

# Small Business – Big Opportunity<sup>SM</sup>

SEATTLE, WASHINGTON – APRIL 10, 2014



Small business owners attend the Small Business – Big Opportunity symposium in Seattle Center's McCaw Hall.

## Opening Remarks:

Joan Woodward, President, Travelers Institute; Executive Vice President of Public Policy, The Travelers Companies, Inc.

Gary Chandler, Vice President of Government Affairs, Association of Washington Business

## Keynote Address:

Rahim Rajan, Senior Program Officer for Postsecondary Success, The Bill & Melinda Gates Foundation

## Panel Discussion:

Moderator – Joan Woodward, President, Travelers Institute; Executive Vice President of Public Policy, The Travelers Companies, Inc.

Brian Bonlender, Director, Washington State Department of Commerce

Kim Krogh, Senior Commercial Account Executive, Fidelity Associates

Walter McLaughlin, Senior Vice President, Banner Bank

On April 10, 2014, the Travelers Institute, in partnership with the Association of Washington Business (AWB), hosted its 12th Small Business – Big Opportunity symposium, part of a national advocacy tour designed to raise awareness of the importance of small businesses to the U.S. economy. Hosted in Seattle, Washington, the session convened small business owners, advocates and policymakers, and included a keynote from the Bill & Melinda Gates Foundation. A panel discussion explored issues from small business financing to government regulation and other issues local entrepreneurs feel are impeding their growth.

One of the highlights of the symposium was a keynote address from Rahim Rajan, Senior Program Officer for Postsecondary Success at the Bill & Melinda Gates Foundation, who discussed the future of the American labor force. Rajan emphasized the need for technology to help develop skills required by today's small businesses and for the nation's educational system to adapt to accommodate an increasingly "nontraditional" student population with practical skills-based retraining programs.

"The new majority of students are not leaving their homes [and] moving to four-year institutions," said Rajan. Instead, "today's students, most often, are part-time. They're working adults. Many of them have started and stopped working multiple times."

The result of this demographic shift has been an increasing inability for traditional institutions to educate enough people to meet market demands, which has had a significant impact on the availability of talent and specific skill sets in the workforce.



Rahim Rajan, Senior Program Officer for Postsecondary Education Success of the Bill & Melinda Gates Foundation, addresses the future of postsecondary education in the United States.

Rajan pointed out that the nation is falling short of President Obama's vision for millions of additional college graduates by 2020, noting that by distinguished labor economist forecasts, the nation would "need to produce 11 million graduates by 2025 on top of what we're currently producing" to have a skilled labor market that will satisfy projected demand. With obstacles such as student loan debt and increasingly selective traditional institutions adding to the complexity of the challenge, Rajan offered technological advances in education as one component of a larger solution. He referenced the Gates Foundations' multiple investments in more personalized, online and blended learning, which aims to deliver high-quality learning over the Internet while also improving student engagement in the classroom.

He concluded by addressing the many small business owners in attendance directly, suggesting that they are crucial to future reform.

"That's who's missing," he said. "It's the workforce. It's the Fortune 2000. It's small business of America. Higher education will not transform and change until there's a credible movement seeking that change."

Travelers Institute President and Executive Vice President of Public Policy at Travelers, Joan Woodward then turned to the panel discussion and highlighted the many challenges that local small businesses face and the crucial role they have played in making Seattle an epicenter of the technology boom. Gary Chandler, AWB's Vice President of Government Affairs, welcomed the association's members and described his own difficulties running a small business through the economic downturn and an uncertain future. Chandler warned that an environment of uncertainty continues to be the biggest threat to the future of local small businesses, referring to the wavering economy and unknown effects of health care reform.



Brian Bonlender (Right), Director at the Washington State Department of Commerce, answers a question about new crowdfunding laws in the state.

Brian Bonlender, appointed by Governor Jay Inslee as Director of the Washington State Department of Commerce, provided an update on economic trends. He noted that business income has been steadily increasing, up more than six percent over pre-recession levels, in large part due to the state's export growth of 12 percent in 2013. In addition, according to 2012 Bureau of Economic Analysis data, Washington is well-positioned with the fourth-highest GDP growth among U.S. states and three to six months ahead of the rest of the country in emerging from the recession.

Walter McLaughlin, Senior Vice President at Banner Bank, answered a question about his experiences with small businesses and their prospects for growth, stating that he has seen sentiment moving in a positive direction. One of the most notable indicators from his perspective has been a large uptick in the number of borrowers who are looking for financing to buy existing businesses, in addition to the increasing number of SBA loan applications he has seen for startups.

Chandler further discussed his concern with excessive regulatory burdens in the region. He credited Governor Inslee for spearheading efforts to review existing permitting processes, citing a small cabinetry business that spent \$300,000 to \$350,000 per year maintaining more than 110 different permits as an example of why permitting reform is necessary for faster economic recovery.

Kim Krogh, Senior Commercial Account Executive at Fidelity Associates, addressed the risks that come with more prevalent use of technology among small businesses. Answering a number of audience questions regarding cloud computing, Krogh emphasized that moving to cloud-based services can make sense for many business purposes, but it does not fully alleviate the risk of a cyber attack. She noted that in some cases, use of cloud services can create additional exposures due to data encryption





Brian Bonlender speaks with a small business owner at the conclusion of the panel discussion.



L to R: Travelers Institute President Joan Woodward, Fidelity Associates Senior Commercial Account Executive Kim Krogh and Travelers Regional President Carrie Cheshier

limitations, specifically referencing cell phones and tablets, which often do not offer the same level of data security as laptops and desktops when transmitting information.

Krogh also stressed that data breaches do not always result from cyber attacks like those reported in the national media.

“Most businesses, in light of the recent security breaches at large retail companies, are aware of the risk of consumer release of information,” she said. “If you are collecting any type of data on a piece of paper, whether it be about your personnel, a consumer or any type of business organization that you’re involved with, and it’s released, you are susceptible to rules and regulations.”

A poll of the audience supported her assertion, with just two percent of the room indicating that cyber risks were not a concern to their business.

Krogh cited a situation where a medical clinic had faxed patient information to the wrong number and was subsequently sued and forced to close. She encouraged small business owners to work with a trusted insurance professional to review nuances in their own business operations and ensure that they have the appropriate coverage.

In closing, there was consensus among the panelists that the Washington State economy is headed in the right direction. All were in agreement that developing a skilled labor force will be vital to future prosperity and that technology will play an important role in making that possible. As a technology hub, Seattle has the opportunity to lead the way. However, small businesses, local leaders and government officials will need to work together to create an economic environment that fosters the entrepreneurial spirit.

### The Travelers Institute

Travelers established the Travelers Institute as a means of participating in the public policy dialogue on matters of interest to the property casualty insurance sector, as well as the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers’ senior management and the technical expertise of its risk professionals and other experts to provide information, analysis and recommendations to public policymakers and regulators.

### Association of Washington Business

The Association of Washington Business is Washington State’s premiere advocate for the business community and is recognized as the state’s chamber of commerce, manufacturing and technology association. Its mission is to advance an economic climate that enables its members, employees and all citizens to prosper.



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