



Obama's Epic Challenge: A Small Business Perspective, (published in November 18, 2008 California Executive edition)

Politics aside, most election observers and pundits say President-elect Barack Obama's Nov. 4 victory was primarily a mandate for the government to aggressively step in and help fix an ailing economy. The question is how well Obama will be able to work across the aisle and be open to listening to his Republican congressional colleagues in tackling the economic crisis.

Even business lobbyists, usually concerned about bread-and-butter issues such as labor organizing and taxes and special perks for certain industries, say restoring the health of the overall economy is job number one. Much is riding on Obama's shoulders and the way he responds to the nation's economic troubles will shape our economy for years to come.

When the patient is on the operating table and bleeding to death, I think traditional notions of political loyalties will be put aside and the focus will be placed on, one, stopping the bleeding and, two, refocusing the economy on the needs of the 21st Century, says John Arensmeyer, CEO of Sausalito-based Small Business Majority.

It is often said that the diverse and highly fragmented small business community, which employs at least half of all U.S. workers, traditionally serves as the catalyst of innovation and job growth during times of recovery. So how might the Obama administration's handling of the economy impact the plight of smaller employers?

In the first of a three-part series, California Executive explores Obama's ability to lead in the midst of a deepening crisis, plans to shore up small business access to capital and proposed direct government investment in startups. Parts 2 and 3 will discuss Obama's tax proposals and labor and employment issues.

The Currency of Change: True Leadership or Mere Words?

Darren Hardy, publisher of the 112-year-old San Diego-based Success Magazine, is a lifelong registered Republican who voted for Obama. He says his vote ultimately came down to a decision between his wallet and his conscience.

Conscience won out, says Hardy, despite his uneasiness with Obama's health care plan and tax proposal. "The one thing I think the president can do is [serve as] a symbol of confidence, inspiration and aspiration.

He believes the Obama presidency can help heal international tensions, while inspiring Americans, particularly entrepreneurs, to reinvent a sustainable economy. But much of Hardy's reason for backing Obama is his belief that specific policy decisions made in the executive branch have very little impact on the success or failure of small businesses. He says the ability to lead, however, is intangible but crucial.

Beverly Hills-based attorney Stephen M. Losh says he believes Obama can act quickly by reversing many of President George W. Bush's executive orders and fostering better economic cooperation with other world leaders.

I believe President Obama will initially reverse some of the right wing executive orders President Bush signed, Losh says, hinting at Bush's ban on federal funding of stem cell research, after pressure from religious conservatives. That will stimulate important research as well as make some new friends here and abroad.

Jonathan Aberman, managing director of Amplifier Networks, located near Washington, D.C., regards Obama as a highly successful entrepreneur in his own right. Therefore, he believes Obama will better understand the needs of other entrepreneurs and help their cause.

The guy started out as a national unknown, with a vision of taking the country into a position where the country wanted to go, Aberman says. Then he went off and started to influence other people to share his vision which is exactly what successful entrepreneurs do.

In fact, nearly everyone California Executive interviewed gives Obama high marks for his leadership style and ability to inspire but that's just one part of the equation.

Ken Keller, owner of Valencia-based Renaissance Executive Forums, claims Obama and the U.S. Congress ideologically regard businesses as "the enemy" and therefore will not be able to do much to help them prosper. Bennett Kelley, founder of the Internet Law Center in Santa Monica, says Obama's sense of optimism is important, but that "overzealousness" in regulatory measures would be counterproductive to the needs of small businesses.

### Show Us the Money

Access to capital and the difficulty of maintaining healthy cash flow continue to plague businesses of all sizes, but especially the smallest entities. Banks did not loosen their purse strings in the wake of the \$700 billion bailout package, as hoped, while the crisis of confidence continually erodes.

Obama's proposed Small Business Emergency Rescue Plan would pump federal dollars directly into those that need help through the Small Business Administration (SBA). The U.S. government did this directly after the terrorist attacks of Sept. 11, 2001, mainly to help with payroll, short-term investments and operational costs, says Santa Monica-based attorney John Babala.

I think this is an excellent idea. I don't know when the lenders are going to loosen up, but I don't see them lending yet, says Babala, a partner with Dreier Stein Kahan Browne Woods George LLP.

Another part of the plan would expand federal guarantees for SBA loans, which Babala believes would be much less effective. Although it makes sense in theory, he says, the concern is that banks might not take action anyway.

San Francisco-based attorney Charley Moore says the new administration must come up with a direct mortgage-relief plan, since entrepreneurs often borrow against their homes and now have all but run out of options for capital. Since many of today's entrepreneurs took out home equity loans during the housing bubble, he says, new economic growth will be stunted considerably.

As a result, there will be far less of the healthy risk-taking that is the engine of new business creation in America, says Moore, CEO of legal document service Rocket Lawyer Inc. I think that this side effect of the foreclosure crisis has not been fully understood yet.

Moore also suggests the new administration use a portion of the \$700 billion bailout package to help bolster SBA loans.

Terry Neese, a distinguished fellow with the Dallas-based National Center for Policy Analysis, proposes more of a free-market approach to economic recovery in general, although she does support tighter regulations for the financial sector. She also supports using federal dollars for job-creation programs.

"In terms of the next stimulus package we don't believe at our organization that the next stimulus package should include a check for everyone, Neese says. It should instead focus on economic growth and job creation.

Obama also has proposed the creation of business incubators "similar to the venture capital model of funding and nurturing innovative, fast-growth startups using \$250 million in federal funds. Most sources believe the focus of such a network of incubators would be renewable energy and so-called clean technology ventures, an industry sector Obama endorsed on the campaign trail.

Although Obama has pledged to tackle the economic crisis first, it's a multi-headed beast with several competing interests. Everything he proposed during the election cycle will have to be reevaluated and reprioritized, says Matt Klink, executive vice president with Los Angeles-based Cerrell Associates, a public relations firm specializing in political consulting.

He's not going to be able to do everything right away; that's clear. Job creation is something you look at over a period of time, says Klink, stressing the need for the United States to return to its high-quality manufacturing roots. I would expect a stimulus package with Obama's stamp on it as soon as he takes office."

But all sources say businesses, no matter how hopeful, should not expect immediate improvements after inauguration day.