

## **Why Women Owned Businesses? by Dr Marsha Firestone (USA)**

In 1965, when I graduated from college, life for women in the United States was extremely different than it is today. At that time when those women graduated from the university, they often immediately took a secretarial course so that they could become secretaries to male bosses while they spent most of their time strategically planning how to meet a man to marry. Most of my friends, in their senior years at college were either planning their weddings—as we say, a diamond ring by spring—or evaluating the best secretarial course they could take in their hometown. Few had ambitions to become executives, political leaders, business owners, doctors, or lawyers. Most expected that their financial support would come from marrying someone who had the potential for great financial success. Few of them ever seriously considered that they might want to run an organization or that they might have the need to be responsible for their own finances in the future.

In the last 30 years, women have experienced an evolution in their expectations and goals. I deliberately say EVOLUTION, and not REVOLUTION, because it has been a slow process of change. Today, women represent almost 50% of the workforce in the United States. And, in the last few years, they have gained importance both as a market and as a source of leadership. Women currently control 83% of all purchases in the US and have entered the workforce in droves. Some have moved into leadership positions. Although approximately 50% of the workforce is made up of women, we still have our problems. We only earn 76 cents for every dollar a man earns. Only 8% of the top executives in corporations are women, a small amount indeed compared to the numbers of us in the workforce! Today only ten women in the US head a Fortune 500 company. There are only 20 female heads of Fortune 1000 companies. And “glass ceilings” are slow to come down. I say “glass ceilings” in reference to the fact that few women are actually promoted into managerial positions, even though they are competent and hardworking. Research documents that women are highly able but not many become corporate executives. In fact, research indicates that women outperform men in eight out of ten criteria evaluated.

Women’s advances in the workplace have begun to stall. Since 1993, in fact, women have been losing ground to men. In 1979, women earned 62 cents for every dollar that men earned. By 1993, women were earning 77 cents, and currently, women earn only 76 cents, reflecting a downtrend. Yet I am pleased to report that women have seized an opportunity that we never had before.

Because we have been in the workforce for some 30 years now, we have learned new technical skills, and recognize that we are really able to do most of the same tasks men do. At last women themselves are beginning to believe that they have what it takes and are willing to go after it. Ironically, our unsatisfactory experiences in the corporate world are the very ones that have led us to start our own businesses. We have learned that we want more—more decision making authority, more influence, more control of our time, and more financial security. And we’re getting what we want! Today, women owned businesses generate 2.5 trillion dollars in revenues. The Center for Women’s Business Research has found the growth in women owned businesses results from the following:

- 40% of women entrepreneurs indicated that they started their own business because they recognized opportunities to implement for themselves what their bosses were doing.
- 44% of women business owners left their former positions to start businesses because they felt they were not being promoted—the “glass ceiling”.
- One-third of the women felt they were not being taken seriously in their positions and they too left to start their own businesses.

Our movement into business ownership has made us a significant and important sector of the US economy and we are now finally beginning to be recognized as such. In 1989, the United States faced a downturn in our economy. *The Wall Street Journal* in May of 1994 wrote, “Female entrepreneurs are the heroes of the economic recovery in the US.” Indeed, women led the economic recovery by starting two out of every three new businesses. Each of these new ventures provided employment opportunities, revenue for the fastest growing segment of the US economy (the small business) and economic development. In 2006, women now

own 10.6 million businesses. To think that in 1997 only 4.5% of the businesses in the US were owned by women, it is amazing what we have accomplished, although step by evolutionary step.

These changes have also motivated young women (when polled immediately after graduating from college) to say that they would one day like to become an entrepreneur. A high percentage of the young women report that their preference both in life style and in career expectations is to be the CEO of their own company. They have rejected the long hours, stress, and lack of autonomy associated with corporate life, and they have embraced the idea that as a business owner they will have more influence, more economic freedom, more control of their own time and especially, greater power. I believe that a confluence of a number of different factors helped to strengthen and support this growing phenomenon.

Government policies are only one of the factors relevant to the success of women as business owners. Federal and state government policies, special legislative decisions such as the Community Reinvestment Act and the US Small Business Administration Act have mandated that women must be a major part of the workforce and that government purchasing contracts should also be made available to women business owners. In 1994, the US Congress recommended in the Streamline Act that at least a 5% goal be implemented for government purchasing contracts signed with women entrepreneurs.

At the same time that these government decisions were implemented, the emergence of women's organizations began to explode. Today there are over two thousand women's professional and business organizations in the United States. Not only do they help to train women, they help to participate in advocacy, peer and group support, preferential discounts on products and services that decrease the cost of doing business, and education on the constituencies in their communities. In short, they have begun to raise the awareness of not only women, but also of their husbands, brothers, fathers, grandfathers, and sons.

These groups often meet monthly and invite speakers to help their members know more about professional life and frequently include a networking event following the meeting, not unlike the one here today. What fun they had at first exchanging their business cards and taking them back to their offices, putting them in a pile, and not knowing quite what to do with them. But, as part of this explosion in networking, women soon learned how valuable these pieces of paper are. Today women collect business cards, bring them back to their offices, and meticulously enter them into their database. They become a source for doing business with one another. In short, they have created their own "old girls network", such as the **Women Presidents' Organization** which has 61 chapters in North America and will have 70 by the end of 2006. Where men often prefer to do business with men, women also often prefer to do business with women. They are now seeking female doctors, lawyers, investment advisors, and dentists, seeming to be very comfortable with their own gender.

As women garner more business, their financial success has attracted the interest of corporations in obtaining their share of business from them. They are aware that if they, the corporations, don't begin to market to and support these women, they will lose a significant opportunity to increase revenues and market share. Many large companies have departments whose sole responsibility is to develop women's initiatives. IBM, Wachovia, Wal-mart, and ING are only a few of the larger companies to do just that. They have begun marketing campaigns targeted specifically to women's businesses, developed brochures including women in photos (never heard of before), trained their corporate management and staff about working with women, and hired more female employees. Of even greater significance is that those corporations really serious about this effort have contributed financial support to non profit organizations and endeavors used to train, develop, and reach women led businesses. Banks especially want to do business with these companies and have tried to approach the financing of women's businesses with second reviews of rejected loans, cash-flow financing of service businesses, and smaller-sized loans which are of particular importance to women who own smaller sized businesses at this time.

Still with all of these supportive programs, women entrepreneurs are facing many challenges:

- 38% of women business owners still report their greatest challenge is being taken seriously.
- Only three percent of government contracts and four percent of corporate contracts go to women's businesses.

- Only five percent of all venture capital dollars go to the 48% of businesses owned by women.

And most importantly of all, our entrepreneurial economic success has not increased the number of female elected officials. Of the fifty states, only 8 have female governors and only 14 of the mayors of the United States' 100 largest cities are women. Without these leaders in power, women have decreased influence, and will continue to experience less success in obtaining all goals, especially if they are economic.

We still have far to go before we can decrease our efforts. In October 1998, I was invited to Washington, D.C. to meet with other leaders of the women's business community in order to work collectively on these issues. The National Women's Business Council, which is appointed by Congress and reports to the President on issues of importance to women in business, convened a Summit to develop a master plan that focused on strengthening women's businesses and was to be presented to the President and Congress in March of 1999. The four primary initiatives on which they concentrated were access to markets, training, financing, and developing leadership in both public and private sectors. Most importantly, what we did was to bring everyone interested in making change together to work collectively, whether from corporations, government, academia, non-profit organizations, or women led businesses. Together we have forged a new and more influential path and have been able to share in a bigger piece of the pie. Many of these recommendations have since been implemented resulting in an accelerated growth in women led and women owned businesses, and even greater impact of these companies on the economy.