

Minority Women Face Uphill Climb in Small Business

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THERE'S A TROUBLING question facing women-of-color entrepreneurs, who are starting small businesses at a rate higher than the national average: What's holding them back?

A research project launched this year by the Center for Women's Business Research and Babson College hopes to pinpoint the challenges that minority women face, particularly when it comes to generating revenues for their firms. While female entrepreneurs in general lag behind men when it comes to sales, minority women further take a back seat to white women. In 2002, the latest year for which U.S. census data is available, the average firm owned by white women recorded \$155,000 in revenues, while companies owned by Hispanic women posted far less — about \$65,000 — and those owned by African-American women recorded even less, about \$38,000.

"It's been going on for a couple of decades now — and we are just puzzled by it," says Gwen Martin, director of research at the center in Washington, D.C., which along with Babson is studying the issue at day-long research forums over the next year in Philadelphia, Atlanta, San Francisco, Dallas and Chicago. "Nobody is answering the question about why they don't grow."

Like white women, minority women frequently report that access to capital is one of the biggest hurdles to growth, she says. Female entrepreneurs can be dogged by the stereotype that they have little financial know-how, which can make lenders, investors and venture capitalists in particular hesitant to work with them. "White women are still having some issues but...women of color have that added issue of race and ethnicity to deal with," Martin says.

Sheila Brooks, founder of video-production firm SRB Productions in Washington, D.C., says she had trouble getting a \$200,000 business loan in 1995 — something she suspects is related to the fact that she is an African-American woman. The bank required her husband's signature, despite her business's five-year track record. More recently, Brooks, who is serving as a spokeswoman for the research project, says she has encountered another big challenge: hiring and retaining top talent, especially older male employees. "I hate to say this but...people don't want

to work for you, because you're a woman of color," says Brooks, whose firm employs about 10 people and has posted close to \$3 million in annual revenues.

Despite apparent obstacles, minority women are increasingly embracing entrepreneurship — a fact largely attributed to disparities in pay and equal treatment in the corporate world. Women of color are starting businesses at six times the rate of all firms, according to the center's research. In 2006, minority women owned about 2.4 million companies, employed 1.6 million people and generated a total of \$230 billion in sales.

And within ethnic groups, a greater percentage of minority women own firms than white women, according to the Small Business Administration's Office of Advocacy, which examined the 2002 census data. For instance, within black-owned firms, black women owned 29% of firms with employees, and 47% of firms without employees. In contrast, within white-owned firms, white women owned 17% of firms with employees and 31% of firms without employees.

The statistics have been noticed by major financial-services firms, which view minority entrepreneurs as a new market for credit lines, cash management and investment services. The lead sponsor for the research project is **Wachovia** (WB¹), which in the past two years has extended \$1 billion in loans to women business owners. The bank hopes the research on women-of-color entrepreneurs will "provide us with insights [into] this high-growth market segment," says Jenny Ward, a vice president and women's market leader at Wachovia in Charlotte, N.C.

The bank is "intrigued" about the reasons why minority-women entrepreneurs aren't hitting the same revenue marks as white women, Ward says. When the project is finished next year, "we hope we have this cutting-edge research to be able to proactively target this group," she says. "Obviously, it's a great business opportunity." Other sponsors of the research include **Wells Fargo** (WFC²), which has divisions that focus on women, Hispanic, African-American and Asian entrepreneurs; **Principal Financial Group** (PFG³); and **MasterCard** (MC⁴).

For the research project, the Center for Women's Business Research and Babson are inviting women-of-color entrepreneurs to the day-long forums to discuss the problems they've faced and solutions they've come up with. Minority women business owners from all industries are welcome, as long as they've been in business three years and generate between \$250,000 and \$5 million in revenues. For more information, click here⁵.

At the first forum, held in Philadelphia in February, many women-of-color entrepreneurs discussed supplier-diversity programs, which are designed to give women and minorities greater opportunity to compete for government and corporate contracts. The women "pretty much don't believe they work," says Martin, the center's research director. "The bars are too high." The women-of-color entrepreneurs also "talked a lot about obstacles within their own communities — and not getting support from their own, and then competition between minorities," she says.

Donna Stoddard, an associate professor at Babson who has done research on minority business enterprises, is documenting minority women's experiences in case studies that she plans to present at the forums. Minority women often report they can sell products or services over the Internet or via phone or email, but run into problems when they finally have face-to-face meetings with clients. For instance, in one case study, two women-of-color entrepreneurs recalled arranging "a meeting with a big retailer — and it was clear that everyone in the room was shocked when these two African-American women walked in," Stoddard says.

Stoddard also is highlighting the achievements of minority businesswomen. At the Philadelphia forum, she talked about three African-American women bankers who got frustrated by the lack of capital for minorities and started their own bank in Milwaukee. The tale of leadership "really resonated with women in the room," she says. "We'd like to help everyone understand there are opportunities from an entrepreneur's point of view to pursue — and that the face of a business isn't necessarily a white male."

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