

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**Memorandum**

To: Members, Subcommittee on Health and Technology  
From: Committee Staff  
Date: October 9, 2017  
Re: Hearing: "Fostering Women's Entrepreneurial Success"

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On Thursday, October 12, 2017 at 10:00 A.M., the Committee on Small Business Subcommittee on Health and Technology will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining the current state of women's entrepreneurship in the United States. This hearing, occurring during National Women's Small Business Month, will highlight the challenges women entrepreneurs experience when starting and growing their businesses, as well as the existing resources available to support women business owners. Additionally, the hearing will address what can be done to decrease the entrepreneurial gender gap by highlighting the areas in which resources and opportunities available to women entrepreneurs could be expanded.

**I. Current Status of Women's Entrepreneurship**

Traditionally, the rate at which women are starting businesses has been significantly lower than the rate at which men do. Overall, the number of women engaging in entrepreneurship has increased over time; however, a significant gender gap still exists.

Between 2007 and 2016, it is estimated that the number of women-owned businesses increased by 45 percent, or five times faster than the national average, resulting in over 11.3 million women-owned businesses in the United States.<sup>1</sup> These businesses employ roughly 8.9 million people and generate over \$1.6 trillion dollars in receipts per year.<sup>2</sup> The average revenue by women-owned businesses has increased by 35 percent between 2007 and 2016, a rate thirty times the national average.<sup>3</sup> As women's entrepreneurship has increased overall, a significant increase in minority women-owned businesses has also been seen. Since 2007, minority women-owned businesses have increased by roughly 125 percent.<sup>4</sup> Despite the remarkable increase in women's entrepreneurship, women-owned businesses still only represent roughly 38 percent of all businesses throughout the country.<sup>5</sup>

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<sup>1</sup> AM. EXP. OPEN, THE 2016 STATE OF WOMEN-OWNED BUS. REPORT, WOMENABLE.COM 3 (Apr. 2016), [http://www.womenable.com/content/userfiles/2016 State of Women-Owned Businesses Executive Report.pdf](http://www.womenable.com/content/userfiles/2016%20State%20of%20Women-Owned%20Businesses%20Executive%20Report.pdf).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 5.

<sup>5</sup> *Id.* at 3.

Globally, data suggests that “men are almost one and a half times more likely to be engaged in early-stage entrepreneurial activity than women.”<sup>6</sup> Within the United States, studies have shown that only 44 percent of women recognize entrepreneurial opportunity, compared to 55 percent of men.<sup>7</sup> Fifty percent of women believe they are capable of running businesses, while 62 percent of men report their perceived capability.<sup>8</sup> Male entrepreneurs typically launch their businesses with twice the capital that female entrepreneurs do<sup>9</sup> and remain twice as likely as women to have raised more than \$100,000 in funding.<sup>10</sup> While only 14 percent of men fell below the \$10,000 funding level, roughly 64 percent of women do.<sup>11</sup> Male-led ventures are also two-thirds more likely to survive to a mature phase business than women-led ventures.<sup>12</sup> Additionally, men tend to engage in entrepreneurial activity at a younger age than women. Forty percent of men, compared to 33 percent of women launched their businesses before the age of 35, potentially due to women’s responsibilities within the home and family.<sup>13</sup>

## II. Key Challenge to Women’s Entrepreneurial Success

It is clear that despite the continued growth of women’s entrepreneurship, there is still a significant gap between men and women-owned businesses. Access to financing opportunities is undoubtedly a major factor. Studies have shown that less than 10 percent of venture funds are received by women-led businesses.<sup>14</sup> In a 2014 experiment on the role of gender in investment pitch competition success, male entrepreneurs were seen to be 60 percent more likely to be chosen for investment than female entrepreneurs. When the same experiment was controlled for pitch content, only changing the voice in which the pitch was delivered, the male-delivered pitch was chosen over 68 percent of the time.<sup>15</sup> Furthermore, despite the identical content of the pitches, the male-delivered option was rated as being more persuasive, fact-based, and logical.<sup>16</sup>

Looking even more directly at the percentage of venture funding rounds that were granted to women, data shows that between 2010 and 2015, 24,340 rounds of venture funding were won by men and only 3,265 rounds were won by women.<sup>17</sup> This equals \$281.5 billion in venture funds granted to men, as compared to the \$31.5 billion granted to women.<sup>18</sup> Similar results were found within seed and angel investment funding competitions; between 2010 and 2015, 23,462 rounds

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<sup>6</sup> DONNA J. KELLEY, ET AL., 2015 UNITED STATE REPORT, GLOBAL ENTREPRENEURSHIP MONITOR 31 (Aug. 05, 2016), <http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%20USA%202015.pdf>.

<sup>7</sup> *Id.* at 33.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 35.

<sup>10</sup> Rose Leadem, *The Role of Gender in Entrepreneurship Today (Infographic)*, ENTREPRENEUR.COM, <https://www.entrepreneur.com/article/291894#> (last visited Oct. 3, 2017).

<sup>11</sup> *Id.*

<sup>12</sup> DONNA J. KELLEY ET AL., *supra* note 6, at 36.

<sup>13</sup> Rose Leadem, *supra* note 10.

<sup>14</sup> Alison Wood Brooks et al., *Investors Prefer Entrepreneurial Ventures Pitched by Attractive Men*, 111 PROCS. OF THE NAT’L ACAD. OF SCI. OF THE U.S. 4427, 4431 (2014).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> Gené Teare & Ned Desmond, *The First Comprehensive Study on Women in Venture Capital and their Impact on Female Founders*, TECHCRUNCH.COM (Apr. 19, 2016), <https://techcrunch.com/2016/04/19/the-first-comprehensive-study-on-women-in-venture-capital/>.

<sup>18</sup> *Id.*

(\$13.06 billion) in seed or angel funds were granted to men, while 4,852 (\$2.35 billion) were awarded to women.<sup>19</sup> These statistics merely scratch the surface of the numerous studies that denote the limited funding opportunities women entrepreneurs face, discouraging the success of women-owned businesses. How can this challenge be addressed in an effort to promote women's entrepreneurship?

### **III. Addressing this Challenge Women Entrepreneurs Experience**

The issue of inadequate financing for women entrepreneurs is clear. How to address this venture capital gap, however, is extremely complex. Venture capital is defined as being "private equity or institutional funding for start-up companies considered to have strong growth prospects."<sup>20</sup> As such, the goal of venture capitalists is to invest in the company that has the highest chance of making them money in the long term, which most commonly occurs when the start-up business exits the venture capital market through initial public offering (IPO) or acquisition by another company. Statistically, start-ups run by women are one-third less likely to exit the venture capital market through either IPO or acquisition than male-led startups.<sup>21</sup> While there are numerous factors that contribute to this result, the reality that male-led startups are more likely to exit the venture capital market will continue to lead to statistical discrimination in venture capital investment.

There is a caveat, however, to the generalization that venture capitalists tend to invest in the male-led venture. Some studies suggest that "venture capital firms with a female partner are more than twice as likely... to invest in a company with a woman on the management team... [and] three times more likely to invest in women CEOs."<sup>22</sup> This suggests that increased financial parity may also be achieved through incentivizing increased female participation in venture capital firms.

### **IV. Resources Available to Women Entrepreneurs**

Clearly the challenges women entrepreneurs continue to face today can be linked to the entrepreneurial gender gap and yet women's entrepreneurship continues to grow. What resources are these women relying on when starting, growing, and scaling their businesses?

The Small Business Administration (SBA) serves America's small businesses in many ways. Numerous successful women entrepreneurs have taken advantage of SBA lending programs, contracting resources, and the guidance and support offered through SBA district and regional offices. Additionally, specializing in the area of women's entrepreneurship, the SBA's Office of Women's Business Ownership (OWBO) seeks to "enable and empower women entrepreneurs

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<sup>19</sup> *Id.*

<sup>20</sup> *Definition of Venture Capital*, FT.COM/LEXICON, <http://lexicon.ft.com/Term?term=venture-capital> (last visited Oct. 2, 2017).

<sup>21</sup> Sahil Raina, *VC Financing and the Entrepreneurship Gender Gap*, SSRN (Apr. 7, 2017), [https://sites.ualberta.ca/~sraina/files/vc\\_sexbias.pdf](https://sites.ualberta.ca/~sraina/files/vc_sexbias.pdf).

<sup>22</sup> Wendy DuBow & Allison-Scott Pruitt, *The Comprehensive Case for Investing More VC Money in Women-Led Startups*, HARV. BUS.REV. (Sept. 18, 2017), <https://hbr.org/2017/09/the-comprehensive-case-for-investing-more-vc-money-in-women-led-startups>.

through advocacy, outreach, education and support.”<sup>23</sup> The OWBO links women to entrepreneurial resources, such as Women’s Business Centers (WBCs), the Association of Women’s Business Centers (AWBC), and the Service Corps of Retired Executives (SCORE).

WBCs were specifically created with women business owners in mind. The Women’s Business Ownership Act of 1988<sup>24</sup> directed the SBA to offer financial and managerial training to women, a mission that has been carried out through WBCs since that time. WBCs are designed to benefit women of varying social and economic backgrounds at all stages of business creation. Often, these centers provide services through long-term training courses offered in multiple languages with flexible course times.<sup>25</sup> During FY 2016, the SBA reported that a key focus of WBC training was access to capital for women entrepreneurs. While roughly “35 percent of WBCs are currently co-located with a micro-lending program,” the SBA continues to encourage WBCs to “collaborate with local lenders and micro-lenders as a way to help more women entrepreneurs access capital.”<sup>26</sup> Across the country, WBCs are commonly linked through the Association of Women’s Business Centers. This non-profit organization seeks to secure entrepreneurial opportunities for women through support of the WBC network and continued advocacy efforts.<sup>27</sup>

SCORE offers counseling and training to entrepreneurs and business owners through their 348 training centers and mentorship pairings between clients and their network of over 13,000 volunteers.<sup>28</sup> Due to their vast number of volunteers, SCORE is able to pair female entrepreneurs with mentors who can specifically counsel and advise on the issues women-business owners face. Addressing the issue of inadequate financing for women-led ventures, the SBA and SCORE mentors often counsel small business owners on effective strategies to access capital. Additionally, SCORE offers numerous online training programs focusing on access to capital in an attempt to offer their clients with on-demand information related to financing concerns.<sup>29</sup>

Beyond SBA resources, there are number of additional resources available to women entrepreneurs and business owners. Numerous non-profit organizations and companies exist to advocate for women entrepreneurs, provide increased networking and mentorship, increase awareness of financing opportunities, and offer general support to women as they start and grow their businesses. Examples of these organizations include Women Impacting Public Policy, Inc., the National Association of Women Business Owners, Women Who Startup, Count Me In, the Boss Network, ASTIA, Women Presidents’ Organization, Women’s Business Enterprise Council, and many others.

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<sup>23</sup> *Office of Women’s Business Ownership*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/wbo> (last visited Sept. 29, 2017).

<sup>24</sup> Pub. L. No. 100-533, 102 Stat. 2689 (1988) (codified at 15 U.S.C. §637(c)).

<sup>25</sup> *FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report*, U.S. SMALL BUS. ADMIN. 52 (May 22, 2017), [https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL\\_SBA\\_FY\\_2018\\_CBJ\\_May\\_22\\_2017c.pdf](https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf).

<sup>26</sup> *Id.* at 33.

<sup>27</sup> *Resources*, ASS’N OF WOMEN’S BUS. CTR., <http://awbc.org/resources/> (last visited Sept. 29, 2017).

<sup>28</sup> *More About SCORE*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/oed/resources/148091> (last visited Sept. 1, 2017).

<sup>29</sup> *FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report*, *supra* note 25, at 33.

## **V. Conclusion**

Research has shown women's entrepreneurship to be increasing despite the persistent issue of inadequate financing. Notwithstanding this remarkable growth in women's entrepreneurship, there continues to be a significant gender gap between men and women-owned businesses. This hearing will allow Members to hear about the strides that women entrepreneurs have made while also highlighting the challenges that women continue to face when starting and growing their businesses.