

# Financial Prospects Abound For Women Business Owners, But Market Still Tough

Jobs Bill Strengthens Goal Of Equal Treatment Across Federal Contracting Programs

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While gaining access to loan capital and market share has historically been a challenge for many enterprising females due to gender discrimination, financial opportunities are looking brighter for a budding sector of women entrepreneurs.

Many of today's women find starting or purchasing a business more attractive than ever before, as many have left companies to run their own ventures where they are allowed more schedule flexibility for parenting and see a better potential for career growth.

Women are launching small businesses at a rate twice that of men and higher than all small businesses in the overall economy. The number of women-owned firms has grown substantially just in the last decade, rising 44 percent between 1997 and 2007, according to the U.S. Census Bureau. In 2008, the Los Angeles/Long Beach/Santa Ana region alone had a total of 509,633 businesses, where 50 percent of each business was female-owned, generating \$129 billion in annual revenues, an 8 percent increase since 2002, according to the Center for Women's Business Research.

As women-owned businesses contribute to the country's economy, the federal government and lenders continue to strive for an equal playing field through providing assistance services, equal treatment programs, women's initiatives, education and finance opportunities.

But, on top of the historical gender disadvantages in the marketplace for women, they still face the same challenges in this tough economy as men do. Females have to meet the same requirements of financial lenders, regardless of gender or ethnicity, said Regina Peterson, executive director of Advantage CDC in Long Beach.

Meeting the requirements of Small Business Administration (SBA) 504 and 7(a) loans depends largely on the industry, past credit, amount of equity, business portfolio, chances for growth and many other factors. "Lenders are not going to make bad loans," she said. "But if it's a good loan and a business has weathered the storm and they are growing and stabilized contracting opportunities are in the near future, lenders will look at them as a good candidate for financing."

The federal government's Small Business Jobs Act of 2010, signed September 27, does help provide further financing for all busi-

nesses eligible for programs. The new rules have extended the fee reduction program up to the end of December of this year and have extended loan limits from \$2 million to \$5 million and \$5.5 million on a 90 percent transaction. The government has also increased the size standards for small businesses, now capped at a tangible net worth of up to \$15 million instead of \$8 million, allowing the program to assist larger firms, Peterson said.

"This is a really good opportunity for those women-owned businesses, and all businesses period, to take advantage of the reduction in real estate values while the interest rate is still low," she said. "The SBA has these special features on the program and it's a really good opportunity to expand if they can justify expansion."

## Lending Services

Wells Fargo, recognized as the leading SBA lender in 2009, was the first financial institution in the country to launch a program aimed at building relationships with women business owners and increasing their access to capital and financial services. Since the start of its Women's Business Services program in 1995, the bank has loaned more than \$35 billion nationwide to women business owners and has extended more than 600,000 loans to women business owners over the last 10 years.

"We believe in the power of women," said Linda Russell, regional president of Wells Fargo's Greater San Gabriel Community Bank. "We've been long committed to supporting the growth of women business owners."

Russell said it's vital for women to form a bond with business bankers just as it is important to stay connected to attorneys or accountants. "Building that relationship with the banker gives [women] that opportunity of talking . . . about our vast resources as an organization that we can help them at every stage of their business from startup to as they grow," Russell added.

Lilly Chang, owner of Carson-based construction subcontractor Van Nuys Sheet Metal, said the key to turning around her company, which she purchased with her husband before they divorced, has been through "persistence" and "common sense."

The first-born daughter of immigrant parents from China who instilled a strong work ethic, Chang had her first job at age 16. After graduating with a master's in business administration from the University of California, Irvine, she could have easily remained with the bank investing firm where she worked, but in-

stead decided to purchase a company in order to work around her own schedule. "The most important thing for me is that I could provide an income while maintaining flexibility and be able to be a mother to my daughter as well . . . instead of working as a CFO somewhere and being gone 12 hours a day."

Through the downturn in the construction market, much of Chang's success can be attributed to introducing modern management tools, techniques and identifying new paths to growth. This year, she was one of three recipients recognized with Wells Fargo's Asian Business Leadership Award and honored by the U.S. Pan Asian American Chamber of Commerce Education Foundation.

Networking and building relationships with as many financial lenders, agencies and institutions as possible is key for any women-



Shira Tarrant, associate professor of the California State University, Long Beach Department of Women's, Gender & Sexuality Studies, teaches a course called U.S. Women and the Economy: Money, Sex and Power. She has published three books about women's issues and her work has appeared in various magazines. (Photograph by the Business Journal's Thomas McConville).

owned business, especially in today's economy, she added. A lot of it also has to do with finding a loan that's the "right fit" for one's specific type of business, along with the right timing and planning. "If you plan everything beforehand – before you start your business – you know what your challenges are going to be. The more you know about your risk, the more likely it is you're going to succeed," Chang said. "Instead of looking for three sources of loans, you look for 30 or 50 . . . We don't give up, and each day we feel a little better."

## Federal Initiatives

The federal government's role in assisting women business owners dates back to 1994, when Congress passed legislation requiring a minimum of 5 percent of funding for government contracts across the country go to businesses that are owned at least 51 percent by women.

Although the goal stands today and still hasn't been reached, the Small Business Jobs Act of 2010 hopes to strengthen that commitment through its "Equal treatment across federal contracting programs."

Starting in the early part of next year, the federal government will also officially start the Women-Owned Small Business (WOSB) Federal Contract Program. The new rule authorizes contracting officers to limit, or set aside, certain requirements for competition only in an arena

The rule requires that women-owned businesses be certified by a federal agency, state government, or third party certifier, instead of allowing lenient self-certification, which was "fraught with abuse" in the past, Constantino said. The hope is that the program will provide fairness for all programs in the end. "It presents a great opportunity for a certified business to participate in the ever burgeoning federal marketplace," he said. "And with their energy and enthusiasm, women-owned businesses can only help to create more opportunities for all small businesses as all federal procurement personnel have to achieve certain benchmarks on this various strata of the small business community."

The administration has also opened up more of the North American Industry Classification (NAICS) codes, where in the past might not have been equally represented for women, such as only focusing on minority-owned businesses. "It's really women-owned businesses standing alone that can now compete on an even keel. It's a new day and that's a good thing," he said.

The federal government has helped provide economic expansion and job growth for women under the Recovery Act as well, providing nearly 12,000 SBA loans to women-owned businesses.

Ernie Klinger, former chief financial officer of It's A Grind and now business professor at California State University, Dominguez Hills, said many more women who can't find work are now turning to colleges and universities looking to learn about self-employment. About 68 percent of undergraduate and graduate students are female. "A lot of the students are either trying or have already started some type of a business . . . A lot of them are females, so we do a lot to promote and point them in the right direction," he said.

Klinger said the resources online and at universities for entrepreneurial women and minorities are vast and that it all starts with a "well-thought out plan" and developing contacts. He added that most people aren't aware of the amount of funding available. "What most people don't realize is the U.S. federal government business assistance for women and minorities actually has funding of over \$3 trillion, and there's a whole list of funding programs geared toward females," he said.

## Challenges Persist

While there may be more women-owned businesses today, their market share has de-

clined by 10 percent from 1997 to 2007, possibly pointing to more of a disparity in size than realized, said Margot Dorfman, president of the Washington D.C.-based U.S. Women's Chamber of Commerce.

Despite the progress made, men still largely control the lion's share of revenues from the nation's firms, she added. For instance, while women own more than 7.8 million firms (28.75 percent of all firms in the country), women businesses have only secured 3.95 percent of all revenues in U.S. commerce. She calls for the government's goal of women receiving federal contracts to be doubled to 10 percent.

The women's rights movement and equal opportunity laws have, in part, spurred the federal government to push efforts to instill "parity" for enterprising women and eradicate years of past bias and discrimination. But, in some ways, women are still dealing with disadvantages left behind from past business practices that shut out women from the marketplace, said Shira Tarrant, a professor at the California State University, Long Beach (CSULB) Women's Gender & Sexuality Studies Department.

Even though it's men now who have been the primary victims of unemployment from the recession, mainly due to the drop-off in construction, while women have seen more employment, the gender pay gap and segregation among industries still remains an issue. Differences in workplace pay wages persist with women still earning 77 cents on the male dollar, she added.

Tarrant, who currently teaches a course called U.S. Women and the Economy: Money, Sex and Power, said it was only just a few decades ago when women weren't considered eligible enough to own their own line of credit or apply for a mortgage. "Historically, there have been tremendous challenges facing women in getting small business loans, which is why there are so many programs designed now to encourage women to get those loans," she said. "We've made progress, but we're still trying to kick that hangover to the side and that's really not that long ago." ■