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Remarks Delivered to the U.S. Chamber of Commerce Foundation
CEO Leadership Series
Washington, D.C.
Oct. 2, 2013

Good Afternoon! Thank you, Governor McKernan, for your kind introduction and congratulations on the new position.

And my thanks to the U.S. Chamber and Jock's Chamber Foundation's staff for hosting this event and making us feel so welcome.

On behalf of The Hartford and my nearly 20,000 teammates, I'm honored and pleased to be speaking at the CEO Leadership Series.

For more than a century the Chamber has been standing up for American enterprise.

So it's the perfect place to announce the results of The Hartford's third annual Small Business Success Study ... and celebrate the role of small business as the vital engine of our economy.

Before I begin ... I'd like to recognize and thank a few people:

Governor John Engler, President of the Business Roundtable

Dan Danner the President and CEO of the National Federation of Independent Business ... the nation's leading small business association.

And Leigh Ann Pusey ... President and CEO of the American Insurance Association -- our country's leading property and casualty trade organization.

I know there are many Hartford customers, partners, and teammates in the audience.

Thank you all for being here. I appreciate it.

I also want to introduce two leaders from The Hartford:

Stephanie Bush ... Senior Vice President of Underwriting for our Small Commercial division ... which serves more than one million U.S. small businesses ... including nearly 13,000 in the District of Columbia alone.

And Scott Holbrook ... Division Executive, Mid-Atlantic ... who is our senior executive responsible for a territory that spans eight states from Pennsylvania to South Carolina.

The U.S. Chamber represents more than three million businesses of all sizes ... but more than 90 percent of its members have fewer than 100 employees.

The Hartford and I care deeply about these firms ... and 30 years ago, we became the first insurer to create a dedicated unit to help small businesses prepare for the unexpected ... protect what's most important ... and prevail through loss.

Now, we all recognize the importance of small firms to our country.

The roughly 28 million U.S. small businesses account for one-half of the nation's private-sector workforce ... and create two of every three new jobs.

And that's why, according to a Gallup Poll ... Americans trust small-business owners the most when it comes to creating jobs — far ahead of the President, the Congress, and the Federal Reserve.

Of course, the economic value of these firms goes beyond job creation.

They represent the full diversity of America at work.

For example, the number of Hispanic-owned businesses has doubled over the past decade to more than 3 million this year.

Between 2002 and 2007 ... the number of African-American-owned firms has increased by 60 percent to nearly 2 million.

And the number of women-owned businesses has also increased by 60 percent to an estimated 9 million over the past 10 years.

For millions of Americans, launching a small business is the path, particularly for immigrants, to upward mobility and living the American Dream.

In addition, small firms tend to adapt faster ... and innovate more often than larger companies.

They are a powerful economic force.

The Hartford's strong connection with small business is why I'm pleased to share the results of our most recent study.

We sought the perspectives of 2,000 small-business owners nationwide, and surveyed another 300 small firms here in the D.C. metro area.

With a sample size twice as large as typical small-business surveys ... The Hartford's study is one of the most comprehensive of its kind.

As the Chamber does, we focused on companies with fewer than 100 employees and annual sales of at least \$100,000.

And our survey team asked them nearly 50 questions ... ranging from their views on the economy and taxes and how they think about success ... to their hiring habits and level of risk-taking.

So, let's spend a few minutes talking about what we learned from The Hartford's study.

To begin with, small-business owners seem to be adapting to what some call the "new normal."

This "new normal" is characterized, unfortunately, by an extended period of average or sub-par growth ... increasing regulation ... uncertain healthcare costs ... an uncompetitive tax code ... and a heightened fear of risk.

After years of uncertainty about the economy, taxes, and government regulations ... to their credit small firms have reset their expectations of when they'll get clarity on these issues ... and are focusing on what is fully within their control.

And that includes setting new priorities ... preserving cash ... and getting much closer to their customers.

The Hartford's new study found that 70 percent of small-business owners say their firms are "moderately, very, or extremely" successful.

This percentage has remained pretty constant over the past three years.

In the D.C. Metro area, a near identical finding —72 percent claim some degree of success.

So, what factors make the difference?

Much like a year ago, the majority – 61 percent -- cite improved demand for products and services as the single top contributor to success.

Although that's hardly a surprise ...here's what has changed from a year ago.

While fewer rules and regulations ... a better pool of qualified talent ... and greater access to capital continue to rank among major success factors ... a smaller percentage of small business owners now give them top billing.

For example, a year ago ... 47 percent of owners said that fewer rules and regulations would make a big positive difference.

But in our new survey ... just 32 percent mentioned it – a 15-point drop.

We think this is another sign of these owners adjusting to the new normal and paying less attention to things beyond their control.

(Pause)

We also asked entrepreneurs how optimistic they are that the national economy will strengthen this year.

Compared to Fall 2012 ... the number who say they're optimistic jumped 15 points to 48 percent.

True, it's still less than half ... but it's a positive trend.

In D.C Metro, a slightly larger percent of small business owners have a positive economic outlook.

54 percent say they're optimistic the national economy will strengthen this year.

Now, I'd contrast small-business optimism with that of Americans broadly.

According to Gallup's latest U.S. Confidence Index ... Americans continue to be less positive about the economy than they were in May and June.

With more than 11 million unemployed ... we don't need polls to tell us that the number 1 concern of most Americans is jobs—how to get one... keep one... and create more of them.

There's real unhappiness with an economic system that is not realizing its full potential and, sadly, excluding too many constituents.

The key question – does the growing optimism of small businesses translate into hiring?

Unfortunately, not nearly to the extent we'd like to see.

Nationally, more than 80 percent of businesses have either not hired anyone in the past 12 months ... or have not hired as many people as they would have liked and their business required.

Here in D.C., a similar picture, with 70 percent of small business owners either not hiring at all during the past 12 months ... or not hiring all they needed.

The two most-cited reasons for not hiring obviously are that they can't afford to or their business is not growing.

These findings help explain why the U.S. has had such a tepid job recovery since 2008.

What we may be dealing with is a vicious cycle common during and immediately after recessions.

Businesses are reluctant to hire until they see more demand.

But consumers are reluctant to spend more because businesses are not hiring.

Let's turn to a trait that has historically defined small-business owners—smart risk-taking.

After all, it takes courage and confidence to start and build a business.

For the second year in a row, we found that conservatism in risk-taking is on the rise.

Despite professing greater optimism about the economy ... compared with a year ago a larger percent of small business owners now describe themselves as “very conservative” or “somewhat conservative” in their risk-taking.

The percent calling themselves conservative rose 6 points to 79 percent.

And compared with Spring 2012 ... the percent of self-described conservative risk-takers jumped 30 points, and we wonder why jobs are not being created.

How do we explain this change?

To be sure, it parallels a national decline in risk-taking by companies and individuals.

Some economists chalk this up to the slow economy ... persistently high unemployment ... and an aging population.

But does this really explain the unexpected risk-averse behavior of small business owners?

Granted, this is a diverse group ... and their level of risk taking depends on their personality as well as their industry sector.

But from our national focus groups with entrepreneurs ... we've learned that many of them have scars from the Great Recession.

While they were able to keep their businesses going ... they struggled with muted demand ... cash flow problems ... and difficulty getting loans and capital.

So now they're more cautious in how and where they invest their capital.

They choose their clients with greater care and hoard cash to prepare for whatever tomorrow will bring.

While this behavior is understandable ... we as citizens should worry about such a decline in risk-taking.

Because without risking failure ... there is little innovation.

And without the ability and willingness to take risks ... economic progress will be modest at best.

The Hartford's survey also shows that significantly fewer owners are citing taxes, healthcare costs, or uncertainty about federal regulations as major risk factors.

For example, last fall ... 59 percent cited taxes as a major risk factor ... but in our new survey only 42 percent did ... a 17-point drop.

We think this is more evidence that small-business owners are becoming – if not more comfortable – then certainly more accepting of today's new normal.

They may also be resigned to current political reality.

With the persisting gridlock in our nation's capital ... which, sadly, has led to the first partial government shutdown in 17 years... current tax and economic policies are likely to remain unchanged.

And healthcare reform, despite the daily debate in Washington, seems here to stay.

Given the daunting complexity of the Affordable Care Act ... we were surprised to find that 68 percent of small-business owners say they're informed about Obamacare.

But a closer look shows that only 21 percent would call themselves "very informed" ... while 47 percent say they are "somewhat informed" ... which may mean no more than simple awareness of the Affordable Care Act because of all the news coverage and debate.

Those who are at least somewhat informed are pretty evenly split about the impact of the new law on their business.

38 percent think it will have no impact at all ... while 41 percent expect it to have a negative effect.

For owners who see the Affordable Care Act hurting their business ... many plan to offset the negative impact by taking one or more of the following actions:

- 42 percent say they'll reduce employee hours ...
- 38 percent will halt plans to hire ... and
- 33 percent will cut staff.

Now, none of us wants these owners to act on these plans ... which would reduce job openings and potentially stifle the growth of their businesses and our economy.

So, we were curious about how much these owners really understand the implications of Obamacare.

Digging deeper ... we found that many small firms remain confused about whether the law even applies to them.

Take a small business owner with one to four full-time employees.

That firm will be largely untouched by the Act's requirement to offer health coverage.

Yet our survey found that firms of this size are more likely than larger business to think Obamacare will have a negative impact.

To make the right decisions for their future ... small businesses need a much simpler and clearer explanation of how the Affordable Care Act really affects or doesn't affect them.

There's a saying that business should not be something you do to live ... but something you live to do.

So, we're happy to report that only 15 percent of those we surveyed would trade owning a small business for being an employee of another company --- even for the same level of success.

That's a sure sign of the desire for independence that drives small-business owners to pursue the entrepreneurial life.

In every industry and pursuit ... there are leaders who consistently out-perform their peers.

And that's certainly true for small business owners.

Of the 2,000 owners we surveyed ... 21 percent called themselves "extremely" or "very" successful.

These entrepreneurs are bolder, more optimistic, and better able than their peers to ride -- rather than resist -- waves of change.

And our survey supports this.

Compared with the total sample ... a significantly smaller percent of very successful owners said slow economic growth is a major risk to their business.

And a larger percent said they're optimistic the national economy will strengthen this year. We need more of these optimists.

So, that's a quick overview of The Hartford's survey.

Let me offer two broad conclusions.

First, states of mind do drive the economy and business performance.

As economists point out: What causes most of our economic ups and downs is over-confidence ... followed by under-confidence.

And lack of confidence can spread like a contagion ... especially when people are inundated daily with tons of bad news about things they cannot influence or control.

This noise may take many forms—the government shutdown ... the growing debt burden ... floods and forest fires ... cyber-security threats and NSA data-gathering ... the IRS scandal ... Iran's nuclear program ... and a potential military action in Syria ... to name a few.

Every day seems to bring a new crisis to worry about – and the accumulation of all these worries can be paralyzing for many.

Small business owners may be saying to themselves: “It's crazy out there. I'm not going to take action or invest until things calm down.”

So we should encourage these entrepreneurs to revisit the reasons they launched their firms in the first place.

I'm sure it was not to follow the herd or play it safe ... but rather to think for themselves and tenaciously pursue their passion.

Because I believe small business owners have earned the right to be confident.

And I'd encourage them to tune out today's noise and pessimistic narratives ... go on the offense ... and pursue their dreams.

Second ... the responsibility for creating an environment that better supports small business is a shared one.

Many constituencies have a role to play.

Federal, state, and local governments can provide a greater sense of certainty about everything from tax policies to regulatory costs ... so that businesses can execute their important decisions and plan for the future.

As the statistician Nate Silver says: “Risk greases the wheels of a free-market economy ... but uncertainty grinds them to a halt.”

Federal and state agencies must learn more about the special needs of small businesses and not view them simply as big businesses in miniature.

They can also find more ways to foster the entrepreneurial spirit by providing incentives that encourage hiring, investing, expansion, and other value-creating actions.

Importantly, small businesses have an equal role to play.

And more of them are stepping up ... pooling their best ideas for reducing the time, cost, and complexity of doing business.

And recommending specific ways for local government to make improvements that will lead to job and value creation.

Now, given all of the accumulating noise ... and all the claims on our attention ... it's more important than ever for small businesses to be more outspoken ... and to speak with one voice.

It's very hard to do ... but essential if they are to get the same level of attention that is given to big business.

So I commend the U.S. Chamber for its tireless advocacy in this regard.

I hope it's clear how passionate The Hartford and I are about helping small businesses succeed.

They exemplify one of America's deepest advantages -- a tradition of entrepreneurship.

So let's celebrate success. Let's celebrate the dynamic optimists who are investing, inventing, creating, and making things happen.

And let's do everything in our power to help our entrepreneurs succeed.

Now more than ever, we should be liberating, not burdening, small business owners.

They are the path out of the slow economy and toward renewal.

And they make our country great.

Thank you very much for listening and having me.

It's a pleasure to be with you.

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