resulted in contracts worth approximately \$17.5 million in the first nine months of FY 2004;

- Helped small firms receive 23.6 percent of all contract dollars awarded by the government, for a total of \$65.6 billion, a new record in small business contracting.

#### Entrepreneurial Development

- Offered a projected 2.1 million entrepreneurs business counseling and technical assistance through one or more of the Agency's resource partners' counseling and training programs, in which
  - More than 687,000 received technical assistance through the Small Business Development Center program (SBDC);
  - More than 474,000 received assistance from the volunteers of SCORE Counselors to America's Small Business;
  - More than 688,000 used the Web based Small Business Training Network, more than triple the number from the previous year; and
  - More than 106,000 received assistance from SBA Women's Business Centers.

#### Transformation

- Began the centralization of the loan purchase and liquidation processes, reducing the cost by over 65 percent (from \$44 million annually in FY 2002 to a projected \$15 million annually in FY 2006) and freeing district employees to focus on the delivery of targeted programs and services rather than liquidation functions;
- Implemented an improved loan monitoring system that reduces risk, and may reduce the cost of our programs, making more funding available to the small business community.

#### Disaster Assistance

- Made 25,856 disaster recovery loans for \$885 million nationwide during FY 2003 and 18,063 loans for \$614 million during first nine months of FY 2004;
- Completed special programs begun in FY 2002 to provide disaster recovery loans to victims of the September 11, 2001 attacks on the World Trade Center and the Pentagon. (SBA has made \$526 million in direct disaster loans to individuals and businesses that suffered from those attacks. In addition, in FY 2003 alone, SBA provided more than \$1.5 billion in loan guarantees to firms that were impacted by 9/11 through the Supplementary Terrorist Activity Relief (STAR) program.)

#### Regulatory Advocacy and Access to Information

- Saved small businesses an estimated \$6.3 billion in regulatory costs by intervening on behalf of small businesses in 20 different rule makings—one intervention related in an immigration rule resulted in \$2.1 billion in cost savings alone;
- Ensured equity and fairness in the regulatory enforcement process by conducting 19 hearings and roundtables and reaching out to 120,000 businesses, which helped to save over \$1 billion in abatements, reductions in fines, or waivers;
- Offered small businesses easier access to business related information in SBA.gov (Web site served a million customers each week) and improved access to legal and regulatory information to start and grow their businesses through the enhanced Businesslaw.gov portal (Web site was accessed a million times a month and saved an estimated \$109 million in FY 2003).

Within the next several years, SBA will continue to implement the President's Management Agenda and demonstrate that the Agency can "get to green" in every category by achieving the following results:

- Have clean financial audits with no material weaknesses, and financial information that is timely, accurate and useful.
- Use this information to allocate our resources in a way that will help create and sustain the maximum number of small businesses possible;
- Fully execute a personnel management and appraisal system that links performance to pay;
- Have the appropriate level of skilled employees and managers when and where needed to meet our mission;
- Fully execute the Business Gateway to serve small businesses anytime, anyplace;
- Complete 10 standard competitions required by the Competitive Sourcing guidelines involving commercial activities resulting in increased efficiencies, improved performance, and lower operating costs—matching best practices of the private sector;
- Quantifiably demonstrate the value of investments made in programs and activities to support small businesses.

Having achieved these results, SBA can feel confident it has contributed to:

- Significantly higher rates of job creation, revenue growth and sustainability among businesses helped by SBA when compared to businesses in general.
- A more focused, accessible Agency that provides assistance to many more entrepreneurs in a more cost efficient way, by spreading our employees out to more geographical areas, integrating other resources into our delivery system and through better use of technology.
- Employees who are valued and appropriately rewarded based on merit and performance.
- Better managed resources to accomplish its goals and objectives.
- An organization that constantly seeks improvement to become a leader in the public sector, rivaling first quartile private sector firms in terms of service delivery, operations, management and results.

Focusing on results that are good for small businesses and achieving the goals of the PMA, SBA's employees will:

- Know what is expected and what must be done to contribute value toward our strategic goals and objectives;
- Have received additional cross-skills training to improve professional and personal development and value;
- See increased levels of assistance and increased customer satisfaction from our actions;
- Be encouraged to innovate and see the direct effect of continuous improvement on streamlined operations, improved performance and meaningful results;
- See direct rewards for increased performance toward the strategic goals and objectives;
- More clearly understand our customers' needs and what we need to do to address them;

- Continue to receive training and support to be the best;
- Continue to see how performance drives organizational results, and how one can personally benefit through direct contribution toward these results;
- See improved outcomes for our customers, providing enhanced job satisfaction as a public servant; and
- Know that we are providing a service to our country that is valued.