

## Key Facts About Women Business Owners and Their Enterprises

*The current state of women's business ownership in the United States is very strong. The number of women-owned businesses continues to grow at twice the rate of all U.S. firms, and these firms are increasing in economic clout. One in eighteen women in the U.S. is a business owner.<sup>1</sup> Women-owned firms are becoming increasingly diverse – in terms of race, industry and size. Women of color now own one in five women-owned firms and women of all colors are expanding into non-traditional industries, such as construction, manufacturing, agriculture, and transportation. Despite this impressive growth, we still know that women in business continue to face challenges. Primary among them are: access to capital, access to markets, access to training and technical assistance, access to networks, and the need for legitimacy – to be taken seriously as business owners, employers, and contributors to economic growth. This Issue in Brief summarizes the key facts and figures about women business owners and their enterprises.*

### Number of Women-Owned Firms

- As of 2004, there are an estimated 10.6 million privately-held businesses in which a woman or women owns at least 50% of the company. Among them, 6.7 million are majority-owned.<sup>2</sup>
- The 10.6 million women- and equally-owned firms employ 19.1 million people and generate \$2.46 trillion in sales. Majority women-owned firms employ 9.8 million workers and generate \$1.19 trillion in sales.<sup>3</sup>
- Majority-owned, privately-held women-owned firms account for 30% of all businesses in the country. Equally-owned firms represent another 18% of all firms. Thus, nearly half (48%) of all privately-held U.S. firms are at least 50% owned by women.<sup>4</sup>
- Eighty-five percent (85%) of privately-held majority-owned women-owned firms are sole-proprietorships with a single owner, as are 68% of other privately-held firms. Subchapter-S, C Corporations and Partnerships account for 15% of privately-held majority-owned women-owned firms and 32% of all other privately-held firms.<sup>5</sup>
- Based on number of owner estimates for all multi-owner firms – majority-women-owned firms, equally-owned firms, and majority-men-owned firms – there are an estimated 15.6 million women business owners in the U.S. as of 2002.<sup>6</sup>
- Between 1997 and 2002, an average of 424 new women-owned firms were started every day, translating into nearly 775,000 start-ups per year and accounting for fully 55% of new firm start-ups.<sup>7</sup>

- An estimated one in five women-owned businesses is owned by a woman or women of color. As of 2002, there are an estimated 1.2 million privately-held firms that are majority-owned by women of color. These firms employ over 822,000 people and generate over \$100 billion in revenues. In number, they are growing at twice the rate of all women-owned businesses and four times the rate of all U.S. firms.<sup>8</sup>
- The largest share of privately-held majority women-owned firms is in the service sector, with more than half (51%) of women-owned firms in services. An additional 15% of firms are in retail trade and 9% are in finance, insurance, or real estate.<sup>9</sup>

### Growth of Women-Owned Firms

- Regardless of whether the definition of a woman-owned business is majority ownership or 50% or more ownership, the number and economic clout of women-owned firms are increasing at rates exceeding the national average.
  - Between 1997 and 2004, the number of women- and equally-owned firms grew by 17%, compared to 9% among all privately-held firms. Employment increased by 24%, compared to 12% among all privately-held firms. Revenues rose by 39%, compared to 34% among all privately-held firms.<sup>10</sup>
  - The number of majority-owned, privately-held women-owned businesses grew by 23% during the same period, compared to 9% of all U.S.

businesses, employment increased by 39% compared to 12% nationally, and revenues rose by 46%, compared to 34% among all privately-held U.S. businesses.<sup>11</sup>

- That the growth rates in sales and employment among women-owned firms are even stronger than the growth in the number of firms speaks to the increasing economic impact of women-owned firms. In fact, the number of women-owned firms with 100 or more employees increased by 44% between 1997 and 2000 and the number of women-owned firms with \$1 million or more in revenues grew by 32% – both nearly twice the rate of all comparably sized firms.<sup>12</sup>
- As strong as the growth of women-owned firms is overall, the growth of firms owned by women of color is even stronger. The number of minority women-owned firms increased by 32% between 1997 and 2002 – twice the rate of all women-owned firms and four times the rate of all U.S. firms.<sup>13</sup>
- Women-owned firms continue to diversify across industries, with the fastest growth rates seen in “non-traditional industries,” including construction (57% increase in the number of privately-held majority women-owned firms between 1997 and 2004), agricultural services (44%), and transportation, communications and public utilities (38%).<sup>14</sup>
- The fastest growing states for women-owned firms are in the Mountain and Western regions: Idaho, Wyoming, Utah, Nevada, Arizona, South Dakota, New Mexico, Montana, Oregon and Alaska.<sup>15</sup>

### Women-Owned Employer Firms

- Women-owned businesses exhibit the same tenacity and survival rates as the average U.S. employer firms, with fully three-quarters (75.1%) of women-owned employer business locations in existence in 1997 still in operation three years later. Among all employer establishments, 75.5% remained in business over the period.<sup>16</sup>
- Between 1997 and 2000, women-owned employer establishments proved to be more resilient than employer firms overall during the period, with a much lower 4.2% decline in employment among those firms in business in 1997 – compared to a 6.7% decline among all establishments.<sup>17</sup>

### Key Issues for Women Business Owners

- In a 2002 membership survey, members of the National Association of Women Business Owners (NAWBO) cited as their top issues the following: business growth and expansion; workforce issues; cash flow and capital; marketing; and the economy in

general. In terms of public policy areas that NAWBO members would like addressed, top areas of interest include association health plans, taxes, technology, education and the workforce, and procurement.<sup>18</sup>

- Similarly, during 2003’s series of “Women Entrepreneurship in the 21st Century” summits, access to capital and the current economy were identified as top concerns for women business owners. Other key concerns included health insurance costs, the competitive business environment, taxes, and workforce issues. Health care reform, tax reform, and access to capital were seen as the most urgent priorities for the U.S. Congress to address.<sup>19</sup>

### Access to Capital

- Most women business owners rely on the earnings of their business and their own private resources for ongoing financial needs. In 1998, 65% of women business owners reinvested business earnings to foster business growth, 41% used personal credit cards and 36% used business credit cards for current business needs.<sup>20</sup>
- As of 1998, the share of women business owners with bank credit was 52%, an increase from 46% in 1996. The percent of women business owners who were seeking financing rose from 27% in 1996 to 33% in 1998.<sup>21</sup>
- While the share of women business owners with bank credit has risen, the amount of capital they have available still lags their male counterparts. In 1998, 34% of women who had bank credit had \$50,000 or more in credit available to them, compared to 58% of men business owners.<sup>22</sup>
- In 2000, just 5% of the \$89.8 billion in venture capital investments went to firms with women CEOs.<sup>23</sup>

### Access to Markets

- Despite the Federal Acquisition Streamlining Act of 1994 (FASA), requiring no less than a 5% government-wide procurement goal for women-owned small businesses, just 2.9% of Federal contract dollars went to women-owned firms in FY2002.<sup>24</sup>
- Despite the low share of Federal contracts going to women-owned firms, some agencies did meet or exceed the 5% goal in 2002: Housing and Urban Development (19.8%), National Science Foundation (8.9%), Commerce (8.5%), Executive Office of the President (7.7%), Treasury (6.1%), Labor (5.1%), and Interior (5.0%). The Department of Defense, which accounts for fully 61% of all federal contract dollars with women-owned businesses, spent just 2.7% of

their FY2002 procurement dollars with women-owned firms.<sup>25</sup>

- Large corporations are also a vital market for women's business enterprises. In a 2002 survey of women's business enterprises, more than seven in ten (72%) respondents earned revenues from business with large corporations. On average, nearly half of the total revenues of the respondents came from this market.<sup>26</sup>
- Despite their increasing economic impact and clout, women-owned businesses still face major challenges in accessing corporate markets. While nearly six in ten Fortune 1000 companies who responded to a 2002 survey spent \$1 billion or more annually with outside suppliers, the median share going to women was just 3% – and one in five spent less than 2% of their vendor dollars with women's business enterprises.<sup>27</sup>
- In 1992, 13% of women-owned firms were involved in international trade, either exporting or importing goods or services. Internationally-focused businesses tend to be more growth-oriented than their domestically-focused counterparts and revenues are generally higher among women entrepreneurs involved in international trade.<sup>28</sup>

#### Access to Training and Assistance

- The budget for the Small Business Administration's Women's Business Center program has tripled over the past six years – from \$4 million in FY 1997 to \$12.5 million in FY 2003. The number of funded centers has grown over that time from 27 to 89, and the number of clients served has increased from 8,000 to 107,000. Thus, three times the budget is now serving more than 10 times the number of clients than was the case in 1997.<sup>29</sup>
- In a recent study of mentoring programs for women business owners, it was found that at given points of a business' maturity, a business owner is currently best served by a particular type of mentoring program. In particular:
  - If their businesses are pre-start-up or start-up, business owners would appear to benefit most from **entrepreneurial training**.
  - If their businesses are start-up or second-stage, business owners would appear to benefit most from a **mentor-protégé program**.
  - If their businesses are second-stage or established, business owners would appear to benefit most from **peer-to-peer networking**.<sup>30</sup>
- In the same study, three key effective program practices for business mentoring emerged:
  - Structure that includes a well-planned orientation with discussion of expectations, goals, time

commitment and effective communication processes;

- Participants who are familiar with and embrace the concept of mentoring; and
- Promotion that consists of word-of-mouth and direct recruitment efforts.<sup>31</sup>

#### Access to Technology

- Six in ten (61%) women business owners use the Internet in their businesses. Among Internet users, 50% of women-owned firms have Web sites. Key reasons for relying on the Internet include the ability to open up a wider range of business opportunities and the increased flexibility of time and schedule that the Internet affords.<sup>32</sup>
- While most women-owned firms are engaged in e-commerce, they are more likely to purchase goods and services for their businesses online (75% of women-owned businesses) than to sell their products or services online (52%).<sup>33</sup>

#### Gender Differences

- Women and men business owners have different management styles. Women are less hierarchical, may take more time when making decisions, seek more information, and are more likely to draw upon input from others.<sup>34</sup>
- The workforces of women-owned firms show more gender equity – women-business owners overall employ a roughly balanced workforce (52% women, 48% men), while men business owners employ 38% women and 62% men, on average.<sup>35</sup>
- Women-owned family businesses (WOFBs) do more with less. Although they are somewhat smaller in size – \$26.4 million – compared with the average annual (\$30.4 million) revenues of their male-owned counterparts, they generate their sales with fewer median employees, employing 26 individuals compared with 50 at male-owned family firms. This means that female-owned family businesses are 1.7 times more productive than male-owned family firms. WOFBs also experience greater family loyalty to the business, agreement with its goals, and pride in the business and they have a 40% lower rate of family member attrition.<sup>36</sup>

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The National Women's Business Council is a bi-partisan Federal government council 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.

For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3<sup>rd</sup> Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825; e-mail: [nwbc@sba.gov](mailto:nwbc@sba.gov), web site: <http://www.nwbc.gov>.

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<sup>1</sup> Center for Women's Business Research. "One in 18 U.S. Women is a Business Owner," 2002.

<http://www.womensbusinessresearch.org/Research/7-16-2002/7-16-2002.htm>

<sup>2</sup> Center for Women's Business Research. "Biennial Update on Women-Owned Businesses," 2004.

<http://www.womensbusinessresearch.org/Research/4-28-2004/4-28-2004.htm>

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> U.S. Census Bureau, "1997 Economic Census: Survey of Women-Owned Business Enterprises," 2001.

<sup>6</sup> Calculations by the National Women's Business Council. It should be noted that 15.6 million is a mid-point estimate, within a range between 10.3 and 21.2 million. Such a wide range exists due to the wide variety of sources data sources, both within and outside of the U.S. Census Bureau.

<sup>7</sup> Calculations by the National Women's Business Council, using data from the U.S. Census Bureau and the Center for Women's Business Research.

<sup>8</sup> Center for Women's Business Research. "Minority Women-Owned Businesses in the United States, 2002," 2001.

<http://www.womensbusinessresearch.org/Research/12-18-2001/12-18-2001.htm>

<sup>9</sup> Center for Women's Business Research. "Privately-Held, Majority (51% or More) Women-Owned Businesses in the United States, 2004: A Fact Sheet," 2004.

<http://www.womensbusinessresearch.org/Research/nationalstatetrends/50more.htm>

<sup>10</sup> Center for Women's Business Research. "Biennial Update on Women-Owned Businesses," 2004.

<http://www.womensbusinessresearch.org/Research/4-28-2004/4-28-2004.htm>

<sup>11</sup> Ibid.

<sup>12</sup> Center for Women's Business Research. "Removing the Boundaries: The Continued Progress and Achievement of Women-Owned Enterprises," 2001.

<http://www.womensbusinessresearch.org/Research/11-13-2001/11-13-2001.htm>

<sup>13</sup> Center for Women's Business Research. "Minority Women-Owned Businesses in the United States, 2002," 2001.

<http://www.womensbusinessresearch.org/Research/12-18-2001/12-18-2001.htm>

<sup>14</sup> Center for Women's Business Research. "Biennial Update on Women-Owned Businesses," 2004.

<http://www.womensbusinessresearch.org/Research/4-28-2004/4-28-2004.htm>

<sup>15</sup> Ibid.

<sup>16</sup> National Women's Business Council. "Trends in Women-Owned Employer Establishments: 1997 to 2000," 2004.

<http://www.nwbc.gov/publications/Issue%20brief%20-%20Census.pdf>

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<sup>17</sup> Ibid.

<sup>18</sup> National Association of Women Business Owners, [www.nawbo.org](http://www.nawbo.org)

<sup>19</sup> National Women's Business Council. "Women's Entrepreneurship in the 21st Century: A Summary of Data from National and Regional Summits," 2003.

[http://www.nwbc.gov/pressroom/documents/Final\\_Summit\\_Report.pdf](http://www.nwbc.gov/pressroom/documents/Final_Summit_Report.pdf)

<sup>20</sup> Center for Women's Business Research. "Capital, Credit and Financing: An Update. Comparing Women and Men Business Owners' Sources and Uses of Capital," 1998.

<http://www.womensbusinessresearch.org/Research/11-17-1998/11-17-1998.htm>

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> VentureOne, [www.ventureone.com](http://www.ventureone.com)

<sup>24</sup> Federal Procurement Data Center,

<http://www.fpdc.gov/fpdc/fpr2001.htm>

<sup>25</sup> Ibid.

<sup>26</sup> Center for Women's Business Research. "Access to Markets: Perspectives from Large Corporations and Women's Business Enterprises," 2003

<http://www.womensbusinessresearch.org/Research/2-4-2003/2-4-2003.htm>

<sup>27</sup> Ibid.

<sup>28</sup> Small Business Administration, Office of Advocacy, [www.sba.gov/advo](http://www.sba.gov/advo)

<sup>29</sup> Women's Business Center Program, [www.onlinewbc.gov](http://www.onlinewbc.gov)

<sup>30</sup> National Women's Business Council. "Mentoring in the Business Environment," 2003.

<http://www.nwbc.gov/pressroom/documents/mentoringfinalreport.pdf>

<sup>31</sup> Ibid.

<sup>32</sup> Center for Women's Business Research. "Online and In Focus: How Women and Men Business Owners Use the Internet," 2001.

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<sup>33</sup> Ibid.

<sup>34</sup> Center for Women's Business Research. "Styles of Success, The Thinking and Management Styles of Women and Men Business Owners," 1994.

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<sup>35</sup> Center for Women's Business Research. "Business Owners and Gender Equity in the Workplace," 2000.

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<sup>36</sup> Center for Women's Leadership, Babson College. "Women in Family-Owned Businesses," 2003.

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