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Built to Grow: Policy Ideas to Help Small Businesses Scale



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Starting a business is an act of courage; sustaining and growing one is an act of strategic endurance. While public policy frequently celebrates the spark of creation, the true engine of long-term wealth comes afterward. Business formation might create jobs

and income, but it does not guarantee long-lasting wealth or broader economic benefits. For an economy to remain dynamic, innovative, and resilient, small businesses need to survive, compete, and grow. That requires robust ecosystems that provide stage-specific support.

Unfortunately, this inflection point is precisely where public and private support systems tend to evaporate and businesses looking to grow face a new set of challenges. **While 1 in 3 small businesses generate over $1 million in annual revenue, only 5% exceed $10 million.**[1]

Growth-stage firms frequently find themselves trapped in the "missing middle" of small business financing, where available capital is either too small to support expansion or too large, rigid, and costly to access. Even profitable businesses can struggle to secure the financing they need to hire workers, take on new contracts, or enter new markets. This report focuses on closing that structural gap and providing businesses with the financing, resources, and tools they need to pursue new opportunities and sustain long-term growth.

Ideas for Moving Small Businesses from Survival to Growth

To **build** lasting businesses, policy must shift the focus from the sheer volume of new business filings to the long-term growth trajectory of competitive, scaling firms. The following recommendations provide a blueprint for closing the missing middle gap, unlocking private-sector efficiency, and growing successful businesses.

Growth Capital and Financing

- **Next Stage Capital Fund:** Establish co-investment funds, seeded with federal dollars, that partner with private lenders to provide flexible financing to firms with between $1 million and $10 million in annual revenue. Financing offered would be tailored to different business needs and stages of growth, to help businesses to expand inventory, upgrade facilities, enter new markets, fund major expansions, and other growth-related investments.

- **Expand CDFI Lending Capacity:** Create a standard way for investors or federal partners to buy CDFI loans, providing more liquidity to CDFI balance sheets. This would help community lenders serve more small and growing businesses in low- and moderate-income communities, where demand often outpaces their balance-sheet capacity. Bipartisan proposals like the *Scaling Community Lenders Act* and the *AFFORD Act* point in this direction by supporting liquidity, loan purchases, and other credit tools that would let CDFIs lend more.

- **Increase SBA Export Loan Limits:** Congress should raise the maximum loan limit for the Small Business Administration's International Trade Loan and Export Working Capital Loan (EWCP) from $5 million to $7.5 million. Additionally, lawmakers should permit EWCP funds to cover broader operational needs—such as cash flow, inventory, and general export expenses—and extend its repayment term from three to five years to support long-term business growth.

- **Expand and Make Permanent SBA Working Capital Lending:** Congress should permanently authorize SBA's Working Capital Pilot Program and strengthen it as a dedicated source of flexible growth financing for small businesses. In addition to revolving and transaction-based credit, the program could provide streamlined options for smaller loans, support lender monitoring and technology costs, and fund borrower assistance with financial reporting and cash-flow management—allowing more businesses to finance contracts, inventory, and expansion without relying on ill-suited term debt.

- **Mission Lender Underwriting Tool:** The federal government could support the development of a shared underwriting platform that helps CDFIs and other mission-based lenders assess borrowers using recent and projected cash flow, rather than relying primarily on historical performance. The model could build on that of Fannie Mae and Freddie Mac, who in recent years have modernized their automated underwriting systems to incorporate cash-flow assessments, positive rent payment histories, and direct income validation.[2] Adapting this infrastructure for mission lenders would provide CDFIs—which often lack the proprietary tech budgets of large commercial banks—with institutional-grade underwriting abilities. Institutions that use alternative models to expand access to capital should also be considered for incentives, like lowered capital reserve requirements and operational grants.

Reaching New Markets and Customers

- **Leverage Online Marketplaces:** Allow federal agencies to receive credit for online purchases with small and disadvantaged businesses. Online marketplaces can provide greater access to federal opportunities for small businesses and help agencies reach federally mandated goals.[3]
- **Restrict Federal Contract Bundling:** To foster an equitable procurement landscape, federal lawmakers should implement strict anti-bundling policies that limit multi-agency contract consolidation and large single-order purchases. Such practices disproportionately restrict market entry for smaller manufacturers, as well as women- and minority-owned businesses in underrepresented sectors.[4]
- **Export Accelerator Grants:** Congress should establish a grant program to fund local institutions—such as universities, chambers of commerce, and entrepreneurship centers—to scale export training for early-stage and disadvantaged entrepreneurs. This program would support tailored instruction in core operational areas, including regulatory compliance, market analysis, negotiation, and global logistics.[5]
- **Procurement Partnerships:** Congress should encourage federal agencies to partner with state, local, and tribal governments through the Intergovernmental Service Agreement model to create more contracting opportunities for local small businesses. Participating governments would competitively subcontract eligible work, conduct targeted outreach to small firms, and report on awards. By using existing local procurement systems and vendor networks, these partnerships could help more small businesses compete for federal contracts.

Talent and Workforce Development

- **Incentivize Apprenticeships:** Establish a tax credit for businesses that invest in expanding registered apprenticeship programs and continuous employee upskilling. Designed to help small and growth-stage firms offset the administrative, tuition, and instructional costs of earn-and-learn models, this tax policy would lower the financial barrier to workforce development.

- **Small Business Workforce Pipeline Assistance:** Congress should equip SBDCs to help small businesses develop apprenticeships, work-based learning opportunities, and other workforce training programs. SBDCs would serve as a single point of entry for employers navigating Department of Labor and federal workforce resources. The concept has been introduced as bipartisan legislation in the *Small Business Workforce Pipeline Act,* led by Senators Rosen and Curtis, and Rep. Crow.

- **Small Business Workforce Growth Credit:** Congress should create a targeted tax credit for small businesses that expand their workforce. Modeled on the Work Opportunity Tax Credit, the credit would offset a portion of the payroll, training, and onboarding costs associated with adding employees, with a larger benefit for a firm's earliest hires. By reducing the fixed costs of workforce growth, the credit would help more small businesses build capacity and scale.

Advisory Support and Technical Assistance

- **Executive Access Network:** Launch a registry of certified "fractional" executives where qualifying growth-stage firms can contract enterprise-level leadership talent. This can be integrated into the existing SBA portfolio by expanding the THRIVE program, which provides executive-level training for high-growth potential businesses. After completing the program, the owner can be matched with a certified operational leader to help implement the strategic growth plan mapped out in their training.

- **University-Based MBA Small Business Consulting Pilot:** Congress could authorize an SBA pilot program to establish Small Business Clinics at participating business schools. Administered in partnership with SBDCs or university entrepreneurship centers, the program would award grants to fund university-led clinic where MBA students and recent graduates provide pro bono, high-touch strategic consulting, financial modeling, and operational planning to local small businesses.

Digital Modernization

- **Digital Modernization Grants:** Congress should create competitive grants that help small businesses adopt modern digital tools—including cloud software,

cybersecurity systems, e-commerce platforms, and AI-enabled technologies. Grants could be paired with technical assistance to help firms select appropriate products, integrate them into existing operations, and translate technology investments into greater productivity and growth.

- **Retooling Grants:** Congress should provide matching grants to help established small businesses purchase equipment, redesign production processes, or develop new capabilities needed to enter growing markets and supply chains. By sharing the upfront cost of modernization and retooling, the grants could help viable firms respond to changing demand, pursue new contracts, and expand without taking on unsustainable debt.

ENDNOTES

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