

# 2009 Policy Priorities of Women Business Owners

*Prepared for*

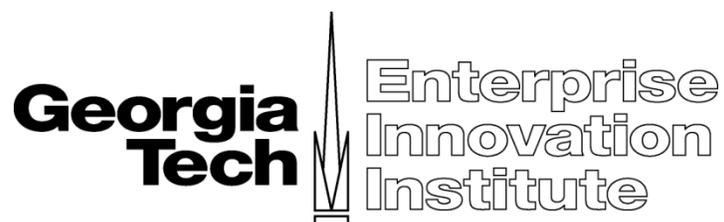


**NATIONAL WOMEN'S  
BUSINESS COUNCIL**



ADVISORS TO THE PRESIDENT,  
CONGRESS AND THE SBA

*Prepared by*



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## Introduction

On April 29, 2009, a town hall meeting of women business owners was held in Atlanta at the Georgia Institute of Technology's Student Center. Hosted and facilitated by the National Women's Business Council (NWBC), this meeting was the seventh in a series of meetings that began in March 2007. NWBC designed these conversations to generate grassroots-level recommendations from women business owners for the ultimate consideration of the President, Congress, and the U.S. Small Business Administration (SBA).

Over 700 women business owners participated in the seven NWBC meetings held throughout the country. Participants represented a range of businesses from various industry sectors, sizes, and stages of development. Also present at each of the meetings were representatives of the NWBC and local, state, and federal entities interested in better serving the needs of women business owners.

This report intertwines the findings of the discussions the NWBC facilitated from March 2007 through April 2009. There is a particular emphasis on the most recent meeting held in Atlanta, to reflect that meeting's intent to determine how women business owners' needs may have changed amid the current national economic downturn.

To best provide policy recommendations to the SBA, Congress, and the President, this report presents the findings in a straightforward manner. Additional exposition is available in the previous NWBC reports for the town hall meetings held March 2007 through November 2008. Available on the NWBC Web site ([www.nwbc.gov](http://www.nwbc.gov)), the previous reports are: "Current Priorities and Challenges of Women Business Owners: Recommended Policies and Programs to Support Women Entrepreneurs Facing Economic Uncertainty," published in March 2009; a series of issue-specific policy papers published in October 2008; and "Voices from the Field: A Report from the National Women's Business Council Town Hall Meetings," published in September 2007.

This report divides the priority policy-related needs and opportunities identified by women business owners into five key areas: Access to Capital, Affordable Health Care, Education and Workforce Development, Procurement, and Taxes. The report concludes with a section focused on needs specific to microenterprises (defined as businesses with five or fewer employees, including the owner).

This report was prepared for the NWBC by the Georgia Institute of Technology (Georgia Tech) Enterprise Innovation Institute (EI<sup>2</sup>), which houses programs that help serve women business owners. The business support programs of EI<sup>2</sup> include the Advanced Technology Development Center (ATDC), Georgia Manufacturing Extension Partnership (GaMEP), Georgia Minority Business Enterprise Center (GMBEC), Georgia Tech Procurement Assistance Center (GTPAC), Southeastern Trade Adjustment Assistance Center (SETAAC), and several other services for entrepreneurs, businesses, and communities in Georgia.

The opinions and recommendations of the authors of this report do not necessarily reflect official policies or positions of Georgia Tech, the NWBC, SBA, U.S. Congress, the President, or any other entity of the U.S. government or state of Georgia.

## Access to Capital

Women business owners' longstanding challenge of accessing capital has gone from "bad to worse" during the current national economic downturn, primarily due to the increasingly risk-adverse behavior of banks. Women business owners are finding it difficult to identify potential funding sources and secure lender or investor commitments in this economic climate. Participants also agreed they need assistance learning how to clearly define how much capital their business needs and for what purpose, whether that definition is needed for a business plan, loan request, or conversation with a prospective angel investor.

The following are the primary policy recommendations of women business owners with respect to access to capital.

### **Evaluate SBA-backed lending programs to determine if they are meeting the needs of small business owners.**

While there are resources for start up, when self-financing is an option, and for later-stage growth, women business owners said that the greatest gap in available financing is between these two stages. Therefore, women business owners at all the NWBC meetings identified this interim phase of business development as the most in need of additional SBA-backed funding options. Specific recommendations for SBA programs included:

- Stage-based assistance or loan programs that vary in both amounts and eligibility criteria.
- Lines of credit to support cash flow for those who have repaid initial SBA loans.
- "Patient" capital or money that allows for a longer timeframe for repayment.
- Loan programs that use service contracts and other forms of accounts receivable rather than "hard" assets as collateral.

These more flexible and service business-friendly forms of financing support the circumstances that are common among women business owners. For example, service-based businesses, which compose a large portion of women-owned businesses, often cannot demonstrate the projected growth patterns and traditional forms of collateral (for example, equipment and inventory) of product-based ones. Therefore, more varied eligibility criteria and the allowance of service contracts to serve as collateral would open up more loan money to small, woman-owned professional, administrative, and personal service firms.

### **Support legislation to create tax credits for parties who make capital investments in small businesses.**

Securing financing from family, friends, and personal savings remains a primary means of small businesses financing their start up and later-stage operations. The inaccessibility of venture capital for many of these businesses, as well as the difficulty of meeting eligibility for loans – particularly in the current risk-adverse banking climate – makes angel investments one of the most promising forms of financing for women-owned businesses. Women business owners support the creation of a tax incentive for angel investments as a means of attracting more angel activity.

### **Develop a Web site or a resource guide to outline avenues for seeking capital.**

Participants consistently stated they were at a loss as to where to identify potential sources of capital, once their self-financing was depleted and their bank of choice had denied them a loan. Many women were not aware of the role Women's Business Centers can play in facilitating this search, or the available SBA loan guarantee programs. As a solution, women business owners consistently recommended a comprehensive, national Web site or resource guide that would provide information on SBA-guaranteed and other bank loans, venture capital, angel investors, and other state, local, and private programs, as well as an educational resource about business and financial planning.

## **Affordable Health Care**

The conversations regarding health care elicited some of the most passionate remarks of the town hall meetings. Most participants represented businesses with fewer than 20 employees, and have found health insurance to be expensive, at times prohibitively so, resulting in some not providing insurance for their employees and/or themselves. The women business owners said that often the price of coverage was impacted by one employee of advanced age or with a pre-existing condition, who was the cause of an escalated group price of coverage beyond what would likely occur for a similar circumstance in a larger business.

Paying the high price of coverage causes some women business owners to divert funds from expanding or reinvesting in their company, or to opt to use contractors for whom they do not have to provide health insurance rather than hiring full-time employees. Participants in the Atlanta town hall meeting said that, since the national economic downturn began, their ability to provide coverage has become even more limited, and these businesses have responded by increasing the percentage they require their employees to contribute.

The following outline the primary health care policy recommendations of women business owners.

### **Explore alternatives to traditional means of offering health insurance.**

In a vote of 15 to 1, participants in the Atlanta town hall meeting agreed that the employer-provided system of providing health insurance coverage may no longer be the best model for serving their needs. Finding a means by which employees, not employers, can take more responsibility for their own coverage would create a number of advantages. For example, workers in the increasingly transitional labor force could have the option of managing their own health care plan, instead of having to change plans each time they change employers. An idea was circulated that health care coverage could begin at birth and follow an individual through life regardless of job changes. In this proposed system, individuals could take greater responsibility for their own health and coverage options by monitoring their own plans and movements through the system.

Additional ideas discussed at length in the NWBC-hosted meetings were association health plans and health savings accounts. Association health plans allow a group of small businesses to obtain health

insurance together, with the intent of obtaining the same lower rates and better benefit options that a large company would receive. Health savings accounts allow individuals to manage their current and future medical expenditures. Both of these ideas appeal to women business owners, because these forms of coverage increase options and provide more predictability and affordability to the health insurance business owners can provide to their employees and themselves.

**Create tax incentives to help small business owners improve the quality of life of their employees.**

Certain quality-of-life programs can be cost-prohibitive for small, women-owned businesses, making it difficult to compete for employees with larger companies, and also prevent women business owners from providing quality-of-life benefits they would like to offer employees. Recommended programs included tax credits or other incentives for small-business owners to provide health insurance, wellness programs, and child care in employee compensation packages.

## Education and Workforce Development

The education and workforce development conversations had two primary components: (1) education and technical assistance for women business owners, and (2) training and workforce development for small business employees. As with health care, there was meaningful discussion regarding education, illustrating how much women business owners value learning opportunities. The policy recommendations written below are divided into two areas: owners' technical assistance and employees' development.

### Women Business Owners' Education and Technical Assistance

**Increase funding for government-supported entrepreneurial development centers and other learning resources for entrepreneurs.**

At all of the town hall meetings, it was clear that women business owners agree that Congress must continue to fund - and increase funding for - entrepreneur education opportunities for business owners. Specifically, entrepreneurial education provided by Women's Business Centers (WBCs), Small Business Development Centers (SBDCs), and SCORE have been shown to provide real value to those who have used their services. There is widespread support for continuing to fund these tremendous assets to women business owners.

Women business owners also expressed a desire for training and for knowledgeable support staff regarding new business trends, such as information technology (IT) resources, "green" business practices, and using online social networking resources for business marketing. Another example, related to "green" operations, is educational programs on implementing energy conservation practices for small businesses. Although the women business owners did not have many specific ideas as to what those programs might look like, there was clearly significant interest in opportunities to learn more about new business trends that could have value for their businesses' future.

**Improve outreach and marketing by the many programs designed to assist women business owners.**

Relatively few participants had prior knowledge of WBCs, SBDCs, SCORE, and other similar resources, yet many expressed enthusiasm for learning more about these programs. This gap illustrates the need for more outreach and marketing efforts to raise awareness about the availability of these services.

Women business owners also expressed the desire for one umbrella location, most likely an online resource, to serve as a portal through which they can access information and tips on business development. Participants recommended the Web site include information on employee development, as women business owners recognize workforce training as vital to their businesses' successful growth.

**Support technical assistance and training programs for women business owners who need help addressing operational issues.**

Participants in the Atlanta town hall meeting noted that entrepreneurs need further training for every stage of business development. Women business owners said that while current programs supporting training needs at business start up and "graduation" were adequate, they did not feel well-served by programs for the interim stages of business development. Participants in all the NWBC-hosted meetings related that there are some specific areas where they desire additional assistance:

- **Health Care:** Small business owners reported having limited knowledge to make effective decisions when selecting insurance carriers or specific health care benefits for their employees.
- **Taxes:** The corporate tax structure is too complex for most small-business owners to understand. The frequent changes to the tax structure further inhibit most small business owners' ability to make informed tax-related decisions.
- **Financial Management:** Women business owners expressed concern that their lack of knowledge of business finances and long-term financial planning hinders their ability to ask the right questions and to make the decisions necessary to effectively manage their companies' financial health.
- **Workforce Development:** Women business owners observed they have more to learn regarding workforce training. One participant proposed the idea of asking large corporations to compile a best-practices resource guide for small business workforce training initiatives.
- **Human Resources.** Searching for qualified workers, conducting interviews, and hiring and firing personnel are business practices for which women business owners desire a better understanding. Also, the Atlanta town hall meeting participants requested assistance in succession planning and in developing internal vertical and horizontal career ladders for employees.
- **Technology:** Women business owners are facing some challenges keeping current on technology, which they recognize as an important business practice in a predominantly technology-driven economy.

**Offer women business owners more opportunities for networking and mentoring.**

Women business owners called for more mentoring and networking activities, in traditional formats as well as in the context of more seminars, webinars, Web sites, video conferences, and women's organization meetings. Participants at several meetings suggested that local SBA district offices and SBDCs serve as networking facilitators.

**Small-Business Workforce Training and Development**

Meeting participants had workforce challenges, such as understanding when to hire an employee versus when to solicit contract work, and competing with larger companies in the hiring and retaining of qualified staff. During this national economic downturn, small-business owners have found the latter less challenging, but the Atlanta meeting participants expressed concern about the expectation these challenges will arise again as the economy recovers.

**Create tax incentives for small-business job creation.**

Because creating a new position can be more expensive than hiring a contract worker (predominantly due to the costs of providing health care and other benefits), women business owners requested a small-business job creation tax credit. These credits would facilitate small businesses' ability to offer a compensation and benefits package competitive with what larger firms can offer.

Another related proposed solution was to develop a volunteer corps of professionals willing to take time off from their usual employment to assist small businesses and non-profit organizations (i.e., modeled on the AmeriCorps concept).

**Provide tax incentives or tuition reimbursement programs to support worker training and apprenticeship programs.**

Because the nation's education system has perceived deficiencies in certain areas, employer-funded workforce training has become increasingly common, putting small businesses at a disadvantage compared to their larger counterparts. Tax incentives and tuition reimbursement would make it easier for small businesses to provide their employees with needed training, fostering a stronger workforce for the company's future, and enhancing the businesses' ability to compete for workers (as many workers value employers who can help finance their continuing education). Several participants also noted the value of tax incentives to create apprenticeship programs and to hire retirees re-entering the workforce.

**Promote the trade professions through a marketing campaign and educational support.**

Women-owned businesses have found it challenging to fill positions in "blue-collar" occupations and attribute the shortage to the current education system, which devalues these jobs and results in fewer younger workers pursuing blue collar occupational paths. In response, some women business owners have suggested a nationwide campaign to educate youth regarding the earnings potential and education requirements of these positions and more federal support for technical education.

## Procurement

Both government and commercial procurement opportunities offer a stream of potential business for women-owned enterprises. At the NWBC-hosted meetings, participants explored how to access these opportunities – as a prime contractor, subcontractor, or even the subcontractor of a subcontractor.

In Atlanta, one-half of the conversation focused on how best to identify bid opportunities, and the other half focused on women business owners' frustration over the complexity of and need for enforcement in the procurement process.

The following are the primary policy recommendations which arose from these discussions.

**Establish a clearinghouse for information on government contracting and subcontracting opportunities, especially those that may be set aside for women-owned businesses.**

In order to make government contract opportunities better organized and more accessible, women business owners proposed creating an online system to search for projects set aside for small and women-owned businesses. In addition, participants expressed a desire for a more user-friendly Web site for accessing networking, training, and other opportunities that will help them learn how to more successfully identify government contracts.

In the Atlanta town hall meeting, participants identified the need for more networking opportunities to foster connections between women small-business owners and government and commercial entities seeking bids, as well as between prime contractors and potential subcontractors. Participants recommended that service providers develop more resources to educate women business owners about how networking can lead to bid opportunities and offer additional networking events to help women develop these types of relationships.

**Monitor the federal government contracting process to ensure that the five percent procurement goal for women-owned businesses is met.**

Women business owners declared they are very interested in the implementation of the 2000 legislation passed directing five percent of federal contracts each year be awarded to women-owned businesses. In 2007, federal government prime contractors awarded only 3.4 percent of contracts to women-owned small businesses.<sup>1</sup> Furthermore, only twelve major federal agencies met the 5% goal in 2006.<sup>2</sup>

**Simplify the government procurement process.**

Women business owners expressed significant frustrations surrounding government procurement procedures. Examples include: learning how to begin and navigate through the process; time and cost of registering in the Central Contractor Registration (CCR) and getting on the General Services

<sup>1</sup> Source: Federal Procurement Data System, 2007.

<sup>2</sup> Source: NWBC Issue Brief: Federal Contracting with Women-Owned Businesses: FY 1999 to FY 2006.

Administration (GSA) schedule; knowing which opportunities to bid on and how to best position the bid; and understanding what factors contributed to them losing bids.

In response to these frustrations, women business owners asked that the process be simplified and explained further. In particular, they requested that contract officers be required to provide feedback on submitted proposals so that businesses can use losses as learning experiences.

#### **Expand and enforce subcontracting opportunities.**

Women business owners expressed frustrations about being a subcontractor on a bid, particularly when working with prime contractors who do not use subcontractors as listed in bids or who are slow to pay subcontractors for work completed. From these frustrations, women business owners have identified an opportunity for the government to help enforce agreements regarding prime contractor's payment and use of subcontractors. In addition, they requested the creation of a central registry to serve a match-making role for prime contractors and subcontractors, and to highlight prime contractors who violate subcontracting commitments.

Another practice harming small, women-owned businesses is contract bundling, or the awarding of multiple projects through the same contract. This practice is preferred over large corporations that often have a wider array of product and service offerings, hurting small businesses' ability to compete and expand their position in the marketplace. Women business owners ask policymakers to revisit the question of contract bundling and other practices that give unintended preferential treatment to larger businesses.

## **Taxes**

The complicated, ever-changing nature of the federal tax code, as well as the disproportionate burden certain taxes place on growing small businesses, was a recurring subject in the town hall meetings. Participants also identified the tax code as an opportunity for the government to support women business owners in the form of tax credits and incentives.

The following are the primary policy recommendations of women business owners, with respect to the tax code.

#### **Evaluate the impact of the federal tax code on small businesses.**

Women business owners expressed their frustrations about the complicated tax code, which is particularly challenging for small businesses that cannot always afford the services of a certified accountant or similar professional. Constant changes further complicate small business owners' ability to understand the tax code, particularly the recent changes brought about by the enactment of the American Recovery and Reinvestment Act (Recovery Act). In addition to desiring more affordable means of obtaining accounting-related services, participants also identified a need for more learning

opportunities regarding the tax advantages and disadvantages of the various ownership structure options (i.e., sole proprietorship, LLC, S-Corp, and C-Corp).

In the meetings, women business owners opined that certain taxes - specifically the alternative minimum tax and the self-employment tax for those without employees - are having a disproportionately negative effect on small businesses compared to their larger counterparts. Participants requested that policymakers consider revoking or at least revisiting these and other taxes.

The Atlanta town hall meeting addressed the subject of marketing expense deductions. Women business owners are frustrated that large corporations can deduct their marketing expenses, while there has been a limit placed on deductions for small business marketing expenses, such as business meals. For those service-based small businesses for which business meals are their primary, sometimes only, form of marketing expense, this is perceived as an extra tax burden beyond what large corporations incur. Participants called for an adjustment to the tax code for businesses that rely on meals as their primary marketing expense, so that they may be allowed to deduct a larger percentage of their meal expenditures with prospective clients.

#### **Create a tax structure that rewards, rather than penalizes, growth.**

Several specific examples of how the current tax structure penalizes women-owned businesses' growth include:

- Graduated tax structure of escalating tax rates as profits increase.
- Capital gains taxes that are a disincentive to reinvesting in the company to fund growth.
- Tax codes that encourage showing no profit at the close of the year.

A suggested solution to the above concerns was tax-free business savings accounts. In these accounts, small businesses could hold a limited amount of reserve funds into the next fiscal year, without any tax penalties, and then use these funds to help sustain or otherwise reinvest in the enterprise.

#### **Eliminate the estate tax.**

Women business owners have identified the estate, or inheritance, tax as a burden to themselves, their families, and their businesses. When families choose to dissolve a business rather than pay the estate tax, jobs at that company are lost, often impacting family members and the wider community.

#### **Create tax incentives for keeping manufacturing jobs in the United States.**

Women business owners of small manufacturing establishments strongly support tax incentives for keeping manufacturing jobs in the United States to help offset the lost savings of relocating these jobs overseas. The desired intent of these incentives is to reward these choices and make it easier for small companies to financially compete with larger ones that have already moved their production operations overseas.

## Microenterprises

Women-owned businesses often begin as microenterprises. Women typically begin their enterprises alone (that is, as their one and only employee), driven by a personal job loss, desire for more autonomy or flexibility, or the discovery of a new niche product or service for the marketplace. As sales grow, these new business owners hire staff, with the classification of microenterprise remaining appropriate until around the time the business hires its fifth employee. It is reasonable to speculate that the number of women starting their own business has increased in recent months in response to the job losses now commonplace in this national economic downturn. With an estimated one of every six U.S. workers employed by a micro-business, these small enterprises represent a vital component of the national economy.<sup>3</sup>

The Atlanta town hall meeting identified two primary potential microenterprise policy considerations: (1) additional learning opportunities for microenterprise owners regarding business practices and general awareness-raising regarding what services and learning opportunities are available; and (2) review of the metrics in the procurement process to de-emphasize the size of a company and refocus the process on the value that the microenterprise can deliver to the bid proposal.

Policy recommendations specifically relevant to microenterprises, several of which overlap with policy recommendations identified earlier in this report, are outlined below.

### Access to Capital and Credit

- Enhance awareness of the SBA's microloan program.
- Incentivize angel investing via tax credits or similar measures.

### Affordable Health Care

- Address the affordability and portability of health care insurance.
- Consider comprehensive reform to disconnect health insurance from employers.
- Alleviate health insurance restrictions and escalated prices for microenterprise owners with pre-existing conditions.

### Education and Workforce Development

- Increase funding and resources for WBCs, SBDCs, SCORE, and other similar training and assistance opportunities on which microenterprise owners rely to educate themselves about business planning and operations.

### Procurement

- Establish additional federal contracting goals for micro-businesses, perhaps by creating a category separate from that of larger "small" businesses.

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<sup>3</sup> The Association for Enterprise Opportunity, 2006.

- Host training programs on government contracting as webinars or other online mechanisms, rather than solely in-person meetings, which are prohibitively expensive for entrepreneurs not based in Washington, D.C.
- Recognize, perhaps via the SBA, home-based businesses as viable entities, thereby enhancing their legitimacy in the eyes of prime contractors seeking subcontractor partnerships.

## Taxes

- Simplify the federal tax code and eliminate tax structures that discourage business growth.
- Eliminate the self-employment tax for those without employees.
- Simplify record-keeping requirements and standardize deductions for home-based businesses.
- Increase deductions for business start up expenses.
- Change the requirement that a home office must have a dedicated space to qualify for a deduction.

## Conclusion

The conversations held in Atlanta in April 2009 generated many overlapping ideas with the town hall meetings in 2007 and 2008. Although additional specific program opportunities and policy recommendations were identified, the following overarching themes remain constant.

### Technical Assistance and Support for Women Business Owners

Women business owners clearly desire more assistance in addressing a large range of operational and procedural considerations for sustaining and growing their enterprises. A portion of their request for assistance can be fulfilled by expanding the marketing work of existing services and programs – as a number of town hall meeting participants were not aware of what was already available. To accommodate this expanded effort to market the availability of services, funding sources will need to increase allocations to WBCs, SBDCs, SCORE, and other federal, state, and local programs serving women entrepreneurs and business owners.

At the same time, it would benefit women business owners for these programs and entities to evaluate what additional services they perhaps could provide to fill gaps in available programming. A few of the specific programmatic areas to consider, based on town hall meeting participant comments, include:

- Serving the specific needs of businesses in interim stages of development.
- Assisting navigation of complex subjects such as health care coverage options, procurement opportunities, and the tax code.
- Training related to human resource activities and implementing employee training programs.
- Creating learning opportunities related to new business trends, for example, expanding IT-related activities and “green” business operations.

### **Procurement Process and the Tax Code**

Both the government procurement process and the tax code remain nearly undecipherable in the eyes of women new to business ownership. Women business owners call for simplification, educational programs, and technical assistance to help them increase their competitiveness for government contracts and more easily navigate the tax code.

Women business owners also identified opportunities related to the tax code, in the form of tax incentives and credits for a variety of specific priorities, including:

- Rewarding small-business job creation and retention. (For example, in the case of small manufacturers who may be considering the relocation of operations overseas.)
- Facilitating employee training and continuing education.
- Subsidizing health insurance coverage costs.
- Incentivizing angel investing.

### **National Economic Crisis**

The economic downturn has posed challenges to businesses of all sizes in many industries and locations across the country. The conversations in Atlanta were flavored by this crisis, particularly as it relates to the reduced availability of loans from banks, which are more risk-adverse in the current economic climate. While the Recovery Act designated funds to support small businesses during this crisis, it is unclear whether these funds are reaching the businesses that need the financial support most. This makes incentivizing angel investing and raising awareness of available SBA loan guarantees and other financing programs particularly pressing opportunities to support women business owners in 2009 and beyond.

### **Final Thoughts**

In addition to soliciting feedback on policies affecting their businesses, NWBC's town hall meetings provided participants opportunities to network with and learn from their peers. The opportunity to voice their policy priorities appeared to give the women business owners who participated renewed confidence in the future success of their enterprises.