"Struggling to Grow: Assessing the Challenges for Small Businesses in Rural America."

Testimony of:

Hugh Middleton
Co-Founder
Kopis Mobile
Flowood, MS

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The Honorable Tim Huelskamp (R-KS), Chairman
The Honorable Judy Chu, (D-CA), Ranking Member

Good morning Chairman Huelskamp, Ranking Member Chu, and members of the Committee. Thank you for hosting this hearing on the challenges small businesses face in rural America and for your invitation to provide remarks at this hearing. My name is Hugh Middleton and I am the Co-Founder of Kopis Mobile, a small start up, Tech Company headquartered in Flowood, MS. Flowood is located just outside of Jackson, MS.

Before I get into what we do at Kopis Mobile, I would like to provide a little background about myself that I feel is pertinent to the work we do. I am former Navy SEAL Officer. While in the SEAL Teams, I was assigned to SEAL Teams One, Three, Five, Six and spent time in various overseas assignments including a Special Operations Joint Staff. I have also worked in several U.S. Embassies and Consulates. I separated from the Navy in 2005, taking a management position with a large defense contracting company that supported then ongoing operations in Afghanistan and Iraq. Following that, I then moved on to another defense company where I managed a staff of highly skilled intelligence analysts conducting intelligence and data exploitation focused on Improvised Explosive Device threat characterization.

In January 2013, I Co-Founded Kopis Mobile with three super smart engineers, who all worked at the same company I did at the time. It may seem like an odd pairing of backgrounds and you are correct, it is. We often can't understand what the other is saying, but we have made it work to develop some very leading edge products that didn't exist prior to us starting the business. Kopis Mobile is in the unique position as a provider of advanced mobile technology and products for the Department of Defense, Law Enforcement Agencies, and the Private Security industry. We develop mobile technology to minimize the weight and enhance the equipment of soldiers, first responders, and law enforcement officers. This technology saves lives, saves time, and saves money. It also improves training and reduces SWaP (size weight and power). Just about everything we do revolves something you use everyday, smartphones and tablets. We get every ounce of computing power out of these wonders of technology. We actually refer to some of our products as time machines. Our customers typically have plenty of equipment, food, weapons and ammunition. What they don't have enough of is time. We try to give them some of that time back.

What we do is vitally important especially to me since I was on the other side of the fence at one time. I witnessed how long it takes to get the right equipment because of the over burdened bureaucracy of the procurement process. For a small company like us, it is a killer. We have equipment quotes sitting in the hands of military units for over 6 months before they are able to obligate the funds for critically needed items. The problem is the same for first responders. The process is like birthing a baby. It often takes 9 months to go through the grant process. Internally, we joke about it, but it isn't funny.

As with any start up business, it has been a struggle for us. I will go out on a limb and say it has been harder for us given the industry we are in. Not only are we a tech company from rural Mississippi, but also we have been trying to gain access into an industry dominated by the likes of Northrup Grumman, Raytheon, and Lockheed Martin.

We have spent over three years just trying to educate people on who we are and what we do. We obviously don't have any buildings with Kopis Mobile on the top of them across from the Pentagon.

General Officers and senior level decision makers of all ranks that are in today's military are without doubt some of the best leaders this country have ever seen. Several years of fighting wars on two fronts have positively molded the lives of many in uniform and shaped them into formidable leaders.

Those at that level are super educated, motivated, and strive to do the best they can to improve the lives of those under their command. However, those at the top of the leadership pyramid are often bogged down by administrative tasks, countless meetings and unending travel. They have little time to really dig into alternative ways to simplify entrenched, long standing ways of doing business. Many rely on, "This is the way we are doing it because this is how it's always been done." In many ways, tried and true methods work just fine. It is easier to do "what we have been doing" rather to look for ways to do things better.

Most senior leaders think that because of digitization, they are more productive because of less paperwork. Actually, the opposite is happening. Despite all of this digitization, you have more paperwork than ever. This translates to a **3% decrease in annual productivity.**

Bureaucracy is increasing faster than automation. Which means that over the past 20 years, nearly half of the military's productivity has been sucked dry by the time vampires of administrative tasks.

The federal government spends about $20B per year on development of later stage technology for commercialization. Majority of this money is spent in the large acquisition programs that incorporate technology that is not proven which means the equipment takes way too long to get the warfighter. This results in huge cost overruns, frustrated operators, and projects that are way behind schedule.

The reason for this, most new technology dies on the vine because the bureaucracy of the military.   The GAO said "technologies don't leave the lab because their potential has not been adequately demonstrated" and "the DoD is simply unwilling to fund final stages of development of a promising technology, preferring to invest in other aspects of the program that are viewed as more vital to success."

And "DoD's budgeting process, which requires investments to be targeted at least two years in advance of their activation, makes it difficult for DoD to seize opportunities to introduce technological advances into acquisition programs."

The problem is only 5.71% of new technology ever gets into the hands of those that really need it. That is 4 out of every 70 projects!

When you realize that small business accounts for 99.7% of all new technology introduced, it becomes incredibly important for small businesses to be involved in technology development and transfer.

The Undersecretary of Defense, Acquisition, Technology and Logistics reported the Federal Government has missed its small business goals for the last 16 years despite the fact that buying from small businesses is far less painful. Frankly, buying from small guys like us eliminates red tape, shortens the technology transfer, speeds the time to get the operator the equipment they really need, and makes life for a contracting officer easier.

There are really only two types of new technology product development, that being "Top Down" and "Bottom Up". In "Top Down" tech development, academics invent something big and hopes it gets good in DoD. In "Bottom Up" tech development, small business invents something good and hopes it big in DoD. The big problem is 95% of it is "Top Down" and rarely includes the folks at the pointy end of the spear in the development process.

As stated in the GAO Report to Congress (GAO-05-480), the best approach to new technology is a, "least structured process and criteria, believing that a high degree on flexibility is needed in order to get technology prototypes quickly out to the field, where they can immediately impact military operations."

What this really means is it is vitally important to partner with small businesses who talk directly to the operators in order to co-create useful technology. This is the holy grail of warfighter improvement.

As I am sure you are already aware, small businesses are the backbone of America. We create opportunity, generate jobs, invent new technology and keep the economy going. We do all of this while being over regulated, over taxed and under supported by the Federal Government. Everything from Obama Care to mountains of paperwork are hindrances to the growth and health of a small business. With lower taxes and healthcare costs, we could hire more people, increase salaries and bring better talent to Mississippi.

Thank you and I look forward to your questions.