



Research in Brief

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Policy and Progress: Supporting the Growth of Women's Business Enterprise

The past 25 years have seen a number of valuable studies on women business owners and their enterprises. We have a clear picture of their growth trends, percentages by economic sector, needs, progress and contribution to the U.S. and world economy. There has not, however, been a definitive accounting of the legal and policy changes that have had an impact on the growth of women's business enterprises.

Further, women's entrepreneurship policies and programs in the U.S. have developed without the existence of an underlying strategic framework. In order to continue moving forward, we believe that a cohesive history of where we have come from and what we have accomplished is critical. This report serves to benchmark the progress that has been made from a policy standpoint, including key programs, legislation and necessary precursors to entry, and policies that have had an impact on the growth and development of women-owned firms. It is our hope that this report will serve to enlighten future policy and programmatic action in the United States, and inform policy discussions in other countries as well.

The Foundations of Women's Business Enterprise

This report sets the stage for modern policy development by going back to the true beginnings of women's business enterprise. From limited ownership for women due to coverture law in colonial times through a burst of activism and political involvement during the Revolutionary period, women have been fighting for ownership rights for 300 years.

The Industrial revolution throughout the 19th and early 20th Century brought important changes in the laws affecting women in business. These included states codifying the rights of women, allowing them to own property, gain at least some access to capital, and negotiate contracts. At the same time, there were new disadvantages for women in business. With the formalization of financial markets, family assets were less important because corporations were able to borrow from banks. Women faced a new and long-enduring barrier: lack of access to capital and credit.

Around the turn of the 20th Century, a strong women's rights movement was building and the growth of female literacy and increasing educational opportunities were creating a class of well-educated, highly aware and activist American women. Improvements were sporadic in the years between the two World Wars, but the percentage of women in the workforce began a steady trend upward. At the same time, there was growing awareness of the contributions of small business in general to the American

economy. In 1953, the U.S. Small Business Administration was established.

Modern Policy Development

Beginning in the mid-20th Century, women-owned businesses began moving into the mainstream, catching the public eye, and attracting the attention of lawmakers. They have now become a major factor in the growth of the economy and in job creation. As of 2004, there are an estimated 10.6 million privately-held businesses in which a woman or women owns 50% or more of the company. Among them, 6.7 million are majority women-owned. Between 1997 and 2004, women-owned firms with 50% or greater ownership grew at close to twice the rate of all privately-held firms – 17% vs. 9%. Estimated employment in these firms grew at twice the rate (24% vs. 12%) and estimated revenues increased by 39%, compared to 34% among all privately-held firms.¹

The report provides a decade-by-decade look at the “Age of the Entrepreneurial Woman,” providing a clear picture of the modern progress, trends, and setbacks that have occurred for the women-owned business sector of the economy. These decades include:

- “The Era of Change” of the 1940s and 1950s;
- “Seeking Equal Rights” in the 1960s;
- “Gaining Visibility” in the 1970s;
- “Establishing Programs” in the 1980s;

¹ Center for Women's Business Research, “Biennial Update on Women-Owned Businesses,” 2004.

- “Expanding Networks” in the 1990s; and
- “Sustaining Momentum” in 2000 and beyond.

Key Federal policy actions are highlighted, including the Small Business Act and Small Business Investment Act during the 1950s; the establishment of the Commission on the Status of Women, the Civil Rights Act, and the Consumer Credit Protection Act in the 1960s; Title IX, adding women-owned businesses to the Economic Census, the Equal Credit Opportunity Act, and the President's Interagency Task Force on Women's Business Ownership in the 1970s; the White House Conference, Civil Rights Restoration Act, and Women's Business Ownership Act (HR 5050) in the 1980s; the Federal Acquisition Streamlining Act, Small Business Reauthorization Acts and Women's Business Centers Sustainability Act in the 1990s; and the SBA Reauthorization Act and Federal Executive Policy on contract bundling in the 2000s.

Private sector policy impacts and the international impact of United States progress are also addressed.

Barriers to Progress

Despite enormous progress and numerous success stories over the past decades, there remain several obstacles in the way of continued achievements, including:

Cultural Barriers and Assumptions

The majority of the cultural barriers faced by women business owners have been lowered or removed over the years. Educational barriers, lack of experience, and cultural expectations have been transformed for most women. There remain some pockets of negative attitudes on a regional and/or ethnic basis, and socialization of girls still biases against certain types of careers and businesses, but for the most part, the culture of the U.S. today is favorable to women's business ownership.

Structural Barriers: Equality, Non-Discrimination, Financial Independence, Access to Credit

Legal and policy changes have wiped out most of the structural barriers that once inhibited women entrepreneurs. Although there remain lingering traces of discrimination in practice, these are not supported by law, and mechanisms are in place for prevention and amelioration. Sadly, one of the few areas that remains a serious challenge is that of government procurement; despite goal-setting and monitoring, the situation is slow to improve and must continue to be listed as a barrier of practice if not structure.

Barriers of Practice: Access to Capital, Government Procurement, Markets

Access issues still exist – change in standard practices is slow to come. Access to capital has improved dramatically both for start-ups and growth. Alternative sources of capital for women are increasing, and there are a few venture capital funds focused on women-owned businesses. Organizations such as Springboard Enterprises provide training and visibility to women seeking equity capital.

Access to markets – particularly both government and private sector procurement – lags far behind. Despite the 5% federal contract goal for women-owned businesses, and the attempts to press agencies to reach that goal, federal contracting with women-owned firms stood at 2.9% in 2002 – up from 2.1% in 1997. Women fare slightly better in gaining contracts with large private sector corporations, but the women-owned business share still sat at 4% in 2003, having risen from 3% four years earlier.

Recognition: Being Counted

Thanks to the increased availability of data on the participation in and contributions to the economy of women-owned businesses, there is recognition today of the important part they play in the health of the U.S. economy. This has not always translated into action; constant and increased visibility for women-owned businesses, their successes, and the efforts on their behalf must remain a priority.

Implications of Federal Budget Cutting

There is a strong emphasis today on cost-cutting in government, eliminating or paring down wasteful programs and building efficiency and effectiveness into all government activities. Each year budgets for programs seem to shrink, and the prospect for long-term government funding is not good.

This prospect is being dealt with already in programs for women business owners. Numerous public-private partnerships have been developed over the past few years, and private sector groups already play a strong role in funding, support and training activities.

Recommendations

Women-owned businesses are flourishing today, and we can point to numerous successful programs designed to assist women in starting and building their enterprises. But there remain areas of need to be addressed by the Federal government and the private sector. Following are some of the directions recommended for the future:

Provide Tools for Success

Today's women entrepreneurs include women from all walks of life: executives and managers, highly qualified professionals, immigrants, inner city women with bold ideas, women moving from public assistance into financial independence. Any and all of these women can be successful with the right opportunities, access to the training and expertise they need, access to start-up and growth capital and access to markets. Many new entrepreneurs need assistance with basic financial literacy, mentors who can guide them through the pitfalls faced in a new business and a support network of like-minded women.

Ensuring that the tools they need are available and accessible is an ongoing need for government, private sector and public-private partnerships.

Encourage Public-Private Partnerships

Concurrent with public policy actions have been important private sector initiatives. Private sector groups play an important role in funding, support and training activities for women business owners. In recent years, we have begun to see the development of numerous public-private partnerships.

Future directions include expanded use of the Women's Business Center model, which utilizes matching grants, as well as other innovative types of public-private partnerships. Private industry has been more willing to support programs for women's and minority businesses because of the benefits to them in access to government contracts and fulfillment of equal opportunity goals.

Best Practices Sharing Across Borders

Sharing of best practices across borders is already under way through such vehicles as the OECD and other international women's entrepreneurship conferences, women's trade missions such as those sponsored by the U.S. Department of Commerce, and online conferences and forums. The growth of a global economy has made these efforts even more important, and U.S. women entrepreneurs and their organizations must focus even more attention abroad.

More Comparative Research

The Center for Women's Business Research has played a vital role in gathering and sharing quantitative information that demonstrates just how rapid and economically important the growth of women's business ownership has been. This and other survey research will continue to provide a foundation for advocacy efforts, for continuing to open up financial markets, and creating general public visibility. So, too, regular statistical information from the U.S. Census Bureau is critically important to continually quantify the number and economic impact of women-owned businesses.

In 1999, Robert Hisrich and Candida Brush wrote in a paper titled "Women-Owned Businesses: Why Do They Matter?"² that the percentage of articles about women business owners declined from 1980 to 1995 from 44 percent to 14 percent. They attribute this "invisibility" to the fact that men and women are similar in approaches and practices to business ownership. Little truly comparative literature exists; it is up to the advocates for women business owners – as well as the successful women entrepreneurs - to see that the facts concerning the value and needs of women business owners are placed before the public. This includes not only comparative research but also highlighting individual women business owners of achievement.

Assess Program Performance and ROI

Recent years have brought interest in identifying and understanding public sector programs that exist for women-owned businesses. It is clear that progress has been made in the number and types of programs available.

However, additional research is needed on the impact of government programs on women-owned businesses – what is the payoff? It is hard to judge the return on investment (ROI) using conventional models. There needs to be a different analysis of ROI - *investment* in the economic growth of the country through women's business ownership. It is only through development of this model that accurate longitudinal studies of women's business enterprises and programs can be developed.

² Candida Brush and Robert Hisrich, "Women-owned Businesses: Why Do They Matter," *Are Small Firms Important? Their Role And Impact*, Acs, Zoltan J., Ed., (Norwell, MA: Kluwer Academic Publishers, 1999) 111-125

The Policy and Progress report was researched and written for the National Women's Business Council by SiloSmashers, a woman-owned, 8(a) Native American firm specializing in business transformation, project management, organizational change, communications and marketing services for both the government and commercial markets. The Communications Team has extensive experience in government communications and change management, and was responsible for development of the federal "E-Gov" brand. In 2003 SiloSmashers was named to the Washington Technology Fast 50, the "50 hottest up-and-coming small businesses and 8(a) companies in the government IT arena." A copy of the report is available on the NWBC Web site.

The National Women's Business Council is a bi-partisan Federal advisory body created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. The Council's mission is to promote bold initiatives, policies and programs designed to support women's business enterprises at all stages of development in the public and private sector marketplaces, from start-up to success to significance. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3rd Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825; e-mail: nwbc@sba.gov, web site: <http://www.nwbc.gov>.