National WOMEN'S BUSINESS Council

1993 Annual Report
to
The President
and
Congress

'The National Women's Business Council shall ensure the full participation of women business owners in the free enterprise system by identifying and vigorously promoting their interests in ways that can be measured'

Mission Statement
National Women's Business Council

THE WHITE HOUSE

WASHINGTON

March 25, 1994

Since its inception in 1988, the National Women's Business Council has been instrumental in promoting the interests of our nation's female entrepreneurs. Now the fastest growing sector of America's small business community, women-owned firms owe a debt of gratitude to the members of the NWBC for their hard work and dedication. On behalf of all Americans who have benefited from the new jobs and opportunities that you have helped to create, I commend you for your outstanding service.

Bill Clinton

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National Women's Business Council

NWBC
National Women's Business Council

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MR. PRESIDENT AND MEMBERS OF CONGRESS:

1993 was a year of transition in Washington. New leadership moved into the White House, and with the new Administration came a commitment for change. The year also saw a renewed commitment from the Clinton Administration to enact policy and regulatory changes to increase opportunity for small business.

The National Women's Business Council moved quickly to ensure that the unique needs of women business owners were considered as key public policy issues such as health care reform, reinventing government, reform of the Community Reinvestment Act, economic stimulus legislation, and passage of the North American Free Trade Agreement (NAFTA) were debated.

A series of hearings on international trade early in the year became an opportunity to demonstrate the importance of the global marketplace to the success of women-owned businesses and a forum for discussion on the role of NAFTA in opening up that marketplace. By the time of the Congressional vote on NAFTA at year's end, a poll indicated that 84 percent of women business owners supported the agreement; the Council is pleased that it was able to contribute to the successful outcome of this debate.

1993 was also a year of transition for the National Women's Business Council. President Bill Clinton appointed Mary Ann Campbell, CFP, President of Money Magic, Inc., of Little Rock, Arkansas, Council Chair and Secretary of Commerce Ronald H. Brown as Vice-Chair. With Congressional reauthorization of the Council late in the year, Congress and the Administration reaffirmed their commitment to the work of the NWBC. According to Commerce Secretary Brown:

> "The Administration's support that led to reauthorization of the National Women's Business Council keenly demonstrates our firm commitment to the issues facing women business owners. I look forward to working with the Council as we address barriers confronting entrepreneurial women, particularly access to capital and procurement."

Throughout 1994, the NWBC will increase its participation in deliberations on these and other public policy issues of importance to women business owners. In addition to the series of recommendations that we include with this report, we will look for opportunities to make additional recommendations to you in the coming year.

To prepare for the challenges of 1994 and beyond, and to ensure that scarce resources are directed to the most urgent issues, the Council in 1993 prepared a strategic plan. The result of input from a broad circle of experts and women entrepreneurs, the plan established priorities, goals and strategies for the Council, and identified two priority issues on which the NWBC could have maximum impact: increased opportunities for federal and private contracting (procurement) and financing (access to capital) for women business owners.

As the growth in women-owned businesses continues to exceed the growth of small business in general, a great deal of work remains to be done. One of the major barriers that still confronts the Council as it works to fulfill its mission is the lack of timely and reliable data on women and their businesses. For the first time, the 1992 census includes data on this rapidly growing sector of the small business community. Unfortunately, even these data will not be available until 1995, and the critical analysis of the data will not be completed until the following year, so we must redouble our efforts to develop an accurate profile of women business ownership as we move into the twenty-first century.

We believe that the Council, in its role as advisor to the President and to Congress, is in a unique position to identify and promote private sector programs that have been successful in encouraging women entrepreneurs. In 1994, we will work actively to identify and nurture coalition relationships with other women's groups, and to develop collaborative relationships with advocacy organizations that represent, support and study women business ownership.

We would like to express our appreciation to President Clinton, to Commerce Secretary Brown, to the U.S. Small Business Administration, and to the Board of Governors of the Federal Reserve for their enthusiastic support of and participation in our programs, and to the many individuals and organizations from state and local government and the private sector who have helped us in our efforts to date.

This year of transition has been valuable as it has empowered us to reaffirm our mission and to redirect our efforts toward the Administration's agenda to embrace change. In fact, women business owners' capacity to embrace growth and change is part of the reason they are becoming an economic force in asset building and in jobs creation. We are committed to meeting the goals and implementing the plans we have set for ourselves in 1994.

National Women's Business Council
December 1993

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1993 RECOMMENDATIONS

TO

THE PRESIDENT

AND TO CONGRESS

'In the last 20 years American women have rejuvenated the U.S. economy by doubling the size of its pool of talented entrepreneurs and workers. This nation's women are its single most important edge over its major industrial rivals'

Mary Ann Campbell, CFP
Chair, National Women's Business Council
President, Money Magic, Inc.

★ *PROCUREMENT*

To Preserve and Increase Access to Procurement Opportunities for Women Business Owners from the Federal Government and All Grantees that Receive Federal Money:

1. **Expand access to all federal government-funded contracts and subcontracts for all small businesses, including women-owned businesses which have been under-utilized in the past, by eliminating burdensome requirements that have the effect of discriminating against small and women-owned businesses.**

2. **Establish mandatory prime and subcontracting goals for women for all federal government-funded contracts and for all recipients of federal funding. These goals would not compete with or reduce minority set-asides or goals.**

3. **Establish a pilot program that would target specific civilian agencies for aggressive outreach/contract award initiatives to identify women contractors to bid on contracts.**

4. **Adopt a single uniform definition of a woman-owned business for procurement purposes. In its 1992 Annual Report, the Council recommended the following definition:**

   A woman-owned business is a business concern with at least 51 percent unconditional ownership and control by a woman or women. Such unconditional ownership must be reflected in the concern's ownership agreement; and the woman, or women, must manage and operate the business on a daily basis.

   <u>Joint Venture Agreements</u>

   A woman-owned business must control the performance of the contract awarded to the joint venture for the venture to qualify as a woman-owned business.

   <u>Subcontracting</u>

   A business concern shall not be qualified as a woman-owned business unless it meets the criteria mentioned above and it controls a significant portion of its contract with its own facilities and personnel.

Control and Management

An applicant concern's management and daily business operations must be controlled by a woman or women. An applicant concern must be managed on a full-time basis by one or more women. The U.S. Small Business Administration will consider, on a case-by-case basis, the actual management involvement of women in the applicant concern. A woman must hold the highest ranking in the organization.

The woman or women shall control the Board of Directors of the applicant concern, either in actual numbers of voting directors or through weighted voting. Men may be involved in the management of an applicant concern, and may be stockholders, partners, officers, and/or directors of such concern. However, these men may not exercise actual control or have the power to control the applicant concern.

Franchise and License Agreements

In determining whether the franchisor controls, or has the power to control, the restraints relating to standardized quality, advertising, accounting format and other provisions imposed on a franchisee by its franchise agreement shall generally not be considered, provided that the franchisee has the right to profit from its efforts and bears the risk of loss commensurate with ownership. Even though a franchisee may not be controlled by the franchisor by virtue of such provisions in the franchise agreement, control could arise through other means, such as common ownership, common management or excessive restrictions upon the sale of the franchise interest.

Rationale:

It has been Congress' intent, as evidenced in the many bills it has passed in the last five years, to direct the government to balance the need for streamlined procurement with an important socio-economic concern: insuring that small businesses, minority-owned businesses and women-owned businesses are not shut out of the market. The stakes for federal small business contractors are high, since studies have shown that winning federal government contracts greatly increases the chances for a firm's survival.

Many, but not all, women-owned businesses qualify as small businesses. Thus, efforts to assist small business in the procurement process -- through increasing the number of contracts targeted for small business, streamlining the procurement process and institutionalizing the use of electronic contracting -- also will assist small women-owned businesses. The NWBC is particularly excited about the Electronic Data Interchange program and recommends that this program include both electronic notice and electronic bidding. We also believe that the data base must be compatible from agency to agency and from procurement center to procurement center.

A recent pilot program undertaken within the Department of Defense showed a dramatic increase in awards to small business and, most notably, a sharp increase in the number of contracts awarded to women-owned businesses.

The Council believes that the time has come for Congressionally mandated contracting and subcontracting goals for women-owned businesses because, after more than a decade of voluntary Executive Branch goal-setting, a recent study prepared for the Small Business Administration showed that only where there have been legislated preferences have women-owned businesses made substantial gains.

We know that there are sufficient numbers of women business owners eager to do business with the federal government. But the system is not accommodating them. In fiscal year 1992, only 1.6 percent of all federal procurement dollars were awarded to women-owned businesses. Preliminary data for FY 1993 show little improvement.

Increasing access of women business owners to federal procurement is good not only for the women business owners, it is good also for the economy. In its landmark hearings that led to enactment of the legislation that established the Council, the House Committee on Small Business concluded:

> "It is impossible to overestimate the social and economic importance of this new economic reality .... Women-owned businesses may provide the cutting edge -- and the American advantage -- in the worldwide economic competitiveness fast upon us. The loss to the Nation would be incalculable were public policy makers not to foster this development to the fullest extent possible."

However, goals alone are not enough. They are merely the beginning of the process. Evidence compiled by the Small Business Administration's Office of Women's Business Ownership suggests that agencies with a commitment from the top and a person dedicated to outreach to women-owned businesses produce significant increases in actual contract awards. Thus, the Council recommends an intensive outreach and contract award initiative that really works to bring women-owned businesses to the bidding table.

In its 1992 Annual Report to the President and Congress, the Council recommended adoption of a single uniform definition of women-owned businesses for procurement purposes. We repeat that recommendation this year. Women business owners have told us of their frustration in identifying and qualifying for government set-asides and incentives to small and disadvantaged businesses. Even federal agencies are not consistent in their definitions, and each state develops its own guidelines. We believe the federal government must set the standard for procurement purposes, and that this standard also should apply to federal data collection efforts.

Procurement reform legislation introduced in the first session of the 103rd Congress included a number of additional proposals that the Council endorses:

- ★ Designate women-in-business specialists in all agencies to work closely with the Office of Women's Business Ownership in the Small Business Administration.

- ★ Require all procurement officials to engage in affirmative action to identify and solicit offers from small businesses owned and controlled by women or by socially and economically disadvantaged individuals.

- ★ Congressionally mandate establishment of the Office of Women's Business Ownership in the SBA.

- ★ Require the Director of Federal Procurement Policy to develop policies to ensure that small businesses owned and controlled by women or by socially and economically disadvantaged individuals be provided with "maximum practicable opportunities" to contract and subcontract.

- ★ Require a study and report by the Director of Federal Procurement Policy, the Government Accounting Office, or the Comptroller General on progress to ensure that the number of small businesses owned and controlled by women or by socially and economically disadvantaged individuals receiving federal contracts and subcontracts increases significantly.

- ★ Make effectiveness in outreach to small businesses owned and controlled by women or by socially and economically disadvantaged individuals one of the elements of the performance evaluation of government contracting officers.

★ *ACCESS TO CAPITAL*

To Increase Access to Capital:

1. **Create a Small Business Investment Company (SBIC) which would target investments to women's business enterprises.**

2. **Develop an education and awareness program for policy makers on the range of options available to address the capital and credit needs of women-owned businesses, and a program to educate corporations, banks, lenders and other investors on the value of and need for business development programs for women.**

3. **Enact guidelines or incentives that will encourage banks and other institutional investors to make investments in intermediary organizations that target low- and moderate-income women and minorities for entrepreneurial training, technical assistance and financial services.**

4. **Expand current data collection requirements for large and small banks to include race, gender and income levels of borrowers, as currently is required of 9,000 banks and mortgage lenders under the Home Mortgage Disclosure Act (HMDA). Collect information on patterns of lending and investment activity benefiting women-owned businesses.**

5. **Creation of new instruments to be sold in secondary market for small business loans as a way to boost the flow of capital to women entrepreneurs and all small businesses.**

Rationale:

Concerns of women business owners have changed in the last several years. For many years these women and their advocates worked to remove discriminatory barriers that blocked access to credit. While not forgetting the importance of fighting gender discrimination, today women business owners are working proactively to promote new approaches to ensuring access to credit for all types of women-owned businesses, and to ensure that this information reaches the women business owners who need it, the financial industry that is in a position to provide it, and the policy makers who can work to expand it.

The economic boom of the 1980s spawned a series of innovations in business capital and credit formation. Bank mergers and acquisitions supplanted the traditional community-based lending network. The 1980s also saw the creation of non-bank financing opportunities designed to meet entrepreneurial needs that banks were unable or unwilling to service. Venture capital emerged as a significant tool, expanding beyond its traditional niche in high-tech industries into other emerging business areas.

Financing programs and products exist for women entrepreneurs, whether they are starting new enterprises, trying to grow their business, or planning for major expansion. What do not exist, however, are data that show women business owners as consistent users of lender services, or clear information on how well women business owners are being served by lenders.

The majority of women-owned businesses are in the service industry. And traditional ways in which banks measure credit worthiness do not apply to this sector because banks have traditionally required collateral as security for a business loan. Service-related businesses have little or no assets to be used as collateral. To overcome this barrier, banks will have to restructure the methods by which they qualify applicants for a loan, or new sources of capital must be identified to meet this growing demand.

Given the fundamental structural barriers that impede the flow of capital to small businesses, facilitating the development of a secondary market for small-business loans would free up more capital as banks pooled their loans while providing investors with attractive new opportunities aimed at fueling economic growth.

Small Business Investment Companies (SBICs), which exist to supply equity capital, long-term loans and management assistance to qualifying small businesses, may be one source of capital for women-owned businesses. The privately owned and operated SBICs use their own capital and funds borrowed from the U.S. Small Business Administration to provide financing to small businesses in the form of equity securities and long-term loans.

And as additional options for access to capital are identified, another challenge emerges: disseminating information to a variety of audiences about the range of financing options available, specifically noting those that might be appropriate for particular types of women business owners. Initiatives that would further this education process include:

- ★ Awareness and information programs to help financial institutions understand specific characteristics of women-owned businesses, which often are incorrectly viewed as riskier than other business ventures. Also, information programs on the viability of character-based lending, enterprise development experience and innovative financing programs. Financial institutions need to become aware that lending to women-owned businesses can be profitable, and that it is their responsibility to open new routes of credit for these businesses.

- ★ Education and awareness programs for policy makers on the range of options available to address the capital and credit needs of women-owned businesses. Also, programs to leverage public and private sector resources to ensure that women business owners have access to the best options throughout the country.

- ★ Programs to educate corporations and private and public foundations on the value of and need for business development programs such as SBA's Office of Women's Business Ownership's Demonstration Programs.

★ *DATA COLLECTION*

To Improve the Quality and Quantity of Data Collected on Women-Owned Businesses:

1. **Require the Census Bureau to conduct an annual study to document the growth trends of women-owned businesses, including characteristic information such as revenues and number of jobs provided.**

2. **Require the inclusion of gender as a variable in all federal surveys, studies and censuses.**

Rationale:

Throughout this report, virtually all of the barriers to success of women-owned businesses and the recommendations to remove those barriers reference the dearth of consistent and reliable data on women-owned businesses. John Dodds and Donna McCutcheon of the Enterprise Statistics Branch of the U.S. Bureau of the Census told a work session on "Statistics of Women" that:

> "Sources of data on women-owned firms are generally limited in coverage, scope, or timeliness. Comparability among existing data programs is limited and combining data from various sources obtains only an imperfect picture of the overall women-owned business population."

A report released in 1992 by the National Foundation for Women Business Owners estimated that women-owned firms provide more jobs to the American economy than all the Fortune 500 firms combined. However, there currently are no official data showing the important contributions and economic trends of women business owners.

For the first time, the 1992 census of business includes data on this rapidly growing segment of the American economy. However, that tabulation will not be available until 1995, and the critical analysis of the data will not be completed until the following year. Only by directing the Census Bureau to institute more accurate and timely data collection, and by requiring that all federal surveys, studies and censuses include gender identification as a variable will we begin to get a consistent understanding of the scope and nature of women-owned businesses in the United States.

This information will help us make projections and develop policy recommendations that will be needed for decision-making in the years 2000 and beyond.

THE COUNCIL IN 1993:

A YEAR OF TRANSITION

★ *NWBC ADOPTS A STRATEGIC PLAN*

Action Agenda Calls for Focus on Key Issues

When Bill Clinton took the oath of office as President of the United States on January 20, 1993, he committed his Administration to changing the way government works, to ensuring that it works for the people who elected him. With the change in Administration came change at the National Women's Business Council.

Two months after President Clinton was sworn in, he appointed Council member Mary Ann Campbell, CFP, of Little Rock, Arkansas, as Council Chair. Shortly thereafter, Secretary of Commerce Ronald H. Brown was appointed Vice-Chair.

Soon after her appointment as NWBC Chair, Mary Ann Campbell met with U.S. Small Business Administrator and NWBC Council member Erskine Bowles to review the Council's agenda for the 103rd Congress. From that meeting came a recommendation that the Council identify "measurable goals" that could be accomplished within a limited time frame and with scarce resources -- a task entrepreneurs are faced with every day of their lives.

> 'We know how critical women business owners are to the economic strength and stability of our country'
>
> Erskine Bowles
> SBA Administrator

With input from a broad circle of experts and women entrepreneurs, the Council developed a strategic action plan. Twenty-seven women representing women's business organizations nationwide convened in Washington, D.C., in late August to brainstorm priorities, goals and strategies for the next two years, and to identify programs on which the NWBC could have maximum impact.

NWBC members returned to Washington in September to refine further the ideas developed at the August meeting. The strategic plan that resulted from that meeting was approved formally by the NWBC at its September 29 public meeting. The plan recommended that in the limited time available to the Council, and in light of its limited resources, the NWBC focus its attention on two key areas: increased opportunities for federal and private contracting (procurement) and access to capital specifically targeted to women business owners.

New Mission

The Strategic Plan incorporated a new mission statement for the Council:

> "The National Women's Business Council shall ensure the full participation of women business owners in the free enterprise system by identifying and vigorously promoting their interests in ways that can be measured."

To fulfill this new mission, the Council agreed to take on a variety of responsibilities:

★ To collect, review and analyze data and information on barriers to full economic participation by women business owners.

★ To develop recommendations for increased business opportunities in both the public and private sectors.

★ To actively promote these recommendations and monitor their status.

The plan recognized the Council's unique role as an advisor to the President and to Congress on issues of woman-business-ownership and proposed to take advantage of that role to bring together public and private constituents to develop and implement programs designed to increase the contributions of women business owners to the nation's economy.

An Action Agenda

The plan proposed to develop measurable action plans, identify key issues affecting women-owned businesses, and to present women business owners' positions on key initiatives to open up the public and private sectors to include women-owned businesses and to create new opportunities for such businesses in these sectors. To carry out this agenda, the Council will focus on implementing many of the findings and recommendations that have emerged from hearings, workshops and other policy discussions sponsored by the NWBC in the first years of its existence.

Major issues for the NWBC to address include:

★ Procurement. The Council will work to implement recommendations to increase access for women to procurement opportunities in the public and private sectors. Many of these recommendations were developed in the first five years of the Council's existence, when the NWBC aggressively sought input from women business owners and organizations representing them.

★ Financing. The Council will complete the series of workshops on access to capital that began in 1993. These policy workshops will focus not only on obstacles confronted by women entrepreneurs seeking financing to launch or expand their businesses, but also on opportunities to overcome these obstacles and examples of how women are seizing those opportunities.

★ Reinventing government. Recognizing the opportunities that the Administration's proposals to "reinvent government" present for women business owners, the Council will focus its attention on ensuring that these proposals respond to emerging trends in new business creation among women entrepreneurs, so that the system is opened up to include underserved populations -- small business owners who also are women.

Findings and results from these efforts will be published as a major report from the Council, for dissemination not only to the President and to Members of Congress, but also to private sector businesses and the press.

NWBC as a Representative of Women Business Owners

In addition to assuming the role of catalyst on the issues of procurement and access to capital, the Council's 1993-94 Strategic Plan also called for it to play a pro-active role in identifying and speaking out on other issues of concern to women business owners, and to position itself as a source of information on the impact of legislative and regulatory decisions on women-owned businesses.

The plan called for the Council to develop and maintain strong relationships with other women's groups, and to develop collaborative ties with organizations that represent, study and support women business owners.

Finally, the plan recognized the importance of communications to the success of the Council, and calls for implementation of a comprehensive, ongoing strategic communications plan to:

★ Increase awareness of women-owned businesses and their issues among policy makers at all levels, with financial institutions and with corporate leaders;

★ Raise awareness among women business owners about the Council and its activities, so women may benefit from the Council's programs and support its actions; and

★ Foster the development of an advocacy network for women business owners.

★ *PROCUREMENT*

Small Business Administration Study Finds Substantial Gains Only with Mandated Preferences

After more than a decade of voluntary Executive Branch goal-setting, a study released by the U.S. Small Business Administration in 1993 concluded that only where there have been legislated preferences have women-owned businesses made substantial gains. According to the study,

> "It is likely that large numbers of minority- and women-owned firms would be able to provide goods and services to the federal government given additional outreach or incentive programs."

Anecdotal information collected by the NWBC and the National Association of Women Business Owners ring with stories of women-owned businesses having to hire male contracting officers to negotiate with contracting officials of the federal government. In fiscal year 1992, only 1.6 percent of all prime federal procurement dollars were awarded to women-owned businesses. Preliminary data for FY 1993 show little improvement.

Several bills have been introduced in Congress to streamline the federal procurement process. Each of these represents an opportunity for the NWBC to ensure implementation of its recommendation for a standard definition of a woman-owned business, and for reform of federal procurement standards to open the system to women entrepreneurs. Proposed legislation includes:

★ H.R. 2357, the "Women's Business Procurement Assistance Act of 1993." Introduced by Rep. John LaFalce, Chairman of the House Committee on Small Business, this bill would codify "good faith efforts" for all U.S. government agencies to contract with small business concerns owned and controlled by women. It would designate a Women-In-Business specialist in each agency to implement programs to assist women-owned businesses; it would institutionalize the Small Business Administration's Office of Women's Business Ownership; it would require the General Accounting Office to report to Congress on the number of women-owned businesses awarded federal contracts over the next three years.

★ H.R. 2238, the "Federal Acquisition Improvement Act of 1993." Introduced by Rep. John Conyers, Chairman of the House Committee on Government Operations, this legislation would implement procedures to reduce impediments in agency procurement policies and practices. It would revise the Federal Acquisition Regulation to include simplified uniform contracts for the acquisition by federal agencies of commercial items. It also would raise the simplified acquisition threshold from $25,000 to $100,000.

★ S. 1587, the "Federal Acquisition Streamlining Act of 1999." Introduced by Sen. John Glenn of the Senate Committee on Government Affairs, this comprehensive procurement reform bill incorporates recommendations from the National Performance Review. It would strengthen the competition process by increasing the use of streamlined acquisition procedures. Federal agencies would be encouraged to purchase commercial items wherever possible, thus avoiding detailed design specifications and product testing. The small purchase threshold would be raised to $100,000 to simplify the procurement process.

Each of these bills, as well as other efforts by the Clinton Administration and by Congress to "reinvent government," present opportunities to increase access of women business owners to federal procurement contracts and funding, and to streamline current burdensome requirements that have the effect of discriminating against small and women-owned businesses.

★ *ACCESS TO CAPITAL*

A Roundtable Policy Discussion
Richmond, Virginia
September 28, 1993

The National Women's Business Council sponsored its first policy discussion on Access to Capital in Washington, D.C., in 1992, in conjunction with the U.S. Small Business Administration and the Federal Reserve Board. Symposium participants -- experts in banking, investment and women's business enterprise, along with government officials -- examined the current environment for financing women-owned businesses and explored financing options. Among the recommendations to emerge from the symposium was that direct interaction between women business owners, lenders, the government and private sector advocates continue.

As a result of this recommendation, the Board of Governors of the Federal Reserve Board agreed to cosponsor additional workshops on Access to Capital in 1993-94. The first of this series took place September 28 in Richmond, Va. More than 70 participants, drawn from the region served by the Federal Reserve Bank of Richmond -- Virginia, West Virginia, North Carolina, South Carolina, Maryland and Washington, D.C. -- participated in six roundtable discussions.

Agreement on Priorities

Issues addressed during the roundtable discussions included continuing education and training, the frustration of government loan program applications and regulatory requirements, limitations on and responsibilities of traditional lenders, use of public-private financing ventures to fill the gaps, and the need for a comprehensive look at funding options outside traditional sources.

Following the discussions, participants convened for a summary session and agreed on two priorities:

1. Women business owners need specific feedback about why their loans are being denied. They need to know why they do not fit the profile used by bankers to evaluate credit worthiness. Lenders, on the other hand, feel they are restricted by law from providing this information.

   Certain statutes regulating the banking industry may in fact make a bank liable for the failure of a business to which it has loaned money, or may put the bank at risk of having to defend a lawsuit if the applicant, having been turned down once, reapplies after making recommended changes and is rejected a second time.

2. Banks and borrowers both complained about the overwhelming amount of paperwork required for the Small Business Administration loan guarantee application process. Banks indicated that the paperwork burden has discouraged most of them from participating in the program; borrowers say it has deterred many of them from applying.

   Streamlining paperwork requirements and pre-certifying borrowers, perhaps through an electronic screening process, could increase the popularity and success of this and other government loan programs for small businesses.

Additional Workshops Scheduled for 1994

This first of a series of workshops on Access to Capital succeeded in fostering an understanding among women business owners and bankers the opportunities and limitations of the traditional sources of lending. Participants also acknowledged an increased respect for and appreciation of the others' needs and goals.

Findings from this workshop, along with those from additional workshops to be held in 1994, will be incorporated into a report to the President and to Congress on "Building a Financial Ladder for Women-Owned Businesses."

★★★★★★★★★★★★★★★★

Despite Improvements,
NFWBO Survey Finds
Significant Barriers Remain

As 1993 began, the National Foundation for Women Business Owners (NFWBO) estimated that the more than 6.5 million women-owned businesses in the United States employed more people than all of the Fortune 500 companies combined. Despite the significant growth in recent years among women-owned businesses, owners continue to face significant barriers in identifying and obtaining the financing they need to operate and expand their businesses.

Nearly 40 percent of NFWBO members responding to the biennial survey cited availability of capital as the most significant barrier to growth. Survey results, released in 1993, indicated that two-thirds of women business owners had difficulty working with their financial institutions. The Foundation noted that women-owned businesses are 22 percent more likely to report problems dealing with their bank than businesses at large.

> *Fully one-third of women business owners perceive some degree of gender-based discrimination in obtaining capital to finance or expand their business*

Specific problems that women business owners reported in working with their banks to obtain financing included:

- ★ need for more assets (28%)
- ★ need for greater collateral (23%)
- ★ limited track record (22%)
- ★ banks' limited experience dealing with service businesses (21%)

Women also reported significant problems dealing with loan officers. One-fifth of survey respondents -- 20 percent -- reported that their loan officer insisted on a spouse's signature to obtain a loan. Fourteen percent said they thought the mere fact that their business was woman-owned was an impediment to obtaining financing. In other words, one-third of women business owners perceive some degree of gender-based discrimination as they seek capital to finance or expand their businesses, according to the NFWBO survey.

Three-fourths of all women-owned businesses have sought short-term financing within the last year. The most popular type of short-term financing used by women business owners is credit cards. In fact, women-owned firms, at 52 percent, are much heavier credit card users than other small firms (at 18 percent), most of whom rely on bank loans and vendor credit.

The NFWBO survey noted that women-owned businesses are growing at a faster rate than the national average, despite these barriers to obtaining capital. Continued efforts to remove the barriers, NFWBO concluded, "would encourage even stronger growth in this important sector, and would result in much greater economic growth throughout the economy."

★ *DATA COLLECTION*

Women continue to go into business in unprecedented numbers; they are starting businesses at least one-and-one-half times the rate of men. In 1992, the National Foundation for Women Business Owners released the results of economic research it commissioned from Cognetics, Inc., an economic research firm. That research indicated that women-owned firms provide more jobs to the U.S. economy than all the Fortune 500 firms do worldwide.

The NFWBO/Cognetics research -- which the NFWBO pledges is just the first step in an ongoing initiative to collect and disseminate statistical information on women-business owners -- represents an important step in quantifying this increasingly important segment of the American economy. According to a fact sheet released by the Foundation:

★ The 6.5 million women-owned businesses in 1992 provided jobs for more than 11 million people. Their stability is reflected in the fact that these businesses are less likely than all businesses either to grow rapidly or to decline.

★ More than 40 percent of these businesses had been operating for 12 years or more, and in every industrial sector including manufacturing, agribusiness, retail, as well as high-growth industries such as health, business and professional services.

★ These businesses continue to expand. Over the last several years, as the largest corporations in the nation were reducing their workforces in record numbers, 25 percent of women-owned businesses were adding employees.

The NFWBO research, released in 1992, was the first true measure of the extent of women-owned businesses in the U.S. economy. It is notable that also in 1992, a Presidential initiative to improve the country's economic statistics omitted any mention of women business owners.

While the ongoing research conducted by the National Federation for Women Business Owners is a key component to any comprehensive analysis of the economic contributions of women businesses, the federal economic statistics are the numbers that move the economy nationally and internationally. For the first time, the 1992 census of business will include data on women-business owners. Unfortunately, this tabulation will not be available until late 1995; critical analysis of the data will not be completed until 1996.

Policy makers, researchers and the business community must have access to the highest quality and most comprehensive statistics possible if they are to make informed decisions about this country's future. Only by directing the Census Bureau to institute more accurate and timely data collection, and by requiring that all federal surveys, studies and censuses include gender identification as a variable will we begin to get a consistent understanding of the scope and nature of women-owned businesses in the U.S.

★ *HEARINGS ON WOMEN IN INTERNATIONAL TRADE: LATIN AMERICA AND THE PACIFIC RIM*

San Diego, California
and
Tijuana, Mexico
March 24 - March 26, 1993

Recognizing the importance of international trade opportunities in the growth and success of women-owned businesses, the Council in March convened three days of hearings to identify successful strategies to encourage and support women entrepreneurs in the global marketplace, and especially in Mexico and other Latin American countries, as well as the Pacific Rim.

Experts from industry, academic and government trade promotion agencies joined with women business owners for the symposia. The Tijuana Chamber of Commerce, CANACO, hosted the first day, which featured a panel on the North American Free Trade Agreement and the emergence of a trade triangle between the United States, Latin America and the Pacific Rim. The final two days of hearings were held at the University of California at San Diego.

Finding Answers

Obstacles and solutions to key issues were identified, developed and reviewed during the sessions. Among the issues confronted:

- ★ The importance of considering foreign governments and foreign banks as possible sources of financing.
- ★ Joining with other women-owned businesses to create alternative financing by pooling funds.
- ★ Using networking relationship skills that are often uniquely a woman's to one's advantage so long as the technical skills and language abilities exist to deal effectively with the needs of international consumer markets and clients.

As the wisdom of U.S. support for NAFTA was debated publicly and emotionally throughout the country, women business owners emerged as some of NAFTA's strongest supporters

★ Taking advantage of the cultural diversity in the U.S. by developing resource centers with expatriates or immigrants from other countries.

As a result of these hearings, the Council became a leading resource and leader in demonstrating to women business owners nationwide the benefits of participating in trading blocs to increase share in the global marketplace.

A Force in the NAFTA Debate

At year's end, as the wisdom of United States support for the North American Free Trade Agreement (NAFTA) was debated publicly and emotionally throughout the country, women business owners emerged as some of NAFTA's strongest supporters. A poll conducted for the National Association of Women Business Owners shortly before Congress voted on the agreement indicated that 84 percent of women business owners supported NAFTA.

In drawing attention to the importance of international trade in the success of women-owned businesses through programs such as the San Diego/Tijuana conference, the NWBC made a major contribution to the historic developments affecting the way America does business.

★ *OTHER ADVANCES FOR WOMEN BUSINESS OWNERS*

In the Private Sector

Creation of the Capital Circle. Possibly the most promising advance for women entrepreneurs in 1993 was the announcement late in the year that a group of leading investors has formed a national organization to increase dramatically the flow of capital to women-led businesses. That organization, the Capital Circle, held its first membership conference in Washington, D.C., in October.

"By bringing together the key influencers in various areas of finance, we will design initiatives which break through the obstacles which now prevent women-led business from obtaining capital," said Judy Mello, co-chair of the Circle and Managing Director of Cambridge International Partners of New York.

Included among the Capital Circle's initial membership are private investors, representatives of institutional investment and venture capital companies, and members from family offices, investment advisory firms, government programs, women's organizations, banking, accounting and law firms.

The Circle's goal is to begin channeling capital to women-led businesses by the first quarter of 1995. It plans to stimulate investment in women-led businesses in every stage of development, including start-ups, initial public offerings, businesses needing private capital placements and women-led companies that are publicly traded.

Illinois Women's Economic Development Summit. On July 28, 1993, nearly 150 people convened in Chicago to create an agenda of public, private and fiscal policies to advance women's business development and employment opportunities. Participants developed strategies to:

- ★ Increase the number of women in policy and decision-making roles;
- ★ Expand women business owners' access to capital;
- ★ Remove barriers to home-based businesses;
- ★ Develop women's business opportunities with the public and private sectors;
- ★ Provide access to and resources for women business owners interested in growing their businesses;

- ★ Increase the availability of and women's access to quality training;
- ★ Increase non-traditional employment opportunities for women; and
- ★ Expand career mobility and ensure employment rights.

A summary of the economic development summit recommendations, together with a directory of organizations working on women's economic issues, is being developed and will be promoted through the press, in briefings with public officials and in testimony.

In the Public Sector

Councils organized by state legislatures in California and Colorado to promote business ownership by women pushed forward with aggressive agendas of their own.

The California Council to Promote Business Ownership by Women held its first meeting in September. The 11-member Council was organized to review and recommend policy on:

- ★ The status of women-owned businesses in the state, including barriers that hinder the entry of those businesses into the mainstream of the California economy.
- ★ The role of state and local governments in assisting and promoting women-owned businesses.
- ★ Data collected by public and private sector entities relating to women-owned businesses.
- ★ Other government initiatives that may exist relating to women-owned businesses, including, but not limited to, those relating to state and local procurement.

The Colorado Women's Economic Development Council, appointed by the governor to advance the economic status of women in the state, committed to:

- ★ Marketing a new capital program statewide to enhance the access of women business owners to capital for business start-up and expansion.
- ★ Developing baseline data about women-owned businesses in Colorado.
- ★ Supporting the creation of a full-time, statewide Women's Business Office.
- ★ Sponsoring a statewide summit to create an action plan for the Council, to increase its visibility as a source of information, advocacy and resource coordination for women-owned businesses.

★ Disseminating information on technology training available to women business owners, and working with lead agencies to develop appropriate training programs.

Legislatures in other states also have demonstrated a heightened awareness of the importance of women's business development. In 1994, we anticipate that initiatives will be proposed in other states to promote entrepreneurial efforts by women.

In the Public Policy Arena

To ensure that the concerns of women-business owners are considered before major public policy initiatives are announced, the women's business community in 1993 provided input from the perspective of women-owned businesses on:

★ Health Care Reform. As the White House Task Force on Health Care Reform crafted the Administration's overhaul of the nation's health care system, Council members and staff met with White House staff to ensure that the new system would be tolerant and sensitive to the needs of small businesses. As the debate moves to Congress for 1994, the NWBC will offer comment on reform initiatives, focusing on the unique perspective women business owners bring to this issue. The Council also will encourage other organizations in the women's business community to provide comments.

★ Reform of the Community Reinvestment Act. The Administration sponsored a series of field hearings in 1993 to obtain comment on the Community Reinvestment Act (CRA), which is designed to ensure that financial institutions meet the needs of the communities in which they serve. The women's business community weighed in on the importance of making changes in this and other banking regulations to increase investment to under-served small, women- and minority-owned businesses. Toward the end of the year, the Clinton Administration proposed revisions to the CRA; the National Women's Business Council will review the proposed revisions and consult with appropriate regulatory agencies to determine how the changes will affect the interests of women business owners.

1994 AND BEYOND:

TAKING ACTION

'Women-owned businesses employ more people in the U.S. than the Fortune 500 companies do worldwide.'

"Women-Owned Businesses: The New Economic Force"
Published by the National Foundation for Women Business Owners

★ *LOOKING TO THE FUTURE*

The Council looks to 1994 as a year of enormous challenge, as it works to implement the ambitious goals set forth in its strategic plan. The year also presents great opportunities:

Improving Opportunities in Federal and Private Contracting (Procurement)

★ The Council will develop and promote action plans to increase women-owned business participation in government contracting. Our goal is at least to double federal procurement to women-owned businesses by FY 1996.

★ The Council will develop model legislation to preserve and increase women-owned businesses' share of federal procurement and access to procurement opportunities. Using this model as a guide, we will offer testimony and written comment on proposals for procurement reform and identify opportunities to incorporate language from the model legislation in these proposals.

★ The Council will work to encourage increased participation by women-owned businesses in corporate procurement. By the end of 1994, we will obtain written commitments from at least 50 Fortune 500 corporations to increase procurement to women-owned businesses.

Removing Barriers to Access to Capital

★ The NWBC will complete the series of workshops on Access to Capital that began in Richmond in September 1993. The Federal Reserve Bank in Chicago already has agreed to host one of the remaining workshops, concentrating on equity funding.

★ We will compile the results and recommendations from these workshops, and, with other public and private sector data and research, develop a compendium of financing options available to women business owners. The report also will detail current public and private initiatives to provide financing for women business owners, showcasing the most effective ones, identifying gaps and offering recommendations on how to encourage innovators.

★ The Council will make specific recommendations to the Federal Financing Institutions Examination Council to increase the number of loans provided to small business owners and to make changes in bank examiner practices regarding loans.

★ The Council will develop and strengthen relationships with the network of organizations that provide support to women-owned businesses. One of our first efforts in 1994 will be to establish an ongoing collaboration with the Capital Circle, non-profit membership network of investors from across the United States organized to increase dramatically the flow of capital to women-led businesses.

Through relationships such as these the Council can become a conduit of information between the public sector, private sector organizations that support women-owned businesses, and the businesses themselves.

Speaking Out on Public Policy Issues

In addition to its priority focus on procurement and financing issues, the Council actively will seek opportunities to speak out, testify and file comments on the range of issues affecting women-owned businesses. These issues include:

★ Health Care Reform. The NWBC will work to ensure that those considering health care reform legislation recognize that small business owners want to provide health benefits for their employees, and design a system that will be tolerant and sensitive to the concerns of small business owners.

★ Welfare Reform. As the debate progresses on proposals to reform the nation's welfare system, the Council will work to open up the system to include training and development for entrepreneurial activity, so that low-income women are encouraged to consider not only working for someone else, but also working for themselves.

★ Reform of the Community Reinvestment Act (CRA). The Council will submit comments on proposed changes in the CRA. Council comments will focus on the importance of revising lending criteria to encourage greater investment in small, minority- and women-owned businesses.

As comments on these and other issues are submitted, the Council will work to ensure that they are distributed to other groups representing women business owners, so that they, too, can consider offering input.

★ *APPENDIX*

The National Women's Business Council, established by the Women's Business Ownership Act of 1988, reviews the status of women business owners and makes annual policy recommendations to the President and to Congress.

President Clinton appointed Mary Ann Campbell, CFP, of Little Rock, Arkansas, Chair of the Council on March 13, 1993. Secretary of Commerce Ronald Brown was appointed Vice-Chair on April 19, 1993. Of the Council's nine members, six are appointed by Congressional leadership from the private sector and three are public sector representatives who are designated by statute: the Secretary of Commerce, the Administrator of the Small Business Administration and the Chairman of the Federal Reserve Board.

Council Members

MARY ANN CAMPBELL, CFP, CHAIR
President
Money Magic, Inc.
Little Rock, Arkansas

Mary Ann Campbell is a certified financial planner and president of Money Magic, Inc., in Little Rock, Arkansas. Her company provides financial education seminars as a corporate employee benefit. She is a professional speaker who uses magic to deliver her messages. Mary Ann serves on the Arkansas Business and Education Alliance and was a member of Southwestern Bell's Small Business Advisory Panel. Listed as one of America's 200 best Certified Financial Planners, she has won national awards for her Money Magic ETV series. She has been a financial reporter for an NBC affiliate, has hosted a local Money Talk radio program and wrote a Money Magic column for a local newspaper. In 1991 Mrs. Campbell was awarded the SBA Women in Business Advocate for Arkansas. She was Adjunct Assistant Professor in the Economics department of the University of Arkansas at Little Rock for seven years. Mary Ann holds a master's degree from Texas Woman's University, and is an honor graduate of Ouachita University.

RONALD H. BROWN, VICE-CHAIR
Secretary
U.S. Department of Commerce
Washington, D.C.

Ronald H. Brown is Secretary of Commerce. He also serves on the President's National Economic Council and the Domestic Policy Council. He is chairman of the Trade Promotion Coordinating Committee, the co-chair of the U.S. Russia Business Development Committee and the U.S.-Israel

Science and Technology Commission, and leads President Clinton's initiative on the revitalization of the California economy. He also serves on the Board of Trustees for Middlebury College and is chair of the Senior Advisory Committee of the Institute of Politics at the John F. Kennedy School of Government at Harvard University. He also is an elected member of the Council on Foreign Relations.

ERSKINE B. BOWLES
Administrator
U.S. Small Business Administration
Washington, D.C.

As chief executive officer of the U.S. Small Business Administration (SBA), Erskine Bowles directs a comprehensive array of programs and services to promote and expand U.S. small businesses. Prior to his nomination to head the SBA in March 1993 and his confirmation by the U.S. Senate in May 1993, Mr. Bowles served for 18 years as chairman and chief executive officer of Bowles Hollowell Conner & Company, a Charlotte, N.C., investment banking firm. He also has served as president of the Juvenile Diabetes Foundation and a member of the board of visitors of the University of North Carolina, Davidson College and Johnson C. Smith University, as well as a number of private corporations.

DR. SUSAN M. PHILLIPS
Member, Board of Governors
Federal Reserve System
Washington, D.C.

Dr. Susan M. Phillips was sworn in December 2, 1991, as a member of the Board of Governors of the Federal Reserve System, to fill an unexpired term ending January 31, 1998. Prior to becoming a member of the Board, Dr. Phillips served as Vice President for Finance and University Services and Professor of Finance at the College of Business Administration at the University of Iowa. Previously, she served on the faculty at Louisiana State University. She also has been a Brookings Economic Policy Fellow and an Economic Fellow with the Securities and Exchange Commission. In 1981, Dr. Phillips was appointed to the Commodity Futures Trading Commission and became its Chairman in 1983, serving until her resignation in 1987 to return to the University of Iowa. Her areas of specialization include options and commodity futures, financial management and economic theory of regulation.

BARBARA AIELLO
President
Aiello & Company
Kennebunkport, Maine

Barbara Aiello, owner of Aiello & Company Real Estate, is the 1993 President of the Maine Association of Realtors, chairman of its Executive Committee and a member of its Government and Political Affairs and Political Action committees. She also serves on the board of directors of Ocean National Bank and the Kennebunk Rotary Club, and is an advisory board member of the Institute for Real Estate Research and Education at the University of Southern Maine. She is a member of the Kennebunk/Kennebunkport Chamber of Commerce, Kennebunk Downtown Revitalization Committee and Kennebunkport Business Association.

PASTORA SAN JUAN CAFFERTY
Professor
University of Chicago
Chicago, Illinois

Dr. Pastora San Juan Cafferty joined the Council on May 22, 1992. She is a professor at the University of Chicago in the School of Social Service Administration and the School of Public Policy Studies. She has extensive background in public policy and has served on a number of public and private boards, including the Kimberley-Clark Corporation and the Lyric Opera Association in Chicago.

SAUNDRA R. HERRE
President
Herrewood Associates
Racine, Wisconsin

Saundra Herre is president of Herrewood Associates in Racine, Wisconsin. Her company provides management consulting services to small business owners and non-profit organizations in the areas of advertising, marketing and management practices. Ms. Herre is a board member of Wisconsin TCF Financial and was appointed by the Governor as a member of the Wisconsin Jobs Council. She also serves on the board of Big Brothers/Big Sisters and the Center for Community Concerns, and is an advisor and guest lecturer to the business schools of several universities.

BARBARA L. LAUGHLIN
Executive Vice President
Manufacturers and Traders Trust Company
Buffalo, New York

Barbara Laughlin was appointed to the Council on May 22, 1992. She is an Executive Vice President of the Manufacturers and Traders Trust Company in Buffalo, New York. As Director of Technology and Banking Operations, she is responsible for the provision of data processing, telecommunications and centralized services to support the $10 million First Empire State Corporation.

MARILU BARTHOLOMEW MEYER
President and Owner
Castle Construction Company
Chicago, Illinois

Marilu Meyer is the president and owner of Castle Construction Corporation in Chicago, Illinois. Castle Construction is a general contractor that self-performs concrete, masonry, carpentry and decorating services. MBB Construction Group, a Castle subsidiary, serves the industry in the construction management field. The company has performed extensive work for the City of Chicago, O'Hare development projects, Illinois Department of Transportation and Washington Metropolitan Area Transit Authority.

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NWBC Staff:

Amy J. Millman, Executive Director (1993-1994)

Kay McClanahan, Acting Deputy Director (1993)

Juliette Tracey, Deputy Director (1994)

Karen Mahurin, Special Assistant (1993-1994)

Nathaniel Parker, Administrative Officer (1993)

Gilda Washington, Administrative Officer (1994)

★★★★★★★★★★

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