



Testimony of

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**on behalf of the Association of Women's
Business Centers**

to the

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Fostering Women's Entrepreneurial Success

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Testimony of Antonella Pianalto: *Fostering Women's Entrepreneurial Success*

Thank you Chairman Radewagen, Ranking Member Lawson and distinguished Members of the Subcommittee for the opportunity to share this testimony with you. My name is Antonella Pianalto, and I serve as the President & CEO of the Association of Women's Business Centers.

The Association of Women's Business Centers (AWBC) supports the national network of Women's Business Centers (WBCs) by providing training, mentoring, programming, and advocacy with the goal of improving services to women entrepreneurs. The AWBC's membership includes every WBC throughout the United States.

As you know, the Women's Business Center program is a public-private partnership with nearly 30 years of success in providing training, counseling, mentoring, and access to capital to women entrepreneurs across the country. Our network reaches into communities – urban and rural alike – to assist America's job creators in launching and growing their own businesses.

Women's Business Centers are focused on being an effective and efficient resource for one of the fastest growing sectors of the economy. Our continued growth leaves an enormous footprint of successful business owners and job creators. In fiscal year 2016, our centers reached more than 145,000 clients leading to more than 17,000 new businesses and nearly 25,000 new jobs.¹ In 2015, the most recent data, WBCs assisted with nearly \$429 million in private capital infusion and last year helped to secure nearly \$40 million in government contracts for women-owned businesses.²

First, let me thank the subcommittee for holding this hearing today. It is especially fitting to hold it during National Women's Small Business Month when we recognize the accomplishments of women entrepreneurs, acknowledge existing challenges, and highlight resources available—including our own members, women business centers.

Creating an environment where women can start and grow businesses has always been a vital part of our economic security. Today that is truer than ever, with women starting ventures at four times the rate of men.³ Their success is vital to the US economy as women-owned businesses have a significant impact on their local communities and collectively drive growth and create jobs.

Today's testimony briefly provides our perspective on women's entrepreneurship in 2017, the enormous potential of fostering a stronger environment for women business owners, barriers to achieving that potential, the role of WBCs, as well as policy recommendations for this Committee

¹ Fiscal year 2016 data provided to AWBC on request by SBA and to be formally published in the FY18 Budget Justification to Congress. Language details found in SBA OED 2015 Report, p. 36 (see footnote 3).

² US Small Business Administration. *Office of Entrepreneurial Development 2015 Year in Review*, p. 39. Available online at https://www.sba.gov/sites/default/files/resources_articles/2015_OED_Year_In_Review.pdf. Hereafter SBA OED 2015 Report. Federal contracting data provided by SBA via Entrepreneurial Development Management Information System (EDMIS).

³ SBA OED 2015 Report, p. 3

to consider. Before addressing those, however, a recent statistic captures the truly impressive scope of women entrepreneurs: if American women business owners were their own country, they would have the 10th largest GDP in the world, outstripping entire nations like Canada, Mexico and even Russia.⁴

Women Entrepreneurship Today

The most recent federal data, collated from the U.S. Census 2012 Survey of Business Owners, captures a snapshot of the explosion of women entrepreneurs. The census found 9.9 million women business owners in 2012 with \$1.4 trillion in annual receipts—an 18.7% increase from 2007. The number of small businesses owned by women grew by 26.8%, compared to 1.9% for all firms; put another way, from 2007-2012, there were 1,143 woman-owned businesses started each day.

From our own perspective as advisors to these firms, we can confirm that the explosion of women business owners occurred across the spectrum of businesses, as is reflected in the clients' stages of businesses served by the WBCs: 15% start-ups, 28% 1-4 years, 31% 5-10 years, and 26% 11+ years.

The newest generation of business owners span the spectrum of industry. Their businesses are as diverse as their owners. Businesses owned by women of color have more than doubled since 2007, increasing by 2.8 million. Nearly 8 out of every 10 net-new women-owned firms launched since 2007 were started by a woman of color.⁵

The expansion from 2007 to 2012 fueled job creation as well. While the number of overall firms with paid employees dropped by 5.4% in that time period, women-owned firms with paid employees increased by 13.9%. In terms of revenue, women-owned businesses grew in double-digits for all categories, outpacing the numbers for all firms overall. All firms with \$1 million in revenue—a major standard for business viability—decreased by 1.7%, while women-owned firms in this category increased by 21.4%.⁶ Thus, by any metric, the last decade has truly been an era of women's business expansion.

We know, however, that these numbers do not tell the whole story. More recent, but not federally-released, data, like the American Express OPEN 2016 State of Women-Owned Business Report, estimates that there are more than 11 million women-owned businesses employing nine million Americans and generating \$1.6 trillion in receipts.⁷ That translates to a 45% growth in the number of women-owned firms since 2007, or roughly five times the rate of all firms. The failure to capture

⁴ Data from World Bank at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>. Accessed October 10, 2017.

⁵ American Express OPEN 2016 State of Women-Owned Business Report (2016).
http://www.womenable.com/content/userfiles/2016_State_of_Women-Owned_Businesses_Executive_Report.pdf

⁶ United States Census Bureau. Survey of Business Owners (SBO)- Survey Results: 2012.
<https://www.census.gov/library/publications/2012/econ/2012-sbo.html>.

⁷ American Express OPEN 2016 State of Women-Owned Business Report (2016).
http://www.womenable.com/content/userfiles/2016_State_of_Women-Owned_Businesses_Executive_Report.pdf

proper data on a critical segment of the economy prevents policymakers from properly addressing the challenges business owners face in furthering their companies and creating jobs. As will be discussed, women business owners have almost unlimited potential for continued growth, but significant barriers still remain. Without updated figures from the U.S. Census Bureau, it is difficult for Congress, the Administration, or even advocates like AWBC to quantify just how much growth is happening, in what industries, and how to further foster an environment for women's entrepreneurship.

Today, women own more than 35% of all businesses. According to a recent study, in 2016 the rate of women entrepreneurs saw the biggest increase in almost two decades. Incredibly, every month, 260 out of every 100,000 women chooses entrepreneurship.⁸ From the perspective of our centers throughout the country, we know one thing to be true: demand from women for entrepreneurial training abounds.

Unlocking Potential by Addressing Barriers to Entrepreneurship

The economic potential in women-owned businesses is astounding. Researchers and economists speculate that if women started businesses with the same amount of capital as men, they could create 6 million jobs in 5 years. They have also found that if women were fully engaged in their businesses, it would raise Gross Domestic Product (GDP) by seven percentage points.⁹ More than theoretical, evidence shows that women-led tech companies, when venture-backed, bring in 12% higher revenue than similar male-led companies and have a 35% higher return on investment.¹⁰

Yet women-led companies are less likely to receive venture capital (VC) funding, just one example of why one of the most damaging barriers to women's entrepreneurship is access to capital. Research conducted on behalf of the National Women's Business Council (NWBC) indicates that women start businesses with roughly half as much capital as their male counterparts.¹¹

Women receive just 7% of venture capital funds and less than 5% of conventional business loan dollars, despite making up more than a third of all businesses. At the U.S. Small Business Administration (SBA) flagship 7(a) lending program, only 17% of loans go to women-owned firms.¹²

⁸ The Kauffman index. *Start Up Activity National Trends*. May 2016. <http://www.kauffman.org/kauffman-index/reporting/startup-activity>

⁹ McKinsey Global Institute (2015). *The power of parity: How advancing women's equality can add \$12 trillion to global growth*. Available at <https://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

¹⁰ Mitchell, Lesa. *Women in Technology: Evolving, Ready to Save the World*. Kauffman Foundation. February 2013.

¹¹ National Women's Business Council. Available at <https://www.nwbc.gov/facts/access-capital>.

¹² 21st Century Barriers to Women's Entrepreneurship. Majority Report of the U.S. Senate Committee on Small Business and Entrepreneurship. July 23, 2014.

Seeking capital outside of traditionally conservative banks, women fare no better. They are one-third as likely to access equity financing through angel investments or venture capital.¹³ Shockingly, this gender gap is growing worse. While venture capital firms with women partners are more than twice as likely to invest in companies with a woman on the executive team, the total number of women partners in venture capital firms has declined significantly since 1998, dropping to 6% from 10%.¹⁴

The declining number of women decision makers in the venture capital community leads to a decline in dollars invested in women-owned firms, though all attitudes appear to negatively skew female-led pitches. A study led by Alison Wood Brooks of Harvard Business School revealed that both men and women are more likely to be positively influenced by a business pitch if it is delivered by a man—even if the exact same words are spoken by a woman.¹⁵

Another barrier to capital is the fact that women, at 5.5%, are less likely to access networks of close friends and acquaintances in search of funding compared to their male counterparts who do so at a rate of 22.7%.¹⁶ Crowdfunding seems to be just as difficult. Researchers at Berkeley looked into the gender dynamics of crowdfunding and found that male investors are just as likely to prefer male-led ventures in this realm as well. The researchers found that, “while more than 40% of the funds of female investors were invested in projects by female entrepreneurs, only 22.5% of the male investor funds went to female-led projects.”¹⁷

Limiting the flow of capital to women-owned businesses is a missed opportunity financially. The VC firm First Round Capital found that their investments in companies across a wide range of industries which had at least one female founder performed 63% better than their investments in all-male teams, according to a report released last year.¹⁸ When *Shark Tank*'s Kevin O'Leary did

¹³ Kaufman Foundation. “Women Entrepreneurs are Key to Accelerating Growth.” July 20, 2015.

<http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

¹⁴ Professors Candida G. Brush, Patricia G. Greene, Lakshmi Balachandra, and Amy E. Davis. *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital*. Arthur M. Blank Center for Entrepreneurship Babson College September, 2014. <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

¹⁵ Brooks, Alison Wood, Huang, Laura, Kearney, Sarah Wood, and Murray, Fiona E. “Investors Prefer Entrepreneurial Ventures Pitched By Attractive Men.” Proceedings of the National Academy of Sciences of the United States of America (PNAS), Vol 111 no. 12, 4427-4431. <http://www.pnas.org/content/111/12/4427.full.pdf>

¹⁶ Kaufman Foundation. “Women Entrepreneurs are Key to Accelerating Growth.” July 20, 2015.

<http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

¹⁷ Marom, Dan and Robb, Alicia and Sade, Orly, Gender Dynamics in Crowdfunding (Kickstarter): Evidence on Entrepreneurs, Investors, Deals and Taste-Based Discrimination (February 23, 2016). Available at SSRN: <https://ssrn.com/abstract=2442954> or <http://dx.doi.org/10.2139/ssrn.2442954>

¹⁸ First Round Capital. “10 Year Project.” 2016. <http://10years.firstround.com/#method>.

an audit of the 32 companies in his private portfolio, he noticed a pattern: all of his returns were coming from companies either owned or run by women.¹⁹

And yet stories of entrepreneurial success tend to be male-dominated, which hinders women entrepreneurs and incorrectly frames a narrative in the media that men are better at starting businesses than women. Government leaders can help deconstruct the false narrative that only men are successful entrepreneurs by lifting up stories of successful women entrepreneurs.²⁰ The stories of successful women entrepreneurs must be showcased, as they are role models to women business owners. Today's hearing is a good example of how this can happen.

Potential is not limited by capital alone. The Aspen Institute's FIELD program has found that when business owners receive training and coaching help, 80% are still in business after five years, compared to 50% who did not receive such help.²¹ If we truly want to foster women's entrepreneurial success, then investing in programs that help women with training, coaching, and technical assistance is the way to achieve this goal.

Similarly, as has been often stated by SBA Administrator McMahon, mentorship plays an important role in developing successful entrepreneurs. If women are unable to find mentors, however, they may fail to reach their full entrepreneurial potential.²² More women business owners who have succeeded in entrepreneurship are needed as mentors. From our perspective, WBCs provide a venue where seasoned women businesses owners can share their stories, knowledge, and best practices. More mentorship, both in WBCs and out, will further build the capabilities of women entrepreneurs.

The need for support in the business community is no more evident than in the complex federal contracting market. As the world's largest customer, women entrepreneurs must further gains in selling to the U.S. government. Women-owned firms recently achieved the 5% goal of prime contract awards, which marked billions more dollars flowing to these firms. Continuing to increase that market share, while providing training and certification, will better serve the U.S. government with innovative goods and services. Moreover, it will grow women-owned firms, diversify markets, and create jobs.

¹⁹ Harlow, Poppy. "Shark Tank's Mr. Wonderful to men: Run your companies more like women." CNN Money. April 1, 2016. <http://money.cnn.com/2016/04/01/smallbusiness/shark-tank-kevin-oleary-women-businesses/index.html>.

²⁰ The Case Foundation. *Breaking Down the Barriers to Women's Entrepreneurship*. Sept. 01, 2015. <https://casefoundation.org/blog/breaking-down-the-barriers-for-women-entrepreneurs/>

²¹ Association of Enterprise Opportunity. *Bigger Than You Think: The Economic Impact of Microbusiness In the United States*. November 2013 <http://www.aeoworks.org/pdf/Bigger%20Than%20You%20Think%20-%20The%20Economic%20Impact%20of%20Microbusiness%20in%20the%20United%20States.pdf>.

²² *ibid*

The Role of Women’s Business Centers

The network of 150 women’s business centers service locations across the country spend each day unlocking this potential—and addressing those exact challenges. The WBC program plays a different role to each of the two million women who have walked through our doors. At times it has helped develop a business plan, explore new markets, or help secure capital. Women view their local WBC as a trusted advisor and partner over the lifetime of their company.

A study of WBC clients done by the Center for Women’s Business Research found that, aside from general business management information, gaining financial management skills, and learning about the legal aspects of organizing a business, what the clients valued highly from their experience in the center was finding a community of other women with whom to build relationships. Unlike a “transactional” short-term course – after which a prospective business owner is on their own – women’s business centers provide a venue for ongoing learning and relationship-building.

Simply put, our role is the glue of the women’s entrepreneurial ecosystem. In communities that have WBCs, entrepreneurs of all kinds are developing the skills and confidence to launch or grow their business. But too many communities do not have access to the unique services provided by WBCs. And in some places, existing centers devote too much time to arbitrary reporting burdens. For example, surveying our members about SBA reviews found an incredible list of requirements for an organization that should spend its time training and counseling entrepreneurs. Some of these include:

- 2 yearly DOTR reviews – a midyear and year-end review (a recent review took 10 hours.)
- Financial audits (a recent audit took 3 days)
- Annual work plan
- Annual, semi-annual, and quarterly reports including a financial report and performance narrative; (information required is also included in the quarterly EDMIS reports).
- Quarterly EDMIS reports
- EDMIS discrepancy report (have to submit EDMIS reports and then have to submit a report to explain why the SBA numbers don’t match the WBCs numbers)
- Economic Impact Survey

Congress is working to re-establish WBCs role in fostering a positive environment for women entrepreneurs. We are grateful to Committee Chairman Chabot, Ranking Member Velazquez and Representatives Knight and Ranking Member Lawson for re-authorization of the program, which was ultimately included in the National Defense Authorization Act. Representative Murphy championed the program and restored to the FY2018 WBC funding the additional \$1 million in appropriations included in FY2017. These actions make the WBC’s role in the broader women’s business community profound. We are excited to continue our work and continue the explosive growth of women’s entrepreneurship.

Policy Recommendations

In order to maximize the ability of women entrepreneurs to succeed, Congress should:

1. **Re-authorize the WBC Program including increasing current grant levels.** The aforementioned growth in women entrepreneurs makes the WBC program more relevant than ever. Every day, thousands of would-be job creators, existing business owners, and innovators seek WBC assistance to move their business forward. Existing centers are restricted by a 30-year old cap on grant levels they can receive through the program. Second, since the program was established in 1988, the total amount of the grant available from SBA to qualified WBCs is \$150,000 a year. Adjusted for inflation, according to the Bureau of Labor Statistics, that amount in 2017 dollars would now be \$308,879.²³ The legislation would begin to ameliorate this issue by increasing the grant level to \$185,000 and allowing for additional grant funding to be available to centers with proven impact.

Currently, legislation already passed by the House of Representatives as part of the FY18 National Defense Authorization Act should be supported in conference and increase the cap centers can receive. If Congress is unable to modernize this program, they will have restricted the ability of centers to assist women entrepreneurs.

2. **Increase funding for the WBC Program through FY2018 appropriations.** Many centers are ten or more years old and are established and respected resources in their communities. Despite ongoing success, however, their grant size from the SBA has remained flat or decreased since the program's creation in 1988. These centers consistently demonstrate an ability to effectively and efficiently serve entrepreneurs and they deserve a modernization of the grant system and access to additional resources in order to expand their impact. While the network of centers spans the country, too many communities do not have access to the unique services provided by WBCs. In addition to allowing for the expansion of existing centers, new centers are needed in geographies so far unaddressed by the WBC program. Increased funding will allow the WBC program to expand and reach many more women entrepreneurs than it is currently capable of.
3. **Certification in WOSB Program.** In addition to helping secure government contracts, Women's Business Centers assist women business owners with the Women-Owned Small Business (WOSB) certification process. Four WBCs are regional partners of one of the SBA-approved third-party certifiers and perform certifications, while others assist with site visits for third party certifiers.

²³ US Bureau of Labor Statistics Inflation Calculator available at https://www.bls.gov/data/inflation_calculator.htm.

Of the over 11 million women-owned firms, only 86,000 are in the government system to compete for contracts. It is critical that more businesses become familiar with certification.²⁴ To that end, WBCs can play a greater role in the certification process. As we testified before this Committee in March, the SBA is expected to release new regulations about the certification of women-owned businesses. Expanding the certification options for women should be the goal of the agency as well as leveraging the already existing network of more than 100 WBCs to expedite certification. Congressional attention to this issue can help increase the availability of assistance and bring more women business owners into the government market.

4. **Access to Capital.** As mentioned previously, women entrepreneurs face particular difficulty accessing capital, and yet if women started businesses with the same amount of capital as men, our economy would benefit from the creation of six million more jobs in just five years. To realize all this potential, Congress should ensure that existing programs that are proven to provide capital to women business owners continue. Budget proposals to eliminate key programs like the Community Development Financial Institution (CDFI) Fund could have devastating impacts on women and minority entrepreneurs.

Moreover, much of our efforts to gauge why the capital gap continues to be so pervasive is limited by a lack of data. Congress sought to remedy this by requiring the sharing of basic lending data for women and minorities as Section 1071 of the Dodd-Frank reforms. Nearly eight years later, however, that element of the law has not been implemented.

Other options, like modernizing credit scores and Intellectual Property (IP) protections impact women business owners as well. Both are areas of financial and business literacy that are necessary elements of a successful 21st century business plan. Training on these issues is an endeavor of WBCs that will continue.

Finally, our partner organizations offer additional policy priorities that should be considered by this Committee. Women Impacting Public Policy (WIPP) has laid out legislative proposals in their 2017 Economic Blueprint report.²⁵ Similarly, the National Association of Women's Business Owners (NAWBO) and the Women's Business Enterprise National Council (WBENC) consistently advocate for an environment supportive of women business owners especially around

²⁴ "Women-owned business" searched on the System for Award Management at www.SAM.gov. Accessed October 9, 2017.

²⁵ Women Impacting Public Policy (2017). *2017 Economic Blueprint: A Way Forward*. Available at www.wipp.org/resource/resmgr/economic_blueprint/WIPP_Economic_Blueprint_2017.pdf.

healthcare and tax policy. All three organizations stressed the importance of WBCs for supporting women entrepreneurs.

Conclusion

In closing, I appreciate the opportunity to celebrate the explosive growth of women-owned businesses and the tremendous impact they are having on our nation's economy and to update this subcommittee on the role WBCs play in ensuring women entrepreneurial success. Many challenges remain for women-owned businesses, but we have only begun to tap the potential of this economic powerhouse.

With the help of the Congress, the SBA, and the WBC Program, I believe women entrepreneurs and small business owners around the country can realize their full entrepreneurial potential and contribute significantly to economic growth and job creation.

Thank you again for this opportunity to testify.