

Analyzing the Economic Impact of the Women's Business Center Program

The U.S. Small Business Administration's Women's Business Center (WBC) program – administered by the Office of Women's Business Ownership since its establishment in 1989 – provides funding to non-profit organizations which provide training and technical assistance to new and nascent women business owners. The program places particular emphasis on reaching out to socially and economically disadvantaged populations. Since the program's inception, it has trained and counseled over 500,000 clients, including over 106,000 in 2003 at 92 women's business centers.

While there is information on the extent of the program's reach, and some anecdotal information about its economic impact, there has not been a systematic analysis of program outcomes and impacts. This study helps to address that gap by: quantifying the economic impact of the program by measuring program outcomes such as businesses and jobs created; identifying factors that can account for success; and by examining whether or not there is a specific type of women's business center that can lead to greater program success.

Background

In Spring 2004 Quality Research Associates (QRA) undertook an analysis of the economic impact of the Women's Business Center (WBC) program. Using primarily the WBC data provided by the Office of Women's Business Ownership (OWBO) for 2001, 2002, and 2003, the analysis focused on both internal and external factors. Internal factors included WBC demographics – geographic location and years a WBC has been in existence – and outcomes – number of businesses started, gross receipts, profits, losses, and new jobs created. External factors included business assistance alternatives, city/town size, race-ethnic composition, and local poverty rates.

Economic Impact

The WBC program has gained great momentum between 2001 and 2003 in terms of clients served, those counseled and trained, gross receipts, profits, the creation of new jobs and new firms started. This investigation uncovered phenomenal growth in both activities and impact:

- Contacts rose 61% and clients served almost doubled (91% increase) from 2001 to 2003.
- From these increasing numbers of nascent and existing entrepreneurs and small business owners, clients of women's business centers generated a total economic impact of nearly \$500 million in gross receipts, with profits of \$51.4 million and losses of only \$11.8 million.

- WBC clients also created 12,719 new jobs, and started 6,660 new firms.
- More than one-half of the Centers saw growth in the number of clients served, gross receipts, profits generated, and new jobs created.
- Nearly one-half of the Centers have shown growth in the number of new firms started. This growth occurs in Centers regardless of their geographic location and respective demographic characteristics.
- Economic impact growth is substantial. From 2001 to 2003, the growth of total gross receipts of WBC client firms was 824%.
- Profits in these firms increased by 490%, while losses were less than 2% of gross receipts.
- The number of new jobs created by WBC clients increased by 481% from 2001 to 2003, and the number of new firms increased by 376%.

Metrics created from these activity and growth figures provide insight into what a Center must do in order to produce economic impact. For example, it was found that:

- It takes an average of 3.3 contacts to generate a client who, in turn, will produce economic impact. While it is not known which contacts will turn into clients, the importance of continually and consistently providing information and materials to prospective clients is critical.
- For every 14 clients a WBC serves, one new job is created. Given the mix of clients that WBCs serve,

multiple industries, and growth goals for individual owners, a 1:14 ratio is excellent.

- For every 25 clients served, one new firm is started. This metric essentially speaks to the large number of nascent entrepreneurs and the length of time it takes from idea to implementation. Also, the effect of clients who are already in business is unknown.

In addition to the high levels and growth of activities and economic impacts, the WBC program is reaching its targeted population.

- While one in five women business owners nationally is a woman of color¹, in 2003 WBCs had a client mix which included 46% women of color.
- Over the three years, more than two-thirds of the WBCs have experienced growth in the numbers of minorities served. In fact, four in ten WBCs enjoyed an increase of 100 percent or greater in the number of non-White clients served from 2001 to 2003.

Factors that may influence the success of WBCs, such as location and the corresponding population size and poverty level, whether the Center operates as an autonomous organization (stand-alone) or is part of a larger structure (bundled), how long a Center has been operating, and whether business assistance services are provided by other organizations were investigated. It was discovered that:

- Urban locations have more clients, and non-urban locations create more jobs.
- The influence of population size and poverty level on outcomes and activities were relatively minor.
- Organizational structure and years in operation were highly correlated: Centers which have been around for more than five years are more likely to be affiliated with a larger organization, such as a chamber of commerce, or economic or community development agency.
- Impact differences as a result of this structure included the facts that stand-alone centers had more training clients while bundled Centers had greater numbers of contacts.
- The availability of a Small Business Development Center (SBDC) in the same town or city did not appear to impact WBC success. As such, it appears that the WBCs serve a need and population even in areas that have an SBDC.

The lack of significance for multiple service providers appears to show that there are plenty of clients and work to be done by all business assistance services. Clearly, there is no single best model for success. While there are

differences in urban versus non-urban locations and in stand-alone versus bundled centers, success was found in a variety of models. Economic impact, economic growth, and Center activity growth is evident in WBCs operating in all settings.

It was found that there is value in growing the number of clients as this growth from 2001 to 2003 predicted growth in new jobs and start-ups. However, numbers alone did not predict gross receipts or profits. As such, positive economic impact is generated through the efforts of each Center to concentrate on their local area, meet the needs of that specific target population, and assist in the development of new and existing businesses. This is also a hallmark of program sophistication and integration – a WBC should reflect the individual uniqueness of its local area and the assets and needs therein.

Recommendations

Data Collection and Analysis

As with any research endeavor, more questions arise than answers provided, and this study is no exception. The limited descriptive data provided at the Center level does not allow further investigation into factors which may account for the success of one Center and not another. In addition, missing data complicates the reliability of the projections, even though mean imputation is a conservative approach used to handle missing data. With these facts in mind, we recommend the following steps to improve future analysis of the economic impact of Women's Business Center program:

- Strongly encourage each WBC to provide all data requested.
- Determine if individual-level data are being captured at the WBC and, if so, extract it to be used at a national level, masking identifiers if necessary.
- Look at additional variables to better understand success. For example, what specific programs or services create a pathway that is successful for individual clients, and which pathways are most successful for WBCs?
- Additional data which would be important to capture include: categories of wages for jobs (quality of jobs), years in business, self-employed, number of employees, what propelled clients into a WBC (motivation), what kinds of benefits does the business provide for the owner and employees, education attained, debt or equity investments, use of technology in the firm, and social networks/social capital influences.

¹ Center for Women's Business Research 2002 estimates

By providing better quality data and data from varying levels (both Center and client), future research will be able to discern the factors leading to success, thereby improving the likelihood of success for all WBCs.

Policy

Specific policy recommendations include:

- Continue to educate policymakers and economic development professionals on the viability of entrepreneurship, in all its myriad forms, as an economic development strategy.
- Invest in programs which show results. This investment needs to include funding for ongoing operations as well as generating new programs and services. Centers which have been operating for a number of years have learned a great deal about their communities and what works. Their continuation should be ensured.
- Invest in research to create and/or implement appropriate evaluation tools. Assisting Center directors to track and monitor their activities and impacts in a coordinated and valid manner will ensure actionable knowledge at the Center level and nationally.
- Support the coordination of Federal agencies to provide a blended funding stream to WBCs. A coherent strategy for funding and providing other resources across all federal agencies would provide both flexibility and stability for business assistance services, resulting in even greater economic impact across the country.

Methodology

Data for each WBC for the years 2001, 2002, and 2003 were provided by the SBA's Office of Women's Business Ownership. The data are aggregated totals for each Center and included multiple variables, such as total number of clients and contacts, number of clients counseled and trained, ethnicity, gender, veteran status, disability status of client, start-ups formed, jobs created, and businesses profits and losses. Information from WBC web sites was also gathered, including each Center's status as a stand-alone or affiliated entity and the exact location of each Center.

In order to understand the context within which each WBC functions, several other variables were collected from external sources, including: the existence of a Small Business Development Center (SBDC) and or Procurement Technical Assistance Center (PTAC) office; local population figures by race and ethnicity from the 2000 Census; poverty level figures for the area in which each Center operated; and official designation as metropolitan, rural, suburban, or micropolitan.

There were a total of 92 WBCs in 2003. Data availability by year and by variable differed by Center. Therefore, in some analyses undertaken, mean imputation was used for activities and outcomes (training, counseling, gross receipts, profits, losses, new jobs and start-ups). This conservative technique allows for the handling of missing data while not dramatically over- or under-estimating effects.

This report was prepared for the National Women's Business Council by Quality Research Associates (QRA), a woman-owned firm based in Kansas City, Missouri. Key associates, Kaaren Fife-Samyn and Gwen Richtermeier, have more than 25 combined years of experience conducting research and program evaluation.

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

A copy of the report is available at www.nwbc.gov.