



**International Ideas Exchange™**  
*facilitated debates that innovate new solutions*

*Promoting Democracy in Latin America through  
Exchanges and Free Trade Agreements*

**FINAL REPORT**  
**Creating Jobs in America**



*This event embodies our mission by encouraging business leaders from different countries to tackle difficult international socio-economic issues in an academic setting.*

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**Esperanza Porrás-Field**

***Event Chair***  
**Jimmy Parra**

***Moderator***  
**Tom Kadala**

***Event Co-Chair***  
**Yojhan Lopez**

*Intended for the White House, Members of Congress, and the American public*

*September 8, 2011  
Morristown New Jersey*

Morris County Hispanic-American Chamber of Commerce, Esperanza Porrás-Field, President & CEO  
325 Columbia Turnpike, Florham Park, New Jersey 07932 - P.O. Box 834-M Morristown, New Jersey 07960  
(973)-644-3093 - [www.mchacc.com](http://www.mchacc.com)

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# Final Report

## Executive Summary

Although the financial crisis of 2009 may have been sparked by a subprime mortgage debacle, further evidence points that the real cause may potentially lie elsewhere. For decades our financial system has failed to keep up with a rapidly changing global business environment. Deposit slips, long lines to cash checks, and loan application processes have changed little over time. Transaction inefficiencies along with old-fashion risk assessments, no longer provide the lubricant needed to keep our economies safe from imploding. These negative effects, which can be compared to a car that has not changed its oil after two decades can be felt throughout an economy whose moving parts are overheating from the friction caused by constantly increasing operating efficiencies and rising unemployment. In addition, as more products are produced more efficiently with fewer workers, new job positions emerge that fewer workers have the skill sets to fill.

Policymakers who are charged with creating jobs for Americans are turning to old solutions to fix uncharted problems. They should think of new ways to inject job creation incentives and subsidies that can keep up with the many business model innovations that are redefining our economies globally. The old ways of issuing payroll tax deductions or tax rebates may not be enough. Members of Congress and the White House should evaluate alternative options that will help employers build businesses that create sustainable jobs not just temporary jobs. This Final Report offers a possible suggestion whose scope should inspire further discussions among our leaders.

## The Group's Recommendation

*Rather than focus attention on helping small business owners improve individually, through SBA loans or business training classes, policymakers should leverage existing business expertise, especially among investment bankers, to help identify international supply chains where US-based small businesses can participate. The required work would be second nature to a well trained mergers & acquisition specialist and could help introduce new levels of efficiencies among small business owners, such as from fewer bankruptcies through better business alignments. This same initiative could serve as an excellent entry point for newly minted and seasoned MBA-trained graduates, an effort that would help fill the pipeline for future M&A activities.*

Fundamentally this approach leverages existing resources while realigning available funding to support modernized business models.

## Background

On August 5, 2011 a group of over 30 experts and industry leaders representing small business interests met at the College of St. Elizabeth's board room to participate in a Business Model Innovation facilitated discussion organized by the Morris County Hispanic Chamber of Commerce and led by Tom Kadala, a member of the Chamber's Corporate Advisory Board and the President of ResearchPAYS, Inc. Participants were selected by their background, expertise, experience, and influence. The discussion began on the topic of promoting democracy throughout Latin America using Free Trade Agreements and continued with a focus on the pressing issue of creating jobs for unemployed Americans. The purpose of this discussion was to offer members of Congress and the Obama Administration perspectives from a politically unattached think tank of small business experts.

## **A Brief Overview**

### ***- the status quo -***

When Congress reconvenes for their September session (2011), job creation will undoubtedly dominate their agendas. With unemployment teetering 9% for the past two years, the stakes are high for a nation that represents the bedrock of financial confidence worldwide. In response to a nation's outcry for jobs, President Obama plans to outline a solution that is rumored to include a 2 percentage point payroll tax reduction (to retain those who are employed), an extension of unemployment benefits for 2012 (to help the unemployed) and an initiative to repair our nation's infrastructure such as our school buildings (a labor-intensive job creation commitment). Despite his efforts, Obama's proposal is up against a contentious backdrop, which includes Howard Schultz's (founder and CEO of Starbucks) efforts to convince other CEO's to freeze their political donations, Ben Bernake's next move to keep interests rates low in the hopes of convincing businesses to reinvest their cash holdings, and Congress' politically-charged vote for the ratification of three Free Trade Agreements with Colombia, Panama, and South Korea.

Prior to leaving for Martha's Vineyard, President Obama bused his way through hard hit States and heard the voices of desperate unemployed Americans seeking work of any kind. There is little doubt in anyone's mind that the number one issue among the American people is regaining financial stability, not just as individuals but also as a nation. We hope that this unbiased report will shed a refreshing light on the issue of job creation and inspire future discussions among our nation's leaders.

## **The Importance of Achieving Efficiencies**

### ***- establishing ground rules -***

No one can argue that achieving greater levels of efficiencies has always been at the forefront of any business' success. Efficiencies increase job productivity by doing more with fewer people, which in turn can improve performance either literally through faster computers or financially by increased profits. At some point the drive for efficiency could become self-defeating where, for example, consumers who have been unemployed for too long can no longer buy super efficiently made products. One might then ask, "Should lawmakers support less efficiency to allow greater employment or simply payout entitlements or subsidies to keep the less employable on the sidelines and out of the way of progress?"

This question intrigued our participants who struggled with their own personal experiences with small business. In their eyes the Free Trade Agreements, for example, represented an unfair battle between multi-nationals (who could control both ends of an international trade) and small business (who had limited resources - time and capital) to compete effectively. As we delved further into the unfairness issues, the group identified a common problem, one that exposed an unaddressed inefficiency, while potentially unveiling a breakthrough solution.

## **Inefficiencies in Small Business**

### ***- the opportunity -***

Small businesses tend to be successful because they are more flexible. They operate with a leaner and accessible management team that is willing to go the distance and beyond to satisfy a customer. One of their greatest problems, surprisingly, is the presence of other small businesses who are just as eager and flexible to win over their key corporate clients. Large companies are known to leverage this disadvantage among their competing small business vendors by forcing them to take on additional burdens, many times at a loss to the vendor. Unfortunately, the final outcome is only too familiar, where hard-working small business owners who fail to meet their payroll are

dismissed and replaced with another less suspecting small business owner. Statistics show that these small business owners who often fall into cash flow traps are forced into bankruptcy. In aggregate these failed businesses wind up costing tax payers billions in lost revenues, productivity, and jobs. What if, these inefficiencies could be addressed by helping small business owners build businesses that fit into an international supply chain? Rather than fighting among each other for the same business, why not help these small business owners align their offerings by helping them work in tandem with each other?

This inspiration came after hearing participants express the dire need for government organizations, such as the Small Business Administration (SBA), to increase the awareness of its free services within the communities that need them most. We also learned that the SBA's \$28 billion budget is not only oversubscribed for 2011 but also underfunded for advertising campaigns. Even though their funding does include free business classes for small business owners, according to one participant's personal observation, few people attend. What if, instead of business owners, the SBA trained Business Research Consultants (BRC's) to be match-makers of small businesses? What if, these BRC's were mentored by investment bankers as part of a pro-bono initiative for their new MBA hires? These BRC's could identify new international supply chains and offer local banks with a comprehensive list of potential small business clients for both the US and other participating countries.

**A Key Job Creation Approach**  
***- focus on international supply chains rather than on small business needs -***

For decades small business owners tend to seek out resources they believe can help them. In turn these resources such as their local retail bankers receive them individually and treat them with the same level of high scrutiny. As a result each small business owner who seeks a loan is forced to learn the same hard lessons, take the same amount of personal risk, and hope that their loan will be enough to help them meet payroll and any additional unforeseen expenses. With statistics showing that more businesses fail in their first six months of operation, the outlook for a long term business relationship between a banker and a new small business owner remains rather dismal and, in essence, represents a costly inefficiency for both players.

What if, banks invested in a group of Business Research Consultants (BRC's) whose job would be to identify companies that could work together as part of a comprehensive international supply chain? Supply chains can vary from being as simple as identifying an optimal mix of complementary businesses that fill a row of empty retail spaces to working with multi-nationals to expand/diversify their current vendor base. With SBA training, a qualified individual with an MBA degree or equivalent could access databases from chambers of commerce worldwide and identify lists of small businesses that under the right conditions could collaborate in a meaningful manner. The work required to identify these likely candidates would be similar to what an investment banker might do in a mergers and acquisition role, namely, researching likely candidates for combined synergies. Having the SBA provide training would ensure a standardized approach and help leverage existing relationships among local banks.

If banks were to shift their focus from targeting small business owners to supporting a comprehensive platform where small business owners can thrive, the group felt that not only would business failures decrease but sustainable jobs that would get Americans back to work would emerge.

Obama and members of Congress should take notice.

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### **About the Moderator and Author**

Mr. Kadala is the President of ResearchPAYS, Inc., a NY-based strategic, business-consulting firm. A member of MCHACC's Corporate Advisory Board, Mr. Kadala is an internationally recognized speaker and discussion facilitator with extensive experience working among high-level leaders and industry experts from Latin America and the United Nations. Mr. Kadala can be reached at [tom@researchpays.net](mailto:tom@researchpays.net).



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**EVENT PROGRAM**



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***Event Chair***  
***Jimmy Parra***

***Event Co-Chair***  
***Yojhan Lopez***

***Event Coordinator***  
***Julianne Egan***

*College at Saint Elizabeth*  
*1:30 to 4:30 PM - August 5, 2011*

# **AGENDA**

**1:30 – 2:00PM**      **Registration/Networking**

**2:00 – 2:30 PM**      **Welcome**  
**Jimmy Parra, Event Chair**

**Pledge of Allegiance**  
**John Sanchez, Vice-Chair**

**Introductions**  
**Esperanza Porrás-Field, President & CEO**

**Greetings**  
**Sister Francis Raftery, President**  
**College at Saint Elizabeth**

## **SPEAKERS**

**Anthony Szmelewicz**  
**Global Business Advocate**  
**NJ Business Action Center**

**Jorge Silva-Puras, Regional Administrator**  
**NY, NJ, PR, USVI**  
**US Small Business Administration**

**Francis Lorenzo, Ambassador**  
**United Nations, Dominic Republic Mission**

**2:30 – 4:15PM**      **International Ideas Exchange Moderator**  
**Tom Kadala, Member of MCHACC**  
**Corporate Advisory Council**

**4:15 – 4:20 PM**      **Closing Remarks**  
**Albert “Al” Rapoport, Branch Manager Intercontinental Capital Group**

**4:20 – 4:30 PM**      **Presentations & Pictures**



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