

What Challenges Are Women-Owned Businesses Facing?

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ABSTRACT

Women face several challenges even 50 years after Title VII Equal Rights Act of 1964 was enacted. It's nearly 50 years since Executive Order 11246 addressed Affirmative Action. There are increased numbers of women-owned businesses each year. Studies indicate they are successful yet due to glass ceiling, inequality, and bureaucratic red tape, they are still having difficulty accessing financing.

Many industries are still male dominated having few or no women executives in leadership roles. Further due to limited resources, most women-owned businesses are started with \$5,000 or less. They are predominantly professionals such as consultants, accountants, and lawyers. My research found that along with the challenges faced, they are transformational leaders. They also have a higher success rating than men-owned businesses.

Keywords

Women-owned businesses, Affirmative Action, small businesses, challenges, Executive Order 11246, diversity

1 INTRODUCTION

The purpose of this paper is to answer the question, "What Challenges Are Women-Owned Businesses Facing?" My research focused on barriers to entry for startup firms and the glass ceiling for women in business. It introduces research which supports my claim that although these businesses can obtain certifications and that there are laws to reduce barriers, they still exist day. This paper also reveals that women are transformational leaders and they have strong competencies to be successful business owners.

2 EVOLUTION OF WOMEN IN BUSINESS

It has been 50 years since Title VII of the Civil Rights Act of 1964 was established, and as we embark on the 50th Anniversary of the signing of Executive Order 11246, we should look at what progress has been made due to Affirmative Action. The last census done by the U.S. Bureau of Statistics in 2007 reported that there were 7.8 million women-owned businesses. They had an average of \$153,000 in receipts, which is a 6.1% increase from the prior census done in 2002. These businesses were predominately opened with personal financing; 77% began their businesses with \$5,000 or less. Of the veteran-owned businesses only 4.1% were women and 94.8% were male owned. Only 5.5% of women-owned businesses expanded with business loans from banking institutions while men were 11.4%. The

survival rate is 78.2% (National Women's Business Council, 2012, p. 2). This is more than encouraging!

"As of 2013, it is estimated that there are over 8.6 million women-owned businesses in the United States, generating over \$1.3 trillion in revenues and employing nearly 7.8 million people" (American Express Open, 2013, p. 2). Considering that these businesses were largely started with \$5,000 or less, this is surely a significant growth. Actually women-owned businesses have grown at twice the pace of men owned businesses. What's more astounding is that their "growth rate of employment and revenue have outpaced the economy" (Hadary, 2010, para. 1).

3 CHARACTERISTICS OF SUCCESS

Although both men and women start businesses, their reasons for doing so are quite different. "Men tend to start a business to be the "boss", and their aim is for their businesses to grow as big as possible. Women start businesses to be personally challenged and to integrate work and family, and they want to stay at a size where they personally can oversee all aspects of the business" (Hadary, 2010, para. 8). Research indicates that women look for flexibility due to life balance. They want to have a family as well as a career. With many living in dual income households, flexible work schedules are an attractive benefit for both men and women.

"Articles in newspapers and business magazines reveal a cultural realignment in the United States that proclaims a new era for female leaders" (Eagly & Carli, 2003, p. 808) Women possess many of the competencies needed to be an effective leader. A study by Zenger and Folkman measured 16 leadership competencies through a 360-degree feedback instrument. Results revealed that women exceeded men in 12 of the 16 competencies. The largest percentage was the competency "takes initiative". The second highest score was on "displays high integrity and honesty". Men had the largest percentage on "develops strategic perspective". Men's second highest score which was only 1% higher than women was "technical or professional expertise" (Sherwin, 2014, para. 13-14).

A study performed by Christ Bart and Gregory McQueen reiterates that women belong in board rooms. They found that women had better complex moral reasoning ("CMR"). They also commented that women outperform the men when they do not try to behave like men. Bart and McQueen stated, "Our research has found that women on boards are

significantly better than men at making decisions because their CMR” (Bart & McQueen, 2013, p. 95) “Nevertheless, it is probable that stereotypically feminine qualities of cooperation, mentoring, and collaboration are important to leadership as well, certainly in some contexts perhaps increasingly in contemporary organizations” (Eagly & Carli, 2003, p. 808). CHA

Men and women begin their careers on an even plateau for competencies, but by approximately age 40 men stop self-development whereas women continue to develop themselves. This accounts for why women make transformational leaders. They have a strong drive for results as opposed to men who want to focus on the size of the organization. Women inspire and develop others. They look at the overall and long term vision of a company. They are also better at building and fostering relationships and at teamwork than men. “For example, Rosener (1995) labeled women’s leadership as interactive, involving collaboration and empowerment of employees, and men’s leadership as command-and-control, involving the assertion of authority and the accumulation of power” (Eagly & Carli, 2003, p. 810).

4. LIMITS OF LEGISLATION

While there are grants and loan opportunities for women owned businesses to take advantage of, they are difficult to obtain. New York State and New York City (“NYC”) have provided a Fast Track Application for receiving Minority Women Owned Business Certification. Each has numerous provisions, the first being you must be in business for at least one year. NYC requires you to have “a real and substantial presence” in NYC including having the principle place of business in NYC. Further, 25% of the receipts must be from transacting business in NYC (www1.nyc.gov)

“Federal agencies have been required by legislation to set a goal of awarding 5% of all procurement dollars to women-owned business” (Hadary, 2010, para. 17). Often contracts are packaged making it virtually impossible for small businesses to compete. This leaves the women-owned business out of the process. This goal of 5% should be enforced more. It would provide an opportunity for women-owned businesses to demonstrate their competency and build confidence in their business. It would also provide opportunities for them to grow. Possibly become a large prime contractor and compete on a prime level for contracts as opposed to being the subcontractor.

President Obama has repeatedly stated throughout his terms that he is committed to promoting diversity and meeting the 5% goal. In 2010 his administration established a rule that “identifies 83 industries in which (women-owned small businesses) WOSB’s are under-represented or substantially under-represented in the federal contract market.” (SBA.gov, 2010)) Further, the Small Business Administrator, Karen Mills was quoted stating, “Women-owned businesses are one of the fastest growing sectors of our nation’s economy, and even during the economic downturn of the last few years, have been one of the key job creation engines in

communities for women-owned small businesses to compete for and win federal contracts” (SBA.gov, 2010).

The Small Business Administration (“SBA”) and the Federal Acquisition Regulatory Council began a WOSB contracting program. This would allow women-owned businesses to become certified by the SBA. It has been nearly 5 years since the rule was proposed and women-owned businesses continue to open, but remain small and with little help from government or financial institutions. “Every year the federal government awards over \$500 billion in contracts, however women-owned businesses receive only 4% of those contracts” (U.S. Small Business Administration, n.d., p. 6)

The SBA addressed issues that were brought to their attention as reasons that were preventing women-owned businesses from accessing federal monies. They cut the paperwork requirements which were overwhelming the small businesses. They introduced “QuickPay” that reduced payments from 30 days to 15 days to help cash flow. They also provided more information about the federal contracts that are available. They provided mentoring opportunities “for women specific to industry, technical training, matchmaking, contracting, and financial literacy” (SBA, n.d., p 11)

So, if there is legislation that has set goals to be met and could easily be then why aren’t they being met? As previously stated, diversity can be the answer to our economic crisis. If we truly promoted a diverse workforce – from top to the bottom – we would capitalize on their talent and perspective and gain a competitive advantage, satisfy the consumer and increase our bottom lines. So again I ask “why aren’t we becoming more diversified?” Are we still stuck in the dark ages of thinking women can’t cut it? Well research proves otherwise. Isn’t it time we accept the data and begin to make the necessary changes in our companies?

Much of business is done through government agencies. By preventing women-owned businesses from accessing contracts, we are preventing their growth of market share. The agencies are preventing the very essence of why Title VII and Executive Order 11246 were created. Fifty years ago the value of women was acknowledged hence the reason these were established. How is it 50 years later we’re still fighting it? It shouldn’t take another 50 years to accomplish this goal. We need to embrace the differences of men and women and create cohesion and collaboration which will transform businesses beyond expectations.

Women frequently have less resources available to them, yet this hasn’t prevented them from entrepreneurship. They open businesses that have low barriers to entry such as professional (accounting, law practice, consulting) or retail (Hadary, 2010, para. 10). Having fewer resources available delays their growth. The good news is they tend to have less debt.

5. WOMEN AS A RESOURCE

In these days of influx due to our weakened economies, we

shouldn't be scratching our heads wondering what we need to do. Rather we need to recognize we have the resources, yet aren't using them. The resource is women. They make up more than half of the workforce. They are educated and impact 80% of the spending (Pellegrino, D'Amato, Weisberg, 2011, p. 1)

Women have made terrific strides over the last five decades in a larger work force presence. Businesses that have diversified their workforce including leadership roles have outperformed those who have not. Understanding consumer spending would assist companies on where to spend their research and development dollars. It allows them to know what to develop. By understanding their consumers' needs they can make efforts to meet them thereby selling more products or services to them.

Further, women offer knowledge, experience and perspective needed to balance and compliment the men's and result in growth. Men and women need to work together. The old "two heads are better than one" saying is very true. By having diversity it fosters creativity and provides for a broader perspective. Who better to know what women want to buy than women?

Former Secretary of State, Hillary Clinton stated, "Very fundamentally, no country can get ahead if it leaves what amounts to half the population behind" (Pellegrino, D'Amato, Weisberg, 2011, p. 17). She as well as many powerful women knows that we need more women in the board rooms, executive seats, and in decision making roles. Women need to be accepted at the table. They have earned their place.

Companies should be looking to invest in diversifying their workforce and developing the talent they have. This will allow women to become mentors and coaches for other women and continue the future success of women and the companies for which they work for.

Best Buy and Campbell's Soup are two examples of how diversifying can positively impact your organization and bottom line. Best Buy recognized that women were leaving their organization at twice the rate of men. Hiring and training costs are expensive. They also acknowledged women influence 89% of consumer electronic purchases. This equates to \$68 billion. They implemented Women's Leadership Forum (WOLF). They involved women in leadership and product development. They reduced their turnover rate and increased revenues (Pellegrino, D'Amato, Weisberg, 2011, p. 27).

Alternatively, Campbell's Soup knew women were their target consumers but did not have their input in developing products. When they allowed women to formulate the idea of a new product, they created Select Harvest. This product line brought \$200 million of revenue to Campbell's. By simply meeting women's needs they expanded a new product line and had tremendous success (Pellegrino, D'Amato, Weisberg, 2011, p. 27).

6. DIVERSITY AS A SOLUTION

We know that most businesses are small businesses. Women are opening more businesses than men. Women are workers as well as consumers. They represent the largest consumers. They are also the largest number of workers. Whether your business is a manufacturer or a service provider, it's good business sense to have women throughout your organization. By diversifying a workforce, companies will benefit by developing products and services that will meet the consumers' needs. A balance of women and men will create a higher bottom line.

Men and women working together will allow organizations to access the stronger traits of each and strengthen each other. By working not side by side but truly together as a team, instilling a culture of diversity and drawing on each other's strengths. Imagine a workplace that embraces other's competencies to the extent of truly complimenting each other like a good peanut butter and jelly sandwich. With the right amount of each your sandwich will be a superior quality and offer a competitive advantage. Well, the same goes for any product or service. We need to acknowledge the strengths and weaknesses of our staff and develop the weaknesses to become strengths. Prepare a SWOT analysis on each of our leaders and/or managers and identify who can coach or mentor whom.

7. CONCLUSION

Imagine turning our economy from a downturn to an upturn simply by looking at our largest consumer, women, and learning what their needs are. Aforementioned, by meeting their consumer/customer's needs they will reap the rewards of larger market shares and an increased bottom line. Organizations will also have employees that are more engaged and employee satisfaction will increase due to a harmonious work environment and their training and development. With increased employee satisfaction will be increased employee retention. This will reduce hiring costs and further improve the bottom line. It seems too good to be true, yet research supports it.

Often we find obstacles or barriers that are either too costly to remove or resolve, yet in this instance they can be without breaking the bank. Banking institutions and government agencies should entice women-owned businesses to open by offering low interest loans, and provide services that aid business development. And in return the rewards would be tremendous. As previously noted, successful women-owned businesses would help our downturned economy. Diversity would increase creativity, employee satisfaction, and provide perspective in developing businesses which will cause growth.

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