

STRENGTHENING THE ENTREPRENEURIAL ECOSYSTEM FOR WOMEN

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE ONE HUNDRED FIFTEENTH CONGRESS FIRST SESSION

OCTOBER 26, 2017

Printed for the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

28–248 PDF

WASHINGTON : 2018

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
ONE HUNDRED FIFTEENTH CONGRESS

JAMES E. RISCH, Idaho, *Chairman*
JEANNE SHAHEEN, New Hampshire, *Ranking Member*

MARCO RUBIO, Florida	MARIA CANTWELL, Washington
RAND PAUL, Kentucky	BENJAMIN L. CARDIN, Maryland
TIM SCOTT, South Carolina	HEIDI HEITKAMP, North Dakota
JONI ERNST, Iowa	EDWARD J. MARKEY, Massachusetts
JAMES M. INHOFE, Oklahoma	CORY A. BOOKER, New Jersey
TODD YOUNG, Indiana	CHRISTOPHER A. COONS, Delaware
MICHAEL B. ENZI, Wyoming	MAZIE HIRONO, Hawaii
MIKE ROUNDS, South Dakota	TAMMY DUCKWORTH, Illinois
JOHN KENNEDY, Louisiana	

SKIFFINGTON E. HOLDERNESS, *Republican Staff Director*
SEAN MOORE, *Democratic Staff Director*

C O N T E N T S

OPENING STATEMENTS

	Page
Risch, Hon. James E., Chairman, and a U.S. Senator from Idaho	1
Shaheen, Hon. Jeanne, Ranking Member, and a U.S. Senator from New Hampshire	2

WITNESSES

Gore, Elizabeth, Entrepreneur-in-Residence, Dell, Sonoma, CA	3
Chadwell, Tracy, Founding Partner, 1843 Capital, Greenwich, CT	8
Richards, Michelle, Executive Director, Great Lakes Women's Business Council, Livonia, MI	12

ALPHABETICAL LISTING

Chadwell, Tracy	
Testimony	8
Prepared statement	10
Responses to questions submitted by Senator Inhofe and Senator Duckworth	44
Gore, Elizabeth	
Testimony	3
Prepared statement	5
Responses to questions submitted by Senators Inhofe, Young and Duckworth	40
National Women's Business Council	
Statement	32
Richards, Michelle	
Testimony	12
Prepared statement	14
Responses to questions submitted by Senator Duckworth	44
Risch, Hon. James E.	
Opening statement	1
Saujani, Reshma, Girls Who Code	
Statement dated October 26, 2017	34
Shaheen, Hon. Jeanne	
Opening statement	2
Chart titled "Status of Women-Owned Businesses"	29
Women Impacting Public Policy	
Statement dated October 25, 2017	36

STRENGTHENING THE ENTREPRENEURIAL ECOSYSTEM FOR WOMEN

THURSDAY, OCTOBER 26, 2017

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:30 a.m., in Room 428A, Russell Senate Office Building, Hon. James Risch, Chairman of the Committee, presiding.

Present: Senators Risch, Ernst, Young, Kennedy, Shaheen, Cantwell, Heitkamp, Coons, Hirono, and Duckworth.

OPENING STATEMENT OF HON. JAMES E. RISCH, CHAIRMAN, AND A U.S. SENATOR FROM IDAHO

Chairman RISCH. I know everybody is having a good time and networking and moving the enterprise forward but we really should get started.

We have a vote starting at noon so we are going to be on a bit of a short string here. That should not, in any way, denigrate the importance of this hearing of the Small Business Committee. And what we are going to do today is we are going to explore ways to help women-owned businesses reach their full potential and grow the American economy.

And I certainly want to thank my colleague, Senator Shaheen, for working together on this. This is a matter of great importance to all of us and to all of America, even though all of America sometimes does not know it. Would that be a fair statement, Senator Shaheen?

Senator SHAHEEN. Right, that is fair.

Chairman RISCH. As you know, October is National Women's Small Business Month, which serves as a great reminder that female entrepreneurs own more than 11 million businesses in our country and employ more than 9 million workers. They contribute \$1.6 trillion in sales to our national economy and are capable of even more as the fastest-growing sector.

Just a few weeks ago, SBA Administrator, Linda McMahon, joined me in my home state of Idaho, where we visited a number of small businesses in the Treasure Valley. My wife and I and she traveled to a number of businesses and had the opportunity to listen to women-owned businesses there.

I often say that entrepreneurs and small business owners want more than anything just to have time to devote to growing their businesses. Women entrepreneurs, as many of you can attest to, of-

tentimes are working to juggle even more priorities than their male counterparts, for obvious reasons, and they are negatively impacted by the expense of time and resources that it takes to comply with our complicated and burdensome tax code, along with a lot of the other arcane regulatory systems.

It is for this reason that tax reform can and should be part of today's discussion. In fact, the National Association of Women Business Owners asked this Committee to present on tax reform at their annual conference just last week, because that is the most important issue to the hundreds of women business owners who belong to that organization.

Additionally, the president and board of directors of Women Impacting Public Policy were at this desk, in this very room, just a few weeks ago, for a bipartisan discussion centered on the need for tax reform, with staff from both my office and my colleague, Senator Shaheen's office, to participate.

Our hearing today will touch on many issues affecting women entrepreneurs, but I want you to know, this is a—that tax reform is a top-rung issue I believe on all of our parts.

Again, thanks for being here today and I look forward to a robust discussion. I ask you, each of the panel members—first of all, thank you for bringing—for coming to the hearing today and presenting for us. I would ask you to try to stay within five minutes and I will ask that you submit anything that you want in writing and we will certainly include it in the record.

So with that, I yield to Senator Shaheen.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, RANKING MEMBER, AND A U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Well, thank you very much, Mr. Chairman. I am delighted that we are holding this hearing this morning, because, as you point out, women-owned firms are significant as we look at the future of employment in this country. They are growing five times faster than the national average. But women-owned businesses still face headwinds. On average, they earn less than male-owned firms. They employ only eight percent of the nation's private workforce and they produce 4 percent of business revenues, a share that has remained the same for the past 20 years.

So the question really is: Why? Why are the other statistics around women-owned businesses not changing? That is one of the things we are going to explore this morning.

I look forward to hearing the testimony of our outstanding witnesses and I will submit my full statement for the record, Mr. Chairman.

Chairman RISCH. Thank you very much, Senator. I would like to introduce our three witnesses here today and I would first like to welcome Ms. Elizabeth Gore, who is an Entrepreneur-in-Residence—I have never heard that title before. I am sure you will enlighten us on that—who drives initiative in support of Dell's goals around helping small and medium businesses scale and prosper. I am also pleased to welcome Tracy Chadwell, Founding Partner of 1843 Capital, an early stage venture capital fund. And I would also like to recognize Michelle Richards, who has served as the Executive Director of the Great Lakes Women's Business Council. We all

know the council does great work and she has been there since its inception in 1984.

So I thank all of you for coming and, Ms. Gore, we will start with you.

TESTIMONY OF ELIZABETH GORE, ENTREPRENEUR-IN-RESIDENCE, DELL, SONOMA, CA

Ms. GORE. Great. Well, thank you, Chairman. Thank you, Senators, for being here. Senator Shaheen, Senator Risch, and all of you, it is a real honor to testify about what I think can be the greatest bipartisan opportunity that this country has seen, and it is women entrepreneurs.

Just this week I have been in San Francisco; Sioux Falls, South Dakota; New York City; and now, D.C., and I am proud that Northern California—and I can tell you that women, in all of those areas, have the most potential to succeed, but they are facing numerous barriers.

While we are starting businesses twice as fast as our male counterparts, as you said—I am very proud of that—we do have considerably higher fail rates. And only 2 percent of us are making over \$1 million with our businesses in this country, and I think that is a 98 percent opportunity that we all have to improve.

I hope none of you have the number seven as your favorite number, because for some reason we are stuck on seven. Women founders only get 7 percent of venture capital in this country, only 7 percent of venture capitalists are women, and something that is increasingly important, only 7 percent of stories in business media are about women founders. So we have to see it to be it, and we have to change that.

Over the last two and a half years, I have had the great pleasure to serve in my home State of Texas as the entrepreneur-in-residence at Dell, and I am also an entrepreneur myself and a co-founder of Alice, which is the first-ever machine-learning and AI tool that helps any women, minority, or veteran founder find these resources they need to scale. And I will tell you that through both those works I have found that the barriers really fit in four pillars: access to capital, networks, technology, and talent. Those really are our barriers.

So I will just start with access to capital. This is the number one issue facing women, in my opinion. Whether I am in Sioux Falls and I am applying for an SBA loan or I am sitting in Silicon Valley, going after my Series A funding, this is a major problem. I think we need, as a recommendation, to incentivize our venture capital friends to increase that 7 percent number. It is going down, in fact. It has gone down substantially and I think the 2017 numbers are going to show a significant drop in venture capital. I think my colleague here will talk a lot more about that.

Bias and unconscious bias does exist in venture capital. The MeToo movement is not just about Hollywood.

I would also like to encourage our SBA to continue to strengthen. The SBA is a critical part of our country. While women are five times likely to get SBA loans that shows how important it is, they are actually—the amounts they get are two and a half times lower than their male counterparts, so something I hope we look into.

Another thing is certifications. I am really proud to see continuing biodiversity programs, women-owned business certifications, but there is one thing that we need to change—the 8(a) certification program with the U.S. SBA is an excellent program. However, if you get venture funding and those venture capitalists are male, you are not considered women-owned anymore, so you cannot get the 8(a) certification and be venture-backed. I think this is something that we can simply change through legislation and that is my top recommendation for this year.

The second is, let us continue to work with innovators and understand new sources of funding. Supplier diversity—Dell spends \$4 billion a year in women- and minority-owned businesses, just through our supply chain. Crowdfunding that did not even exist seven years ago is now actually supporting women more than men. So what other innovative sources can we do?

Most women actually depend on banks for access to capital. We talk about venture but 90-plus percent of women are counting on bank loans, and just this year we came out to see that only 30 percent of companies owned by women were able to get bank loans in the first part of 2016.

The next is access to networks. You know, we do not golf as much as our gentleman counterparts do, so what are those facilitated networks that we need to find, whether those are digital, whether accelerators are really critical. I love the grants that have been going to accelerators from the U.S. government. They are very important.

Access to technology. Every single company is now a technology company. Women are less likely to access technology and we have to continue to move that forward.

So on behalf of my fellow amazing women entrepreneurs, this is a time of opportunity, it is a time that, yes, we are challenged, but we are the best economic bet. If we get the access to capital that we need, we will bring \$30 billion in GDP to this country in one year.

Thank you. Thank you, Mr. Chairman.

[The prepared statement of Ms. Gore follows:]

**Strengthening the Entrepreneurial Ecosystem for Women
Senate Committee on Small Business and Entrepreneurship
October 26, 2017**

Prepared Testimony for Elizabeth Gore, Entrepreneur-in-Residence, Dell

Chairman Risch, Ranking Member Shaheen and members of the committee, good morning. It is an honor to testify before this committee on this very important issue – strengthening the entrepreneurial ecosystem for women.

Entrepreneurs are the engine that drives the world economy. Globally, startups account for approximately 70 percent of net new jobs and according to studies by both UN Women and the World Bank, if women and men equally participate in the entrepreneurial ecosystem the United States' GDP could rise by \$30 billion.

It is in the world's best interest that women entrepreneurs everywhere thrive. Women represent a significant economic opportunity for the United States and while women are starting businesses twice as fast as men, they have a disproportionately higher failure rate. Statistics show that only two percent of women entrepreneurs in the United States make over \$1 million in their companies. Additionally, women in the United States receive only seven percent of venture capital funding and are represented in only seven percent of media stories.

Over the last two and half years, I've been serving as the entrepreneur-in-residence at Dell, a company that is committed to helping women entrepreneurs succeed. During my tenure as EIR at Dell, I've had countless discussions with women entrepreneurs and learned that issues around access to capital, networks, talent and technology often stand in the way of their success. These four pillars of innovation, as we call them, are where there is the most potential for change.

At the Dell Women's Entrepreneur Network (DWEN) annual summit earlier this year, Dell announced the findings of the 2017 Women Entrepreneur Cities Index (WE Cities), which revealed how 50 top global cities are fostering high-potential women entrepreneurs. The index evaluated five important categories of a city's characteristics - capital, technology, talent, culture and markets.

According to the WE-Cities Index, New York City, the San Francisco Bay Area, London, Boston and Stockholm are the top-five cities for high-potential women entrepreneurs. However, while New York City ranked number one, its total score out of 100 was only 55 – leaving considerable room for improvement for all cities on the list.

The WE Cities Index shows the impact of local policies, programs and characteristics in addition to national laws and customs on these high-potential women entrepreneurs. This data and analysis proves that when impediments to women entrepreneurs are removed there is a dramatic uplift in a city's economic prospect. The WE Cities Index also provides a tool for entrepreneurs and policy-makers on how to improve conditions to enable businesses founded by women to thrive.

Through this research and through the numerous conversations with entrepreneurs, we've developed a suite of recommendations for both policy-makers and for business leaders and other stakeholders in the entrepreneurial ecosystem. These recommendations tie back to the four pillars of innovation and we believe these recommendations will help turn high potential women entrepreneurs into high growth women entrepreneurs.

Access to capital – we all know that tracking down funding can be a major challenge for women entrepreneurs, but it is also the most urgent item needed to foster women's entrepreneurship. Some recommendations around access to capital are:

- Incentivize individuals and organizations to invest in female owned companies.

- We must address the disproportion in Venture Capital and external funding. As I noted earlier, statistics show that only seven percent of venture capital funding goes to women. The role of bias cannot be ignored in explaining why this discrepancy exists.
 - Few VCs will consciously discriminate against female-led businesses – it's quite the opposite. They want to support women-led businesses understand what other women need and want. But while the intent might be there, unconscious bias can get in the way of investing in women.
 - Only about seven percent of decision-makers at U.S. VC firms are women, so most venture capitalists are making investments through a male lens.
 - However if incentives exist for investing in women entrepreneurs, we can see a change in how VCs make investments.
- Modernize and grow existing government grant and loan programs, including certifications, that help women-owned businesses compete and make access to information about these programs more accessible.
 - One example of this is the 8(a) certification program through the U.S. Small Business Administration.
 - Because most VC firms are owned by men, the small percentage of women who do receive VC funding do not qualify for 8(a) certification – even though they are the owner and in control of their business.
 - Dell and a group of entrepreneurs have been working with your colleagues in the House of Representatives on a legislative fix for this issue.
- Work with innovators to create new sources of capital such as crowdfunding and impact investments.
 - There is a myriad of investment options these days from Family Wealth funds, where you can go straight to the decision-maker, angel investors who are less formulaic in their grant-giving to crowdfunding sites.
- Encourage enterprise corporations, federal departments and state/local contracts to commit to supplier diversity with a percentage of contracts being awarded to women owned business.
- Educate women about other funding options, including peer-to-peer funding, angel investments, crowdfunding, and women-focused investment groups.
 - While many business practices are taught in business schools and other educational outlets, many of the insights and skills which are needed to become a successful entrepreneur are learned outside of formal education. This presents a barrier for underrepresented groups who are not able to tap into the informal educational system.

Access to networks - for many women, getting their foot in the door is sometimes the hardest step. Women entrepreneurs and business owners are increasingly turning to each other for help. However, we can help facilitate connections by:

- Incentivizing mentorship through funding and encourage multiplier platforms such as accelerators, continuing education & training programs and facilitated networking events.
- Encouraging conscious placement of women on boards, in venture partnerships and in executive teams.
- Promoting positive success stories of female founders and business owners in the media, through conferences and leadership movements.
 - Some of the highest self-defined barriers of women entrepreneurs are mentorship and leadership training. At a basic level there is a need for women entrepreneurs to have access to and to learn from successful entrepreneurs, especially highly successful women entrepreneurs.
- Building ecosystems to support women entrepreneurs
 - Starting a company in Silicon Valley or New York City is significantly easier than in other areas of our country – like Boise.
 - We must find ways to provide the entrepreneurial ecosystem – including educational outlets as incubators, networking areas, accelerators – to women entrepreneurs in places where there is not an abundance of resources and networks.

Access to talent - finding the right talent can be a serious challenge. But by partnering with expert organizations, women entrepreneurs are better able to make logical decisions that bring their ventures to scale.

- Incorporating entrepreneurship into school curriculum and ensuring access to Science, Technology, Engineering and Mathematics education at all levels of education will provide the 21st century workforce skills needed for our innovation economy, including bringing innovations to market.

Access to Technology – No matter what industry, all women owned business are now technology companies and access to technology is critical to their ability to grow. Startups that use technology effectively create twice as many jobs, are more productive and profitable than those that don't. Women face so many hurdles when starting their own companies – but technology shouldn't be one of them.

- Through technology, we can streamline the process of registering businesses, applying for government resources, and working with strategic offices such as Patent & Trademark Office, Department of Commerce, Small Business Administration and Federal Drug Administration.
- Again, we must continue to emphasize STEM and digital literacy in public education and early training programs.
- We must also work with business leaders and educators to remove unconscious biases in the STEM fields and encourage technology training programs to end unconscious and conscious bias in government, corporations and institutions.
- Finally, we have to provide broadband access in all areas of our country.

I've spoken about the issues facing women entrepreneurs and recommendations to solve those problems. Many of the issues may sound dire and many of the recommendations may sound difficult, but I'm an optimist and I'm an optimist for many reasons.

First many people and organizations are already working to implement many of these recommendations.

- I mentioned the legislation that will soon be introduced in the House on modifying the 8(a) certification.
- Dell is helping to facilitate connections through the Dell Women's Entrepreneurs Network (DWEN). By spotlighting female entrepreneurial success and creating a supportive atmosphere, DWEN helps a group of like-minded women share best practices, build business opportunities through collaboration, explore international expansion and access new resources and technologies that support business growth.
- And something that I very proud of is the first-ever artificial intelligence platform for women entrepreneurs – Alice. Developed in partnership with Dell and Pivotal, Alice is a virtual advisor that connects women entrepreneurs in real time with resources needed to scale based on startup stage, location, industry, revenue and individual needs. Machine learning will allow Alice to predict founders' needs, guiding them to capital and ecosystems access points. Having access to this technology will allow women entrepreneurs to focus on what they do best and accelerate their strategy to take their business to the next level. And since this is a collaborative platform, everyone can help move women entrepreneurs forward.

I'm also optimistic because of this hearing today and the work that Chairman Risch, Ranking Member Shaheen, the members of this committee and other policy-makers and leaders are doing. Holding hearings and bringing to light the issues women entrepreneurs are facing and examples of what is working will go a long way in helping to flip the statistic that only two percent of women entrepreneurs in the United States reach \$1 million in revenues to 98 percent.

Women-owned businesses currently employ 7.8 million workers in the U.S. and generate \$1.3 trillion in revenue. Additionally women put 90 percent of their income back into their communities and families, therefore their success will not only benefit our economy, but will also have a positive impact on society.

Thank you Mr. Chairman and I look forward to answering the committee's questions.

###

Chairman RISCH. Ms. Chadwell.

**TESTIMONY OF TRACY CHADWELL, FOUNDING PARTNER, 1843
CAPITAL, GREENWICH, CT**

Ms. CHADWELL. Thank you, Elizabeth. That was terrific.

Good morning, ladies and gentlemen of the Senate Committee on Small Business and Entrepreneurship. Thank you, Chairman Risch and Ranking Member Shaheen, for the opportunity to testify today before your Committee. It is a pleasure and an honor to introduce myself and to give my perspective on how to strengthen the entrepreneurial ecosystem for women.

By way of background, I am an attorney who had my first exposure to private equity when I worked for Senator Adlai Stevenson's SCM international and helped him set up a fund to invest in China. I eventually became a partner of a billion-dollar growth capital fund, Baker Capital, but much more relevant, for the last five years I have been investing exclusively in women founders in the technology area, and I have founded a venture capital fund called 1843 Capital.

1843 Capital is the year that Ada Lovelace wrote the first computer program. My partners in 1843 are incredible women. Alison Andrews Reyes is an operator and engineer who successfully built and sold her own cybersecurity company called Vigilant. Vanessa Dawson is the CEO of the Vinetta Project, a women's entrepreneurial platform that operates in seven cities in North America, delivering educational programming and premium networking for women founders, funders, and community partners. 1843 and Vinetta Project are strategic partners in the effort to scale women businesses and fund them.

The good news—the really good news—is that things are working. The accelerator programs, mentorship, and seed investors in the ecosystem are allowing women-owned businesses to thrive. The Vinetta Project alone sees over 2,000 female-founded companies per year. Through their events, they have been able to channel \$50 million in seed-stage capital to early stage companies. As you said earlier, nationwide, women-owned businesses are growing in number, at five times the national average, and statistically, women outperform as well. Women-operated, venture-backed tech companies achieve 12 percent higher revenues.

This is in no doubt due to public-private partnerships. Organizations like the women's business development councils around the country have been a true catalyst. The SBA has been a strong partner has well. By guaranteeing loans, they are giving women the fuel they need to scale their businesses, and they are doing this without taxpayer subsidies.

As a venture capitalist, I have had the opportunity to invest in world-class companies founded by women, that are both successful, and great things do great things for the world. Beautycounter is a woman-founded company which produces personal products for care that are free of toxic chemicals. This company has revenues that are much stronger than most of the unicorns out there and they employ 35,000 consultants.

Silvernest is a company in Colorado that uses technology to match people over 50 with roommates. This helps them solve the problem of financial insecurity and loneliness.

Marstone—really interesting—is an algorithm-based wealth management platform. This helps banks and registered investment advisors democratize wealth management, so that everyone can save and invest, regardless of the size of their accounts.

Something truly unique about Marstone is what we call user experience. Most people are intimidated by math and finance and the thought of diversified portfolio, but Margaret Hartigan knew this and she developed an interface that was visual, intuitive, and accessible to everyone, a great example of why women founders are successful. She knew that to have this biggest impact, the company had to have a foundation in design. As we move into our next chapter in technology dominated by artificial intelligence, the skills of coding or writing algorithms are going to become commodities. What is going to win is creativity, design, and sales and marketing.

But by far the most serious barrier to the entrepreneurial ecosystem for women is the lack of funding, as Elizabeth said. Women are able to create businesses now because the cost of starting a business has come down exponentially and they do not need outside investment to get started. However, the capital to scale is inaccessible.

Beautycounter is one of the largest and fastest-growing companies, period. They had difficulty raising institutional capital until they reached \$20 million in revenues. Women founders, as a group, received 2.19 percent of venture capital dollars. A lot of reasons for this exist, including some unconscious bias and lack of women as venture partners. Women venture partners comprise 3 percent and women-founded venture capital firms are 28 out of 800 firms.

One of the most impactful things that you, as Senators, could do would be to encourage your State pension funds to just take a harder look at women managers and a harder look at the diversity of their underlying portfolios. It is impossible to legislate against unconscious bias. However, it is possible to support and to fund positive role models.

Thank you very much.

[The prepared statement of Ms. Chadwell follows:]

Tracy Killoren Chadwell
 Founding Partner
 1843 Capital

Good Morning, Ladies and Gentlemen of the Senate Committee on Small Business and Entrepreneurship. Thank you, Chairman Risch and Ranking Member Shaheen for the opportunity to testify today before your committee. It is a pleasure and an honor to introduce myself and to give my perspective on how to “Strengthen the Entrepreneurial Ecosystem for Women.”

By way of background, I am an attorney who had my first exposure to private equity when I was working for Senator Adlai Stevenson’s SCM international and was charged with forming a fund to invest in companies in China. I eventually became a partner of a \$1B growth stage fund called Baker Capital, but more relevant, I have been investing in technology companies with a female founder for more than 5 years and am the Founding Partner of a venture capital firm called 1843 Capital. 1843 is the year that Ada Byron Lovelace wrote the first computer program. My partners in 1843 are incredible women. Alison Andrews Reyes is an operator and engineer who successfully built and sold the cybersecurity company Vigilant. Vanessa Dawson is the CEO of Vinetta Project, a women’s entrepreneurial platform that operates in 7 cities across North America delivering educational programming and premium networking opportunities for founders, funders and community partners. 1843 and Vinetta Project are strategic partners in the effort to scale women owned businesses and fund them.

The good news is because of accelerator programs, mentorship and seed investors the ecosystem is beginning to thrive. The Vinetta Project alone sees over 2000 female founded companies per year. Through their events, they have been able to channel \$50M in seed stage capital to early stage companies. Nationwide, women owned businesses are growing in number at 5X the national average of all firms. The 11.3 million women owned businesses in the U.S. generate \$1.6 Trillion in revenues and employ over 9 million people. Statistically women outperform as well. Women operated venture back tech companies have overall achieved 12% higher revenues.

This is in no small part due to public private partnerships. Organizations like the women’s business development councils around the country have been a catalyst. The SBA has been a strong partner as well. By guaranteeing loans they are giving women the fuel they need to scale their businesses. And they are doing this without taxpayer subsidies.

As a venture capitalist, I have had the opportunity to invest in world class companies founded by women which are both successful and do great things for the world. Beautycounter is a woman founded company which produces personal care products that are free of toxic chemicals. This company has revenues stronger than many of the unicorns and employs more than 35,000 consultants. Silvernest is a company in Colorado that uses technology to match people over 50 with roommates. This helps them solve the problem of financial insecurity and loneliness.

Marstone is an algorithm based wealth management platform. It helps banks and registered investment advisors democratize wealth management so everyone can save and invest, almost regardless of the size of their account. Something truly unique about Marstone is what we call the user experience. Most people are intimidated by math and finance and the thought of a “diversified portfolio.” Margaret Hartigan, the CEO knew this and she developed an interface that is very visual, intuitive and accessible to everyone. She is a great example of why women founders can be very successful. She knew to have the biggest impact the company had to have a foundation in design. As we move into our next chapter dominated by artificial intelligence, the skills of coding or writing algorithms will become commodities. What will win is creativity, design, and sales and marketing.

By far the most serious barrier in the entrepreneurial ecosystem for women is the lack of funding. Women are able to create businesses now because the cost of starting a business has come down exponentially and they don’t always require outside investment to start. However, the capital needed to scale is inaccessible. Beautycounter is one of the largest and fastest growing companies period. However, the CEO was not able to access institutional capital until she had over \$20M in revenues. Women founders as a group received **2.19% of total venture capital dollars** last year. There are a lot of reasons for this including unconscious bias and the lack of women in senior positions at venture firms. Women partners at venture capital firms have declined to 3%. Perhaps more telling is the lack of women founded firms. By our count, 1843 is one of 28 venture capital firms founded by women. Most of these have less than \$5M under management. With over 800 venture firms in the ecosystem, this means that **approximately 3% of the firms are founded by women.**

One of the most impactful things you can do is encourage your state pension funds to take a harder look at female managers and the diversity of the underlying portfolio companies of all the managers.

It is impossible to legislate against unconscious bias; however, it is possible to support and fund positive role models.

BIO:

Tracy Killoren Chadwell is the Founding Partner of 1843 Capital, an early stage venture capital fund. She has over 15 years’ experience in venture capital and private equity. She has 5 years of experience investing in early stage companies with a female founder through her personal entity Coyote Capital. Tracy was Partner of a growth capital fund - Baker Capital which had more than \$1 Billion under management. As a frequent speaker and startup competition judge, Tracy has developed a broad network in the female founder community. She is a member of Women in VC and Private Equity Women Investor Network. A trusted board member, she serves on the boards of Marstone and Sachs Insights. Her philanthropic work includes the Advisory Board of the MIT Enterprise Forum, Executive Advisor for the Echoing Green Foundation and New York Institute of Technology. She acts as a mentor for both Techstars KC and Monarq. She is an attorney and earned her JD at Loyola University of Chicago. Tracy speaks conversational Japanese and restaurant French.

Chairman RISCH. Thank you very much.
Ms. Richards.

**TESTIMONY OF MICHELLE RICHARDS, EXECUTIVE DIRECTOR,
GREAT LAKES WOMEN'S BUSINESS COUNCIL, LIVONIA, MI**

Ms. RICHARDS. Thank you, Chairman Risch, Ranking Member Shaheen, and distinguished Senators.

Senator KENNEDY. I do not think your mic is on.

Ms. RICHARDS. Oh, I am sorry. I am really bad at the technology, the audio part. I am right on point.

My name is Michelle Richards and I am the Executive Director for Great Lakes Women's Business Council.

Now before I discuss the current ecosystem for women entrepreneurs I want to share our experience as an organization dedicated to supporting women business owners for the past 33 years.

I had a chance to start this organization, and as an SBA micro-lender since 1993, we have made over \$6.5 million in loans, with the average size of \$20,000. These loans have created 1,700 jobs.

In the early 1990s, we became an SBA Women's Business Center. This was important because it created a stable funding for us to build a platform for our training and counseling program. And we have been able to serve more than 10,000 women business owners and entrepreneurs with it.

For the past 20 years, we have also been a certifying partner for the Women's Business Enterprise National Council, also known as WBENC. We currently have 1,120 certified women business owners that generate \$12.3 billion in revenue annual and employ 48,500 U.S. workers. Amazing.

I am proud of our efforts to revitalize Detroit. To date, our Detroit loan program has provided \$1.3 million in loans, creating 72 jobs and retaining 100 more.

For small businesses to succeed, they need what I call the Three C's—capacity, capital, and customers or contracts. In my view, women entrepreneurs lack access to all three. Capital access is a chronic barrier for women business owners. Our team has heard countless stories of the bias against women when they attempt to obtain business finance.

I recently was told by an established woman business owner that a bank lender came out to her business and asked if her husband would be joining them. When she indicated that he would not be attending because he is not part of the business, the lender immediately left, closed his padfolio.

These anecdotes are backed by statistics compiled by this Committee and the SBA. If women are not able to obtain equal access to capital, they cannot grow their business to full potential.

Similarly, women are highly underrepresented in Federal contracting. Now although the Federal Government met its goal of awarding 5 percent of eligible Federal contracts to women-owned businesses in 2015, it failed to reach the mark in 2016. The market share needs to grow because Federal contracting has a tremendous impact on many women-owned businesses.

For example, Katie Bigelow, just one of the many examples we have, President of Mettle Ops, received her first contract with the Air Force for \$80,000 in 2015, after two years of trying. That con-

tract created the past performance needed to win her most recent contract award for \$9.1 million.

Finally, women are not able to access basic tools that we need that we know work for them. They need training and coaching to grow their businesses and become job creators, and it is important to modernize and grow a nationwide network of counselors and mentors for women entrepreneurs. As an SBA women's business center microlender and WBENC certifying partner, Great Lakes WBC has experience to offer the Committee these recommendations.

First and foremost, we need to modernize the Women's Business Center program. The House of Representatives included the Women's Business Center legislation as part of the fiscal year 2018 National Defense Authorization Act, which would increase the 30-year-old cap on grant levels—30 years. We strongly urge the Senate to keep this provision in the NDAA.

Second, I encourage this Committee to push SBA on its implementation of women-owned, small business, third-party certification rules. We have over 500 WOSB-certified women in our center.

Finally, there should be a dedicated commitment to programs that are proven to provide capital to women business owners. Congress should continue to support programs like the Small Business Microloan program and the Community Development Financial Institution Fund.

Chairman Risch, Ranking Member Shaheen, and distinguished Senators, thank you for this opportunity to present this testimony. [The prepared statement of Ms. Richards follows:]

Great Lakes Women's Business Council

Testimony before the U.S. Senate Committee on Small Business and Entrepreneurship

Michelle Richards
Executive Director, Great Lakes Women's Business Council

Strengthening the Entrepreneurial Ecosystem for Women

Thank you Chairman Risch, Ranking Member Shaheen and distinguished Senators for the opportunity to share this testimony with you. My name is Michelle Richards, and I serve as the Executive Director for Great Lakes Women's Business Council.

Before I discuss the current ecosystem for women entrepreneurs, including challenges and successes, I want to share our experience as an organization dedicated to supporting women business owners. Great Lakes Women's Business Council (Great Lakes WBC) is a nonprofit organization that supports women and minority small business owners and entrepreneurs through access to financing, women's business certification, training, coaching and counseling.

I began this organization, formerly known as the Center for Empowerment & Economic Development (CEED) over 33 years ago. The organization initially was focused on addressing the capital needs of women and minorities and was one of the first microloan programs in the country. We started lending in 1984, before the microloan movement began.

In 1993 the organization became an SBA Microloan Intermediary. To date, we have made over \$6.5 million in loans under \$ 50,000, with the average loan size being \$20,000. These loans have created over 1,700 jobs in the 9 counties of southeastern Michigan which includes the City of Detroit. Over 89% of these loans have been made to women.

In the early 1990's we became an SBA Women's Business Center. This was an important event in the development of the organization. It provided us stable funding to begin to build a consistent training and counseling program that has served more than 10,000 women business owners and entrepreneurs.

For the past 20 years, Great Lakes WBC has been one of the 14 certifying partners for the Women's Business Enterprise National Council. We currently have 1,120 certified women owned businesses that generate \$12.3 billion in revenue annually and employ 48,500 U.S.

workers. We provided SBA Women Owned Small Business (WOSB) certification to 551 of these businesses, enabling access to federal contracting opportunities.

Great Lakes WBC has been significantly involved in the revitalization of Detroit through programming, counseling and access to capital efforts. We were the first microloan program in Detroit, selected by the Mayor's Office as the official City of Detroit microloan program in 2006. To date, our Detroit Loan Program has provided \$1.3 Million in loans to 48 existing businesses and 27 start-ups – creating 71 jobs and retaining 105 more. Additionally, Great Lakes WBC launched an initiative to support low and moderate-income small business growth. This development program focuses on businesses that have SBA or other certification designations (such as disabled, women or minority business enterprises) and provides training regarding how to respond to requests for proposals or quotes, access to bid opportunities and one-on-one business coaching. After one year, the 14 program participants have increased their sales by 37% and created 18 jobs in Detroit.

I'm excited for our organization's next chapter: Great Lakes WBC is in the process of becoming certified as a Community Development Financial Institution (CDFI) and last year we received a grant from the U.S. Department of Treasury to benchmark practices with CDFI standards. With CDFI designation, we will be able to launch other financial products that are responsive to the needs of low and moderate income business owners in our service territory.

Simply put, Great Lakes is an example of how organizations, in partnership with the SBA and other federal, state, and local agencies can serve the needs of entrepreneurs – ultimately turning them into job creators. There are centers like mine throughout the country – day in and day out our doors are open to ensure the success of these businesses.

In that sense, our experience – while limited to our region—captures the pulse of the entire women's business community. The more centers like ours can be resources, the better. That means growing these proven programs to ensure challenges faced by all businesses can be addressed.

Unique Challenges Facing Women Entrepreneurs

For small businesses to be successful they need to have what I call The Three Cs: capacity, capital and customers/contracts. Women entrepreneurs lack equal access to all three.

Access to capital is a critical issue for women business owners. Women account for only 16 percent of conventional small business loans¹ and receive only 4.4 percent of the total dollar value of loans from all sources.²

Great Lakes Women's Business Council has heard countless stories of the bias against women when they attempt to obtain business finance. I was recently told by an established woman business owner that a bank lender came to her business, sat down to take notes and asked if her husband would be joining them. When she indicated that he would not be attending because he was not part of the business the lender immediately shut his padfolio and left.

This is only one story, but it is not an uncommon one. Sometimes women business owners are not even given the application to complete! If women aren't able to obtain equal access to financial capital they can't grow their business to full potential.

Access to credit is not the only barrier for women entrepreneurs – they are also highly underrepresented in the federal and corporate contracting. Although the federal government met its goal of awarding 5 percent of eligible federal contracts to women-owned firms in 2015, it failed to reach this mark in 2016 – despite women-owned businesses representing 38% of all firms. The market share needs to grow because federal contracting has a tremendous impact on many women owned business. Here are a couple examples:

- Katie Bigelow, president of Mettle Ops, received a contract with the Air Force in 2015. She told me: "It was my first government contract after two years of trying to get my foot in the door. That \$80,000 contract was a game changer for my business. It created the past performance needed to help win my most recent contract award for \$9.1 million."
- Denise Griffith and Monica Starks, owners of GS Group won a \$3 million contract through the U.S. Environmental Protection Agency, resulting in the immediate creation of 5 jobs and the projected hiring of 10 more.

Women owned businesses have also struggled to access their fair share of corporate contracts. Great Lakes WBC has 100 corporate members who make up Fortune 500, Fortune 1000 and regional companies, but the vast majority of these companies do not achieve 5 percent spend with women-owned firms.

Finally, women are unable to access basic tools that we know work for business owners. The Aspen Institute's FIELD program has found that when business owners receive training and coaching help, 80% are still in business after five years, compared to 50% who did not receive such help.³ Women business owners need training and coaching to grow their businesses and become job creators, and it is important to modernize and grow a nationwide network of counselors and mentors for women entrepreneurs.

Recommendations

As an SBA Women's Business Center, a WBENC certifying partner and SBA microlender, Great Lakes WBC supports the following policy initiatives:

- **Increased funding for Women's Business Centers.** The House of Representatives included the Women's Business Center legislation as part of the FY18 National Defense Authorization Act (NDAA), which would increase the 30-year-old cap on grant levels. We strongly urge the Senate to keep this provision in the NDAA. Increased funding will allow the WBC program to expand and reach many more women entrepreneurs than it is currently able to.
- **Implementation of WOSB 3rd party certification rules.**
- **Dedicated commitment to programs that are proven to provide capital to women business owners.** Congress should continue to support programs like the SBA Microloan program and the Community Development Financial Institution Fund, which provide much-needed financing for women entrepreneurs and underserved communities.

Chairman Risch, Ranking Member Shaheen and distinguished Senators, thank you for the opportunity to present this testimony.

1 The Urban Institute, "Competitive Opportunity Gap Analysis." http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf. Issued 2008

2 The Urban Institute, "Competitive Opportunity Gap Analysis." http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf. Issued 2008
3 Association of Enterprise Opportunity. Bigger Than You Think: The Economic Impact of Microbusiness In the United States. November 2013 <http://www.aeoworks.org/pdf/Bigger%20Than%20You%20Think%20-%20The%20Economic%20Impact%20of%20Microbusiness%20in%20the%20United%20States.pdf>

4. "Women-owned business" searched on the System for Award Management at www.SAM.gov. Accessed October 9, 2017.

Chairman RISCH. Well, thank you so much to all three of you. I noted that all three of you made reference to the capital situation and the access to it, and those figures certainly are not pretty, as far as the capital that is received by women entrepreneurs. We all—anybody who has even a passing knowledge of economics knows that access to capital and free flow of capital is absolutely critical to the success of a family, of a business, and, indeed, of a nation, and that is why America stands out so much from others in our economies, because of the free flow of capital. Barriers in that regard really need to be knocked down.

I note, Ms. Gore, you are finding a flaw in the Federal system where women-owned, AA certification is lost when they get funds from a male entrepreneurial—excuse me, male venture capital fund. It would be interesting to see what would happen if they found out that the banks that the women-owned businesses were getting money from was run by an all-male board of directors, which is exactly the same situation. Senator Shaheen and I have already agreed that we are going to take a run at this. Federal Government does not always—and that is a result of your testimony, by the way—the Federal Government does not always do things exactly the way they should. But that is why we are here so we will take a run at that for you.

Ms. GORE. Thank you.

Chairman RISCH. So with that, Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and I hope all of the Members of the Committee will join us in that effort, because it seems like that is a no-brainer that would make a big difference in access to capital.

I want to go back to an issue that Ms. Richards referenced, and I think you did as well, Ms. Chadwell, in your discussion about venture capital. Right now the country is having what I think is a very important conversation about sexual harassment in the workplace, and fortunately a lot of people are coming forward and saying this is not right.

Unfortunately, we have seen that in terms of access to venture capital as well. Earlier this year, several female entrepreneurs told The New York Times about unwanted sexual advances made by influential venture capitalists. Last week, the founder of Rent the Runway, Jennifer Hyman, discussed the harassment she experienced while raising \$190 million from venture capitalists.

So, clearly, this is something that exists in the venture capital industry as well, and I wonder, Ms. Chadwell, if you could talk about this a little bit. Are experiences like Ms. Hyman's commonplace, and how do you see trying to address this issue?

Ms. CHADWELL. I think experiences like this are commonplace in every industry. I think we have been seeing it in the entertainment and the venture capital industry specifically as of late, but I think it is systemic, and I think that a lot of issues like this will go away as we get closer to parity, where we have more women CEOs, and where we have more women venture managers. And not just the sexual harassment issue, but we have other issues that we are working on as well, like equal pay, and also maternity and family leave issues. A lot of those may not have to be legislated if you have women CEOs.

Senator SHAHEEN. Thank you. Do either of you want to add anything to that?

Ms. GORE. The only thing I will add is—thank you—is, unconscious bias is so strong, and there are a lot of formulas that have worked over time. And when your formula is working and you are making money it really takes leadership from folks like you all to push those industries to think outside.

I hear—when I was raising money the last few years I heard over and over that anything that is women-focused is not a large enough market. It is a niche market, even though we are 51 percent of the population and had 85 percent of consumer spending.

So I think that bias is pretty rampant.

Senator SHAHEEN. Well, thank you, and I want to go back to access to capital as well. We have a chart here that shows what all of you pointed out, in terms of the situation with women-owned businesses and their access to capital. So you can see, the blue columns are majority women owned, and all other firms are the orange columns.

So we can see the difference in terms of venture capital funding, the total amount of conventional business loans, and in the prime contract awards. This is exactly what all of you had to say, but when you see it on that chart it really brings it home, just the disadvantages that women-owned businesses face.

So, Ms. Richards, you told a story that actually reminded me a little bit of my own experience, about the entrepreneur who was turned away because her husband was not there. I remember when I first was applying for credit my husband had to sign the bank forms in order to do that, because we had not yet changed the laws.

So how do we continue to address these issues, and what steps—what other steps can we take to prevent instances of bias by bank lenders against women business owners?

Ms. RICHARDS. Disclosure is critical. So 1071 of the Dodd-Frank Act requires data to be collected on women- and minority-owned businesses and the loans made to them. Until we can start quantifying, really, the discrepancy, instead of just using anecdotal information, we are not really going to be able to get to some of the roots of it.

Small business lending is, in so many ways, different than all of the other bank lending because it is not solely numbers-driven. There are so many elements of it, and lenders decide if they want this business and this loan in their portfolio. So it is very different. So we need to start creating some parameters and implement 1071 of the Dodd-Frank Act. Thank you.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

Chairman RISCH. Thank you, Senator Shaheen.

Senator ERNST.

Senator ERNST. Thank you very much, Mr. Chair, and thank you, Ranking Member Shaheen. I appreciate it.

The conversation has been striking this morning, and even as a woman I just—I shake my head when I hear about the lack of access that is available out there.

I do want to go back to something that Senator Risch had mentioned earlier in our conversation as we were focused on tax reform. So earlier this week, a woman from Hamilton County, Iowa,

who owns a small business, reached out to me about the importance of tax reform, and like many of the small business owners that I have had the opportunity to interact with and speak with as I am out doing my 99-county tour, she said the biggest two obstacles that she has, for her small business, are the high taxes and the regulations. So, really, two burdensome areas for her. And today her marginal tax rate and for other small business owners they can get as high as 45 percent on the small businesses, and the average small business owner spent over \$12,000 annually just in dealing with regulations.

So just for all of you, are current tax policies hindering entrepreneurship, and what impact would lower tax rates for small businesses have on strengthening the entrepreneurial ecosystem for women? If any of you, if you could——

Chairman RISCH. Jump ball.

Senator ERNST. Yes.

Ms. GORE. Thanks for the question, Senator. I will just say there is no entrepreneur who would say no to lower taxes, so I think that is men and women, no matter where we are.

One thing I will flag that I do not think we have brought up today, and I know there is a lot of discussion around child tax credits and so on, that something very specific, when you put a gender lens on entrepreneurship, is child care. And I have a three-year-old and a six-year-old and I have to make very hard and strong decisions about—as an entrepreneur, that is my number one cost. And so I think anything we can do to release that burden for mothers. The majority of women entrepreneurs do have children, and they are either doing children's care or elder care or caring for their community. It is just a disproportionate thing about women.

So that is one area I wanted to bring up in response, is we need to be thoughtful and creative about how do we let women be great moms but also be killer entrepreneurs.

Senator ERNST. I love that, and that is something that we are having discussions about as well, because it is truly important, especially as we want to get more women involved in small businesses and other activities as well. So thank you. Anyone else?

Ms. CHADWELL. I think in terms of regulation, the really tough thing that I see is in the commerce space. So when tech companies are setting up and they are trying to set up across the country they have to register in each State separately, which is a big hindrance for both male and female companies.

Senator ERNST. Very good. Thank you.

Ms. RICHARDS. Of course, we want to relieve any pressure on our small businesses, and since women cash is a real consideration. It is a real consideration with the taxes, too.

Senator ERNST. Okay. Thank you. And today my colleague, Senator Heidi Heitkamp and I will be introducing the Prove It Act, which seeks to strengthen the voice of small businesses in the rule-making process, and improve the quality of agency certifications and analysis of a rule's impact on small business. Do you think providing greater accountability for agency certifications would improve the rulemaking process and provide some regulatory relief for small businesses? Any thoughts on that?

Ms. GORE. Well, thank you, Senator. One thing I will say is we are in a digital era, and one of the things that we can do is digital transformation around all of how do we regulate, how do we apply for everything from loans for certification, even to our local permitting. So one of the things I would really encourage is how do we look at using digital for all these processes to speed things up, because entrepreneurs are more time-poor, even, than money-poor, most of the time, and then also to lower those regulation barriers. I love the idea of having one registration instead of all 50 states.

Senator ERNST. Yeah, very important. Use technology.

Ms. GORE. Yes.

Senator ERNST. Anything else?

[No audible response.]

Okay. Well, with that I will yield back my time. Thank you.

Chairman RISCH. Thank you so much. Before I turn to Senator Coons let me tell you, Ms. Gore, that your—the issue you raised, that we had not touched on, I can assure you that that matter is under serious consideration. As you know, over the last, what, few weeks, we have been focused on tax reform, and I, like my colleagues, have been to lots and lots of meetings, and I cannot think of one where that issue was not seriously put on the table and discussed as to how that piece of the puzzle would fit in. It is going to be a very complicated puzzle to put together but it is seriously being discussed here. So thank you so much.

Senator Coons.

Senator COONS. Thank you, Chairman Risch, Ranking Member Shaheen, and thank you to all of our witnesses today who have testified about the range of ways in which we can and should be more strongly supporting women entrepreneurs. It is striking, as graphically represented by Senator Shaheen in a chart, of the disconnect between the very strong performance of women entrepreneurs and women-owned businesses and yet the significant structural challenges in accessing capital, in building out networks of mentors and advocates, and, in particular, in accessing Federal contracting.

As a Senator now for seven years and a local elected for a decade before that in the local business community, I have been struck at how capable and strong women entrepreneurs are in my home State. Fulcrum Pharmacy, for example, Christy Crkvenac founded in Wilmington, Delaware. It is a specialty pharmacy. 7(a) financing, and SCORE mentoring played a key part in her taking the leap and being successful as a pharmacist.

Mountain Consulting is in our State capital in Dover. Very successful, minority- and women-owned business that does land survey engineering, technical services. Kim Adams is the founder, first HUBZone certified small business in Delaware and also benefited from SBA loan products.

Twist Juice, one of my favorites, is a premium juice bar in downtown Rehoboth Beach, probably frequented by some of the many folks here who like to go to Delaware's beaches, or if they do not, they should, and they tell me that SCORE consulting helped develop the business plan and do market research.

I am the Ranking Member of the Appropriations Subcommittee that funds the SBA, so I am particularly interested in hearing from you about the SBA funds for Women's Business Centers and men-

toring through SCORE and through SBA offices and other programs. So let me just touch on those if I could.

I have worked to increase SBA's WBC funding by about 20 percent since 2015—I knew I would get a smile for that—and I think they are a very important network across the country that helps address access to capital and mentoring and business planning. So I would be interested in hearing from all of you about what your views are about WBCs, whether they are genuinely accessible, whether they are relevant, and whether they are important in terms of a network.

And then, second, the networking that you spoke to, the need for mentorship, SCORE, I think, does a great job in Delaware but I am not sure if that is the case nationally. In Delaware, there is an innovative program called WeTHINK, a partnership between SCORE and the Delaware SBA office that provides year-long mentoring for women entrepreneurs, to tackle some of the challenges that may be specific to trying to balance family commitments and obligations and new markets and being a successful entrepreneur.

I would be interested in comments from all three of you, if I could, on those two core questions.

Michelle.

Ms. RICHARDS. Yes. So two key pieces. One is that the mentoring is really critical. One of the things many of the Women's Business Centers do is use other women business owners, because there is a real clear connect between them. That is a unique element of why you have a Women's Business Center, too.

Secondarily, the Women's Business Centers, with—because we have had a 30-year cap, it is not that it is the same money because 30 years ago it was different money. It was a different amount. And so we are basically being squeezed to provide as many services in higher levels for the same dollars that were 30 years ago. And for the centers who are really excelling, this is an opportunity for us to push forth the same kind of programming to more women. It is an opportunity of growth for this country.

Ms. CHADWELL. I know the Women's Business Development Corporation in Connecticut has been extremely successful in building community and mentorship and providing education for women. Where, again, I see the real lack is in capital, and I know the SBA has been very successful in providing debt funding for women, and for some small businesses that is appropriate and for some core businesses, like consumer products that have capital and balance sheets that they can leverage against, that is appropriate.

But for the fastest-growing companies and the ones that are creating the most jobs in this country, really the only viable form of financing is equity. So I do not know if there is some sort of equity financing that is part of the SBA or is being contemplated, but I would highly recommend it because that is where all the growth is.

Senator COONS. Thank you.

Ms. GORE. Four thoughts on the SBA. Thank you, Senator, for the question because I am an ardent believer in the SBA. The first is where there are local SBA offices women seem to really have a connection and understand the SBA more. So in Sioux Falls, where I was on Tuesday, the SBA office was actually in the local accel-

erator, and people just understood it more, had better relationships. So I really think those local offices are quite powerful.

The second is, if I could improve the SBA, is we have got to streamline the process of application, make it easier, make it faster, and make it just like any other Silicon Valley startup—how do you use digital to make it more efficient? And that would actually probably save the SBA money in the long term with efficiencies.

The last is, as I said at the beginning of my testimony, most SBA loans are 2 percent lower for women than men, and I would love to dig into that and just see why, because it is a critical source of capital for women.

And the last is the SBA's reputation. I really think the country can get a better understanding of the SBA and its value. Sometimes, in New York and San Fran, an SBA loan is seen as your company is not going to thrive, sometimes, and I do not think that is the case. So as we can educate the masses more on the power of the SBA and how to use it, I think it will become even more powerful.

Senator COONS. Well, thank you all. I realize I am out of time but I am particularly passionate also about trying to make sure that we are transparently reporting on what is happening, that we are hitting the contracting cap and exceeding it, and that we continue to engage Community Development Financial Institutions, or CDFIs. One of the most effective WBC affiliates is a CDFI in Delaware. They make great loans and they are very engaged and they are very well known.

So thank you for the testimony. I look forward to following up with you.

Ms. GORE. Thank you.

Chairman RISCH. Thank you, Senator Coons.

Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman. Good morning. I appreciate your testimony, from all three of you.

In terms of the gender bias and access to capital, you mentioned conscious and unconscious. I would like to ask each of you, what percentage, roughly, do you think is conscious and what percentage is unconscious?

Ms. GORE. Since the Astros won last night, sir, I will be a little bit more bullish. Thank you, Senator, for the question. I actually think the majority—this is a personal opinion—is unconscious. I am optimist in this world and I also have really spent time in the venture community, and I think they are mostly good people. However, the formulas to make money have worked in an old system, and the systems just have not caught up to the amount of women who are now pitching.

So I would say the majority is unconscious, and there are ways of training around that. There is a marked training that is incredible that Catalyst does, that I think if everyone sat through it we would see change.

Thank you, Senator.

Senator KENNEDY. Ms. Chadwell.

Ms. CHADWELL. I think that is impossible to quantify, but I know that it exists. I think probably the biggest issue is networks and having access, because people are comfortable doing business with

people that they know, and some people say we will not even invest in someone that we do not already know.

But I do know that there was a study done by Harvard and MIT together that had both a man and a woman present identical business plans, and the woman was 40 percent less likely to get funded. That is with an identical business plan. So it does exist.

Senator KENNEDY. Okay. Ms. Richards.

Ms. RICHARDS. I concur with your comments on there. I think that, again, we cannot quantify. There is not a way for us to quantify which is conscious and unconscious, but what I think is critical is that if we have mechanisms to count the behaviors in the lending community it gives us an opportunity to create some policies around goals and performance that helps to change behaviors, and that is the best that we can hope to have happen.

Senator KENNEDY. Can you explain what you mean by that?

Ms. RICHARDS. Certainly. So if we had implemented 1071 Dodd-Frank Act and we had collected and knew definitively where only 4 percent of the loans were being given to women—here, here, and here—we said that this is not representative of the business community of the population-at-large and it theoretically should be higher, as we have with Federal Government contracts that at least 5 percent go to women. And then programs are in place to ensure—policies come about to ensure that you at least meet these numbers. So what it does is it takes it away from the individual's personal conscience.

Senator KENNEDY. I get it. Yeah. I appreciate it.

I want to follow up on Senator Shaheen's excellent questions. The three of you are obviously—I mean, I have looked at your resumes—you are obviously experienced, successful, accomplished, a lot of success in life. Have you ever witnessed sexual harassment in the workplace?

Ms. CHADWELL. I not only have witnessed it, I have been a victim several times, and have made the decision to go forward in my work and to become a role model, rather than stop and take a side-track. But in some cases, I regret that, because maybe perhaps if I had spoken up at the time, change could have happened more quickly.

Senator KENNEDY. Do either of you care to add to that?

Ms. RICHARDS. I would say the same. I have seen it with other women and I have had experiences myself.

Ms. GORE. I have seen it and not experienced it, but being there everyone experiences it.

Senator KENNEDY. Yeah. Well, Ms. Chadwell, I mentioned that it is not limited to the entertainment industry. I mean, we just saw today that apparently a well-known journalist, Mr. Mark Halpern, apparently is a pig as well. You know, five allegations that he has admitted to. Do you think that is related to the access to capital at all?

Ms. CHADWELL. I think that whenever you mix power with women and men, you have issues, and I think the most effective way to do this is to have both women and men sitting at the table when making decisions about access to capital.

Senator KENNEDY. All right. Thank you very much for your testimony. I learned a lot. I appreciate it. Thank you, Mr. Chairman.

Chairman RISCH. Thank you.

Senator HIRONO.

Senator HIRONO. Thank you, Mr. Chairman. Senator Kennedy, I can tell you, without any reservation, that sexual harassment and more is not limited to just the entertainment industry. Most women who have been doing anything in the workplace or otherwise, or in school, et cetera, have faced these kinds of issues.

I have been particularly interested in STEM for women. This is a question for you, Ms. Chadwell. Last fall I spoke at the Innovation Alliance's event on "Closing the Patent Gender Gap," where findings from the Institute for Women's Policy Research revealed the alarmingly low number of women patent holders in the U.S. In 2010, women held only 18.8 percent of all patents, and while the number of women with patents has steadily grown since 2000, at the current rate of progress the IWPR, that's the research entity, projects that the gender equality among patent holders would not occur until 75 years from now, in the year 2092. Most of us will probably not be around then.

So in your testimony you mentioned that entrepreneurs with a background in artificial intelligence, coding, algorithms, and analysis will have a competitive advantage in the coming years. So how can we expand the opportunities for women and minorities—and I include minorities because they are also vastly underrepresented—in these and other science, technology, engineering, and STEM fields, and assist them in obtaining patents? And the more particular you are, specific you are as to what we can do, the better.

Ms. CHADWELL. First of all, I think there is some good news and bad news. The bad news is that the numbers are going down, in terms of—

Senator HIRONO. And they drop out from the STEM arena in all levels, including really early on—intermediate, you know, and beyond.

Ms. CHADWELL. Absolutely. I think this is back to messaging, which we talked about earlier. I think it also—another thing I did mention is that with coding and algorithms becoming more commoditizing—commodities, that we are going to be reaching into things that women are traditionally, just have been in the past not as a total group but some members are very effective at innovation and very effective at design and very effective at sales and marketing. So I think that those could be places where women will have advantages.

Also, too, in terms of patents, I would like to say I do not back patentable technology anymore. What I like to back is innovation and the ability to iterate over and over and over again. Because by the time you get a patent, with a lot of this software, it is already irrelevant. So, really, what we need to continue to do is to teach our children to be creative and innovate.

Senator HIRONO. Well, what are some very specific ways, though, that we can teach children to be creative and innovative? Are there any models out there of where there has been success in encouraging more women and minorities to go into these fields and to stay in these fields? You are nodding your head. Would you like to respond?

Ms. GORE. Yes. Thanks, Senator. One of the things that I am very optimistic about is what are already very established girls' organizations. I am a 4-H kid. Girl Scouts are actually putting STEM into their programs. I think it is hard these days and age to create a whole new organization, so those that are already out there, including public education, having STEM programs very early—third, fourth, fifth, sixth, seventh grade, before that seventh-grade drop happens, is what I love.

So you see there is now a STEM badge for the Girl Scouts, which I love, and I think those are critically important. So let us get them into institutions that are already thriving and large, and ensure that this is part of the vernacular.

Senator HIRONO. Well, okay, that is great. Not everybody gets to be a Girl Scout. I certainly was not. But I am looking at where arenas where the kids are there, i.e., in our schools, what are we doing in our schools in terms of curriculum that supports minorities and women, girls, going into these areas?

Ms. GORE. Thank you. We have to have—first of all, we have to have Wi-Fi in all our schools. We have to have access, broadband access particularly in rural communities in smaller states. There is no good program that is out there if we do not have kids have access to what they need to see. Second is the technology in those arenas. Is there something that children are touching, working on early on to learn to code, to learn to do these things?

So I think that is the baseline, frankly, before we then can start looking into the best curriculums.

Senator HIRONO. Would the two of you agree that technology in our schools—because there are a lot of elementary schools all across our country, public schools that do not have access to this kind of technology. Would you agree that that is a really important foundation?

Ms. RICHARDS. Technology is critical. Mentors are also critical. We need to see women and minorities in those fields and as role models, so that they can desire to achieve those goals.

Senator HIRONO. I did introduce legislation that would encourage, through grants, et cetera, mentorships and other programmatic ways, institutionalized ways of focusing on women and minorities in the technology area and I hope that leader folks will take a look at that.

And the whole question of, particularly, you know, women can be considered a minority, but within that category there are minority women who face even more challenges in terms of access to capital and all the other challenges that women generally face, and multiplied probably several times over for minority women. So I would be appreciative of any information that you have that relates to support for minorities.

Ms. CHADWELL. That is no question, and, in fact, women's access to capital at the minority level is 0.02 percent of total venture capital dollars, so it is even more severe.

Senator HIRONO. Yes. Thank you, Mr. Chairman.

Chairman RISCH. Thank you, Senator.

Senator SHAHEEN.

Senator SHAHEEN. Well, thank you, Mr. Chairman. I wanted to add that, as we are talking about how to get young women excited

about STEM subjects, robotics competitions and out-of-school competitions that focus on STEM are really great ways to do that. They reach not only young women but also often minorities in a way that they may not be reached in school.

But I want to follow up on both the mentor piece and the comment that you made, Ms. Chadwell, about the media not covering women success stories. And what can we do to elevate those success stories for women, and how do we get reporters, actually, the media and—the news media is another place where women are underrepresented. So how do we get attention to those female success stories of women-owned businesses, for any of you?

Ms. CHADWELL. Well, I think one of the biggest success stories that we are seeing right now is the story on the IPO of the company Stitch Fix, which has a female founder. And, ironically, for a technology company, this company actually has profits, which is wonderful. So the more we can elevate women into these positions where they can be role models, and obviously representing really terrific companies, I think the more attention we will get from the media.

Senator SHAHEEN. Do either of you, the other panelists, have any ideas for—

Ms. GORE. I have a very specific idea, and I think that, you know, the 12 major business publications that range from Inc. and Fast Company to Fortune and Forbes, they could collectively make a commitment, publicly, and I encourage them, on the record, to do so, that at least 40 percent of their stories have some type of women founder in them. And that is up from 7 percent.

Senator SHAHEEN. That is a great idea.

Ms. GORE. And they are great stories. They are good content. And then we, as women, have to do better at raising our hands and really boasting about those successes. But there is no longer the lack of great companies, which is really exciting, but I would encourage that level of commitment.

Senator SHAHEEN. Ms. Richards.

Ms. RICHARDS. I would agree with that, and I would say that we have to remember that we are the consumers, and so part of it is that we need to send a message of what we want to consume from our media, and stop using it as being the one token female who has done this, because there are many, many great stories.

Senator SHAHEEN. Well, thank you. That might be a place where the Committee could weigh in. What do you think, Senator Risch, where we could send this suggestion, on behalf of the hearing today, to a number of those publications?

Chairman RISCH. Yeah. I think that is something to talk about.

Senator SHAHEEN. Good.

Chairman RISCH. Thank you.

Senator SHAHEEN. Thank you all very much.

Chairman RISCH. Thank you. This is—you know, we sit through lots and lots of hearings and lots and lots of panels, but I can tell you that this was an impressive panel, and we sincerely appreciate you taking the time that you have taken to come and talk with us. We are—every one of us runs for public office because we want to make life better for our constituents and Americans, and these are the kinds of things that actually help us move forward in that goal.

And, actually, we have come away with some really good, pragmatic suggestions that we can move forward. Notwithstanding what you hear about what Congress does not do, we do occasionally do something.

Senator SHAHEEN. And we do it together.

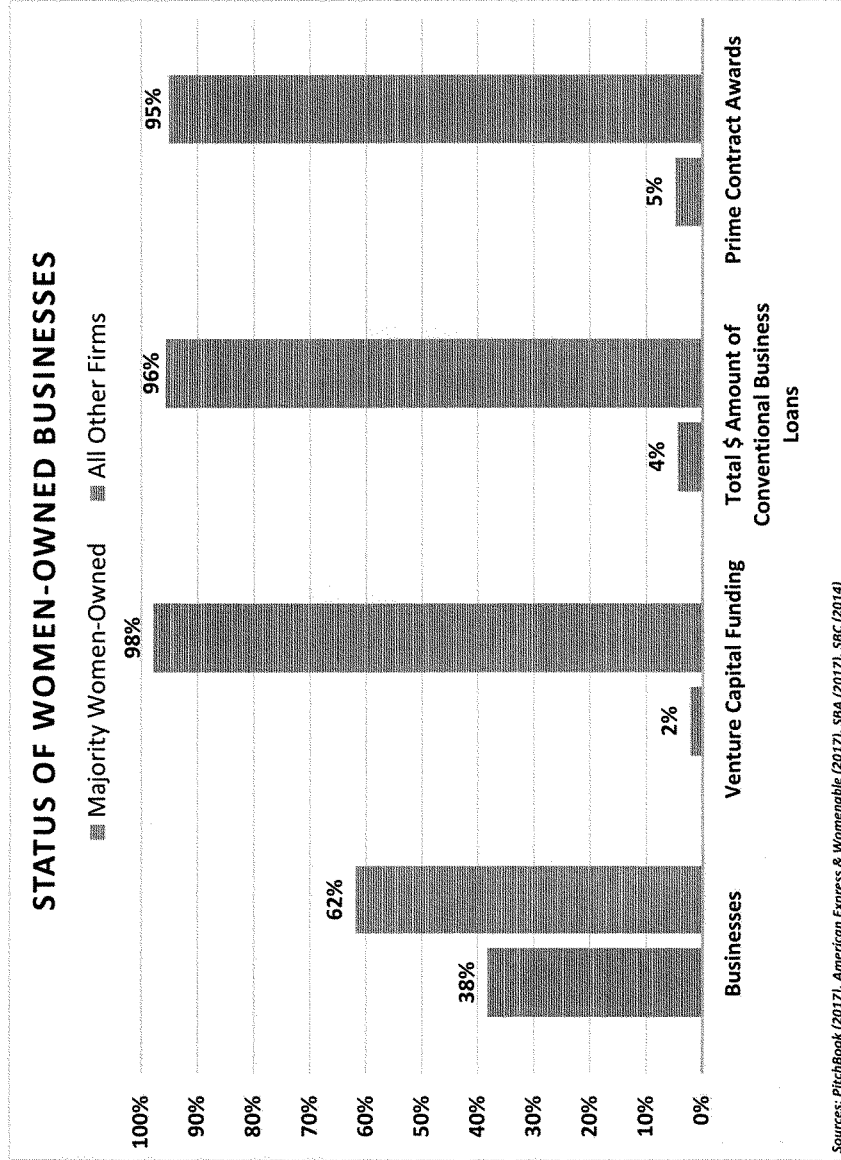
Chairman RISCH. And we do it together, particularly on this Committee.

So with that—first of all, Madam Chair—or, formerly Madam Chair—the chart. I think we ought to have that put in the record. Would you agree with that?

Senator SHAHEEN. I agree. That is a great idea.

Chairman RISCH. All right.

[The chart follows:]



And, secondly, I am going to declare the record will be open for two weeks, until 5:00 p.m. on Thursday, November 9th, for anyone to submit any relevant information for the hearing.

And, again, thank you, and with that the Committee is adjourned.

[Whereupon, at 11:59 a.m., the Committee was adjourned.]

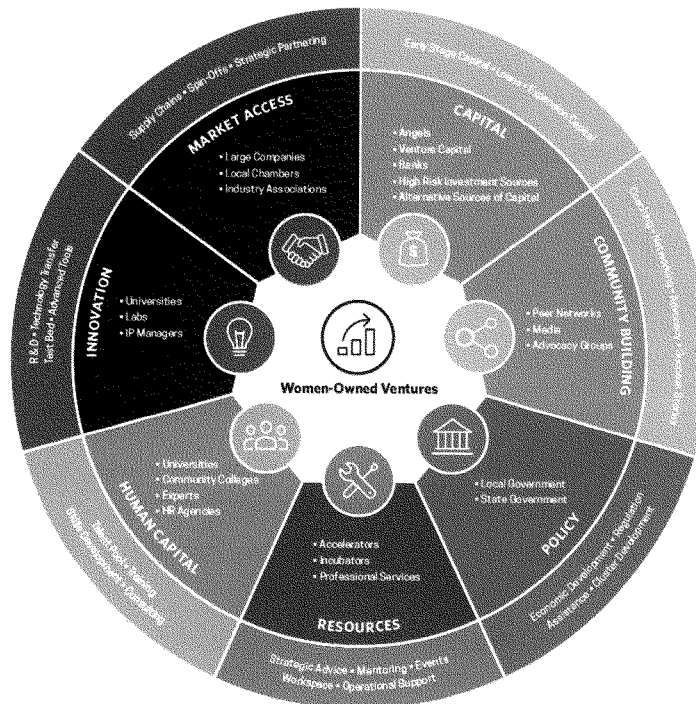
APPENDIX MATERIAL SUBMITTED



NWBC Comment for the Record: *Strengthening the Entrepreneurial Ecosystem for Women*

The National Women's Business Council (NWBC), www.nwbc.gov, is a non-partisan federal advisory council created to serve as an independent source of advice and policy recommendation to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. The NWBC was established in 1988 by H.R. 5050, the Women's Business Ownership Act.

This past fiscal year, the NWBC unveiled an original model for an ecosystem framework that local governments, entrepreneurial development organizations, and other key resource partners can use to strengthen regional support for women entrepreneurs. The ecosystem approach emphasizes the importance of the overall environment within which an entrepreneur establishes and grows her business.





This framework showcases the value of a variety of entrepreneurial stakeholders present in communities across America. The related research products underscore that the **strength of connection across domains is as critical as that of any one particular component.**

The Council applied this ecosystem framework through its Summer 2017 *Solutions Labs* series. In August and September, the Council held conversations in Nashville, TN; Des Moines, IA; Bismarck, ND; and Seattle, WA. These dynamic discussions surfaced a number of policy recommendations grounded in the very connectivity the ecosystem model elevates. **NWBC urges policymakers seeking to effectively coordinate stakeholders and realize the full economic potential of women entrepreneurs—and the U.S.—to encourage the collaboration of entrepreneurial support organizations at the local, state, and national levels.**

Helpful resources—such as the U.S. Small Business Administration’s Women’s Business Centers, incubators, accelerators, or finance institutions—exist in communities across the country, but these resources may be difficult for women business owners to access or meaningfully leverage. In particular, women may not be aware of the full range of tools or programs available to them in their communities. Furthermore, resource providers may offer duplicative programming or compete for the same sources of grant funding, limiting themselves as well as the full effectiveness of the ecosystem.

Policymakers should encourage community-level resource marketing and collaboration by:

- Developing and hosting a web-based repository of effective local resource providers, modeled after NWBC’s Grow Her Business website or budgeting the relatively minimal funding required for a local organization to do so; and
- Creating incentives, such as grant programs, for collaboration between local entrepreneurial support organizations, so that efforts are amplified, not duplicated.

Additional policy recommendations derived from NWBC’s ecosystems research and *Solutions Labs* series may be found in the letter released to our stakeholders on October 25, 2017.

For additional information please contact Esther Morales, NWBC Executive Director, at esther.morales@nwbc.gov or 202-205-6828.

Testimony for Hearing on Strengthening the Entrepreneurial Ecosystem for Women
Submitted to the U.S. Senate Committee on Small Business and Entrepreneurship
Submitted Reshma Saujani, CEO & Founder of Girls Who Code
Thursday, October 26, 2017
11:00 AM

Chairman Risch, Senator Shaheen, and Members of the Committee,

Thank you for allowing me to submit testimony. Across our country, automation is changing everything about the way we live and work. For the past century, jobs have been done by a combination of humans and machines. Today, it's computers and robots. This transformation has been painful for American workers and families that have lost their jobs. But this pain has also presented us with an opportunity.

Today, there are 500,000 open jobs computing jobs; they are some of the best-paying jobs in the country, paying two times the average salary. It's not just traditional tech industry jobs. Two thirds of computing jobs are in retail, banking, transportation, entertainment, agriculture, manufacturing, even government, and 91% of them are outside of California.

But there's an enormous skills gap. To get one of these jobs, you need to know how to code. And that's where we have a problem. In the U.S., we only graduated 40,000 computing graduates last year for those 500,000 open jobs. Compare that to China, which is graduating 350,000 engineers every year.

This imbalance has vast implications for our economy, our future innovation and global competitiveness. Companies routinely cite access to local talent as key reasons for relocating. As countries, states and cities compete for jobs and companies, those that have access to a highly trained workforce will have a major advantage.

But we have a problem. Women in computing have been on the decline. In the 1980s if you walked into a computer science classroom, half of it would have been female. If you looked at a picture of Steve Job's original Macintosh team, half was female. In 1995, women made up 37% of the computing workforce. Today, it's 24%. According to research from GWC and Accenture, in 10 years it'll decline to 22%.

While women make up 47% of the overall workforce, they are on track to fill only 3% of new tech jobs in the U.S. At a time when businesses across the country are desperate for a skilled computing workforce, we're leaving behind half the population.

In order to provide economic opportunity for families, we must find ways for women to enter and be successful in tech careers, and this means we must create a pipeline of young women with computer science education.

In addition to reducing skills shortages, increasing the number of women in tech jobs opens the door to innovation. Studies show that teams with even one woman are able to perceive new

opportunities and act on them. Teaching girls to code will fill gaps in the workforce and strengthen local economies.

Girls represent an untapped talent pool in the tech industry. But to take advantage of the innovation that women bring to the field, and to give families a path to the middle class, we must keep our eye on gender and increase our efforts to close the gender gap in our computer science classrooms.

Recent data show that even as demand for computing jobs continues to grow, the proportion of women in computing will continue to decline over the next 10 years without substantial and sustained interventions designed for girls. To avoid this negative trend, we need to act quickly to dramatically increase access to computer science education for young women.

Girls Who Code was founded in 2012 to close the gender gap in technology. In five short years we've created the largest pipeline of future female software engineers in the US. By spring 2018, Girls Who Code will reach 50,000 students – more than four times the number of female computer science graduates in the US.

Our graduates are going on not just to major in computer science, but also to become change agents in their community. When you teach girls to code, they choose to tackle our country's toughest problems. Girls Who Code Alumni have developed solutions to problems they see in their communities. We have had girls from our programs tackle cyber bullying, water quality, the test prep gap, and other issues that they face on a daily basis. They have received patents, raised money on Shark Tank, and taken on leadership positions in local organizations.

As our country continues to prioritize computer science access in schools, we need to do so with an eye on gender. We know there is a long way to go to close the gender gap in K-12 computer science participation. In 2017, girls accounted for just 26% of students who took the AP Computer Science exam. However, AP Computer Science is not the only Computer Science course being offered in many schools.

We need to start measuring participation by girls beyond just the AP exam. There is dangerously little data about girls in K-12 computer science education, a critical time for driving interest and exposure to the field. We need to create transparency about gender, ethnic and socioeconomic diversity in K-12 computer science courses nationwide. With data, we can assess the problem, create better solutions, and track our progress on this issue together.

In addition to tracking our progress, we need to expand computer science beyond high school. According to research by Girls Who Code and Accenture, attracting girls to computer science in middle school or earlier have a lasting effect on their long-term interest in the field.

Investing in initiatives that promote computer science education specifically for girls is an investment in the economic success of families. States and cities that actively work to engage girls in the computer science pipeline will be able to unlock the entrepreneurial and innovative spirit of women, and have an expanded workforce to attract the jobs of the future that have longevity in our economy.



Statement of Women Impacting Public Policy

**Submitted to
Senate Committee on Small Business and Entrepreneurship**

"Strengthening the Entrepreneurial Ecosystem for Women"

October 25, 2017

Women Impacting Public Policy (WIPP), a national nonpartisan public policy organization advocating on behalf of women entrepreneurs, is pleased to submit testimony on the important topic of strengthening the entrepreneurial ecosystem for women.

First, we commend the Committee for holding this hearing, which touches on issues of great importance to our members. WIPP appreciates the bipartisan efforts of this Committee to advance the agenda of women entrepreneurs by examining ways to strengthen the growth and success of women owned businesses. WIPP believes the key challenges for women in the ecosystem lie in the need for increase of access to capital, access to federal markets, and access to training and mentoring. Congressional action to improve these three areas is essential to the continued growth of our nation's biggest job creators.

Today, women make up one third of business owners and grow at 1.5 times the rate of average businesses.¹ This is not the first time the Senate has discussed issues that impact women business owners. Three years ago, this very Committee held a hearing on women's entrepreneurship, in the largest hearing room in the Senate with standing room only. WIPP member Lynn Sutton testified during that hearing on the same topics mentioned above. We are taking this opportunity to compare where we were there years ago to where we are now.

I. Access to Capital

Capital is the lifeline of business. The ability to secure capital is often the determinant of an entrepreneur's opportunity to start or grow a business. For women, however, accessing capital continues to be difficult. With respect to lending data, the statistics WIPP cited in 2014 have not changed much in the last three years.² In 2017 as in 2014, only 4% of all commercial loan dollars go to women-owned firms.³ The same applies to venture capital funds - only 2.19% of all venture capital funds go to women-owned firms.⁴

II. Access to Federal Contracting Opportunities

In FY14, women received 4.68% of all federal contracts, missing the 5% federal goal implemented by the Small Business Administration (SBA) in 1994.⁵ Despite making the goal for the first time

¹ "State of Women Owned Businesses in 2016," American Express Open (2017).

² U.S. Senate Committee on Small Business and Entrepreneurship, "Empowering Women Entrepreneurs: Understanding Successes: Addressing Persistent Challenges, and Identifying New Opportunities," Testimony of Lynn Sutton, available at https://www.sbc.senate.gov/public/_cache/files/a/c/acc65395-4c17-4821-a2b6-b073c40d01e4/150535DD07A8D785758B21F710B198D4.sutton-testimony.pdf (2014).

³ U.S. Senate Committee on Small Business and Entrepreneurship, Majority Report, 21st Century Barriers to Women Entrepreneurship (July 23, 2014).

⁴ Venture Capital's Funding Gender Gap is Actually Getting Worse, Fortune, available at <http://fortune.com/2017/03/13/female-founders-venture-capital/> (2017).

⁵ Government Wide Performance: FY2014 Small Business Procurement Scorecard, available at https://www.sba.gov/sites/default/files/files/FY14_Government-Wide_SB_Procurement_Scorecard_Public_View_2015-04-29.pdf (2015).

in FY15, in FY16, women received 4.79% of federal contracts, still short of the 5% goal.⁶ A report issued by the U.S. Department of Commerce showed that women-owned businesses are still 21% percent less likely than male counterparts to be awarded a federal contract.⁷

III. Access to Training and Mentoring

Federal funding for resources to women such as Women's Business Centers (WBC) fared a little better. In FY14, WBC's were funded at \$13M.⁸ In FY16, funding for WBC's increased to \$17M.⁹

The significant change from 2014 to 2017 has not been in the number of federal resources devoted to this "ecosystem," rather it can be attributed to the numbers of women starting and growing businesses. In 2014, there were nearly 9.1 million women-owned enterprises, employing nearly 7.9 million workers and generating over \$1.4 trillion in revenues.¹⁰ The latest statistics show that in 2016, there were 11.3 million women-owned businesses in the United States, employing nearly 9 million people and generating over \$1.6 trillion in revenues.¹¹

IV. The Path Forward

The disconnect between federal resources for women entrepreneurs and the number of women generating jobs by owning businesses in three years is stark. The number of women entrepreneurs who would benefit from greater resources continues to grow while public investment is at a standstill. The private sector is no more responsive than the public sector shown by the access to capital numbers.

WIPP's Access to Capital platform, "Breaking the Bank," provides some suggested solutions.¹² To fuel lending and spur innovation, WIPP believes that policy needs to focus on changing the capital infrastructure, supporting small lending institutions, and strengthening government investment.

⁶ Government Wide Performance: FY2015 Small Business Procurement Scorecard, available at https://www.sba.gov/sites/default/files/files/FY15_GOV-WIDE_SB_Procurement_Scorecard_Public_View_FINAL.pdf (2016).

⁷ Utilization of Women-Owned Businesses in Federal Prime Contracting, David N. Beede, Robert N. Rubinovitz, available at https://www.sba.gov/sites/default/files/wosb_study_report.pdf (December 31, 2015).

⁸ U.S. Small Business Administration, FY 2014 Congressional Budget Justification, available at <https://www.sba.gov/sites/default/files/files/1-508-Compliant-FY-2014-CBJ%20FY%202012%20APR.pdf> (2014).

⁹ U.S. Small Business Administration, FY 2016 Congressional Budget Justification, available at https://www.sba.gov/sites/default/files/files/1-FY_2016_CBJ_FY_2014_APR_508.pdf (2016).

¹⁰ American Express Open, "State of Women Owned businesses in 2014."

¹¹ 10 Million Strong: The Tipping Point for Women Entrepreneurship: 2015 Annual Report. National Women's Business Council (2015).

¹² Breaking the Bank: Women Entrepreneurs and the Need for Capital, Women Impacting Public Policy, available at http://cymcdn.com/sites/www.wipp.org/resource/rcsmgr/Access_to_Capital/WIPP_Access_to_Capital_Plaf.pdf (2016).

WIPP recommends the implementation of entrepreneurial-friendly public policies. Reducing the tax burden and compliance costs will go a long way toward making women-owned businesses profitable. In addition, beefing up the ecosystem of financial and business assistance through the Small Business Administration (SBA) and other federal agencies would be well worth the investment.

Lawmakers and regulators lack basic information about the credit needs of women-owned businesses and their ability to obtain credit. Just five percent of women-owned businesses use bank loans to start their businesses, compared to eleven percent of male-owned businesses.¹³ The same goes for venture funding and other sorts of capital.

Without good data that would result from the implementation of Section 1071 of the Dodd-Frank Act, analysis of the problems in lending to women is hampered. Section 1071 is critical for measuring access to credit for small businesses, particularly women-owned and minority-owned businesses. An enhanced understanding of the amount of small business credit flowing into local communities would clearly outline unmet credit needs for women entrepreneurs to lawmakers and regulators. Additionally, small business lending data transparency would help identify business and community development needs and opportunities for minority-owned and small businesses. With this data, good policy decisions can be made to solve the continued problem of obtaining capital for women owned businesses, especially those that are small.

With respect to accessing contracts, the Committee made great strides by passing legislation introduced by Senators Joni Ernst (R-IA) and Kirsten Gillibrand (D-NY) asking the Small Business Administration to conduct a comprehensive study on all socio-economic group participation, including women, in these contracts. This is an important step to ensure that all small businesses have equal access to contracts, increasing opportunities for women-owned small businesses.

Additionally, WIPP believes midsize businesses who have outgrown their small status should not be excluded from lucrative federal opportunities. Due to the long contract award process, small businesses can quickly outgrow their size standard without having the time and resources to invest in a firm infrastructure. We recommend implementing a five-year look back for the purpose of Small Business Administration (SBA) size determination, as well as permitting entities to subtract Independent Research and Development (R&D) expenses and expenditures from that entity's receipts. These changes would allow these businesses a smoother transition.

A commitment to women entrepreneurs is a commitment to growing the nation's economy. Both the private and public-sector efforts should reflect the tireless energy women entrepreneurs exude. We thank the Committee for its past legislative efforts and look forward to working with the Committee to support women entrepreneurs in the future.

¹³ National Women's Business Council, "Problem: Women Entrepreneurs Need Greater Access to Capital," available at <https://www.nwbc.gov/sites/default/files/Access%20to%20Capital%20Fact%20Sheet.pdf>.

**Senate Committee on Small Business and Entrepreneurship Hearing
October 26, 2017
Follow-Up Questions for the Record**

Questions for Ms. Elizabeth Gore

Questions from:

Senator Inhofe

Challenges facing women owned businesses

REI's Women's Business Center in Oklahoma has provided support for over 27,000 women in the past 16 years.

In the past two years alone, these women have gone on to start 29 businesses providing 78 new jobs in our state.

REI's Women Business Center is a shining example of the advances that can be made in entrepreneurship when training, resources and mentorship is provided.

Even with three centers across our state, connecting rural entrepreneurs to resources is still a challenge.

QUESTION 1:

What can be done at the local level to ensure that all entrepreneurs, not just those that reside in big cities, have access to the resources and training that women's business centers provide? We must ensure there is access to high speed internet. Then, we have the opportunity to bring the outside in with digital. **Alice, Kauffman, Case Foundation and many more are ensuring all resources for founders can be accessed digitally.**

Coming from a rural state, I have seen the "digital divide" that exists due to lack of sufficient access to broadband and this problem is not unique to just Oklahoma. **This is critical. Beyond access to critical networks and tools, they will not be able to launch their own products and websites without access.**

In your testimony you highlighted the need for access to broadband across the country and how that would be helpful to grow women owned business.

QUESTION 2:

Can you tell me what Dell has done to help increase access to broadband across the country and how you plan to continue this in the future? **N/A I am now President of Alice and can't speak on behalf of Dell.**

Questions from:

Senator Young

Ms. Gore - In your testimony, you discuss mentorship and access to networks as being vital to growth and innovation for entrepreneurs in today's economy. In my home state of Indiana, Purdue University founded the WomenIN Initiative, creating a supportive ecosystem for aspiring Hoosier women entrepreneurs across the state. In just two years, via word-of-mouth, over 450 women have joined the entrepreneurial network. **That is amazing and we need more of these programs. Please encourage them to let Alice and Kauffman know of their programs so they can promote them on digital.**

QUESTION 1:

Can you speak to the importance of mentorship and access to networks for entrepreneurs? All business owners need mentors. The majority of founders did not go to business school, they count on mentors to give them access to information, knowledge and networks. **Peer to peer mentors are the most popular at this time. For example, anyone show has just gone through a similar industry, barrier or opportunity even six months before.**

QUESTION 2:

What can the Small Business Administration (SBA) do to incentivize successful women entrepreneurs to serve as mentors? **Have a better application system that is shorter, easier to understand and more accessible for loans. Also, provide training through regional offices for founders in how to apply for loans and SBIR. Last, use partnerships with entrepreneur organizations to raise the profile of the SBA.**

QUESTION 3:

What models have been most successful at achieving this goal? **Anything that is digital is the most scalable. Alice, entrepreneur.org, and/or programs that are specific to certain demographics: Black Girl Ventures, Bunker Labs, etc.**

QUESTION 4:

Is SBA the best vehicle to strengthen the entrepreneurial ecosystem for women? **It is not the best vehicle but it is a critical to the success of women. It could be strengthened to the most important~! We need more accessible registration.**

Ms. Gore – I noticed that many of the studies and reports that recognize access to capital as a barrier to growth for women-owned businesses also appear to consistently recognize lack of mentorship and access to networks as an impediment to growth.

QUESTION 5:

Do you think that lack of mentorship and access to networks for women entrepreneurs is overlooked? **These are no longer soft subjective areas of need. These are now objective needs with hard measurements behind them. Look at the WE Cities data by Dell. We must have mentorship and strong networks for women. They should be very local to their geography.**

QUESTION 6:

Is it worth focusing on mentorship to the same degree as access to capital? **While both are important access to capital is the NUMBER one gap in the US and globally. Whether it is ventures, loans, financial management and other – it is the number one need.**

QUESTION 7:

Do you think that by focusing on increasing mentorship opportunities, this could in turn increase the number of women entrepreneurs and increase access to capital for all women-owned businesses and startups? **100% all founders need mentors. See above.**

QUESTION 8:

Can you point to successful examples of formal mentorship programs? **Entrepreneur.com, black girl ventures, bunker labs.**

Questions from:

Senator Duckworth

It is no secret that women face disparities when it comes to accessing and securing credit as they start their own business. Women are far less likely than men to secure venture capital or to acquire a business loan from a bank or financial institution. And, in Chicago, it is estimated that access to venture capital for women is even less than the national average. But what I want to know is what challenges women face as they attempt to grow their business.

QUESTION 1:

Ms. Gore, what challenges, other than access to capital, what would you say are tough for women to overcome as they look to stabilize or expand their businesses? **Women have unique challenges that are different than their white male counterparts. They are usually in charge of child care, elder care and community management. So they are significantly time poor and can't fit into typical founder ecosystems due to time and schedule challenges. Women can't risk like men, the usually must have corporate provided health insurance for their family and/or they can't quit their job until they know their start up will provide financial stability to their family. There are new strong programs for these challenges but we need to fund them and take them national.**

**Senate Committee on Small Business and Entrepreneurship Hearing
October 26, 2017
Follow-Up Questions for the Record**

Questions for Ms. Tracy Chadwell

Questions from:

Senator Inhofe

Access to Capital

One challenge that is shared by urban and rural entrepreneurs alike is access to capital.

Women's business centers and SBA 8(a) loans can help women business owners access capital but, as you mentioned in your testimony, only a small percentage of women receive venture capital dollars.

QUESTION 1:

We have seen amazing growth in the number of women owned businesses yet women receiving venture capital dollars remains flat. What are the top contributors to this and what can be done to address it?

Women are not receiving adequate access to venture capital dollars for many reasons. Some of the reasons are:

- 1. Lack of networks into traditional vc's*
- 2. Differences in communication styles*
- 3. Unconscious bias*
- 4. Lack of women partners with the ability and or interest in funding women founders*

Questions from:

Senator Duckworth

For every ten women-owned business launched since 2007, eight have been started by minority women. But, I still hear from my constituents that women—and minority women in particular—continue to have difficulties accessing capital, whether it's because there is no bank in their neighborhood, a lack of network access or simply discriminatory practices.

QUESTION 1:

Ms. Chadwell, what are the kinds of innovative ways that your organization has employed to reach minority women, and what have you found to be most successful when working to reduce gender and racial disparities in access to capital?

1843 Capital is focused on finding the best entrepreneurs to achieve the highest return on our investment. As such, we prefer diverse teams as they are more cooperative, creative and ultimately more profitable. The best way we know to overcome this problem is to go where the founders are. We spend a lot of time trying to access founders of different genders and colors through our strategic partnership with the Vinetta Project whose sole aim is to assist founders in gaining access to capital. Through this and our attendance at many demo days and diverse founder challenges, we have unparalleled deal flow of minority and women founders.

**Senate Committee on Small Business and Entrepreneurship Hearing
October 26, 2017
Follow-Up Questions for the Record**

Questions for Ms. Michelle Richards

Questions from:

Senator Duckworth

As you know, technical assistance and education provided by Women's Business Centers, Small Business Development Centers and Procurement Technical Assistance Centers are invaluable to small business owners. In fact, I've met with constituents working with these programs at the Women's Business Development Center, and they have expressed to me the need for additional funding and resources to continue the work they have already accomplished with women-owned small businesses—including the creation of 164 jobs and serving 191 unique businesses from their Aurora location last year alone. But, these programs' budgets are under consideration to be reduced for the next fiscal year.

QUESTION 1:

Ms. Richards, in your experiences working with these programs, how would cutting these programs' budgets affect job creation, particularly in economically-disadvantaged or rural communities?

As you discussed with Senator Kennedy, there is very little information available on lending when it comes to who is applying, and even less information on whether the businesses are women- or minority-owned. I've heard from my constituents that the lack of data on business lending practices leaves them frustrated and still nowhere closer to obtaining much needed capital.

This year, the Consumer Financial Protection Bureau issued a request for information to implement a data collection rule that could allow women-owned and minority-owned businesses to gain much needed access to credit and allow entrepreneurs to take advantage of opportunities for growth.

ANSWER TO QUESTION 1:

Women's Business Centers, Small Business Development Centers and Procurement Technical Assistance Centers are critical resources for business growth, sustainability and job creation in communities throughout the country. This is especially true in economically-distressed and rural communities where these SBA resource partners are frequently the only business development resource available to small businesses. The Great Lakes Women's Business Council receives requests for counseling from small businesses in such communities regularly.

Our women's business center recently provided counseling to a women business owner whose business digs trenches for cables. It is located in Croswell Michigan which has a population of 2,100 and where there are no other readily available business development resources. This is merely one example of the hundreds of businesses we counsel in rural and economically-distressed communities.

Budget cuts for women's business centers, small business development centers, and procurement technical assistance centers will result in reduction in the number of small businesses served and jobs created. These not-for-profit organizations will have to cut services to meet reduced budgets.

Collection of data on business lending practices is critical to address the discrepancy in lending. As reported in my testimony, women account for only 16 percent of conventional small business loans and receive only 4.4 percent of the total dollar value of loans from all sources. We need collection of lending data through an unbiased source so that we can begin creating solutions and accountability to address this inequity that has had significant economic ramifications to our economy.

The Consumer Financial Protection Bureau request for data collection rule on small business lending demographics could allow women-owned and minority-owned businesses to gain much needed access to credit and allow entrepreneurs to take advantage of opportunities for growth.

QUESTION 2:

Ms. Richards, how would the implementation of this rule inform or change the way your organization performs outreach or grants loans?

ANSWER TO QUESTION 1:

Lending demographics would allow us to target our financial education and lending services to underserved territories. This would allow us to increase business growth, sustainability and job creation in underserved territories.