

## The Status of Women and Entrepreneurship in Utah

### Setting the Stage

Is Utah a good place for women to start and run businesses? You may be misled if you rely on what the media has been reporting the past few years about women in Utah. A host of state rankings has continually put Utah as one of the worst states in the nation for women. For example, Utah did not fare well in the WalletHub's recent "2015's Best and Worst States for Women's Equality."<sup>1</sup> Utah was also included in the *New York Post's* "5 Places Women Shouldn't Spend Their Travel Dollars,"<sup>2</sup> and in 2014 Utah was ranked as the worst state for women on the "10 Worst States for Women" list at 24/7Wallst.com.<sup>3</sup> In addition, Utah did poorly in the *Center for American Progress* report, "The State of Women in America: A 50-State Analysis of How Women are Faring Across the Nation."<sup>4</sup> Although it is clear that we need to improve the representation of women in leadership and decision-making roles, in the gender wage gap, and in funding for programs and efforts that support the well-being of Utah women,<sup>5</sup> these rankings were based on limited criteria. However, one area not included in these criteria that would have strengthened Utah rankings is women and entrepreneurship.

In response to a call for clarity on women and leadership in Utah, researchers with the Utah Women & Leadership Project released four 2014 research and policy briefs intended to promote a deeper understanding of the status of women leaders in various sectors (i.e., politics, business, education, and nonprofit). Each brief compared national data with Utah data and provided a pertinent review of the literature. The purpose of this brief is to extend that effort by adding a report focused on the status of women entrepreneurs in Utah.

This brief will specifically focus on "women-owned" businesses, defined as those that are "at least 51% unconditionally owned, operated and controlled on a daily basis by one or more women."<sup>6</sup> If a woman "controls" a business, it means that she is the highest compensated employee of that business and is responsible for both the day-to-day management and the short- and long-term planning for that business. When a business is registered with the tax commission, owners are asked to disclose the percentage of equity each owner holds; "Is this a female-owned business?" is an optional question asked of those who are registering a business in Utah.

This brief begins by reviewing both the national and Utah trends regarding women and entrepreneurship. Then, it con-

tinues by highlighting reasons why women start and run businesses, some barriers that women face, and the best practices that can strengthen and support more Utah women in these related endeavors.

### National Trends

"The 2015 State of Women-Owned Businesses Report," commissioned by *America Express OPEN* in partnership with *Womenable*, states that "there are just over 9.4 million women-owned businesses in the United States, generating \$1.5 trillion in revenues and employing over 7.9 million people."<sup>7</sup> It continues by saying that, "the growth in the number (up 74%), employment (up 12%) and revenues (up 79%) of women-owned firms over the past 18 years exceeds the growth rates of all but the largest, publicly-traded firms—topping growth rates among all other privately-held businesses over this period."<sup>8</sup> This means the number of women-owned firms actually increased by a rate of 1.5 times the national average between 1997 and 2015.

*The number of women-owned firms increased nationally by a rate of 1 ½ times the national average between 1997 and 2015.*

The U.S. Chamber of Commerce Foundation's *Center for Women in Business* reported that women-owned businesses have now increased to include almost 30% of all firms,<sup>9</sup> while the *U.S. Women's Chamber of Commerce* reported this percentage to be higher (35.95%).<sup>10</sup> In both cases, this means that approximately one in every three businesses in the U.S. is woman-owned. Additionally, "one in five firms with revenue of \$1 million or more is woman-owned."<sup>11</sup> Yet, the *America Express OPEN* publication states that "women-owned firms employ only 6% of the country's workforce and contribute just under 4% of business revenues—roughly the same share they contributed in 1997."<sup>12</sup> The *U.S. Women's Chamber of Commerce* reported slightly higher numbers, with sales receipts of women-owned businesses being at 4.82% which, according to this source, leaves an "opportunity loss of \$10 trillion."<sup>13</sup>

The *America Express OPEN* report also states that, in the U.S., women started 887 (net) new businesses per day this past year, which means start-up activity among women is rising.<sup>14</sup> Interestingly, with respect to privately-held company job growth in recent years, employment has declined for men-owned and equally-owned firms and increased among women-owned firms. Combining women majority-owned

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firms with partially women-owned firms yields 14.7 million businesses employing 16 million people with approximately \$3 trillion in revenue.<sup>15</sup> In fact, women-owned and equally-owned firms together represent about 47% of U.S. firms.

Yet, one “critical growth trend for women-owned businesses is the rise of a ‘new’ kind of enterprise that often employs no more than its proprietors”—by choice.<sup>16</sup> In fact, about 90% of women-owned businesses have no employees other than the individual who owns it, compared to 82% more generally.<sup>17</sup> And, only 2% of women-owned companies have 10 or more employees. So, women-owned businesses tend to be smaller than other private firms and, of course, much smaller than publically traded firms.<sup>18</sup> Interestingly, the average size of women-owned businesses has not changed much in 17 years.

Finally, in which industries do women start businesses? Table 1 illustrates that women-owned companies are found within all sectors of the economy in the U.S., but the greatest number are in health care and social assistance (16.8%); other services (e.g., beauty salons, pet-sitting services, and auto and appliance repair) (15.5%); professional, scientific, and technical services (e.g., attorneys, accountants, public relations and human resources/organizational development consulting) (13.3%); administrative support and waste management services (10.5%); and retail trade (9.5%).

**Table 1: Distribution of Women-Owned Firms by Industry Sector<sup>19</sup>**

Industry	Nation
Health Care & Social Assistance	16.8%
Other Services	15.5%
Professional/Scientific/Technical Services	13.3%
Administrative, Support & Waste Mgmt.	10.5%
Retail Trade	9.5%
Real Estate	8.3%
All Other Industries	6.1%
Arts, Entertainment, Recreation	4.9%
Educational Services	4.9%
Accommodation & Food Services	2.4%
Construction	2.3%
Finance & Insurance	2.1%
Transportation and Warehousing	1.8%
Wholesale Trade	1.6%
<b>Total</b>	<b>100%</b>

Source: American Express OPEN analysis of published information from the U.S. Census Bureau.

## Utah Trends

So, how does Utah compare to the nation? To date, there are approximately 77,800 women-owned businesses (as defined previously) in the state.<sup>20</sup> This includes every self-employed woman, from the one-woman consultant all the way to an owner of a large corporation with subsidiaries. Table 2 provides a look at how the number of firms, sales, and employment has increased since 1997, along with the percentage of

change within the 1997 and 2015 timeframe.<sup>21</sup> Clearly, there are a lot of self-employed women in Utah.

**Table 2: Trend in Growth of Women-Owned Firms: Utah**

Item	1997	2015	Change
No. of Firms	41,991	77,800	85.3%
Sales (\$000)	\$5,096,187	\$14,385,800	182.3%
Employment	54,135	58,900	8.8%

Source: American Express OPEN analysis of published information from the U.S. Census Bureau.

The *America Express OPEN* report also highlighted the top ten states for women-owned firms in economic clout, which considers growth in number, revenue, and employment. Utah had a 2015 combined ranking of 8<sup>th</sup> place in the nation—up from 11<sup>th</sup> in 2012. Utah ranks 11<sup>th</sup> in growth by numbers (85.3%), 4<sup>th</sup> in growth by revenue (182.3%), and 30<sup>th</sup> in growth by employment (8.8%).<sup>22</sup>

The same report also explored trends in the net number of new women-owned firms per day (1997–2015) and found that five new firms were created in Utah per day between 1997 and 2007 and six between 2007 and 2015.<sup>23</sup> Interestingly, during 2014–2015, the number sharply increased to 13 firms per day.

The *Center for Women in Business* studied the share of female self-employed workers by state, and Utah tied for second in the nation (listed at 3<sup>rd</sup> in the report). About 44.5% of female employees in Utah are considered to be self-employed, which is an 11% increase between 2001 and 2013. The report also noted that women are actually more likely to be self-employed if they reside in a Western state, followed by those in a state in the Pacific Northwest.<sup>24</sup>

Finally, the Goldman Sachs 10,000 Small Businesses program at Salt Lake Community College reports that, since its launch in 2013, 47% of the businesses in the program have been women-owned.<sup>25</sup> Although program organizers do not yet have other data specific to the women-owned businesses, 47% of company owners in the program have added new jobs to their organizations, and 68.9% have increased revenue by at least 3.5%. Data specific to women-owned businesses in the program are forthcoming.

This summarizes all the data that could be located regarding Utah women entrepreneurs. In addition to the reports cited in this brief, the following organizations or offices were also consulted: Utah Department of Workforce Services, Utah District Office of the U.S. Small Business Administration, Utah Small Business Development Center Network, National Small Business Association, National Women’s Business Council, and the Bureau of Labor Statistics.

## Women’s Decisions to Start and Grow Businesses

Although there is little research focusing specifically on Utah women’s decisions to start and operate businesses (e.g., motivations, funding sources, size, industry, product or service,

location), national researchers have studied this for years. While some reasons can be attributed to demographics (e.g., age, marital status, number of children, where they live, and how much money they earn), there are other important entrepreneurial motivations as well. These include, but are not limited to, the following:<sup>26</sup> desire to balance family and work responsibilities, preference for flexibility over money, lack of fortune-building ambition, reluctance to enter high-end capitalism, preference to create a business that costs less to start and takes less to run, preference to start lifestyle versus venture-backed high-growth companies, need for independence and autonomy, search for greater authenticity, desire for greater control of work life, personal or financial necessity, limited network of contacts and mentors, blocks to career advancement in larger organizations (e.g., discrimination, organizational practices and dynamics), desire for challenges, avoidance of the gender wage gap, need for self-fulfillment and goal achievement, and desire to be “successful” in their own way.

It is likely that all of these reasons and motivations also influence women business owners in Utah, but there is evidence to suggest that there may be enhanced or different ambitions, motivations, and barriers (real and perceived) particular to women in the state.<sup>27</sup> Empirical studies need to be conducted with Utah women in order to expand our understanding of these dynamics.

## Barriers to Women’s Entrepreneurship

Women-owned businesses continue to be critical to job and wealth creation for women, particularly those in microenterprises with fewer than five employees.<sup>28</sup> However, significant obstacles persist. According to “21<sup>st</sup> Century Barriers to Women’s Entrepreneurship,” a 2014 Majority Report of the U.S. Senate Committee on Small Business and Entrepreneurship, “Women entrepreneurs still face a glass ceiling. While women-owned businesses are the fastest-growing segment of businesses, and many succeed, women must overcome barriers their male competitors do not face.”<sup>29</sup> This report focuses on three overarching barriers that relate to women:

**Fair Access to Capital:** Studies have found that women entrepreneurs still face challenges related to getting fair access to capital. Women receive only 16% of conventional small business loans and 17% of SBA loans (even though 30% of firms are women owned). In addition, women receive only 4.4% of the total dollar value of conventional small business loans—which amounts to \$1 for every \$23 loaned—and only 7% of venture funds (a decline from previous years).

**Insufficient Federal Contracting Jobs:** According to the Majority Report, “The federal procurement market is an area where annual contracting opportunities now total more than \$500 billion.”<sup>30</sup> Although women-owned firms make up 30% of total businesses, the U.S. federal government, the largest purchaser in the world, awards fewer than 5% of federal contracts to them. Although there is legislation with a federal contracting goal for women-owned businesses of 5%, it has never been met. A recent change to the federal rule now al-

lowing for sole source contracts, however, may improve this process and benefit more women.<sup>31</sup>

**Access to Specialized Business Counseling and Training:** Entrepreneurs benefit from counseling and training specific to starting and running businesses, and specific female-focused programs have been shown to be particularly encouraging and useful for women. Though Utah has one Women’s Business Center, federal funding has not been re-authorized since the 1990s. Increasing federal and state funding for similar centers would expand assistance and resources throughout Utah, which would help the economy and create jobs.

Researchers have found a host of other internal and external barriers that directly or indirectly impact women’s decisions to start and grow companies, and some have already been mentioned. An unexpected finding, however, was highlighted in a progress report in the Goldman Sachs 10,000 Small Businesses report, “Stimulating Small Business Growth.”<sup>32</sup> Researchers found that, on average, women business owners consistently paid themselves less than their male counterparts in similar businesses and industries. In one study, when women became aware of this discrepancy, they gave themselves a pay raise.<sup>33</sup> Other barriers related to Utah women more broadly can be found in previous research and policy briefs and snapshots from the *Utah Women & Leadership Project* and the *Utah Women & Education Initiative*.<sup>34</sup>

## Best Practices for Female Entrepreneurs

The *Center for Women in Business* research publication, “Women-Owned Businesses: Carving a New American Business Landscape” highlighted six approaches that are shown to best prepare women entrepreneurs for success.<sup>35</sup> We believe these are best practices for Utah women as well:

1. Advocate on women’s business issues.
2. Provide networking opportunities specifically for women.
3. Offer comprehensive training and counseling on a variety of business topics.
4. Create incentives for contracting with women-owned businesses.
5. Develop women’s entrepreneurial leadership skills through mentoring opportunities and events.
6. Educate women business owners in evaluating funding sources and accessing capital.

So, what are we doing in Utah based on these best practices? Although there is still much more to be done, we are making some good strides:

First, the Salt Lake Chamber hosts the sole Women’s Business Center in the state; it is one in a national network of nearly 100 centers supported by the U.S. Small Business Administration (SBA) and is “designed to assist women in starting and growing small businesses.”<sup>36</sup> However, unlike many other centers, the WBC operates as a separate non-profit organization within the Salt Lake Chamber, which gives it access to a unique set of tools and resources to aid entrepreneurs. The WBC delivers entrepreneurial consulting, professional training, and networking opportunities.

*Second*, there are a number of Business Resource Centers, Small Business Development Centers, and SCORE<sup>37</sup> chapters throughout the state that can provide helpful training and resources as well.

*Third*, Utah has numerous academic courses and programs at our public and not-for-profit colleges and universities that provide in-depth knowledge and skills to be successful in business creation and growth.

*Finally*, additional work and resources related to policy, professional development, networking, and the other best practices more broadly for women continue to move forward with a number of statewide organizations and women's initiatives. In addition, a host of local and regional nonprofits and women's networks and groups in the state are also engaged in encouraging and supporting women.

## Conclusion

Utah ranks well when it comes to women's entrepreneurship, which brightens the outlook for women within the state's economy. Despite hurdles, women are establishing businesses that not only generate revenue and employ other Utahans, but also contribute to their quality of life and the prosperity of local and statewide economies. Potential for success will continue to increase as more women receive adequate funding, access resources, and seek support from strong professional networks. We call on debt and equity financiers to consider new and innovative ways to improve accessibility and opportunity for women. We call on women to engage in government contracting, where possible, and to diversify and expand their potential for success. As an important segment of productive business owners, women certainly are getting things done and, by so doing, are impacting others and blazing a trail to an improved future for Utah.

<sup>1</sup> Bernardo, R. (2015). 2015's best and worst states for women's equality. Retrieved from <https://wallethub.com/edu/best-and-worst-states-for-women-equality/5835/>

<sup>2</sup> Ceaser, J. (2014, December 1). 5 places women shouldn't spend their travel dollars. New York Post. Retrieved from <http://nypost.com/2014/12/01/5-places-women-shouldnt-spend-their-travel-dollars/>

<sup>3</sup> Frohlich, T. C., Kent, A., & Hess, A. E. M. (2014, October 16). The 10 worst states for women. 24/7Wallst.com. Retrieved from <http://247wallst.com/special-report/2014/10/16/the-10-worst-states-for-women-2/4/>

<sup>4</sup> Chu, A., & Pasner, C. (2013). *The state of women in America: A 50-state analysis of how women are faring across the nation*. Retrieved from <http://www.americanprogress.org/wp-content/uploads/2013/09/StateOfWomen-4.pdf>

<sup>5</sup> Institute for Women's Policy Research (2014). The well-being of women in Utah: An overview. Retrieved from <http://www.iwpr.org/publications/pubs/the-well-being-of-women-in-utah-an-overview>

<sup>6</sup> U.S. Small Business Administration (n.d.). Definitions. Retrieved from <https://www.sba.gov/offices/headquarters/oed/resources/3690>

<sup>7</sup> American Express OPEN. (2015). The 2015 state of women-owned businesses report. Retrieved from

[http://www.womenable.com/content/userfiles/Amex\\_OPEN\\_State\\_of\\_WOBs\\_2015\\_Executive\\_Report\\_finalsm.pdf](http://www.womenable.com/content/userfiles/Amex_OPEN_State_of_WOBs_2015_Executive_Report_finalsm.pdf) (p. 1).

<sup>8</sup> Ibid.

<sup>9</sup> U.S. Chamber of Commerce, Center for Women in Business. (2015). Women-owned businesses: Carving a new American business landscape. Retrieved from

<http://www.uschamberfoundation.org/sites/default/files/Women-Owned%20Businesses%20Carving%20a%20New%20American%20Business%20Landscape.pdf>

<sup>10</sup> U.S. Women's Chamber of Commerce. (2015, August 19). Women's businesses hit with annual \$10 trillion opportunity loss. Retrieved from <https://uswcc.org/>

<sup>11</sup> U.S. Chamber of Commerce, Center for Women in Business. (2015, p. 10).

<sup>12</sup> American Express OPEN. (2015, p. 2).

<sup>13</sup> U.S. Women's Chamber of Commerce. (2015, August 19). Women's businesses hit with annual \$10 trillion opportunity loss. Retrieved from <https://uswcc.org/>

<sup>14</sup> American Express OPEN. (2015).

<sup>15</sup> Ibid.

<sup>16</sup> U.S. Chamber of Commerce, Center for Women in Business. (2015, p. 4).

<sup>17</sup> Ibid.

<sup>18</sup> American Express OPEN. (2014). The 2014 state of women-owned businesses report. Retrieved from

[https://www.nawbo.org/sites/nawbo/files/2014\\_state\\_of\\_women-owned\\_businesses.pdf](https://www.nawbo.org/sites/nawbo/files/2014_state_of_women-owned_businesses.pdf)

<sup>19</sup> American Express OPEN. (2015, p. 5).

<sup>20</sup> c The 2015 state of women-owned businesses: Summary tables. Retrieved from

[http://www.womenable.com/content/userfiles/2015\\_State\\_of\\_Women-Owned\\_Businesses\\_Report-Summary\\_Tables.pdf](http://www.womenable.com/content/userfiles/2015_State_of_Women-Owned_Businesses_Report-Summary_Tables.pdf) (p. 15)

<sup>21</sup> Ibid.

<sup>22</sup> American Express OPEN. (2015). The 2015 state of women-owned businesses: Summary tables (pp. 1, 3).

<sup>23</sup> Ibid (p. 46).

<sup>24</sup> U.S. Chamber of Commerce, Center for Women in Business. (2015).

<sup>25</sup> Gunn, K. (2015, Dec. 1). Personal communication.

<sup>26</sup> Adkins, C. L., Samaras, S. A., Gilfillan, S. W., & McWee, W. E. (2013). The relationships between owner characteristics, company size, and the work-family culture and policies of women-owned businesses. *Journal of Small Business Management*, 51(2), 196-214; Napier-Pierce, J. (2013, April 22). Entrepreneurs: Utah women taking care of business. *The Salt Lake Tribune*; Paterson, N., & Mavin, S. (2009). Women entrepreneurs: Jumping the corporate ship and gaining new wings. *International Small Business Journal*, 27(2), 173-192.

<sup>27</sup> Madsen, S. R. (2015). Women, confidence, and leadership: What do Utah women leaders think? Retrieved from <https://www.usu.edu/uwlp/files/briefs/11-women-confidence-and-leadership.pdf>; Madsen, S. (2015). Why do we need more women leaders in Utah? Retrieved from

<https://www.usu.edu/uwlp/files/briefs/10-why-do-we-need-more-women-leaders.pdf>; Madsen, S. & Backus, D. C. (2014). The status of women in Utah politics. Retrieved from

<https://www.usu.edu/uwlp/files/briefs/6-status-of-utah-women-in-politics.pdf>

<sup>28</sup> Cantwell, Maria. (2014). 21st century barriers to women's entrepreneurship: Majority report of the U.S. senate committee on small business and entrepreneurship. Retrieved from <http://www.microbiz.org/wp-content/uploads/2014/07/21st-Century-Barriers-to-Womens-Entrepreneurship.pdf>

<sup>29</sup> Cantwell, Maria. (2014, p. 2).

<sup>30</sup> Ibid (p. 20).

<sup>31</sup> Ibid (p. 3).

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<sup>32</sup> Babson College. (2014). Stimulating small business growth: The progress report on Goldman Sachs 10,000 small businesses. Retrieved from <http://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/10ksb-impact-report-2014/program-report.pdf>

<sup>33</sup> Ibid.

<sup>34</sup> Madsen, S. R. (2015). Women, confidence, and leadership: What do Utah women leaders think?; Other Utah Women & Leadership Project briefs retrieved from <https://www.usu.edu/uwlp/files/briefs/11-women-confidence-and-leadership.pdf>; Madsen, S. R., & Hanewicz, C. (2011). Series of Research Snapshots (No. 1-12) with the Utah Women & Education Initiative. Retrieved from <http://dev.utahwomenandeducation.org/>

<sup>35</sup> U.S. Chamber of Commerce, Center for Women in Business. (2015, p. 5).

<sup>36</sup> Women's Business Center. (n.d.). Retrieved from <http://slchamber.com/wbc/>

<sup>37</sup> SCORE is a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed nationwide.

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