

CONVERSATIONS WITH MIKE MILKEN



Maria Contreras-Sweet

Former Administrator, U.S. Small Business Administration (SBA)

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Mike Milken: Maria, thank you for joining us today.

Maria Contreras-Sweet: Delighted to see you as always.

So Maria, you've worked in the public sector. You've worked in private industry. You're an entrepreneur and you know what it means to start a company and build a financial institution. You served as California's Business, Transportation and Housing head of the agency. You led the U.S. Small Business Administration under President Obama. And you've been a champion for expanding access to capital for underserved communities and empowering women. Tell us a little about your upbringing and what prepared you for the journey you headed out on.

I'm always humbled by my grandmother's story. She always wanted to be a nun, but she couldn't afford the dowry to enter the convent. And so she sought another way of life to serve the good Lord and to serve society. She just had this love for people and understood the power of saying 'yes.' She saw that sometimes some people thought they had great authority. We got by denying things to others. And she felt that there was a power in saying yes, and so she was always saying yes to neighbors. Those are the

lessons that I brought with me to the States when my mother emigrated here with her six children as a single parent. And I still remember being the fourth-grade milk monitor and writing to my grandmother to say, 'I'm now in charge of something.' And she said, 'it's not about the titles that you have, it's about what you do with the titles that you have.' And so I found ways to make sure that all the kids, even though they didn't have the nickel for milk, that I was the right kind of gatekeeper and offered them free milk. That's how it all started.

You know, it's very interesting when you tell that story about the power of yes. Many great companies were built on the power of yes. It's amazing what you can accomplish with that attitude. Tell us a little bit about your brothers and sisters.

They're all relatively modest, humble people who've just tried to make their way in life. We were very fortunate that all of them were productive citizens of society. One ran for public office. Another was a fireman, another became a corporate executive. Another became a landlord and manages properties. They're all entrepreneurs or somehow contributing generously to society, but they're all very loving people. It's wonderful to see how tightly we still remained and how much we love each other. It's a really important question because I find so much power and energy from them and seeing their good example of how they live their lives.

So for our listeners today, I want to let them know how much we're connected. I was the head cheerleader in high school and you were a cheerleader in high school also.

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Did you dig that up, Michael?

And we've never discussed this, but I met my wife Lori in seventh grade. And I want to know if there's any truth to this story: I heard you met your husband in high school when he bought all the candy apples you were selling to raise money for your cheerleader uniform. Is there truth to that folklore?

That's exactly the story. That's amazing. I don't know where you found that story, but it is absolutely true. It was after cheerleading practice one day of the week, and I was just out there doing my homework, hoping that I'd run into people who would buy the candy

apples I had to sell to be able to raise the money to buy my uniform. And he came by and he said, I'll buy the whole box.

I want to go to the next thing we have in common. And that is small businesses. Small businesses, entrepreneurs generate the vast majority of new jobs in America and around the world. And I know you've had enormous passion for this, obviously taking the assignment to run the U.S. Small Business Administration and being part of President Obama's cabinet. Obviously this crisis has had an enormous impact on small business. Could you talk a little bit about how you see the impact of entrepreneurs and small business and job creation and prospects for our country?

When you come as I would say to America by choice as an immigrant and you don't speak the language, what you find is that you're not going to get a government job naturally, and you're not going to get a corporate job. And so it is that small business in

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the community on Main Street that allows you your very first opportunity. And so I found myself making bows for our local florist. My mother found herself in a refrigerated poultry processing plant. And so I saw over the years how her fingers stiffened and her legs thickened being in this refrigerated processing plant. But at least she was able to put some food on the table. And so we all made our way through entrepreneurship.

When I first took my first cabinet position as California Secretary of Transportation, I thought about that role and said, 'how can I do the counter-intuitive? How can I

de-bundle the work? Instead of putting out \$2 billion project, how can I de-bundle it and make it be so that somebody can take a \$2 million project and so forth.' And that allowed me to focus on small businesses in the state. Knowing that small businesses would be local and the vibrant businesses are the ones that create a community, a sense of a different distinction in a community. And so I wanted to help them. But as I worked to do that, I learned from them many women business owners, just in general, veteran owned business owners, couldn't get access to capital. And they didn't know how to navigate to that complicated labyrinth of what government looks like. They just didn't know how to get contracts; they hadn't done this before.

And so for me, I had to get out and provide technical assistance. I had to connect with the financial institutions to make sure they could access capital. And then I had to be able to give them access to diversifying their portfolio and adding government

opportunities. So those are the three lessons that I learned, that essentially a small business needs the access to capital, the technical assistance, and they need contracts. They need to be a part of a supply chain to be able to expand and scale. And that's what I focused on.

And so, as you know, when I left office, I decided most important thing I could do was to start a bank and do exactly those things. Unfortunately we started it in 2006 and built the balance sheet, and then as you know, in 2008 the bottom fell out of the economy. We hunkered down focusing on those three things with every customer that we had, every client, and we were able to come out of that strong, well-capitalized, and with really strong cash flow. And so I'm proud that we didn't take TARP [Troubled Asset Relief Program]; we didn't take any of those programs that were made available to the larger banks that still defaulted. It's a story about perseverance, and it's a story

about putting together a strong management team and really focusing on each customer. Those are the things that I try to do now is to help other small businesses.

So when President Obama called and asked me to do that for our nation small businesses, it was an enormous sacrifice because I had built this bank over seven years. It was thriving, it was doing well. But I had to divest to serve my country. But I felt that this country had been so generous to me, and so I chose to serve my country as you know, and, and join President Obama as a cabinet member speaking for small businesses, abroad and domestically. And it was the joy of my life.

So you're coming from California, that can-do state, you've agreed to serve in the cabinet, you saw in California how bureaucracy and forms bog everything down. So now you've arrived at the SBA. There's plenty of career people. They aren't necessarily used to a person with your energy, drive or experience. What happened? How did you lead?

When I arrived I imagined that some people wouldn't be enthusiastic about my style of leadership. And so, I immediately felt let's approach this with kindness. I said, whomever feels that they're ready to take an early retirement, I'll give you a bonus to leave. And I

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remember the Office of Management and Budget, the OMB, came out and said 'we don't do that. This is the public sector; what are you doing? You don't have resources to give out bonuses.' But I reminded them that because it would take me a while to build people back on, there would be some savings there and realizing those savings you could use it to incent people who weren't excited about the direction I was going to take the agency in.

When I was California Secretary of Transportation, I thought, 'I have 47,000 employees. I can't possibly talk to each one of them and give them a sense of what my priorities are or what I think the governor's priorities are.' And so, I just said, singularly, 'I want all the decisions that you make to drive us to connectivity. I want the buses to connect to rail stations to connect to airports.' And then people understood then when they had an

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opportunity to exercise judgment what the goal was – connectivity, so that all people, whether you're a senior citizen, a student, or a woman who can't afford to buy a car, that you would have public transportation with connectivity available to you. It was very singularly focused.

So when I arrived at SBA, I had the same singular focus in mind to say, we're going to do three things very clear when you can exercise judgment, these are the three things that we're after. SBA. Smart, meaning how do we deploy all of the smart technologies available to us? How can we make sure that we are embracing technology to be most efficient in regulation, diminishing regulation that doesn't need to be there? What are the smart technologies that we can deploy? And so we brought on this pay-lender

match. That's now being used today to deploy the PPP. We brought on so many programs. I implored upon people from all backgrounds to think about disruption, innovation, how could they address the pain points that they were experiencing through entrepreneurship to address the government gaps that we had? And so everything was about smart.

The bold, the B, was about approaching the markets in a bolder way. Often times we forget because we're the United States of America that 99 percent of the consumers are outside of our country. And so it's important that small businesses think about their market as the entire globe. So we made bold steps to create missions to connect them to

an Estonia, to the Spaniards, to the Colombians, to Moroccans, to make sure that we could connect small businesses, not just the large, in the international globalized marketplace. The aim was about accessibility to make sure that women and all sectors of society knew and understood that SBA was there for them, and that we responded with programs that were appropriate for where are, where they were, and their stage of starting their business.

So, did you win over the leadership at the SBA? Because the day you arrived you wanted to change things. Have we been able to change the obstacles on small business? Can government and private companies interact?

Well, I think first when you approach any task, any assignment, I think it's important to be transparent and to be honest. I only have this window of opportunity to connect with you to do something very special and extraordinary. I think that when you challenge people and you say, 'we're not going to do the ordinary, anybody can do that.' I think that when you have something that is so impossible, that's when you can make it possible because people want to reach for the impossible. And that's when people are willing to follow you and to work with you. Once you share that vision of impossibility, it becomes possible.

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I was there for the second term and so I knew with great clarity when the last day that I'd be there. Once people saw what they could do, I think that they became very energized by it. We broke all records. There is not a record that we did not break during my term. I can tell you that under putting out access to capital, in terms of loan, we were up by 23 percent. But qualitatively Michael, we were up with African Americans; we were up with women. It wasn't just the general market; it was very targeted.

As I said, the A was for accessibility. We made sure that we introduced people to markets they had never seen before. And we launched innovation programs that I called it Innovator; H, E, R were the last three letters to challenge women to hack as well; to say, what are the DARPA needs? What are the healthcare needs that we're going to need in the future? How can you address those pain points?

I was really delighted to see how many corporate partners we were able to have join us. And I can tell you that sometimes the private sector launches programs, and once they've been tested, those pilots become universally accepted through government embracement. We reversed it. We tested things in government and then gave them to

new owners like the Re-entry-preneurship program for those who had already been out in the Armed Services, had already fought for us on the frontline, stood in harm's way. We went onto bases, military bases, around the world so that they could reenter back into society and become entrepreneurs if they couldn't find the job of their choice.

And so, yes, I do see that those things stuck in contracting. We had not been able to reach our goal with women, particularly; contracting, sourcing, and inviting women to

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contract with the federal government. We met the goal and we exceeded it. We had not met the goal in terms of some of the disaster-assistance programs that the government does. And we went into places that had been abandoned and we came back. They said, well, no, 'once that SBA leaves, you don't come back.' And I said, 'we come back; we're going to finish the job.' And they said, well, I don't know if you have the legislative authority. We went to Congress and asked for the authority. And so, if you just have to have a "yes can-do" like my grandmother had, it's amazing how people come together around the power of yes.

How have you been able to deal with the last six months, both with the challenges of inequities and this pandemic of COVID-19? You're no longer the head of the SBA, but obviously things you put in place were extremely important. And as I think about the pain, that's being suffered by so many small businesses in America, millions of them folding, how do you deal with it? How do you address it?

I honestly have so many sleepless nights. You hear with anguish how much they have sacrificed, to take their life savings, sometimes their retirement savings, sometimes their parents' savings, sometimes all that they had to start this business. And we know that after 30 days that a business is down, the average is about 25 percent of those businesses will not come back online. After 90 days, 50 percent of those businesses have great difficulty coming back online. And so it's painful.

Small businesses are distinguished in America by our exceptionalism, that we provide small businesses the ability to access capital in a way that other countries have not been able to emulate. But the problem is, right now that venture capital is concentrated in 25 ZIP codes. And that's in three states: California, Massachusetts and New York. We know that not all the good ideas come from those three places. And so it's really important that we think hard about how we make sure that all small businesses can access capital.

I was delighted when the Business Roundtable worked with the World Economic Forum to announce that they're looking at the ESG: environmental, we kind of get what we have to do; governance disclosures, say on pay. All those things are working. But the social, how do we make sure that corporations are also appropriate partners with the small businesses to make sure that we are providing this kind of opportunity for them. Our communities need these small businesses for innovation. And you know this, the large companies understand that their R&D departments these days are called M&A, and they're looking to small businesses for the most cutting-edge ideas. So for all these reasons, we all need to prioritize our small businesses and anything that I can do to shout that from the mountaintop, I will continue to do. It's painful to see though the aggravation, but I am hopeful that out of this some may dissipate, but that new ideas will emerge and continue to surge the job growth that America experiences from the small business community.

I know you've been a big fan of segmentation when it comes to government programs. For our listeners, what does that mean?

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Well, for me, what that means is that not one response fits all. And so, I think it is critical that we think about every segment of our population. For example, what I call our Encore Entrepreneurs, those who have already taken retirement and still find themselves so vital and feel that they can still do something to create something special in their community. How do you help that group of people that has that sophistication, that has already been in the workplace, knows how to run corporations, and understands businesses? So many of them came to the SBA in a program called SCORE where they mentored the younger kids. And so in each segment, we have to think that we're not monolithic and appreciate that, respect that, and make sure that we're creating programs for different population segments and different geographic regions.

We have a program at SBA that we called the Hub Zones for historically underutilized business zones. So regionally, if there are certain areas that have certain challenges, what are the responses that government and the private sector can deploy? With technology today, we can do anything. And so one of the programs that I really am proud of is that I recruited so many good people from the technology community from, you might say Silicon Valley, but technically it wasn't all from Silicon Valley. And I created a Technology Consulting Group that came together so that we created what we call a Business in a Box. So if you wanted to start a business, it would be, what is the HR program that I need? Well, here's an app for that. What is the finance that I need? Well, here's a lending

program for that. How do I hire people? Well, here's an app that helps you hire so that we could start a business in a day and multiply that over and over again. As you aptly pointed out at the beginning of the talk, we know that two-thirds of the new jobs come from small businesses and that small businesses employ half of the workforce from the private sector. That's a big, big role the small businesses play, and we need to make certain that they continue to play that role.

You formed your own venture capital firm. And I'd like you to talk about that. That invested in a women-owned businesses, Latinx businesses. What have you learned from that experience?

I shared with you the story of my bank, and so I just believed that given the right skillset and understanding the nomenclature, the glossary of things, I always say, learn the language. I don't mean English. I mean the language of medicine, the language of education. It's so important that we learn the language. There are some basic business principles that once we understand that we can manage anything. And so I challenge women to step up and to think big that way. You know, sometimes someone will say to

me, 'well, I don't have that experience. My degree was in the wrong place.' And I'd say, it's basic, learn the language and we can get there together.

“California, where I live, is the most diverse state in the union, and it's economically the most powerful. We've proven that diversity works. We need to embrace that and be able to replicate the kinds of stories that I represent. We can continue to be exceptional country and be the country that everybody looks to for leadership.”

And so indeed, when I was in office, I thought about the most credible research house I could think of, and that was the U.S. Library of Congress. So I went to them to say, 'look at my portfolio, look at all of the work that I have done, and tell me how the women perform, how minorities perform compared to the general market.' And wasn't any surprise that the findings were that women perform and minorities perform as well as their male general market counterparts?

And so to me, I challenge those who are the gatekeepers. I challenged them to say, if you can deploy your capital to do triple good as opposed to just the same old thing and get the same kind of return, why wouldn't you do it? It doesn't cost you anything. I'm not asking you to give me anything. I'm not asking you to lose something. I'm just saying, instead of putting it all in one place, why don't you de-bundle like I de-bundled? Why don't you de-bundle and allow different folks to have access to capital, so we can spur this kind of capital formation and deepen our democracy by expanding the middle-class?

One of the things I'm not sure everyone's aware of is your passion for this re-entry partnership. The United States unfortunately has the most number of women and men that have been in prison, the highest percentage of our population, and there's been these various strategies on re-education for them. Talk to us a little bit about your efforts in that area.

Well, I just think that the beauty, the majesty of America is that we give people a second chance. They served their debt by being in prison or wherever. They should be entitled to a second chance to begin their life anew. But what we see is that corporations, if you complete that form that says, 'yes, I've been incarcerated, I've been a felon,' you can't get that job. And that happens in government. So, I'm a firm supporter of the "Ban the Box," which

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means why are you asking the question? They should be given an opportunity to access capital and give them some technical to start a little business and to provide for their family, which is really what they want to do. We should allow that; we should spur that.

And I have to tell you that there's so many beautiful stories, but the one that I love the most is Kevin, over in Atlanta. When he came to me, he said that he really wanted to start a business just for prior felons, and he wanted to start a little maintenance company. And so he was given this opportunity to start the business, but he wasn't getting any contracts. And so, we helped him with the whole technical assistance and supported him; he came across somebody and they really liked him, and they said, 'you know, Kevin, what we're going to do is, we're going to give you a contract because we like you so much, but you have to make sure that you don't hire prior felons because we're not comfortable with that model.' And you know what he said? 'I'll pass. I'm committed to this model.' And eventually the city of Atlanta gave him an opportunity to become the official janitor, and he was able to hire more and more people. And the last time we saw him, he had been given the Atlanta Falcons stadium as a contract.

Those are the stories that I'm so taken in by and what we want to replicate. But my story has always been about trying to make certain, and that's why I'm involved in so many ways, to make certain that the right gatekeepers are in place because having the right gatekeeper in charge of our government resources, in charge of our corporate resources, makes all the difference and makes our country stronger.

My grandmother always told me America is a very special place. But she said, 'always remember who you are. We're a family of migrant workers.' And I remember when I

called her to tell her, I said, 'grandma, you know, you always said that someday you hoped that I would work in an office and be a secretary.' And I said, well, now I have to tell you that I do hold office. And I'm a cabinet secretary. I never forgot her lessons about the importance of remembering why you have those titles and to do something with those.

How has your family coped over the first eight months of 2020? And if you're willing, please share with our listeners the enormous diversity in your own family.

I have three children and I love that they are so committed to the same values. They inspire me. My granddaughter Alisa is the future. This little girl's grandmother is Latina; her grandfather, my husband is Irish-Italian; her grandparents on the other side, one of them is Asian, and another one is African American. And you see all of that in my granddaughter: she has the Latino skin color; she has the Irish green eyes; she has beautiful curly hair and she has almond eyes. She's beautiful, and I think that represents the future of our country. We can enable those things, we can enable that kind of embracing of diversity and spur this country forward. There is no other country that is as diverse as we are. California, where I live is the most diverse state in the union, and it's economically the most powerful. So we've proven that diversity works. We need to embrace that and make sure that we continue to be the example and be able to replicate the kinds of stories that I represent. And so I'm indebted to this country. We can continue to be exceptional country and be the country that everybody looks to for leadership.

Well, Maria, you are a source of light from the day we met, and I look forward to seeing what you can accomplish in the future. And I look forward to meeting that young granddaughter of yours.

Thank you. Remember you and I are going to create a program to make certain that we can divert capital to these underserved businesses. Let's work on that.

We will work on the program to divert more capital. I look forward to our future partnerships. Thank you for joining me.
